

**S.C. CONTED S.A**  
**Separate financial statements**  
**on December 31<sup>st</sup>, 2014**

**prepared in accordance with the International Standards of  
Financial Submission adopted by  
the European Union according to the  
Ministry of Public Finance Order no. 1286/2012, as amended**

**The separate financial statements prepared on December 31st, 2014 have been  
heard**

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

**Separate financial statements of 31 December 2014 according to IFRS**

**(All amounts are expressed in LEI unless otherwise stated)**

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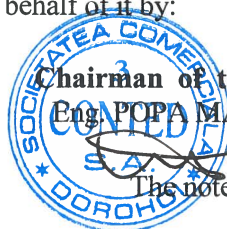
**Separate financial statements**

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## STATEMENT OF FINANCIAL STATUS

	Note	2014	2013
<b>Assets</b>			
Tangible assets	13	3.855.314	4.054.610
Intangible assets	14	12.248	15.915
Real estate investments	15	36.969	37.858
<b>Total Non-current Assets</b>		<b>3.904.531</b>	<b>4.108.383</b>
Inventories	16	2.156.656	2.340.129
Trade receivables and other receivables	17	2.288.657	4.128.593
Prepayments	17	11.292	16.285
Cash and cash equivalents	18	3.896.423	3.894.994
<b>Total Current Assets</b>		<b>8.353.028</b>	<b>10.380.001</b>
<b>Total Assets</b>		<b>12.257.559</b>	<b>14.488.384</b>
<b>Equity</b>			
Share capital subscribed	19	2.284.360	2.284.360
Adjustments of share capital		-	5.630.827
Other items of equity		(58.096)	(51.142)
Revaluation reserve	19	1.034.528	1.066.089
Legal reserve	19	456.661	456.661
Other reserves	19	4.080.948	4.309.823
Retained earnings		1.216.751	1.630.391
Retained earnings resulted by the first time adoption of IAS 29		-	(6.505.936)
Year result (net profit or loss)	19	1.689.839	2.703.130
<b>Total Equity</b>		<b>10.704.991</b>	<b>11.524.203</b>
<b>Payables</b>			
Payables regarding the deferred income tax	21	58.096	327.747
<b>Total Long Term Payables</b>		<b>58.096</b>	<b>327.747</b>
Payables regarding the current income tax	21	44.091	130.205
Payables regarding the deferred income tax	21	1.078	-
Trade payables and other payables	21	1.449.303	2.506.229
<b>Total Current Payables</b>		<b>1.494.472</b>	<b>2.636.434</b>
<b>Total Payables</b>		<b>1.552.568</b>	<b>2.964.181</b>
<b>Total Equity and Payables</b>		<b>12.257.559</b>	<b>14.488.384</b>

The separate financial statements were approved by the Board of Directors at the meeting of 27.01.2015 and signed on behalf of it by:



Chairman of the Administration Board,  
Eng. POPA MANOLE

Chief Economic Office,  
Ec. Mihai Elena

*Mihai Elena*

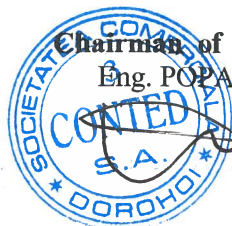
The notes from 1 to 24 are integral part of the financial statements

**STATEMENT OF PROFIT OR LOSS AND OTHER ITEMS OF THE GLOBAL RESULT**  
**For the financial year ended at 31 December**

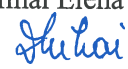
Continuos activities	Note	2014	2013
Incomes	5	19.231.926	21.299.967
Other incomes	6	89.484	180.787
Incomes corresponding to the product inventory costs	6	488.892	(238.938)
<b>Total Operational incomes</b>	<b>6</b>	<b>19.810.302</b>	<b>21.241.816</b>
Expenses with raw materials and consumables	7	1.928.772	2.886.241
Expenses with merchandise	7	192.858	188.279
Expenses with facilities	7	1.338.688	1.258.267
Expenses with salaries, social securities and other benefits	9	11.886.219	11.295.178
Expenses with amortization and depreciation	13,14,15	301.982	361.330
Other expenses	8	2.221.632	2.132.031
<b>Total Operational expenses</b>	<b>7</b>	<b>17.870.151</b>	<b>18.121.582</b>
<b>Operational activities result</b>		<b>1.940.151</b>	<b>3.120.234</b>
Financial incomes	11	106.054	243.364
Financial expenses	11	68.679	167.947
<b>Financial result</b>		<b>37.375</b>	<b>75.417</b>
<b>Result before taxation</b>		<b>1.977.526</b>	<b>3.195.651</b>
Expense with the current income tax	12	294.605	492.521
Expenses with the deferred income tax	12	68.655	-
Incomes related to the deferred income tax	12	75.573	-
<b>Net result</b>		<b>1.689.839</b>	<b>2.703.130</b>
<b>Other items of the global result</b>		<b>194.079</b>	<b>735.767</b>
- Increases of the revaluation reserve of tangible assets		-	731.010
- Deferred income tax, related to the depreciated revaluation reserve, recognized by equity;		(6954)	4.757
- Deferred income tax, related to the result carried forward, directly recognized in the equity items;		201.854	-
- Revaluation reserve by the tangible assets, amortized as the use of tangible assets is incurred in the carried forward result;		(821)	-
<b>Total global result related to the term</b>		<b>1.883.918</b>	<b>3.438.897</b>
<b>Attributable profit</b>		<b>1.689.839</b>	<b>2.703.130</b>
Result per basic action	20	7,04975	11,277
Result per diluted action	20	7,04975	11,277

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Chairman of the Administration Board,  
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 Ec. Mihai Elena



The notes from 1 to 24 are integral part of the financial statements

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE FINANCIAL YEAR ENDED 31 December 2014

	Share capital called up and paid up	Share capital adjustment	Other equity items	Revaluation reserves	Legal reserves	Other reserves	Financial year result	Carried forward result	Carried forward result by applying for the first time IAS 29	Total equity
Balance as at 01 January 2014	2.284.360	5.630.827	(51.142)	1.066.089	456.661	4.309.823	2.703.130	1.630.391	(6.505.936)	11.524.203
Net result of the period	-	-	-	-	-	-	1.689.839	-	-	1.689.839
Net result transfer of the term in the carried forward result	-	-	-	-	-	-	(2.703.130)	2.703.130	-	-
Offsetting the accounting loss carried forward, by the passing on IFRS consequently to the application for the first time of IAS 29	-	(5.630.827)	-	-	-	(228.875)	-	(646.234)	6.505.936	-
Other items of global result	-	-	-	-	-	-	-	-	-	-
Revaluation reserve of tangible assets, amortized as the use of asset transferred to the carried forward result incurred	-	-	-	(31.561)	-	-	-	30.740	-	(821)
Deferred income tax, recognized on account of equity	-	-	(6.954)	-	-	-	-	-	-	(6954)
Deferred income tax related to the carried forward result, recognized directly in the equity items	-	-	-	-	-	-	-	201.854	-	201.854
Total items of global result	-	-	(6.954)	(31.561)	-	-	-	232.594	-	194.079
Total global result related to term	-	(5.630.827)	(6.954)	(31.561)	-	(228.875)	(1.013.291)	2.289.490	6.505.936	1.883.918
Transactions with the shareholders, directly recognized in equity	-	-	-	-	-	-	-	-	-	-
Dividends to pay related to 2013 year	-	-	-	-	-	-	-	(2.703.130)	-	(2.703.130)
Total transactions with the shareholders, directly recognized in equity	-	-	-	-	-	-	-	(2.703.130)	-	(2.703.130)
Balance as at 31 December 2014	2.284.360	-	(58.096)	1.034.528	456.661	4.080.948	1.689.839	1.216.751	-	10.704.991

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(All amounts are expressed in LEI unless otherwise stated)

**TREASURY FLOW STATEMENT**

	2014	2013
<b>Treasury flows by operating activities</b>		
Cash receipts from the clients, by the sale of assets, services and merchandise	22.678.099	20.069.408
Cashed interests	78.479	156.984
Payments to suppliers	(6.720.583)	(6.081.693)
Payments to employees	(5.933.195)	(5.584.654)
Payments to the state budget and the social security budget	(7.465.764)	(6.194.674)
Other operating transactions	100.610	29.376
<b>Cash generated by operating activities</b>	<b>2.737.646</b>	<b>2.394.747</b>
Paid up interests	-	-
Paid up income tax	(448.296)	(484.767)
<b>Net cash by operating activities</b>	<b>2.289.350</b>	<b>1.909.980</b>
<b>Treasury flows by investment activities</b>		
Payments for the procurement of shares	-	-
Payments for the procurement of tangible assets	(117.582)	(439.053)
Cashments by the sale of tangible assets	-	53.093
Received dividends	-	-
<b>Net cash by investment activities</b>	<b>(117.582)</b>	<b>(385.960)</b>
<b>Treasury flows by financing activities</b>		
Cashments by the issue of capital	-	-
Cashments of cash by credits	-	-
Cash repayment of the loaned amounts	-	-
Paid up dividends	(2.170.339)	(1.903.332)
Currency exchange rate variation effect on credits and payables	-	-
<b>Net cash by financing activities</b>	<b>(2.170.339)</b>	<b>(1.903.332)</b>
<b>Net cash and cash equivalent increase/decrease</b>	<b>1.429</b>	<b>(379.312)</b>
<b>Cash and cash equivalent at the beginning of period 01 January</b>	<b>3.894.994</b>	<b>4.274.306</b>
<b>Cash and cash equivalent at the end of period 31 December</b>	<b>3.896.423</b>	<b>3.894.994</b>

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## S.C. CONTED S.A.

### Separate financial statements of 31 December 2014 according to IFRS (All amounts are expressed in LEI unless otherwise stated)

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#### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

##### NOTE 1. Reporting entity

S.C. Conted S.A. is a public limited liability company, with Romanian legal personality, established on indefinite term, organized and operating according to the status and based on the Limited liability company law no. 31/1991, republished in 2004 and amended by Law 441/2006, GEO no. 82/2007 and GEO no. 52/2008, as well as by the Law regarding the capital market no. 297/2004. The company changed by reorganization, subject to Law 15/1990, from a republican industrial business.

The company has its registered office in Dorohoi, 1<sup>st</sup> December Street No. 8, Botosani county, Romania, zip code 715200, phone 0231610067, fax 023161026, website [www.conted.ro](http://www.conted.ro), Tax Identification Number RO 622445, Trade Register Office number: J07/107/1991.

S.C. CONTED S.A. Dorohoi is a manufacturer of high quality footwear, with a longer period than 40 years in the field of textiles wear, as well as in the export manufacture. The company had an ascending evolution, expanding its outlet, by agreements with foreign companies.

The CONTED S.A. Dorohoi company is specialized in the manufacture of textiles wear for men, women and children, i.e.: man suits, man coats, man trousers, man overcoats, woman overcoats, woman skirts, woman trousers, woman jackets, woman suits, military uniforms, child jackets and child overcoats. The Company mainly manufactures textiles wear under the lohn (CM – cut and make) system, but it can manufacture textiles wear by its own fabrics (imported from France, Italy, Spain, Turkey, etc.) and auxiliary, on the client's wish (CMT – cut-make-trim). The company has development possibilities of the models.

S.C. CONTED S.A. invested in the procurement of performant plants for the modernization of cut room and full informatics of the manufacture process. Therefore, the unit is currently benefitting of special plants, whereof the most of the feathers required on the market may be made:

- AMF feather;
- Columbia feather;
- coverage feathers;
- chain feathers;
- all the types of tabs etc.

The unit has a range of garment industry specific machineries, which ensure the performance of operations competing to the performance of end product:

- Computer assisted design - GERBER;
- Parings semi-automatic machine- KURIS;
- Automatic cutting machine - CUTTER GERBER;
- Assembly of cut pieces - PFAFF, DURKOPP, JUKI, BROTHER;
- Finishing presses HOFFMAN, BRISAY.

The Company mainly works under lohn system, with three great clients that expose their merchandise in the European community. At the same time, the Company does not neglect the new cooperation proposals, wherefore the tests or prototypes are made, accepting orders with smaller quantities for the market research. The traditional clients of the Company are: HMD S.A.R.L. France; Again Textile Team S.R.L. Braşov, S.C. Formen's S.R.L., S.C. Paoloni Industrie S.R.L. Jilava. By the Again company, CONTED S.A. worked for famous brands like Esprit, Patrizia Pepe, Mazonetto, Otto Kim, Piere Cardin, by H.M.D. France, the company worked for Zara, Celio, Jules, Olly Gan, Oliphil, Devred, Brice, Massimo Dutti, and by S.C. Formen's, it worked for Louis Vuitton, Devred and Cielo.

Along the years, the issuant also cooperated with Benetton, Diesel, F.C.Browns, Sadev, Italpant for Incotex, PoloRolph, Foconalle.

In the manufacturing structure, a rate of about 82% is owned by the man and woman coats and trousers. The coats (turnover) are about 49%, the trousers are about 34%, the overcoats 2%, the suits 12%, the jackets and vests 2%, and other products and different services 1% of the total incomes.

The products made by S.C. CONTED S.A. are both intended to the internal market and to external market. The export rate of the total of issued sales lowered. If during 2009 and 2010, the highest rate was owned by the exports (61.47% and 57.07%, respectively) the internal sales advanced the exports since 2011, reaching to a higher rate than 50% of the total of issued sales. The export production represents 32% in 2014, and the internal production is 68% of the total of issued production.



## S.C. CONTED S.A.

### Separate financial statements of 31 December 2014 according to IFRS (All amounts are expressed in LEI unless otherwise stated)

#### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

The share capital of the company is 2,284,360.06 lei, fully subscribed and paid up, divided in 239,702 nominal shares amounting 9.53 lei/share.

The shares of the company are ordinary, nominal, un-substantiated, stressed by registration in the account, their record being maintained, according to law, by the Central Depository S.A. Bucharest. The shares are equal as value and grant equal rights to the shareholders for each share.

The securities of the Company (shares) are registered and transacted on the 2<sup>nd</sup> category of shares of the Exchange Stock of Bucharest.

The main activity of S.C. CONTED S.A., according to the act of establishment, is the manufacture of other garments (excluding underwear) NACE code 1413.

The company doesn't own debentures, callable shares or other envelopes.

S.C. CONTED S.A. DOROHAI is managed by a Board of Directors, made of 3 members, elected or appointed by the General Assembly of Shareholders for 4 years, with the possibility of being re-elected. The administrators of S.C. CONTED S.A. DOROHAI must answer the requirements provided by the regulations incident to the operation of company as public limited liability company and exercise their commission by the accomplishment of liabilities imposed by Art. 144 of Law 31, republished, as further amended and completed:

- the prudence and diligence liability – imposes the administrators the liability of acting prudently and diligently (as professional). The reference to a “good administrator” is conceived as an objective assessment criterion. The prudence and diligence liability includes the liability of acting based upon adequate information;
- The business judgment rule – introduces the business judgment rule, as a counter-ponder to the prudence and diligence liability: according to this rule, the administrators who make business decisions, by the just belief that they act informed and for the company, and they cannot be made liable for the damages further registered by the company, as consequence to the relevant decisions;
- the loyalty liability to the company – imposes the administrators a loyalty liability towards the company: once appointed, the administrators must act for the priority benefit of the company, not as representatives of shareholders or of persons outside the company;
- The liability of not disclosing the business secrets of the company – prohibits the administrators to disclose the confidential information and the business secrets of the company to third parties. This logically comes on the completion of their loyalty liability towards the company.

According to IAS 10.7, the Financial statements were approved by the Management Board on the meeting of 27 January 2015.

The structure of the Board of Directors of S.C. CONTED S.A. DOROHAI ensures a balance between the executive and non-executive members. The Board of Directors has the following composition:

	Surname and first name	Position within Board of Directors
1.	Popa Manole	Administrator – Chairman
2.	Negreanu Valeria	Administrator – Board of Directors Member
3.	Pujină Nelu	Administrator – Board of Directors Member

#### NOTE 2. Basis of preparation

##### a. Statement of conformity

The financial statements include the statement of financial position, the statement of profit or loss and other items of the global result, the statement of changes of equity, the treasury flow statement and explanatory notes.

The financial statements were prepared in accordance with:

- Order 881 of 25 June 2012, regarding the application by the trading companies whereof securities are allowed to transaction on a regulated market of the International Financial Reporting Standards.
- The International Financial Reporting Standards (IFRS) adopted by the European Union.

## S.C. CONTED S.A.

### Separate financial statements of 31 December 2014 according to IFRS (All amounts are expressed in LEI unless otherwise stated)

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#### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

- Law 82 of 24 December 1991 of accountancy, republished and updated;
- Order 1286 of 01 October 2012 for the approval of Accounting regulations according to the International Financial Reporting Standards, applicable to the trading companies whereof securities are allowed to transaction on a regulated market;

The transition date to International Financial Reporting Standards has been January 1<sup>st</sup> 2012.

#### b. Basis of evaluation

The financial statements were prepared based on the historical cost, except for the buildings, real estate investments and lands, which are evaluated on their fair value.

The accounting policies have been consequently applied to all the periods shown by these financial statements, respectively on the conclusion of statements of financial positions as of December 31<sup>st</sup>, 2014 and December 31<sup>st</sup>, 2013.

These financial statements have been concluded based on the continuance of activity principle, which supposes that the company normally continues its operation, without entering under liquidation state or significant decrease of activity.

#### c. Functional currency and description currency

These financial statements are described in lei, this being also the functional currency of the Company. All the financial information is described in lei, rounded, without decimals.

#### d. Foreign currency

The transactions of the Company in a foreign currency are registered at the exchange rates communicated by the National Bank of Romania for the date of transactions. The balances in foreign currency are exchanged into lei on the exchange rates communicated by NBR on 31 December 2014.

The gains and losses resulted by the discount of transactions in a foreign currency and by the exchange of assets and currency liabilities expressed in a foreign currency are recognized in the profit and loss account, within the financial result.

The assets and non-monetary liabilities that are evaluated on the historical cost in foreign currency are registered in lei at the exchange rate on the transaction date. The assets and non-monetary liabilities expressed in the foreign currency that are evaluated on the real value are registered in lei, at the exchange rate of the date when the real value was established.

The differences of exchange are described in the profit or loss account. The exchange rates of the main foreign currencies are as follows:

CURRENCY	Exchange rate <u>31 December 2014</u>	Exchange rate <u>31 December 2013</u>
EUR	4.4821	4.4847
USD	3.6868	3.2551

#### e. Use of estimates and professional arguments

The preparation of financial statements in accordance with IFRS adopted by the European Union supposes from the management, the use of estimates and hypotheses that affect the application of accounting policies, as well as the reported value of assets, liabilities, incomes and expenses.

The estimates and their related judgments rely on historical data and other factors considered eloquent under the given circumstances, and the result of these factors forms the basis of judgments used for the establishment of the carrying amount of assets and liabilities, wherefore there are no other available evaluation sources. The effective results may be different than the estimated values.

The estimates and judgments are periodically reviewed. The revisions of accounting estimates are recognized during the period when the estimate is reviewed, if the revision only affects that period or during the current period and further periods, if the revision both affects the current period and the further periods.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

The effect of change related to the current period is recognized as income or expense during the current period. If any, the effect on the further periods is recognized as income or expense during those further periods.

The company management considers that the possible differences towards these estimates will not have a significant influence over the financial statements in the near future.

The estimates and hypotheses are especially used for depreciation adjustments of fixed assets, the estimate of the useful life time of a depreciable asset, for the depreciation adjustment of receivables, for the provisions, for the recognition of assets regarding deferred tax.

In accordance with IAS 36, both the intangible assets and the tangible assets are analyzed in order to identify whether they have depreciation indexes at the balance sheet date.

If the net carrying amount of an asset is higher than its recoverable amount, a depreciation loss is recognized for the decrease of net carrying amount of the relevant asset at the level of recoverable amount. If the reasons of recognition of depreciation loss disappear during the following periods, the net carrying amount of asset is adjusted up to the level of net carrying amount, which would have been established if no depreciation loss was recognized.

The evaluation for depreciation of receivables is separately issued and relies on the best estimate of the management regarding the current amount of cash flows that are foreseen to be received. The company reviews its trade receivables and other kind of receivables at every date of the financial position, to evaluate if it must register amount depreciation in the profit and loss account.

Especially the professional reasoning of the management is necessary for the estimate of amount and for the coordination of treasury flows regarding several factors, and the real results may be different, leading to further changes of adjustments.

The assets regarding deferred tax are recognized for fiscal losses, provided that it is possible that a taxable profit shall be, wherefrom the losses are covered. The application of professional reasoning for the establishment of the value of assets regarding deferred tax, which may be recognized, based on the probability with respect to the period and level of the further taxable profit, as well as the future strategies of tax planning.

**f. Related parties**

A person or a close relative of the relevant person is considered related to a Company, if that person:

- It holds the control or the joint control over the Company;
- It has a significant influence over the Company; or
- it is a member of the personnel – key management

The key management personnel represents those persons who have the authority and responsibility of directly or indirectly planning, managing and controlling the activities of the Company, including any manager (executive or not) of entity. The transactions with the key personnel include exclusively the salary benefits granted to them, as described.

An entity is related to the Company if it meets either of the following conditions:

- The entity and the Company are members of the same group (which means that each parent company, subsidiary and subsidiary of the same group is related to the others);
- An entity is related entity or joint venture of the other entity (or related entity or joint venture of a member of the group whereto the other entity takes part);
- Both entities are joint ventures of the same third party;
- The entity is a plan of post-hiring benefits for the employees of reporting entity or of an entity related to the reporting entity. Provided that even the reporting entity represents itself such a plan, the sponsor employers are also related to the reporting entity;
- The entity is controlled or jointly controlled by a related person;
- A related person who holds the control significantly influences the entity or is a member of the management key personnel of entity (or of the parent company of the entity).

The Company does not develop transactions with the above mentioned entities.

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

**Separate financial statements of 31 December 2014 according to IFRS**

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS**

**g. Reporting by segments**

A segment is a distinct part of the Company, which supplies certain products or services (business segment) or supplies products and services in a certain geographic environment (geographic segment) and which is subjected to different risks and benefits than of the other segments.

From the point of view of the business segments, the Company does not identify distinct parts from the point of view of risks and related benefits.

**Business segment**

- manufacture of other garments (except for the underwear)

Outlet			Quantity	Value
- external	France	-	88.179	5.769.716
	Italy	-	2.157	254.630
total			90.336	6.024.346
- internal			367.465	12.982.426
TOTAL			457.801	19.006.772

EXTERNAL market of products		Quantity	Value	Percent (%)
<b>France</b>				
Garments	Coats	36.626	3.063.627	50,85
	Trousers	40.488	1.350.971	22,43
	Suits	6.064	1.037.472	17,22
	Overcoat	2.348	185.676	3,08
	Vests	2.133	88.633	1,47
	Jackets, Wind-cheaters	520	43.337	0,72
TOTAL		88.179	5.769.716	95,77
<b>Italy</b>				
EXTERNAL market of products		Quantity	Value	Percent (%)
Garments	Coats	1432	155.279	2,58
	Trousers	19	1.850	0,03
	Suits	73	15.398	0,26
	Overcoat	434	37.730	0,62
	Vests	49	4.142	0,07
	Jackets, Wind-cheaters	150	40.231	0,67
TOTAL		2.157	254.630	4,23

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

**Separate financial statements of 31 December 2014 according to IFRS**

**(All amounts are expressed in LEI unless otherwise stated)**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS**

INTERNAL market of products		Quantity	Value	Percent of the total (%)
Garments	Trousers	224.813	5.082.481	39,15
	Coats	109.265	6.187.476	47,66
	Suits	15.469	1.170.670	9,02
	Skirts	11.956	200.337	1,54
	Jackets	3.506	205.997	1,59
	Overcoats	1.638	112.099	0,86
	Vests	818	23.366	0,18
<b>TOTAL</b>		<b>367.465</b>	<b>12.982.426</b>	<b>100,00</b>

By the described statement, it is ascertained that the French market holds the highest rate of the total volume of exports, of 6.024.346 lei, amounting 5.769.716 lei at a rate of 95,77%. The coats and trousers represent approximate 90% of the total volume of products.

The internal markets represents 68% of the total sales of 19.006.772 lei, and the trousers hold the highest rate on the internal market, at the rate of 61,18% of the total of delivered products.

In the 2014 year, from the total of sales, of 19.231.926 lei, the amount of 19.006.772 lei represents the direct sales of products. From the total of direct sales of products on the internal market, amounting 12.982.426 lei, the amount of 9.051.036 lei represents the sale to the main client on the internal market at the rate of 70% (2013: 6.825.884 lei at the rate of 56%), and the following client on the internal market registered a rate of 12% sales amounting 1.487.392 lei (2013: 3.057.686 lei at the rate of 25%). With respect to the direct sales of products on the external market, amounting 6.024.346 lei, the amount of 5.769.223 lei represents the sales to the main external client, at the rate of 96% (2013: 8.608.744 lei at the rate of 98%).

The results by segments are the results reported to the Management Board and to the General Manager and include both the directly assigned items to a segment and those assigned by reasonable assignment bases. The non-assigned items include debts, assets and debts for the profit interest, cash and cash equivalents. The assets shown for the activity segment especially include tangible assets and intangible assets, inventories and receivables, mainly excluding cash and current accounts at the banks.

The shown debts include the operational debts, excluding the delayed profit interest.

All the assets of the Company are situated in Romania. The activity of the Company develops in Romania. The Company has a reporting segment - Manufacture of other clothing items (excluding the undergarments)

	<b>2014</b>	<b>2013</b>
Sales	19.231.926	21.299.967
Other incomes	578.376	180.787
<b>Total incomes</b>	<b>19.810.302</b>	<b>21.241.816</b>
Amortization	301.982	361.330
Operational expense, other than the amortization	17.568.169	17.760.252
<b>Operational result</b>	<b>1.940.151</b>	<b>3.120.234</b>
Net financial income (expense)	37.375	75417
<b>Net profit before taxation</b>	<b>1.977.526</b>	<b>3.195.651</b>
Expense for the current and deferred profit interest (non-assigned)	363.260	492.521
Incomes related to the deferred profit interest	75.573	-
<b>Net profit</b>	<b>1.689.839</b>	<b>2.703.130</b>
Assets	12.257.559	14.488.384
Debts	1.552.568	2.964.181

## S.C. CONTED S.A.

Separate financial statements of 31 December 2014 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

<b>The non-assigned assets include</b>	<b>9.445</b>	<b>7.406</b>
Cash and cash equivalents	9.445	7.406
<b>The non-assigned debts include</b>	<b>58.096</b>	<b>327.747</b>
Deferred profit interest	58.096	327.747

**h. The new and revised Financial Report International Standards (IFRS)**, which are mandatorily efficient for the year in progress

Amendments to IFRSs and the new interpretation

- *Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities*

The amendments to IFRS 10 define an investment entity and introduce an exception from the liability of consolidating subsidiaries for an investment entity.

With respect to the exception, an investment entity is liable to evaluate its interests in subsidiaries, at the fair value by profit or loss. The exception does not apply to the subsidiaries of investment entities that provide services related to investment activities.

In order to be qualified as investment entity, certain criteria must be fulfilled. More specifically, an entity is an investment entity when:

- a) it procures funds from one or several investors for the purpose of providing them investment management services;
- b) it undertakes as investor that its business purpose is to invest funds, excluding for the incomes by capital evaluation, incomes by investments, or both; and
- c) it substantially evaluates the performance of all its investments based on the fair value.

The amendments by consequence were brought to IFRS 12 and IAS 27 for the introduction of new publication requirements for the investment entities.

Because the Company is not an investment entity (evaluated based on the criteria established by IFRS 10 on January 1<sup>st</sup>, 2014), the application of amendments did not have any impact on the disclosures or values recognized by the financial statements.

- *Amendments to IAS 32 Compensation of financial assets and financial debts*

The amendments to IAS 32 clarify the requirements concerning the difference of financial assets and of the financial debts. More specifically, the amendments clarify the meaning “it has currently a legal compensation right” and “the simultaneous performance and discount”.

Because the Company does not have financial assets and liabilities, which are qualified to compensate, the application of amendments didn't have any impact on the disclosures or on the recognized values in the financial statements. The amendments have been retro-actively applied.

- *Amendments to IAS 36 Depreciation of assets - recoverable value for the non-financial assets*

The amendments to IAS 36 remove the liability of showing the recoverable value of a cash generating unit, whereto the trade fund or other intangible assets with an indefinite useful life term were assigned, when no depreciation or depreciation reversal existed. Additionally, the amendments introduce additional publication requirements, applicable if the recoverable value of an asset or of a cash generating unit is evaluated on the fair value, less the removal costs. These new disclosures include the hierarchy of fair value, the key assumptions and used evaluation techniques, which are in accordance with the disclosure required by IFRS 13 on the fair value.

The application of these amendments did not have any significant impact on the information shown by the financial statements.

- *Amendments to IAS 39 Novation de derivate and continuance of the coverage accountancy*

The amendments to IAS 39 offer an aid from the liability of interrupting the coverage accountancy when a derivate assigned as coverage instrument is novated under certain circumstances.

According to the amendment, it wouldn't be necessary to renounce to the use of coverage accountancy against risks, if a derived financial instrument covered against risk was novated, if certain criteria are met.

## S.C. CONTED S.A.

Separate financial statements of 31 December 2014 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

IASB made an amendment to IAS 39 with a low application field, to allow the continuance of use of the coverage accountancy against risks under certain circumstances, whereby the counter-party to a coverage instrument is amended to procure the compensation of that instrument. The amendments also clarify that any amendment of the fair value of derived instrument, assigned as coverage instruments, and resulted by novation should be included in the evaluation and measurement of coverage efficacy against risks.

The amendments have been retro-actively applied. Because the Company does not have derived instruments that make the novation object, the application of these amendments did not impact the disclosures or the recognized values by the financial statements. The amendments have been retro-actively applied.

- *IFRIC 21 Taxation Samplings*

IFRIC 21 approaches the matter concerning the time of admitting a debt of payment of a fee required by the authorities. The interpretation defines a fee and specifies that the generating event that incurs the liability is the activity that triggers the payment of fee, as expressed by legislation.

The interpretation offers guidelines regarding the way that different taxation commitments should be accounted, especially clarifies the fact that an event that undertakes and incurs a debt regarding the payment of an interest, is that activity provided by the relevant legislation, which determines the payment of an interest. IFRIC 21 has been retro-actively applied. The application of this interpretation did not have any significant impact on the disclosures or on the values recognized by the financial statements.

#### **i. Standards and interpretations issued by IASB and adopted by EU, but which are not mandatorily efficient (but allow an anticipate application)**

The company did not apply the following IFRS:

- *IFRS 9 Financial instruments: classification and evaluation and further amendments issued on IFRS*  
(In force for annual terms starting with or after January 1, 2018)

IFRS 9 issued on November 2009, introduced new requirements for the classification and evaluation of financial assets. IFRS 9 was further amended on October 2010, in order to include the requirements for the classification and evaluation of financial debts and for de-recognition, and on November 2013 to include the new requirements of general coverage accountancy. Another reviewed variant of IFRS 9 was issued on July 2014, mainly to include: a) depreciation requirements for the financial assets and b) the amendments limited to classification and measurement of requirements by introducing a “fair value by another items of global result” (FVTOCI) the measurement category for certain simple debentures.

Key requirements of IFRS 9:

- All the recognized financial assets, which are under the application area of IAS 39 Financial instruments: recognition and evaluation, must be further evaluated on their amortized cost or fair value. More specifically, of debt, which are owned within a business model whereof goal is to gather the contractual treasury flows, and which have the contractual treasury flows excluding the principal and debt payments on the main due, are generally evaluated at the amortized cost at the end of the following year to the accounting period.

The debentures owned within a business model whereof goal is both reached by the collection of contractual cash flows and the sale of financial assets and which have the contractual terms of financial asset increase on the dates mentioned by the treasury flows, which are exclusively the principal and debt payments on the value of outstanding principal, are evaluated on FVTOCI. All the others, of debt and equity, are evaluated on their fair value at the end of further accounting periods. Additionally, in accordance with IFRS 9, the contracting entities may make an irrevocable choice of showing the further amendments on the fair value of a capital investment (which is not owned for trade) in the other items of global result, with incomes by dividends only generally recognized into profit or loss.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

- with respect to the measurement of financial debts assigned as evaluated on their fair value by profit or loss, IFRS 9 provides that the value of amendment of fair value of financial debt that be assigned to the credit risk amendments, whereof the liability is shown in the other items of global result, except for the case when it would establish or increase an accounting non-compliance of profit or loss in the recognition of effects of the credit risk amendments of debt in the other items of global result. The amendments of the fair value imputable to the credit risk, a financial debt, are not further classified again into profit or loss. In accordance with IAS 39, the total amount of amendment of the fair value of financial debt assigned as fair value by profit or loss is shown by the profit or loss account.
  - with respect to the depreciation of financial assets, IFRS 9 provides an expected model, credit loss, despite a credit loss model issued in accordance with IAS 39. The expected model, credit loss, requires an entity to account the losses by foreseen credits and changes of the expected ones, the credit losses at each report date, to reflect the amendments of the credit risk from the initial recognition.
  - The new general speculative accounting requirements keep the three types of hedging accountancy mechanisms currently available in IAS 39. In accordance with IFRS 9, a higher flexibility was introduced by the types of eligible transactions for the coverage accountancy, especially the extension of the types of instruments that are qualified as coverage instruments and the types of risk components of the non-financial items that are eligible for the coverage accountancy. Additionally, the efficacy test was reviewed and replaced by the “economic relations” principle. It is not necessary anymore a retroactive evaluation of coverage efficacy against risks. There have also been introduced improved information requirements regarding the risk management activities of an entity.
- *IFRS 14 Regulated deferred accounts*

The standards come into force for annual terms starting from or after January 1, 2016. IASB intends to analyze the wide issue of regulation of the tariffs and public a debate document of this subject in 2014. Waiting the results of this large project regarding the Regulated Tariff Activities, IASB decided to conclude IFRS 14 as temporary measure. IFRS 14 allows the entities that adopt IFRS for the first time that, on the adoption date of standards, to continue to recognize the amounts related to the regulated tariffs according to the requirements of generally accepted accounting practices, previously applied. However, for the improvement of comparability in the case of entities that already apply IFRS and that don't recognize these amounts, the standard provides the effect of tariff regulation to be individually shown by other items. An entity that is already concluding the financial statements in accordance with IFRS is not eligible to the application of standard. This standard has not been yet adopted by EU. The company is not expecting that this amendment impact the financial position or the performance of the Company.
  - *IFRS 15 Incomes by the agreements with the Customers*

The standards come into force for annual terms starting from or after January 1, 2017. On May, 2014, IFRS 15 was issued and establishes a sole comprising model for the entities, of using on accountancy the incomes resulted by the agreements with the customers. IFRS 15 will replace the current instruction of replacement of incomes, including IAS 18 Incomes, IAS 11 Building agreements and their related interpretations, when it becomes efficient.

The basic principle of IFRS 15 is that the entity must recognize the incomes for the description of the transfer of assets or services promised to customers on a quantity that reflects the consideration whereto the entity expects to have the right against those assets or services. More specifically, the standard introduces an approach of 5 stages for the recognition of incomes:

    - Step 1: Identification of the agreement (i) with a customer.
    - Stage 2: Identification of performance liabilities in the agreement.
    - Step 3: Establishment of the transaction price.
    - Step 4: Assignment of the transaction price of performance liability by agreement.
    - Step 5: Recognition of income when (or due to) the company fulfills a performance liability.



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### Separate financial statements of 31 December 2014 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

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#### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

According to IFRS 15, an entity recognizes incomes when (or due to) a performance liability is fulfilled, meaning when the "control" of assets or services that rely on the special performance liability is transferred to the customer. Many more prescriptive instructions were added to IFRS 15 to deal with specific scenario. Moreover, the large information required by IFRS 15. The company does not expect that this amendment impact the financial position or the performance of Company.

- *Amendments to IFRS 11 accounting of interest procurements in common operations*

The amendments to IFRS 11 offer instruction regarding the accounting manner for the procurement of a common operation that constitutes a business, as defined by IFRS 3. Mixes of business. More specifically, the amendments claim that the relevant principles regarding the accounting of the mixes of businesses in IFRS 3 and other standards (e.g. IAS 36 Depreciation of assets regarding the depreciation tests of cash generating units that was assigned the trade fund on the acquirement of a common operation) should be applied. The same requirements should be applied to the establishment of a common operation, if and when an existent business contributed to the joint exploitation by one of the participant parties to the common operation.

A common operator is also liable to disclose the relevant information required by IFRS 3 and other standards for mixes of businesses.

The amendments to IFRS 11 are prospectively applied for annual terms that start from or after January 2016. The Company does not expect that the application of these amendments impact the financial position or the performance of the Company.

- *Amendments to IAS 16 and IAS 38 Clarification of the acceptable methods of Amortization and the Amortization*

The amendments to IAS 16 prohibit the persons to use an amortization method based on incomes for the tangible asset items. The amendments to IAS 38 introduce a relative assumption that the incomes are not an appropriate amortization base of an intangible asset. This assumption may be removed but in the following two limited circumstances: a) provided that the intangible assets are expressed as a measure of incomes; or b) provided that it may be demonstrated that the incomes and the consumption of economic benefits of intangible asset are strongly correlated.

The amendments are prospectively applied for annual terms starting with or after January 1, 2016.

The Company uses the linear method for depreciation and amortization for the tangible ownership and intangible assets, respectively it is considered that the linear method is the most adequate method to reflect the consumption of inherent economic benefits between the relevant assets and, consequently, the Company does not foresee that the application of these amendments to IAS 16 and IAS 38 will significantly impact the financial statements.

- *Amendments to IAS 16 and IAS 41 Agriculture: Carrier plants*

The amendments to IAS 16 and IAS 41 define a carrier installation and need the biological assets that are fit to the definition of the carrier plant that are to be accounted as tangible assets, in accordance with IAS 16, instead of IAS 41 to the increasing product on permanent development plant carrier to be accounted in accordance with IAS 41. The amendments are prospectively applied for annual terms starting with or after January 1, 2016.

The Company does not foresee that the application of these amendments to IAS 16 and IAS 41 will significantly impact the financial statements, because the Company does not perform agricultural activities.

- *Amendments to IAS 19 established benefit plans: employees' contributions*

The amendments to IAS 19 make clear the way that an entity should account the contributions made by the employees or by third parties on the established benefit plans, based on their dependence on the number of service years provided by the employee.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

For the contributions that are independent of the number of service years, the entity may recognize the contributions as a discount of service cost during the period when the related service is provided or to assign the employees service periods, using the method of designed credit units; because, for the contributions that are dependent on the number of service years, the entity must assign service periods of the employees. The amendments are applied for the annual periods starting from or after July 1<sup>st</sup>, 2014.

The Company does not expect that the application of these amendments impact the financial position or the performance of Company.

**IASB issued the Annual Improvements of IFRS - Cycle 2010 - 2012**, the cycle includes a range of Amendments to different IFRSs, which are resumed below:

- **IFRS 2 Basic payment of shares:** This improvement changes the definition of „the condition of entry" and of “the market condition" and adds definitions for “the performance condition" and “the service condition" (which were previously included in the “conditions of entry”). The amendments to IFRS 2 are efficient to the payment operations based on shares, wherefore the granting date is on or after July 1<sup>st</sup>, 2014.
- **IFRS 3 Mixes of businesses:** This improvement makes clear the fact that a contingent counter-performance in a procurement of businesses that is not classified as equity, is further evaluated on the fair value by profit or loss, independently if it comes or not in the application field of IFRS 9 Financial instruments or IAS 39. The amendments to IFRS 3 are efficient to the mixes of businesses wherefore the procurement date is on or after July 1<sup>st</sup>, 2014.
- **IFRS 8 Fields of activity:** This improvement provides that the entity present the rationing issued by the members of the management board when they apply the aggregation criteria for the fields of activity and makes clear the fact that an entity must only specify reconciliations of the total of assets of reportable segments of activity, if the assets of segments are regularly reported.
- **IFRS 13 Evaluation on the fair value:** This improvement within the base for conclusions of IFRS 13 makes clear the fact that, by the issuance of IFRS 13 and the amendment of IFRS 9 and IAS 39, the possibility of evaluation of short term receivables and debts that don't have a declared interest rate on their invoicing interest, without updating was removed, unless the non-updating effect is significant. Because the amendments don't include any date of enforcement, they are considered of having an immediate effect.
- **IAS 16 Tangible assets:** The improvement makes clear the fact that, on the revaluation time of a tangible asset item, the gross accounting value is adjusted so that to fit the revaluation value of the fair value.
- **IAS 24 Presentation of information about the affiliated parties:** This improvement makes clear the fact that an entity that provides management key-staff services for the reporting entity is an affiliated party of the reporting entity.
- **IAS 38 Intangible assets:** The improvement makes clear the fact that, on the revaluation time of an intangible asset, the gross accounting value is adjusted so that to fit the revaluation value of the fair value.

**IASB issued the Annual Improvements of IFRS - Cycle 2011 – 2013**, the cycle includes a range of Amendments to different IFRSs, which are resumed below:

- **IFRS 3 Mixes of businesses:** This improvement makes clear the fact that IFRS 3 excludes of its application area the establishment of a partnership association within the financial statements and the partnership association itself.
- **IFRS 13 Evaluation on the fair value:** This improvement makes clear the fact that the exception area regarding the portfolio, as defined at point 52 of IFRS 13, includes all the accounting agreements according to the applicability area of IAS 39 Financial instruments: recognition and evaluation or IFRS 9 Financial instruments, whether they accomplish or not the definition of financial assets and of the financial debts, according to the definition of IAS 32. Financial instruments: presentation.
- **IAS 40 Real estate investments:** This improvement makes clear the fact that, in order to establish whether a certain transaction both accomplishes the definition of a mix of businesses according to the definition of IFRS 3 Mixes of businesses, and of a real estate investments, according to the definition of IAS 40 Real estate investments, the application of the two standards must be made independently one from each other.

## S.C. CONTED S.A.

Separate financial statements of 31 December 2014 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

#### NOTA 3. Significant accounting policies

According to the *International Accountancy Standard 8 "Accounting policies, changes of the accounting estimates and errors"*, the accounting policies describe the specific principles, bases, agreements, rules and practices, applied by this company for the preparation and description of financial statements.

The company selected and consequently applies the accounting policies for the transactions, other events and similar conditions, unless a standard or an interpretation provides or specifically allows the classification of items wherefore the application of different accounting policies could be appropriate.

If a standard or an interpretation provides or allows such a classification, an appropriate accounting policy must be selected and applied to each category, consequently. The Company only changes an accounting policy if the change:

- a. is imposed by a standard or an interpretation; or
- b. has as result the financial statements that provide reliable and more relevant information regarding the effects of transactions, of other events or conditions on the financial position, financial performance or the treasury flows of the entity.

We present a summary of the significant accounting policies that have been consequently applied to all the periods shown by the financial statements:

#### a. Intangible assets, Tangible assets and real estate investments

##### a.1. Intangible assets

###### *Initial evaluation*

The Company chose to be evaluated on the procurement cost, according to IAS 38 "Intangible assets".

###### *Evaluation after the initial recognition*

The Company chose as accounting policy for the evaluation of intangible assets after the initial recognition, the cost based model.

The Company opted to use the linear amortization method for the amortization of intangible assets.

The intangible assets registered by the Company include informatics programs, licenses and different softwares and accounted in the accounts 205 "Transfers, patents and procured licenses" and account 208 "Other intangible assets". These are shown at their historical cost, less the amortization and the possible value adjustments. No value adjustments were registered for the mentioned periods.

The Company does not hold intangible assets internally generated or acquired by a governmental subsidy and neither holds intangible assets with indefinite useful life terms.

The Company does not hold assets classified as held for sale or included in a group intended to transfer, classified as held for sale, in accordance with IFRS 5.

They are linearly amortized during 3 years. For the establishment whether an intangible asset evaluated on the cost is depreciated, the company applies IAS 36.

A depreciation loss must be immediately recognized in the profit or loss. For the purpose of description in the profit and loss account, the gains or losses that occur with the ceasing of use or the output of an intangible asset, is established as difference between the incomes generated by the output of asset and its non-amortized amount, including the expenses for its de-registration, and must be described as net amount in the profit and loss account, according to IAS 38.

The further expenses regarding intangible assets are only capitalized when they increase the further economic benefits generated by the asset they refer to. The expenses that don't meet these criteria are recognized as expenses on their occurrence.

##### a.2. Tangible assets

###### *Initial evaluation*

The tangible assets are initially recognized on the procurement cost and are described on the net amounts of accumulated amortization and the loss by the accumulated depreciation. An item of tangible assets that meets the recognition conditions as asset must be evaluated at its cost.

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

**Separate financial statements of 31 December 2014 according to IFRS**

**(All amounts are expressed in LEI unless otherwise stated)**

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS**

***Cost items***

The cost of a tangible asset is made of:

- a. its purchase price, including the import customs fees and the non-recoverable purchase fees, after the deduction of trade discounts and rebates;
- b. any costs that may be directly assigned to the bringing of asset to the place and state necessary for its operation;
- c. the initial estimate of the dismantling and removal costs of the restoration item of the place where it is located, a liability borne by the entity on the acquirement of investment.

For the accountancy of these costs, the provisions of IAS 37 “Provisions, contingent liabilities and contingent assets” are applied.

***Evaluation after the initial recognition***

The Company opted to use the revaluation model for the evaluation after the initial recognition of tangible assets. According to the revaluation model, a tangible asset item whereof just value may be reliably evaluated must be accounted at a revaluated amount, this being it’s just amount, on the revaluation date, less any further cumulated amortization and any losses cumulated by depreciation.

The revaluations must be made sufficiently regular to make sure that the accounting amount is not significantly different than the one that would have been established by the use of just amount at the end of reporting period.

The rate of evaluations depends on the changes of just amount of revaluated tangible assets. Provided that the just amount of an asset is significantly different than the accounting amount, a new revaluation is required.

When a tangible asset item is revaluated, any amortization cumulated on the revaluation date is considered by the company as follows: it is re-treated proportionally to the change of gross accounting amount of assets, so that the accounting amount of asset, after the revaluation, to be equal to its revaluated amount.

Consequently, the rate of revaluations depends on the changes of the just amount of tangible assets. Provided that the just amount of a revaluated item of tangible assets on the balance sheet date is significantly different than its accounting amount, a new revaluation is necessary.

Provided that the just amounts are volatile, i.e. the lands and buildings, the frequent revaluations may be necessary. Provided that the just amounts are stable for a long term, i.e. the installations and machineries, the evaluations may be necessary less often. IAS 16 suggests that the annual revaluations may be necessary if there are significant and volatile changes of amounts.

If a tangible asset item is revaluated, then the entire category of tangible assets whereby that item takes part, must be revaluated. The residual amount of asset and the useful life time of asset are reviewed at least at the end of financial period.

The Company performs the reclassification of tangible assets as real estate investments, when a land or a building (or both) under the patrimony of Company, meet the following conditions:

- They are rather used for incomes by rents than for incomes by the current operating activity;
- Although partially rented, the un-rented part being used for the current operating activity, the two parts could not be distinctly sold by the Company;
- An insignificant part is held to be used for the production or supply of assets or services or for the administrative purpose.

The amortization of an asset begins when it is available to use, i.e. when it is on the place and state necessary to be able to operate as the management wants.

The amortization of an assets ceases on the first date between the date when the asset is classified as held for sale (or included in a group intended to transfer, which is classified as held for the sale), in accordance with IFRS 5 and the date when the asset is to be recognized.

Consequently, the amortization does not cease when the asset is not used or is decommissioned, unless it is fully amortized.

## S.C. CONTED S.A.

Separate financial statements of 31 December 2014 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

The lands and buildings are separable assets and are distinctly accounted, even when they are acquired together. The land is not amortized. The land shown by the financial statements was revaluated by an ANEVAR member expert evaluator.

If the cost of the land includes decommissioning, removal, restoration costs, these costs are amortized during the period when the benefits are obtained, as consequence to these costs.

The amortization method used reflects the foreseen rate of consumption of the further economic benefits of asset by the unit. S.C. Conted S.A. opted to use the linear amortization method for the systematic assignment of the amount of assets during their life term. The residual amount, the life time and the amortization method are reviewed on the date of financial statements.

The foreseen periods by the main groups of tangible assets are as follows:

Asset	Years
Buildings (constructions)	40 - 60
Technical equipment and machinery	8 - 12
Measurement, control and adjustment machinery and equipment	2 - 4
Transport facilities	4 - 6
Furniture, office machinery, protection equipments, human and material assets	9 - 15

#### ***Depreciation policy applied by the company***

In accordance with IAS 36, both the intangible assets and the tangible assets are investigated in order to identify whether they have depreciation traces on the balance sheet date. For the intangible assets with an indefinite life term, the depreciation test is annually issued, even if it is no depreciation index.

If the net accounting amount of an asset is higher than its recoverable amount, a depreciation loss is recognized to lower the net accounting amount of the relevant asset to the level of recoverable amount. If the reasons of depreciation loss recognition disappear during the further periods, the net accounting amount of asset is adjusted until the level of net accounting amount, which would have been established unless no depreciation loss was recognized. The difference is described as other operating incomes.

The accounting amount of a tangible asset item is de-recognized on transfer or when no further benefits are foreseen by its use or transfer.

The revaluation surplus included in equity, corresponding to a tangible asset item is directly transferred into the carried forward result, when the asset is de-recognized, on transfer or cassation.

The gain or loss resulting by the de-recognition of a tangible asset item must be included in the profit or loss when the item is de-recognized. If the items of tangible assets, which have been held for rental to the others, are repeatedly sold, these assets are to be transferred into inventories at the accounting amount on the date when they cease to be rented and are held for sale.

The cashments by the sale of these assets are recognized as incomes, in accordance with IAS 18 „Incomes”.

#### **a.3. Real estate investments**

##### ***Initial evaluation***

The evaluation of real estate investment on initial recognition is made on cost according to IAS 40 “Real estate investments”. The cost of a real estate investment is made of the purchase price plus any directly assignable expenses (professional honorariums for legal services, the fees for the transfer of the right of property, etc.).

A real estate investment is held to obtain incomes by rents or for the increase of the amount of share capital or both. Consequently, a real estate investment generates treasury flows, which are in a great extent independent of other assets held by an entity.

## S.C. CONTED S.A.

Separate financial statements of 31 December 2014 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

#### *Evaluation after recognition*

The accounting policy of the Company, regarding further evaluation of real estate investments relies on the evaluation model on its just amount.

#### **b. Inventories**

In accordance with IAS 2 "Inventories", these are assets:

- held for resale during the normal development of activity
- during production for such a sale or
- as materials and other consumables that are to be used in the production process or for the provision of services.

The inventories are described on the lowest amount between cost and the net issuable amount.

The cost of stocks relies on the first in – first out principle. The costs of end products and semi-manufactured products include materials, direct labor, other direct costs, regime expenses and the general administration expenses, related to production (based on the exploitation activity).

The net issuable amount is estimated based on the sale price, related to normal activity, less the estimated costs for the finalization and sale. For the damaged inventories or the inventories with a slow motion, the adjustments are established based on the management estimates.

The establishment and restoration of adjustments for the depreciation of costs are made on the profit and loss account. The company uses for the establishment of cost on the outflow to materials supplied according to IAS 2, the first in, first out (FIFO) method. The average cost method is used for the finished goods.

#### **c. Receivables and other similar assets**

Except for the derivative financial instruments, which are recognized on the just amount and of the items expressed by a foreign currency, which are translated on the closure exchange rate, the receivables and other similar assets are described on the amortized cost. The receivables and trade payables reflect the relations of business to other businesses regarding the supply and outlet of assets and services. The receivables related to the state budget may also be registered in the accountancy.

The evaluation on balance sheet of the receivables and payables expressed in foreign currency and of those with discount in lei, depending on the rate of exchange of a foreign currency is made on the currency rate of exchange communicated by the National Bank of Romania, valid on the conclusion date of financial year.

The receivables related to it's own personnel result by advances granted to them, on account of salaries and by other receivables. The following take part to this category: un-justified treasury advances, salaries, un-due premiums or additions, due equivalent value of the labor equipment (part quote), amount of due rents, amount of imputations for due material damages, amends and pénalties.

The trade receivables reflect the rights of business to other natural or legal entities, established by the sales of assets, performance of works and service provisions, wherefore it must receive a value equivalent or a counter-provision.

The trade receivables that the trading company registers result by the services provided by it in its reports with third parties, according to the object of activity. Occasionally, the trading company may invoice to third parties certain assets that don't have any other usefulness within the trading company or may calculate penalties due to third parties.

When foreseen that a receivable will not be fully cashed, adjustments for depreciation are registered in the accountancy, at the level of the amount that cannot be recovered anymore. The de-registration of receivables takes place consequently to their cashment or transfer to a third party. The current receivables may also be decreased from the record, by mutual compensation of receivables and payables between the third parties, observing the legal provisions.

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

**Separate financial statements of 31 December 2014 according to IFRS**

**(All amounts are expressed in LEI unless otherwise stated)**

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS**

The decrease from the record of receivables whereof cashment terms are foreseen is made after the company obtains documents that certify that all the legal proceedings for their recovery were made. The de-registered receivables are registered in the order and record account outside the balance sheet and are further observed.

**d. Cash and cash equivalent**

The bank accounts include: amounts to cash, like cheques and trade effects submitted to the banks, lei and foreign currency liquid assets, cheques of the entity, short term bank credits, as well as the interests corresponding to liquid assets and credits granted by banks in the current accounts.

The payable and cashable interest, related to the financial year in progress, are registered at financial expense or financial income, as the case may be. The accountancy of liquid assets on the banks/cash office and of their movement, consequently to issued cashments and payments are separately registered, in lei and foreign currency.

The operations regarding cashments and payments in foreign currency are registered in the accountancy at the currency exchange rate, communicated by the National Bank of Romania, on the date of operation.

The foreign currency sale-purchase operations, including those within the contracts with discount on term, are registered in accountancy at the exchange rate used by the trading bank, where the bid with foreign currency is made.

**At the end of each reporting period**, the liquid assets in foreign currency and other treasury assets, like the state interests in foreign currency, letters of credit and deposits in foreign currency are evaluated at the exchange rate of the monetary market, communicated by the National Bank of Romania, of the last business day of the relevant month.

For the payment of liabilities to suppliers, the trading company may require the opening of letters of credit at banks, in lei or foreign currency, for them. For the preparation of treasury flow statement, it is considered that the cash is the cash of the cash office and in the current bank accounts.

**e. Payables**

The payable represents a current payable of the company, resulted by past events and whereby discount, it is expected to result an outflow of resources that embed the economic benefits.

The payable is recognized in accountancy and described by the financial statements when it is possible that an outflow of resources carrying economic benefits shall result by the payment of a current liability (probability) and when the amount whereto this discount will be issued, may be credibly evaluated (credibility).

**Current liabilities** are those liabilities that must be paid within a period of up to one year.

A liability shall be classified as short-term liability, also called a current liability when:

- a) it is expected to be settled during the normal operating cycle of the company;
- b) it is primarily held for trading purposes;
- c) it is due within 12 months after the balance sheet date;
- d) the company does not have an unconditional right to defer the payment of the liability for at least 12 months following the balance sheet date.

All other liabilities shall be classified as **long-term liabilities**, even where they must be settled within 12 months following the balance sheet date if:

- the original term was for a period exceeding 12 months;
- the company intends to refinance the long-term bond and its intention is supported by a refinance agreement, or by a payment rescheduling agreement, which is completed before the financial statements are authorized for publication.

## S.C. CONTED S.A.

### Separate financial statements of 31 December 2014 according to IFRS (All amounts are expressed in LEI unless otherwise stated)

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#### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

Liabilities are carried out at the amortized cost, except for derivative financial instruments which are presented at their fair value. Long-term liabilities are discounted using the effective interest method. The discount rate used for this purpose is the rate in force at the end of the year for instruments taken into consideration as liabilities with similar maturities. The accounting value of other payables is their fair value as they have generally short-term maturities.

The company derecognizes a liability when its contractual obligations are discharged or canceled or expired. If goods and services provided in relation to current activities were not billed, but if the delivery was actually made, and their value is available, the obligation is recorded as a liability (not as a provision).

The amounts representing the dividends distributed from the net profit of the reporting period are shown in the following year in the retained earnings so that, after the approval by the General Assembly of Shareholders related to this destinations, they shall be shown into the account 457 "Dividends payable".

#### **f. Income tax, including deferred tax**

The accounting consideration for income taxes is the objective of IAS 12. In pursuing this objective, IAS 12 notes the following:

- it is inherent in the recognition of an asset or of a liability which will be settled or recovered as an asset or liability, and that recovery or settlement may give rise to future tax consequences that would be recognized at the same time the asset or liabilities
- an entity should account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves.

The income tax for the year includes the current tax and deferred tax. The income tax is recognized in the profit or loss situation, as well as in other elements of the comprehensive income if the tax is related to the elements recognized in its own equity.

#### **Current income tax**

The tax currently payable is based on taxable profit for the year. The taxable profit differs from the profit as reported into the profit and loss account as it excludes the items of income or expense that are taxable or deductible in other years and it further excludes the items that will never become taxable or deductible.

The liability of the company related to the current profit tax is calculated using tax rates that have been provided by the law or in a draft at the end of the year. Currently, the tax rate is 16%.

#### **Deferred tax**

The income tax which, according to IAS 12, is recognized in other items of the comprehensive income, defined in accordance with the provisions of IFRS, are indicated into the account 1034 "Current income tax and deferred income tax recognized in equity account", specifically tracking the current income tax and deferred tax.

This account also indicates the deferred tax corresponding to the legal reserves. This account also indicates the deferred tax corresponding to the legal reserves and other reserves provided by Law no. 571/2003 regarding the Fiscal Code, as further amended and completed.

The account 1034 "Current income tax and deferred income tax recognized in equity account" does not indicate the income tax corresponding to the retained earnings or other components of equity, as they are directly recorded in the respective item of its own equity.

The deferred tax is recorded using the balance sheet method for the temporary differences of the assets and liabilities (differences between the accounting values indicated in the company's balance sheet and their tax base). The tax loss reported is included in the calculation of deferred tax assets.

The liability related to the deferred tax is recognized only to the extent that it is likely to obtain a taxable profit into the future, after compensating with the tax loss of the previous years and with the income tax to be recovered.



## S.C. CONTED S.A.

Separate financial statements of 31 December 2014 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

#### **g. Recognition of income**

The revenue is considered as the gross entry of economic benefits during the period, arising in the course of normal activities of the company, when those entries result into increases in equity, other than increases relating to contributions of the participants into their own equity.

The revenue includes only the gross entries of economic benefits received or receivable by the company on its behalf. The revenue is to be assessed in accordance with IAS 18 "Revenue" at their fair value of the consideration received or receivable. The revenue is reduced in line with the estimated value of the goods returned by the customers, rebates and other similar items.

#### **Sale of assets**

The revenues resulting from the sale of goods are recognized when all the following conditions are met:

- The company has transferred to the buyer the significant risks and advantages resulting from the ownership of the goods;
- The company no longer manages the goods sold at level it would have done if it had still been the owner of the goods and it does not hold the effective control over the respective goods;
- the amount of the revenue can be measured in a reliably manner;
- it is likely that the economic benefits associated with the transaction to be generated to the company;
- the transaction costs can be measured in a reliably manner.

The income from ordinary activities is recorded when it is likely that the company to have possible economic benefits into the future and when these benefits can be measured in a reliably manner.

The amount of the revenue arising from a transaction is usually determined by an agreement between the company and the buyer or the user of the asset. The revenues are assessed at their fair value of the consideration received or receivable, taking into account the amount of any trade discounts and rebates by volume granted.

The consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the entry of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable.

This is the situation that is applicable also for the situation of the delivery contracts provided that there is a vendor credit, if the company can provide to the buyer an interest free credit or can accept from it trade effects with a lower interest rate than the market as consideration for sale property.

For commercial contracts concluded as a vendor with deferred payment the difference between the fair value and the nominal value of the consideration is recognized as interest income. The fair value of the consideration is determined by discounting all the future receivables, using a rate of interest by default. To discount all the future receivables, the company has chosen to use the rate of interest determined by the internal procedure.

#### **Service provision**

When the outcome of a transaction involving the service provision can be estimated in a reliable manner, the revenue associated with the transaction shall be recognized depending on the stage of completion of the transaction at the closing date of the reporting period. The outcome of a transaction can be estimated in a reliable manner when all the following conditions are met:

- the amount of the revenue can be measured in a reliable manner;
- it is likely that the economic benefits associated with the transaction would be generated for the company;
- the stage of completion of the transaction at the closing date of the balance sheet can be measured in a reliable manner;
- the costs incurred for the transaction and the costs to complete the transaction can be measured in a reliable manner.

## S.C. CONTED S.A.

### Separate financial statements of 31 December 2014 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

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#### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

For the recognition of revenue depending on the stage of completion of the transaction, the company uses the "percentage of completion method". According to this method, the revenues are recognized in the accounting periods when the services are provided.

The recognition of revenue on this basis provides useful information on the size of the service provision activity and its results during this period.

The revenues are recognized only when it is likely that the economic benefits associated with the transaction would be generated for the company.

When an uncertainty arises about the collectability of an amount already included in revenue, the amount cannot be collected or the amount which collection has ceased to be likely is recognized as an expense rather than as an adjustment of the amount of revenue originally recognized. When the outcome of a transaction involving the provision of services cannot be estimated in a reliable manner, the revenue shall be recognized only within the limit of the expenses recognized that can be recoverable.

**The rental revenues** are recognized into the profit and loss account linearly, during the period of the rental agreement.

#### **Dividends and interests**

Interests shall be recognized using the effective interest method. Interest revenues are recognized depending on the elapsed time. If the interests received are related to the periods prior to the acquisition of the interest-bearing investment, only the subsequent interest is recognized as an interest, the other part reduces the costs of the bonds.

Royalties shall be recognized based on the on the accrual accounting, in accordance with the trade fund of the contract in question. When an uncertainty arises about the collectability of an amount already included into the revenue, the amount cannot be collected or the amount which collectability has ceased to be likely is recognized as an expense rather than as an adjustment of the amount of the revenue originally recognized.

The incomes consisting in divides are recognized when the shareholder's right to receive its payment is recognized. The incomes consisting in divides are recorded on their gross value, including the dividend tax, which is recognized as a current expense in the period when the distribution was approved.

The interest incomes are recognized based on the on the accrual accounting, by reference to the principal outstanding and the effective rate of interest, that rate which discounts exactly the estimated future cash receivable.

#### **h. Benefits of employees**

##### **Short term benefits**

The liabilities with short term benefits, granted to the employees, are not updated and are recognized in the statement of global result, as the related service is provided. The short term benefits, granted to employees, include the salaries, premiums and social securities. The short term benefits are recognized as expense when the services are provided.

The Company makes payments on account of its own employees to the pension system of the Romanian state, the health insurances and unemployment fund, during the normal activity. All the employees of the company are members and are liable to contribute to the pension system of Romanian state. All the related contributions are recognized in the profit and loss account of the period, when they are made.

The Company does not have other additional liabilities, is not employed in any independent pension system and consequently, it does not have any liabilities in this respect, and it is not employed in any other post-employment benefit system. The Company is not liable to provide further services to the ex or current employees.

The Company is not currently granting benefits as partnership of employees to the profit. It is no such a plan now, whereby it is foreseen that the liability of the company of granting benefits as own shares of entity (or another instruments of equity).

## S.C. CONTED S.A.

### Separate financial statements of 31 December 2014 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

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#### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

##### **i. Result of the period**

The profit or loss is jointly established in the accountancy, from the beginning of financial year. The result of the year is established as difference between the incomes and expenses of the year. The definitive result of the financial year is established on its conclusion and represents the final balance of the profit and loss account.

The profit distribution is issued in accordance with the enforceable legal provisions. The amounts representing reserves, resulted by the profit of the current financial year, based on certain legal provisions, i.e. the legal reserve established based on the provisions of Law 31/1990 is registered at the end of the current year. The accounting profit rest upon this distribution is taken over at the beginning of the financial year, after the year wherefore the annual financial statements are prepared in the account 1171 "Carried forward result, representing the non-distributed profit or the un-covered loss", wherefrom it is distributed on the other destinations decided by the General Assembly of Shareholders, observing the legal provisions.

The registration in the accountancy of the accounting profit destinations is made after the General Assembly of Shareholders approved the profit distribution, by the registration of amounts representing dividends due to shareholders, reserves and other destinations, according to law.

##### **j. Result per share**

IAS 33 "Result per share" provides that, if an entity describes consolidated financial statements and separate financial statements, the description of the result per share is only prepared based on the consolidated information. If it chooses to describe the result per share, based on its separate financial statement, it must describe such information regarding the result per share only in the circumstance of global result.

This case, it must not describe the result per share in the consolidated financial statements.

The Company chose to describe the result per share by these separate financial statements.

The basic result per share is calculated dividing the profit or loss assignable to the ordinary share holders of the company on the weighted average of circulatory ordinary shares during the period and is described by note 20.

##### **k. Legal reserve**

In accordance with the Romanian legislation, the companies must distribute an amount equal to at least 5% of the profit before taxation, under legal reserves, until these reach 20% of the share capital. When this level was reached, the company may issue additional assignments only from the net profit. The legal reserve is deductible within a quote of 5% applied on the accounting profit, before the establishment of income tax.

##### **l. Revaluation reserves**

The revaluations are issued with sufficient frequency, so that the accounting value would not differ substantially from the value which would have been determined using the fair value as of the date of the balance sheet.

In this respect, the Company issued the revaluation of the fixed tangible assets – construction group and of the real estate investments with independent assessors as of 31 December 2006, 31 December 2009, 31 December 2012 and 31 December 2013. The last revaluation was issued at 31 December 2013 when the tangible assets group 212 "Constructions", the real estate investment and lands were re-assessed.

The difference between the value resulted from the revaluation and the net accounting value of the intangible assets is presented at the reserve of the revaluation, as a distinctive sub-element in the „Ownership equity” group.

If the result of the revaluation is an increase compared to the net accounting value, then this issue will be addressed as follows: as an increase of the reserve from the revaluation presented within the ownership equity group, if a prior decrease acknowledged as an expense related to that particular asset or as an income which would compensate the expense with the decrease priory acknowledged for that asset did not exist.

## S.C. CONTED S.A.

### Separate financial statements of 31 December 2014 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

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#### NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

If the result of the revaluation is a decrease of the net accounting value, this would be addressed as an expense with the entire value of the depreciation when the reserve from the revaluation is not recorded as an amount related to that asset (addition from the revaluation) or a decrease of the reserve from the revaluation with the minimum between the value of that reserve and the value of the decrease, and the potential difference which was not covered is recorded as an expense.

The addition from revaluation is included in the reserve from revaluation is transferred to the reported result when this addition represents an issued earning. The earning is considered as being issued when the asset for which the reserve from revaluation is extracted from the inventory. After the date at which the IFRS entered into force, any increase or decrease of the fair value as a result of the revaluation will be acknowledged in the situation of the global result.

#### NOTA 4. Establishment of just amount

The just amount is the price on the main market or on the most advantageous market, which could be obtained for the sale of asset or the transfer of payable, after which the transaction and transport costs were taken into account.

The factors that the entity must take into account for the evaluation of just amount are:

- asset or payable that is evaluated;
- market;
- market participants;
- price.

There are specific mentions for the non-financial assets, payables, capital instruments and financial instruments.

For an evaluation on just amount, it is necessary that the entity establishes the adequate evaluation techniques, taking into account the available data for the conclusion of input data that represent the hypotheses, which the market participants would have used for the establishment of the value of asset or payable and the classification level of input data in the hierarchy of just amount.

Certain accounting policies of the Company and description requirements of information need the establishment of just amount, both for the financial assets and payables, and for the non-financial ones.

For the evaluation of the assets or of the debts, the Company uses as much as possible the information that may be noticed on the market. The hierarchy of the fair value classifies the input data for the evaluation techniques used for the evaluation of the fair value on three levels, as follows:

- Level 1 – quoted price (non-adjusted) on active markets for identical assets or debts which can be accessed by the entity at the date of the evaluation;
- Level 2 – input data, other than the quoted prices, included in Level 1, which can be traceable for the asset or for the debt, either directly or indirectly;
- Level 3 - input data which cannot be tracked for the asset or for the debt.

If the input data for the evaluation of the fair value of an asset can be classified on several levels of the hierarchy of the fair value, the evaluation at the fair value is entirely classified on the same level of the hierarchy of the fair value as an input data with the lowest level of incertitude which is significant for the entire evaluation. The Company acknowledges the transfers between the levels of the hierarchy of the fair value at the end of the reporting period, in which the modification occurred.

Where appropriate, the additional information regarding the hypotheses used for the establishment of just amount are described by the notes specific to the relevant asset or payable. (Tangible assets, real estate investments). The Company issues the revaluation of tangible assets in its patrimony with a sufficient regularity for them being described by the financial statements on a just amount.

**S.C. CONTED S.A.****Separate financial statements of 31 December 2014 according to IFRS****(All amounts are expressed in LEI unless otherwise stated)**

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

**NOTE 5. Sale incomes**

	<u>31 December 2014</u>	<u>31 December 2013</u>
Asset sales	19.069.431	21.176.433
Service provisions	155.629	116.706
Incomes by rental of real estate investments	6.866	6.828
<b>Total turnover</b>	<b>19.231.926</b>	<b>21.299.967</b>

The turnover of Company, related to 2014 year is 19.231.926 lei whereof 6.151.560 lei export and 13.080.366 lei internal, compared to 2013 when we registered 21.299.967 lei, whereof 8.887.429 lei export and 12.412.538 lei internal.

The turnover was mainly issued in the structure by the sale of its own production at the rate of 99 %. The amount of export sales in 2014 year represents 32%, and the amount of internal sales represents 68% of the turnover.

**NOTE 6. Operating incomes**

	<u>31 December 2014</u>	<u>31 December 2013</u>
Sale incomes	19.231.926	21.299.967
Inventory variation	488.892	(238.938)
Other operating incomes	89.484	180.787
<b>Total</b>	<b>19.810.302</b>	<b>21.241.816</b>

**NOTE 7. Operating expenses**

	<u>31 December 2014</u>	<u>31 December 2013</u>
Expense with raw materials and consumables	1.928.772	2.886.241
Expense with energy and water	1.338.688	1.258.267
Expense with merchandise	192.858	188.279
<b>Total cost of materials</b>	<b>3.460.318</b>	<b>4.332.787</b>
<b>Expense with personnel</b>	<b>11.886.219</b>	<b>11.295.178</b>
<b>Other operating expense, whereof:</b>	<b>2.221.632</b>	<b>2.132.031</b>
Expense with the external provisions:	<u>2.098.441</u>	<u>1.990.421</u>
- Postal expense	38.497	42.266
- Expense with maintenance and repairs	43.480	70.134
- Expense with advertisement and protocol	51.336	29.629
- Expense with securities	20.740	17.835
- Expense with transport and travels	26.699	29.214
- Other expenses with services provided by third parties	1.917.689	1.801.343
Expenses with other interests, fees and similar payments	<u>82.283</u>	<u>73.376</u>
Expenses with environment protection	<u>571</u>	<u>560</u>
Other expenses	<u>40.337</u>	<u>67.674</u>
<b>Value adjustments regarding intangibles</b>	<b>301.982</b>	<b>361.330</b>
<b>Value adjustments regarding circulatory assets</b>	<b>-</b>	<b>256</b>
<b>Total</b>	<b>17.870.151</b>	<b>18.121.582</b>

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**Separate financial statements of 31 December 2014 according to IFRS**

**(All amounts are expressed in LEI unless otherwise stated)**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS**

**NOTE 8. Other operating expenses**

	<u><b>31 December 2014</b></u>	<u><b>31 December 2013</b></u>
Expenses with external provisions	2.098.441	1.990.421
Expenses with interests, fees and similar payments	82.283	73.376
Expenses with environment protection	571	560
Other expenses	40.337	67.674
<b>Total</b>	<b>2.221.632</b>	<b>2.132.031</b>

**NOTE 9. Expenses with salaries, social securities and other benefits**

- Expenses with salaries and social securities

	<u><b>31 December 2014</b></u>	<u><b>31 December 2013</b></u>
Expenses with salaries	8.371.886	7.918.008
Expenses with mandatory social securities	2.328.446	2.242.158
Expenses with granted meal tickets	1.185.887	1.135.012
<b>Total</b>	<b>11.886.219</b>	<b>11.295.178</b>

The issued gross salary fund (the salary fund, respectively, without medical rests borne by the employer), during the 2014 year was 8.371.886 lei compared to 2013 year, when we registered 7.918.008 lei. If the contributions related to the salary fund, borne by the Company, are added to these amounts, respectively:

- social security contribution,
- contribution for the establishment of medical rest and indemnity fund;
- contribution for the establishment of unemployment fund,
- contribution for the establishment of warranty fund of salary receivables;
- contribution for the health social securities;
- contribution for the establishment of the fund for persons with disabilities;
- contribution for the establishment of the risk and labor accident fund.

and other expenses with the labor force, considered as social expense, entirely amounting 2.328.446 lei, (2013 amounting 2.242.158 lei), as well as the expenses with the granted meal tickets, amounting 1.185.887 lei, (2013 amounting 1.135.012 lei), it results a total expense with the staff, amounting 11.886.219 lei, (2013 amounting 11.295.178 lei).

- Expenses with other benefits for the employees

	<u><b>Short term</b></u>	
	<u><b>31 December 2014</b></u>	<u><b>31 December 2013</b></u>
<b>Benefits for the employees</b>	<b>1.192.705</b>	<b>1.149.937</b>
Meal tickets	1.185.887	1.135.012
Social allowance	6.818	14.925

According to the collective labor agreement, the benefits granted to the employees are:

- meal tickets granted according to Art. 31 of the enforceable Collective labor agreement;
- social allowance (decease allowance, birth allowance) according to Art. 38 of the enforceable Collective labor agreement;
- holidays paid for the decease, marriage, birth, movement in a dwelling, according to Art. 46 of the enforceable Collective labor agreement;

**S.C. CONTED S.A.****Separate financial statements of 31 December 2014 according to IFRS****(All amounts are expressed in LEI unless otherwise stated)****NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS**

- leave without salary, for the resolution of personal situations, according to Art. 46 of the enforceable Collective labor agreement;
- leave without salary, of 30 days, for the preparation and support of diploma work paper at the higher education, according to Art. 47 of the enforceable Collective labor agreement;
- leave without salary, of one year, granted to mothers who return from the child growing holidays, according to Art. 47 of the enforceable Collective labor agreement;

**NOTE 10. Average number of employees**

## a) Employees

The medium number of employees progressed as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Management personnel	11	11
Administrative personnel	74	63
Production personnel	420	428
<b>Total</b>	<b>505</b>	<b>502</b>

## b) The structure of employees by the training level is shown below:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Higher education personnel	4,35%	4,18%
Secondary education personnel	6,53%	28,28%
Technical education personnel	9,90%	6,77%
Handicraft and qualification education personnel	44,55%	69,12%
Un-qualified personnel	34,67%	-
<b>Medium number of employees</b>	<b>505</b>	<b>502</b>

**NOTE 11. Financial incomes and expenses**

Recognized in the profit or loss account

	<u>31 December 2014</u>	<u>31 December 2013</u>
Incomes by interests related to bank deposits	78.479	156.984
Incomes by exchange rate differences	27.575	86.380
<b>Total financial incomes</b>	<b>106.054</b>	<b>243.364</b>
Expenses with interests	-	-
Expenses with exchange rate differences	68.679	167.947
<b>Total financial expense</b>	<b>68.679</b>	<b>167.947</b>
<b>Net financial result</b>	<b>37.375</b>	<b>75.417</b>

The financial incomes mostly include the incomes by interests related to the deposits on term established by the company. These are recognized in the profit or loss account based on the accountancy of employments, using the effective interest method.

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The financial expenses include the expenses with the exchange rate differences. All the expenses are recognized in the profit or loss account.

**NOTE 12. Expense with income tax**

	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Expense with income tax current</b>	<b>294.605</b>	<b>492.521</b>
Current period	294.605	492.521
<b>Expense with deferred income tax</b>	<b>68.655</b>	<b>-</b>
• Deferred income tax related to the amounts registered in the carried forward result, by other adjustments	63.481	-
• Deferred income tax related to the amortized revaluation reserve during the use of asset	5.174	-
<b>Total expense with income tax</b>	<b>363.260</b>	<b>492.521</b>

## Profit reconciliation before the taxation

	<b><u>31 December 2014</u></b>	<b><u>31 December 2013</u></b>
Accounting profit	1.977.526	3.195.651
Items similar to incomes by other re-treatments	472.329	-
Other non-taxable incomes	75.573	-
Non-deductible expenses	106.517	63.144
Taxable income	2.480.799	3.258.795
Income tax	396.928	521.407
Lowering of income tax	33.668	28.886
Income tax paid up due at the end of the period	363.260	492.521
Income tax paid up during the year	318.091	362.316
Payment income tax	45.169	130.205
- current	44.091	130.205
- deferred	1.078	-

The payment difference to the income tax has the deadline on 25.03.2015.

**NOTE 13. Tangible assets**

On 31.12.2013 the last revaluation of the tangible assets group 212 "Constructions" and the land (which exist within the patrimony at this date) occurred. The depreciation was re-addressed proportionally with the modification of the gross accounting value of the asset, so that the accounting value of the asset, after the re-evaluation, will be equal with the revaluated value. The scope of the evaluation of the land was the estimation of the market value in order to be registered in the accounting evidence at the fair accounting value. The fair value of the lands was determined based on the comparable market method, which reflects the recent transaction prices for the same properties.

The evaluation method applied to the "building" group is the direct comparison method. The revaluation envisaged the adjustment of the net accounting value of the elements included in these categories on their fair value considering their physical status and their market value.

All buildings and lands are identified on their revaluated value, this value representing the fair value at the date of the revaluation minus any priory accumulated depreciation and any losses acquired by means of



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depreciation. The equipment, technical installations, machinery, measurement and control devices, transportation means are assessed at a cost minus the depreciation and losses of value.

The revaluation was issued by Mr. Lațcu Nicolae, ANEVAR member certified expert evaluator. The fair value was settled on each asset in gross revaluated values, and as their related depreciation. On December 31<sup>st</sup>, 2014, based on the internal analysis, the management of the Company estimates that the net accounting value of the land, constructions and real estate investments approximates their fair value.

Quantitative report of the just value.

The following table establishes the assets and liabilities of entity, which are measured and recognized on their fair value at 31.12.2013[ IFRS 13]

<b>La 31.12.2013</b>	<b>Level 1*</b>	<b>Level 2**</b>	<b>Level 3***</b>	<b>Total</b>
<b>Measurements of the current fair value</b>				
<b>Financial assets</b>				
Partnership titles available on sale	-	-	-	-
<b>Total current financial assets</b>	-	-	-	-
<b>Non-financial assets</b>				
Tangible assets	-	4.054.610	-	-
Intangible assets	-	15.915	-	-
Real estate investments	-	37.858	-	-
<b>Total Non-financial assets</b>	-	<b>4.108.383</b>	-	-
<b>Measurements of the current fair value</b>				
Land held to sale	-	-	-	-
<b>Total non-current</b>	-	-	-	-

The following table establishes the assets and liabilities of entity, which are measured and recognized on their fair value at 31.12.2014[ IFRS 13]

<b>La 31.12.2014</b>	<b>Level 1*</b>	<b>Level 2**</b>	<b>Level 3***</b>	<b>Total</b>
<b>Measurements of the current fair value</b>				
<b>Financial assets</b>				
Partnership titles available on sale	-	-	-	-
<b>Total current financial assets</b>	-	-	-	-
<b>Non-financial assets</b>				
Tangible assets	-	3.855.314	-	-
Intangible assets	-	12.248	-	-
Real estate investments	-	36.969	-	-
<b>Total Non-financial assets</b>	-	<b>3.904.531</b>	-	-
<b>Measurements of the current fair value</b>				
Land held to sale	-	-	-	-
<b>Total non-current</b>	-	-	-	-

\* the fair value is established using an active market quote for an identical asset or debt

\*\* the price is established by an evaluation technique using noticeable inputs

\*\*\* the price is established by an evaluation technique using un-noticeable inputs

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS**

**NOTE 13. Tangible assets (continuation)**

	<u>Lands and buildings</u>	<u>Technical equipment and transport facilities</u>	<u>Other tangible assets</u>	<u>Total</u>
<b>Cost</b>				
Balance as at 1 January 2014	5.430.529	7.961.033	206.937	13.598.499
Procurements	-	92.626	-	92.626
Outflows of fixed assets	42.167	16.293	-	58.460
Balance as at 31 December 2014	5.388.362	8.037.366	206.937	13.632.665
<b>Amortization</b>				
Balance as at 1 January 2014	2.081.215	7.307.838	154.836	9.543.889
Amortization during the year	131.754	152.424	6.466	290.644
Outflows of tangible assets	40.889	16.293	-	57.182
Balance as at 31 December 2014	2.172.080	7.443.969	161.302	9.777.351
Balance as at 1 January 2014	3.349.314	653.195	52.101	4.054.610
Balance as at 31 December 2014	3.216.282	593.397	45.635	3.855.314

For the production activities under optimum conditions, the technological equipments amounting 92.626 lei, representing the equivalent value of the following, have been procured in the 2014 year:

- eyelet sewing rail;
- ironing double press machine;
- sewing automatic machine on the contour for small marks.

The outflow tangible assets amounting 58.460 lei represent cassations of metallic barracks of group 212 "constructions" and calculation systems, printers of the group 213.2 "Measurement, control and adjustment machinery and equipments".

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS**

**NOTE 14. Intangible assets**

	<b>Concessions of patents, licenses and trade marks</b>	<b>Other intangibles</b>	<b>Total</b>
<b>Cost</b>			
Balance as at 1 January 2014	24.315	94.329	118.644
Procurements	3.645	3.137	6.782
Outflows of intangible assets	-	-	-
Balance as at 31 December 2014	27.960	97.466	125.426
<b>Amortization</b>			
Balance as at 1 January 2014	21.955	80.774	102.729
Amortization during the year	2.506	7.943	10.449
Outflows of fixed assets	-	-	-
Balance as at 31 December 2014	24.461	88.717	113.178
Balance as at 1 January 2014	2.360	13.555	15.915
Balance as at 31 December 2014	3.499	8.749	12.248

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## NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

**NOTE 14. Intangible assets (continuation)**

The intangible assets on 31 December 2014, at the net value of 12.248 lei (01 January 2014: 15.915 lei), represent the non-amortized part of licenses and informatics programs used.

The amortization term of intangible assets is 3 years.

**NOTE 15. Real estate investments**

	<u>2014</u>	<u>2013</u>
Balance as at 1 January	51.664	50.875
Procurements, value adjustments	-	789
Amortization during the period	14.695	13.806
<b>Balance as at 31 December</b>	<b>36.969</b>	<b>37.858</b>

The real estate investments include an apartment with 3 rooms, which is rented based on an agreement, with the validity of 12 months, having the possibility of extension.

The real estate investments are real estates held by the company for rental or for the increase of their value.

The real estate investments are initially evaluated at cost and further on their fair value, and any amendment of it is recognized by the statement of global result.

The evaluation on the fair value is established based on the evaluation issued by Mr. Lațcu Nicolae, ANEVAR member certified expert evaluator. The last revaluation was issued on 31.12.2013. The revaluation aimed the adjustment of the accounting net value to the fair value, taking into account the physical state and the market value.

**NOTE 16. Inventories**

	<u>31 December 2014</u>	<u>31 December 2013</u>
Raw materials and consumables	703.129	1.154.326
Work in progress	376.676	456.038
Finished goods	1.076.851	729.765
<b>Total inventories</b>	<b>2.156.656</b>	<b>2.340.129</b>

The inventories registered a higher stock turnover in the 2014 year (11.46 rotations/year) compared to 2013 year (10.88 rotations/year). For the establishment of cost on the outflow of the administration of materials, the company uses the first in, first out method (FIFO).

The cost of stocks recognized as expense during the 2014 year with respect to the permanent operations was 2.121.630 lei (December 31, 2013: 3.074.520 lei). The company did not register discounts of the accounting value of stocks recognized as expense during the year.

**NOTE 17. Trade receivables and similar receivables, other receivables and advance expense**

	<u>31 December 2014</u>	<u>31 December 2013</u>
Trade receivables	2.242.329	4.103.399
Payable or suppliers	-	-
Different payables	-	89
Recoverable VAT	17.920	-
Non-exigible VAT	27.295	22.547
Other receivables	1.113	2.558
<b>Total</b>	<b>2.288.657</b>	<b>4.128.593</b>
Advance expenses	11.292	16.285

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The trade receivables are registered on the rated value and are described in the analytical accountancy per each natural or legal entity. The receivables in foreign currency were evaluated based on the enforceable rate of exchange at the end of the year, and the differences of the exchange rate were recognized as incomes or expenses of the period.

The balance as at 31.12.2014 of the main receivables is made of:

- Internal clients, amounting 1.890.997 lei, whereof the most important are as follows: S.C. Again TextileTeam S.R.L. Braşov, S.C. Paoloni Industrie S.R.L. Jilava.
- External and intra-community clients, amounting 351.332 lei, whereof we mention: HMD S.A.R.L. France, United European Company Liban.

The recovery period of receivables increased in 2014 to 64.17 days compared to 2013 year, when it was 46.65 days.

The structure by aging of trade receivables on the date of 31 December 2014, un-cashed on the established term, amounting 181.260 lei is:

- Outstanding debts between 0 and 60 days, amounting 180.335 lei
- Outstanding debts over 60 days, amounting 925 lei

The Company considers that the recognition of an adjustment for depreciation for the outstanding trading receivables is not necessary, because the sold of trading receivables corresponds to the customers with a good payment history.

The trade receivables of the Company are expressed by the following foreign currencies:

<b>Foreign currency</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
EUR lei equivalent	351.332	382.602
LEI	1.890.997	3.720.797
<b>Total</b>	<b>2.242.329</b>	<b>4.103.399</b>

The advance expenses amounting 11.292 lei on 31 December 2014, (16.285 lei la 1 January 2014) mainly represent insurance premiums for civil liability insurances for administrators, insurance for the transport facilities and different subscriptions.

**NOTE 18. Cash and cash equivalents**

On the date of 31.12. 2014 cash and cash equivalents amounting 3.896.423 lei increased by 0,04% compared to the cash and cash equivalents registered on 31.12.2013 amounting 3.894.994 lei and it is made of:

	<b>31 December 2014</b>	<b>31 December 2013</b>
Cash in the cash office	3.137	1.113
Bank current accounts and short term deposits	3.883.841	3.886.475
Cash equivalents	9.445	7.406
<b>Total</b>	<b>3.896.423</b>	<b>3.894.994</b>

The current accounts opened at the banks, as well as the bank deposits are permanently available to the Company and are not restricted. The short term deposits are established by fix interest during the entire period wherefore the deposit is established.

	<b>Initial balance 31.12.2013</b>	<b>Cashments</b>	<b>Payments</b>	<b>Final balance 31.12.2014</b>
cash in the cash office	1.113	693.960	691.936	3.137
current accounts at the banks	3.886.475	371.624.612	371.627.246	3.883.841
Cash equivalents	7.406	1.377.035	1.374.996	9.445
<b>Total</b>	<b>3.894.994</b>	<b>373.695.607</b>	<b>373.694.178</b>	<b>3.896.423</b>

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## NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

**NOTE 19. Share capital and reserves****Equities**

We present information regarding the goals, policies and processes of share capital management, according to IAS 1.134 observing the information that include [IAS 1.135]: quality information concerning the goals, policies and processes of the capital of entity management, including the description of capital they manage, the way that the goals are accomplished, the quantity data regarding the share capital, changes from a period to another. The ordinary shares are classified as a part of equity.

**a. Share capital**

The share capital of company on the date of 31 December 2014 is 2.284.360,06 lei, fully subscribed and paid up, divided in 239.702 nominal shares, amounting 9,53 lei each share. The shares of the company are ordinary, nominal, de-materialized, registered by registration in the account, their record being kept, according to law, by Central Depository S.A. Bucharest.

The shares have equal values and grant equal rights to the shareholders for each share. The securities (shares) of the Company are registered and traded on the 2<sup>nd</sup> category of shares of the Stock of Exchange of Bucharest. In the 2014 year, the share capital of the company was not changed, in respect of its adjustment or decrease.

The structure of the company shareholding is:

<b>31 December 2014</b>	<b>Number of shareholders</b>	<b>Number of shares</b>	<b>Amount (lei)</b>	<b>%</b>
Popa Manole	1	61.184	583.084	25,5250
Pujină Nelu	1	48.689	464.006	20,3123
Negreanu Valeria	1	23.976	228.491	10,0024
Other shareholders, whereof:	792	105.853	1.008.779	44,1602
- legal entities		9.870	94.061	4,1176
- natural entities		95.983	914.718	40,0426
<b>TOTAL</b>	<b><u>795</u></b>	<b><u>239.702</u></b>	<b><u>2.284.360</u></b>	<b><u>100,00</u></b>

<b>31 December 2013</b>	<b>Number of shareholders</b>	<b>Number of shares</b>	<b>Amount (lei)</b>	<b>%</b>
Popa Manole	1	61.184	583.084	25,5250
Pujină Nelu	1	48.689	464.006	20,3123
Negreanu Valeria	1	23.976	228.491	10,0024
Other shareholders, whereof:	801	105.853	1.008.779	44,1602
- legal entities		6530	62.231	2,7242
- natural entities		99.323	946.548	41,4360
<b>TOTAL</b>	<b><u>804</u></b>	<b><u>239.702</u></b>	<b><u>2.284.360</u></b>	<b><u>100,00</u></b>

The structure of shareholders holding over 10% of share capital is:

Shareholder	Number of shares	Percent (%)
Popa Manole	61.184	25,5250
Pujină Nelu	48.689	20,3123
Negreanu Valeria	23.976	10,0024

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The tangible asset revaluation reserves on 31 December 2014 decreased compared to 31 December 2013 by 31,561 lei, representing the surplus by the revaluation, which was transferred in the account 1175 „Carried forward result representing the issued surplus by the revaluation reserves”.

**c. Reserves**

**The legal reserves** of the company, on 31 December 2014, 31 December 2013, respectively, amount 456,661 lei as consequence to the establishment of legal reserve (5% of the accounting profit, established according to Law 571/2003 as further amended and completed and Law 31/1990 as further amended and completed).

The legal reserves cannot be distributed to the shareholders.

**Other reserves**

The Company registers at the end of 2013 year “**other reserves**” account 1068 amounting 4.309.823 lei.

On 31 December 2014 the balance is 4.080.948 lei, and the difference of 228.875 lei, represents the coverage of carried forward loss, resulted by the passing to IFRS, consequently to the application for the first time of IAS 29, approved by the Ordinary General Assembly of Shareholders, of 15.03.2014.

	<u>31 December 2014</u>	<u>31 December 2013</u>
Tangible asset revaluation reserves	1.034.528	1.066.089
Legal reserves	456.661	456.661
Other reserves	4.080.948	4.309.823
<b>Total</b>	<b>5.572.137</b>	<b>5.832.573</b>

**d. Result of the financial year**

	<u>31 December 2014</u>	<u>31 December 2013</u>
Operating income	1.940.151	3.120.234
Financial profit	37.375	75.417
<b>Gross profit</b>	<b>1.977.526</b>	<b>3.195.651</b>
Expense with the current income tax	294.605	492.521
Expense with the deferred income tax	68.655	-
Incomes by the deferred income tax	75.573	-
<b>Net profit</b>	<b>1.689.839</b>	<b>2.703.130</b>

**NOTE 20. Result per share**

During the 2014 year, no changes occurred in the structure of share capital. The result per share is shown by the Statement of profit or loss and other items of the global result.

The calculation of the basic share profit was issued based on the profit assignable to shareholders and the number of ordinary shares. The result per share is calculated by the division of net profit, assignable to the company shareholders, corresponding to financial year 2014, amounting 1.689.839 lei (2013: 2.703.130 lei) to the number of circulatory ordinary shares of 239.702 shares ( 2013: 239.702 shares)

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The diluted result per share is equal to the basic result per share, because the company did not register potential ordinary shares.

The Company did not issue and redeem any shares during the 2014 year.

Issued shares	239.702
Circulatory shares on 01 January 2014	239.702
Circulatory shares on 31 December 2014	239.702

Weighted average 239.702 x12/12 = 239.702

**Profit assignable to shareholders**

	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Profit of the period</b>	<b>1.689.839</b>	<b>2.703.130</b>
Number of ordinary shares	239.702	239.702
Basic profit per share	7,04975	11,277
Diluted profit per share	7,04975	11,277

The Board of Directors proposes and presents to approval to the General Assembly of Shareholders, that the net result of financial year 2014, amounting 1.689.839 lei is distributed as dividend to the shareholders. The gross dividend per share is 7,04975 lei.

**Dividends**

The amounts representing dividends distributed from the net profit of the reporting period are registered in the following year in the carried forward result, following that, after the approval of the General Assembly of Shareholders of this destination, to be reflected in the account 457 "Payable dividends".

The dividends are considered as a profit distribution during the period whereby they have been declared and approved by the General Assembly of Shareholders. The dividends declared before the reporting date are registered as payment liabilities on the reporting date.

The amount of dividends proposed or declared before the authorization of financial statements for issuance is the same as the amount of dividends after the approval of financial statements by the Board of Directors on the meeting of 27.01.2015.

In 2014, the Company distributed dividends amounting 2.703.130 lei related to 2013, respectively 11,277 lei gross per share.

**NOTE 21. Trade payables and other payables**

	<b>31 December 2014</b>	<b>31 December 2013</b>
Trade payables – suppliers	409.657	1.562.958
Payables with income tax current	44.091	130.205
Payables with personnel and similar accounts	321.265	278.728
Social securities and state budget, other taxes and fees	362.635	436.412
Suppliers - non-arrived invoices	118.904	91.010
Amounts due to the shareholders	237.920	137.121
<b>Total current payables</b>	<b>1.494.472</b>	<b>2.636.434</b>
Payables with deferred tax	58.096	327.747
<b>Total long term payables</b>	<b>58.096</b>	<b>327.747</b>
<b>Total payables</b>	<b>1.552.568</b>	<b>2.964.181</b>



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The payables are registered on the rated value and noted in the analytical accountancy per natural or legal entity. The payables in foreign currency were evaluated based on the currency rate of exchange enforceable at the end of the year, and the differences of the exchange rate were recognized as incomes or expenses of that period.

The Company owes the suppliers, on the date of 31.12.2014 the amount of 528.561 lei, decreasing by 68.04% than the date of 31.12.2013 when it registered 1.653.968 lei. The amount represents the equivalent value of the different issued provisions or assets received from the suppliers. On the date of 31.12.2014 their composition was mainly as follows :

- Procurement suppliers, service provisions, amounting 157.943 lei .
- Suppliers representing procurements outside EU amounting 251.714 lei
- Suppliers of un-arrived invoices 118.904 lei.

The reimbursement period of payables increased to 189 days in 2014 compared to 101 days in 2013.

The payables with personnel, with the budget of social securities and the state budget represent current liabilities related to December 2014, with the exigibility term in the 2015 year. These were fully paid up on the deadlines. Discounts with the shareholders/associates – current accounts amounting 237.920 lei, reflect the un-collected dividends, with the following composition:

<u>Year</u>	<u>Value</u>	<u>No. of persons</u>
2003 - 2010	14.916	61
2011	15.348	58
2012	58.125	86
2013	149.531	132
<b>TOTAL</b>	<b>237.920</b>	

Period	Net dividends							
	Due	Per share	Paid up				Not collected on 31.12.2014	
			lei			% (total paid up)	lei	%
			Year 2013	Year 2014	Total			
0	1	2	3	4	5	6	7	8
2012	1.975.695	8,24	1.874.624	42.946	1.917.570	97,06%	58.125	2,94%
2013	2.270.964	9,47	-	2.121.433	2.121.433	93,42%	149.531	6,58%

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

**Note 22. Risk management**

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

S.C. CONTED S.A. Dorohoi does not hold any financial instruments, however the management of the company indicates that it understands and knows the information requirements of IFRS 7 related to the nature and extent of risks arising from the financial instruments and their importance.

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

The objectives of the strategy related to the significant risk management are as follows:

- determination of significant risks that may arise during the normal course of business of the company and the formalization of a robust framework for their management and control, in line with the objectives of the overall business strategies of S.C. CONTED S.A. Dorohoi. This can be achieved by adopting the best practices, adapted to the size, risk profile and strategy of the company;
- developing the risk mapping to facilitate their identification, to structure them and to rank them depending on the possible impact on the current activity;
- promoting a culture of awareness and risk management in all company structures.

Within S.C. CONTED S.A. Dorohoi, the risk management activity is aimed to fulfill these objectives. Within the process of risk management, the company aims to develop policies, standards and procedures by which it can identify, assess, monitor and control or mitigate the significant risks. This framework will be reviewed periodically, according to the risk profile and risk tolerance, as well as due to the changes in legislation, variations of the internal or external regulations. To this end, the identification and assessment of risks that may arise in the conduct of significant activities is an ongoing activity.

The whole personnel must understand the risks that may arise during the performance of the activity, as well as the responsibilities incumbent related to the management of these risks. Thus, the company must provide, maintain and continually develop a robust and consistent risk culture, in all structures.

**a) Risk related to capital**

The management of the risk related to the capital is aimed to ensure the ability to work under good conditions by optimizing the capital structure (equity and payable). Within the analysis of the capital structure the cost of the capital and the risk associated to each class is taken into account. In order to maintain an optimal capital structure and an appropriate level of payable, the company proposes to its shareholders an appropriate dividend policy.

**b) Currency risk**

Within the business of the company, one of the risks that are frequently met is the currency risk, which is the possibility of incurring financial losses arising from variations of the rates of exchange and/or correlations between them.

On the other hand, the depreciation of the national currency against major currencies is determined by the intensity of domestic policy which has negative consequences on the financial markets, on the exchange rate and on the stock exchange. The receivables and payables of the company are recorded into the accounting books of the company at their nominal value. The receivables and liabilities in foreign currencies are registered into the accounting books in lei, at the rate of exchange in force at the time of operation performance.

The differences in the rate of exchange between the date of registration of receivables and of the payables in foreign currency, the date of collection, respectively the date of payment thereof shall be recorded as financial income or expenses, as appropriate.

The receivables, payables and availabilities in foreign currency were revalued at the end of each month.

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

### **Separate financial statements of 31 December 2014 according to IFRS**

**(All amounts are expressed in LEI unless otherwise stated)**

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#### **NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS**

##### **Currency risk control measures**

As a measure to reduce this risk, the company aims to synchronize at all times its import activity with the export activity, correlating the payment terms and collection thereof, as well as the correlation of the share of the rates of exchange so that the moments when the payments are to be made to be as close or even simultaneously with those coming from export receipts.

Another measure is to anticipate or delay the payment or receipt properly determining the maturity date and to introduce certain price margins for insurance, correlated with the forecasts for the evolution of the currency in which payment is made.

##### **c) Liquidity risk and cash flow**

This risk results from the incapacity of the company to meet its payment liabilities at any time on short term. On the other hand, the liquidity risk is caused by increased taxation. When we talk about inland revenue, we are talking first about predictability, and the business environment is exposed to sudden changes related to the tax matters (modification, apparition of new taxes, and contributions).

Within S.C. CONTED S.A. Dorohoi, the liquidity risk is reduced, and during 2014 there were no long-term credits contracted or loans with state guarantees.

##### **Control measures of the liquidity risk**

In order to reduce the risk of not collecting the payments on the domestic market, the following measures have been taken:

- assessing the creditworthiness of trading partners by checking on multiple ways, before concluding the contract;
- monitoring of receivables by permanent control and assessment of risks;
- developing loyalty relationships with the customers by periodical meetings to know them and approaching a constructive approach;
- establishing the expenses provisions to cover the risk of default.

##### **d) Price reducing risk**

S.C. CONTED S.A. Dorohoi is exposed to a risk of reducing the prices of textiles, due to reduced national budgets as a result of the prolonged economic crisis.

##### **Control measures of price reducing risk**

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

##### **e) Risks of lohn system**

Mainly S.C. CONTED S.A. Dorohoi produces textiles using the lohn system (CM – cut and make) but it can produce textiles with its own fabrics (imported from France, Italy, Spain, Turkey etc.) and auxiliary, at the customer's request (CMT – cut-make-trim).

Over the time, S.C. CONTED S.A. Dorohoi may be more or less affected by the changes of what we call environment or external factors, certain factors of this environment may adversely affect the activity of this company. These political, legal, economic, social and cultural factors can have a negative impact, therefore creating a failure transposed in high response time into the market and delays in delivery.

Political and legal factors can influence the company's business that operates according to the lohn system by imposing regulations that may be related to import-export of goods, economic factors that influence the economy of a country which can also influence the purchasing power.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

**f) Political and legislative risk**

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

**Legislative risk control measures**

The strategy of the company in managing these risks entails:

- a permanent concern to obtain the international certifications of the manufacturing flows;
- updating the licensing documentation for the products in the portfolio;
- permanent monitoring of legislative changes at international level.

**g) Risks to losing certain markets (contracts)**

The decreases of the legislative conditions on the local market, the decrease of the products price on the market that can situate the company on a non-competitive position, loss of interest of the partner for the products of Conted as a consequence of the introduction of new products on the market, lead to loss of market (contracts).

**Measures to control the risk of loss of certain markets (contracts)**

To manage this risk the company takes into account:

- tracking continually the trends of the international trade policy and adopting a strategy of diversified export, structurally and geographically, with a differential approach of developed markets and of developing countries;
- concluding strategic partnerships with companies which hold important positions on the international markets, which are able to pursue judiciously such risks;
- anticipating the legislative requirements, to adapt the product documentation to certain requirements or to compensate on the other markets;
- customer retention;
- identifying new business partners and other methods of cooperation (compensation).

**h) Operating risks**

One of the serious problems that S.C. CONTED S.A. is currently facing is that related to the recruitment and employment of staff specialized in textiles. Failure to attract a sufficient number of suitably qualified personnel, migration, incapacity to adapt to the labor market, and increased personnel costs are risks that might affect the work done by the issuer.

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

- producing clothing that can stand on the circuit and on stock for more than one month, due to delay of supply with raw materials and auxiliary materials from customers;
- temporary suspension of activity due to unexpected circumstances;
- increasing the minimum gross salary guaranteed for payment, which will decrease the attractiveness of light industry;

The increase the minimum gross salary guaranteed for payment at the level of the country of the workers in the textile industry, may lead to loss of contracts by clothing factories in Romania and they are transferred to countries with cheaper labor force. The related industry is losing its competitiveness year after year, and the Lohn system "migrates" into cheaper countries with much lower wage levels.

S.C. CONTED S.A. Dorohoi implements a constant supervision of operational risks in order to take measures to keep them at an acceptable level, which does not threaten its financial stability, the interests of the creditors, shareholders, employees, and partners.

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

**Separate financial statements of 31 December 2014 according to IFRS**

**(All amounts are expressed in LEI unless otherwise stated)**

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS**

**Note 23. Related parties**

The company does not have any business with related parties.

**Transactions with the key management personnel**

**Loans granted to the manager**

The company did not grant advances, credits or loans to the administration and management institution members in 2014 year.

**Benefits of the key management personnel**

The waging rights of the General Manager are established by the Board of Directors in accordance with the legal provisions and the contract of mandate.

Granted waging rights

	<b>No. of persons</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
General Manager	1	143.077	111.995
Management Board Members	3	531.180	471.596

**NOTE 24. Further events to 31 December 2014**

The Management Board proposes and recommends the General Assembly of Shareholders, the distribution of net profit of the financial period 2014, amounting 1,689,839 lei as dividend to the shareholders. The gross dividend per share is 7.04975 lei.

There are no further events that may influence these financial statements.

**Chairman of the Administration Board,**  
Eng. POPA MANOLE

**Chief Economic Office,**  
Ec. Mihai Elena

*Mihai Elena*

