



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
www.conted.ro

Nr. ORC: J07/107/1991

TEL/FAX: 0231615457/0231610026
e-mail: secretariat@conted.ro

The Board of Directors' report for the financial year 2014

Report date: 27.01.2015
Name of the trading company: S.C. CONTED S.A.
Headquarters: Dorohoi, 1st December Street No. 8, Botoșani county
Phone number/fax: 0231 610067/0231 610026
VAT code: RO 622445
Trade registry number: J 07/107/1991
Regulated market of the securities: B.V.B. 2nd Category - shares
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. 31/1991 republished in 2004 and modified by Law 441/2006, OUG no.82/2007 and OUG no. 52/2008 as well as the Law regarding the capital market no. 297/2004.

The company is headquartered in Dorohoi, 1st December Street No. 8, Botosani county, Romania, zip code 715200, phone 0231610067, fax 023161026, website 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 40 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: men suits, men jackets, men trousers, men coats, women coats, women skirts, women trousers, women jackets, women suits, military uniforms, children jackets, children coats. 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.

SC CONTED S.A. invested in the purchase of modern equipment for modernization of the cutting room and full computerization of the production process. Thus, the unit currently has special equipment with which it can be performed most of the seams required by the market:

- AMF seam;
- seam Columbia;
- cover seams;
- chain seams;
- all types of buttonholes etc.

The unit is equipped with a range of equipment specific to garment industry, which performs operations that contribute to the achievement of the finished product:

- computer assisted programming – GERBER;
- semiautomatic table to prepare the cutting – KURIS;
- automatic cutter – CUTTER GERBER;
- manufacture of cut pieces – PFAFF, DURKOPP, JUKI, BROTHER;
- for ironing – HOFFMAN, BRISAY presses.



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
www.conted.ro

Nr. ORC: J07/107/1991

TEL/FAX: 0231615457/0231610026
e-mail: secretariat@conted.ro

The company mainly works in lohn system, having three important 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 traditional clients of the company are: HMD S.A.R.L. France; Again Textile Team S.R.L. Brașov, S.C. Formen's S.R.L., S.C. Paoloni Industrie S.R.L. Jilava. Through the company Again, CONTED S.A. worked for famous brands as Esprit, Patrizia Pepe, Mazonetto, Otto Kim, Piere Cardin, through H.M.D. France, the company worked for Zara, Celio, Jules, Olly Gan, Oliphil, Devred, Brice, Massimo Dutti, and through S.C. Formen's for Louis Vuitton, Devred, Cielo.

Over the years, the issuer also collaborated with Benetton, Diesel, F.C. Browns, Sadev, Italtant for Incotex, PoloRolph, Foconalle.

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 2nd category shares of Bucharest Stock Exchange.

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, except 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 analysed 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 2014 according to the International Financial Reporting Standards:

1.1.1 General evaluation elements

No	SPECIFICATION	2014	2013	2014/2013 %
1	Total income from which:	19.916.356	21.485.180	-7,30
1.1	Sales income - Turnover	19.231.926	21.299.967	-9,71
2	Total expenses	17.938.830	18.289.529	-1,92
3	Gross profit	1.977.526	3.195.651	-38,12
4	Exploitation income	19.810.302	21.241.816	-6,74
5	Exploitation expenses	17.870.151	18.121.582	-1,39
6	Exploitation profit	1.940.151	3.120.234	-37,82
7	Financial income	106.054	243.364	-56,42
8	Financial expenses	68.679	167.947	-59,11
9	Financial profit	37.375	75.417	-50,44
10	Net profit	1.689.839	2.703.130	-37,49
10	Goods production volume	17.012.839	18.317.511	-7,12
11	Labor productivity/employee	33.689	36.489	-7,67
12	Profit rate to the total income	9,93%	14,87%	-4,94
13	Liquidity (available into the account)	3.896.423	3.894.994	0,04
14	Average number of the registered staff	505	502	0,60



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
www.conted.ro

Nr. ORC: J07/107/1991

TEL/FAX: 0231615457/0231610026
e-mail: secretariat@conted.ro

The analysis of the presented elements, compared to the same period of the previous year 2013, shows the following:

During the financial year 2014, the company recorded a **gross profit** to the amount of 1.977.526 lei, decreasing by 38.12% compared to previous year, when we recorded a gross profit to the amount of 3.195.651 lei.

The company's **turnover** afferent to 2014 is of 19.231.926 lei from which 6.151.560 lei export and 13.080.366 lei internal, compared to 2013 when we recorded 21.299.967 lei, from which 8.887.429 lei export and 12.412.538 lei internal.

In its structure, the turnover was achieved mainly by the sale of own production in a proportion of 99 %. The value of the export sales in 2014 represents 32 %, and the value of the internal sales represent 68% from the turnover.

The recorded turnover of 2014 to the amount of 19.231.926 lei has decreased by a 9, 71%.

The **volume of total income** achieved was to the amount of 19.916.356 lei, representing an decrease by 7,30% as against the total income obtained in 2013 to the amount of 21.485.180 lei.

In the volume of total income, the sold production has the highest percentage of 95,59 %.

The **volume of total expenses** to the amount of 17.938.830 lei has decreased as against 2013 by a percentage of 1,92 %.

In the volume of total expenses, the staff expenses have the highest percentage of 66, 26 %.

The staff expenses to the amount of 11.886.219 lei, have increased by 5,23 %, representing 61,80% from the turnover.

The **exploitation income** to the amount of 19.810.302 lei has decreased in 2014 by 6,74 %, as well as the **exploitation expenses**, to the amount of 17.870.151 lei have decreased by 1,39 %.

From 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 11.886.219 lei, representing 66,51% from the total of the exploitation expenses. The exploitation activity was concluded with a profit to the amount of 1.940.151 lei, as against 2013 when we have recorded a profit to the amount of 3.120.234 lei, decreasing by 37,82%.

The **financial income** to the amount of 106.054 lei comes from interests and exchange differences.

The **financial expenses** to the amount of 68.679 lei come from other financial expenses (unfavourable exchange differences). The financial result being a profit to the amount of 37.375 lei decreasing by 50,44 % as against the same period of 2013 when we recorded the amount of 75.417 lei.

At the end of 2014, from the cash flows, it was recorded a net increase in cash to the amount of 1.429 lei, reflected in the balance of the cash account and of the bank accounts.

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 82% is represented by the jackets and trousers for men and women. In the total income, (turnover) the jackets represent about 49%, the trousers represent about 34%, the coats 2%, the suits 12%, blazers and vests 2%, other products and various services 1%.

The products manufactured by S.C. CONTED S.A. are intended for both internal market and foreign market. The percentage of the exports inside the total of the sold products has decreased. If in 2009 and 2010 the exports had the highest percentage (61,47%, respectively 57,07%), starting with 2011, the internal sales have surpassed the exports, reaching a percentage of over 50% from the total of the sales achieved.

In 2014 the production manufactured for export represents a percentage of 32%, and the production manufactured for the internal market represents 68% from the total production.

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



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
www.conted.ro

Nr. ORC: J07/107/1991

TEL/FAX: 0231615457/0231610026
e-mail: secretariat@conted.ro

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 2014 were of 13.080.367 lei, in the European community were of 6.083.961 lei, and outside the European Union they were of 67.598 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.

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 unfavourable 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 31.12.2014, the staff average number was of 505 persons. From the total of the company's employees, 22 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 175 persons. Also, a number of 66 persons are employed under the 1st qualification category, therefore with a minimum qualification in the area of the performed activity.

Also, we also mention that in 2014 we have recorded a number of 14 individual work contracts terminated as of right.

Regarding the qualification level, we notice the fact that the labour 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 2014, the staff fluctuation was quite high, respectively, 67 persons left the company and another 67 were employed.

Within the company, at the end of 2014, 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. 126 of 17.10.2014 which is valid five years.



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: 0231615457/0231610026

www.conted.ro

e-mail: secretariat@conted.ro

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

- Textile waste
- Paper and cardboard waste
- Plastics waste
- Domestic 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. Remus Prestige Internațional S.R.L. Dorohoi, S.C. Pandora Prod S.R.L. Focșani, S.C. Roxy Textil S.R.L. Odobești, S.C. Istros Com. S.R.L. Iași, S.C. Italtex S.R.L. Iași for textiles, paper and cardboard, plastics and with S.C. Servicii Publice Locale S.R.L. Dorohoi for domestic waste.

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 yearly performed at the property boundary, by D.S.P. Botoșani, the measured values being within the permissible limits. The monitoring activity also implies a yearly verification of the groundwater quality, by testing the water from the observation drilling made near the fuel tank.

According to the law in force, on a monthly, 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 2014.

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 loan 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.



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
www.conted.ro

Nr. ORC: J07/107/1991

TEL/FAX: 0231615457/0231610026
e-mail: secretariat@conted.ro

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.

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.

S.C. CONTED S.A. Dorohoi has no financial instruments, but its management reveals the fact that they understand and know the information requirements of IFRS 7 on 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. Dorohoi. 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. Dorohoi, 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.

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.



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
www.conted.ro

Nr. ORC: J07/107/1991

TEL/FAX: 0231615457/0231610026
e-mail: secretariat@conted.ro

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. Dorohoi, the liquidity risk is minimal, and during 2014 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

SC CONTED S.A. Dorohoi is exposed to a mitigation risk of the textiles price, due to reduced national budgets as a result of the prolonged economic crisis.

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. Dorohoi 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. Dorohoi 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.



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: 0231615457/0231610026

www.conted.ro

e-mail: secretariat@conted.ro

Politico-legal factors can influence the company's business which is operated by Lohn 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 decreases of the legislative conditions in the local market, the decline in the market price of the competing products that lead to the location on 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 labour 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;



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: 0231615457/0231610026

www.conted.ro

e-mail: secretariat@conted.ro

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. The profile industry is losing competitiveness year after year, and the lohn "migrates" in cheaper countries, with much lower wage levels.

SC CONTED S.A. Dorohoi 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 2014 reaching positive levels as against the optimum parameters ensuring normal development of financial activity.

INDICATOR	2014	2013
Current liquidity	5,58	3,50
Current assets / current liabilities		
Immediate liquidity	4,14	2,71
Current assets – Stocks/ current liabilities		
Indebtedness	0%	0%

b) In 2014 SC CONTED S.A. estimated the achievement of a low investment volume, mainly based on replacing the defective equipment, according to the strict requirements demanded by production activity development in optimal conditions. Thus, the current and anticipated capital expenditures did not produce negative effects on the financial situation, the investments financing being made from their own sources.

c) In 2014 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, 2 halls for trousers manufacturing, 6 for jackets, coats and 1 for finishing.

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

Current no.	Fixed assets categories	Inventory value	Depreciated value	Amortization degree
1	Constructions	4.546.223	2.172.081	47,78 %
2	Real estate investments	51.664	14.695	28,44 %
3	Technological equipment and vehicles	8.037.365	7.443.968	92,62 %
4	Other fixed assets	206.937	161.302	77,95 %
	TOTAL	12.842.189	9.792.046	76,25 %

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



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
www.conted.ro

Nr. ORC: J07/107/1991

TEL/FAX: 0231615457/0231610026
e-mail: secretariat@conted.ro

3. The market for the securities issued by the company

3.1. S.C. CONTED S.A. is listed in the 2nd category shares 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 2013, the Ordinary General Assembly of Shareholders from 15.03.2014 approved the granting of the amount of 2.703.130 lei as dividends, respectively 11,277 lei in gross per share.

On 31.12. 2014, dividends to the amount of 2.121.433 lei were paid, respectively 93,42% from the net dividend total of 2.270.964 lei.

The Board of Directors proposes and recommends to the General Assembly of Shareholders the distribution of the net profit of the financial year 2014 to the amount of 1.689.839 lei as divided towards the shareholders.

The gross dividend per share is of 7,04975 lei.

The dividends amount in the last 3 years is the following:

2012 = 2.352.018 lei
2013 = 2.703.130 lei
2014 = 1.689.839 lei

3.3. - 3.5. The Company has not issued any shares during the financial year 2014 and any bonds or other debt securities

4. Company's management

4.1. Board of Directors

a) Board of Directors presentation

- **Popa Manole**, 62 years old, born on 26.11.1952 in Stoicești, Vaslui county, engineer by profession – profile: textiles technology and chemistry, with a professional experience of 36 years, who occupies the position of administrator - president within the Board of Directors, with a 20 years length of service in this position.
- **Negreanu Valeria**, 64 years old, born on 22.07.1950 in Șendriceni, Botoșani county, economist by profession – specialization industrial economy, with a professional experience of 36 years, who occupies the position of administrator – member of the Board of Directors with 20 years length of service in this position.
- **Pujină Nelu**, 58 years old, born on 26.03.1956 in Cluj, Cluj county, engineer by profession – profile: textiles technology and chemistry, with a professional experience of 21 years, who occupies the position of administrator – member of the Board of Directors, with a 16 years length of service in this position.

The current Board of Directors made of 3 members has been re-elected within the Ordinary General Assembly of Shareholders from 03.09.2011 for a period of 4 years, the Ordinary General Assembly of Shareholders decision being registered at the Trade Registry attached to the Botoșani Court according to the mention no. 17419/06.09.2011.



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: 0231615457/0231610026

www.conted.ro

e-mail: secretariat@conted.ro

At the level of the Board of Directors a president was elected. The president of the Board of Directors is not a General Manager and nor the other members of the Board of Directors have executive positions within 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, ing. Popa Manole, participates with a percentage of 25,5250 %, and the Board of Directors members, respectively Ec. Negreanu Valeria participate with a percentage of 10,0024 % and Eng. Pujină Nelu with 20,3123 %

d) Affiliated persons – Not applicable.

4.2. Presentation of the executive management members of the company

General Manager

a) The Board of Directors, according to the Law 31/1990 art.143 and of the O.U.G.no.82/2007 art. V, delegated the executive management of the company based on the decision no.146/02.07.2007, a general manager, who is not administrator, namely Ec. Popa Manuel, whose individual work contract that he concluded with the company has ceased, concluding a mandate contract for a period of 4 years.

According to the Decision of the S.C. CONTED S.A. Board of Directors from the meeting of 05.07.2011, the mandate contract no. 11/04.07.2007 was extended for a period of 4 years according to the addendum no.1 from 05.07.2011.

Mr Popa Manuel is 36 years old, is born on 18.06.1978 in Brăila, Brăila county, economist by profession – specialization general economy, with postgraduate studies – specialization Companies Establishment and Management, with a professional experience of 9 years.

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 R.O.F., 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.

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



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: 0231615457/0231610026

www.conted.ro

e-mail: secretariat@conted.ro

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) 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

SC CONTED S.A. DOROHAI 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 SC CONTED S.A. DOROHAI are represented by the Board of Directors and the executive management.

SC CONTED S.A. DOROHAI 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 SC CONTED S.A. DOROHAI 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 directors shall be governed by the provisions relating to the mandate and to the ones especially provided by Law 31/1990 as amended and supplemented, Law 297/2004 as amended and supplemented, and the CNVM applicable regulations and 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.

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



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
www.conted.ro

Nr. ORC: J07/107/1991

TEL/FAX: 0231615457/0231610026
e-mail: secretariat@conted.ro

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 2014 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 CONTED 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.

Internal audit

The internal audit is provided through a services contract by a company independent of the SC CONTED S.A. DOROHAI 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.



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
www.conted.ro

Nr. ORC: J07/107/1991

TEL/FAX: 0231615457/0231610026
e-mail: secretariat@conted.ro

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.

Financial audit

The financial 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 financial auditor of the company is AFIL Auditing Agency SRL Botosani, represented by Lunca Irina. The financial auditor's mandate expires on 31.12.2015.

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:

	2014	2013	% Elements in total assets / total liabilities 2014	% Elements in total assets / total liabilities 2013	% 2014 / 2013
I. Total assets(TA) from which:	12.257.559	14.488.384	100,00	100,00	-15,40
1. Fixed assets from which:	3.904.531	4.108.383	31,86	28,36	-4,96
1.1. lands	842.140	842.140	6,87	5,81	0,00
1.2. constructions	2.374.142	2.507.174	19,37	17,30	-5,31
1.3. real estate investment	36.969	37.858	0,30	0,26	-2,35
1.4. other fixed assets	651.280	721.211	5,31	4,98	-9,70
2. Current assets from which:	8.341.736	10.363.716	68,05	71,53	-19,51
2.1. stocks	2.156.656	2.340.129	17,59	16,15	-7,84
2.2. liabilities	2.288.657	4.128.593	18,67	28,49	-44,57
2.3. cash register and bank accounts	3.896.423	3.894.994	31,79	26,88	0,04
3. Other assets	11.292	16.285	0,09	0,11	-30,66
II. Total liabilities (TP) from which:	12.257.559	14.488.384	100,00	100,00	-15,40
1.Total debts from which:	1.552.568	2.964.181	12,67	20,46	-47,62
1.1. with payment under one year	1.494.472	2.636.434	12,19	18,20	-43,31
1.2. with payment longer than one year	58.096	327.747	0,48	2,26	-82,27
2. Advance income:	-	-	-	-	-
3. Equity	10.704.991	11.524.203	87,33	79,54	-7,11



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: 0231615457/0231610026

www.conted.ro

e-mail: secretariat@conted.ro

Main assets elements that exceed 10% from the total assets		
	Amount - lei	Percentage (%)
Lands and constructions	3.216.282	26,24
Stocks	2.156.656	17,59
Liabilities	2.288.657	18,67
Cash and cash equivalents	3.896.423	31,79
Main liabilities elements that exceed 10% from the total liabilities		
	Amount - lei	Percentage (%)
Paid subscribed capital	2.284.360	18,64
Reserves	4.537.609	37,02

From the comparative analysis of the balance sheet items, it was noticed a decrease by 4.96% of the fixed assets and of the current assets by 19.51% compared to 2013.

The weight of debt in total assets was only 12.67%, the highest level in the last 2 years, during which equity ranged between 79.54% and 87.33% of total assets.

5. b) The overall result is the following:

Current no.	Overall result elements	2014	2013	2014/2013 (%)
1.	Total income	19.916.356	21.485.180	-7,30
1.1.	Exploitation income, from which	19.810.302	21.241.816	-6,74
1.1.1.	Sales income - turnover	19.231.926	21.299.967	-9,71
1.2.	Financial income	106.054	243.364	-56,42
2.	Total expenses	17.938.830	18.289.529	-1,92
2.1.	Exploitation expenses, from which:	17.870.151	18.121.582	-1,39
2.1.1.	Expenses related to raw materials and materials	2.121.630	3.074.520	-30,99
2.1.2.	External expenses related to energy and water consumption	1.338.688	1.258.267	6,39
2.1.3.	Expenses related to staff	11.886.219	11.295.178	5,23
2.1.4.	Adjustments regarding the fixed assets, the current assets and provisions	301.982	361.586	-16,48
2.1.5.	Other exploitation expenses – expenses related to the external services	2.221.632	2.132.031	4,20
2.2.	Financial expenses	68.679	167.947	-59,11
3.	Gross profit (1-2) from which:	1.977.526	3.195.651	-38,12
3.1.	Exploitation profit	1.940.151	3.120.234	-37,82
3.2.	Financial activity profit	37.375	75.417	-50,44
4	Net profit	1.689.839	2.703.130	-37,49

Indicators exceeding 20% from the total turnover		
	Amount - lei	Percentage (%)
Sold production	19.038.095	98,99
Expenses related to staff	11.886.219	61,80

From the analysis of the above mentioned information, we notice a decrease by 38,12 % in the gross profit and by 7,30 % in the income, as against 2013.



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: 0231615457/0231610026

www.conted.ro

e-mail: secretariat@conted.ro

The categories of expenditure that increased in 2014 were: personnel costs, by 5.23%, external costs (energy and water) by 6.39% and other exploitation expenses - expenditure on external services by 4, 20%. The increased staff costs were due to wage indexation.

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 republished and updated;
 - Order 1286 of October 1. 2012 for the approval of Accounting Regulations complying with International Financial Reporting Standards applicable to the companies whose securities are admitted for trading on a regulated market;
- The financial statements were approved by the Board of Directors in its meeting on January 27. 2015.
The reporting currency of the financial statements is leu.

5. c) Cash – Flow

At the end of the period, the cash increased by 0,04% compared to the beginning of the reporting period, due to the net cash deriving from exploitation activities.

	lei	
	2014	2013
Net cash from the exploitation activities	2.289.350	1.909.980
Net cash from the investment activities	-117.582	-385.960
Net cash from the financing activities	-2.170.339	-1.903.332
Net increase /decrease of cash and cash equivalent	1.429	-379.312
Cash and cash equivalent at the beginning of the period	3.894.994	4.274.306
Cash and cash equivalent at the end of the period	3.896.423	3.894.994

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 Administration Board,
Eng. POPA MANOLE

