



S.C. CONTEDED S.A.

Confecții textile

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

Current report

According to the regulation A.S.F. no. 5/2018

Date of report: 28.02.2019

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

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

Number in the trade registry: J07/107/1991

Tax identification number: RO 622445

Share capital subscribed: 2,284,360.06 RON

Trade Market: B.V.B. standard category

Important events to report: **Preliminary financial results at 31st of December 2018**

The company presents the main indicators achieved in 2018 according to the International Standards of Financial Report. The currency for financial reporting is leu.

The situation preliminary of the financial position, the situation preliminary of the profit or the loss and other elements of the global result, components of the individual financial situations ended at 31st of December 2018 comprise information from the accounting records corresponding to the end of the financial year of reporting and the end of the financial year previous to the one of reporting.

From the analysis of the presented elements compared to the same period of time of the previous year 2017 are seen the following situations:

From the situation of the financial position it was seen a decrease of the **fixed assets** with 6.28% and **the current assets** with 27.73%. The balance of the debts in total assets was only 15.47%, minimum level in the last 2 years, and in this period of time, the own capitals oscillated between 85.53% and 84.53% from the total of assets.

The company's **turnover** afferent to 2018 is of 10,464,376 lei from which 5,737,139 lei export and 4,727,237 lei internal, compared to 2017 when we recorded 13,894,359 lei, from which 6,592,637 lei export and 7,301,722 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 2018 represents 54%, and the value of the internal sales represent 46% from the turnover. The recorded turnover of 2018 to the amount of 10,464,376 lei has decreased by a 24.69%, as against 2017.

The volume of total income achieved was to the amount of 10.670.076 lei, representing an decrease by 26.74% as against the total income obtained in 2017 to the amount of 14,564,831 lei.

The volume of total expenses to the amount of 12,483,184 lei has decreased by 18.31%, compared to 2017, when we recorded the amount of 15,281,314 lei. In the volume of total expenses, the staff expenses have the highest percentage of 81.28%. The staff expenses to the amount of 10,146,862 lei, have decreased by 16.16%, compared to 2017 when they recorded the amount of 12,103,070 lei, representing 96.96% from the turnover.

The exploitation income to the amount of 10,638,587 lei has decreased in 2018 by 26.66%, compared to 2017 when they recorded the amount of 14,505,795 lei as well as the **exploitation expenses**, to the amount of 12,445,307 lei have decreased by 18.31%, compared to 2017 when they recorded the amount of 15,235,095 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 10,146,862 lei, representing 81.53% from the total of the exploitation expenses.



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The exploitation activity was concluded with a loss to the amount of (1,806,720) lei, as against 2017 when we have recorded a loss to the amount of (729,300) lei.

The financial income to the amount of 31,489 lei comes from interests and exchange differences. **The financial expenses** to the amount of 37,877 lei come from other financial expenses (unfavorable exchange differences). The financial result is a loss to the amount of (6,388) lei as against the same period of 2017 when we recorded profit to the amount of 12,817 lei.

In the financial year 2018, the company records a loss of (1,813,108) lei compared to the previous year when we recorded a loss to the amount of (716,483) lei.

The loss recorded in the year 2018 is due to several unfavorable factors.

The most important aspect was the decrease in operating revenues by 26.66% compared to 2017.

This decrease was caused by the following factors:

- the diminishing of the number of directly productive employees
- the decrease of prices to our main customers
- the extending of the interseason period
- the constant non-feeding of the production lines.

Due to the high fixed costs, the decrease in the number of directly productive employees led to an increase in unit cost and thus a decrease in the volume of orders. At the same time, the decrease in the number of directly productive employees led to a decrease of 27.60% of the volume of production achieved.

In addition, the decrease in the number of directly productive employees has led to an acute shortage of staff in production lines, decreasing the production, due to the incomplete lines.

The loss of employees was due to several reasons:

- the completion of the retirement age both at the retirement age and early retirement age;
- the competition on the labor market;
- the dismissal of employees for reasons not imputable to the company.

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

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

In 2018, the interseason period, in which our customers did not have orders or had few and poorly paid orders, increased substantially. This led to an acute shortage of orders in March, April and thus a drastic decrease in revenues.

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

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

- the legislative changes that require the increase of the minimum gross basic salary in the country, which leads to an increase in the personnel expenses,
- the increase in the price of utilities (energy, water)

The staff expenses represents 81.28% of the company's total expenses. It was decided to cancel the seniority and fidelity bonus starting with 01.04.2018, by renegotiating the salary with the employees of the company and reducing the duration of the annual rest leave to 20 working days in order to partially diminish the increase in expenditures, but it was not covert.



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Another reason for the increase of expenses was the provision for the employees' benefits for unpaid leave for 2018. In 2018 there were made indicators of budget revenue and expenditure.

At the end of 2018, the cash flow was a negative growth of net cash amount of (943,576) lei, reflected in the balance of accounts at banks and house. On 31.12.2018, a decrease of the average number of employees was registered, compared to the same period of 2017 year, from 398 to 332 employees.

The financial situations were drawn up according to the:

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

The financial situations were approved by the Administration Board in the meeting from 26th of February 2019. We mention that the preliminary financial statements are not audited and can be modified according to the eventual bookkeeping and tax regulations that can occur in the following period of time until the General Meeting of the Shareholders.



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PRELIMINARY STATEMENT OF FINANCIAL POSITION

	<u>31.12.2018</u>	<u>31.12.2017</u>
Assets		
Tangible assets	4,764,754	5,092,263
Intangible assets	18,676	21,298
Real estate investments	120,845	119,512
Total Non-current Assets	4,904,275	5,233,073
Inventories	1,855,085	1,850,045
Trade receivables and other receivables	1,787,652	2,504,831
Prepayments	9,277	15,736
Cash and cash equivalents	678,963	1,622,539
Total Current Assets	4,330,977	5,993,151
Total Assets	9,235,252	11,226,224
Equity		
Share capital subscribed	2,284,360	2,284,360
Other items of equity	(238,518)	(256,827)
Revaluation reserve	2,162,168	2,276,601
Legal reserve	456,661	456,661
Other reserves	4,080,948	4,080,948
Retained earnings	874,365	1,476,415
Year result	1,813,108	(716,483)
Total Equity	7,806,876	9,601,675
Payables		
Long Term Payables		
Payables regarding the deferred income tax	238,518	256,827
Total Long Term Payables	238,518	256,827
Current Payables		
Trade payables and other payables	1,016,296	989,917
Provisions for employee benefits	173,562	377,805
Total Current Payables	1,189,858	1,367,722
Total Payables	1,428,376	1,624,549
Total Equity and Payables	9,235,252	11,226,224



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

	<u>31.12.2018</u>	<u>31.12.2017</u>
Continuos activities		
Incomes	10,464,376	13,894,359
Other incomes	20,030	106,831
Incomes corresponding to the product inventory costs	154,181	504,605
Total Operational incomes	10,638,587	14,505,795
Expenses with raw materials and consumables	531,334	912,541
Expenses with merchandise	273,236	204,480
Expenses with facilities	801,073	919,231
Expenses with salaries, social securities and other benefits	10,146,862	12,103,070
Expenses with amortization	342,976	454,617
Adjustments for provisions	(204,243)	120,720
- Expenses	159,898	373,164
- Incomes	364,141	252,444
Other expenses	554,069	520,436
Total Operational expenses	12,445,307	15,235,095
Operational activities result	(1,806,720)	(729,300)
Financial incomes	31,489	59,036
Financial expenses	37,877	46,219
Financial result	(6,388)	12,817
Result before taxation	(1,813,108)	(716,483)
Result continuous activities	(1,813,108)	(716,483)
Other items of the global result	18,309	31,031
- 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	18,309	31,031
Total global result related to the term	(1,794,799)	(685,452)
Attributable profit/loss	(1,813,108)	(716,483)
Result per basic action	(7.5640)	(2.9890)
Result per diluted action	(7.5640)	(2.9890)

**Chairman of the Board of Directors,
Eng. HAMIDI HAISSAM**

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