



S.C. CONTEDED 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.conteded.ro, e-mail: secretariat@conteded.ro

THE BOARD OF DIRECTORS' REPORT FOR THE FIRST SEMESTER OF 2019

(drafted in accordance with the provisions of A.S.F. Regulation No. 5 of 10 May 2018, Annex 14)

Report date: 14.08.2019

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

Headquarters: locality DOROHOI, Botoșani County

Street: 1 Decembrie nr.8

Post code: 715200

Phone/Fax: 0231/610067/0231/610026

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. CONTEDED S.A. Dorohoi for the first semester of 2019 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 2019.

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

Lei

	30.06.2019	30.06.2018
Total assets from which:	9,463,027	9,554,061
Fixed assets	4,930,361	5,059,146
- Intangible assets	11,440	18,762
- Tangible assets	4,918,921	5,040,384
Current assets	4,453,520	4,427,057
- Inventories	1,945,114	2,258,795
- Trade receivables and other receivables	2,367,216	1,376,011
- Cash and cash equivalents	141,190	792,251
Other assets items (accrued expenses)	79,146	67,858
Total debts and equity, from which:	9,463,027	1,083,506
Current debts	1,580,404	809,951
Long term debts	230,257	246,871
Provisions for employee benefits	81,875	26,684
Equity, from which:	7,570,491	8,470,555
- Registered capital	2,284,360	2,284,360
- Other items of equity	(230,257)	(246,871)
- Revaluation reserve	2,110,535	2,214,371
- Legal reserve	456,661	456,661
- Other reserves	4,080,948	4,080,948
- Reported result	(887,110)	822,162
- The financial year result	(244,646)	(1,141,076)



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Compared to 30.06.2018 the trade receivables to the amount of 2,343,126 lei (2018: 1,362,153 lei have increased by 72.02%, the current assets to the amount of 4,453,520 lei (2018: 4,427,057) lei have increased by 0.60% as, and the current debts to the amount of 1,662,279 lei (2018: 836,635) lei have increased by 98.69%.

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

	<u>Lei</u>
Customer creditors	1,259
Trade debts – suppliers	574,521
Staff liabilities and assimilated accounts	275,622
Debts to social security and state budget, other taxes and fees	709,644
Amounts due to shareholders	19,358
Provisions for employee benefits	81,875

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	30.06.2018	30.06.2019	% from the total assets 30.06.2019
	TOTAL ASSETS	9,554,061	9,463,027	100.00
	10% from the total assets	955,406	946,303	10.00
1.	Buildings	3,111,660	3,106,817	32.83
2.	Inventories	2,258,795	1,945,114	20.55
3.	Trade liabilities - clients	1,362,153	2,343,126	24.76

Debts exceeding 10% from the total debts

Lei

Current no.	Analytical indicators from the balance sheet, exceeding 10% from the total debts	30.06.2018	30.06.2019	% from the total debts 30.06.2019
	TOTAL DEBTS	9,554,061	9,463,027	100.00
	10% from the total debts	955,406	946,303	10.00
1.	Other reserves	4,080,948	4,080,948	43.13
2.	Reevaluation reserve	2,214,371	2,110,535	22.30
3.	Subscribed and paid registered capital	2,284,360	2,284,360	24.14

During the first semester of 2019, the registered capital of the company was not changed in the sense of its increasing or decreasing. The registered capital on June 30th, 2019 is of 2,284,360.06 lei and is held by a number of 466 shareholders.



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b) Items of the global result

	Lei	
	30.06.2019	30.06.2018
• Total income	6,442,196	4,943,368
• Exploitation expenses, from which:	6,393,581	4,930,890
- Turnover from which:	6,202,524	4,505,220
<i>Sold output</i>	6,123,995	4,426,262
<i>Sales income</i>	78,529	78,958
- Income related to the products inventories costs	132,354	410,016
- Other income	58,703	15,654
• Financial income	48,615	12,478
• Total expenses	6,686,842	6,084,444
• Exploitation expenses, from which:	6,668,477	6,065,375
- Expenses related to raw materials and merchandise	655,452	222,820
- Expenses for the goods	59,505	78,134
- Expenses for energy and water	462,424	397,336
- Expenses related to salaries, social contributions and other benefits	5,080,414	5,282,325
- Expenses for the amortization	161,770	179,342
- Other exploitation expenses, from which:	340,599	256,539
<i>Expenses related to the external services</i>	158,124	143,740
<i>Expense for other interests, fees and assimilated payments</i>	116,110	105,889
<i>Expense for the environment protection</i>	210	413
<i>Other expenses</i>	66,155	6,497
- Adjustments for provisions	(91,687)	(351,121)
Expenses	-	-
Incomes	91,687	351,121
• Financial expenses	18,365	19,069
• Exploitation result	(274,896)	(1,134,485)
• Financial result	30,250	(6,591)
• Result before taxation	(244,646)	(1,141,076)
• Continuous activities result	(244,646)	(1,141,076)

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 6,442,196 lei, meaning a increase by 30.32% compared to the total income gained during the same period of 2018, the amount of 4,943,368 lei.

The volume of total expenses is of 6,686,842 lei, and that they have increased by 9.90% compared to the first semester of 2018, when I registered the amount of 6,084,444 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 5,080,414 lei, meaning percentage of 75.98%.

Exploitation income to the amount of 6,393,581 lei have increased during the first semester of 2019 by 29.66% compare to the same period of the previous year, when the amount of 4,930,890 lei, and **the exploitation expenses** to the amount of 6,668,477 lei have increased by 9.94% compared to 30.06.2018, when I registered the amount of 6,065,375 lei.



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The exploitation activity ended with a loss to the amount of (274,896) lei, compared to the first semester of 2018, ended with a loss to the amount of (1,134,485) lei. From the total of the exploitation income, the most important part is the sold output in the amount of 6,123,995, 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 5,080,414 lei, meaning 76.18% from the total exploitation expenses the amount of 6,668,477 lei.

Financial income to the amount of 48,615 lei is coming from interests, foreign exchange differences favorable and other financial income.

Financial expenses to the amount of 18,365 lei are coming from other financial expenses (unfavourable foreign exchange differences). Therefore, the financial result is a profit to the amount of 30,250 lei as compared to the same period of 2018, when we recorded loss to the amount of (6,591) lei.

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

During the first semester of 2019, the company has recorded a loss to the amount of (244,646) lei, as compared to the same period of the previous year when we recorded a loss to the amount of (1,141,076) 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	30.06.2018	30.06.2019	% of the total turnover 30.06.2019
	Turnover	4,505,220	6,202,524	100.00
	20% from the turnover	901,044	1,240,505	20.00
1.	Sold output	4,426,262	6,123,995	98.73
2.	Expenses with salaries, social contributions and other benefits	5,282,325	5,080,414	81.91

The company's turnover related to the first semester of 2019 is of 6,202,524 lei from which 3,915,738 lei achieved exportation and 2,286,786 lei achieved internal, as compared to the first semester of 2018 when we recorded 4,505,220 lei, from which exportation 2,694,992 lei and internal 1,810,228 lei.

In its structure, the turnover was achieved mainly by the sale of own production in a proportion of 99%. The value of the exportation sales in the first semester of 2019 represents 63.13%, and the internal sales represent 36.87% from the turnover. **The turnover** registered in the first semester of 2019 to the amount of 6,202,524 lei has increased by 37.67% compared to the same period of the previous year, when the amount of 4,505,220 lei was registered.

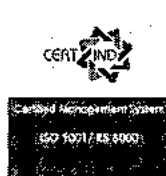
The expenses related to staff to the amount of 5,080,414 lei, have decreased by 3.82%, compared to the same period of the previous year, representing 81.91% from the turnover and include:

	<u>30.06.2019</u>	<u>30.06.2018</u>
Expenses related to salaries	4,545,527	5,029,924
Expenses related to the contributions at the obligatory social insurances	150,777	252,201
Expenses with table and gift vouchers	384,110	200
Total	5,080,414	5,282,325

Average number of employees 326 345

At the end of the first semester of 2019, it was a recorded a decrease in the average number of employees compared to the same period of 2018, from 345 employees to 326 employees. 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 2019, the company distributed dividends in the amount of 1,549 lei, representing dividends for the years 2013 - 2016. For the year 2017 and 2018, the company did not distribute dividends, because it recorded a loss.

c) Cash – flow items

Items (lei)	30.06.2019	30.06.2018
A. The exploitation activity		
• Receipts, from which:	6,899,921	5,925,484
- Cashed interests	485	3,535
• Payments from which:	(6,183,474)	(6,874,794)
- payments for suppliers and employees	(4,067,803)	(4,024,178)
- payments for taxes and fees to the state budget and social insurances budget	(2,115,671)	(2,850,616)
• Other exploitation operations:	(1,022,424)	126,531
receipts	655,038	270,736
payments	(1,677,462)	(144,205)
Net cash related to the exploitation activity	(305,977)	(822,779)
B. Investment activity		
• Payments for fixed assets acquisition	(230,247)	(6,121)
Net cash form the investment activities	(230,247)	(6,121)
C. Financing activity		
• Payments for dividends	(1,549)	(1,388)
Net cash from financing activities	(1,549)	(1,388)
Net cash increase/decrease (A+B+C)	(537,773)	(830,288)
Cash at the beginning of the period January 1st	678,963	1,622,539
Cash at the end of the period June 30th	141,190	792,251

The net cash on June 30th, 2019 is recording a decrease to the amount of (651,061) lei compared to the same period of the previous year.

2. ANALYSIS OF THE COMPANY'S ACTIVITY

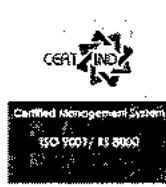
2.1. Presentation and analysis of the trends, items, events or uncertainty factors affecting or possibly affecting the trading company liquidity, as compared to the previous year.

S.C. CONTEDED 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.

The main clients for which the company worked during the first semester of 2019 were: HMD S.A.R.L. France, S.C. Incom Vranco Focșani, S.C. Cristian ABC S.R.L. Iași, S.C. Tanex S.R.L. București and S.C. Confecția Miercuria Ciuc.

The manufactured products had as destination, clients like: Charles le Golf, Ba&sh, Gresley, Cyrillus, Balibaris, Hacket, Gerard Darel, Printemps, Bennavita, Cartier, Burton, Father & Son, Galeries - Lafayette și Celio.

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 2019	Amount
Current liquidity indicator	$\frac{\text{Current assets}}{\text{Current debts}}$	$\frac{4,453,520}{1,662,279}$	2.68
Indicator of the indebtness degree (%)	$\frac{\text{Borrowed capital}}{\text{Equity}}$	$\frac{0}{7,570,491}$	0%
Debts turnover - clients	$\frac{\text{Clients average balance}}{\text{Turnover}} \times 180$	$\frac{1,851,116}{6,202,524} \times 180$	54
Fixed assets turnover	$\frac{\text{Turnover}}{\text{Fixed assets}}$	$\frac{6,202,524}{4,930,361}$	1.26

During the period January – June 2019, the current liquidity ratio was 2.68. 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 2019, the number of days until the date to which the clients have paid their debts was of 54 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 1.26 – indicating the efficacy of the fixed assets management by obtaining a turnover of 6,202,524 lei generated by a quantity of fixed assets of 4,930,361 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 2019 are of 6,142,184 lei, increasing by 39.11% as compared to the same period of the previous year when we recorded the amount of 4,415,284 lei.

The turnover achieved in the first semester of 2019 is to amount of 6,202,524 lei and increased by the amount of 1,697,304 lei as compared to the first semester of 2018, when we recorded the amount of 4,505,220 lei. This level of the turnover was obtained by the sale of own production manufactured in the first semester of 2019 and by the sale from the finished products and merchandise stocks.



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Thus, the own products and to amount of 6,142,184 lei merchandise have contributed by 99% to the achievement of the turnover, and the supplied services and other sales to amount of 60,340 lei represented 1% from the turnover.

The internal market sales of the first semester of 2019 were of 2,286,786 lei, in the European community were of 3,856,206 lei, and outside the European Union they were of 59,532 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 2019, 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 30.06.2019 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. 2493 of July 08, 2019 approving the accounting reporting system of the economic operators on June 30th 2019.

The financial statements were approved by the Board of Directors in its meeting dated on July 29th, 2019.

The reporting currency of the financial statements is leu.

The financial statements drawn-up on June 30th, 2019 were not audited.

Chairman of the Board of Directors,
Eng. HAMIDI HAISSAM



