S.C. CONTED S.A.

Confecţii textile

Str. 1 Decembrie 1918 nr. 8, Dorohoi, jud. Botoşani, Cod poştal: 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 financial year 2016

Report date: 06.02.2017
Name of the trading company: S.C. CONTED S.A.
Headquarters: Dorohoi, 1st December Street No. 8, Botoşani County
Phone number/fax: 0231 610067/0231 610026
VAT code: RO 622445
Trade registry number: J 07.107.1991
Regulated market of the securities: B.V.B. Standard Category
Market symbol: CNTE
Number of shares: 239.702
Nominal value: 9, 53 lei
Subscribed and paid registered capital: 2.284.360, 06 lei
Securities: nominative

General presentation of the company

S.C. Conted S . A. is a joint stock company, a Romanian legal entity with unlimited life that is organized and operated according to its statute and under the Companies Law no. 31/1991 as well as the Law regarding the capital market no. 297/2004.

The company is headquartered in Dorohoi, 1st December Street No. 8, Botosani county, Romania, zip code 715200, phone 0231610067, fax 023161026, website www.conted.ro, Tax Identification Number RO 622445, Trade Register Office number: J07.107.1991.

S.C. CONTED S.A. Dorohoi is a high quality garment manufacturer, with an experience of over 40 years in the field of garment manufacturing as well as in the field of export production. The company recorded an ascending evolution, expanding its retail market through contracts with foreign companies.

The company CONTED S.A. Dorohoi is specialized in producing garments for men, women and children: suits, jackets, trousers, coats, skirts, jackets, military uniforms, jackets, vests. We mainly produce garments in lohn system (CM –cut and make), but we also can produce garments with our own fabrics (imported from France, Italy, Spain, Turkey etc.) and trims, as the customer wants (CMT – cut-make-trim). We have possibilities to develop the styles.

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

- AMF seam;
- Seam Columbia;
- Cover seams;
- Chain seams;
- All types of buttonholes etc.

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

- Computer assisted programming – GERBER;
- Semiautomatic table to prepare the cutting – KURIS;
- Automatic cutter – CUTTER GERBER;
- Manufacture of cut pieces – PFAFF, DURKOPP, JUKI, BROTHER;
- For ironing – HOFFMAN, BRISAY presses.

The company mainly works in lohn system, having clients that sell their goods in the European community.

At the same time, the Company does not neglect new collaboration offers, for which samples or prototypes are made, accepting orders with smaller quantities for prospecting the market.

The traditional clients of the company are: HMD S.A.R.L. France, Again Textile Team S.R.L. Braşov, S.C. Formen's S.R.L.Botoșani. Through the company Again, CONTED S.A. worked for famous brands as Esprit, Patrizia Pepe, Mazonetto, Otto Kim, Piere Cardin, Rich & Royal, Di Mattia, through H.M.D. France, the company worked for Zara, Celio, Jules, Olly Gan, Cyrillus, Oliphill, Devred, Brice, Massimo Dutti, Zadig & Voltaire, Vitro – Cotton, De – Fursac, Bennavita, Sandro, Cerutti, Vicks, Agnes, and through S.C. Formen's for Louis Vuitton, Devred, Cielo, Brighton, Hackett, Gal, Burtton, Father & Son and Eden Park. Over the years, the issuer also collaborated with Benetton, Diesel, F.C. Browns, Sadev, Italpant for Incotex, PoloRolph, Foconalle.

The registered capital of the company is of 2,284,360.06 lei, fully subscribed and paid, divided in 239,702 nominative shares to the amount of 9.53 lei/share.

The company's shares are ordinary, nominative, dematerialized, and registered into account, their records being kept under the law by the Central Depository S.A. from Bucharest. The shares are of equal value and provide equal rights to the shareholders for each share.

The company's securities (shares) are registered and traded at the standard category of Bucharest Stock Exchange.

1. The analysis of the company's activity

1.1. a) The main activity developed by S.C. CONTED S.A., according to the article of incorporation, is other garments manufacturing (excluding underwear), NACE code 1413.

b) The trading company transformed itself through reorganization, on the ground of Law 15/1990 from a republican industrial enterprise.

c) During the analyses period, there were no mergers or reorganizations of the company.

d) There were no acquisitions or disposals of assets.

e) The company features the main indicators achieved in 2016 according to the International Financial Reporting Standards compared to previous periods:

1.1.1 General evaluation elements

No	SPECIFICATION	2013	2014	2015	2016	2016/2015 %
1	**Total income** from which:	**21,485,180**	**19,916,356**	**18,595,072**	**16.194.137**	**- 12.91**
1.1	Sales income - Turnover	21,299,967	19,231,926	17,501,452	16,890,499	- 3.49
2	**Total expenses**	**18,289,529**	**17,938,830**	**17,394,387**	**15,910,386**	**- 8.53**
3	**Gross profit**	**3,195,651**	**1,977,526**	**1,200,685**	**283,751**	**- 76.37**
4	**Exploitation income**	**21,241,816**	**19,810,302**	**18,468.460**	**16,151,139**	**- 12.55**
5	**Exploitation expenses**	**18,121,582**	**17,870,151**	**17,306,747**	**15,828,400**	**- 8.54**
6	**Exploitation profit**	**3,120,234**	**1,940,151**	**1,161,713**	**322,739**	**- 72.22**
7	**Financial income**	**243,364**	**106,054**	**126,612**	**42,998**	**- 66.04**
8	**Financial expenses**	**167,947**	**68,679**	**87,640**	**81,986**	**- 6.45**
9	**Financial profit (loss)**	**75,417**	**37,375**	**38,972**	**(38,988)**	**-**
10	**Net profit**	**2,703,130**	**1,689,839**	**1,008,444**	**195,545**	**- 80.61**
11	Goods production volume	18,317,511	17,012,839	16,434,175	15,396,498	- 6.31
12	Labor productivity/employee	36,489	33,689	33,885	33,182	- 2.07
13	Profit rate to the total income	14.87%	9.93%	6.46%	1.75	- 4.71
14	Liquidity (available into the account)	3,894,994	3,896,423	3,099,298	2,790,552	- 9.96
15	Average number of the registered staff	502	505	485	464	- 4.32

The analysis of the presented elements, compared to the same period of the previous year 2015, shows the following:

The company's **turnover** afferent to 2016 is of 16,890,499 lei from which 7,635,249 lei export and 9,255,250 lei internal, compared to 2015 when we recorded 17,501,452 lei, from which 9,127,805 lei export and 8,373,647 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 2016 represents 45%, and the value of the internal sales represent 55% from the turnover.

The recorded turnover of 2016 to the amount of 16,890,499 lei has decreased by a 3.49%, as against 2015.

The volume of total income achieved was to the amount of 16,194,137 lei, representing a decrease by 12.91% as against the total income obtained in 2015 to the amount of 18,595,072 lei.

The volume of total expenses to the amount of 15,910,386 lei has decreased by 8.53%, compared to 2015 when we recorded the amount of 17,394,387 lei. In the volume of total expenses, the staff expenses have the highest percentage of 78.84%. The staff expenses to the amount of 12,544,148 lei, have increased by 2.78 %, compared to 2015 when they recorded the amount of 12,204,794 lei, representing 74.27% from the turnover.

The exploitation income to the amount of 16,151,139 lei has decreased in 2016 by 12.55% compared to 2015 when they recorded the amount of 18,468,460 lei, as well as the **exploitation expenses**, to the amount of 15,828,400 lei have decreased by 8.54% compared to 2015 when they recorded the amount of 17,306,747 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 12,544,148 lei, representing 79.25% from the total of the exploitation expenses. The exploitation activity was concluded with a profit to the amount of 322,739 lei, as against 2015 when we have recorded a profit to the amount of 1,161,713 lei, decreasing by 72.22%.

The financial income to the amount of 42,998 lei comes from interests and exchange differences.

The financial expenses to the amount of 81,986 lei come from other financial expenses (unfavorable exchange differences). The financial result is loss to the amount of 38,988 lei as against the same period of 2015 when we recorded profit to the amount of 38,972 lei.

During the financial year 2016, the company recorded a **gross profit** to the amount of 283,751lei, decreasing by 76.37% compared to previous year, when we recorded a gross profit to the amount of 1,200,685 lei. The **net result** for the year is profit amounting 195,545 lei, decreasing by 80.61% compared to the same period of 2015 when it made a profit to the amount of 1,008,444 lei.

Compared with the fourth quarter of 2015 when we recorded gross profit amounting to 300,590 lei profit in the fourth quarter result in 2016 is loss amounting to 733,938 lei. Loss that decreased net income for the year 2016 is due to several factors among which the most important are:

- The lack of controls covering the entire production capacity of the company
- Stagnation of the flow of production due to delays in the supply of raw materials from client since the company working under contract (CM - cut and make)
- Constituting the provision for employee benefits - missed holidays of the year 2016.

In 2016 there were made indicators of budget revenue and expenditure.

At the end of 2016, the cash flow was a negative growth of net cash amount of 308,746 lei, the rate of 9.96% reflected in the balance of accounts at banks and house.

1.1.2. Evaluation of the company's technical level

a) The main activity was the production of garments, profiled on the following types: men and women outer garments such as coats, suits, jackets, blazers, trousers, skirts, vests.

The company income was obtained by the trading of the garments produces on the European and internal market.

b) In the production structure, a percentage of about 92% is represented by the jackets and trousers for men and women. In the total income, (turnover) the jackets represent about 51%, the trousers represent about 17%, the coats 5%, the suits 22%, blazers and vests 3%, other products and various services 2%.

The products manufactured by S.C. CONTED S.A. are intended for both internal market and foreign market.

In 2016 the production manufactured for export represents a percentage of 40%, and the production manufactured for the internal market represents 60% from the total production.

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

1.1.3. Evaluation of material and technical supply.

The company uses raw materials brought by the customer as well as raw materials supplied by the company.

1.1.4. Sales evaluation

a) The internal market sales of 2016 were of 9,255,250 lei, in the European community were of 7,635,249 lei, and outside the European Union they were of 131.784 lei.

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

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

b) Due to the lack of statistical data, we cannot comment on the weight of our products on the market, or on the main competitors, but we know that is an area with a special competition.

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

1.1.5. Evaluation of the issues related to the company's employees

a) On 31.12.2016, the staff average number was of 464 persons. From the total of the company's employees, 20 of them have higher education, the rest of the employees having secondary education, vocational schools, lower secondary schools and training courses or without training courses, the number of unqualified employees being of 99 persons. Also, a number of 106 persons are employed under the 1st qualification category, therefore with a minimum qualification in the area of the performed activity.

Also, we also mention that in 2016 we have recorded a number of 12 individual work contracts terminated as of right.

Regarding the qualification level, we notice the fact that the labour market has less and less offers of qualified staff, starting with engineers from the textiles area and up to the garment workers or the mechanics from our profile industry area. From this reason, we increasingly rely on unskilled or aged staff, coming from dissolved units or units in which layoffs were made.

We have to train all this staff at least at a minimum level, training that may last for 2-3 months, period of time in which, irrespective of the result and quality of their work, the company provides them, according to the law, the payment of the minimum gross salary guaranteed. In 2016, the staff fluctuation was quite high, respectively, 89 persons left the company and another 35 were employed.

Within the company, at the end of 2016, no union organizations are active.

b) There are no disputes between management and employees that might affect the company's activity.

1.1.6. Evaluation of the issues regarding the impact of the company's main activity on the environment.

We don't cause any negative impact on the environment deriving from our company's activity profile, whereas we have organized an environment monitoring activity and a collection, delivery and storage system of waste.

The company operates under the Environmental Permit no.126 of 17.10.2014 which is valid five years.

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

- Textile waste
- Paper and cardboard waste
- Plastics waste
- Domestic waste

These ones are collected on categories and stored in the indoor waste repository, being then verified by authorized agents.

We have contracts for collection with the following specialized agents: S.C Remus Prestige Internaţional S.R.L. Dorohoi, S.C. Pandora Prod S.R.L. Focşani, S.C. Roxy Textil S.R.L. Jaristea Vrancea, S.C. Istros Com. S.R.L. Iaşi, S.C. Italtex S.R.L Iaşi for textiles, paper and cardboard, plastics and with S.C. Servicii Publice Locale S.R.L. Dorohoi for domestic waste.

In order to monitor the impact on the environment of the two boilers used for the production of technological steam, on a yearly basis, with the help of authorized companies, flue gas measurements are performed, concerning the emission of pollutants into the atmosphere, test reports being issued. Up to now, according to the issued test reports, our test results were within the permissible limits.

For the waste water which is discharged into the sewage system of the city, annual physicochemical analysis report is issued by the water supply company, the measured values being within the permissible limits.

Also at the level of environmental impact, noise measurements are yearly performed at the property boundary, by Public Health Directorate Botoşani, the measured values being within the permissible limits. The monitoring activity also implies a yearly verification of the groundwater quality, by testing the water from the observation drilling made near the fuel tank.

According to the law in force, on a monthly, trimestral, biannual and yearly basis, reports are submitted to the Environment Agency, concerning the compliance with environmental quality, and every month it is drafted the Statement regarding the liabilities towards the environment fund, for: emissions of pollutants into the atmosphere from stationary sources (steam boilers) and waste from packaging placed on the market (plastic, paper and cardboard).

1.1.7. Evaluation of research and development activity

The company did not estimate and did not incur research and development expenses in 2016.

1.1.8. Evaluation of the company's activity regarding the risks management

The company is exposed to the following risks:

- Risk related to capital
- Exchange risk
- Liquidity and cash flow risk
- Risk of price reduction
- Risk of lohn system
- Political and legislative risk
- Risk of losing some markets
- Operational risks

Legal frame regarding risks management

The company's Board of Directors has the general responsibility to establish and monitor the risk management system at the company level.

a) The activity is governed by the following principles:
b) The principle of delegation of professional skills;
c) The principle of decision-making autonomy;
d) The principle of objectivity;
e) The principle of investors' protection;
f) The principle of promoting the development of the stock market;
g) The principle of the active role.

The Board of Directors is also responsible for the examination and approval of the strategic, operational and financial plan of the company, as well as of the corporate structure of the company. The company's policies of risk management are defined so as to ensure the identification and analysis of the risks which the company incur, the setting of the appropriate limits and controls, as well as the monitoring of the risks and of the compliance with the set limits.

The risk management policies and systems are regularly reviewed in order to reflect the changes in the market conditions and the company's activities. The company, by its training and management standards and procedures, aims to develop an orderly and constructive control environment in which all employees understand their roles and obligations.

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

Since the elements of trade receivables and payables are part of the financial instruments, the Company's management reveals that understand and know the information requirements of IFRS 7 regarding the nature and extent of risks arising from financial instruments and their importance.

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

The objectives of the strategy regarding the significant risk management are:

- Determination of significant risks that may arise in the normal course of the company's activity and formalization of a robust framework for their management and control, according to the objectives of the general strategy of SC CONTED S.A. This is achieved by adopting best practices, adapted to the size, profile and risk strategy of the company;
- Development of risk maps to facilitate their identification, structuring and ranking according to the possible impact on the current activity;
- Promoting a culture of risk awareness and management in all company structures;

Within SC CONTED S.A., the risk management activity aims to fulfill these objectives. In the process of risk management, the company aims to develop policies, standards and procedures by means of which the significant risks may be identified, assessed, monitored and controlled or mitigated. This framework will be reviewed periodically, according to the risk profile and risk tolerance, due to the changes in legislation, the internal or external changes. To this end, the identification and assessment of risks that may arise within the significant activities, is a permanent activity.

The entire staff must understand the risks that may arise within the developed activity, and the responsibilities incumbent concerning the management of these risks. Thus, the company must provide, maintain and continually develop a robust and consistent risk culture, in all structures.

Risk regarding the capital

Capital risk management aims to ensure the ability to work in good conditions by optimizing the capital structure (equity and debt). The analysis of capital structure deals with the capital cost and the risk associated with each class. To maintain an optimal capital structure and an appropriate level of debt, the company proposes to the shareholders an appropriate dividend policy.

Currency risk

Within the company business, one of the risks with a high frequency is the currency risk, which consists in the possibility of financial loss arising from the changes in exchange rates and / or correlations between them.

On the other hand, currency depreciation as against the major currencies is caused by the internal political intensity which has negatively affected financial markets, exchange rate and stock exchange.

The company's receivables and liabilities are recorded in the accounting system at their nominal value.

The receivables and liabilities in foreign currencies are accounted in lei, at the exchange rate in effect at the time of operation.

Exchange differences between the date of registration of foreign currency receivables and liabilities and the date of receipt or payment thereof shall be recorded as financial income or expenses, as appropriate.

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

Currency risk control measures

As a measure to reduce this risk, the company aims to continuously synchronize the import activity with the export one, by correlating the payment and cashing, as well as correlating the currencies weight, so that the moments in which payments are to be made to be as close or even simultaneously with those of export receipts.

Another measure is to anticipate or to delay the payment or cashing by appropriate setting of the maturity and the introduction of precautionary margins in the price, correlated with the prognosis for the evolution of the currency in which payment is made.

Liquidity and cash-flow risk

This risk comes from the inability of the company to meet its short term payment obligations at any time. On the other hand, the liquidity risk is caused by the increasing taxation. When we talk about taxation, we refer in the first instance to predictability and the business environment is exposed to day to day changes in terms of taxation (modification, creation of new taxes, contributions).

Within SC CONTED S.A., the liquidity risk is minimal, and during 2016 no long-term loans were contracted or loans with state guarantees.

Control measures of the liquidity risk

In order to mitigate the uncollectibility risk on the internal market, the following measures were taken:

- assessing the creditworthiness of the trading partners by verification, in various ways, before the conclusion of the contract;
- monitoring of receivables by permanent control and assessment of the risks;
- developing loyalty relationships concerning the customers through regular meetings in order to know them and to approach a constructive attitude;
- setting up expenses provisions to cover the risk of nonpayment.

The risk of prices mitigation

S.C. CONTED S.A. is exposed to a risk of reducing the prices due to cheaper labor in other countries, changes in the economic, social and political.

Control measures against the price mitigation risk

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

The risk of lohn system

S.C. CONTED S.A. mainly produces garments in lohn system (CM –cut and make), but they can also produce garments with their own fabrics (imported from France, Italy, Spain, Turkey etc.) and trims, as the customer wants (CMT – cut-make-trim).

Over time, SC CONTED S.A. may be affected more or less by the changes in what we call environment, certain factors of this environment may adversely affect the activity of this company. These politico-legal, economic, socio-cultural factors can have a negative impact, thus creating a high failure transposed in the market response and delays in delivery.

Politico-legal factors can influence the company's business which is operated by lohn system, by imposing some regulations that may be related to the import-export of goods, the economic factors influencing the economy of a country that can influence the purchasing power, also.

Political and legal risk

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

Control measures of the legal risk

The company's strategy in managing these risks requires:

- Permanent concern to obtain the international certifications concerning manufacturing flows;
- Updating the licensing documentation for the portfolio products;
- Permanent monitoring of legislative changes at an international level.

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The risk of losing some markets (contracts)

The decline in the market price of the competing products lead to a non-competitive position, the loss of the partner's interest for the Conted products, as a result of the introduction of new products on the market, lead to the loss of some markets (contracts).

Control measures for the risk of losing some markets (contracts)

To manage this risk it is taken into account:

- continuous monitoring of the international trade policy trends and adopting a diversified export strategy, structurally and geographically speaking, through a differential approach of the developed and developing markets;
- strategic partnerships conclusion with companies holding important positions in international markets, which are able to pursue judiciously such risks;
- anticipate legislative requirements, in order to adapt products documentation to certain requirements or to compensate in other markets;
- customer loyalty;
- identifying new business partners and other cooperative arrangements (compensation)

Operational risks

One of the serious problems that the company SC CONTED S.A. is currently experiencing is related to the recruitment and employment of staff specialized in textiles. The failure to attract a sufficient number of suitably qualified personnel, migration, unadjusted labor market, and increased personnel costs are risks that could affect the activity developed by the issuer.

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

- Production of garments that stagnate on the circuit and in stock for more than one month, due to the delay of raw materials and trims supply from the customers;
- Temporary suspension of activity because of unforeseen situations;
- The increase of the minimum gross basic salary guaranteed, which will decrease the attractiveness of light industry;

The increase of the minimum gross basic salary guaranteed for payment to the textile workers, may lead to the loss of contracts by the clothing manufactures from Romania and their gaining by the countries with cheaper labour. The profile industry is losing competitiveness year after year, and the lohn "migrates" in cheaper countries, with much lower wage levels. SC CONTED S.A. performs constant supervision of operational risks in order to take measures to keep them at an acceptable level, which does not threaten its financial stability, creditors, shareholders, employees, partners' interests.

1.1.9. Perspective elements concerning the trading company's activity

a) Key indicators reflecting liquidity increased in 2016 reaching positive levels as against the optimum parameters ensuring normal development of financial activity.

INDICATOR	2016	2015
Current liquidity Current assets / current liabilities	4.60	5.52
Immediate liquidity Current assets – Stocks/ current liabilities	3.54	3.60
Indebtedness	0%	0%

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b) In 2016 SC CONTED S.A. estimated the achievement of a low investment volume, mainly based on replacing the defective equipment, according to the strict requirements demanded by production activity development in optimal conditions. Thus, the current and anticipated capital expenditures did not produce negative effects on the financial situation, the investments financing being made from their own sources.

c) In 2016 there were no significant events likely to significantly affect the company's income.

2. Corporate assets of the company

2.1. All assets are stated at the headquarters of the company. The functional structure features a production section which is organized in a cutting room, 2 halls for trousers manufacturing, 6 halls for jackets, coats and 1 for finishing.

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

Current no.	Fixed assets categories	Inventory value 31.12.2016	Depreciated value 31.12.2016	Value remaining 31.12.2016	Amortization degree %
1	Constructions	3,521,772	-	3,521,772	-
2	Real estate investments	122,610	-	122,610	-
3	Technological equipment and vehicles	8,877,810	7,750,651	1,127,159	87.30
4	Other fixed assets	203,975	171,199	32,776	83.93
	TOTAL	**12,726,167**	**7,921,850**	**4,804,317**	**-**

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

3. The market for the securities issued by the company

3.1. S.C. CONTED S.A. is listed in the standard category s of B.S.E., where it is trading with the following characteristics:

Market symbol: CNTE
Ordinary, nominative, dematerialized shares
Number of issued shares: 239,702
Nominal value: 9.53 lei
Registered capital value: 2,284,360.06 lei
ISIN Code: ROCNTEACNOR9

3.2. The company policy is to continue the activity in terms of economic efficiency with profitable results to be distributed. For the year 2015, the Ordinary General Assembly of Shareholders from 12.03.2016 approved the granting of the amount of 1,008,444 lei as dividends, respectively 4,207 lei in gross per share.

Until 31.12.2016, dividends for the year 2015, to the amount of 932,883 lei were paid, respectively 97.38% from the net dividend total of 958,022 lei.

The Board of Directors proposes and recommends to the General Assembly of Shareholders the distribution of the net profit of the financial year 2016 to the amount of 195,545 lei as divided towards the shareholders.

The gross dividend per share is of 0.81 lei.

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

2014 = 1,689,839 lei
2015 = 1,008,444 lei
2016 = 195,545 lei

3.3. - 3.5. The Company has not issued any shares during the financial year 2016 and any bonds or other debt securities

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4. Company's management

4.1. Board of Directors

a) Board of Directors presentation

- **Popa Manole**, 64 years old, born on 26.11.1952 in Stoiceşti, Vaslui county, engineer by profession – profile: textiles technology and chemistry, with a professional experience of 38 years, who occupies the position of administrator - president within the Board of Directors, with a 22 years length of service in this position.
- **Pujină Nelu**, 60 years old, born on 26.03.1956 in Cluj, Cluj county, engineer by profession – profile: textiles technology and chemistry, with a professional experience of 23 years, who occupies the position of administrator – member of the Board of Directors, with a 18 years length of service in this position.
- **Negreanu Laurențiu**, 42 years old, born on 10.10.1974 in Dorohoi, Botoşani county, an economist specializing in economic profile Finance - Accounting, with a professional experience of 9 years.

The current Board of Directors made of 3 members has been elected within the Ordinary General Assembly of Shareholders from 12.09.2015 for a period of 4 years, the Ordinary General Assembly of Shareholders decision being registered at the Trade Registry attached to the Botoşani Court according to the mention no. 17944/28.09.2015.

At the level of the Board of Directors a president was elected. The president of the Board of Directors is not a General Manager and nor the other members of the Board of Directors have executive positions within the company. The elected administrators are non-executive.

b) There is no agreement, convention or family relationship between the administrators and other persons due to whom the latter might be nominated administrators.

c) To the company's capital, the Board of Directors, president, ing. Popa Manole, participates with a percentage of 25.5250 %, and manager Eng. Pujină Nelu with 20.3711%.

d) Affiliated persons – Not applicable.

4.2. Presentation of the executive management members of the company

General Manager

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

According to the Decision of the S.C. CONTED S.A. Board of Directors from the meeting of 05.07.2015, the mandate contract no. 11/04.07.2007 was extended for a period of 4 years according to the addendum no.4 from 05.07.2015.

Mr Popa Manuel is 38 years old, is born on 18.06.1978 in Brăila, Brăila county, economist by profession – specialization general economy, with postgraduate studies – specialization Companies Establishment and Management, with a professional experience of 11 years.

The General Manager is mandated with decision-making powers for the organization and management of the company's business, to use and manage the company's funds, to represent the company towards third parties.

The General Manager has the following attributions and prerogatives:

- ✓ fulfil its obligations with the diligence of a good owner;
- ✓ implement strategies to ensure and maintain economic and development efficiency of the company;
- ✓ selection, hiring and firing of the employed personnel;
- ✓ collective work contract negotiations;
- ✓ individual work contract negotiations;
- ✓ signing legal documents in the name and on behalf of the company; legal acts for which, according to Law no. 31/1990 or the articles of incorporation, it is necessary the approval of General Assembly of Shareholders or Board of Directors at their conclusion;
- ✓ participate to the Board of Directors meetings, where he will present quarterly reports containing relevant information;

- ✓ participate to the general assemblies of the shareholders;
- ✓ declare his quality as representative of the company in all legal acts to be concluded on behalf of the company;
- ✓ observe the provisions of Law no. 31/1990 regarding the duties and responsibilities of a manager;
- ✓ approve Rules of procedure and functioning, Internal Rules and other regulations in areas such as: emergency internal service; security, under the Act. no. 319/2006 on safety and health at work

The General Manger informs the board of directors about the irregularities found and the measures taken or the measures that might be within the competence of the board of directors.

The General Manager or the other appointed executives may be revoked at any time by Board of Directors under the law and the mandate contract. If the revocation occurs without a due cause, the person concerned can claim damages. The Board of Directors retains the duty of representing the company in relations with the general manager or other directors appointed by the president.

The act of representing the company in dealings with third parties and the justice belongs under delegated powers, based on the mandate contract, to the General Manager.

The managers delegated by the Board of Directors will need to be authorized by the Board of Directors, the managers/ administrators or internal auditors of other competing companies or with the same activity object cannot exercise the same trade or other competing trade on their account or somebody else's account under penalty of revocation and liability for damages.

b) Participation of the respective person to the registered capital - Not applicable.

4.3. All the persons provided at art. 4.1. - 4.2. are not undergoing litigations or administrative procedures related to their activity within the issuer and are capable to fulfil their attributions within the company.

4.4. Corporate governance

S.C. CONTED S.A. is administered under a unitary system in accordance with the provisions of the articles of incorporation and of Law no. 31/1990 republished, with all subsequent amendments, Subsection I - The unitary system art. 137, pt. 1 and 2, able to ensure the smooth functioning of the company.

The corporate governance structures of S.C. CONTED S.A. are represented by the Board of Directors and the executive management.

S.C. CONTED S.A. is managed by a Board of Directors composed of 3 members, non-executive directors, temporary and revocable, appointed by the General Assembly of Shareholders for a period of 4 years.

In its activity, the Board of Directors makes decisions.

The legally adopted decisions are binding for both the executive management of the company and for the administrators who voted against and are enforceable since their written communication, or from the moment of general notification through the Secretariat of the Board of Directors, if their content does not provide another term, subsequent to the notification date, starting with which they will come into force.

The revocation of the Board of Directors members can be made at any time by the Resolution of the General Assembly of Shareholders. The main objective of the Board of Directors, defined and determined by the peculiarities of S.C. CONTED S.A. and by the macroeconomic context in which it operates, is the establishment of a balance between the optimum business continuity and the shareholder expectations satisfaction.

The obligations and responsibilities of directors shall be governed by the provisions relating to the mandate and to the ones especially provided by Law 31/1990 as amended and supplemented, Law 297/2004 as amended and supplemented, and the CNVM applicable regulations and by the statutory provisions.

The Board of Directors may create advisory committees made up of members of the Board, responsible for conducting investigations and making recommendations to the Board, in areas such as audit, remuneration of directors, managers, staff, the nomination of candidates for various management positions.

The Board of Directors establishes the internal rules of the committees established. The Board of Directors approves the delegation of powers and sets limits for the general manager and the other directors.

The transactions made under the powers delegated to the executive management are reported to the Board by written reports, usually quarterly.

The Board of Directors approves the delegation of powers and / or the right of representation for other managers or employees of the company, setting also their limitations.

Quarterly, the Board of Directors analyzes under the report presented by the General Manager:

- In the field of production and services activity: completing the production program afferent to the trimester and preliminaries for the next trimester; equipment maintenance and repair program in the previous quarter and the measures that are envisaged for implementation of the programs planned for the next quarter;
- In the field of commercial activity: the performance of the sales program for the quarter and preliminary results for the next quarter; the situation of the receivables recorded within the commercial relationships; Ensuring the equipment needed for the production program, structure analysis of the finished products stocks and of the stock necessary level, according to the season.
- In financial and economic activity field: the achievement of the indicators from the budget of revenues and expenditures; trimestral reports afferent to trimesters I and III; the biannual report; the annual report; the production cost structure and the profitability of the sold products in the previous quarter; statement of costs incurred and the amount of production delivered on the orders closed in the previous quarter; the result of the patrimony inventory and other.

There were provided the conditions necessary to the shareholders information on financial results and on all relevant aspects of the business, by both the website and through the General Secretariat of the Board of Directors.

Both in 2016 and in the previous years, it was provided an equitable treatment to all the shareholders by promoting an effective and active communication with them.

Information related to the internal control

Within the company CONTED SA, the internal control provision mainly aims at the internal, accounting and financial control activities and the internal audit.

In the field of internal control, the following basic principles are taken into consideration:

- Compliance with regulations specific to the company's business;
- Compliance with internal working procedures and decisions of the management bodies of the company's business.

The internal, accounting and financial control of the company had in view the provision of an accounting management and of a financial follow-up of the activities to meet the defined objectives.

In terms of accounting rules, the company has elaborated:

- the accounting policies manual;
- procedures for the implementation of this manual;
- knowledge of the accounting and tax legislation development;
- carrying out specific controls on sensitive points;
- Identification and appropriate treatment of anomalies;
- adapting the software to the needs of the entity;
- compliance with accounting rules;
- ensuring accuracy and completeness of accounting records;
- compliance with the qualitative characteristics of information from the financial statements so as to meet the needs of the users.

Internal audit

The internal audit is provided through a services contract by a company independent of the S.C. CONTED S.A. management, subordinated to the Board of Directors.

The internal audit is carried out based on an audit plan established in accordance with company objectives.

The internal audit activity plan was approved by the Board of Directors.

The internal auditor should have an experience appropriate to its duties. The Internal Auditor shall have competence in accounting and / or auditing. The Internal Auditor has the following attributions:

- ✓ supervision of the company's management;
- ✓ checking whether the financial statements are legally prepared and in accordance with the records, if the latter are held regularly and if the property valuation was done according to the rules for the preparation and presentation of financial statements;
- ✓ examining the claimed situations, in accordance with the law, by shareholders and depending on the findings, legal action shall be taken;
- ✓ maintenance of professional secrecy during the mandate and for at least three years after its expiry.

To this end, the Internal Auditor will present detailed reports, and the reporting manner and procedure are those provided by the rules drawn up by the Chamber of Financial Auditors of Romania.

The internal auditor shall inform the Board of Directors members the irregularities related to the administration.

The internal auditor shall present at least quarterly and whenever it is necessary to analyze the audit report and / or external auditor's opinion on key issues arising from the audit of the annual financial statements / biannual reports and on the process of financial reporting and shall recommend the appropriate measures to be taken.

The Internal Auditor deliberations are recorded in a register and are presented to the Board of Directors.

Quarterly, the internal auditor shall submit to the Board of Directors a report containing a summary of the work done and recommendations on matters falling within its remit, ie the financial reporting area, of the internal control and of the risk management.

Statutory audit

The statutory auditor shall audit the financial statements and the annual audit report results are presented for the information of General Assembly of Shareholders, which decide the discharge of the Board of Directors only after submission of the audit report of the financial statements of the company. The statutory auditor of the company is AFIL Auditing Agency SRL Botosani, represented by Lunca Irina. The statutory auditor's mandate it expired on 31.12.2015.

General Assembly of Shareholders dated 12.09.2015 decides the election of the statutory auditor "Agenţia de Audit Financiar AFIL SRL", with headquarters in Botoşani, str. Al. M. Gorki, nr. 14, ap. 11, VAT Number: 17267607, registered at the Trade Registry under no. J07/133/205, represented by financial auditor Luncă Irina for a period of one year (closing of the financial year 2016).

5. Individual financial-accounting statement

5. a) Financial position

The economic and financial situation compared to the last two years is shown in the table below:

	2013	2014	2015	2016	% Elements in total assets / total liabilities 2016	% Elements in total assets / total liabilities 2015	% 2016 / 2015
I. Total assets(TA) from which:	**14,488,384**	**12,257,559**	**12,027,455**	**12,510,578**	**100.00**	**100.00**	**4.02**
1. Fixed assets from which:	**4,108,383**	**3,904,531**	**4,338,812**	**5,684,539**	**45.44**	**36.07**	**31.02**
1.1. lands	842,140	842,140	842,140	842,140	6.73	7.00	-
1.2.constructions	2,507,174	2,374,142	2,250,205	3,521,772	28.15	18.71	56.51
1.3. real estate investment	37,858	36,969	36,080	122,610	0.98	0.30	239.83
1.4. other fixed assets	721,211	651,280	1,210,387	1,198,017	9.58	10.06	-1.02
2. Current assets from which:	**10,363,716**	**8,341,736**	**7,678,400**	**6,814,463**	**54.47**	**63.84**	**-11.25**
2.1. stocks	2,340,129	2,156,656	2,670,436	1,571,167	12.56	22.20	- 41.16
2.2. liabilities	4,128,593	2,288,657	1,908,666	2,452,744	19.60	15.87	28.51
2.3. cash register and bank accounts	3,894,994	3,896,423	3,099,298	2,790,552	22.31	25.77	-9.96
3. Other assets	**16,285**	**11,292**	**10,243**	**11,576**	**0.09**	**0.09**	**13.01**
II. Total liabilities (TP) from which:	**14,488,384**	**12,257,559**	**12,027,455**	**12,510,578**	**100.00**	**100.00**	**4.02**
1.Total debts from which:	**2,964,181**	**1,552,568**	**1,444,692**	**1,770,821**	**14.15**	**12.01**	**22.57**
1.1. with payment under one year	2,636,434	1,494,472	1,390,439	1,482,963	11.85	11.56	6.65
1.2. with payment longer than one year	327,747	58,096	54,253	287,858	2.30	0.45	430.58
2. Provisions for employee benefits - holidays rest	**-**	**-**	**-**	**257,085**	**2.06**	**-**	**-**
3. Advance income:	**-**	**-**	**555,324**	**-**	**-**	**4.62**	**-**
4. Equity	**11,524,203**	**10,704,991**	**10,027,439**	**10,482,672**	**83.79**	**83.37**	**4.54**

Main assets elements that exceed 10% from the total assets	Amount - lei	In total assets in 2016 (%)
Lands and constructions	4,363,912	34.88
Cash and cash equivalents	2,790,552	22.31
Liabilities	2,452,744	19.61
Stocks	1,571,167	12.56
Main liabilities elements that exceed 10% from the total liabilities	**Amount - lei**	**In total liabilities in 2016 (%)**
Paid subscribed capital	2,284,360	18.26
Revaluation reserves	2,470,543	19.75
Reserves	4,537,609	36.27

From the comparative analysis of the balance sheet items, it was noticed a increase by 31.02% of the **fixed assets** and a decrease of the **current assets** by 11.22% compared to 2015.

The weight of debt in total assets was only 14.15%, the highest level in the last 2 years, during which equity ranged between 83.37% and 83.79% of total assets.

5. b) The overall result is the following:

Current no.	Overall result elements	2013	2014	2015	2016	2016/2015 (%)
1.	**Total income**	**21,485,180**	**19,916,356**	**18,595,072**	**16,194,137**	**- 12.91**
1.1.	**Exploitation income, from which**	**21,241,816**	**19,810,302**	**18,468,460**	**16,151,139**	**- 12.55**
1.1.1.	Sales income - turnover	21,299,967	19,231,926	17,501,452	16,890,499	- 3.49
1.2.	**Financial income**	**243,364**	**106,054**	**126,612**	**42,998**	**- 66.04**
2.	**Total expenses**	**18,289,529**	**17,938,830**	**17,394,387**	**15,910,386**	**- 8.53**
2.1.	**Exploitation expenses, from which:**	**18,121,582**	**17,870,151**	**17,306,747**	**15,828,400**	**- 8.54**
2.1.1.	Expenses related to raw materials and materials	3,074,520	2,121,630	1,573,301	1,103,472	- 29.86
2.1.2.	External expenses related to energy and water consumption	1,258,267	1,338,688	1,288,899	1,071,584	- 16.86
2.1.3.	Expenses related to staff	11,295,178	11,886,219	12,204,794	12,544,148	2.78
2.1.4.	Expenses with amortization	361,586	301,982	297,638	326,831	9.81
2.1.5.	Other exploitation expenses – expenses related to the external services	2,132,031	2,221,632	1,942,115	525,280	- 72.95
2.1.6.	Expenses for the provisions	-	-	-	257,085	-
2.2.	**Financial expenses**	**167,947**	**68,679**	**87,640**	**81,986**	**- 6.45**
3.	**Gross profit (1-2) from which:**	**3,195,651**	**1,977,526**	**1,200,685**	**283,751**	**- 76.37**
3.1.	Exploitation profit	3,120,234	1,940,151	1,161,713	322,739	- 72.22
3.2.	Financial activity profit /loss	75,417	37,375	38,972	(38,988)	-
4	**Net profit**	**2,703,130**	**1,689,839**	**1,008,444**	**195,545**	**- 80.61**

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Indicators exceeding 20% from the total turnover	Amount - lei	In turnover in 2016 (%)
Sold production	16,661,065	98.64
Expenses related to staff	12,544,148	74.27

From the analysis of the above mentioned information, we notice a decrease by 76.37% in the gross profit and by 12.91% in the income, as against 2015. The categories of expenditure that increased in 2016 personnel costs, by 2.78% and expenses with amortization by 9.81%.

5. c) Cash – Flow

At the end of the period, the cash an decrease in the amount of 308.746 lei by 9.96%, compared to the beginning of the reporting period, due to the net cash deriving from the investment activities and the financing activities.

lei

	2013	2014	2015	2016
Net cash from the exploitation activities	1,909,980	2,289,350	1,350,944	1,021,861
Net cash from the investment activities	(385,960)	(117,582)	(775,486)	(228,931)
Net cash from the financing activities	(1,903,332)	(2,170,339)	(1,372,583)	(1,101,676)
Net increase /decrease of cash and cash equivalent	(379,312)	1,429	(797,125)	(308,746)
Cash and cash equivalent at the beginning of the period	4,274,306	3,894,994	3,896,423	3,099,298
Cash and cash equivalent at the end of the period	3,894,994	3,896,423	3,099,298	2,790,552

The financial statements have been prepared in accordance with:

- Order 881 of June 25. 2012 on the application by the companies whose securities are admitted for trading on a regulated market, of International Financial Reporting Standards;
- International Financial Reporting Standards (IFRS) as adopted by the European Union;
- Accounting Law 82 of December 24.1991;
- Order 2844 of December 12. 2016 for the approval of Accounting Regulations complying with International Financial Reporting Standards;

The financial statements were approved by the Board of Directors in its meeting on February 06. 2017.

The reporting currency of the financial statements is leu.

At the date of the report drafting, the company management has no knowledge of events, economic changes or other factors of uncertainty that could significantly affect the company's income or liquidities, other than those already specified.

Chairman,
Eng. POPA MANOLE

Chief economic Office,
Ec. Mihai Elena

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The state of compliance with the new Corporate Governance Code of Bucharest Stock Exchange on 31.12.2016.

Indicator	The code's provisions that must be observed	Observed by the company	The company does not observe or partially observes	The non-compliance reason
A1	All companies should have an internal regulation of the Board which includes terms of reference / responsibilities of the Board and the key management positions of the company, and which applies, inter alia, the General Principles of Section A.		X	The company has not adopted an operational regulation for the Board of Directors. The Board of Directors' responsibilities, the key positions and the operating mode are the ones provided by the articles of incorporation and the legal provisions.
A2	The provisions for managing the conflicts of interest should be included in the Board regulation. In any event, the Board members must notify the Board about any conflicts of interest that have arisen or may arise and refrain from participating in discussions (inclusively by default, except the case where the default would prevent the formation of quorum) and from the vote for adopting a decision regarding the issue leading to the afferent conflict of interests.		X	There are no provisions for managing the conflicts of interest.
A3	The Board of Directors or the Supervisory Board must be made of at least five members.		X	The Bylaws provides 3 members, according to art. 137, paragraph 2 from Law 31/1990.
A4	The majority of the Board of Directors members must have no executive position. At least one member of the Board of Directors or of the Supervisory Board must be independent concerning the companies in the Standard Category.		X	The 3 members of the Board of Directors are non-executive administrators.
A5	Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions within the Board of some non-profit companies and institutions, should be disclosed to		X	It shall be implemented.

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	the shareholders and potential investors before the nomination and during his tenure.			
A6	Any member of the Board must provide to it information on any relation to a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights. This obligation extends to any relation that may affect the member's position against the issues decided by the Board.	X		
A7	The company must appoint a secretary of the Board responsible for supporting the activities of the latter.	X		
A8	The corporate governance statement shall inform if there was an evaluation of the Board under the guidance of the President or of the Nomination Committee and, if so, shall summarize the key measures and changes resulting from it. The company must have a policy / guidelines on the Board evaluation, including the purpose, criteria and frequency of the evaluation process.		X	The Board of Directors has not adopted a policy / guidelines concerning the Board evaluation.
A9	The corporate governance statement must contain information on the number of meetings of the Board of Directors and Committees during the last year, the participation of directors (in person and in absentia) and a report of the Board and committees on their activities.	X		
A10	The corporate governance statement must contain information on the exact number of independent members from the Board of Directors or the Supervisory Board.	X		
B1	The Board should establish an audit committee in which at least one member must be an independent non-executive director. Most members, including the		X	Without an independent non-executive director, and due to their impossibility to provide a majority of independent directors within the audit committee, the Board of Directors has not

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	president, must have shown to have the appropriate qualifications relevant to the functions and responsibilities of the committee. At least one member of the audit committee must have a proven and appropriate accounting or auditing experience.			established such a committee, keeping these responsibilities for themselves.
B2	The president of the audit committee must be an independent non-executive member.		X	No audit committee being established, there is no question of electing an independent non-executive director to manage the committee.
B3	Within its responsibilities, the audit committee should conduct an annual evaluation of the internal inspection system.		X	Without an audit committee, the Board of Directors is the one who receives the inspection reports of the internal auditor and who is responsible for the annual evaluation of the internal inspection system.
B4	The evaluation should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal inspection reports submitted to the audit committee of the Board, the timeliness and effectiveness with which the executive management solves the deficiencies or weaknesses identified during the internal inspection relevant national and submission of relevant reports to the attention of the Board.		X	If no audit committee has been established, the Board of Directors is the one to be responsible for the evaluation of the internal audit activity concerning the efficacy, the adequacy of the risk management and internal inspection reports drawn up by the internal audit, the timeliness and effectiveness of the measures taken to remedy the weaknesses revealed by these ones.
B5	The audit committee should evaluate the conflicts of interests related to the transactions of the company and of its subsidiaries with the affiliated parties.		X	As long as no audit committee is established, the evaluation of the conflicts of interests related to the transactions of the company and its subsidiaries with related parties is the responsibility of the Board of Directors. The company has no subsidiaries.
B6	The audit committee should evaluate the efficiency of the internal inspection system and of the risk management system.		X	The analysis of the internal inspection system and risk management system efficiency is also carried out by the Board of Directors, as long as no audit committee is established.

B7	The audit committee should monitor the implementation of the legal standards and the internal audit standards generally accepted. The audit committee shall receive and assess the reports of the internal audit team.		X	The Board of Directors receives and evaluates the internal audit reports, monitors the implementation and observance of the generally accepted standards, ensuring thus this function specific to the audit committee.
B8	Whenever the Code mentions reports or analyses initiated by the Audit Committee, these ones have to be followed by periodic or ad-hoc (at least annually) or ad-hoc reports that have to be subsequently submitted to the Board.		X	Without an audit committee, there is no periodic reporting phase of the audit committee by the Board of Directors.
B9	None of the shareholders may be given preferential treatment over other shareholders in relation to transactions and agreements made by the company with shareholders and their affiliates.	X		
B10	The Board should adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relations whose value is equal to or greater than 5% of the net assets of the company (according to the latest financial report) is approved by the Board following a mandatory opinion of the Board's and is properly disclosed to shareholders and potential investors, to the extent that such transactions fall within the category of events subject to the reporting requirements.	X		
B11	Internal audits must be made by a structurally separated division (the internal audit department) within the company or by employment of an independent third party.	X		
B12	In order to ensure the fulfillment of the internal audit department main functions, the latter should report from a functional perspective to the Board through the audit committee. For administrative purposes and under the	X		

	management obligations to monitor and reduce risks, the audit department must report directly to the Chief Executive Officer.			
C1	The company must publish on its website the remuneration policy and to include a statement in the annual report on the implementation of the remuneration policy during the concerned annual period. The remuneration policy should be drawn up so as to allow shareholders the understanding of the principles and arguments underlying the remuneration of the Board members and of the CEO, as well as of the Executive Board members in the dual system. This policy should describe the manner in which the management of the process is taking place and the manner in which the decisions regarding the remuneration are taken, to detail the components of the executive management remuneration (such as salary, annual bonuses, long-term incentives related to shares value, benefits in kind, pensions and others) and to describe purpose, principles and assumptions underlying each component (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should specify the length of the executive officer contract and the notice period stipulated in the contract, and any compensation for unjust dismissal. [...] Any significant change occurred within the remuneration policy should be timely published on the website of the company.		X	The company does not publish on its website a remuneration policy, but the notes of the annual financial statements contain information regarding the remuneration of directors and executives for the analyzed period.
D1	The company must hold an Investors Relations department – by indicating the responsible person / persons or the organizational unit. In addition to the information	X		

	required by the law, the company must include on its website a section dedicated to the Investors Relations, in Romanian and English, with all the relevant information for investors, including:			
D1.1.	The main corporate regulations: articles of incorporation, procedures regarding the general meetings of shareholders;	X		
D1.2.	The professional CVs of the management members of the company, other professional commitments of the Board members, including executive and non-executive positions within the boards of directors of companies or non-profit institutions;		X	It shall be implemented.
D1.3.	The current and periodic reports (quarterly, biannual and annual) - at least those specified in paragraph D.8 - including the current reports with detailed information on non-compliance with this Code;	X		
D1.4.	Information on the general meetings of shareholders: the agenda and the informational materials; the procedure for electing the Board members; the arguments supporting nominations for the election within the Board, together with their professional CVs; the shareholders' questions regarding the items on the agenda and the company's responses, including the decisions taken;	X		
D1.5.	Information on corporate events, such as payment of dividends and other distributions to the shareholders, or other events leading to the acquisition or limitation of a shareholder's rights, including the deadlines and principles for such operations. This information will be published within a period to allow investors to take investment decisions;	X		

D1.6.	The name and contact details of a person who can provide, upon request, relevant information;	X		
D1.7.	The company's overviews (e.g., the overviews for investors, the overviews regarding the quarterly results, etc.), the financial statements (quarterly, biannual, annual), the audit reports and annual reports.	X		
D2	The company will have a policy regarding the annual dividend distribution or other benefits to shareholders, as proposed by the CEO or the Executive Board and adopted by the Board, as a set of guidelines that the company intends to follow on the distribution of net profit. The principles of the policy regarding the annual distribution to shareholders will be published on the website of the company.	X		
D3	The company will adopt a policy regarding forecasts, whether they are made public or not. The forecasts refer to findings quantified conclusions of some research aimed at determining the overall impact of a number of factors relating to a future period (so-called hypotheses): by its nature, this projection has a high level of uncertainty, the actual results being able to significantly differ from the initially presented predictions. The policy regarding forecasts will determine the frequency, period had in view and the content of the forecasts. If published, the forecasts can only be included in the annual, biannual or quarterly reports. The policy regarding forecasts will be published on the website of the company.	X		
D4	The General Meetings of Shareholders rules should not limit the participation of shareholders to the general meetings and the	X		

	exercise of their rights. The changes to the rules will enter into force no sooner than the following meeting of shareholders.			
D5	The external auditors will attend the general meeting of shareholders when their reports are discussed at these meetings.	X		
D6	The Board will present the annual general meeting of shareholders a brief assessment of the internal inspection and significant risks management systems, as well as some opinions on certain issues subject to the decision of the general meeting.	X		
D7	Any specialist, adviser, expert or financial analyst may participate to the shareholders' meeting based on a prior invitation from the Board. The accredited journalists may also participate to the general meeting of shareholders, unless the Board President decides otherwise.	X		
D8	The quarterly and biannual financial reports shall include information both in Romanian and in English on the key factors generating changes at the level of sales, operating profit, net profit and of other relevant financial indicators, both from one quarter to another and from one year to another.	X		
D9	A company shall hold at least two meetings / teleconferences with analysts and investors every year. The information presented on these occasions shall be published within the Investor Relations section of the company's website at the time of meetings / teleconferences.	X		

D10	If a company supports various forms of artistic and cultural expression, sporting, educational or scientific activities and considers that their impact on the innovative nature and competitiveness of the company as part of its mission and development strategy, they shall publish the policy concerning their activity in this field.	X		

Chairman,
Eng. Manole Popa

S.C. CONTED S.A
Separate financial statements
on December 31st, 2016

prepared in accordance with the International Standards of Financial Submission adopted by the European Union according to the Ministry of Public Finance Order no. 2844/2016, as amended

The separate financial statements prepared on December 31st, 2016 have been heard

Separate financial statements

STATEMENT OF FINANCIAL STATUS

	Note	31.12.2016	31.12.2015
Assets			
Tangible assets	12	5,523,847	4,259,518
Intangible assets	13	38,082	43,214
Real estate investments	14	122,610	36,080
Total Non-current Assets		**5,684,539**	**4,338,812**
Inventories	15	1,571,167	2,670,436
Trade receivables and other receivables	16	2,452,744	1,908,666
Prepayments	16	11,576	10,243
Cash and cash equivalents	17	2,790,552	3,099,298
Total Current Assets		**6,826,039**	**7,688,643**
Total Assets		**12,510,578**	**12,027,455**
Equity			
Share capital subscribed	18	2,284,360	2,284,360
Other items of equity		(287,858)	(54,253)
Revaluation reserve	18	2,470,543	1,010,513
Legal reserve	18	456,661	456,661
Other reserves	18	4,080,948	4,080,948
Retained earnings		1,282,473	1,240,766
Year result	18	195,545	1,008,444
Total Equity		**10,482,672**	**10,027,439**
Payables			
Long Term Payables			
Payables regarding the deferred income tax	20	287,858	54,253
Total Long Term Payables		**287,858**	**54,253**
Current Payables			
Trade payables and other payables	20	1,482,963	1,390,439
Provisions for employee benefits	21	257,085	-
Advance income		-	555,324
Total Current Payables		**1,740,048**	**1,945,763**
Total Payables		**2,027,906**	**2,000,016**
Total Equity and Payables		**12,510,578**	**12,027,455**

The separate financial statements were approved by the Board of Directors at the meeting of 06.02.2017 and signed on behalf of it by:

Chairman ,	**Chief Economic Office**,
Eng. POPA MANOLE	Ec. 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

Continuos activities	**Note**	**31.12. 2016**	**31.12. 2015**
Incomes	5	16,890,499	17,501,452
Other incomes	6	82,209	68,318
Incomes corresponding to the product inventory costs	6	(821,569)	898,690
Total Operational incomes	**6**	**16,151,139**	**18,468,460**
Expenses with raw materials and consumables	7	876,259	1,406,554
Expenses with merchandise	7	227,213	166,747
Expenses with facilities	7	1,071,584	1,288,899
Expenses with salaries,social securities and other benefits	8	12,544,148	12,204,794
Expenses with amortization	12,13,14	326,831	297,638
Expenses for the provisions	21	257,085	-
Other expenses	7	525,280	1,942,115
Total Operational expenses	**7**	**15,828,400**	**17,306,747**
Operational activities result		**322,739**	**1,161,713**
Financial incomes	10	42,998	126,612
Financial expenses	10	81,986	87,640
Financial result		**(38,988)**	**38,972**
Result before taxation		**283,751**	**1,200,685**
Expense with the current income tax	11	84,602	188,274
Expenses with the deferred income tax	11	3,604	3,967
Result continuous activities		**195,545**	**1,008,444**
Other items of the global result		**1,268,132**	**3,843**
- 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		3,480	3,843
- 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		**1,463,677**	**1,012,287**
Attributable profit		**195,545**	**1,008,444**
Result per basic action	19	0.81	4.207
Result per diluted action	19	0.81	4.207

The separate financial statements were approved by the Board of Directors at the meeting of 06.02.2017 and signed on behalf of it by:

Chairman, — **Chief Economic Office**,
Eng. POPA MANOLE — 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 2016

	Share capital called up and paid up	Other equity items	Revaluation reserves	Legal reserves	Other reserves	Financial year result	Carried forward result	Total euity
Balance as at 01 January 2016	**2,284,360**	**(54,253)**	**1,010,513**	**456,661**	**4,080,948**	**1,008,444**	**1,240,766**	**10,027,439**
Net result of the period	-	-	-	-	-	**195,545**	-	**195,545**
Net result transfer of the term in the carried forward result – year 2015	-	-	-	-	-	**(1,008,444)**	**1,008,444**	-
Other items of global result								
Surplus from revaluation reserves of tangible assets, amortized measure of the use asset transferred to retained earnings	-	-	(21,751)	-	-	-	21,751	-
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	-	3,480	-	-	-	-	-	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)	-	-	-	-	-	(237,085)
Increasing reserve from revaluation of property, plant construction,, "and the investment property	-	-	1,481,781	-	-	-	-	1,481,781
Retained earnings from correction of accounting errors	-	-	-	-	-	-	19,956	19,956
Total items of global result	-	**(233,605)**	**1,460,030**	-	-	-	**41,707**	**1,268,132**
Total global result related to term	-	**(233,605)**	**1,460,030**	-	-	**(812,899)**	**1,050,151**	**1,463,677**
Transactions with the shareholders, directly recognized in equity								
Dividends to pay related to 2015 year	-	-	-	-	-	-	(1,008,444)	(1,008,444)
Total transactions with the shareholders, directly recognized in equity	-	-	-	-	-	-	**(1,008,444)**	**(1,008,444)**
Balance as at 31 December 2016	**2,284,360**	**(287,858)**	**2,470,543**	**456,661**	**4,080,948**	**195,545**	**1,282,473**	**10,482,672**

Chairman,
Eng. POPA MANOLE

Chief Economic Office,
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 2015

	Share capital called up and paid up	Other equity items	Revaluation reserves	Legal reserves	Other reserves	Financial year result	Carried forward result	Total equity
Balance as at 01 January 2015	**2,284,360**	**(58,096)**	**1,034,528**	**456,661**	**4,080,948**	**1,689,839**	**1,216,751**	**10,704,991**
Net result of the period	**-**	**-**	**-**	**-**	**-**	**1,008,444**	**-**	**1,008,444**
Net result transfer of the term in the carried forward result - year 2014	**-**	**-**	**-**	**-**	**-**	**(1,689,839)**	**1,689,839**	**-**
Other items of global result								
Surplus from revaluation reserves of tangible assets, amortized measure of the use asset transferred to retained earnings	-	-	(24,015)	-	-	-	24,015	-
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	-	3,843	-	-	-	-	-	3,843
Total items of global result	**-**	**3,843**	**(24,015)**	**-**	**-**	**-**	**24,015**	**3,843**
Total global result related to term	**-**	**3,843**	**(24,015)**	**-**	**-**	**(681,395)**	**1,713,854**	**1,012,287**
Transactions with the shareholders, directly recognized in equity								
Dividends to pay related to 2014 year	-	-	-	-	-	-	(1,689,839)	(1,689,839)
Total transactions with the shareholders, directly recognized in equity	**-**	**-**	**-**	**-**	**-**	**-**	**(1,689,839)**	**(1,689,839)**
Balance as at 31 December 2015	**2,284,360**	**(54,253)**	**1,010,513**	**456,661**	**4,080,948**	**1,008,444**	**1,240,766**	**10,027,439**

Chairman of the Administration Board,
Eng. POPA MANOLE

Chief Economic Office,
Ec. Mihai Elena

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

TREASURY FLOW STATEMENT

Treasury flows by operating activities	**31.12.2016**	**31.12.2015**
Cash receipts from the clients, by the sale of assets, services and merchandise	17,686,613	19,584,100
Cashed interests	9,070	69,563
Payments to suppliers	(3,316,357)	(5,569,374)
Payments to employees	(6,673,116)	(6,259,601)
Payments to the state budget and the social security budget	(6,681,847)	(6,503,457)
Other operating transactions	200,564	217,030
- Cash	1,668,739	2,279,483
- Payments	(1,468,175)	(2,062,453)
Cash generated by operating activities	**1,224,927**	**1,538,261**
Paid up interests	-	-
Paid up income tax	(203,066)	(187,317)
Net cash by operating activities	**1,021,861**	**1,350,944**
Treasury flows by investment activities		
Payments for the procurement of shares	-	-
Payments for the procurement of tangible assets	(228,931)	(775,486)
Cashments by the sale of tangible assets	-	-
Received dividends	-	-
Net cash by investment activities	**(228,931)**	**(775,486)**
Treasury flows by financing activities		
Cashments by the issue of capital	-	-
Cashments of cash by credits	-	-
Cash repayment of the loaned amounts	-	-
Paid up dividends	(1,101,676)	(1,372,583)
Currency exchange rate variation effect on credits and payables	-	-
Net cash by financing activities	**(1,101,676)**	**(1,372,583)**
Net cash and cash equivalent increase/decrease	**(308,746)**	**(797,125)**
Cash and cash equivalent at the beginning of period 01 January	**3,099,298**	**3,896,423**
Cash and cash equivalent at the end of period 31 December	**2,790,552**	**3,099,298**

The separate financial statements were approved by the Board of Directors at the meeting of 06.02.2017 and signed on behalf of it by:

Chairman,
Eng. POPA MANOLE

Chief Economic Office,
Ec. Mihai Elena

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

SCHEDULE NOTES

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, 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, 1st December Street No. 8, Botosani county, Romania, zip code 715200, phone 0231610067, fax 023161026, website www.conted.ro, Tax Identification Number RO 622445, Trade Register Office number: J07/107/1991.

S.C. CONTED S.A. Dorohoi is a 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 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. By the Again company, CONTED S.A. worked for famous brands like Esprit, Patrizia Pepe, Mazonetto, Otto Kim, Piere Cardin, Rich & Royal,Di Mattia, by H.M.D. France, the company worked for Zara, Celio, Jules, Olly Gan,Cyrillus, Oliphill, Devred, Brice, Massimo Dutti, Zadig & Voltaire, Vitro – Cotton, De Fursac, Bennavita, Sandro, Cerutti, Vicks, Agnes,and by S.C. Formen's, it worked for Louis Vuitton, Devred Cielo, Brighton, Hackett, Gal, Burtton, Father & Son and Eden Park.

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 92% is owned by the man and woman coats and trousers. The coats (turnover) are about 51%, the trousers are about 17%, the overcoats 5%, the suits 22%, the jackets and vests 3%, and other products and different services 2% 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 production represents 40% in 2016, and the internal production is 60% of the total of issued production.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 1. Reporting entity (continuation)

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 standard 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. is managed by a Board of Directors, made of 3 members, elected and appointed by the General Assembly of Shareholders for 4 years, with the possibility of being re-elected. The current Board of Directors has been elected within the Ordinary General Assembly of Shareholders from 12.09.2015.

At the level of the Board of Directors a president was elected. The president of the Board of Directors is not a General Manager and nor the other members of the Board of Directors have executive positions within the company. The elected administrators are non-executive.

The Board of Directors has the following composition:

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

The administrators of S.C. CONTED S.A. 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 06.02.2017.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

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.
- Law 82 of 24 December 1991 of accountancy;
- Order 2844 of 12 December 2016 for the approval of Accounting regulations according to the International Financial Reporting Standards;

The transition date to International Financial Reporting Standards has been January 1st 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 31st, 2016 and December 31st, 2015.

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 2016.

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 31 December 2016	Exchange rate 31 December 2015
EUR	4.5411	4.5245
USD	4.3033	4.1477

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Basis of preparation (continuation)

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.

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.

The company management estimates at the end of each reporting period lieu value by company employees.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Basis of preparation (continuation)
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.

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	-	87,195	5,863,373
	Italy	-	23,720	1,600,355
total			110,915	7,463,728
- internal			124,680	9,150,892
TOTAL			235,595	16,614,620

EXTERNAL market of products **France**		Quantity	Value	Percent (%)
Garments	Coats	41,887	3,617,652	48.47
	Trousers	36,553	1,117,627	14.97
	Suits	5,863	824,223	11.04
	Overcoat	1,890	254,471	3.41
	Vests	896	45,260	0.61
	Skirts	106	4,140	0.06
TOTAL		87,195	5,863,373	78.56
EXTERNAL market of products **Italy**		Quantity	Value	Percent (%)
	Trousers	5,000	123,552	1.66
	Suits	14,400	1,295,286	17.35
	Vests	4,320	181,518	2.43
TOTAL		23,720	1,600,356	21.44

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Basis of preparation (continuation)

INTERNAL market of products		Quantity	Value	Percent of the total (%)
Garments	Trousers	51,146	1,584,630	17.32
	Coats	49,458	4,997,180	54.61
	Suits	14,744	1,693,547	18.50
	Skirts	272	12,691	0.14
	Jackets	2,166	121,760	1.33
	Jackets	452	49,744	0.54
	Overcoats	5,579	660,522	7.22
	Vests	863	30,818	0.34
TOTAL		124,680	9,150,892	100.00

By the described statement, it is ascertained that the French market holds the highest rate of the total volume of exports, of 7,463,728 (2015: 9,018,693) amounting 5,863,373, (2015: 6,587,309) at a rate of 78.56%, (2015: 73.04%). The coats and trousers represent approximate 68%, (2014: 78%) of the total volume of products.

The internal markets represents 55%, (2015: 48%) of the total sales of 16,614,620, (2015:17,286,872), and the trousers hold the highest rate on the internal market, at the rate of 41.02%, (2015: 32.90%) of the total of delivered products.

In the 2016 year, from the total of sales, of 16,890,499, (2015:17,501,452), the amount of 16,614,620 (2015: 17,286,872) represents the direct sales of products. From the total of direct sales of products on the internal market, amounting 9,150,892, (2015: 8,259,034), the amount of 5,275,116, (2015: 4,199,509), represents the sale to the main client on the internal market at the rate of 58%, (2015: 51%), and the following client on the internal market registered a rate of 11%, (2015: 29%), sales amounting 1,008,532, (2015: 2,399,427).

With respect to the direct sales of products on the external market, amounting 7,463,728, (2015: 9,018,693), the amount of 5,342,264, (2015:6,309,852) represents the sales to the main external client, at the rate of 72%, (2015: 70%), and the following client on the external market registered a rate of 21%,(2015: 24%) sales amounting 1,600,355, (2015:2,172,841).

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Basis of preparation (continuation)

The Company has a reporting segment - Manufacture of other clothing items (excluding the undergarments)

	2016	2015
Sales	16,890,499	17,501,452
Other incomes	(739,360)	967,008
Total operating incomes	**16,151,139**	**18,468,460**
Amortization	326,831	297,638
Operational expense, other than the amortization	15,501,569	17,009,109
Operational result	**322,739**	**1,161,713**
Net financial income (expense)	(38,988)	38,972
Net profit before taxation	**283,751**	**1,200,685**
Expense for the current and deferred profit interest (non-assigned)	88,206	192,241
Net profit	**195,545**	**1,008,444**
Assets	12,510,578	12,027,455
Debts	1,770,821	1,444692

The non-assigned assets include	**239**	**8,196**
Cash and cash equivalents	239	8,196
The non-assigned debts include	**287,858**	**54,253**
Deferred profit interest	287,858	54,253

h. The initial application of new and revised standards

The following amendments brought to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are enforceable for the current period:

- **IFRS 14 „Regulation for the differed accounts"-** clarifies the reporting requirements for financial regulators to postpone balances that occur when an entity supplies goods or services to customers at a price or rate that is supusăreglementării rate (in force for annual periods starting with or after the 1st of January 2016);
- **Amendments to IFRS 10 „Consolidated financial statements" and IAS 28 „ Investments in associates and Joint Operations" -** clarifies the treatment of the sale or contribution of assets between the investor and the associate / joint venture (effective for annual periods starting with or after January 1st, 2016);
- **Amendments to IFRS 10 „ Consolidated financial statements", IFRS 12 „Information to present regarding the interest in other entities" and IAS 28 „ Investments in associates and Joint Operations" –** Investment entities: The application of the exception from consolidation (effective for annual periods starting with or after January 1st, 2016);
- **Amendments to IFRS 11 „Joint ventures**"- improving the method of accounting for interests in jointly controlled entities (effective for annual periods starting with or after January 1st, 2016);
- **Amendments to IAS 1 „Financial statements presentation"** – improvement of the presentation method (effective for annual periods starting with or after January 1st, 2016);
- **Amendments to IAS 16 „Tangible fixed assets" and IAS 38 „Intangible fixed assets"–** clarification of the acceptable methods of depreciation and amortization (effective for annual periods starting with or after January 1st, 2016);

NOTES TO THE INTERIM FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Conclusion bases (continuation)

- **Amendments to IAS 16 „Tangible fixed assets" and IAS 41 „Agriculture"– Agriculture-fruit plants** (effective for annual periods starting with or after January 1st, 2016);
- **Amendments to IAS 27 „Individual financial statements"- the equity method** (effective for annual periods starting with or after January 1st, 2016);
- **Amendments to various standards „ Improvements brought to IFRS (cycle 2012 - 2014)"**, as a result of the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34), primarily in order to eliminate inconsistencies and to clarify the wording (effective for annual periods starting with or after February 1st, 2016);

i. Standards and interpretations issued by the IASB but not adopted by the EU

Currently, the IFRS adopted by the EU do not shoe significant differences compared to the regulations adopted by the International Accountancy Standards Board (IASB) except the following standards, amendments brought to the existing standards and interpretations, that have not been approved by the EU on the date of the financial statements publishing (the entry into force dates mentioned below are entirely for the IFRS)

- **IFRS 9 "Financial Instruments"** and subsequent additions (effective for annual periods beginning on or after 1 January 2018); IFRS 9 replaces IAS 39 „Financial Instruments: Recognition and Measurement", made significant changes to classification and measurement, impairment and hedge accounting.
- **IFRS 15 „Revenue from contracts with customers"** (it was adopted in 2014 and becomes effective for annual periods beginning on or after 1 January 2018), IFRS 15 must identify the contract with a client, identify all individual obligations performance under the contract, to determine the transaction price, allocate price performance obligations, to recognize revenue performance obligations are satisfied
- **IFRS 16 „Leases" (**adopted by the IASB on 13 January 2016 effective for annual periods beginning on or after January 1, 2019);
- **Amendments to IAS 7 „Statement of Cash Flows" -** exposure draft (adopted by the IASB on 29 January 2016, effective for annual periods beginning on or after 1 January 2017.
- **Amendments to IAS 12 „Income tax"-** Recovery of deferred tax assets for unrealized losses (adopted by the IASB on 19 January 2016, effective for annual periods beginning on or after January 1, 2017);
- **Amendments to IFRS 2 „Share-based Payment"**(adopted by the IASB on 20 June 2016, effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 4, „Insurance Contracts", IFRS 9, „Financial Instruments"** (adopted by the IASB on 12 September 2016, effective for annual periods beginning on or after 1 January 2018);
- **Amendments to various standards „Improvements to IFRS (cycle 2014-2016)"**, amending the following standards: **IFRS 1, „First-time Adoption of International Financial Reporting Standards", IFRS 12 „Briefings on other interests entities" and IAS 28 „Investments in associates and operations ventures"** (adopted by the IASB on December 8, 2016, effective for annual periods beginning on or after 1 January 2017/2018);
- **Interpretation IFRIC 22 „Transactions in foreign currency and consideration in advance"** (adopted by the IASB on December 8, 2016, effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IAS 40 „Transfers estate investment"** (adopted by the IASB on December 8, 2016, effective for annual periods beginning on or after 1 January 2018);

NOTES TO THE INTERIM FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Conclusion bases (continuation)

The company estimates that the adoption of these standards, the amendments to the existing standards and the interpretations won't have a significant impact on the financial statements in the initial period of the adoption.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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

After recognition as an asset, a tangible assets item, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses. After recognition as an asset, 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 accumulated amortization and any accumulated impairment loss for property, class „construction group” and „real estate investments” and carried at cost less depreciation and accumulated impairment adjustments for other groups of assets.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

The lands and buildings are separable assets and are distinctly accounted, even when they are acquired together. The land is not amortized. The plot presented in the financial statements has been revised on 31.12.2013, according to International Valuation Standards, by Mr. Laţcu Nicolae expert appraiser, qualified professional ANEVAR member. In 2016 the land was not revalued.

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”.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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 penalties.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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;

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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 the Fiscal Code, as further amended and completed.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)
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.

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, paid annual leave. The short term benefits are recognized as expense when the services are provided.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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).

i. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when to settle the obligation is likely to be required outflow affecting economic benefits will be required to settle the obligation and can be achieved when a good reliable estimate of the amount of the obligation.

Provisions for restructuring, litigation and other provisions for risks and charges are recognized when the Company has a present legal or constructive obligation arising from past events, when to settle the obligation is likely to be required outflow of resources and may be cee made a reliable estimate of the amount of the obligation needles. Restructuring provisions include direct costs arising from restructuring namely those that are necessarily entailed by the restructuring and are not related to the conduct of the company's business continues.

The company set up provisions for employee benefits in the short term holidays of outstanding. Determination of the amount of the allowance is based on estimates established payment obligation (given the manner of payment of leave).

j. 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.

k. 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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 19.

l. 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.

m. 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, 31 December 2013 and 31December 2016. On December 31, 2016 were revalued tangible, „Construction Group 212" and 215 „real estate investments". Revaluation effects were accounted for using the remaining unamortised value revaluation process which involves the cancellation of accumulated depreciation to bring the construction to the net book value and added value recording. Revalued amount is the fair value at the date of the revaluation less any subsequent accumulated amortization.(Note 12.14)

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 4. Establishment of just amount (continuation)

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.

NOTE 5. Incomes

	31 December 2016	31 December 2015
Asset sales	16,653,816	17,312,977
Service provisions	226,809	179,881
Incomes by rental of real estate investments	9,874	8,594
Total	**16,890,499**	**17,501,452**

The turnover of Company, related to 2016 year is 16,890,499 whereof 9,255,250 export and 7,635,249 internal, compared to 2015 when we registered 17,501,452, whereof 9,127,805 export and 8,373,647 internal. The turnover was mainly issued in the structure by the sale of its own production at the rate of 98 %.

The amount of export sales in 2016 year represents 45%, (2015: 52%), and the amount of internal sales represents 55%, (2015: 48%) of the turnover.

NOTE 6. Operating incomes

	31 December 2016	31 December 2015
Incomes	16,890,499	17,501,452
Inventory variation	(821,569)	898,690
Other incomes	82,209	68,318
Total	**16,151,139**	**18,468,460**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 7. Operating expenses

	31 December 2016	31 December 2015
Expense with raw materials and consumables	876,259	1,406,554
Expense with energy and water	1,071,584	1,288,899
Expense with merchandise	227,213	166,747
Total cost of materials	**2,175,056**	**2,862,200**
Expenses for salaries, social contributions and other benefits	**12,544,148**	**12,204,794**
Other operating expense, whereof:	**525,280**	**1,942,115**
Expense with the external provisions:	422,887	1,846,909
- Postal and telecommunication expense charges	*37,864*	*39,522*
- Expense with maintenance and repairs	*33,330*	*42,785*
- Expense with advertisement and protocol	*27,107*	*54,785*
- Expense with securities	*18,927*	*19,370*
- Expense with transport and travels	*26,329*	*53,795*
- Expenses for the banking and similar	*6,829*	*10,833*
- Other expenses with services provided by third parties	*272,501*	*1,625,819*
Expenses with other interests, fees and similar payments	77,651	81,527
Expenses with environment protection	505	545
Other expenses	24,237	13,134
Expenses for the provisions	**257,085**	**-**
Expenses for the amortization	**326,831**	**297,638**
Total	**15,828,400**	**17,306,747**

Amounting to 272,501 (2015: 1,625,819),, *Other expenses with services provided by third parties* "are included expenditure on internal audit and statutory audit in the amount of 28,420 (2015: 28,324).

NOTE 8. Expenses with salaries, social securities and other benefits

- Expenses with salaries and social securities

	31 December 2016	31 December 2015
Expenses with salaries	9,211,983	8,878,433
Expenses with mandatory social securities	2,393,870	2,182,449
Expenses with granted meal tickets	938,295	1,143,912
Total	**12,544,148**	**12,204,794**

The issued gross salary fund (the salary fund, respectively, without medical rests borne by the employer), during the 2016 year was 9,211,983 compared to 2015 year, when we registered 8,878,433.
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 health social securities;
- contribution for the establishment of the risk and labor accident fund
- medical rest supported by the employer and other expenses with the labor force, considered as social expense, entirely amounting 2,393,870, (2015: 2,182,449), as well as the expenses with the granted meal tickets, amounting 938,295, (2015: 1,143,912), it results a total expense with the staff, amounting 12,544,148, (2015 : 12,204,794).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 8. Expenses with salaries, social securities and other benefits (continuation)

- Expenses with other benefits for the employees

	Short term	
	31 December 2016	**31 December 2015**
Benefits for the employees	**992,064**	**1,160,671**
Meal tickets	938,295	1,022,452
Social allowance, gift vouchers	53,769	138,219

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;
- 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 9. Average number of employees

a) Employees

The medium number of employees progressed as follows:

	31 December 2016	31 December 2015
Management personnel	11	11
Administrative personnel	56	56
Production personnel	397	418
Total	**464**	**485**

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

	31 December 2016	31 December 2015
	%	%
Higher education personnel	4.31	4.17
Secondary education personnel	3.79	6.27
Technical education personnel	4.41	9.50
Handicraft and qualification education personnel	66.16	42.78
Un-qualified personnel	21.33	37.28
Medium number of employees	**464**	**485**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 10. Financial incomes and expenses

	31 December 2016	31 December 2015
Incomes by interests related to bank deposits	9,070	69,564
Incomes by exchange rate differences	33,928	57,048
Total financial incomes	**42,998**	**126,612**
Other expenses (unfavorable rate differences)	81,986	87,640
Total financial expense	**81,986**	**87,640**
Net financial result	**(38,988)**	**38,972**

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

NOTE 11. Expense with income tax

	31 December 2016	31 December 2015
Expense with income tax current	**84,602**	**188,274**
Current period	84,602	188,274
Expense with deferred income tax	**3,604**	**3,967**
• The deferred profit tax, corresponding to the surplus issued by the amortized revaluation reserve as far as th use of asset transferred into the carried forward result	3,480	3,843
• The deferred profit tax corresponding to the revaluation reserve remained unconsumed on the date of re-considering the transfer into the carried forward result	124	124
Total expense with income tax	**8,206**	**192,241**

Profit reconciliation before the taxation

	31 December 2016	31 December 2015
Accounting profit	283,751	1,200,685
Items similar to incomes by other re-treatments	22,528	24,792
Discounts	326,831	297,638
Non-deductible expenses	646,840	349,294
Taxable income	626,288	1,277,133
Income tax	100,206	204,341
Lowering of income tax (sponsorship)	12,000	12,100
Income tax paid up due at the end of the period	88,206	192,241
- current	84,602	188,274
- deferred	3,604	3,967
Income tax paid up during the year	160,264	149,439
- current	157,485	146,446
- deferred	2,779	2,993
Income tax	(72,058)	42,802
- current recoverabile	(72,883)	41,828
- deferred payment	825	974

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 12. Tangible assets

Tangible assets 212 „construction group" were revalued at 31 December 2006, 31 December 2009, 31 December 2012, by independent evaluators, according to regulations in force at the time.

Evaluations were based on fair value, being the nearest transaction and the inflation rate from that date, taking into account their physical condition and market value.

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 depreciation.

The review was conducted according to International Valuation Standards, by Ms. Laţcu Nicolae, expert qualified professional appraiser authorized member of ANEVAR. The fair value was settled on each asset in gross revaluated values, and as their related depreciation.

On December 31, 2016 were revalued tangible, „Construction Group 212" and 215 „real estate investments". Revaluation effects were accounted for using the remaining unamortised value revaluation process which involves the cancellation of accumulated depreciation to bring the construction to the net book value and added value recording. Revalued amount is the fair value at the date of the revaluation less any subsequent accumulated amortization. Valuation method applied under 'construction' is the replacement net cost method. The review was conducted according to International Valuation Standards 2016 by Mr. Dan Rusu Zaharia, expert qualified, professional appraiser authorized member ANEVAR.

It was determined the fair value of each asset. The revaluation surplus was recognized as revaluation reserve in equity. At 31 December 2016, based on internal analyzes, the Company's management estimates that the net carrying amount approximates fair value of the land.

Based on IFRS 13 - Fair value measurement, below are presented levels of assessment and evaluation approach.

Group	evaluation approach	Level evaluation	Entry data
Land	The fair value of land is determined by applying the market comparison. Assessment is carried out based on observable market inputs.	level 2	Price per square meter
Construction	The cost approach. Final fair value is determined by applying depreciated replacement cost. Assessment is carried out based on observable market inputs.	level 3	Estimated cost of building and estimation of accrued depreciation (physical,functional and external).
Investment property	The cost approach. Final fair value is determined by applying direct market comparison. Assessment is carried out based on observable market inputs.	level 3	Estimated cost of building and estimation of accrued depreciation (physical,functional and external).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 12. Tangible assets (continuation)

	Land	Buildings	Technical equipment and transport facilities	Other tangible assets	Total
Cost					
Balance as at 1 January 2016	**842,140**	**4,547,981**	**8,704,545**	**203,975**	**14,298,641**
Procurements	-	-	173,265	-	173,265
Revaluation gains	-	1,396,279	-	-	1,396,279
Cumulative amortization cancellation	-	(2,422,488)	-	-	(2,422,488)
Outflows of fixed assets	-	-	-	-	-
Balance as at 31 December 2016	**842,140**	**3,.521,772**	**8,877,810**	**203,975**	**13,445,697**
Amortization					
Balance as at 1 January 2016	**-**	**2,297,776**	**7,576,578**	**164,769**	**10,039,123**
Amortization during the year	-	124,712	174,073	6,430	305,215
Cumulative amortization cancellation	-	(2,422,488)	-	-	(2,422,488)
Outflows of tangible assets	-	-	-	-	-
Balance as at 31 December 2016	**-**	**-**	**7,750,651**	**171,199**	**7,921,850**
Balance as at 1 January 2016	**842,140**	**2,250,205**	**1,127,967**	**39,206**	**4,259,518**
Balance as at 31 December 2016	**842,140**	**3,521,772**	**1,127,159**	**32,776**	**5,523,847**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 12. Tangible assets (continuation)

	Land	Buildings	Technical equipment and transport facilities	Other tangible assets	Total
Cost					
Balance as at 1 January 2015	**842,140**	**4,546,222**	**8,037,366**	**206,937**	**13,632,665**
Procurements		3,443	677,464	-	680,907
Outflows of fixed assets		1,684	10,285	2,962	14,931
Balance as at 31 December 2015	**842,140**	**4,547,981**	**8,704,545**	**203,975**	**14,298,641**
Amortization					
Balance as at 1 January 2015	**-**	**2,172,080**	**7,443,969**	**161,302**	**9,777,351**
Amortization during the year	-	127,024	142,894	6,429	276,347
Depreciation its output	-	1,328	10,285	2,962	14,575
Balance as at 31 December 2015	**-**	**2,297,776**	**7,576,578**	**164,769**	**10,039,123**
Balance as at 1 January 2015	**842,140**	**2,374,142**	**593,397**	**45,635**	**3,855,314**
Balance as at 31 December 2015	**842,140**	**2,250,205**	**1,127,967**	**39,206**	**4,259,518**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 13. Intangible assets

	Concessions of patents, licenses and trade marks	Other intangibles	Total
Cost			
Balance as at 1 January 2016	**30,597**	**146,197**	**176,794**
Procurements	-	6,700	6,700
Advance payments	-	8,878	8,878
Outflows of intangible assets	-	-	-
Balance as at 31 December 2016	**30,597**	**161,775**	**192,372**
Amortization			
Balance as at 1 January 2016	**26,506**	**107,074**	**133,580**
Amortization during the year	2,094	18,616	20,710
Outflows of fixed assets	-	-	-
Balance as at 31 December 2016	**28,600**	**125,690**	**154,290**
Balance as at 1 January 2016	**4,091**	**39,123**	**43,214**
Balance as at 31 December 2016	**1,997**	**36,085**	**38,082**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 13. Intangible assets

	Concessions of patents, licenses and trade marks	Other intangibles	Total
Cost			
Balance as at 1 January 2015	**27,960**	**97,466**	**125,426**
Procurements	2,637	48,731	51,368
Outflows of intangible assets	-	-	-
Balance as at 31 December 2015	**30,597**	**146,197**	**176,794**
Amortization			
Balance as at 1 January 2015	**24,461**	**88,717**	**113,178**
Amortization during the year	2,045	18,357	20,402
Depreciation its output	-	-	-
Balance as at 31 December 2015	**26,506**	**107,074**	**133,580**
Balance as at 1 January 2015	**3,499**	**8,749**	**12,248**
Balance as at 31 December 2015	**4,091**	**39,123**	**43,214**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 13. Intangible assets (continuation)

The intangible assets on 31 December 2016, at the net value of 38,082 (01 January 2016:43,214), represent the non-amortized part of licenses and informatics programs used.
The amortization term of intangible assets is 3 years.

NOTE 14. Real estate investments

Cost	
Balance as at 1 January 2016	**51,664**
Procurements, value adjustments	1,933
Revaluation gains	85,502
Cumulative amortization cancellation	(16,489)
Balance as at 31 December 2016	**122,610**
Amortization	
Balance as at 1 January 2016	**15,584**
Amortization during the period	905
Cumulative amortization cancellation	(16,489)
Balance as at 31 December 2016	**-**
Balance as at 1 January 2016	**36,080**
Balance as at 31 December 2016	**122,610**
Cost	
Balance as at 1 January 2015	**51,664**
Procurements, value adjustments	-
Balance as at 31 December 2015	**51,664**
Amortization	
Balance as at 1 January 2015	**14,695**
Amortization during the period	889
Balance as at 31 December 2015	**15,584**
Balance as at 1 January 2015	**36,969**
Balance as at 31 December 2015	**36,080**

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.

On 31.12.2013 was conducted evaluating real estate investments at fair value determined based on an evaluation conducted in accordance with International Valuation Standards by Ms. Laţcu Nicolae, expert qualified professional appraiser authorized ANEVAR member. The revaluation aimed the adjustment of the accounting net value to the fair value, taking into account the physical state and the market value.

On December 31, 2016 were revalued tangible, Group 215 „real estate investments”. Revaluation effects were accounted for using the remaining unamortised value revaluation process which involves the cancellation of accumulated depreciation to bring the construction to the net book value and added value recording. Revalued amount is the fair value at the date of the revaluation less any subsequent accumulated amortization.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 14. Real estate investments (continuation)

Valuation method applied under 'construction' is the replacement net cost method.

The review was conducted according to International Valuation Standards 2016 by Mr. Dan Rusu Zaharia, expert qualified, professional appraiser authorized member ANEVAR. The revaluation surplus was recognized as revaluation reserve in equity.

The amount of rental income on december 31,2016 was of 9,874. In the third quarter the company made investment property costs amounting to 1,933 representing the value of PVC joinery –geamuri.

NOTE 15. Inventories

	31 December 2016	31 December 2015
Raw materials and consumables	437,229	487,105
Work in progress	306,694	417,504
Finished goods	827,244	1,765,827
Total	**1,571,167**	**2,670,436**

The inventories registered a lower stock turnover in the 2016 year (11.80 rotations/year), compared to 2015 year (10.29 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 2016 year with respect to the permanent operations was 1,103,472 (2015: 1,573,301). The company did not register discounts of the accounting value of stocks recognized as expense during the year.

NOTE 16. Trade receivables and similar receivables, other receivables and advance expense

	31 December 2016	31 December 2015
Trade receivables	2,351,503	1,885,880
Payable or suppliers	4,250	1,722
Different payables	5,678	40
Income tax recoverabile	72,883	-
Non-exigible VAT	18,313	20,187
Other receivables	117	837
Total	**2,452,744**	**1,908,666**
Advance expenses	11,576	10,243

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 31.12.2016 of the main receivables is made of:

- Internal clients, amounting 1,258,613, whereof the most important are as follows: S.C.Formens S.R.L. Botosani, S.C. Again TextileTeam S.R.L. Braşov.
- External and intra-community clients, amounting 1,092,890, whereof we mention: HMD S.A.R.L. France, United European Company Liban.

The recovery period of receivables decreased in 2016 to 43.44 days compared to 2015 year, when it was 50.24 days. Trade receivables at 31 December 2016 the deadline unearned amounting to 892,287 are outstanding between 0 and 60 days.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 16. Trade receivables and similar receivables, other receivables and advance expense (continuation)

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:

	31 December 2016	31 December 2015
Foreign currency		
EUR lei equivalent	1,092,890	969,384
LEI	1,258,613	916,496
Total	**2,351,503**	**1,885,880**

The advance expenses amounting 11,576 on 31 December 2016, (10,243 la 1 January 2016) mainly represent insurance premiums for civil liability insurances for administrators, insurance for the transport facilities and different subscriptions.

NOTE 17. Cash and cash equivalents

On the date of 31.12. 2016 cash and cash equivalents amounting 2,790,552 lei decreased by 9.96% compared to the cash and cash equivalents registered on 31.12.2015 amounting 3,099,298 lei and it is made of:

	31 December 2016	31 December 2015
Cash in the cash office	2,802	1,772
Bank current accounts and short term deposits	2,787,511	3,089,330
Cash equivalents	239	8,196
Total	**2,790,552**	**3,099,298**

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.

	Initial balance 31.12.2015	Cashments	Payments	Final balance 31.12.2016
cash in the cash office	1,772	472,131	471,101	2,802
amounts receivable	-	191,122	191,122	-
current accounts at the banks	3,089,330	222,540,366	222,842,185	2,787,511
Cash equivalents	8,196	1,143,682	1,142,639	239
Total	**3,099,298**	**224,338,301**	**224,647,047**	**2,790,552**

NOTE 18. 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 18. Share capital and reserves (continuation)

The Company recognizes changes in the share capital under the conditions provided by applicable law and only after their approval by the General Shareholders Meeting and registration in the Trade Register. Additional costs directly attributable to the issuance of shares are recognized as a deduction from equity, net of tax effects.

a. Share capital

The share capital of company on the date of 31 December 2016 is 2,284,360.06 lei, fully subscribed and paid up, divided in 239,702 nominal shares, amounting 9.53. 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 standard category of shares of the Stock of Exchange of Bucharest. In the 2016 year, the share capital of the company was not changed, in respect of its adjustment or decrease.

The structure of the company shareholding is:

31 December 2016	**Number of shareholders**	**Number of shares**	**Amount (lei)**	**%**
Popa Manole	1	61,184	583,084	25.5250
Pujină Nelu	1	48,830	465,350	20.3711
Negreanu Valeria	1	23,976	228,491	10.0024
Other shareholders, whereof:	782	105,712	1,007,435	44.1014
- legal entities		9,222	87,885	3.8473
- natural entities		96,490	919,550	40.2541
TOTAL	**785**	**239,702**	**2,284,360**	**100,00**

31 December 2015	**Number of shareholders**	**Number of shares**	**Amount (lei)**	**%**
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:	794	105,853	1,008,779	44.1603
- legal entities		9,315	88,772	3.8861
- natural entities		96,538	920,007	40.2742
TOTAL	**797**	**239,702**	**2,284,360**	**100,00**

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

Shareholder	Number of shares	Percent (%)
Popa Manole	61,184	25.5250
Pujină Nelu	48,830	20.3711
Negreanu Valeria	23,976	10.0024

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 18. Share capital and reserves (continuation)

b. Tangible asset revaluation reserves

The tangible asset revaluation reserves on 31 December 2016 increased by 1,460,030, compared to 31 December 2015 as follows:
1,481,781 representing growth to net tangible assets resulting from the revaluation of the group 212, Building "and 215,, investment property" and 21,751, representing the surplus from the revaluation reserve realized the extent of using the asset was transferred to 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 2016, 31 December 2015, respectively, amount 456,661as consequence to the establishment of legal reserve (5% of the accounting profit, established according the Tax Code and Law 31/1990 as further amended and completed).
The legal reserves cannot be distributed to the shareholders.

Other reserves

The company registers on 1 st of January, 2016, respectively on december 31, 2016 **,,other reserves"** account 1068 amounting 4,080,948, including reserves representing tax incentives established in the years 2000-2003.

	31 December 2016	31 December 2015
Tangible asset revaluation reserves	2,470,543	1,010,513
Legal reserves	456,661	456,661
Other reserves	4,080,948	4,080,948
Total	**7,008,152**	**5,548,122**

d. Result of the financial year

	31 December 2016	31 December 2015
Operating income	322,739	1,161,713
Financial profit (loss)	(38,988)	38,972
Gross profit	**283,751**	**1,200,685**
Expense with the current income tax	84,602	188,274
Expense with the deferred income tax	3,604	3,967
Net profit	**195,545**	**1,008,444**

NOTE 19. Result per share

During the 2016 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 2016, amounting 195,545 (2015:1,008,444) to the number of circulatory ordinary shares of 239,702 shares (2015:239,702 shares)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 19. Result per share (continuation)

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 2016 year.

Issued shares	239,702
Circulatory shares on 01 January 2016	239,702
Circulatory shares on 31 December 2016	239,702

Weighted average 239.702 x12/12 = 239,702

Profit assignable to shareholders

	31 December 2016	31 December 2015
Profit of the period	**195,545**	**1,008,444**
Number of ordinary shares	239,702	239,702
Basic profit per share	0.81	4.207
Diluted profit per share	0.81	4.207

The Board of Directors proposes and presents to approval to the General Assembly of Shareholders, that the net result of financial year 2016, amounting 195,545 is distributed as dividend to the shareholders. The gross dividend per share is 0.81lei.

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 06.02.2017.

In 2016, the Company distributed dividends amounting 1,008,444 related to 2015, respectively 4.207 lei gross per share.

NOTE 20. Trade payables and other payables

	31 December 2016	31 December 2015
Customer advances collected creditors	242,396	-
Trade payables – suppliers	253,138	255,484
Payables with income tax deferred	825	42,802
Payables with personnel and similar accounts	364,208	359,419
Debts to social security and the state budget, other taxes and fees	493,343	433,869
Amounts due to the shareholders	128,554	270,308
Other liabilities	499	28,557
Provisions for employee benefits	257,085	-
Deferred Revenues	-	555,324
Total current payables	**1,740,048**	**1,945,763**
Payables with deferred tax	287,858	54,253
Total long term payables	**287,858**	**54,253**
Total payables	**2,027,906**	**2,000,016**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 20. Trade payables and other payables (continuation)

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 31.12.2016 the amount of 253,138, decreasing by 0.91% than the date of 31.12.2015 when it registered 255,484. The amount represents the equivalent value of the different issued provisions or assets received from the suppliers. On the date of 31.12.2016 their composition was mainly as follows :

- Procurement suppliers, service provisions, amounting 154,271
- Suppliers representing procurements outside EU amounting 3,511
- Suppliers of un-arrived invoices 95,356

The Company does not record arrears. Debts to suppliers are paid according to the contract or invoice maturity and are not older than 30 days.

The payables with personnel, with the budget of social securities and the state budget represent current liabilities related to December 2016, with the exigibility term in the 2017 year. These were fully paid up on the deadlines.

Discounts with the shareholders/associates – current accounts amounting 128,554, reflect the un-collected dividends, with the following composition:

Year	Value	No. of persons
2011	11,783	49
2012	20,682	71
2013	29,421	89
2014	41,529	122
2015	25,139	
TOTAL	**128,554**	

<table>
<tr><th rowspan="4">Period</th><th colspan="8">Net dividends</th></tr>
<tr><th rowspan="3">Due</th><th rowspan="3">Per share</th><th colspan="4">Paid up</th><th colspan="2">Not collected on 31.12.2016</th></tr>
<tr><th colspan="3">lei</th><th rowspan="2">% (total paid up)</th><th rowspan="2">lei</th><th rowspan="2">%</th></tr>
<tr><th>Year 2015</th><th>Year 2016</th><th>Total</th></tr>
<tr><td>0</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td></tr>
<tr><td>2014</td><td>1,419,465</td><td>5.92</td><td>1,311,193</td><td>66,743</td><td>1,377,936</td><td>97.07%</td><td>41,529</td><td>2.93</td></tr>
<tr><td>2015</td><td>958,022</td><td>3.99</td><td>-</td><td>932,883</td><td>932,883</td><td>97.38%</td><td>25,139</td><td>2.62</td></tr>
</table>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 21. Provisions

Provisions in the balance sheet at 31.12.2016 amounted to 257,085 are held for short-term employee benefits for annual leave, not taken in the year 2016, that the company would pay its employees along with conducted.

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.

Since the elements of trade receivables and payables are part of the financial instruments, the Company's management reveals that understand and know the information requirements of IFRS 7 regarding the nature and extent of risks arising from 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.. 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., 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.

The Company's objectives in managing capital are to ensure the protection and the ability to reward shareholders, to maintain an optimal capital structure to reduce capital costs. The Company monitors the volume of capital raised on indebtedness. This rate is the ratio between net debt and total equity. Net debt is calculated as total debt net of cash. Total capital is calculated as equity plus net debt.

	December 31, 2016	**December 31, 2015**
Total liabilities	2,027,906	2,000,016
Cash and cash equivalents	2,790,552	3,099,298
Total equity	10,482,672	10,027,439
Net debt indicator	- 0.07	- 0.11

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 22. Risk management (continuation)

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.

Which expose the Company to currency risk is EUR. The resulting differences are included in the Statement of comprehensive income and does not affect cash flow until the liquidation of the debt. The company has at December 31, 2015 cash and cash equivalents, trade receivables and trade payables in foreign currencies.

The exchange rates of the national currency against the EUR and USD, calculated as the average rate recorded during the reporting year and the previous year and the exchange rates communicated by the National Bank of Romania on the last day of the year were:

Currency	**Medium course**		**Spot rate at the reporting date**	
	2016	**2015**	**2016**	**2015**
EUR	4.4908	4.4450	4.5411	4.5245
USD	4.0592	4.0057	4.3033	4.1477

Sensitivity analysis

2016

	EUR 1 EUR = 4.5411	**RON 1 RON**	**TOTAL**
Cash and cash equivalents	4	2,790,548	2,790,552
Trade receivables and other receivables	1,092,890	1,359.854	2,452,744
Total	**1,092,894**	**4,150,402**	**5,243,296**
Trade payables and other payables	(9,997)	(1,472,966)	(1,482,963)
Total	**(9,997)**	**(1,472,966)**	**(1,482,963)**

2015

	EUR 1 EUR = 4.5245	**RON 1 RON**	**TOTAL**
Cash and cash equivalents	611	3,098,687	3,099,298
Trade receivables and other receivables	969,384	939,282	1,908,666
Total	**969,995**	**4,037,969**	**5,007,964**
Trade payables and other payables	(70,586)	(1,319,853)	(1.390.439)
Total	**(70,586)**	**(1,319,853)**	**(1.390.439)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 22. Risk management (continuation)

Sensitivity analysis of currency risk

The Company is exposed mainly to EUR. The table below details the Company's sensitivity to an increase / decrease of 5% in RON against those currencies. 5% is the sensitivity rate used by management reports on currency risk. The sensitivity analysis only includes outstanding monetary items denominated in foreign currency conversion into RON shows the change at the end of the reporting period due to a change in the exchange rate by 5% compared to the exchange rate prevailing at the time. A positive number indicates an increase in earnings and equity occurs where the functional currency to currency.

2016

	EUR 1 EUR = 4.5411	**RON 1 RON**	**TOTAL**
Position Net Asset / (Debt)	1,082,897	2,677,436	3,760,333
Profit / (Loss)	**54,145**	**-**	**54,145**

2015

	EUR 1 EUR = 4.5245	**RON 1 RON**	**TOTAL**
Position Net Asset / (Debt)	899,409	2,718,116	3,617,525
Profit / (Loss)	**44,970**	**-**	**44,970**

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., the liquidity risk is reduced, and during 2016 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 22. Risk management (continuation)

d) Price reducing risk

S.C. CONTED S.A. Dorohoi is exposed to a risk of reducing the prices due to cheaper labor in other countries, changes in the economic, social and political.

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. 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. 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.

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 variating 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).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 22. Risk management (continuation)

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. 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.

NOTE 23. Related parties

The Company has no share capital in other companies.

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 2016 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. The remuneration of the Management Board members are approved by the General Assembley of the Shareholders.

Granted waging rights	**Nr. persoane**	**2016**	**2015**
General Manager	1	184,617	150,719
Management Board Members	3	603,180	552,726

NOTE 24. Further events to 31 December 2016

The Management Board proposes and recommends the General Assembly of Shareholders, the distribution of net profit of the financial period 2016, amounting 195,545 as dividend to the shareholders and diminishing approval of the Management Board remuneration in 2017 of their own initiative with the amount of 3,000 lei each, starting in March.

Also on board session of 02.06.2017 Council members approved the salary reduction Director General in 2017 to the sum of 1,500 lei since February.

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

The separate financial statements were approved by the Board of Directors at the meeting of 06.02.2017 and signed on behalf of it by:

Chairman ,	**Chief Economic Office,**
Eng. POPA MANOLE	Ec. Mihai Elena

AFFIDAVIT
according to the provisions of art. 30 from the Accounting Law no.82/1991

The undersigned POPA MANOLE, as Chairman of S.C. CONTED S.A. Board of Directors, headquartered in Dorohoi, str. 1 Decembrie, nr. 8, registered at the Trade Registry under no. J07/107/1991, VAT code RO 622445, I undertake entire responsibility for the drafting of the individual yearly financial statements at 31.12.2016 and I confirm the following:

a) The accounting policies used at the drafting of individual yearly financial statements at 31.12.2016 are in compliance with the International Financial Reporting Standards adopted by the European Union.

b) The individual financial statements at 31.12.2016 offer an accurate and precise image of the assets, liabilities, financial position, comprehensive income and of the other information related to the developed activity.

c) The Board of Directors report on the financial year 2016 contains an accurate analysis of the company's development and performances, as well as a description of the main risks and uncertainties specific to the developed activity.

d) S.C.CONTED S.A. develops its activity in a continuous manner.

Chairman of the Administration Board,
Eng. POPA MANOLE

STATUTORY AUDIT REPORT
PERFORMED BY THE INDEPENDENT AUDITOR
REGARDING THE YEARLY FINANCIAL STATEMENTS DRAFTED BY CONTED S.A. DOROHOI

To the attention of the administrators and shareholders of
CONTED S.A.
Dorohoi, Romania

We have audited the accompanying financial statements of the Trading Company CONTED SA, which include the Balance Sheet at ***31st of December 2016***, the profit and loss Account, the assets, liabilities and equity statement, the income and expenses statement and the cash flow statement afferent to the financial year closed at this date and a summary of the main accounting policies and other explanatory information. The financial statements refer to:

- ***Total equity*** ***10.482.672,00 lei***
- ***Net result of the financial year*** ***195.545,00 lei***
- ***Turnover*** ***16.890.499,00 lei***

2. Management's responsability for the financial statements

These financial statements are the responsability of the company management and are drafted according to the Accounting Law no. 82/1991 republished and the Order of the Public Finance Ministry no. 2844/2016 for the approval of the accounting Regulations in compliance with the Financial Reporting International Standards, with subsequent modifications and additions.

This responsability includes: conceiving, implementation and maintenance of an internal control relevant for the drafting and fair presentation of financial statements that do not contain significant distortions due to the fraud or errors; the drafting of the accounting estimates reasonable for the given circumstances.

3. Auditor's responsability

Our responsability is to express an opinion related to these financial statements based on the performed statutory audit. We have performed our audit in compliance with the International Audit Standards. These standards provide the compliance with the ethic requirements, audit planning and performance in order to obtain the reasonable insurance according to which, the yearly financial statements, as a whole, do not include significant distortions.
An audit implies carrying out the proceedings for the obtaining of the audit evidence related to amounts of money and other information published within the financial

statements. The selected proceedings depend on the auditor's reasoning, including on the risks evaluation of the financial statements significant distortion, caused by fraud or errors. In the respective risks evaluation, the auditor analyzes the internal control system relevant for the drafting and fair presentation of the company's financial situations in order to plan proper audit proceedings under the given circumstances, but not with the purpose of expressing an opinion regarding the efficacy of the company's intenal control system.

Within an audit procedure it is also evaluated the adequacy degree of used accounting policies and the measure in which the accounting estimates drafted by the management are resonable, as well as the overall presentation of the financial statements.

We consider that the audit evidence that we have obtained is sufficient and adequate in order to provide a base for our audit opinion.

4. Opinion

In our opinion, **the financial statements offer a fair and accurate image regarding the financial position of the Trading Company CONTED SA on 31st of December 2016, its financial performance and cash flows afferent to the financial year closed at this date** and are drafted according to the Financial Reporting International Standards adopted by the European Union applicable to the trading companies whose securities are allowed to be traded on a regulated market.

5. Other aspects

This report is exclusively addressed to the Trading Company CONTED SA shareholders, on the whole. Our audit was performed to report to the shareholders those aspects that have to be reported in a financial audit, and not in other purposes. To the extent permitted by law, we don't accept and don't take responsability unless towards CONTED SA and its shareholders, on the whole, for our audit, for this report or for the expressed opinion.

6. Report on the compliance of the administrators' report with the financial statements

The Board of Directors report is not part of the financial statements. However, according to the requirements of the Public Finance Ministry Order no. 2844/2016, annex 1, art. 16(1), letter c) we have read the Board of Directors report attached to the financial statements and we did not identify any inconsistencies between the information mentioned in the Board of Directors report and the one from the attached financial statements, drafted on 31st of December 2016.

Irina Luncă
Registered within the Auditors Chamber of Romania
With the Certificate no. 2337/28.11.2007

Stamp: Auditors Chamber of Romania,
Irina Luncă, no. 2337, illegible signiaure

On behalf of,
Financial Audit Agency AFIL S.R.L. BOTOŞANI,
Member of the Auditors Chamber of Romania
License no. 858/12.11.2008

Stamp: S.C. AFIL S.R.L. BOTOSANI
ROMANIA Financial Audit Agency,
6259/CECCAR, 858/CAFR, illegible signature

Dorohoi, Romania
Date: 17.02.2017