

COMPA S.A. Sibiu
Consolidated financial statements notes for the year ended on 31.12.2017
(All amounts are expressed in RON, unless otherwise specified)

1. GENERAL INFORMATION

a) COMPA parent company

COMPA is a Joint Stock Company, based in Sibiu, str.Henri Coandă nr.8, CP 550234.

Domain of activity

The main activity according to CAEN is: 2932 – Manufacturing of other parts and accessories for motor vehicles and motor vehicle engines.

Ownership of company

COMPA is privatized 100% since September 1999. The shareholding structure is as follows:

SHAREHOLDER	NO. OF SHARES	% OF TOTAL CAPITAL
COMPA Employees Association	119.474.505	54,60
Other shareholders (individuals and legal persons – of Romanian or other nationality)	99.346.533	45,40
TOTAL NUMBER OF SHARES	218.821.038	100,00

The company is listed on the stock market shares are traded on the Bucharest Stock Exchange in the Standard Category, under symbol CMP.

The company's evolution

By the Government decision nr.1296 / 13.12.1990 the company became COMPA, originating from *Intreprinderea de Piese Auto Sibiu (I.P.A. Sibiu)*. IPA Sibiu was established in 1969 through the merger of two units: *Elastic Plant* and *Automecanica Plant*.

Since 1991, COMPA was organized in factories workshops, established for product families as cost centers, which in time became profit centers in order to decentralize and facilitate the establishment of joint ventures.

Financial investments of company COMPA S.A. as “*Parent Company*”, representing equity securities as shares or stocks owned in commercial entities are presented in the table below:

Company where capital securities are held	Registered office	Value of securities held by COMPA (RON)	% Share capital
COMPA I.T. S.R.L.	Sibiu, No 8Henri Coandă, Sibiu county	200.000	100,00
TRANS C.A.S. S.R.L.	Sibiu, No 12Henri Coandă, Sibiu county	1.498.450	99,00
RECASERV S.R.L.	Sibiu, No 51Henri Coandă, Sibiu county	70.000	70,00
TOTAL		1.768.450	

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The management of the company was provided by a Board of Directors consisting of:

Deacloan	Chairman & CEO,
Miclea Ioan	Member of the Board & CFO
Maxim Mircea-Florin	Member of the Board
Baltes Nicolae	Member of the Board / Chairman Audit committee
Veltan Ilie- Marius	Member of the Board

b) Subsidiaries

Company COMPA IT S.R.L. headquartered in Sibiu, 8, Henri Coandă Str., Sibiu county. The company was established in 2001, registered at the Trade Register under no.J32 / 17/2001, VATno. 13656016.

The purpose of establishing was design and implementation of an *Integrated Informational System* for the mother company complying with the existing international standards and ensuring the requirements imposed by the company's organization form on profit centers, as well as assurance of a computer network within the entire company COMPA.

The object of activity, according to CAEN code number is 6201 - "Activities of providing software on request"

The share capital of the company on 31.12.2016 was 200, 000 RON, fully owned (100%) by the Company COMPA S.A. The company's administrator is Mr. Acu Florin-Stefan.

Company TRANS C.A.S. S.R.L. with headquarters in Sibiu, 8 Henri Coandă Street, Sibiu county. The company was established in 2002, registered at the Trade Register under no.J32 / 633/2002, VAT no. 14836511. The company was intended for outsourcing the transport activity, initially existing within the company COMPA, with the purpose of extending and developing this distinctive activity from the profile of the company COMPA. TRANS C.A.S. S.R.L. currently holds a total of 60 vehicles, of which a significant share is represented by Mercedes tractor trailers, with payload capacity exceeding 20 tones dedicated for the transport of raw materials and finished products for both COMPA and for external customers.

The main activity of the company, according to CAEN code is 4941's "Road transport of goods"

The share capital is 150,000 shares amounting to 1,500,000 RON.

On 31.12.2015 shareholding structure was as it follows:

The company COMPA S.A. holds a number of 149,845 shares, amounting to 1,498,450 RON.

Maxim Mircea Florin and Mihăilă Daniela as individuals, hold a total number of 155 shares worth 1,550 RON.

The company management is assured by Maxim Mircea - Florin – as administrator.

RECASERV S.R.L. company headquartered in Sibiu, 51 Henri Coandă Str., Sibiu county, founded in 2004, registered at the Trade Register with no.J32 / 704/2004, VAT no. 164408228. The purpose of establishing the company was outsourcing within the mother company (COMPA SA) of some activities different from the main business activities such as catering and canteen achieved by operating the canteens inside the company COMPA. By setting the company RECASERV SRL with activity field catering – there were provided conditions for developing this activity by adding secondary services (catering and cleaning services).

The main activity, according to CAEN code is 5629 "Other food service activities", consisting of catering for employees in COMPA SA and other companies in Sibiu, organizing events with catering for companies and schools in Sibiu.

The share capital of the company is 100,000 RON owned by:

Company COMPA S.A. Sibiu, amounting to 70%

Boroş Daniela, amounting to 30%

Company RECASERV S.R.L. Sibiu has a number of 649 100 shares worth 64,910 RON to COMPA SA Sibiu purchased by the BSE, registered in the company's financial statements from April 31.12.2017.

Administrator of the company is Mrs. Boroş Daniela.

2. BASIS OF PREPARATION

Declaration of Conformity

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union ("EU"). These financial statements are the first financial statements prepared in accordance with International Financial Reporting Standards. The Group adopted IFRS reporting from the financial statements of 2012.

Group's accounting records are maintained in RON in accordance with Romanian Accounting Regulations. Statutory accounts have been restated to reflect the differences between IFRS and Romanian Accounting Regulations. Accordingly, the statutory accounts have been adjusted, where necessary, to bring the financial statements, in all material aspects with IFRS.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for certain tangible assets that are measured at re-valued amount or fair value as explained in the accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Presentation currency and functional currency

The financial statements presented in Romanian **lei** (RON), rounded to the nearest value, which is the functional currency of the company.

Use of estimates and judgments

Preparation of financial statements in accordance with IFRS as adopted by the European Union implies the use by management of estimates, judgment and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgments are generally based on historical information and other sources believed to be representative of the situations encountered. Actual results may differ from these estimates.

Estimates and assumptions are reviewed periodically. Revisions to accounting estimates are recognized in the period in which the estimate is revised also in future periods if they are affected.

Modification of estimations does not affect prior periods and is not a correction of an error.

Information about critical judgments in applying the Group's accounting policies whose effect is significant on the amounts recognized in the financial statements included in the notes on:

- **Tangible and intangible assets – operational life time of tangible assets**

Tangible and intangible assets are depreciated over their operational life.

Group management uses judgment in determining the operational life time and the evidence used to determine this life time include technical specifications of equipment, information from commercial contracts that the Group has entered into with customers, history of products sold, market information relating to Group's products and the ability to adapt their equipment.

- **Tangible and intangible assets – Adjustments for impairment of tangible assets.**

Intangible assets and equipment are analyzed to identify any indications of impairment at balance sheet date.

If the carrying amount of an asset exceeds the recoverable amount, an impairment loss is recognized to reduce the carrying amount of the asset to its recoverable amount. If the reasons for recognizing an impairment loss disappear in subsequent periods, the carrying value of the asset is increased to the net carrying amount that would have been determined had no impairment loss had been recognized.

Evidence that may cause impairment includes a decline in usefulness to society, excessive physical wear, the emergence of new production technologies

- **Deferred taxes**

Deferred tax assets are recognized as assets to the extent that it is probable that there will be taxable profit that can be covered losses. The Group's management uses judgment in determining the value of deferred tax assets that can be recognized as assets. Management decisions are based on information from commercial contracts that the Group has entered into with customers, market forecasts for the automotive and automotive components.

- **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation generated from a past event it is likely to be required for settlement of the obligation an outflow of resources embodying economic benefits and can be a reliable estimate of the realizable value of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation to the end of the reporting period.

- **The recoverable amount of assets**

The evaluation for impairment of receivables is performed individually and is based on management's best estimate of the present value of cash flows expected to be received. The Group reviews its trade and other receivables at each financial position date to assess whether necessary to record in the income statement depreciated value. In particular, management judgment is necessary to estimate the value and coordination of future cash flows when determining the impairment loss.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount.

These estimates are based on assumptions about several factors and actual results may differ, resulting in future changes in adjustments.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards and interpretations in force during the current period and adopted by the group since 1 January 2017

Amendaments related to the IAS 7 - "Initiative on presenting information". The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

Amendaments related to the IAS 12 - "Recognition of deferred tax assets related to unrealized losses". The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

3.2 Standards and Interpretations issued by the IASB and adopted by the EU but not yet in force, hence not applied yet

Currently the IFRS adopted by the EU are not significantly different than the regulations adopted by the IASB, except for the following standards, amendments and interpretations which have not been yet validated for applicability:

IFRS 15 „Income from customer contracts ” (Effective 1 January 2018 or any time afterwards for annual periods as per the IASB). The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

IFRS 9 „Financial instruments" and related amendments (Effective 1 January 2018 or any time afterwards for annual periods as per the IASB). The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

IFRS 16 „Leasing Contracts” (Effective 1 January 2019 or any time afterwards for annual periods as per the IASB). The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

Clarifications related to the IFRS 15 „Income from customer contracts ”- as from the 12th of April 2016. The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

Amendments related to the IFRS 4 - "Applying the IFRS 9 Financial Instruments in Accordance with IFRS 4 Insurance Contracts". The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

Annual improvements to the IFRSs (2014-2016) resulted from the annual improvements of the IFRS 1, IFRS 12, IAS 28, with the main purpose of eliminating the inconsistencies and clarify exposure.

Amendments related to the IFRS 2 – “Classification and measurement of share-based payment transactions". The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

Amendments related to the IAS 40 - "Transfer of real estate investments". The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

3.3 Standards and Interpretations issued by the IASB and not yet adopted by the EU

Currently the IFRS adopted by the EU are not significantly different than the regulations adopted by the IASB, except for the following standards, amendments and interpretations which have not been yet validated for applicability:

IFRS 17 „Insurance Contracts” (Effective 1 January 2021) or any time afterwards for annual periods as per the IASB). The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

Amendments related to the IFRS 10 “Consolidated financial statements”, and the IAS 28 “Investments in associated entities and joint ventures” – Sale or Asset Contribution between the Investor and its associated entity or joint venture. The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

IFRIC 22 „Foreign Currency Transactions and Advance Consideration” (Effective 1 January 2018) or any time afterwards for annual periods as per the IASB). The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

IFRIC 23 „Uncertainty over Income Tax Treatments” (Effective 1 January 2019) or any time afterwards for annual periods as per the IASB). The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

Amendments to IFRS 9: „Prepayment Features with Negative Compensation” (Effective 1 January 2019) or any time afterwards for annual periods as per the IASB). The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

Amendments to IAS 28 - "Long-term Interests in Associates and Joint Ventures” (Effective 1 January 2019) or any time afterwards for annual periods as per the IASB). The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

Annual Improvements to IFRS Standards 2015-2017 Cycle resulted from the annual improvements of the IFRS (IFRS 3, IFRS 11, IAS 12 si IAS 23). The group is carefully considering the implications of this standard over the

financial situations and the moment it will become effective.

Amendments to IAS 19 - (Effective 1 January 2019) or any time afterwards for annual periods as per the IASB). The group is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

Except as described above, the group provides for the adoption of new standards, revisions and interpretations will not have a significant impact on the separate financial statements of the Group.

Basis for consolidation

Business Combinations

Business combinations are accounted for using the purchase method at the acquisition date. The acquisition date is the date on which control is transferred to the buyer. Control is the power to determine the financial and operating policies so as to obtain benefits from its activities. In assessing control, the Group considers potential voting rights that are currently enforceable.

Professional judgment is applied to determine the acquisition date and whether the control transferring between the parties has occurred.

The Group assesses goodwill at fair value of the consideration transferred including the recognized value of interests without control in the acquired entity, minus the net amount recognized (fair value) of the identifiable assets acquired and liabilities assumed, all measured at the date of acquisition. The consideration transferred includes the fair value of assets transferred, liabilities assumed by the Group to the previous shareholders of the acquired entity and equity instruments issued by the Group.

The compensation transferred includes the fair value of contingent compensation. A contingent liability of the Acquire is assumed in a business combination only if such liability is a present obligation resulting from a past event and its value can be measured reliably.

Controlling interests

The Group assesses interests without control as part owned by minority shareholders in the Acquirer's identifiable net assets.

Transaction costs of the Group relating to a business combination, such as commission for brokering the transaction fees for legal consultancy services, the fees for the services of due diligence and other fees for professional services and consulting are recognized in profit or loss account when incurred.

The revised standard specifies that changes in shareholding of Parent Company in a subsidiary that do not result in loss of control must be recorded as equity transactions. Under the revised standard, acquisitions of interests without control are accounted for as transactions with equity holders in their capacity as owners and as a result of such transactions does not recognize goodwill. The result of these transactions is acknowledged by the Group within "Other reserves".

Branches

Subsidiaries represent all entities which the Group controls. The group controls a wholly owned entity when the entity authority, is exposed and is entitled to variable revenues based on stake and has the ability to lead and authority over the entity to influence the value of these revenues. The subsidiaries included in the consolidation from the date on which control is transferred to the group. Subsidiaries are excluded from consolidation from the date that control ceases. Accounting policies of subsidiaries have been changed where necessary, to be aligned with the policies adopted by the Group.

Investments in associates (investments accounted for using the equity method)

Associates are those entities over which the Group exercises significant influence but not control over financial and operating policies of the entity. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights in another entity. Joint ventures are those entities over whose activities the Group exercises joint control established by contractual agreement and requiring a unanimous agreement for taking decisions on financial and operational strategies.

Investments in associates are accounted for using the equity method and are initially recognized at cost. Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

The consolidated financial statements include the share for the group of revenues, expenditures and changes in equity of investments accounted for using the equity method, after adjustments to align the accounting policies with those of the Group, from the starting date until the date on which it ceases significant influence or control.

When the share of losses related to the Group exceeds its interest in investment accounted for under the equity method, the book value of the holding, including any long-term investment is reduced to zero and recognition of further losses is discontinued unless the Group has an obligation or made payments on behalf of the investee.

Common commitments:

A shared commitment is a commitment in which two or more parties have joint control. The joint commitments are accounted for using the equity method. Based on the equity method, the investment in a joint arrangement is initially recognized at cost and the carrying amount is increased or reduced in order to recognize the group's profits or losses after acquisition and movement of other comprehensive income. When the part of losses within an association exceeds interests in association, the group does not recognize further losses, unless there are obligations or payments made on behalf of the association.

Earnings not coming from transactions between group and its associations are eliminated within the limit interest group in combination. Losses not realized are also eliminated unless the transaction proves prejudicial transferred asset.

Transactions eliminated on consolidation

Balances and transactions within the Group, and any unrealized profits or losses resulting from intra-group transactions are eliminated from the consolidated financial statements. Unrealized gains on transactions with associates accounted for using the equity method are eliminated in return for investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there are no indications of impairment.

Conversion into foreign currencies

When preparing individual financial statements of the Group, transactions in currencies other than the functional currency of the Group (currencies) are recognized current exchange rates at the dates of the transactions. Monetary items denominated in a foreign currency at the end of the reporting period are translated at exchange rates at that respective date. Non-monetary items carried at fair value that are denominated in a foreign currency are reconverted to current courses at once when the fair value was determined. Non-monetary items that are evaluated at historical cost in a foreign currency are converted at the date of transaction.

Exchange differences resulting from the conversion of monetary items at the end of the reporting period are recognized in profit or loss.

Financial instruments

Non-derivative financial assets

Group recognizes loans and receivables on the date they are generated. All other financial instruments are recognized on the trade date, which is the date when the Group becomes party to the contractual provisions of the instrument.

Financial assets are classified into the following specified categories:

a. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when the financial asset is either held for trading or is designated in this category by the management group.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- at initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit collection; or
- is a derivative not designated as effective hedging instrument.

A financial asset other than a financial asset held for trading may be designated as a financial asset at fair value through profit or loss on initial recognition if:

- such designation eliminates or significantly reduces an evaluation or recognition inconsistency that would otherwise arise; or
- financial asset is part of a group of financial assets or financial liabilities or both, which group is run and its performance evaluated on a fair value basis in accordance with risk management and investment strategy of the group and information about the grouping method is provided internally on that basis; or
- It is part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Evaluation allows that the entire combined contract (asset or liability) to be designated as a financial asset at fair value through profit and loss .

Financial assets at fair value through profit or loss are stated at fair value with any gain or loss resulting from the revaluation recognized in profit or loss. Net gain or loss recognized in profit or loss include all dividends or interest earned from financial assets and items included in the category "Financial expenses, net" in the statement of comprehensive income.

b. Investments held to maturity

Held to maturity investments are non-derivative financial assets with fixed or variable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. After initial recognition, investments held to maturity are measured at depreciated cost using the effective interest method less impairment.

c. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than the Group intends to sell immediately or in the near future. Loans and receivables (including trade receivables and other receivables, bank and cash balances, etc.) are measured at depreciated cost using the interest method effective, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

d. *Active securities available for sale*

Financial assets available for sale are non-derivatives that have either been designated as Financial Supervisory Authority or are not categorized as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets available for sale for which there is an active market are measured at fair value and changes in fair value other than impairment losses, and gains and losses resulting from exchange rate movements on monetary items available for sale. They are recognized directly in equity. When the asset is derecognized, the cumulative gain or loss is transferred to profit or loss.

The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

All purchases and sales of standard financial assets are recognized and derecognized on the trade date. Standard purchases or sales are those purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market.

Recognition

Financial assets are recognized on transaction date. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial claims (others than financial assets and financial receivables at fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial claims, as applicable at initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial claims at fair value through profit or loss are recognized immediately in profit or loss of the individual.

After initial recognition, the Group assesses financial assets, including derivatives that are assets, at fair value without any deduction for transaction costs that may arise from the sale or other disposal, except for loans and receivables, which are measured at amortized cost using the effective interest method investments held to maturity, which are measured at amortized cost using the effective interest method and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be measured reliably and derivatives that are related, and which must be settled by delivery of such unquoted equity instruments, which are measured at cost.

Impairment of financial assets

Financial assets, except for financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is evidence that objectives that following one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the investment have been affected.

Equity investments classified as available for sale are assessed for indicators of impairment at the end of each reporting period. In assessing such financial assets their depreciation is taken into account when there is a significant or prolonged decline in fair value below cost.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying value and the present value of estimated future cash flows, updated with the original effective interest rate of the financial asset.

For financial assets registered at depreciated cost, the amount of the impairment loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows, updated at the current rate of return for a similar financial asset market. Such impairment loss will not be reversed in subsequent periods.

The carrying value of the asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying value is reduced through the use of an account of an impairment loss.

Next recoveries of previously cancelled values are credited to the account of an impairment loss. Changes in the carrying value of an impairment loss account are recognized in profit or loss.

When a financial asset available for sale is considered impaired, the cumulative gain or loss previously recognized in other comprehensive income are reclassified to profit or loss in the period.

If a period following impairment losses of financial assets measured at amortized cost decreases or if the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss previously recognized is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed the amortized cost incurred if no impairment had been recognized.

Regarding shares available for sale, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulate under the heading of revaluation reserve investments. As for debt securities available for sale, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the impairment loss was recognized.

Derecognition

The Group derecognizes a financial asset when contractual rights expire to the cash flows from the asset or when the Group transfers the rights to receive contractual cash flows on the financial asset in a transaction that has transferred substantially all risks and rewards of ownership.

The derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable and the cumulative gain or loss that was recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities

The Group initially recognizes a financial liability at its fair value plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability.

The Group derecognizes a financial liability when its contractual obligations are concluded, or when such obligations expire or are canceled.

The Group classifies non-derivative financial liabilities in the category other financial liabilities. These financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities include loans and loan commitments, credit lines and trade and other payables.

Capital instruments

An equity instrument is any contract that creates a residual claim on the assets of an entity after deducting all of its liabilities.

When an equity instrument of the company is redeemed, the amount paid, which includes directly attributable costs, net of taxes, is recognized as a deduction from equity. The group does not recognize gain or loss in profit or loss on the purchase, sale, issuance or cancellation of equity instruments.

Derivatives

A derivative is a financial instrument or another contract settled at a future date, whose value changes in response to changes in certain interest rate, financial instrument price, commodity price, foreign exchange rates, price indexes or ducks, credit rating or credit index, or other variable, provided that, if a financial variable that is not specific to a party to a contract and requires no initial net investment or require an initial net investment that is smaller than would be required for other types of contracts which is expected to have a similar response to changes in market factors.

Tangibles

Tangible assets are valued for cost, deducting accumulated depreciation and accumulated impairment losses, except for land and buildings which are evaluated at revalued amount. Revalued amount is the fair value of the asset on the date of the revaluation less any subsequent accumulated amortization and any accumulated impairment losses. Reassessment is done for the entire class of property (land, buildings).

The cost includes expenses directly attributable to acquisition of the intangible asset. Cost of an asset self-constructed include the cost of materials and direct labor, other costs attributable to bringing the asset to the place and in operation and the initial estimate of the costs of dismantling and removing the asset and restoring the placement and borrowing costs when there is an obligation of these costs.

When the Group depreciates separately some parts of an item of property, plant and equipment, it also depreciates separately the remainder of the item. What remains consist of parts of the item that are individually not significant.

Group revaluations performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an asset is reclassified as investment property, the property is revalued at fair value.

Gains arising from revaluation are recognized in the income statement only to the extent there is a loss of impairment of property, and any other remaining winnings recognized as other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognized immediately in profit or loss as.

Subsequent costs are capitalized only when it is probable that expenditures will generate future economic benefits to the Group. Maintenance and repairs are expenses in the period.

Land is not depreciated. Depreciation is recognized in order to decrease the cost less residual values over their period of useful life using the straight-line method. Estimated useful lives, residual values and depreciation method are reviewed by Group management at the end of each period of reporting, taking into account the effect of all changes in accounting estimates.

The assets which are subject to a finance lease are depreciated over their useful life duration on the same basis as the assets owned or where the period is shorter, over the relevant period of the lease.

The estimated service lives for the current and comparative years of significant groups of property are:

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Buildings	12-50 years
Plant and machinery	3-18 years
Other installations, equipment and furniture	2-18 years

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment is recognized immediately in profit or loss if the asset is not accounted relevant at a revalued amount, in which case the impairment is treated as a revaluation decrease.

Tangible assets are derecognized as a result of a disposal or when no future economic benefits are expected from the continued use of the asset. Any gain or loss arising from retirement or disposal of an item of property and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognized in profit and loss in the period in which the derecognition.

Intangible assets

Recognition and Measurement

For recognition of an item as an intangible asset the Group must demonstrate that the item meets:

(a) Definition of an intangible asset

is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability correspondence; or

arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the company or from other rights and obligations.

(b) Recognition criteria

- it is probable that future economic benefits expected to be assigned to asset will flow to the Group; and
- cost of the asset can be measured reliably.

An intangible asset is measured initially for cost. The cost of a separately acquired intangible asset comprises:

- a) purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- b) any directly attributable cost of preparing the asset for its intended use.

In some cases, an intangible asset may be acquired free of charge or for a symbolic consideration, through a government grant. The Group initially recognizes both the intangible asset and the grant at fair value.

The cost of internally generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria. There cannot be reincorporated expenditures previously recognized as cost. The cost of internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Examples of directly attributable costs are:

- a. the costs of materials and services used or consumed in generating the intangible asset;
- b. costs of employee benefits arising from the generation of the intangible asset;
- c. fees to register a legal right; and
- d. amortization of patents and licenses that are used to generate the intangible asset.

To determine whether an internally generated intangible asset fulfills the criteria for recognition, an entity classifies the generation of the asset into:

(a) a research phase ;

(b) a development phase.

If the group cannot distinguish between the research phase and the development of an internal project to create an intangible asset, the Group treats the expenditure on that project as expenses incurred exclusively in the research phase.

No intangible asset arising from research (or from the research phase of an internal project) should be recognized. Expenditure on research (or the research phase of an internal project) should be recognized as an expense when incurred.

An intangible asset arising from development is recognized if, and only if you can measure reliably the expenditure attributable to the intangible asset during its development, technical feasibility of completing the intangible asset so that it will be available for use or sale, management has the intent and ability to complete the intangible asset and use or sell it.

Recognition of expenses

Expenditure on an intangible item shall be recognized as an expense when incurred, except for those that are part of the cost of an intangible asset that meets the recognition criteria.

Evaluation after recognition

Group intangible assets accounted for by the cost model.

After initial recognition, an intangible asset shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Amortization

The depreciable amount of an intangible asset with a finite useful life determined is allocated on a systematic basis over its remaining service life. Depreciation starts when the asset is available for use, i.e. when it is in the location and condition necessary for it to operate in the manner intended by management. Depreciation ends at the earliest of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Intangible assets are depreciated using the straight-line method over a period of 1-5 years or the validity of contractual or legal rights when it is lower than the estimated service life.

An intangible asset with an indefinite service life will not be amortized.

Depreciation

At the end of each reporting period the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the size of the impairment (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Derecognition

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal.

Stocks

Inventories are valued at the lower of cost and net realizable value.

Inventory costs are determined on a first in, first out and include expenses arising from the purchase of stocks, production and other costs of bringing inventories into shape and location of existence. In the case of finished products and production in progress, costs include a share of overheads based on normal production capacity.

Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs for inventories of completion and costs necessary to make the sale.

Employee benefits

In the normal course of business, the Group makes payments to pension funds, health and unemployment funds of the Romanian state, on account of its employees. Spending on these payments are recorded in the income statement in the same period of wage costs.

All Group employees are members of the Romanian State pension plan. Within the Group there is no other ongoing pension scheme and there are no other obligations on pensions.

Termination of employment benefits can be paid when the contract of employment is terminated for reasons not attributable to employees. Group recognizes benefits for termination of employment when it is obliged to terminate the employment contracts of current employees.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation generated from a past event, it is likely to be required to settle the obligation outflow of resources embodying economic benefits and a reliable estimate can be realized amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where a provision is measured using the cash flows estimated to settle the present, its carrying value is the present value of those cash flows (where the effect of the time- value of money is significant).

Guarantees

Provisions for estimated costs of warranty obligations under local law and contractual provisions for the sale of goods is recognized at the sale date of products. The provision is based on the historic of securities and the balancing of all possible outcomes.

Restructuring

A restructuring provision is recognized when the Group has approved a detailed and formal restructuring plan and this plan has either started or the main features of the restructuring plan were announced to those affected by it.

Onerous contracts

If the company has an onerous contract, the current contractual obligation stipulated in the contract should be recognized and measured as a provision. An onerous contract is defined as a contract in which the unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be obtained from the

contract in question. Unavoidable costs of the contract reflect the net cost out of contract, respectively the lowest cost of fulfilling contract and any compensation or penalties arising from failure to fulfill the contract.

Revenue recognition

Sale of goods

Revenue is measured at the fair value of the consideration received or to be received. The sales revenue is reduced for returns, discounts and other similar reductions in trade. Revenue from the sale of goods is recognized when the Group has transferred the significant risks and rewards of ownership of property, the amount of revenue can be measured precisely, it is probable that the economic benefits associated with the transaction should be directed to the company, the Group retains no management involvement up to the level usually associated with ownership nor effective control over the goods sold and the costs incurred or to be incurred in connection with the transaction can be measured precisely. If it is likely to be granted a discount and this can be measured reliably, then the discount is recognized as a decrease in sales revenue.

Services

Revenue generated by a service contract is recognized by reporting proportionate at the stage of completion of the contract. The stage of completion of the contract is determined by studying the work carried out.

Income from interest, royalties and dividends

Interest revenue generated by a financial asset is recognized when it is probable that the Group obtain economic benefits and when such income can be measured precisely. Interest income accumulate over time by reference to the principal and the effective interest rate applicable, i.e. the rate that exactly discounts estimated future cash receipts over the expected term of the financial asset to the net carrying amount of the asset initial recognition date . Income generated from third parties' use of the Group's assets is recognized in the period of the lease on an accrual basis in accordance with the substance of the contract in question.

Dividend income from investments is recognized when it was established shareholder's right to receive payment.

Government grants

Government grants represent assistance by government in the form of transfers of resources to the Company in exchange for compliance, past or future compliance with certain conditions relating to the operating activities of the Group. They exclude those forms of government assistance which cannot be reasonably assigned a certain value, and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government grants are recognized as income over the periods corresponding to the related expenses which these grants are intended to compensate, on a systematic basis.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs, is recognized as income in the period in which it becomes receivable.

Leasing

The leases are presented as finance leases when the terms of the lease are transferred substantially all risks and rewards of ownership to the user.

All other leases are classified as operating leases. Initially assets held under finance leases are recognized at the lower of their fair value at the beginning of the lease and the present value of the minimum lease payments. The corresponding obligation to owner is included in the statement of financial position as an obligation associated to financial lease.

Assets held under operating leases are classified as operating leases and are not presented in the statement of financial position.

Payments related to operational leasing are recognized as an expense over the lease period.

Minimum lease payments are apportioned between finance charges and reduction of obligation. The financial expenses are recognized in profit or loss accrual, if they are not directly attributable to the assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Indebtedness costs

Indebtedness costs, directly attributable to the acquisition, construction or completion of eligible assets, assets that require a significant amount of time to get ready for use or sale, plus the cost of those assets until the assets are ready significantly for usage area or sale.

Revenues from the temporary investment of specific indebtedness obtained for the acquisition or construction of eligible assets are deducted from the indebtedness costs which may be capitalized.

All other indebtedness costs are recognized in profit or loss in the period they are incurred.

Gains or losses on foreign exchange differences are reported net amount that gain or loss depending on the result of exchange rate changes.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred taxes.

Liabilities or claims relating to tax the current period and prior periods are measured at the amount to be paid or recovered by the tax authority using legal regulations and the tax rate in effect on the date of the financial statements. Tax on profit for the period closing December 31, 2013 was 16%.

Current tax and deferred tax are recognized in profit or loss unless they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current tax and deferred tax are also recognized in other comprehensive income or directly in equity.

Current tax

The tax currently payable is based on taxable profit achieved during the year. Taxable profit differs from profit as reported in the statement of income unconsolidated general because of items of income or expense that are taxable or deductible in some years and items that are never taxable or deductible. Group's obligation in respect of current taxes is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences arising between the carrying amount of assets and liabilities and the tax bases of assets and liabilities in the financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are recognized to the extent that there is probability of future taxable profit from which temporary difference can be recovered.

The main differences resulting from the amortization of fixed assets and the valuation of assets at fair value.

Deferred tax assets and liabilities are determined based on taxes which are supposed to be applied during the respective period realized or settled liability or deferred tax asset.

Segment Reporting

A business segment is a component of the Group that engages in business activities from which it can obtain revenues and from which expenses may incur (including revenues and expenses related to transactions with other components of the same society), whose results of activity are reviewed regularly by the Group's chief operating decision maker in order to take decisions about resources to be allocated to the segment and assessing its performance and for which separate financial information is available.

Company management regularly evaluates the activity of the Group to identify operating segments for which information must be reported separately.

The group did not identify components that are classified as operating segments.