



S.C. CONTEDED S.A.

Confecții textile

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

Current report

According to the regulation C.N.V.M. no. 1/2006

Date of report: 15.02.2018

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

Head office: Dorohoi, 1 Decembrie Street, No. 8, Botoșani County

Number in the trade registry: J07/107/1991

Tax identification number: RO 622445

Share capital subscribed: 2,284,360.06 RON

Trade Market: B.V.B. standard category

Important events to report: **Preliminary financial results at 31st of December 2017**

The company presents the main indicators achieved in 2017 according to the International Standards of Financial Report. The currency for financial reporting is leu.

The situation of the financial position, the situation of the profit or the loss and other elements of the global result, components of the individual financial situations ended at 31st of December 2017 comprise information from the accounting records corresponding to the end of the financial year of reporting and the end of the financial year previous to the one of reporting.

From the analysis of the presented elements compared to the same period of time of the previous year 2016 are seen the following situations:

From the situation of the financial position it was seen a decrease of the **fixed assets** with 7.94% and **the current assets** with 12.20%. The balance of the debts in total assets was only 14.47%, minimum level in the last 2 years, and in this period of time, the own capitals oscillated between 83.79% and 85.53% from the total of assets.

The company's **turnover** afferent to 2017 is of 13,894,359 lei from which 6,592,637 lei export and 7,301,722 lei internal, compared to 2016 when we recorded 16,890,499 lei, from which 7,635,249 lei export and 9,255,250 lei internal. In its structure, the turnover was achieved mainly by the sale of own production in a proportion of 98%. The value of the export sales in 2017 represents 47%, and the value of the internal sales represent 53% from the turnover. The recorded turnover of 2017 to the amount of 13,894,359 lei has decreased by a 17.74%, as against 2016.

The volume of total income achieved was to the amount of 14,564,831 lei, representing an decrease by 10.06% as against the total income obtained in 2016 to the amount of 16,194,137 lei.

The volume of total expenses to the amount of 15,281,314 lei has decreased by 3.95%, compared to 2016, when we recorded the amount of 15,910,386 lei. In the volume of total expenses, the staff expenses have the highest percentage of 79.20%. The staff expenses to the amount of 12,103,070 lei, have decreased by 3.52%, compared to 2016 when they recorded the amount of 12,544,148 lei, representing 87.11% from the turnover.

The exploitation income to the amount of 14,505,795 lei has decreased in 2017 by 10.19%, compared to 2016 when they recorded the amount of 16,151,139 lei as well as the **exploitation expenses**, to the amount of 15,235,095 lei have decreased by 3.75%, compared to 2016 when they recorded the amount of 15,828,400 lei.

In the total of the exploitation income, the sold production has the highest percentage, and from the exploitation expenses, the staff expenses has the highest percentage, to the amount of 12,103,070 lei, representing 79.44% from the total of the exploitation expenses.



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The exploitation activity was concluded with a loss to the amount of (729,300) lei, as against 2016 when we have recorded a profit to the amount of 322.739 lei.

The financial income to the amount of 59,036 lei comes from interests and exchange differences. **The financial expenses** to the amount of 46,219 lei come from other financial expenses (unfavorable exchange differences). The financial result is a profit to the amount of 12,817 lei as against the same period of 2016 when we recorded loss to the amount of 38,988 lei.

In 2017, S.C. Conted SA recorded losses of (716,483) lei, compared to previous year, when we recorded a gross profit to the amount of 283,751 lei.

These losses were caused by a number of unfavorable factors.

The most important aspect was the decrease in operating revenues by 10.19% compared to 2016.

This decrease was caused by the following factors:

- the diminishing of the number of directly productive employees by 15.78%;
- the decrease of prices to our main customers by 14%;
- the extending of the interseason period from 8 weeks to 14 weeks;
- the constant non-feeding of the production lines.

Due to the high fixed costs, the decrease in the number of directly productive employees led to an increase in unit cost and thus a decrease in the volume of orders. At the same time, the decrease in the number of directly productive employees led to a decrease of 12 - 14% of the volume of production achieved.

In addition, the decrease in the number of directly productive employees has led to an acute shortage of staff in production lines, drastically decreasing the production, due to the incomplete lines. The lack of direct productive staff forced us to dismantle a production line to cover the shortcomings on the other lines with the staff of the dismantled line. However, the change of the working place led to the more cumbersome adaptation of the relocated personnel and thus the reduction of the productivity of the line .

The loss of employees was due to several reasons:

- the completion of the retirement age both at the retirement age and early retirement age;
- the competition on the labor market;
- very serious disciplinary misconducts that led to the dismissal of the respective employees;
- the dismissal of employees for reasons not imputable to the company.

The very high competition on the international markets where our customers operate has led to a drastic drop in production prices and thus in the cashings.

There were attempts to keep prices at the same level, but only some customers accepted it, which led to the lack of orders in large quantities. Receiving small orders led to a fall in labor productivity and thus to a decrease in monthly earnings.

In 2017, the interseason period, in which our customers did not have orders or had few and poorly paid orders, increased substantially from 8 weeks, as it was in 2016 to 14 weeks. This led to an acute shortage of orders in March, April, May and October, and thus a drastic decrease in revenues.

Since the end of 2016, our customers have begun to experience difficulties with the supply of raw and auxiliary materials, which has led to shortages in line feeds and production gaps. All these gaps have generated losses that could not be recovered.

Another important aspect was the increase in production costs. This was due to the following factors:

- 16% increase in the minimum wage in economy in 2017 compared to 2016;
- a 47% increase in the provision for employee benefits on unpaid leave for 2017 compared to 2016.



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- a 130% increase in local taxes and duties in 2017 as compared to 2016.
- the increase of 14.12% in the number of sick days paid by the company, from 2,861 days (176,128 lei in 2016) to 3,265 days (237,222 lei). In money, the increase was of 34,69%.

The staff expenses represents 79.20% of the company's total expenses. The 16% increase in the minimum wage led to an increase in total expenses of 12.67%. It was decided the measure to cancel the meal vouchers in order to partially diminish the increase in expenses, but it was not enough covering.

Due to the mandatory revaluation of buildings, the value of buildings has increased and so local taxes have increased by 130%. The increase in the price of energy has led to an increase in the cost of production.

In 2017 there were made indicators of budget revenue and expenditure.

At the end of 2017, the cash flow was a negative growth of net cash amount of 1,168,013 lei, reflected in the balance of accounts at banks and house. On 31.12.2017, a decrease of the average number of employees was registered, compared to the same period of 2016 year, from 464 to 398 employees.

The financial situations were drawn up according to the:

- Order 881 from 25th of June 2012 related the application by the trade companies of securities are admitted for trading on a regulated market of the International Standards of Financial Reporting;
- The International Standards of Financial Reporting (IFRS) adopted by the European Union
- The Law 82 from 24th of December 1991 of the accountancy republished and updated;
- The Order 2844 from 12th of December 2016 for the acceptance of the bookkeeping regulations according to the International Standards of Financial Reporting, applicable to the trade companies of which movable values are admitted for trading on a regulated market;

The financial situations were approved by the Administration Board in the meeting from 24th of January 2018.

We mention that the preliminary financial statements are not audited and can be modified according to the eventual bookkeeping and tax regulations that can occur in the following period of time until the General Assembly of the Shareholders.



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PRELIMINARY STATEMENT OF FINANCIAL POSITION

	<u>31.12.2017</u>	<u>31.12.2016</u>
Assets		
Tangible assets	5,092,263	5,523,847
Intangible assets	21,298	38,082
Real estate investments	119,512	122,610
Total Non-current Assets	5,233,073	5,684,539
Inventories	1,850,045	1,571,167
Trade receivables and other receivables	2,504,831	2,452,744
Prepayments	15,736	11,576
Cash and cash equivalents	1,622,539	2,790,552
Total Current Assets	5,993,151	6,826,039
Total Assets	11,226,224	12,510,578
Equity		
Share capital subscribed	2,284,360	2,284,360
Other items of equity	(256,827)	(287,858)
Revaluation reserve	2,276,601	2,470,543
Legal reserve	456,661	456,661
Other reserves	4,080,948	4,080,948
Retained earnings	1,476,415	1,282,473
Year result	(716,483)	195,545
Total Equity	9,601,675	10,482,672
Payables		
Long Term Payables		
Payables regarding the deferred income tax	256,827	287,858
Total Long Term Payables	256,827	287,858
Current Payables		
Trade payables and other payables	989,917	1,482,963
Provisions for employee benefits	377,805	257,085
Total Current Payables	1,367,722	1,740,048
Total Payables	1,624,549	2,027,906
Total Equity and Payables	11,226,224	12,510,578



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PRELIMINARY STATEMENT OF PROFIT OR LOSS AND OTHER ITEMS OF THE GLOBAL RESULT

	<u>31.12.2017</u>	<u>31.12.2016</u>
Continuos activities		
Incomes	13,894,359	16,890,499
Other incomes	106,831	82,209
Incomes corresponding to the product inventory costs	504,605	(821,569)
Total Operational incomes	14,505,795	16,151,139
Expenses with raw materials and consumables	912,541	876,259
Expenses with merchandise	204,480	227,213
Expenses with facilities	919,231	1,071,584
Expenses with salaries, social securities and other benefits	12,103,070	12,544,148
Expenses with amortization	454,617	326,831
Adjustments for provisions	120,720	257,085
- Expenses	373,164	257,085
- Incomes	(252,444)	-
Other expenses	520,436	525,280
Total Operational expenses	15,235,095	15,828,400
Operational activities result	(729,300)	322,739
Financial incomes	59,036	42,998
Financial expenses	46,219	81,986
Financial result	12,817	(38,988)
Result before taxation	(716,483)	283,751
Expense with the current income tax	-	84,602
Expenses with the deferred income tax	-	3,604
Result continuous activities	(716,483)	195,545
Other items of the global result	31,031	1,268,132
- Deferred income tax recognized in equity account, for the surplus realized from the revaluation reserve to the extent amortized using the asset transferred to retained earnings	31,031	3,480
- Deferred income tax recognized in equity account for the increase in the revaluation reserve of property, plant „construction” and „ investment property”	-	(237,085)
- Increasing reserve from revaluation of property, plant „construction” and the „ investment property”	-	1,481,781
- Retained earnings from correction of accounting errors	-	19,956
Total global result related to the term	(685,452)	1,463,677
Attributable profit	-	195,545
Result per basic action	-	0.81
Result per diluted action	-	0.81

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

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