1. GENERAL INFORMATION

COMPA is a Joint Stock Company, based in Sibiu, No.8, Henri Coandă Street, Postal code 550234, Sibiu county.

1.1. Domain of activity

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

1.2. 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: Legal persons – of Romanian or other nationality	75.629.022	34,56%
Individuals – of Romanian or other nationality)	23.717.511	10,84%
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.

1.3. The company's evolution

By the Government decision nr.1296 / 13.12.1990 the company became COMPA, originating from ***I**ntreprinderea de **P**iese **A**uto 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.

2. BASIS OF PREPARATION

Declaration of Conformity

The individual 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 Company adopted IFRS reporting from the financial statements of 2012.

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 individual 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 company'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. Company 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 company has entered into with customers, history of products sold, market information relating to company'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 company'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 company has entered into with customers, market forecasts for the automotive and automotive components.

Provisions

Provisions are recognized when the company 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 company 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 company since 1 January 2016

Amendaments related to the IAS 16 "Tangible assets" and IAS 41 " Agriculture - Holding Plants", (Effective 1 January 2016 or any time afterwards for annual periods as per the IASB**)**: N/A (Not Applicable) for the company's financial situation

Amendaments related to the IFRS 11 " Common Arrangements - Accounting for acquisitions of interests in joint operations" ", (Effective 1 January 2016 or any time afterwards for annual periods as per the IASB**)**: N/A

Amendaments related to the IAS 16 "Tangible assets" and IAS 38 " *Intangible assets* ", called **Clarification of acceptable damping methods": N/A**

Amendaments related to various standards "Improvements for IFRS (2012-2014)" resulting from the annual improvement of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with the purpose to eliminate inconsistencies and clarify (Effective 1 January 2016 or any time afterwards for annual periods as per the IASB**)**: N/A

Amendaments related to the IAS 1 "Initiative on presenting information" (Effective 1 January 2016 or any time afterwards for annual periods as per the IASB). The purpose of these amendaments is to ensure an improved manner of presenting information and to encourage companies to have an objective proffesionale judgement when they decide what are the informations to be presented in their financial situations. The modifications have no effect on transactions and balances. The modifications have changed the presentation of the individual financial statements.

Amendaments related to the IAS 27 " Individual financial statements - Equity method in the individual financial statements " (Effective 1 January 2016 or any time afterwards for annual periods as per the IAS: N/A.

Amendaments related to the IFRS 10 "Consolidated financial statements", IFRS 12 "Presenting interest in other entities " and the IAS 28 "Investments in associated entities and joint ventures". The consolidation exception was applied. The individual financial situations of the Company are not influenced by the amendaments.

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, amendaments 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 company 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 amendaments (Effective 1 January 2018 or any time afterwards for annual periods as per the IASB). The company 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, amendaments and interpretations which have not been yet validated for applicability:

IFRS 14 „Deferred settlement accounts" (Effective 1 January 2016 or any time afterwards for annual periods as per the IASB). The company 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 company is carefully considering the implications of this standard over the financial situations and the moment it will become effective.

Amendaments 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 company 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 company is carefully considering the implications of this standard over the financial situations and the moment it will become effective**.**

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

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

Amendaments related to the IFRS 4 - "Applying the IFRS 9 Financial Instruments in Accordance with IFRS 4 Insurance Contracts". The company 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 incosistencies and clarify exposure.

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

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

Conversion into foreign currencies

When preparing individual financial statements of the Company, transactions in currencies other than the functional currency of the Company (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

The Company recognizes the loans and debts at the date they are generated. All other financial instruments are recognized at the date of the transaction, which is the date when the Company becomes a party to the contractual provisions of the instrument.

The financial assets are classified as: loans and debts.

The Company 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 Company becomes party to the contractual provisions of the instrument. Financial assets are classified as: 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 Company 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.

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 Company 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 Company derecognizes a financial asset when contractual rights expire to the cash flows from the asset or when the Company 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 Company 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 Company derecognizes a financial liability when its contractual obligations are concluded, or when such obligations expire or are canceled.

The Company 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 Company 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 Company 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.

Company 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 Company. 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 Company 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 Companys of property are:

- 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 Company 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 Company;
  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 Company 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 Company cannot distinguish between the research phase and the development of an internal project to create an intangible asset, the Company 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

Company 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 Comapny 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.

Real estate investments

A real estate investment is an estate (land or a building – or part of a building – or both) owned by the Company with the scope of earning rent or capital appreciation, or both, rather than it being used for production or distribution of services and goods, for administrative purposes, or to be sold during the ordinary course of business.

The cost of a real estate investment comprises its purchase price and any costs directly attributable to the acquisition. Directly attributable expenditures include, for example, professional fees for legal services, property transfer taxes and other transaction costs.

The investment cost of self-constructed real estate is the cost at the date when the construction or development were completely finished. Until that date, the Company applies the IAS 16 provisions. At that date, the property becomes investment property and falls under the current standard.

After initial recognition, the Company chooses the fair value model and evaluates all of its investment properties at fair value.

A gain or loss generated by a change in the fair value of the real estate investment is recognized in the profit or loss statement for the period in which it happens.

The fair value of real estate investment is the price at which the property could be exchanged between willing parties, conducted under objective conditions. The fair value of an estate shall reflect the market conditions at the balance sheet date.

The assets for which fair value is determined in the financial statements are included in the fair value hierarchy based on the fair value determined as follows:

- Level 1 - unadjusted market prices

- Level 2 - Input Data other than unadjusted market prices, but fair value is observable directly or indirectly

- Level 3 - fair value measurements based on unobservable inputs

Gains or losses arising from the retirement or disposal of real estate investments should be determined as the difference between the net disposal income and the accountancy value of the asset and must be recognized in profit or loss statements in the period of the retirement or disposal.

Financial Investments

Under IAS 27, individual financial statements are statements presented by a parent company, an investor in an associated entity or by an associate in a jointly controlled entity, in which investments are accounted based on

direct participation in own capital rather than report results and net assets of the invested entities. When an entity prepares individual financial statements, investments in subsidiaries, jointly controlled entities and associated entities shall be accounted for:

a. at cost,

b. in conformity with IFRS 9, or using the equity method as described in IAS 28

Investments in subsidiaries are presented in the current individual financial statement at cost.

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 Company 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.

The Company employees are members of the Romanian State pension plan. Within the Company 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. The Company recognizes benefits for termination of employment when it is obliged to terminate the employment contracts of current employees.

Provisions

Provisions are recognized when the Company 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 realizable 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 Company 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 Company 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 Company 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 Company 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 Company '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 Company. 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 Company'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 2016 December 31, 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. Company'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 Company 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 Company'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 Company to identify operating segments for which information must be reported separately.

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

4. 1. TANGIBLE ASSETS

Evolution of tangible assets from 1th of January 2016 to 31th of December 2017 is the following:

Explanations	Land	Buildings	Equipment and motor vehicles	Other tangible assets	Tangible assets in progress	Total
Inventory value						
01.01.2016	**43.509.161**	**62.632.500**	**387.795.262**	**1.158.128**	**37.781.487**	**532.876.538**
Input 2016		9.679.347	69.220.915	58.490	58.206.324	**137.165.076**
Output 2016		-235.731	-4.963.542		-80.552.194	**-85.751.467**
31.12.2016	**43.509.161**	**72.076.116**	**452.052.635**	**1.216.618**	**15.435.617**	**584.290.147**
Input revaluation 2017						**0**
Input from aquisition 2017					30.955.962	**30.955.962**
Input from free purchases in 2017					0	**0**
Input internally genrated 2017					5.494.729	**5.494.729**
Input from commissioning tasks in 2017		13.885.582	30.865.569	10.172		**44.761.323**
Input from transfers to other classes of property in 2017		0	0		41.722	**41.722**
Output of transfers within the same class 2017		112.666	0		0	**112.666**
Outputs from transfers to other classes of property 2017		-112.666	0		0	**-112.666**
Output from sales 2017		0	-41.722		-44.761.324	**-44.803.046**
Outputs of cassation 2017		0	0	-30.268		**-30.268**
31.12.2017	**43.509.161**	**85.931.698**	**478.889.971**	**1.193.733**	**7.166.706**	**616.691.269**
Depreciation, amortization						
01.01.2016	**0**	**0**	**235.138.915**	**900.137**	**0**	**236.039.052**
Expenditure in 2016	0	3.742.440	32.270.446	65.180	0	**36.078.066**
Depreciation, amortization related outputs in 2016	0	0	-4.538.060		0	**-4.538.060**
31.12.2016	**0**	**3.742.440**	**262.871.301**	**965.317**	**0**	**267.579.058**
Expenditure in 2017	0	4.985.220	35.728.005	60.595	0	**40.773.820**
Amortizations, depreciations related to transfer entries within the same class 2017	0	6.273	0		0	**6.273**
Amortizations, depreciations related on transfers within the same class 2017	0	-6.273			0	**-6.273**
Amortizations, depreciations, related on cassations 2017	0	-9.580	-3.985.454	-2.789	0	**-3.997.823**
Depreciation, amortization related outputs in 2017	0	0		-30.268	0	**-30.268**
31.12.2017		**8.718.080**	**294.613.852**	**992.855**	**0**	**304.324.787**
Remaninig Value						
01.01.2016						**296.837.486**
31.12.2016						**316.711.089**
31.12.2017						**312.366.482**

Tangible assets representing "Tangible assets in progress" are valued at historical cost. The Company chose to assess its tangible assets like land and buildings at fair value.

Within the hierarchy of fair value, the company's buildings and land were revalued at their fair value, categorized-level 2.

The evaluation technique used in the level 2 fair value measurement is the price comparison method. Building prices are determeined in comparison with the adjacent buildings' and can be tailored to specific features such as property size, etc. The most important input data for this evaluation methos is the prices per square meter. There were no transfers between the level at which the fair value measurements are classified in 2017.

The depreciation of the tangible assets is determined by the straight-line method.

Fixed assets declined in 2017 by scrapping, selling and depreciation.

The stock-in trade value of the fixed assets disposed of in 2017 was of 4.019.300 RON, and the unamortised value of the disposed fixed assets was of 21.477 RON.

The mortgage value for the tangible assets of the contracted loans had the net book value of 10.258.529 RON on the 31st of Decemeber 2017. At the same time, the guarantees consisting of technological equipment had the net book value of 12.965.691 RON

4.2. REAL ESTATE INVESTMENTS

The evolution of real estate investments from January 1, 2016 to December 31, 2017 is as follows:

Explanations	Real estate investments	Real estate investments in progress	Total
Balance at 01.01.2016	**32.624.360**	**5.680.885**	**1.025.000**
Input 2016	10.788	2.923.810	2.934.598
Balance at 31.12.2016	**32.635.148**	**8.604.695**	**41.239.843**
Entry from aquisition	0	155.811	155.811
Internally generated inputs 2017		146.351	146.351
Balance at 31.12.2017	**32.635.148**	**8.906.857**	**41.542.005**

The real estate investments are valued at a fair value. Gain or loss generated by a change in the fair value of an investment property is reflected in profit or in loss during the period in which this occurs.

The fixed assets "Real estate investments in progress" are valued at their historical cost.

5. INTANGIBLE ASSETS

Intangible assets held by the Company are represented by software, software licenses and intangible assets in progress.
Their evolution was as follows:

Explanations	Software and software licenses	Total
Cost		
01.01.2016	**9.603.310**	**9.603.310**
Input 2016	225.661	**225.661**
31.12.2016	**9.828.971**	**9.828.971**

Explanations	Software and software licenses	Total
Input 2017	105.996	**105.996**
31.12.2017	**9.934.967**	**9.934.967**
Depreciation, amortization		
01.01.2016	**5.353.802**	**5.353.802**
Expenses 2016	772.978	**772.978**
31.12.2016	**6.126.780**	**6.126.780**
Expenses in 2016	668.745	**668.745**
31.12.2017	**6.795.525**	**6.795.525**
Remaining value		
01.01.2016		**4.249.508**
31.12.2016		**3.702.191**
31.12.2017		**3.139.442**

6. TRADE RECEIVABLES AND OTHER RECEIVABLES

The situation of trade receivables is as follows:

Explanations	**2017**	**2016**
Debts from clients who have not exceeded their due date	120.544.251	95.619.679
Debts which have exceeded their due date with no impairment adjustments	6.050.471	5.224.401
Debts which have exceeded their due date with impairment adjustments	737.853	500.836
Impairment adjustments	-737.853	-500.836
Total receivables	**126.594.722**	**100.844.080**

The situation for the debts which have exceeded their due date with no impairment adjustments at the 31st of December 2017, 2016 repectively, is detailed here below:

Explanations	**2017**	**2016**
Less than 90 days overdue debts	4.261.375	2.687.310
91 to 180 days overdue debts	1.458.002	591.559
181 days to 1 year overdue debts	319.584	1.417.132
More than 1 year overdue debts	11.510	528.400
Total overdue debts	**6.050.471**	**5.224.401**

The Company made adjustments for the inventory depreciation as detailed below:

Balance at 01.01.2016	**810.233**
Adjustments constituted in 2016	462.058
Adjustments reversed in 2016	-771.455
Balance at 31.12.2016	**500.836**
Adjustments constituted in 2017	593.888
Adjustments reversed in 2017	-356.871
Balance at 31.12.2017	**737.853**

The Company's commercial policy requires the recording of depreciation adjustments for receivables over 360 days, except for those receivables from partners with which the Company is debtor in turn, with debts of approximately the same age as the unpaid receivables. The company's policies in the commercial department require registration of impairment adjustments for receivables exceeding 360 days and for receivables which hint an uncertainty factor.

Other Company Debts are detailed here below:

Explanations	2017			2016		
	Total, of which	Long term	Short term	Total, of which	Long term	Short term
Payments in advance to suppliers	3.275.383	0	3.275.383	2.133.766	0	2.133.766
Staff related debts	11.184	0	11.184	28.652	0	28.652
State budget and local budget debts	1.215.165	0	1.215.165	6.668.333	0	6.668.333
Other debitors	1.171.749	0	1.171.749	873.503	0	873.503
Impairment adjustments for debitors	-594.585	0	-594.585	-578.886	0	-578.886
Expenses in advance	550.379	0	550.379	423.937	0	423.937
Subsidies to be collected (European funds projects)	0	0	0	22.638	0	22.638
Total Debts	**5.629.275**	**0**	**5.629.275**	**9.571.943**	**0**	**9.571.943**

The Company established the following impairment adjustments for other receivables.

Balance at 01.01.2016	**300.737**
Adjustments constituted in 2016	278.886
Adjustments reversed in 2016	-737
Balance at 31.12.2016	**578.886**
Adjustments constituted in 2017	15.699
Adjustments reversed in 2017	0
Balance at 31.12.2017	**594.585**

The company's policies require registration of impairment adjustments for receivables exceeding 360 days and for receivables which hint an uncertainty factor. Receivables in foreign currencies are valued in RON at the exchange rate of BNR on 31.12.2016.

7. OTHER RECEIVABLES

The situation of other receivables of the Company is as follows

Explanations	2017			2016		
	Total, of which	Long term	Short term	Total, of which	Long term	Short term
Custom home warranty	103.000	103.000	0	103.000	103.000	0
Other guarantees	13.684	13.684	0	4.354	4.354	0
Total other assets	**116.684**	**116.684**	**0**	**107.354**	**107.354**	**0**

8. STOCKS

The Company made adjustments for the inventory depreciation as detailed below:

Explanations	2017	2016
Raw materials	35.991.371	27.453.843
Impairment of raw materials	-223.206	-53.226
Packaging materials	19.327.239	13.471.965
Impairment of materials and packaging	-165.376	-80.220
Semi-finished parts and production in progress	33.495.480	32.055.354
Impairment of semi-finished parts	0	-477.314
Finished goods and merchandise	16.066.281	19.448.665
Impairment of finished products and goods	-169.612	-169.591
Total stocks	**104.322.177**	**91.649.476**

The Company made adjustments for the inventory depreciation as detailed below:

Balance at 01.01.2016	**326.212**
Adjustments constituted in 2016	477.314
Adjustments reversed in 2016	-23.175
Balance at 31.12.2016	**780.351**
Adjustments constituted in 2017	272.383
Adjustments reversed in 2017	-494.540
Balance at 31.12.2017	**558.194**

Impairment adjustments are recorded for non-moving and slow moving stocks, which are most likely to no longer generate future economic benefits.

9. CASH AND CASH EQUIVALENTS

Available cash and cash equivalents are listed here below:

Explanations	2017	2016
Bank accounts in RON	389.283	361.012
Currency accounts	212.493	236.933
Cash equivalents	1.416	3.949
Petty cash	10.787	3.717
Total Cash and equivalents	**613.979**	**605.611**

The Company holds bank accounts in both RON and foreign currencies at the following Bank Institutions: BRD Group Societe Generale, BCR, RBS Bank, ING Bank, Treasury.

10. PROFIT TAX

The tax for the current Company's profit is determined based on the statutory profit, adjusted for non-deductible expenses and non-taxable income at a rate of 16%.

On 31 December 2017 and 2016 repectively, the tax profit consists of:

Explanations	2017	2016
Current profit Tax Expense	4.280.404	1.934.646
Receivable / income for the deferred income tax	-264.056	-140.008
Total Profit Tax	**4.016.348**	**1.794.638**

The numerical reconciliation between the income tax expense and the result of the multiplication of the accounting result with the tax rate in force is presented here below:

Explanations	2017	2016
Profit before tax	42.642.814	53.422.195
16% Profit Tax Expense	6.822.850	8.547.551
Sponsoring charge deducted from the profit tax	-223.010	-217.863
Due profit tax	6.599.840	8.329.688
The effect of non-taxable income	-800.941	-2.860.172
The effect of non-deductible tax and temporary differences	1.015.501	1.223.438
The effect of tax exemption on reinvested profit	-2.798.052	-4.898.316
Total expenses with the profit tax	**4.016.348**	**1.794.638**
The real percent of the profit tax	**9,42**	**3,36**

The significant parts of the profit tax included in the financial situations at 31.12.2017 and 31.12.2016 are detailed here below:

Explanations	2017	2016
Gross Profit	42.642.814	53.422.195
Non-taxable income	-5.005.879	-17.876.072
Other deductions - tax amortization	51.188.624	46.619.348
Fiscal profit	-43.191.398	-38.097.817
Profit Tax	45.634.161	44.067.654
Sponsoring expenses	7.301.466	7.050.825
The effect of tax exemption on reinvested profit	-223.010	-217.863
Total expenses with the profit tax	-2.798.052	-4.898.316
The real percent of the profit tax	**4.280.404**	**1.934.646**

In 2017, the Company applied for the tax exemption on the reinvested profits in technological equipment, according to OUG no. 19/2014. The Board of Directors anticipates the bought technological equipment will remain

in the Company's patrimony for at least 5 years. At the same time the constituted reserve due to the above mentioned facility will not be distributes/used.

The evolution of the deferred tax to be recovered between 01.01.2016 - 31.12.2017 is presented in the table below:

Deffered tax for 01.01.2016	**-2.734.354**
Deffered tax through the profit-loss account in 2016	-140.008
Deferred tax recognized through other elements of 2016's results:	**2.070.278**
Deferred tax from revaluating the fixed assets	2.070.278
Deffered tax for 31.12.2016	**-804.084**
Deffered tax through the profit-loss account in 2017	264.056
Deferred tax recognized through other elements of 2017's results:	**-255.920**
Deferred tax from revaluating the fixed assets	-255.920
Deffered tax for 31.12.2017	**-795.948**

The main components of the deffered profit tax included in the financial situations on the 31st of December 2016, considering the percentage of 16%, are detailed here below:

Temporary difference type	Cumulative Value of Temporary Difference	Cumulative deferred tax - income	Cumulative deferred tax - debt	Net Cumulative deferred tax	Profit-loss acoount 2016	other elements of 2016's global results
Assets reevaluation	42.161.793	0	6.745.888	6.745.888		2.070.278
Legal reserves	4.376.421	0	700.227	700.227		
Differences due to the depreciation of Tangible Assets	-48.582.425	-7.773.188	0	-7.773.188	315.299	
Other debts	-2.981.318	-477.011	0	-477.011	-455.307	
Total	**-5.025.529**	**-8.250.199**	**7.446.115**	**-804.084**	**-140.008**	**2.070.278**

The main components of the deffered profit tax included in the financial situations on the 31st of December 2017, considering the percentage of 16%, are detailed here below:

Temporary difference type	Cumulative Value of Temporary Difference	Cumulative deferred tax - income	Cumulative deferred tax - debt	Net Cumulative deferred tax	Profit-loss acoount 2017	other elements of 2017's global results
Assets reevaluation	40.562.295	0	6.489.966	6.489.966		-255.920
Legal reserves	4.376.421	0	700.227	700.227		
Differences due to the depreciation of Tangible Assets	-45.146.455	-7.223.433	0	-7.223.433	543.450	
Other debts	-4.766.927	-762.708	0	-762.708	-279.394	
Total	**-4.974.666**	**-7.986.141**	**7.190.193**	**-795.948**	**264.056**	**-255.920**

The Company acknolwdges the deferred tax receivables because it estimates that there will most likely be future taxable profit against which those receivables can be used.

11. EQUITY

Shareholder structure on 31.12.2017 is as follows:

Explanations	No. of shares	% of total share capital
COMPA Employee Association	**119.474.505**	**54,6**
Other shareholders (individuals and legals)	99.346.533	45,4
Total number of shares	**218.821.038**	**100,0**

The company's shares have a nominal value of 0,1 RON /share, the share capital value being of 21.882.104 RON .

The equity of the company include the following:

Explanations	2017	2016
Subscribed and paid capital	21.882.104	21.882.104
Capital adjustments	0	0
Revaluation reserves	82.062.778	82.062.778
Legal reserves	4.376.421	4.376.421
Adjustment of legal reserves	22.679.066	22.679.066
Other reserves	194.175.429	156.895.792
Adjustment of other reserves	442.991	442.991
Current and deferred income tax recognized in the equity account	-7.190.195	-7.446.115
Retained earnings from the first adoption of IAS, less IAS 29	57.483.644	57.483.644
Retained earnings representing surplus from revaluation reserves	29.144	29.144
Retained earnings from switching to IFRS, less IAS 29	8.611.538	8.611.538
Retained earnings due to the adoption of IAS 29 for the first time	-648.352	-648.352
Error correction adjusted result	0	-1.221.270
Current year profit	38.098.354	51.627.557
Distribution of profit	-17.487.822	-30.614.473
Total equity	**404.515.100**	**366.160.825**

The changes produced in equity were as follows:

The causes of changes	Equity element	2017 - 2016
Distribution of the net profit of the previous year to its own development sources, according to GMS Resolution 24.04.2017	Other reserves	19.791.815
Distribution of the net profit for the year 2016 for covering the losses from the correction of accounting errors, according to the GMS decision 24.04.2017	Reported result from correction of errors	1.221.270
Distribution of the current year's net profit to its own development sources, in accordance with GEO 19/2014, on the exemption of reinvested profit	Other reserves	17.487.822
Determination of postponed profit tax on personal capital	Current and deferred tax recognized on equity	255.920
The result obtained in the current year	Current year profit	17.085.270
Distribution of profit	Profit distribution	-17.487.822
Total changes		**38.354.275**

Capital Management

The Company's objectives related to capital management reffer to maintaining the Company's ability to continue operating in order to provide compensation and benefits to its shareholdersand to other stakeholders and to maintain an optimal capital structure so as to reduce capital costs and support further development of the Company. There are no capital requirements imposed from the outside. The Compnay monitors the capital based on the debt level. This coefficient is the result of dividing the net debt to the total capital.

The net debt is the total of all the loans (including the current loans and the long term loans as per the balance sheet) except the cash and the cash equivalents. The total administered capital is calculated as “equity capital” as shown in the financial situation.

The Company distributed 2017’s net profit to own development sources due to the tax exemption facility offered for reinvested profit as per the OUG 19/2014.

Compa continued to use the above mentioned facility in 2017 as well, and according to legal regulations it distributed 17.487.822 RON worth of profit to own development sources.

Considering the development opportunities anticipated for the next year and the need to fulfill new investments objectives, the Board of Directors will propose to the OGMS to accept that the next year’s net profit should also be distributed to own development sources.

The evolution of indebtedness of the Company is as follows:

Explanations	2017	2016
Total Debt	192.374.065	200.844.277
Cash and cash equivalents	613.979	605.611
Net Debt	**191.760.086**	**200.238.666**
Equity	**404.515.100**	**366.160.825**
Level of indebtedness	**0,47**	**0,55**

The company proposed not to exceed the threshold of 0,99.

12. FINANCIAL LIABILITIES

Long term and short term financial liabilities expressed in **EUR** are as follows:

Credit institution	Loan type	2017			2016		
		Total, of which:	Long term (< 5 years)	Short term	Total, of which:	Long term (< 5 years)	Short term
BRD Société Générale România	Credit line for manufacturing	3.200.698	3.200.698	0	4.002.454	4.002.454	0
ING Bank-Sibiu	Credit line for manufacturing	5.221.359	5.221.359	0	6.288.773	6.288.773	0
Total financial liabilities EUR		**8.422.057**	**8.422.057**	**0**	**10.291.227**	**10.291.227**	**0**

Long term and short term financial liabilities denoted in **RON** are as follows:

Credit institution	Loan type	2017			2016		
		Total, of which:	Long term (< 5 years)	Short term	Total, of which:	Long term (< 5 years)	Short term
BRD Société Générale România	Credit line for manufacturing	14.914.292	14.914.292	0	18.175.546	18.175.546	0
ING Bank - Sibiu	Credit line for manufacturing	24.329.966	24.329.966	0	28.557.949	28.557.949	0
Total financial liabilities RON		**39.244.259**	**39.244.259**	**0**	**46.733.495**	**46.733.495**	**0**

The company filed guarantees for contracting its loans.

Tangible assets mortgaged in favor of credit institutions on 31.12.2017 are in accountancy amount of 52.997.025 RON and the guarantees consisting of technological equipment have a net book value of 16,023,977 RON

Also, for guaranteeing the employed credits, "collateral securities on receivables" were constituted, in proportion with the value exposed to the financing banks.

Interest margin of loans from engaged banking institutions vary from:

Euribor at 1 month + 1 % per year

Euribor at 1 month + 1.55 % per year

Euribor at 3 months + 1 % per year

Foreign currency liabilities are valued in RON at the exchange rate of BNR on 31.12.2017

13. COMMERCIAL LIABILITIES AND OTHER PAYABLES

The commercial debts and other liabilities are as follows:

Explanations	2017			2016		
	Total, of which	Long term	Short term	Total, of which	Long term	Short term
Suppliers	109.564.637	0	109.564.637	108.664.190	0	108.664.190
Advanced payments received from customers	20.341	0	20.341	497.093	0	497.093
Staff-related debts	4.516.461	0	4.516.461	4.296.324	0	4.296.324
Social security and unemployment debts	3.742.935	0	3.742.935	3.495.725	0	3.495.725
Other state budget debts	1.525.644	0	1.525.644	1.316.808	0	1.316.808
Current income tax liabilities	163.092	0	163.092	165.379	0	165.379
Various creditors	143.930	0	143.930	131.399	0	131.399
Debts from partner project POSDRU contracts	0	0	0	0	0	0
Investment subsidies from AMPOSDRU, AMPOSCEE contracts	30.494.652	26.804.190	3.690.462	34.225.226	30.491.732	3.733.494
Inventory excess of property nature	81.819	81.819	0	197.393	197.393	0
TOTAL Commercial liabilities and other payables	**150.253.511**	**26.886.009**	**123.367.502**	**152.989.537**	**30.689.125**	**122.300.412**

The debts in foreign currency are valued in RON at the exchange rate of BNR on 31.12.2017.

14. PROVISION

Provisions situation as of 31.12.2017 is shown below:

Explanations	Provisions for guarantees granted to clients	Provisions for employee benefits	Other provisions	Total provisions
Balance at 01.01.2016	**26.945**	**108.700**	**0**	**135.645**
Provisions set up in 2016	0	0	4.988.496	**4.988.496**
Provisions reversed in 2016	0	0	-4.002.896	**-4.002.896**
Balance at 31.12.2016	**26.945**	**108.700**	**985.600**	**1.121.245**
Provisions set up in 2017	0	0	5.909.518	**5.909.518**
Provisions reversed in 2017	0	0	-4.154.468	**-4.154.468**
Balance at 31.12.2017	**26.945**	**108.700**	**2.740.650**	**2.876.295**

The Company did not provide additional provisions for guarantees granted to clients and employee benefits in 2017, considering that there were no changes compared to the situation on the 31.12.2016.

Other provisions amounting to RON 5.909.518 were established in the commercial relationship in 2016 between Compa and the following external partners: Delphi Diesel Systems-France, Bosch Rail Germany and Robert Bosch-Belgium. Until the end of 2017, provisions of RON 4.154.468 were reversed.

The balance of other provisions as of 31.12.2017 amounting to 2,740,650 RON is a liability to Delphi partner.

The observable differences are explained here below:

- Recalculation of the amortization included in the price of products delivered by Compa to Delphi. The amortization included in the price is calculated considering a certain volume of the purchase orders. There may be deviations to this prospected volume. These deviations are analyzed periodically and after verification and validation of the differences by both parties, the invoices for the price differences are issued.

– Decreasing the price of windscreen wipers delivered to ROBERT BOSCH BELGIUM.

The provisions were estimated at the date Compa recognized its obligations, but the process of analysis and validation by both partners of any additional obligations has not yet been completed.

15. INCOME AND ACTIVITY SEGMENTS

The company's income structure is as follows:

Explicaţii	**2017**	**2016**
Total Turnover, of which:	**704.042.288**	**638.659.554**
Revenues from sales of finished products	694.170.828	620.767.668
Revenues from provision of services	4.155.952	2.822.781
Revenues from sale of goods	5.140.841	11.558.720
Revenues from other activities (rents, various activities)	571.011	3.200.376
Revenues from associated subsidies (EU funds projects)	3.656	310.009
Other operating revenues	**9.871.563**	**15.861.421**
Total - Operating income	**713.913.851**	**654.520.975**
Other operating revenues consist of:		
Revenues from production assets	2.970	7.612
Revenues from assets held for sale in ceded	5.641.080	9.125.456
Revenues from investment grants (projects and partner contract projects AMPOSDRU and AMPOSCEE)	3.730.574	3.574.993
Other operating revenues	496.939	3.153.360
TOTAL Other operating income	**9.871.563**	**15.861.421**

Activity Segments

The Board of Directors is regularly reevaluating the activity of the Company so that segments of activity for which information should be separately reported - are identified as soon as possible.

The Company is based in Romania. All the Company’s income detailed above is strictly attributed to Romania.

Fixed assets, other than financial instruments, deferred tax due revenue, post-employment benefit claims and rights arising from insurance contracts are located in Romania as a whole. The Company does not have such fixed assets located in other countries.

The export income for 2017 is 554.36 million RON, representing 78.74% of the turnover. The first three external clients provide 403 million RON worth of income. All the income corresponds to the activity in Romania.

16. EXPENSES TYPE

Operating expenses made within the years 2016 and 2015 are presented in the following table:

Explanations	2017	2016
Material expenditures	430.498.973	397.289.936
Stock differences	1.651.709	-7.848.240
Energy and water expenses	22.988.640	25.048.711
Employee benefits expenditures, of which:	**129.696.667**	**115.823.029**
- salaries and compensations	106.562.479	95.075.504
Salaries and compensations	23.134.188	20.747.525
Insurance and social protection expenses	41.442.564	36.851.046
Asset value adjustments	30.559	422.891
Current asset value adjustments	36.892.969	35.755.510
Third party expenditures	3.417.272	1.976.904
Other tax expenditures, taxes and similar payments	1.755.050	985.600
Other operating expenses	2.367.925	5.254.345
TOTAL Operating expenses	**670.742.328**	**611.559.732**

17. OPERATING RESULT ANALYSIS

Explanations	2017	2016
Operating income	713.913.851	654.738.564
Cost of sales	-641.151.947	-584.574.942
Sales and distribution expenses	-1.624.588	-576.711
Administrative expenses	-17.870.022	-17.577.168
R & D Expenses	-10.095.771	-9.048.500
Operating result	43.171.523	42.961.243

18. EMPLOYEE BENEFITS EXPENSES

Employee benefits expenses include salaries, compensations and social security contributions. Short term benefits are recognized as expenditures as the services are rendered

Explanations	2017	2016
Salaries and compensations	106.562.479	95.075.504
Insurance and social protection expenses	23.134.188	20.747.525
TOTAL	**129.696.667**	**115.823.029**

19. FINANCIAL LOSSES (GAINS)

The financial losses (gains) structure is shown below:

Explanations	2017	2016
Gains from foreign exchange differences relating to monetary items denominated in foreign currency	415.364	-445.762
Losses from interest rates	-518.069	-643.209
Other financial gains	-426.004	11.549.923
TOTAL Losses / Gains	**-528.709**	**10.460.952**

In August 2017, as a result of the EGMS decision of April 24th , 2017, Compa Expediţii Internaţionale SRL, at which COMPA held 98% of the share capital and 980 RON, was liquidated through dissolution.

This company did not carry out activity from its establishment until its liquidation.

20. EARNINGS PER SHARE

The earnings per share for the years 2016 and 2015 is summarized as follows

Explanations	2017	2016
No. of shares at the beginning of the year	218.821.038	218.821.038
Shares issued during the year	0	0
No. of shares at the end of the year	**218.821.038**	**218.821.038**
Net profit	**38.098.354**	**51.627.557**
Earnings per share (in RON per share) basic / diluted	**0,17**	**0,24**

21. FINANCIAL INVESTMENTS

The company's financial investments represent shares owned at affiliated entities. Securities held are carried at cost and include the following:

Company that holds the securities	Social headquarters	% of share capital	Securities Value	Main activity (according to CAEN)
COMPA IT SRL	Sibiu, No.8, Henri Coandă, Street, Sibiu County	100,00	200.000	6201 “Activities of achieving custom software”
TRANS CAS SRL	Sibiu, No.12, Henri Coandă, Street, Sibiu County	99,00	1.498.450	4941 “Freight transport by road”
RECASERV SRL	Sibiu, No.51, Henri Coandă, Street, Sibiu County	70,00	70.000	5629 “Other types of activities”
TOTAL			**1.768.450**	

Entities affiliated with the company were formed in time, due to the need of outsourcing some COMPA S.A. specific activities like: software design, domestic and international auto transport, catering, etc.. The outsourcing accomplished to streamline these activities and to benefit from some state-offered facilities for specific activities (IT activities, transport licenses etc).

Most contracts and transactions with these entities represent COMPA (holder of special and specific installations) sourcing utilities like: electricity, heat, water, telephone services, compressed air, rental of premises and equipment necessary to conduct business, as well as contracts for the supply of goods and services. On the other hand, these affiliated entities provide COMPA with the goods and services they produce and for which outsourcing was imposed. Relationships were conducted on free market commercial terms, the price of which is agreed upon by negotiation, falling in the prevailing market levels.

In August 2017, as a result of the EGMS decision of April 24, 2017, Compa Expediţii Internaţionale SRL, at which COMPA held 98% of the share capital and 980 RON, was liquidated through dissolution.

This company did not carry out activity from its establishment until its liquidation

Transactions in the first three months of 2015 and 2016 with the companies in which COMPA holds stakes were as follows (amounts include VAT):

Explicaţii	2017		2016	
Company where securities are held	**Purchases of goods and services**	**Sales of goods and services**	**Purchases of goods and services**	**Sales of goods and services**
TRANS CAS S.R.L.	16.992.449	223.963	18.127.961	254.924
COMPA IT S.R.L.	2.020.025	21.713	1.974.000	22.875
RECASERV S.R.L.	1.330.735	51.505	992.844	51.659

Mutual debts and claims registered at 2017 and 2016 are:

Claims receivable by COMPA S.A. from:

Explanations	2017	2016
TRANS CAS S.R.L.	18.244	45.239
COMPA-IT S.R.L.	5.291	1.792
RECASERV S.R.L.	8.390	6.589

Debts paid by COMPA Company S.A. to:

Explanations	2017	2016
TRANSCAS S.R.L.	2.639.063	3.139.677
Compa IT S.R.L.	714.192	689.181
RECASERV S.R.L.	335.188	203.817

Outstanding balances are not guaranteed and do not bear interest. No guarantees have been constituted and no guarantees have been received for debts or liabilities of involved parties.

Company Management

List of company directors (Board of Directors):

NUMELE ŞI PRENUMELE	CALIFICARE	FUNCŢIA
DEAC Ioan	Engineer	Chairman & CEO
MICLEA Ioan	Economist	Member BoD & CFO
MAXIM Mircea Florin	Engineer	Member BoD
BALTEŞ Nicolae	Economist	Member BoD - Chairman Audit Committee
VELŢAN Ilie-Marius	Economist	Member BoD – Member of the Audit Committee

List of company executive members:

NAME AND SURNAME	POSITION
DEAC Ioan	CEO
MICLEA Ioan	CFO
FIRIZA Ioan	Management Director
BĂIAŞU Dan-Nicolae	Commercial Director
BUCUR Tiberiu-Ioan	Sales Director
ACU Florin-Ştefan	Technical Director
MUNTENAŞ Bogdan-Vasile	Logistics Director
ŢUICU Liviu-Laurenţiu	Quality and Environment Director
ŢUŢUREA Mihai	Production Director
ROTARU Petru-Liviu	Production Director
MORARIU Mircea	Production Director
HERBAN Dorin-Adrian	Industrial Engineering Director
SUCIU Ioan-Octavian	Quality and Environment Management Systems Director
OPRIŢOIU Dumitru	Head of Energy Base
DRAGOMIR Marius-C-tin	Head of Maintenance

Transactions with the company's executive members are limited to wages and allowances..

Explanations	2017	2016
Wages and allowances granted to the Board of Directors and executive management members	**5.076.472**	**4.759.095**

22. EMPLOYEE BENEFITS

The company makes payments to the Romanian state pension system, to the health insurance system and to the unemployment fund on behalf of its employees. All the Company's employees are members of the Pension System of the State and have the legal obligation to contribute thorough the social security contributions to it. All contributions are reflecte in the financial result of the period in which they are incurred.

As per the Collective Labor Contract, the Company is obliged to offer benefits to its employees if the contract is stopped from reasons which are independent to its employees.

The ebefits consist of 0.5 to 5 brut salaries depending on the duration of employment within the Company.

As per the Collective Labor Contract and according to legal regulations, the employees which reach the legal age for retirement are entitled to an amount equal to the average salary corresponding to their last occupied position within the Company, adjusted to duration of employment within the Company.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk management is an activity that must be performed by each economic agent, permanently to make immediate decisions at which time the potential risks as well as the measures designed to mitigate their effects must be analyzed.

Risks connected with the selling activity

This is an important area of COMPA's business and therefore, from the bidding process, we analyze all the risks that may arise such as:

- offering and engaging new medium and long-term projects to traditional COMPA customers, strong multinationals with financial strength and global support;
- submitting competitive offers for partners, in order to guarantee the award of the projects, in particular at the workshops in COMPA where available capacities exist;
- Improving the quality assurance system as well as the level of quality of the products made to eliminate or mitigate the qualitative refusion of the products sold;
- Peerformance of the logistics system in COMPA to ensure a reduction in the stock of finished products and eliminate the risks of delayed delivery to customers.

Credit risk

During the year 2017, the level of credit lines committed under the contracts concluded with the two banks (ING Bank and BRD Groupe Societe Generale) were accessed below 50% of the contracted level.

There was a positive situation because of the company's own resources, the depreciation of machinery and equipment included in the price, as well as the net profit obtained were not fully utilized. The surplus of resources was used to repay the credit lines, while also ensuring lower access to credit lines contracted throughout the year.

Under these circumstances, in 2017 there were no risks related to loans contracted with banks.

The insolvability risk

And in 2017 this risk category was not felt in COMPA's business. Steps have been taken at company management level to increase solvency, eliminating any risk related to solvency.

The liquidity of the company was monitored every month, with decision-makers being permanently informed of the evolution of this indicator.

The measures taken for this purpose in COMPA to reduce and even eliminate the risk of insolvency were:

- ensuring a high degree of profitability despite our customers' demand for annual price reductions due to higher labor productivity;
- increasing the business level by assimilating new products in the production;
- analyzing and evaluating partners to whom offers are being sent away by eliminating the situation of entering into business with high-risk companies and offering to prestigious companies, not financially;
- delivery to new or less known customers, only on the basis of payment instruments insured at delivery (CEC, promissory note) or even prepayment.

The currency risk

During 2017, there were not very volatile moments in the foreign exchange market. COMPA Company has a surplus of currency (Euro) because most of the deliveries are made in the European Union, and credit lines are also committed in foreign currency. There were no foreign exchange risks with a major impact on the financial activity of the firm.

Due to the increase in the Euro / RON ratio in 2017, the effects on COMPA's activity were positive, the financial result was superior to the budget.

The investment risk without coverage

Without an objective in this respect, during 2017, investment levels were lower than in previous years.

Therefore, financial resources to support the development and renewal process of machinery and equipment have not been fully consumed, some of these resources have been used to repay the contracted credit lines for working capital.In this situation, this risk did not take place.

Knowing the trends of changing the structure of automotive production in the future, by deducting the share of diesel automobiles, investment areas in the future need to be carefully analyzed investment spending as well as the provision of resources must be targeted for those future projects, especially for automotive components petrol, hybrid or electric.

The risk of predictability in the tax law

During the year, there were important changes to the legislation in the tax field, the effect of these legislative changes having a rather strong impact in particular in relation to foreign business partners.

Changes in the field of labor law and labor taxation, the increase of the minimum wage in the economy have a strong impact on the activity of the companies that have the obligation to align the collective agreements concluded with the representatives of the employees, to these provisions.

Growth over the initial wage provision in Romania puts Romanian firms in a very difficult situation in relation to foreign business partners who are not willing to bear these increases beyond the established provisions

To counteract the effects of the increased risk of wage costs without significant impact on COMPA's profitability, both in 2017 and 2018, labor productivity growth was stimulated by motivating staff to produce more in order to obtain a higher salary.

Without such measures, the risks and effects of legislative changes in the labor market cannot be sustained, generating serious and unpredictable problems.

The stealind risk

The theft phenomena of COMPA's patrimony are more and more rare or even eliminated.

Entry and exit control measures on the company's gates, supported by a system and an extensive network of surveillance cameras, have had positive effects in combating the risk of theft.

24. DATORII CONTINGENTE ŞI ANGAJAMENTE

The Company is involved in several Court Actions resulted from its normal activity.

The Board of Directors consider that except for the amounts described in the financial situations (provisions, impairment adjustements for assets depreciations) any other Court actions won’t have a significant negative impact over the economical results and over the financial situation of the Company.

There are different authorized agencies for control and audit activities in Romania. These controlling activities are similar to financial audits performed by the financial authorities in various countries, but they can additionally audit other domains (such as legal aspects) depending on the agency profile.

The Company is very likely to be subjected to such controls so that presumed violations of laws and regulations can be investigated.

Although the Company may contest the penalties applied because of these audits, new laws and regulations given by the Romanian State may have a significant impact over the funcitonaing of the Company. Romania’s financial system is under continuous development with many different interpretations and constant modifications which can sometimes be retroactive. The prescription period for fiscal controls is of 5 years.

The financial law in Romania contains price transfer for affiliate transactions, which date back to 2000. The current legal framework defines the "market value" principle for affiliate transactions as well as the methods of pricing transfer. As a result, it can be anticipated that the financial results as well as the value of the imported goods in the Customs is not distorted by the effect of the prices charged in relations with affiliated persons. Considering the aboce, the Company cannot quantify the impact of verification.

25. EVENTS SUBSEQUENT TO THE DATE OF THIS REPORT

No events that have a material impact on the financial position and the Company's overall result have been identified after the balance sheet date.

CEO,	**CFO,**
Ioan DEAC	**Ioan MICLEA**