

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
www.conted.ro, e-mail: secretariat@conted.ro

The Board of Directors' report for the financial year 2019

Report date: 04.02.2020

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

Headquarters: Dorohoi, 1st December Street No. 8, Botoșani County

Phone number/fax: 0231610067/0231610026

VAT code: RO 622445

Trade registry number: J07/107/1991

Regulated market of the securities: B.V.B. - Standard Category

Market symbol: CNTE

Number of shares: 239.702

Nominal value: 9.53 lei

Subscribed and paid registered capital: 2,284,360.06 lei

Securities: nominative

General presentation of the company

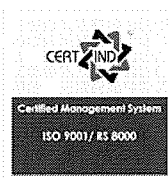
S.C. Conted S.A. is a joint stock company, a Romanian legal entity with unlimited life that is organized and operated according to its statute and under the Companies Law no. 31/1990 of the Law regarding the capital market no. 297/2004 and of Law no. 24/2017 on issuers of financial instruments and market operations. The company is headquartered in Dorohoi, 1st December Street No. 8, Botosani county, Romania, zip code 715200, phone 0231610067, fax 023161026, site www.conted.ro, Tax Identification Number RO 622445, Trade Register Office number: J07/107/1991.

S.C. CONTED S.A. Dorohoi is a high quality garment manufacturer, with an experience of over 50 years in the field of garment manufacturing as well as in the field of export production. The company recorded an ascending evolution, expanding its retail market through contracts with foreign companies.

The company CONTED S.A. Dorohoi is specialized in producing garments for men, women and children: suits, jackets, trousers, coats, skirts, jackets, military uniforms, jackets, vests. We mainly produce garments in lohn system (CM –cut and make), but we also can produce garments with our own fabrics (imported from France, Italy, Spain, Turkey etc.) and trims, as the customer wants (CMT – cut-make-trim). We have possibilities to develop the styles.

The company mainly works in lohn system, having clients that sell their goods in the European community. At the same time, the Company does not neglect new collaboration offers, for which samples or prototypes are made, accepting orders with smaller quantities for prospecting the market.

The registered capital of the company is of 2,284,360.06 lei, fully subscribed and paid, divided in 239,702 nominative shares to the amount of 9.53 lei/share. The company's shares are ordinary, nominative, dematerialized, and registered into account, their records being kept under the law by the Central Depository S.A. from Bucharest. The shares are of equal value and provide equal rights to the shareholders for each share. The company's securities (shares) are registered and traded at the standard category of Bucharest Stock Exchange.



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1. The analysis of the company's activity

- 1.1. a) The main activity developed by S.C. CONTED S.A., according to the article of incorporation, is other garments manufacturing (excluding underwear), NACE code 1413.
- b) The trading company transformed itself through reorganization, on the ground of Law 15/1990 from a republican industrial enterprise.
- c) During the analyses period, there were no mergers or reorganizations of the company.
- d) There were no acquisitions or disposals of assets.
- e) The company features the main indicators achieved in 2019 according to the International Financial Reporting Standards compared to previous periods:

1.1.1. General evaluation elements

- lei -

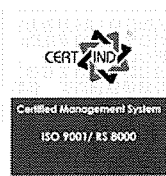
No	SPECIFICATION	2016	2017	2018	2019	2019/2018 %
1	Total income from which:	16,194,137	14,564,831	10,670,076	13,689,123	28.29
1.1.	Sales income - Turnover	16,890,499	13,894,359	10,464,376	13,649,397	30.44
2	Total expenses	15,910,386	15,281,314	12,483,184	13,350,748	6.95
3	Gross profit/loss	283,751	(716,483)	(1,813,108)	338,375	-
4	Exploitation income	16,151,139	14,505,795	10,638,587	13,606,427	27.90
5	Exploitation expenses	15,828,400	15,235,095	12,445,307	13,315,674	6.99
6	Exploitation profit	322,739	(729,300)	(1,806,720)	290,753	-
7	Financial income	42,998	59,036	31,489	82,696	162.62
8	Financial expenses	81,986	46,219	37,877	35,074	- 7.40
9	Financial profit (loss)	(38,988)	12,817	(6,388)	47,622	-
10	Net profit/loss	195,545	(716.483)	(1,813,108)	338,375	-
11	Goods production volume	15,396,498	13,929,999	10,085,210	12,833,464	27.25
12	Labor productivity/employee	33,182	35,000	30,377	39,246	29.20
13	Profit rate to the total income	1.75%	-	-	2.47%	-
14	Liquidity (available into the account)	2,790,552	1,622,539	678,963	167,244	- 75.37
15	Average number of the registered staff	464	398	332	327	- 1.51

The analysis of the presented elements, compared to the same period of the previous year 2018, shows the following:

The company's **turnover** afferent to 2019 is of 13,649,397 lei from which 9,612,101 lei export and 4,037,296 lei internal, compared to 2018 when we recorded 10,464,376 lei, from which 5,737,139 lei export and 4,727,237 lei internal. In its structure, the turnover was achieved mainly by the sale of own production in a proportion of 95%. The value of the export sales in 2019 represents 70.42%, and the value of the internal sales represent 29.58% from the turnover.

The recorded turnover of 2019 to the amount of 13,649,397 lei has increased by a 30.44%, as against 2018.

The volume of total income achieved was to the amount of 13,689,123 lei, representing a increase by 28.29% as against the total income obtained in 2018 to the amount of 10,670,076 lei.



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The volume of total expenses to the amount of 13,350,748 lei has increased by 6.95%, compared to 2018 when we recorded the amount of 12,483,184 lei. In the volume of total expenses, the staff expenses have the highest percentage of 76.30%.

The staff expenses to the amount of 10,186,906 lei, have increased by 0.39%, compared to 2018 when they recorded the amount of 10,146,862 lei, representing 74.63% from the turnover.

The exploitation income to the amount of 13,606,427 lei has increased in 2019 by 27.90% compared to 2018 when they recorded the amount of 10,638,587 lei, as well as the **exploitation expenses**, to the amount of 13,315,674 lei have increased by 6.99% compared to 2018 when they recorded the amount of 12,445,307 lei. In the total of the exploitation income, the sold production has the highest percentage, and from the exploitation expenses, the staff expenses has the highest percentage to the amount of 10,186,906 lei, representing 76.50% from the total of the exploitation expenses. The exploitation activity was concluded with a profit to the amount of 290,753 lei, as against 2018 when we have recorded a loss to the amount of (1,806,720) lei.

The financial income to the amount of 82,696 lei comes from interests, exchange differences and other incomes. **The financial expenses** to the amount of 35,074 lei come from other financial expenses (unfavorable exchange differences). The financial result is profit to the amount of 47,622 lei as against the same period of 2018 when we recorded loss to the amount of (6,388) lei.

In the financial year 2019, the company records a **profit** of 338,375 lei compared to the previous year when we recorded a loss to the amount of (1,813,108) lei.

At the end of 2019, the cash flow was a negative growth of net cash amount of (511,719) lei, reflected in the balance of accounts at banks and house. On 31.12.2019, a decrease of the average number of employees was registered, compared to the same period of 2018 year, from 332 to 327 employees.

1.1.2. Evaluation of the company's technical level

a) The main activity was the production of garments, profiled on the following types: men and women outer garments such as coats, suits, jackets, blazers, trousers, skirts, vests. The company income was obtained by the trading of the garments produces on the European and internal market.

b) In the production structure, a percentage of about 59% represent the jackets, 21% pants and 20% coats, jackets and other products. In total income, (turnover) the jackets represent about 42%, the trousers represent about 14%, the coats 16%, costumes 19%, jackets 3%, nouvelles and other products 1% and various services 5%.

The products manufactured by S.C. CONTED S.A. are intended for both internal market and foreign market.

In 2019 the production manufactured for export represents 74.42%, and the production manufactured for the internal market represents 25.58% from the total production.

c) As for the next period, the company shall focus on the varied range of products.

1.1.3. Evaluation of material and technical supply.

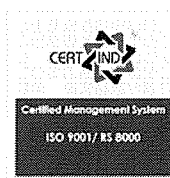
The company uses raw materials brought by the customer as well as raw materials supplied by the company.

1.1.4. Sales evaluation

a) The internal market sales of 2019 were of 4,037,296 lei, in the European community were of 9,496,193 lei, and outside the European Union they were of 115,908 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;



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- 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.

b) Due to the lack of statistical data, we cannot comment on the weight of our products on the market, or on the main competitors, but we know that is an area with a special competition.

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

1.1.5. Evaluation of the issues related to the company's employees

a) On 31.12.2019, the staff average number was of 327 persons. From the total of the company's employees, 11 of them have higher education, the rest of the employees having secondary education, vocational schools, lower secondary schools and training courses or without training courses, the number of unqualified employees being of 90 persons.

In 2019 we have recorded a number of 13 individual work contracts legally suspended.

Regarding the qualification level, we notice the fact that the lab our market has less and less offers of qualified staff, starting with engineers from the textiles area and up to the garment workers or the mechanics from our profile industry area. From this reason, we increasingly rely on unskilled or aged staff, coming from dissolved units or units in which layoffs were made.

We have to train all this staff at least at a minimum level, training that may last for 2-3 months, period of time in which, irrespective of the result and quality of their work, the company provides them, according to the law, the payment of the minimum gross salary guaranteed. In 2019 the staff turnover was as follows: 56 persons left the company and another 46 were employed.

Within the company, at the end of 2019, no union organizations are active.

b) There are no disputes between management and employees that might affect the company's activity.

1.1.6. Evaluation of the issues regarding the impact of the company's main activity on the environment.

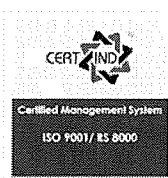
We don't cause any negative impact on the environment deriving from our company's activity profile, whereas we have organized an environment monitoring activity and a collection, delivery and storage system of waste. The company operates under the Environmental Permit no. 117 of 26.11.2019 which will be targeted annually.

The main waste derived from the company's activity is:

- textile waste, paper and cardboard waste, plastic waste, domestic waste, medical waste, fluorescent tube waste and other mercury-containing waste, synthetic hydraulic oil waste.

These ones are collected on categories and stored in the indoor waste repository, being then verified by authorized agents.

We have contracts for collection with the following specialized agents: S.C. Ecowelt S.R.L. Rădăuți, County Suceava, S.C. Istros Com. S.R.L. Iași, S.C. Italtex S.R.L. Iași, S.C. Sarecitetex Total S.R.L. Odobești, County Vrancea, S.C. Vrancart S.R.L. Adjud, County Vrancea, S.C. Ecorec Recycling S.R.L. Buhuși, County Bacău, S.C. Mondeco S.R.L. Suceava for textiles, paper and cardboard, plastics and the others mentioned above and with S.C. Servicii Publice Locale S.R.L. Dorohoi for domestic waste.



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In order to monitor the impact on the environment of the two boilers used for the production of technological steam, on a yearly basis, with the help of authorized companies, flue gas measurements are performed, concerning the emission of pollutants into the atmosphere, test reports being issued. Up to now, according to the issued test reports, our test results were within the permissible limits.

For the waste water which is discharged into the sewage system of the city, annual physicochemical analysis report is issued by the water supply company, the measured values being within the permissible limits.

Also at the level of environmental impact, noise measurements are periodic performed at the property boundary, by Public Health Directorate Botoșani, the measured values being within the permissible limits. According to the law in force, trimestral, biannual and yearly basis, reports are submitted to the Environment Agency, concerning the compliance with environmental quality, and every month it is drafted the Statement regarding the liabilities towards the environment fund, for: emissions of pollutants into the atmosphere from stationary sources (steam boilers) and waste from packaging placed on the market (plastic, paper and cardboard).

1.1.7. Evaluation of research and development activity

The company did not estimate and did not incur research and development expenses in 2019.

1.1.8. Evaluation of the company's activity regarding the risks management

The company is exposed to the following risks:

- Risk related to capital
- Exchange risk
- Liquidity and cash flow risk
- Risk of price reduction
- Risk of lohn system
- Political and legislative risk
- Risk of losing some markets
- Operational risks

Legal frame regarding risks management

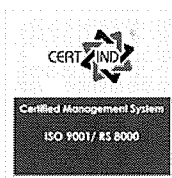
The company's Board of Directors has the general responsibility to establish and monitor the risk management system at the company level.

The activity is governed by the following principles:

- a) The principle of delegation of professional skills;
- b) The principle of decision-making autonomy;
- c) The principle of objectivity;
- d) The principle of investors' protection;
- e) The principle of promoting the development of the stock market;
- f) The principle of the active role.

The Board of Directors is also responsible for the examination and approval of the strategic, operational and financial plan of the company, as well as of the corporate structure of the company. The company's policies of risk management are defined so as to ensure the identification and analysis of the risks which the company incur, the setting of the appropriate limits and controls, as well as the monitoring of the risks and of the compliance with the set limits.

The risk management policies and systems are regularly reviewed in order to reflect the changes in the market conditions and the company's activities. The company, by its training and management standards and procedures, aims to develop an orderly and constructive control environment in which all employees understand their roles and obligations.



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The main purpose of risk management is to help understand and identify risks to which the Company is exposed so that they can be anticipated and managed so as not to affect the efficient fulfillment of the company's objectives.

Since the elements of trade receivables and payables are part of the financial instruments, the Company's management reveals that understand and know the information requirements of IFRS 7 regarding the nature and extent of risks arising from financial instruments and their importance.

The Company's strategy regarding significant risk management provides a framework for identifying, evaluation, monitoring and control of these risks, in order to keep them at acceptable levels according to the company's risk appetite and its ability to cover (absorb) these risks.

The objectives of the strategy regarding the significant risk management are:

- determination of significant risks that may arise in the normal course of the company's activity and formalization of a robust framework for their management and control, according to the objectives of the general strategy of SC CONTED S.A. This is achieved by adopting best practices, adapted to the size, profile and risk strategy of the company;
- development of risk maps to facilitate their identification, structuring and ranking according to the possible impact on the current activity;
- promoting a culture of risk awareness and management in all company structures;

Within SC CONTED S.A., the risk management activity aims to fulfill these objectives.

In the process of risk management, the company aims to develop policies, standards and procedures by means of which the significant risks may be identified, assessed, monitored and controlled or mitigated. This framework will be reviewed periodically, according to the risk profile and risk tolerance, due to the changes in legislation, the internal or external changes.

To this end, the identification and assessment of risks that may arise within the significant activities, is a permanent activity.

The entire staff must understand the risks that may arise within the developed activity, and the responsibilities incumbent concerning the management of these risks. Thus, the company must provide, maintain and continually develop a robust and consistent risk culture, in all structures.

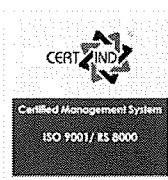
Risk regarding the capital

Capital risk management aims to ensure the ability to work in good conditions by optimizing the capital structure (equity and debt). The analysis of capital structure deals with the capital cost and the risk associated with each class. To maintain an optimal capital structure and an appropriate level of debt, the company proposes to the shareholders an appropriate dividend policy. The Company's objectives in managing capital are to ensure the protection and the ability to reward shareholders, to maintain an optimal capital structure to reduce capital costs. The Company monitors the volume of capital raised on indebtedness.

Currency risk

Within the company business, one of the risks with a high frequency is the currency risk, which consists in the possibility of financial loss arising from the changes in exchange rates and / or correlations between them. On the other hand, currency depreciation as against the major currencies is caused by the internal political intensity which has negatively affected financial markets, exchange rate and stock exchange.

The company's receivables and liabilities are recorded in the accounting system at their nominal value. The receivables and liabilities in foreign currencies are accounted in lei, at the exchange rate in effect at the time of operation.



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Exchange differences between the date of registration of foreign currency receivables and liabilities and the date of receipt or payment thereof shall be recorded as financial income or expenses, as appropriate. The receivables, liabilities and cash in foreign currency were revalued at the end of each month.

Currency risk control measures

As a measure to reduce this risk, the company aims to continuously synchronize the import activity with the export one, by correlating the payment and cashing, as well as correlating the currencies weight, so that the moments in which payments are to be made to be as close or even simultaneously with those of export receipts. Another measure is to anticipate or to delay the payment or cashing by appropriate setting of the maturity and the introduction of precautionary margins in the price, correlated with the prognosis for the evolution of the currency in which payment is made.

Liquidity and cash-flow risk

This risk comes from the inability of the company to meet its short term payment obligations at any time. On the other hand, the liquidity risk is caused by the increasing taxation. When we talk about taxation, we refer in the first instance to predictability and the business environment is exposed to day to day changes in terms of taxation (modification, creation of new taxes, contributions).

Within SC CONTED S.A., the liquidity risk is minimal, and during 2019 no long-term loans were contracted or loans with state guarantees.

Control measures of the liquidity risk

In order to mitigate the uncollectibility risk on the internal market, the following measures were taken:

- assessing the creditworthiness of the trading partners by verification, in various ways, before the conclusion of the contract;
- monitoring of receivables by permanent control and assessment of the risks;
- developing loyalty relationships concerning the customers through regular meetings in order to know them and to approach a constructive attitude;
- setting up expenses provisions to cover the risk of nonpayment.

The risk of prices mitigation

S.C. CONTED S.A. is exposed to a risk of reducing the prices due to cheaper labor in other countries, changes in the economic, social and political.

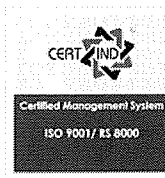
Control measures against the price mitigation risk

In order to mitigate these risks, the company develops a policy to promote the products by emphasizing the advantages related to high quality and alignment with international regulations. On the other hand, the company aims to develop its position on the regulated markets, which have a more restrictive market access and relatively higher price levels.

The risk of lohn system

S.C. CONTED S.A. mainly produces garments in lohn system (CM –cut and make), but they can also produce garments with their own fabrics (imported from France, Italy, Spain, Turkey etc.) and trims, as the customer wants (CMT – cut-make-trim).

Over time, SC CONTED S.A. may be affected more or less by the changes in what we call environment, certain factors of this environment may adversely affect the activity of this company. These politico-legal, economic, socio-cultural factors can have a negative impact, thus creating a high failure transposed in the market response and delays in delivery.



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Politico-legal factors can influence the company's business which is operated by loan system, by imposing some regulations that may be related to the import-export of goods, the economic factors influencing the economy of a country that can influence the purchasing power, also.

Political and legal risk

Legislative changes aiming the textiles market lead to a legal risk that must be managed continuously. The company's effort to adapt constantly to the changing legislative requirements can generate significant additional costs and the potential future amendments to the legislative framework could have negative effects on the activity and profitability of the company.

Control measures of the legal risk

The company's strategy in managing these risks requires:

- Permanent concern to obtain the international certifications concerning manufacturing flows;
- Updating the licensing documentation for the portfolio products;
- Permanent monitoring of legislative changes at an international level.

The risk of losing some markets (contracts)

The decline in the market price of the competing products lead to a non-competitive position, the loss of the partner's interest for the Conted products, as a result of the introduction of new products on the market, lead to the loss of some markets (contracts).

Control measures for the risk of losing some markets (contracts)

To manage this risk it is taken into account:

- continuous monitoring of the international trade policy trends and adopting a diversified export strategy, structurally and geographically speaking, through a differential approach of the developed and developing markets;
- strategic partnerships conclusion with companies holding important positions in international markets, which are able to pursue judiciously such risks;
- anticipate legislative requirements, in order to adapt products documentation to certain requirements or to compensate in other markets;
- customer loyalty;
- identifying new business partners and other cooperative arrangements (compensation)

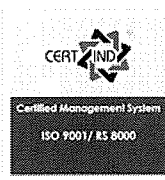
Operational risks

One of the serious problems that the company SC CONTED S.A. is currently experiencing is related to the recruitment and employment of staff specialized in textiles. The failure to attract a sufficient number of suitably qualified personnel, migration, unadjusted labor market, and increased personnel costs are risks that could affect the activity developed by the issuer.

Among the uncertainty factors that could affect the Company's business, we mention:

- Production of garments that stagnate on the circuit and in stock for more than one month, due to the delay of raw materials and trims supply from the customers;
- Temporary suspension of activity because of unforeseen situations;
- The increase of the minimum gross basic salary guaranteed, which will decrease the attractiveness of light industry;

The increase of the minimum gross basic salary guaranteed for payment to the textile workers, may lead to the loss of contracts by the clothing manufactures from Romania and their gaining by the countries with cheaper labour.



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The profile industry is losing competitiveness year after year, and the lohn "migrates" in cheaper countries, with much lower wage levels. S.C. CONTED S.A. performs constant supervision of operational risks in order to take measures to keep them at an acceptable level, which does not threaten its financial stability, creditors, shareholders, employees, partners' interests.

1.1.9. Perspective elements concerning the trading company's activity

a) Key indicators reflecting liquidity increased in 2019 reaching positive levels as against the optimum parameters ensuring normal development of financial activity.

INDICATOR	2019	2018
Current liquidity	4.45	4.25
Current assets / current liabilities 4,720,881 / 1,061,530		
Immediate liquidity	2.93	2.43
Current assets – Stocks/current liabilities 4,720,881 - 1,610,978 / 1,061,530		
Indebtedness	0	0

b) In 2019 S.C. CONTED S.A. planned to realize a volume of investments worth 1,000,000 lei, mainly focused on replacing the defective equipment according to the strict requirements required for the production activity under optimal conditions and for the repair and modernization works that are required.

The investments made in 2019 were worth 454,797 lei, of which: tangible fixed assets in execution amounting to 95,846 lei and advances granted for tangible fixed assets in the amount of 67,227 lei. Financing investments by making their own sources.

c) In 2019 there were no significant events likely to significantly affect the company's income.

2. Corporate assets of the company

2.1. All assets are stated at the headquarters of the company. The functional structure features a production section which is organized in a cutting room, 1 halls for trousers manufacturing, 2 halls for jackets, coats, etc. and 1 for finishing.

2.2. Fixed assets categories, amortization and amortization degree are present in the following table:

- lei -

Current no.	Fixed assets categories	Inventory value 31.12.2019	Depreciated value 31.12.2019	Value remaining 31.12.2019	Amortizati on degree %
1	Land	842,140	-	842,140	-
2	Landscaping	73,316	-	73,316	-
3	Constructions	3,711,878	-	3,711,878	-
4	Technological equipment and vehicles	8,472,472	7,529,630	942,842	88.87
5	Other fixed assets	203,610	180,293	23,317	88.55
	TOTAL	13,303,416	7,709,923	5,593,493	57.95

2.3. There are no problems related to the ownership of the company's tangible assets.



S.C. CONTED S.A.

Confecții textile

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3. The market for the securities issued by the company

3.1. S.C. CONTED S.A. is listed in the standard category s of B.S.E., where it is trading with the following characteristics:

Market symbol: CNTE
Ordinary, nominative, dematerialized shares
Number of issued shares: 239,702
Nominal value: 9.53 lei
Registered capital value: 2,284,360.06 lei
ISIN Code: ROCNTEACNOR9

3.2. The company policy is to continue the activity in terms of economic efficiency with profitable results to be distributed. For the year 2019 no dividends are distributed.

The company registered on 31.12.2019, profit that according to the legislation, will cover the loss registered in the previous years 2017, 2018. In the last 3 years (2017, 2018, 2019) the company did not distribute dividends.

3.3. - 3.5. The Company has not issued any shares during the financial year 2019 and any bonds or other debt securities

4. Company's management

4.1. Board of Directors

a) Board of Directors presentation

- **Hamidi Haissam**, 57 years old, born on September 24, 1962 in the town of El Koubbe, Lebanon, by profession mechanical engineer, who performs the function of administrator - chairman of the Board of Directors.
- **El Turk Ana Maria**, 37 years old, born on 01.03.1982 in the town of Saveni, Botoșani county, by medical assistant profession, who performs the function of administrator - member in the Board of Directors.
- **El Turk Ezzedine**, 56 years old, born on 22.01.1963 in Lebanon, Tripoli, a dental technician profession, who serves as an administrator - member of the Board of Directors.

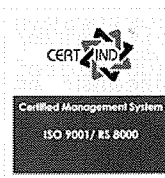
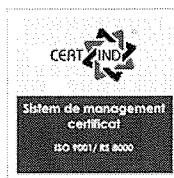
SC CONTED S.A. is administered by a Board of Directors composed of 3 members, elected and appointed by the General Meeting of Shareholders from 10.01.2019, for a term of 4 years from 10.01.2019 to 10.01.2023.

At the level of the Board of Directors a president was elected. The Chairman of the Board of Directors is neither the General Manager nor the other members of the Board of Directors have executive positions in the company. The elected administrators are non-executive.

b) There is no agreement, convention or family relationship between the administrators and other persons due to whom the latter might be nominated administrators.

c) To the company's capital, the Board of Directors, president, eng. Hamidi Haissam, participates with a percentage of 81.1186 %.

d) Affiliated persons – Not applicable.



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4.2. Presentation of the executive management members of the company

General Manager

a) The Board of Directors, in accordance with Law 31/1990 art.143, has delegated the executive management of the company to a general manager, who is not an administrator.

According to the Decision no. 1 from the meeting of 10.01.2019 of the Board of Directors of S.C. CONTED SA is dismissed from the position of General Director following the resignation of the mandate by resignation, Mr. Ec. Popa Manuel and a new General Director is appointed by the person of Mrs. Ing. Popovici Adriana, whose individual employment contract she has had with the company was suspended, concluding a mandate contract for 1 year for the period 10.01.2019 -10.01.2020.

Mrs. Popovici Adriana is 61 years old, she was born on 30.11.1958 in the town of Dorohoi, Botoșani County, she is a textile engineer by profession - textile technology and chemistry profile, with 35 years professional experience.

The General Manager is mandated with decision-making powers for the organization and management of the company's business, to use and manage the company's funds, to represent the company towards third parties.

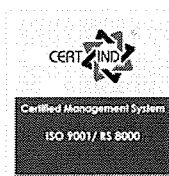
The General Manager has the following attributions and prerogatives:

- ✓ fulfil its obligations with the diligence of a good owner;
- ✓ implement strategies to ensure and maintain economic and development efficiency of the company;
- ✓ selection, hiring and firing of the employed personnel;
- ✓ collective work contract negotiations;
- ✓ individual work contract negotiations;
- ✓ signing legal documents in the name and on behalf of the company; legal acts for which, according to Law no. 31/1990 or the articles of incorporation, it is necessary the approval of General Assembly of Shareholders or Board of Directors at their conclusion;
- ✓ participate to the Board of Directors meetings, where he will present quarterly reports containing relevant information;
- ✓ participate to the general assemblies of the shareholders;
- ✓ declare his quality as representative of the company in all legal acts to be concluded on behalf of the company;
- ✓ observe the provisions of Law no. 31/1990 regarding the duties and responsibilities of a manager;
- ✓ approve Rules of procedure and functioning, Internal Rules and other regulations in areas such as: emergency internal service; security, under the Act. no. 319/2006 on safety and health at work

The General Manger informs the Board of Directors about the irregularities found and the measures taken or the measures that might be within the competence of the board of directors.

The General Manager or the other appointed executives may be revoked at any time by Board of Directors under the law and the mandate contract. If the revocation occurs without a due cause, the person concerned can claim damages. The Board of Directors retains the duty of representing the company in relations with the general manager or other directors appointed by the president.

The act of representing the company in dealings with third parties and the justice belongs under delegated powers, based on the mandate contract, to the General Manager.



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The managers delegated by the Board of Directors will need to be authorized by the Board of Directors, the managers/ administrators or internal auditors of other competing companies or with the same activity object cannot exercise the same trade or other competing trade on their account or somebody else's account under penalty of revocation and liability for damages.

b) There is no agreement, understanding or family link between the director and other persons by whom the director is to be named.

c) Participation of the respective person to the registered capital - Not applicable.

4.3. All the persons provided at art. **4.1.** - **4.2.** are not undergoing litigations or administrative procedures related to their activity within the issuer and are capable to fulfil their attributions within the company.

4.4. Corporate governance

S.C. CONTED S.A. is administered under a unitary system in accordance with the provisions of the articles of incorporation and of Law no. 31/1990 republished, with all subsequent amendments, Subsection I - The unitary system art. 137, pt. 1 and 2, able to ensure the smooth functioning of the company. The corporate governance structures of S.C. CONTED S.A. are represented by the Board of Directors and the executive management.

S.C. CONTED S.A. is managed by a Board of Directors composed of 3 members, non-executive directors, temporary and revocable, appointed by the General Assembly of Shareholders for a period of 4 years. In its activity, the Board of Directors makes decisions.

The legally adopted decisions are binding for both the executive management of the company and for the administrators who voted against and are enforceable since their written communication, or from the moment of general notification through the Secretariat of the Board of Directors, if their content does not provide another term, subsequent to the notification date, starting with which they will come into force. The revocation of the Board of Directors members can be made at any time by the Resolution of the General Assembly of Shareholders.

The main objective of the Board of Directors, defined and determined by the peculiarities of S.C. CONTED S.A. and by the macroeconomic context in which it operates, is the establishment of a balance between the optimum business continuity and the shareholder expectations satisfaction.

The obligations and responsibilities of the directors are regulated by the provisions regarding the mandate and those specifically provided for in the Companies Law no. 31/1990, of Law no. 297/2004 regarding the capital market, of the Law no.24 / 2017 regarding the issuers of financial instruments and market operations, the regulations A.S.F. also applicable by the statutory provisions.

The Board of Directors may create advisory committees made up of members of the Board, responsible for conducting investigations and making recommendations to the Board, in areas such as audit, remuneration of directors, managers, staff, the nomination of candidates for various management positions.

The Board of Directors establishes the internal rules of the committees established. The Board of Directors approves the delegation of powers and sets limits for the general manager and the other directors. The transactions made under the powers delegated to the executive management are reported to the Board by written reports, usually quarterly.



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The Board of Directors approves the delegation of powers and / or the right of representation for other managers or employees of the company, setting also their limitations. Quarterly, the Board of Directors analyzes under the report presented by the General Manager:

- In the field of production and services activity: completing the production program afferent to the trimester and preliminaries for the next trimester; equipment maintenance and repair program in the previous quarter and the measures that are envisaged for implementation of the programs planned for the next quarter;
- In the field of commercial activity: the performance of the sales program for the quarter and preliminary results for the next quarter; the situation of the receivables recorded within the commercial relationships; Ensuring the equipment needed for the production program, structure analysis of the finished products stocks and of the stock necessary level, according to the season.
- In financial and economic activity field: the achievement of the indicators from the budget of revenues and expenditures; trimestral reports afferent to trimesters I and III; the biannual report; the annual report; the production cost structure and the profitability of the sold products in the previous quarter; statement of costs incurred and the amount of production delivered on the orders closed in the previous quarter; the result of the patrimony inventory and other.

There were provided the conditions necessary to the shareholders information on financial results and on all relevant aspects of the business, by both the website and through the General Secretariat of the Board of Directors. Both in 2019 and in the previous years, it was provided an equitable treatment to all the shareholders by promoting an effective and active communication with them.

Information related to the internal control

Within the company CONTEDED SA, the internal control provision mainly aims at the internal, accounting and financial control activities and the internal audit.

In the field of internal control, the following basic principles are taken into consideration:

- Compliance with regulations specific to the company's business;
- Compliance with internal working procedures and decisions of the management bodies of the company's business.

The internal, accounting and financial control of the company had in view the provision of an accounting management and of a financial follow-up of the activities to meet the defined objectives.

In terms of accounting rules, the company has elaborated:

- the accounting policies manual;
- procedures for the implementation of this manual;
- knowledge of the accounting and tax legislation development;
- carrying out specific controls on sensitive points;
- Identification and appropriate treatment of anomalies;
- adapting the software to the needs of the entity;
- compliance with accounting rules;
- ensuring accuracy and completeness of accounting records;
- compliance with the qualitative characteristics of information from the financial statements so as to meet the needs of the users.



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Internal audit

The internal audit is provided through a services contract by a company independent of the S.C. CONTED S.A. management, subordinated to the Board of Directors.

The internal audit is carried out based on an audit plan established in accordance with company objectives. The internal audit activity plan was approved by the Board of Directors.

The internal auditor should have an experience appropriate to its duties. The Internal Auditor shall have competence in accounting and/or auditing.

The Internal Auditor has the following attributions:

- ✓ supervision of the company's management;
- ✓ checking whether the financial statements are legally prepared and in accordance with the records, if the latter are held regularly and if the property valuation was done according to the rules for the preparation and presentation of financial statements;
- ✓ examining the claimed situations, in accordance with the law, by shareholders and depending on the findings, legal action shall be taken;
- ✓ maintenance of professional secrecy during the mandate and for at least three years after its expiry.

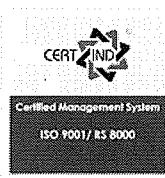
To this end, the Internal Auditor will present detailed reports, and the reporting manner and procedure are those provided by the rules drawn up by the Chamber of Financial Auditors of Romania. The internal auditor shall inform the Board of Directors members the irregularities related to the administration. The internal auditor shall present at least quarterly and whenever it is necessary to analyze the audit report and/or external auditor's opinion on key issues arising from the audit of the annual financial statements/biannual reports and on the process of financial reporting and shall recommend the appropriate measures to be taken.

The Internal Auditor deliberations are recorded in a register and are presented to the Board of Directors. Quarterly, the internal auditor shall submit to the Board of Directors a report containing a summary of the work done and recommendations on matters falling within its remit, ie the financial reporting area, of the internal control and of the risk management.

Statutory audit

The statutory auditor shall audit the financial statements and the annual audit report results are presented for the information of General Assembly of Shareholders, which decide the discharge of the Board of Directors only after submission of the audit report of the financial statements of the company. The statutory auditor of the company S.C. MCO CONTAB CONSULT SRL Botoșani, represented by financial auditor Merghidan C-tin Ovidiu.

General Assembly of Shareholders dated 15.04.2019 decides the election of the statutory auditor S.C. MCO CONTAB CONSULT SRL, with headquarters in Botoșani, str. Aleea Curcubeului, nr. 11, sc. B, ap. 11, VAT Number: 18997162, registered at the Trade Registry under no. J07/488/2006, represented by financial auditor Merghidan C-tin Ovidiu for a period of one year (closing of the financial year 2019).



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5. Individual financial-accounting statement

5. a) Financial position

The economic and financial situation compared to the last two years is shown in the table below:

- lei -

	2016	2017	2018	2019	% Elements in total assets / total liabilities 2019	% Elements in total assets / total liabilities 2018	% 2019/ 2018
I. Total assets (TA) from which:	12,510,578	11,226,224	9,235,252	10,500,497	100.00	100.00	13.70
1. Fixed assets from which:	5,684,539	5,233,073	4,904,275	5,764,703	54.90	53.10	17.54
1.1. land and landscaping	842,140	852,548	844,965	915,456	8.72	9.14	8.34
1.2. constructions	3,521,772	3,218,466	3,015,253	3,711,878	35.35	32.65	23.10
1.3. real estate investment	122,610	119,512	120,845	-	-	1.31	-
1.4. other fixed assets	1,198,017	1,042,547	923,212	974,296	9.28	10.00	5.53
1.5. tangible fixed assets in progress	-	-	-	95,846	0.91	-	-
1.6. advances granted for tangible assets	-	-	-	67,227	0.64	-	-
2. Current assets from which:	6,814,463	5,977,415	4,321,700	4,720,881	44.96	46.80	9.24
2.1. stocks	1,571,167	1,850,045	1,855,085	1,610,978	15.34	20.09	-13.16
2.2. liabilities	2,452,744	2,504,831	1,787,652	2,942,659	28.02	19.36	64.61
2.3. cash register and bank accounts	2,790,552	1,622,539	678,963	167,244	1.60	7.35	-75.37
3. Other assets	11,576	15,736	9,277	14,913	0.14	0.10	60.75
II. Total liabilities (TP) from which:	12,510,578	11,226,224	9,235,252	10,500,497	100.00	100.00	13.70
1. Total debts from which:	1,770,821	1,246,744	1,254,814	1,402,746	13.36	13.59	11.79



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1.1. with payment under one year	1,482,963	989,917	1,016,296	1,061,530	10.11	11.01	4.45
1.2. with payment longer than one year	287,858	256,827	238,518	341,216	3.25	2.58	43.06
2. Provisions for employee benefits - holidays rest	257,085	377,805	173,562	313,016	2.98	1.88	80.35
3. Advance income:	-	-	-	-	-	-	-
4. Equity	10,482,672	9,601,675	7,806,876	8,784,735	83.66	84.53	12.53

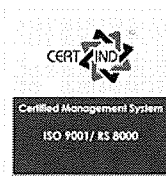
Main assets elements that exceed 10% from the total assets	Amount - lei	In total assets in 2019 (%)
Lands and constructions	4,627,334	44.07
Liabilities	2,942,659	28.02
Stocks	1,610,978	15.34
Main liabilities elements that exceed 10% from the total liabilities	Amount - lei	In total liabilities in 2019 (%)
Paid subscribed capital	2,284,360	21.75
Revaluation reserves	2,804,029	26.70
Reserves	4,537,609	43.21

From the comparative analysis of the balance sheet items, it was noticed a increase by 17.54% of the **fixed assets** and of the **current assets** by 9.24% compared to 2018. The weight of debt in total assets was only 16.34%, during which equity ranged between 84.53% and 83.66% of total assets.

5. b) The overall result is the following:

- lei -

Current no.	Overall result elements	2016	2017	2018	2019	2019/2018 (%)
1.	Total income	16,194,137	14,564,831	10,670,076	13,689,123	28.29
1.1.	Exploitation income, from which	16,151,139	14,505,795	10,638,587	13,606,427	27.90
1.1.1..	Sales income - turnover	16,890,499	13,894,359	10,464,376	13,649,397	30.44
1.2.	Financial income	42,998	59,036	31,489	82,696	162.62
2.	Total expenses	15,910,386	15,281,314	12,483,184	13,350,748	6.95
2.1.	Exploitation expenses, from which:	15,828,400	15,235,095	12,445,307	13,315,674	6.99
2.1.1.	Expenses related to raw materials and materials	1,103,472	1,117,021	804,570	1,114,604	38.53
2.1.2.	External expenses related to energy	1,071,584	919,231	801,073	961,306	20.00



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	and water consumption					
2.1.3.	Expenses related to staff	12,544,148	12,103,070	10,146,862	10,186,906	0.39
2.1.4.	Expenses with amortization	326,831	454,617	342,976	325,972	- 4.96
2.1.5.	Other exploitation expenses – expenses related to the external services	525,280	520,436	554,069	587,432	6.02
2.1.6.	Adjustments for provisions	257,085	120,720	(204,243)	139,454	-
	- Expenses	257,085	373,164	159,898	297,000	85.74
	- Incomes	-	252,444	364,141	157,546	- 56.73
2.2.	Financial expenses	81,986	46,219	37,877	35,074	- 7.40
3.	Gross profit/loss (1-2) from which:	283,751	(716,483)	(1,813,108)	338,375	-
3.1.	Exploitation profit/loss	322,739	(729,300)	(1,806,720)	290,753	-
3.2.	Financial profit/loss	(38,988)	12,817	(6,388)	47,622	-
4.	Net profit/loss	195,545	(716,483)	(1,813,108)	338,375	-

Indicators exceeding 20% from the total turnover	Amount - lei	In turnover in 2019 (%)
Sold production	13,499,305	98.90
Expenses related to staff	10,186,906	74.63

From the analysis of the above mentioned information, we notice a increase by 28.29% in the income, as against 2018. The categories of expenses that registered increases in 2019 were the expenditures on raw materials and materials (38.53%), the expenses on the utilities (20%) and the expenses on the external benefits with 6.02%.

5. c) Cash – Flow

At the end of 2019, the cash flow was a negative growth of net cash amount of (511,719) lei, reflected in the balance of accounts at banks and house.

- lei -

	2016	2017	2018	2019
Net cash from the exploitation	1,021,861	(961,872)	(924,489)	(67,195)
Net cash from the investment	(228,931)	(3,749)	(15,703)	(441,667)
Net cash from the financing activities	(1,101,676)	(202,392)	(3,384)	(2,857)
Net increase /decrease of cash and cash equivalent	(308,746)	(1,168,013)	(943,576)	(511,719)
Cash and cash equivalent at the beginning of the period January 1st	3,099,298	2,790,552	1,622,539	678,963
Cash and cash equivalent at the end of the period 31st of December	2,790,552	1,622,539	678,963	167,244



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The financial statements 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;

The financial statements were approved by the Board of Directors in its meeting on February 04, 2020. The reporting currency of the financial statements is leu.

At the date of the report drafting, the company management has no knowledge of events, economic changes or other factors of uncertainty that could significantly affect the company's income or liquidities, other than those already specified.

**Chairman of the Board of Directors,
Eng. HAMIDI HAISSAM**

