



S.C. CONTED S.A.

Confectii textile

Str. 1 Decembrie 1918 nr. 8, Dorohoi, Jud. Botoșani, Cod poștal: 715200, România
 C.I.F.: RO 622445, Nr. ORC: J07/107/1991, TEL/FAX: 0231610064/0231610026
www.conted.ro, e-mail: secretariat@conted.ro

THE BOARD OF DIRECTORS' REPORT FOR THE FIRST SEMESTER OF 2017
 (drawn-up according to the provisions of the National Securities Commission no. 1/2006, Annex 31)

Report date: 16.08.2017
 Name of the company: S.C. CONTED S.A.
 Headquarters: locality DOROHOI, Botoșani County
 Street: 1 Decembrie nr.8
 Post code: 715200
 Phone/Fax: 0231/610067 / 0231/610026
 Legal form: Joint - stock company
 VAT number: RO 622445
 Trade registry number: J07/107/1991
 NACE code: 1413 - Other garments manufacturing (except underwear)
 Subscribed and paid registered capital: 2,284,360.06
 The regulated market on which the issued securities are being traded: Bucharest Stock Exchange – Standard Category

The Board of Directors' Report of S.C. CONTED S.A. Dorohoi for the first semester of 2017 presents the main events and trades in order to understand the changes related to the position and performance of the company that took place during January - June 2017.

1. ECONOMIC AND FINANCIAL SITUATION

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

a) Financial position items

	Lei	
	30.06.2017	30.06.2016
Total assets from which:	12,082,707	11,406,901
Fixed assets	5,445,296	4,235,546
- Intangible assets	31,248	38,975
- Tangible assets	5,414,048	4,196,571
Current assets	6,568,208	7,139,124
- Inventories	1,898,598	1,802,820
- Trade receivables and other receivables	2,882,696	2,205,431
- Cash and cash equivalents	1,786,914	3,130,873
Other assets items (accrued expenses)	69,203	32,231
Total debts and equity, from which:	12,082,707	11,406,901
Current debts	1,508,619	1,742,226
Long term debts	271,358	52,366
Provisions for employee benefits	53,624	-
Total Equity, from which:	10,249,106	9,612,309
- Registered capital	2,284,360	2,284,360
- Other items of equity	(271,358)	(52,366)
- Revaluation reserve	2,367,418	998,720
- Legal reserve	456,661	456,661
- Other reserves	4,080,948	4,080,948
- Reported result	1,385,598	1,272,515
- The financial year result	(54,521)	571,471



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Compared to 30.06.2016 the trade receivables to the amount of 2,793,227 lei (2016: 2,180,795) lei have creased by 28.08%, the current assets to the amount of 6,568,208 lei (2016: 7,139,888) lei have decreased by 8% as, and the current debts to the amount of 1,562,243 lei (2016: 1,742,226) lei have decreased by 10.33%.

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

	<u>Lei</u>
Customer advances collected creditors	31,939
Trade debts – suppliers	611,398
Income tax liabilities	8,281
Staff liabilities and assimilated accounts	413,656
Debts to social security and state budget, other taxes and fees	355,135
Amounts due to shareholders	87,711
Other debts	499
Provisions for employee benefits	53,624

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

Assets exceeding 10% from the total assets

Lei

Current no.	Analytical indicators from the balance sheet, exceeding 10% from the total assets	30.06.2016	30.06.2017	% from the total assets 30.06.2017
	TOTAL ASSETS	11,406,901	12,082,707	100.00
	10% from the total assets	1,140,690	1,208,271	10.00
1.	Buildings	2,186,850	3,350,188	27.73
2.	Inventories	1,802,820	1,898,598	15.71
3.	Trade liabilities - clients	2,180,795	2,793,227	23.12
4.	Cash register and bank accounts	3,130,873	1,786,914	14.79

Debts exceeding 10% from the total debts

Lei

Current no.	Analytical indicators from the balance sheet, exceeding 10% from the total debts	30.06.2016	30.06.2017	% from the total debts 30.06.2017
	TOTAL DEBTS	11,406,901	12,082,707	100.00
	10% from the total debts	1,140,690	1,208,271	10.00
1.	Other reserves	4,080,948	4,080,948	33.77
2.	Reevaluation reserve	-	2,367,418	19.59
3.	Subscribed and paid registered capital	2,284,360	2,284,360	18.91
4.	Carried forward result	1,272,515	1,385,598	11.47
5.	Total current debts	1,742,226	1,562,243	12.93

During the first semester of 2017, the registered capital of the company was not changed in the sense of its increasing or decreasing. The registered capital on June 30th, 2017 is of 2,284,360.06 lei and is held by a number of 747 shareholders.



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b) Items of the global result

	Lei	
	30.06.2017	30.06.2016
• Total income	7,366,989	8,714,568
• Exploitation expenses, from which:	7,350,181	8,692,030
- Turnover from which:	7,039,962	9,386,869
<i>Sold output</i>	6,942,028	9,265,535
<i>Sales income</i>	97,934	121,334
- Income related to the products inventories costs	229,131	(737,278)
- Other income	81,088	42,439
• Financial income	16,808	22,538
• Total expenses	7,446,789	8,042,120
• Exploitation expenses, from which:	7,417,463	7,990,546
- Expenses related to raw materials and merchandise	478,755	472,016
- Expenses for the goods	95,950	120,319
- Expenses for energy and water	493,045	575,130
- Expenses related to salaries, social contributions and other benefits	6,076,718	6,337,619
- Expenses for the amortization	242,394	164,359
- Other exploitation expenses, from which:	234,062	321,103
<i>Expenses related to the external services</i>	160,227	267,933
<i>Expense for other interests, fees and assimilated payments</i>	72,276	40,903
<i>Expense for the environment protection</i>	1,424	266
<i>Other expenses</i>	135	12,001
- Adjustments for provisions	(203,461)	-
Expenses	-	-
Incomes	203,461	-
• Financial expenses	29,326	51,574
• Exploitation activities result	(67,282)	701,484
• Financial result	(12,518)	(29,036)
• Result before taxation	(79,800)	672,448
Current profit tax	(41,841)	99,028
Deferred profit tax	16,562	1,949
• Continuous activities result	(54,521)	571,471

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

The volume of the total income was to the amount of 7,366,989 lei, meaning a decrease by 15.46% compared to the total income gained during the same period of 2016, the amount of 8,714,568 lei.

The volume of total expenses is of 7,446,789 lei, and that they have decreased by 7.40% compared to the first semester of 2016, when I registered the amount of 8,042,120 lei.

Within the volume of total expenses, the most important part is the one of the expenses related to staff (salaries, social contributions and other benefits) the amount of 6,076,718 lei, meaning percentage of 81.60%.

Exploitation income to the amount of 7,350,181 lei have decreased during the first semester of 2017 by 15.44% compare to the same period of the previous year, when the amount of 8,692,030 lei, and the exploitation expenses to the amount of 7,417,463 lei have decreased by 7.17% compared to 30.06.2016, when I registered the amount of 7,990,546 lei.



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The exploitation activity ended with a loss to the amount of (67,282) lei, compared to the first semester of 2016, ended with a profit to the amount of 701,484 lei. From the total of the exploitation income, the most important part is the sold output, and in the exploitation expenses the most important part is one of the staff expenses (salaries, social contributions and other benefits) that is to the amount of 6,076,718 lei, meaning 81.92% from the total exploitation expenses the amount of 7,417,463 lei.

Financial income to the amount of 16,808 lei is coming from interests and foreign exchange differences.

Financial expenses to the amount of 29,326 lei are coming from other financial expenses (unfavourable foreign exchange differences). Therefore, the financial result is a loss to the amount of (12,518) lei as compared to the same period of 2016, when we recorded loss to the amount of (29,036) lei.

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

During the first semester of 2017, the company has recorded a loss to the amount of (79,800) lei, as compared to the same period of the previous year when we recorded a gross profit to the amount of 672,448 lei.

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

Lei

Current no.	Analytical indicators from the profit or loss situation, exceeding 20% from the turnover	30.06.2016	30.06.2017	% of the total turnover 30.06.2017
	Turnover	9,386,869	7,039,962	100.00
	20% from the turnover	1,877,374	1,407,992	20.00
1.	Sold output	9,265,535	6,942,028	98.61
2.	Expenses with salaries, social contributions and other benefits	6,337,619	6,076,718	86.32

The company's turnover related to the first semester of 2017 is of 7,039,962 lei from which 1,887,176 lei achieved exportation and 5,152,786 lei achieved internal, as compared to the first semester of 2016 when we recorded 9,386,869 lei, from which exportation 5,177,627 lei and internal 4,209,242 lei.

In its structure, the turnover was achieved mainly by the sale of own production in a proportion of 98%. The value of the exportation sales in the first semester of 2017 represents 26.81%, and the internal sales represent 73.19% from the turnover. The turnover registered in the first semester of 2017 to the amount of 7,039,962 lei has decreased by 25% compared to the same period of the previous year.

The expenses related to staff to the amount of 6,076,718 lei, have decreased by 4.12%, compared to the same period of the previous year, representing 86.32% from the turnover and include:

	<u>30.06.2017</u>	<u>30.06.2016</u>
Expenses related to salaries	4,699,027	4,663,044
Expenses related to the contributions at the obligatory social insurances	1,296,853	1,152,701
Expenses related to meal vouchers granted	80,838	521,874
Total	6,076,718	6,337,619
Average number of employees	406	484

At the end of the first semester of 2017, it was a recorded a decrease in the average number of employees compared to the same period of 2016, from 484 employees to 406 employees. The company's employees are not grouped in a trade union.

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

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



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Within the Ordinary General Assembly of Shareholders from March 18th, 2017, the shareholders of the company S.C. CONTEDED S.A. have approved the repartition of the net profit related to the fiscal year 2016 to the amount of 195,545 lei as a dividend and a gross dividend per share of 0.81 lei, afferent to a share with a nominal value of 9.53 lei.

Until 30.06.2017, S.C. CONTEDED S.A. has paid dividends to the amount of 186,766 lei to a number of 500 shareholders from the total of 778 shareholders registered within the Shareholders Registry from the Depozitarul Central S.A. București on 03.04.2017.

The distribution of the dividends due to the shareholders of CONTEDED, related to 2016 is the Depozitarul Central S.A. București, payment agent Romanian Commercial Bank.

c) Cash – flow items

Items (lei)	30.06.2017	30.06.2016
A. The exploitation activity		
• Receipts, from which:	7,278,627	9,581,119
- Cashed interests	3,358	5,010
• Payments from which:	(8,093,030)	(8,420,731)
- payments for suppliers and employees	(4,571,272)	(5,131,931)
- payments for taxes and fees to the state budget and social insurances budget	(3,521,758)	(3,288,800)
• Other exploitation operations:	9,470	33,594
receipts	421,034	772,447
payments	(411,564)	(738,853)
Net cash related to the exploitation activity	(804,933)	1,193,982
B. Investment activity		
• Payments for fixed assets acquisition	(3,749)	(73,310)
Net cash form the investment activities	(3,749)	(73,310)
C. Financing activity		
• Payments for dividends	(194,956)	(1,089,097)
Net cash from financing activities	(194,956)	(1,089,097)
Net cash Increase/decrease (A+B+C)	(1,003,638)	31,575
Cash at the beginning of the period January 1st	2,790,552	3,099,298
Cash at the end of the period June 30th	1,786,914	3,130,873

The net cash on June 30th, 2017 is recording an decrease to the amount of 1,343,959 lei compared to the same period of the previous year.

2. ANALYSIS OF THE COMPANY'S ACTIVITY

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

S.C. CONTEDED S.A. is a high quality garments producer, with an experience of over 40 years in the field of textiles as well as the export production. The company had an upward trend, by expanding its selling market, by contracts with foreign companies. The company is mainly operating through the lohn system.

The main clients for which the company worked during the first semester of 2017 were: HMD S.A.R.L. France, Again Textile Team S.R.L. Brașov, S.C. Formen's S.R.L Botoșani, S.C. Incom Vranco Focșani, S.C. Rapsodia Conf. S.A. Botoșani, S.C. Paoloni Industrie S.R.L. Jilava. The manufactured products had as destination, clients like: Sandro, Benavitta, Oliphill, Di-Matia, Burton, Hacket, Zadig & Voltaire, Gal, Father & Son, Brighton, Lab, Eden & Park, Rich & Royal, Moorer, Virginia Westood, De Fursaco, Charles le Golf, Basch, Cerutti and Lacoste.



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

The trading company liquidity:

INDICATOR	Calculation method	January – June 2017	Amount
Current liquidity indicator	$\frac{\text{Current assets}}{\text{Current debts}}$	$\frac{6,637,411}{1,562,243}$	4.25
Indicator of the indebtness degree (%)	$\frac{\text{Borrowed capital}}{\text{Equity}}$	$\frac{0}{10,249,106}$	0%
Debts turnover - clients	$\frac{\text{Clients average balance}}{\text{Turnover}} \times 180$	$\frac{2,286,264}{7,039,962} \times 180$	58
Fixed assets turnover	$\frac{\text{Turnover}}{\text{Fixed assets}}$	$\frac{7,039,962}{5,445,296}$	1.29

During the period January – June 2017, the current liquidity ratio was 4.25. The indicator's level shows the payment capacity, so a very low risk and certifies the fact that the company is able to cover the short term debts on the account of receivables and available funds.

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

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

The clients' rotation speed expresses the efficiency of the company concerning the collection of its receivables. For the first semester of 2017, the number of days until the date to which the clients have paid their debts was of 58 days and shows the efficiency of the company in collecting the receivables, the average term for the collection of receivables under the market economy being of 30 - 45 days.

The rotation speed of fixed assets expresses the efficacy of the fixed assets activity by examining the turnover amount generated by a quantity of fixed assets. The amount obtained is of 1.29 – indicating the efficacy of the fixed assets management by obtaining a turnover of 7,039,962 lei generated by a quantity of fixed assets of 5,445,296 lei.

The main factors that could affect the company liquidity are:

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

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

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

The company did not intend to make investments, except for the essential required by the development of the production activity in good terms.

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

The main activity of the company is the manufacturing of other type of garments excepting the underwear. The income from the main activity at the end of the first semester of 2017 are of 6,919,513 lei, decreasing by 25.13% as compared to the same period of the previous year when we recorded the amount of 9,242,305 lei. The factors that could affect the income from the main activity are lack of contracts, competition in the field and the labor shortages and qualified staff.



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The turnover achieved in the first semester of 2017 is to amount of 7,039,962 lei and decreased by the amount of 2,346,907 lei as compared to the first semester of 2016, when we recorded the amount of 9,386,869 lei. This level of the turnover was obtained by the sale of own production manufactured in the first semester of 2017 and by the sale from the finished products and merchandise stocks. Thus, the own products and to amount of 6,919,513 lei merchandise have contributed by 98.29% to the achievement of the turnover, and the supplied services and other sales to amount of 120,449 lei represented 1.71% from the turnover.

The internal market sales of the first semester of 2017 were of 5,152,786 lei, in the European community were of 1,815,284 lei, and outside the European Union they were of 71,892 lei.

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

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

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

3. CHANGES AFFECTING THE COMPANY'S CAPITAL AND ADMINISTRATION

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

3.2. During the first semester of 2017, there were not changes regarding the rights of the securities owners issued by the trading company. All the securities holders had equal rights.

There were not changes related to the company's capital and administration.

4. SIGNIFICANT TRANSACTIONS

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

The financial statements on 30.06.2017 have been prepared in accordance with:

- Order 881 of June 25, 2012 on the application by the companies whose securities are admitted for trading on a regulated market, of International Financial Reporting Standards
- International Financial Reporting Standards (IFRS) as adopted by the European Union
- Accounting Law 82 of December 24, 1991;
- Order 2844 of December 12, 2016 for the approval of Accounting Regulations complying with International Financial Reporting Standards;
- Order of the Public Finance Ministry no. 895/June 16, 2017 approving the accounting reporting system of the economic operators on June 30th 2017.

The financial statements were approved by the Board of Directors in its meeting dated on July 17th, 2017.

The reporting currency of the financial statements is leu.

The financial statements drawn-up on June 30th, 2017 were not audited.

GENERAL MANAGER,
Ec. POPA MANJEL



Chairman of the Board of Directors,
Eng. MANOLE POPA

CHIEF ECONOMIC OFFICE,
Ec. MIHAI ELENA

