



2018

ANNUAL REPORT

2018

REPORT OF THE BOARD OF DIRECTORS

**According to Regulation no. 5/2018 (Annex 15) regarding issuers and operations with securities
for the financial year 2018**

Report date	Mars 22 th 2019
Name of the issuing entity	COMPA S.A.
Registered office	Sibiu, 8, str. Henri Coandă, cod 550234
Phone number	+40269 237 878
Fax number	+40269 212 204; +40269 237 770
VAT code	RO 788767
Registration number in the Trade Registry	J 32/129/1991
Subscribed and paid share capital	21,882,103.8 RON
Regulated Market on which the issued securities are traded	Bucharest Stock Exchange, Standard Category, symbol CMP
LEI Code	315700EXV87GJDVUUA14

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1. ANALYSIS OF THE ACTIVITY OF COMPA SOCIETY

1.1. Elements of general evaluation


According to the Constitutive Act of the society, COMPA society produces and commercializes components and parts for the machine building industry (cars, transport vehicles, buses, trailers, tractors, rail carriages and diverse industrial equipments), thermic energy, including services and technical assistance, effectuation of foreign trade operations, engineering, direct collaboration with foreign trade banks, effectuation of operation of currency, being able to take part and agree to credit operations; it also carries on social activities for the employees.

COMPA society was founded by H.G. nr1296/13.12.1990 according to Law nr.15/1990 and Law nr.31/1990. Starting with that date, the Machine Parts Factory / Plant ends its activity, the entire its patrimony being taken over by the new society.


COMPA society was registered at the Trade, Industry and Agriculture Chamber-The Trade Register Office at the Court of Sibiu, with the nr.J/32/129 from 12.02.1991, European Unique Identifier ROONRC.J32/129/1991.


COMPA is a society based on shares, with Romanian judicial personality, it is organized and functions in accordance with the Constitutive Act of the society and with the present legislation.


The year 2018 was a year with multiple challenges and achievements in most areas of society.


 In 2018, the turnover was almost 7% higher than in the previous year, with an increasing trend in manufactured goods production and the level of sales achieved in recent years. More significant increases in turnover were recorded in the following areas of company activity:


- Production of mechanical-welded assemblies
- Production of components for air conditioning systems
- Production of components for turbochargers
- Production of steering gears

 In the year 2018, the DMG machine tool transfer was started, which in the coming years could have a significant increase, being another non-automotive production area, different from the present-day production of COMPA, which currently is primarily intended for the automotive industry

 During 2018, the issue of ensuring the need for qualified personnel in all fields has become more and more important, becoming one of the most serious problems faced by COMPA in recent years

 There is a lack of personnel, especially of the skilled workers, and COMPA makes special efforts to recruit the necessary staff from Sibiu neighboring localities situated within a radius of 60 km from Sibiu, with an impact on the cost of transporting the skilled and even unskilled workers required for the 3 exchanges. Due to the lack of staff that is expected to become more and more acute in the future, the company's management has intensified the already demarcated actions for the automation of certain processes and especially the robotics in the production of welded mechanical parts, where the lack of welders is one of the most obvious

 The company's efforts to reduce costs in all areas of activity continued with even more insistence, extending the system of improvement projects that ensure, on the one hand, the reduction of the company's costs but also ensure a greater interest of the staff involved in carrying out these improvement projects that provide them with percentage incentives in the value of the savings obtained

 In the year 2018, the volume of investments made was 67.08 million lei, equivalent to 14.4 million Euros. These investments are mainly intended for the acquisition of new equipment but also for the modernization of existing ones, ensure the production capacities necessary to achieve especially the products for which there are long-term orders and contracts

The main indicators, as well as the main elements for general evaluation of the activity are presented in the dynamics of the three years, in Table 1.1.

Table 1.1(lei)

EXPLANATION	2016	2017	2018	% 2018 / 2017	% 2018 / 2016
Net profit	51,627,557	38,098,354	35,428,575	96.22	68.30
Turnover, of which:	638,659,554	704,042,288	752,507,249	106.95	117.33
- export	483,247,663	554,364,183	590,929,133	106.60	122.28
Total Revenues	678,066,739	714,102,062	768,880,000	106.26	112.98
Total Expenses	624,644,544	671,459,248	730,057,417	107.00	116.47
Current assets	202,671,111	237,160,153	286,507,459	120.66	141.85
Total liabilities	123,286,012	126,108,152	141,993,792	111.43	116.10
Liquidity	1.64	1.88	2.02	108.28	122.18

In 2018, the Company made entries representing the correction of some accounting errors for the year 2017. Also, the amendments valid on January 1, 2018 of IFRS 15 - Income from contracts with clients, determined the following restatements of the data for the years 2016 and 2017:

- Recognition of inventory revenue available to the customer at the time of transfer of control over them, impacting sales revenue on finished products and implicitly on turnover;
- canceling the provisions in the client relationship by reversing the expenses with the provisions while reducing the turnover and recording the debts from the contracts with the clients, also having an impact on the revenues from the sales of finished products and implicitly on the turnover;
- advances received from customers who met the recognition criteria as "Debts from contracts with customers" have been re-ranked in this category.

To ensure comparability, the data for the years 2016 and 2017 presented in the table above were adjusted with the corrections / repairs carried out as follows:

- the turnover achieved in 2018 has increased by almost 7% (6.95%) compared to the previous year (2017) and by over 17% compared to 2016
- the net profit realized in 2018 by about 4% below the level achieved in 2017 was due to the start of new projects which at the beginning of the manufacturing period were higher compared to the obtained revenues and on the other hand due to changes made in the structure of production made in 2018 by decreasing the share of volumes of products with high profitability. The more significant reduction in net profit in 2018 is due to short-term factors due to the fact that in 2016 the shares of 26.91% held by COMPA were sold to ThyssenKrupp Bilstein Compa, which our company COMPA obtained only as a result of this transaction a net profit of over 12 million RON
- the level of current assets recorded at the end of 2018 increased by about 20% compared to 2017 and by over 41% compared to 2016. This increase is partly justified by the fact that the turnover has increased both compared to 2017 and 2016. The increase in current assets is mainly due to the higher growth of receivables recorded at the end of 2018 (19.1%) as compared to the end of 2017
- the level of stocks at the end of 2018 also increased by almost 12% compared to the end of the previous year 2017;
- the current debts recorded at the end of 2018 increased by more than 11% compared to the same period of the previous year as a result of the increase of the turnover but also due to the increase of the commercial obligations (10.2%), mainly towards the suppliers of equipment, investment machinery and equipment.
- the current liquidity indicator had a positive trend of growth in 2018 as compared to 2017 and 2016

1.2. Evaluation of the technical level of company COMPA

a) Description of main products manufactured and / or services provided, share in earnings and turnover of the company, market positioning

Synthetically, the situation of production of goods on product groups in 2018 as compared to the budget and previous years is shown in Table 1.2.1.

Table 1.2.1. (k RON)

PRODUCT GROUP	2016	2017	2018		% 2018 / 20187 REB	% 2018 / 2017	% 2018 / 2016
			REB	Carried out			
Stamped parts, cupping	6,690	7,528	7,900	7,792	98.63	103.5	116.47
Welded assemblies	28,088	37,356	55,800	49,567	88.83	132.69	176.47
Valves	92,227	112,503	116,300	122,738	105.54	109.1	133.08
Pinions, steering gears	28,788	34,931	38,180	39,280	102.88	112.45	136.45
Windscreen wiper components	106,206	78,808	68,500	76,675	111.93	97.29	72.19
Springs and galvanization	6,650	7,678	8,390	7,452	88.81	97.05	112.06
Components for turbochargers	69,474	88,250	105,400	106,825	101.35	121.05	153.76
Components for injection systems	66,777	84,104	84,100	72,245	85.9	85.9	108.19
Components for air conditioning equipment	5,044	6,068	6,500	8,683	133.59	143.1	172.15
Injector body	194,444	218,000	238,800	239,094	100.12	109.68	122.96
Utilities supply	11,989	9,385	9,800	7,487	76.4	79.78	62.45
Valorization of reusable materials	2,467	3,854	3,950	5,398	136.67	140.06	218.82
Tooling	4,128	5,670	6,050	3,792	62.67	66.87	91.84
Miscellaneous	14,488	8,165	6,330	5,479	86.56	55.3	34.93
TOTAL MERCHANDISE PRODUCTION	638,660	703,621	756,000	752,508	99.54	106.88	117.83

The turnover delivered to export in 2018 compared to the level of 2017 and 2016, as well as compared to the provisions from the budget for 2018 is presented briefly in Table 1.2.2.

Table 1.2.2.(k Euro)

PRODUCT GROUP	2016	2017	2018		% 2018 / 2018 REB	% 2018 / 2017	% 2018 / 2016
			REB	Carried out			
Stamped parts, cupping	1,065	1,135	1,200	1,145	95.45	100.92	107.52
Welded assemblies	2,791	3,715	5,400	4,945	91.58	133.13	177.22
Valves	20,539	24,648	25,000	26,434	105.74		128.7
Pinions, steering gears	6,462	7,710	8,100	8,496	104.89	110.19	131.47
Windscreen wiper components - Bosch	23,599	16,996	14,800	16,114	108.88	94.81	68.28
Springs and galvanization	670	868	900	774	86.00	89.18	115.49
Components for turbochargers -	14,150	18,213	22,700	21,607	95.19	118.64	152.7
Components for injection systems	15,038	18,424	18,100	15,524	85.77	84.26	103.23

PRODUCT GROUP	2016	2017	2018		% 2018 / 2018 REB	% 2018 / 2017	% 2018 / 2016
			REB	Carried out			
Components for air conditioning equipment	1,042	1,124	1,400	1,602	114.46	142.57	153.79
Injector body	19,958	27,300	23,800	29,580	124.29	108.35	148.22
Tooling	425	715	760	403	53.01	56.39	94.85
Other products and services	2,143	661	540	427	79.10	64.58	19.93
TOTAL EXPORT	107,882	121,508	122,700	127,054	103.55	104.56	117.77

In table 1.2.3. is presented the share of COMPA main product groups in export production and internal production:
Table 1.2.3.

PRODUCT GROUP	Export %	Internal market %
Valves - Delphi	100	0
Pinions, steering gears - JTEKT	100	0
Components for injection systems – Bosch Rail	100	0
Windscreen wiper components - Bosch	98	2
Components for turbochargers - Honeywell	94	6
Components for air conditioning equipment - Daikin	86	14
Stamped parts, cupping	65	35
Injector body - Delphi	58	42
Tooling	50	50
Springs and galvanization	48	52
Welded assemblies	51	49

The share in the total turnover of main product groups is presented in evolution in table 1.2.4.:

Table 1.2.4.

PRODUCT GROUP	% in turnover		
	2016	2017	2018
Injector body	30.5	30.9	31.8
Windscreen wiper components	16.6	11.2	10.2
Valves	14.4	16.0	16.3
Components for turbochargers	10.9	12.5	14.2
Components for injection systems	10.5	12.0	9.6
Pinions, steering gears	4.5	4.9	5.2
Welded assemblies	4.4	5.3	6.6
Stamped parts, cupping	1.0	1.1	1.0
Springs and galvanization	1.0	1.1	1.0
Tooling	0.7	0.8	0.5
Components for air conditioning equipment	0.8	0.9	1.1
Different products	4.5	3.0	2.5
TOTAL	100.0	100.0	100.0

b) New products taken into account which will affect a substantial volume of assets in the future financial year, as well as the developing status of these products

The technical and development function within COMPA plays a key role in the company's business system, because of the serious changes in the structure of orders during recent period. Along the year 2018 new products were introduced in production, products for which the production capabilities are assured and which will have a major impact on production in the following years. In terms of business ends, the share of new products in the turnover of the company has constantly surpassed the 8% target, denoting the dynamism and proficiency of the company when it comes to adapting to new requests, replacing existing products, and expanding its portfolio.

Validation tests have been carried out for components in the DMG machine tool structure.

Also the large number of type-dimensions, carcasses and flashlights, intended for the WILO customer, are a guarantee of continuous development of the company. Products are being validated with the customer.

In the same validation phase, there are also the pinions for the VCST client, which have applied forging, heat treatment, sandblasting, crack testing, chipping and cleaning.

Other products in various test and validation phases are steering gears, hydraulic servo-directional valves, intermediate steering axes, ballnuts for electric servo-drives, various stinging parts, injector body, various cold-rolled spring springs, common rail gasoline, high pressure pump body, etc.

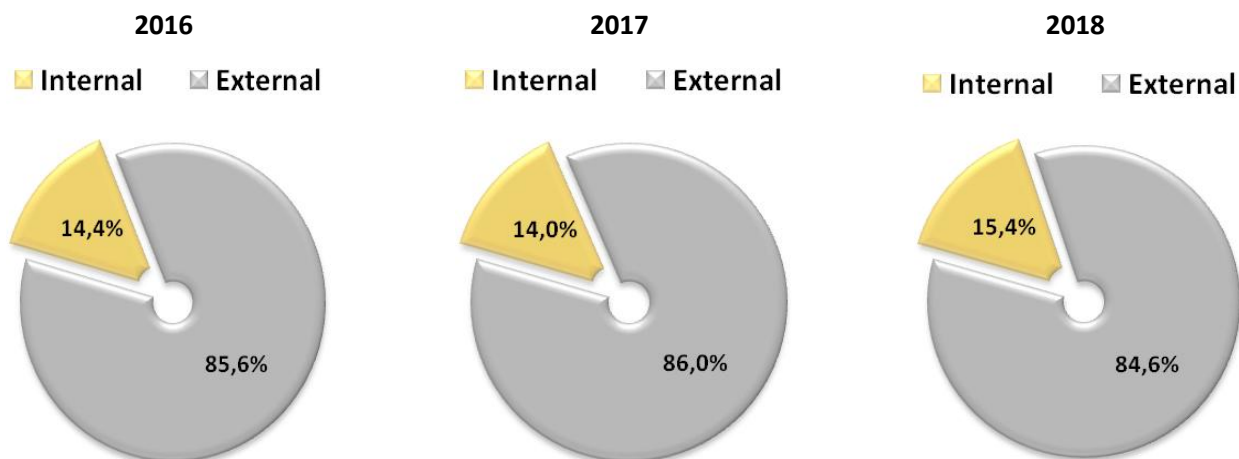
1.3.Evaluation of the supply activity (domestic and import sources)

The provision of the necessary raw materials for the manufacturing processes in COMPA is ensured from both the domestic market and import. A significant part of the necessary materials and components supplied from Romania come from foreign companies which have set up companies or branches in Romania.

Total purchasing volume and their share on domestic and import market in the total purchasing for 2017 as compared to 2015 and 2016 is presented in Table 1.3.1.

Table 1.3.1.

SUPPLY SOURCE	2016 Amount (k Euro)	%	2017 Amount (k Euro)	%	2018 Amount (k Euro)	%
Internal	11,442.4	14.4	12,639.6	14.0	14,372.9	15.4
External	68,251.8	85.6	77,656.2	86.0	78,902.8	84.6
TOTAL	79,694.2	100.0	90,295.8	100.0	93,275.7	100.0



a. Main domestic suppliers; share in purchasing total value

Details on domestic purchasing and main suppliers are presented in Table 1.3.2.a, below:

Table 1.3.2.a

SUPPLIER NAME	Group of purchased products	Purchasing value 2016 (excl. VAT) k Euro	% in total purchasing 2016	Purchasing value 2017 (excl. VAT) K Euro	% in total purchasing 2017	Purchasing value 2018 (excl. VAT) K Euro	% in total purchasing 2018
Bamesa Topoloveni	tablă	1,000.09	8.7	1,622.07	12.8	1,739.63	12.1
Baurom Galați	tablă	222.45	1.9	461.94	3.7	492.48	3.4
TKT Timișoara	lubrifianți	320.69	2.8	313.30	2.5	380.69	2.6
Lokve Agriprod Ploiești	lubrifianți	580.41	5.1	702.65	5.6	698.79	4.9
Linde Gaz Timișoara	gaze industriale	168.32	1.5	196.37	1.6	238.91	1.7
Chevron București	lubrifianți	140.53	1.2	164.24	1.3	173.38	1.2
Tech Service Mediaș	rulmenți, piese pt. mentenanță	414.65	3.6	257.99	2.0	278.71	1.9
Emuge Romania Cluj	scule	784.26	6.9	657.31	5.2	477.20	3.3
Guhring Sibiu	scule	475.06	4.2	589.99	4.7	840.29	5.8
Maxim București	scule	1,461.03	12.8	1,640.43	13.0	1,153.03	8.0
Schmolz & Bickenbach Romania	bare oțel	44.3	3.9	1,272.4	10.1	1,116.2	7.8
Total		6,012.73	52.5	7,878.73	62.3	7,589.28	52.8
Total cumpărări interne		11,442.4	100.0	12,639.6	100.0	14,372.9	100.0
Total cumpărări		79,694.2		90,295.8		93,275.7	

b) Main external suppliers; their share in total external purchasing:

Table 1.3.2.b

SUPPLIER NAME	Group of purchased products	Purchasing value 2016 (excl.VAT) k Euro	% in total purchasing 2016	Purchasing value 2017 (excl.VAT) K Euro	% in total purchasing 2017	Purchasing value 2018 (excl.VAT) K Euro	% in total purchasing 2018
Hirschvogel Germania	Semifinished parts	5,760.60	8.41	6,751.5	8.69	6,448.87	6.91
RB Belgia	Rubber parts, components	4,036.97	5.89	2,963.3	3.82	2,282.50	2.54
SAM Viviez France	Semifinished parts	1,213.23	1.77	2,092.8	2.69	29.61	0.03
Dogu Pres Turkey	Semifinished parts	499.08	0.73	546.7	0.70	643.11	0.69
Saint Jean Industries Loraine France	Semifinished parts	1,609.97	2.35	1,457.8	1.88	1,496.32	1.60
VDS Holland	components	1,231.49	1.80	578.1	0.74	560.93	0.60
Panne Belgium	components	1,647.66	2.40	937.9	1.21	495.18	0.53
HPO Samat France	components	533.42	0.78	747.4	0.96	902.65	0.97
Ascometal Luchini France	Alloy steel bars	1,042.33	1.52	1,442.5	1.86	1,681.98	1.80
Wieland Germany	Copper tubes	289.80	0.42	269.2	0.35	0.00	0.00
Precision Resource USA	Components	1,040.10	1.52	954.2	1.23	1,193.63	1.28
DecoRec France	components	823.96	1.20	829.1	1.07	820.43	0.88
Marcegaglia Italy	Steel band	343.11	0.50	834.0	1.07	886.94	0.95
Sandviken Sweden	tooling	1,030.64	1.50	1,237.6	1.59	1,330.22	1.43
Schaub Israel	tooling	1,764.98	2.58	1,983.5	2.55	1,996.5	2.14
DIAGER France	tooling	449.42	0.66	363.1	0.47	379.14	0.41
CIMOS		1,911.15	2.79	2,015.6	2.60	2,457.18	2.63
Stoba Präzisionsteile GmbH & Co KG		19,818.33	28.92	23,145.7	29.81	25,584.00	27.43
Setforge		1,842.34	2.69	1,229.5	1.58	2,786.35	2.99
Total		46,888.6	68.43	50,379.4	64.87	51,975.5	65.87
Total external purchasing		49,860.0	100.00	68,251.8	100.00		78,902.8
Total purchasing		79,694.2		90,295.8		93,275.7	

c) Value structure of purchase in terms of supply sources: domestic and import- for the main groups of products.

The structure of the purchases, both internal and import supply source on product groups is presented in the table below:

Table 1.3.2.c

PRODUCT GROUP	2016		2017		2018	
	Internal	External	Internal	External	Internal	External
	%	%	%	%	%	%
Sheet	96.2	3.8	98.2	1.8	95.8	4.2
Steel bars	13.1	86.9	20.9	79.1	10.5	89.5

PRODUCT GROUP	2016		2017		2018	
	Internal	External	Internal	External	Internal	External
	%	%	%	%	%	%
Tubes	88.4	11.6	81.8	18.2	43.2	56.8
Wire	64.1	35.9	63.9	36.1	56.2	43.8
Band	14.4	85.6	14.5	85.5	10.7	89.3
Non Ferrous	6.7	93.3	0.0	100.0	1.5	98.5
Semifinished parts, components	0.3	99.7	0.3	99.7	0.2	99.8
Rubber seals	0.2	99.8	0.0	100.0	0.0	100.0
Fasteners	1.7	98.3	1.7	98.3	2.1	97.9
Standard tooling	34.5	65.5	14.2	85.8	29.5	70.5
Total purchase	15.0	85.0	14.0	86.0	15.4	84.6

1.4. Evaluation of sales activity

During the period of evaluation the marketing and sales activity was focused on two main directions expending and strengthening cooperation within projects already implemented with existing clients and attracting new clients.

We plan to develop the business of spring production, mechanical welded structures, stamped parts, tool shop and industrial equipment, machined parts, drive shafts repair services, surface protection and metrological services.

We are particularly interested in replacing the production for diesel engines, with a focus on electric cars, for the future.

We are focusing in particular on finding new clients for forged parts.

1.5. Evaluating aspects of the company's employees / personnel







COMPA human resources policy aims at transforming the company into an organization that "learns continuously".

The company management is aware of the advantages of a highly qualified human resources personnel, familiar with the requirements of the industrial environment, capable of meeting the quality requirements demanded by customers. Therefore, employee training represents a priority for the company management.






COMPA, as an "organization that learns", provides constant development opportunities for all its members, uses learning to achieve business goals, ensures a permanent relationship between individual and business performance, supports career development, and determines people to identify with the organization.

The objective of trainings in 2018, was 26 hrs of training / employee. Training costs in 2017 totaled up to 2,439,513 RON.










Strategic guidelines of the training process in 2016 were:

-  retraining of employees to adapt to new processes;
-  standardizing and enhancing the efficient integration and adaptation of new/ transferred employees, as well as people who do not have any qualifications;
-  ensuring an efficient process for adaptation and integration of new employees with higher education;
-  improving the response mode, in case of emergency situations, and ensuring competent staff responsible for the company's protection;
-  improving leadership skills of Operations Managers and Production Managers;
-  adoption and implementation of policies, quality/environmental objectives and OHS in conjunction with

the standards of ISOTS 16949, SREN ISO 14001 and OHSAS 18001;

-  knowing the requirements of standards ISO 9001:2015 and IATF 16949;
-  job-specific skills development for validation/re-validation of the post and raising versatility;
-  developing the school-enterprise relationship through: supporting of dual vocational education and internships, laboratory classes, competence exams;
-  diversification of the COMPA educational offerings in correlation with the needs of economic agents and the requirements of the labor market;
-  implementing the requirements of ISO 26000 - Social Responsibility;

Training objectives focused on:

-  developing new skills of employees through training/retraining for jobs in the mechanical field: MUCN operator, welder, metrology technician, forklift operator, etc.;
-  skill development of administrative employees for improving the response mode in case of emergencies and to ensure the company's safety;
-  skill development of project managers, quality engineers, PPAP and APQP process engineers, safety standards and ensuring product safety and liability;
-  skill development of employees in the production logistics field;
-  update the knowledge of system auditors relating to the ISO 9001:2015 and IATF 16949 standard requirements;
-  developing language skills of personnel from the production quality field;
-  communication and decision making skill development of Operations Managers and Production Managers;
-  annual certification of personnel for special processes;
-  improving the knowledge level for job posts and improving versatility

Recruitment and selection policy

There were 1850 employment offers filed in 2018 (CVs, applications, letters of intent). Of these, a total of 1510 people participated to an interview.

811 people attended the interviews for the vacant positions (interview, work trials, psychological tests).

Of these, **640** were employed; **42** have been rejected because of professional reasons during the interviews/ work trials, **35** persons have been rejected because of other reasons (illiteracy, health problems incompatible with work conditions) and **94** people gave up the offered position because of various reasons (work environment, working hours, wage)

Social and wage policy

Following the negotiations between COMPA and unions, in November 2018 there was a wage increase of 8,2%. Consequently, this lead to a rise in benefits (Christmas and Easter bonuses, holiday bonus, travel allowances, etc.).

Furthermore, employees received food tickets throughout the whole year. Strict labor relations in accordance with the legal Labor Code and contractual collective agreements exist between the COMPA management team and its employees. There is also a weekly correspondence between the management team and employee representatives.

The relationship between the two parties has improved compared to previous years. The communication and kinship have become much clearer and the two parties participated to joint meetings. Therefore, stagnation periods of the production process due to work conflicts have diminished.

2016			2017			2018		
DPW	1288	65.92%	DPW	1312	65.26%	DPW	1360	64.95%
PSS	276	14.12%	PSS	305	14.84%	PSS	310	14.80%
TES	390	19.96%	TES	414	19.90%	TES	424	20.25%
TP	1954	100.00%	TP	2031	100.00%	TP	2094	100.00%

DPW Direct production workers ; PSS Production support staff ; TES Technical and economic staff

Analyzing the evolution of average number of employed personnel in 2018 in comparison with 2017 and 2016, we conclude the following:

- the average number of employees increased from 2031 in 2017 to 2180 in 2018, leading to an increase in production and consequently an increased turnover;
- the largest increase (from 1312 workers to 1360) has been recorded at direct workers, due to the a rise in some product groups;
- due to COMPA's lack of engineers, indispensable personnel for new product lines and projects in this period, a rise in SGA personnel has been registered.

The evolution of productivity throughout 2017 compared to previous years can be seen in Table 1.5.2.

Table 1.5.2. (th.lei/person/year)





ACTIVITIES	2016	2017	2018
COMPA TOTAL, from which:	326.85	346.64	345.36
Pinions, steering gears	323.46	326.46	326.46
Windscreen wiper components	400.78	398.02	398.02
Welded assemblies	169.2	232.02	232.02
Components for turbochargers	593.8	600.34	600.34
Components for air conditioning equipment	229.28	252.84	252.84
Valves	1844.55	2250.06	2250.06
Components for injection systems	695.6	678.26	678.26
Injector body	303.82	317.78	317.78
Other products and services	56.86	39.3	34.39

1.6. Assessing the quality of the issuer and impact of its core business on the environment. Synthetic description of the impact of the issuer's core activities on the environment and of any existing or envisaged disputes regarding violations of legislation on environmental protection

The main achievements of 2018 in the field of quality and environment:

The integrated quality, environmental, occupational health and safety management system functioning was improved and was recertified, following the audit of TÜV Rheinland, in accordance with framework standards:

- ISO 9001:2015 for products and processes outside the automotive domain - certificate no. 01 100 1521249;
- IATF 16949:2016 for the automotive domain - certificate no. 01 111 20778;

-  ISO 14001:2015 for all products processes and activities of the company - certificate no. 01 104 1521249;
-  SR OHSAS 18001:2008, for all processes and activities of the company – certificate no. TRR 126 20778;
-  SR EN ISO / IEC 17025 for metrology laboratory work - certificate no. BV-12-01-17;
-  Additional requirements for major customers: Delphi, Bosch, Garrett, JTEKT, Fuji Koyo, ThyssenKrupp Bilstein, INA, Dacia - Renault, Takata, Emerson, Daikin.






All these requirements have been integrated under a unified quality, environment, occupational health and safety management system.

Management of non-conforming products has been improved and made more effective through the continuous improvement of techniques: FMEA (Failure Mode and Effect Analysis), FTQ (First Time Quality), "5 Why" analysis, Pareto diagram, "Cause and effect" analysis and by improving the visual management at workstations, thus preventing the recurrence of nonconformities.

As a result of proper implementation and functioning of the integrated management system, we have maintained a good level of global quality indicator external PPM to an average of 5 PPM, by reducing non-conforming products claimed by customers, and also through resolving complaints in real time, which has increased customer satisfaction in relation with COMPA products and services.

Also, there were no field-failures due to first assembly products supplied by COMPA.







Within COMPA products and processes can result in the following environmental issues:

-  evacuations of wastewater resulting from electroplating processes, dyeing and washing of the pieces;
-  air emissions resulting from heat treatment processes, dyeing, electroplating, welding, cutting operations;
-  generating hazardous and non- hazardous industrial waste;
-  use of hazardous substances and mixtures;
-  use of energetic resources (electricity, gas, etc.).

All these aspects can generate environmental impacts when not kept under control. In order to prevent infringements relating to environmental protection, COMPA has introduced an environmental management system that allows controlling all environmental aspects mentioned above, while acting preventively in the sense of avoiding generation incidents and environmental accidents.






This is why we had no litigations with local administration and government bodies concerning the impacts on the environment.

In 2018 was carried out 39 environmental objectives, regarding:

-  improving the quality of wastewater discharged into the sewage system;
-  improving air quality;
-  reducing energy consumption;
-  controlled collection, sorting, capitalization and disposal of hazardous waste;
-  environmentally safe management of hazardous substances and mixtures;
-  educating and training employees to operate in an environmentally responsible way;

COMPA made significant expenditures for environmental protection and personnel awareness regarding knowledge and understanding of environmental aspects and preventing significant environmental impacts. Environmental expenditures were 561,817 lei during 2018.

These expenses were considering implementing environmental management programs and alignment with EU regulations and national legislation relating to the environment and consisted of the following programs and actions:

-  monitoring indicators of wastewater into the sewage system;
-  monitoring emissions into the atmosphere;
-  disposal of hazardous and non-hazardous waste;
-  achievement of the capitalization of packaging waste objectives;
-  payment of environmental taxes and charges for environmental fund, environmental permits, media ads, etc.

There were no environmental incidents and complaints from authorized bodies or neighborhoods in 2018.

1.7 Assessment of Research and Development activity

During 2018 and 2017 respectively in the previous years 2016 spending in research and assimilation of new products registered an upward trend.

The following table presents the evolution of costs incurred:

Table 1.7.1.(thousand)

INDICATOR	2016	2017	2018
1) Expenditure on R & D	9,048.5	10,095.77	11,880.05
2) Turnover	638,659.6	703,620.5	752,507.2
3) % (Row 1 / Row 2)x100	1.42	1.43	1.58

With regard to the introduction of new or improved processes, important actions have been taken in 2018, both by allocating significant investment funds to new processes and equipment, and by modernizing, optimizing and improving existing processes.

Machining processes have been developed through cutting, heat treatment, cold and hot plastic deformation and new anticorrosive protection in both auto and non-auto components

Development Research Center is contrived by designing machinery and equipment space for the two researches and machining centers as well as the research and testing center for products and technological processes. The machines, equipment and staff related to the research and machining of cutting tools are in the new location and produce effects.

Two equipment, namely the 3D measuring machine and the NLX 700 lathe, were added to the research and testing of products and technological processes.

In the last part of 2018, two product designs, the 4500N water pump pulley for the RENAULT customer and the parking brake wheel for the DACIA customer, were analyzed and launched. Home tests have been carried out on the choice of applied materials and technologies. These two projects are in the functional model phase and the pricing offer.

In this period, technologies were developed for the realization of the inner grooves in the obstructed holes, in heat treated materials with high hardness.

Rotary broaching processes, punching and mortising with special tool mounted on CNC lathe were tested.

Developing new processes

For thermal treatment of cut parts, vertical treatment furnaces and CIF treatment plants (high frequency currents) were purchased. Thermal treatment tests for the Dacia parking brake were carried out, aiming at placing the parts for the smallest deformations.

In the forged parts workshop technical documentation has been developed, technological tests for flange, pipe, ballnut, injector body, common ramp and pinions for Honeywell, VCST, Bosch, ZF, and others.

The robotic lines of the mecano-welded workpiece increase the productivity and quality of welds to high-end parts.

In order to absorb the capacity increases, the following machines were purchased: grinding machine, teeth grinding machine and vertical lathes. Also, the robotic cell for the machining of springs for hydraulic and electric servo directions has been created.

For the processing of components pumps, a new workshop was created, equipped with machines and devices specific to new products, carcasses and torches.

New technologies for new products in the Czech Republic have been developed.

1.8. The evaluation of the society regarding the management of risk

Risk assessment is a component part of the process of managing and coordinating COMPA's business, being a permanent process of analyzing potential factors that may disrupt the course of business. Risks are defined, their field of action is assessed and actions are taken to annihilate or diminish them.

The shares of the following categories of risks were monitored within COMPA

1.8.1. Commercial risk

One component of this risk is the sales risk, which is constantly pursued. During 2018, in COMPA, there were no special circumstances as a result of the risk of not having capped production capacities, except for the "Common Rail" production of the Rail injection system where they existed in the trim. IV a reduction of orders.

For the other product categories, the volume of orders was large enough, covering the capacities largely out of the company's activity, overtime worked during working days even on Saturdays and Sunday

In COMPA, client volumes are known in advance, so that some volume oscillations at certain times do not generate disturbances or very high costs, COMPA having the ability to counteract the effect of these risk categories

1.8.2. Credit risk

Neither in 2018 there were any impact on COMPA's activity as a result of credit risk.

The ceiling of the credit lines contracted with the financing banks was partly committed due to the fact that the own resources from the depreciation and the profit included in the price of the products were hurting partially used for investments, remaining in cost, thus reimbursing the credit lines.

Therefore, in 2018 there were no risks related to loans contracted with banks.

1.8.3. The risk of insolvency

In the course of its existence as a trading company set up in 1990, COMPA did not have any situation in which to feel the risk of insolvency.

This category of risk was not felt COMPA being financially sound, having sufficient own resources, equity that would allow it to operate without the slightest concern about the action of such a risk.

Measures have been taken to eliminate this impact, as follows:

- It has been ensured that the relative steady degree of profitability is maintained;
- Increased business level;
- New business opportunities have emerged;
- Business partners, especially customers, are highly performing companies that can not generate such risks

1.8.4. Currency risk

COMPA has negotiated with all partners the prices in Euro, most of the products being destined for export and on the intra-Community market.

Having a Euro surplus, there are no foreign exchange risks with a major impact on financial activity. Due to the

increase in the Euro / RON ratio in 2018, there were no unfavorable effects in COMPA's business, but the effects were positive.

1.8.5. Investment risk

The level of investments made by COMPA 37 million lei (14.42 million euros) was very high, putting some pressure on the cashflow.

COMPA had its own sources sufficient to finance these investments, the surplus of sources for financing investments from previous periods enabled it to repay the credit lines that were "lowered" in the course of 2018.

There is high investment spending in 2019 for the construction of production halls, but especially for the purchase of new machinery and equipment for non-diesel products, for which there are long-term orders and contracts.

Financial resources are needed to make these investments, and to supplement your own resources needs, you are looking to hire long-term investment credits.

Therefore, there are no risks for the planned investments due to the lack of financial resources

1.8.6. Predictability risk

During the year 2018 there were some changes in the tax field in the Fiscal Code 2018.

Changes in the field of tax legislation have a strong impact on the activity of companies that have the obligation to align the financial statements and payments to the consolidated State Budget, according to the provisions of the Fiscal Code, also taking into account the latest changes in the fiscal legislation for 2018.

During 2018, there were no situations in COMPA where the provisions of tax law are not known and hence are respected and enforced.

1.8.7. The risk of theft

The measures taken in COMPA by expanding the surveillance network with supervised surveillance cameras installed in almost all production sectors, as well as at the entrance gates, also supported by the security and surveillance staff of the company, managed to eliminate theft, in the year 2018.

1.9. Perspective elements in the company's business

a) Presentation and analysis of trends, elements, or events of uncertainty factors which affect or could influence the company's liquidity in comparison with the same period of the previous year

During the year 2017, as compared to the previous year 2016 we can state that there were no events or factors of uncertainty impacting the liquidity of the company.

The low investment expenditure (RON 68.08 million, approximately EUR 14.42 million) compared to the one recorded in previous years did not put pressure on the company's cash flow in 2018 and hence its degree of liquidity.

The financing of investments in 2018 was ensured exclusively from the firm's own resources, even a surplus that could be used in 2018, being used temporarily for the repayment of the loan lines contracted with the banks, for the financing of the working capital (financing current asset requirements).

Almost all products made in COMPA are based on firm contracts with traditional partners, most of which are foreign partners. Therefore, there is COMPA in the delivery of the entire production through contracts or nomination letters concluded with business partners (with customers).



Within the company, it is aimed at each profit center distinctly, collecting the due invoices, promptly intervening to the client when there are outstanding payments.

Similarly, they have been decentralized to profit centers and management to permanently track the evolution of stocks of raw materials, materials and semi-finished goods.

These measures ensured the necessary premises for diminishing or even canceling the risk of affecting the liquidity of the company during certain periods









b) Presentation and analysis of the current or predicted capital cost effects concerning the financial situation of the company in comparison with the same period of the previous year

In 2017, the costs of accomplished investments amounting to 67.08 million RON (14.42 million euro) aimed at fulfilling the following main goals:

-  acquisition of technological equipments, machinery, computing equipments;
-  machinery and building modernization;

In 2018 tangible assets amounting to a total of 55,547,246 RON were upgraded and put into operation.

Economic effects obtained through the acquisition of new machinery and technological lines are:

-  increase in production and turnover;
-  insure certain growth assumptions of the business volume in the upcoming years;
-  improve production technical level by acquiring CNC equipments with a higher accuracy rate;
-  increase productivity through the acquisition of machinery operated by a single person;
-  improve quality and competitiveness of products, as well as reduce non-conformed goods, costs related to quality;
-  reduce energy consumption;
-  safe operation of equipment;
-  reduce maintenance costs for these equipments which are more efficient and reliable.

c) Presentation and analysis of events, transactions, economic changes, which highly affect revenues from the basic activity.

Revenues coming from the core business activity, operating income, respectively the turnover carried out in 2018 compared to 2017 and 2016 are presented below: Table 1.9.c.

EXPLANATION	2016		2017		2018	
	Lei	Share in total %	RON	Share in total %	RON	Share in total %
Net Turnover	641,343,072	83.99	703,620,521	92.15	752,507,249	98.55
Sold production	629,474,343	82.44	698,476,024	91.47	750,838,075	98.33
Revenues from sold goods	11,558,720	1.51	5,140,841	0.67	1,117,011	0.15
Revenues from operating subsidies	310,009	0.04	3,656	0.00	552,163	0.07
Other operating revenues	6,735,965	0.88	4,230,483	0.55	4,548,782	0.60
Production of fixed assets	9,125,456	1.84	5,641,080	1.84	6,523,627	1.84
Total operating revenues	657,204,493	100.00	713,492,084	100.00	763,579,658	100.00

In 2018, the Company made entries representing the correction of some accounting errors for the year 2017. Also, the amendments valid on January 1, 2018 of IFRS 15 - Income from contracts with clients, determined the following restatements of the data for the years 2016 and 2017:

- Recognition of inventory revenue available to the customer at the time of transfer of control over them, with impact on sales revenue of finished products and implicitly on turnover;
- canceling the provisions in the client relationship by reversing the expenses with the provisions while reducing the turnover and recording the debts from the contracts with the clients, also having an impact on the revenues from the sales of finished products and implicitly on the turnover;
- advances received from customers who met the recognition criteria as "Debts from contracts with customers" have been re-ranked in this category.

To ensure comparability, the data for the years 2016 and 2017 presented in the table above were adjusted with the corrections / repairs carried out as follows:

EXPLANATION	2016	2017
Net Turnover	2,683,518	-421,767

2. TANGIBLE ASSETS OF COMPA S.A. SIBIU

2.1. Location and characteristics of the production capacity

COMPA owns a diverse number of tangible assets, materialized in land, buildings, special constructions, cars and other means of transportation, other assets, assets in progress.

Their evolution over the past 3 years can be observed below:

Table 2.1.(Lei)

INDICATOR	2016	2017	2018	%	
				2018 / 2017	
Land and buildings	153,082,680	162,264,784	170,439,980	105.04	111.34
Technical equipment and machines	189,181,334	184,276,119	192,273,407	104.34	101.63
Other equipment, machinery, furniture	251,301	200,878	210,362	104.72	83.71
Tangible assets in progress	15,435,617	7,166,706	17,498,581	244.16	113.36
TOTAL	357,950,932	353,908,487	380,422,330	107.49	106.28

Tangible assets representing "Current Tangible Assets" are evaluated at historical cost. The Company has chosen model for the valuation of property, plant and constructions the revaluation the fair value revaluation model.

In the hierarchy of fair value, the revaluation of the Company's buildings and land at fair value is classified as level 2 date. The evaluation techniques used in the fair value measurement at level 2 are the price comparison method. Comparable prices for nearby buildings and buildings are adjusted according to specific features such as property size, etc. The most important input data for this valuation method is the price per square meter. There were no transfers between the level at which the fair value measurements are classified during the year 2018.

The depreciation of all tangible assets is determined by the straight-line method. Fixed assets declined in 2017 by scrapping and depreciation.

The inventory value of the fixed assets canceled in 2018 was 1,629,726 RON and the unamortized value of the disposed fixed assets was 6,663 RON.

As of 31.12.2018, the mortgage tangible assets for the contracted loans have a net book value of 21,745,494 RON and the guarantees consisting of technological equipment have a net book value of 9,717,935 RON.

2.2. Degree of wear of the company's property

Degree of wear of COMPA's tangible assets is as showed below:

Table.2.2.(Lei)

INDICATOR	YEAR		
	2016	2017	2018
Construction			
Inventory Value	73,977,904	87,833,486	100,577,456
Remaining Value	70,235,464	79,115,406	87,270,978
Wear	3,742,440	8,718,080	13,306,478
Degree of Wear	5.06	9.93	13.23
Equipment and vehicles			
Inventory Value	452,052,635	478,889,971	520,151,129
Remaining Value	189,181,334	184,276,119	192,273,407
Wear	262,871,301	294,613,852	327,877,722
Degree of Wear	58.15	61.52	63.04
Other tangible assets			
Inventory Value	1,216,618	1,193,733	1,244,091
Remaining Value	251,301	200,878	210,362
Wear	965,317	992,855	1,033,729
Degree of Wear	79.34	83.17	83.09

2.3. Specifying potential issues related to ownership of tangible assets

COMPA owns 323407 sq of tabulated land with no recorded problems related to the ownership of tangible assets, lands, buildings, or plant installations.

3. MARKET OF SECURITIES ISSUED BY COMPA SA

3.1. Markets in Romania and abroad where the securities issued by the company are negotiated

Company COMPA is listed at Bucharest Stock Exchange, Standard category, with symbol CMP. At 12/31/2018 that company had 6564 shareholders, individuals and legal entities, Romanian and foreign.

The shareholding structure is as follows.

Source of information: Depozitarul Central S.A.Bucharest

SHAREHOLDER	NUMBER OF SHARES	PERCENT
LEGAL ENTITIES, from which:		
- COMPA S.A. Sibiu Employees Association	119,474,505	54.60%
- Romanian	22,550,050	11.43%
- foreign	3,401,243	1.55%
INDIVIDUALS, from which:		
- Romanian	48,392,941	22.12%

SHAREHOLDER	NUMBER OF SHARES	PERCENT
- foreign	25,002,299	10.30%
TOTAL	218,821,038	100.00 %

3.2. Description of the company's policy regarding dividends. Specification of dividends due/ paid/ accrued during the past 3 year, and as the case may be, the reasons for a possible reduction of dividends during the past 3 years

The policy of COMPA company not to allocate profit for the payment of dividends was adopted since 2004, the entire profit is assigned to own development sources. It adopted this policy knowing the company's exposure to banks and leasing companies to provide the necessary resources to new investments on the one hand, and on the other hand not to increase the indebtedness of the company.

3.3. Description of any activities of the company to purchase own shares.

During 2015, company COMPA S.A. Sibiu didn't redeem any of its shares.

3.4. If the company has subsidiaries, specifying the number and the nominal value of the shares issued by the parent company held by subsidiaries

The company RECASERV SRL, affiliated company of COMPA holds in the registry of COMPA's shareholders a number of 649,100 shares, 0.2966% of the share capital of company COMPA .





The other affiliated companies of COMPA SA do not hold any shares, therefore they are not included in the list of COMPA's shareholders.







3.5. If the company has issued bonds and / or other debt instruments,- showing the way the company pays its obligations to the holders of such securities

The company COMPA has not adopted until now the financing solution through bond issues. The only ways of financing used in previous years were capital increases and loan commitments, nevertheless since 2014 none of these two financing solutions were used and used instead only own financing sources.






4. COMPA'S MANAGEMENT

COMPA's company management has continuously developed modern management methods as tools used in the current activity :






-  change management, face interaction with the external environment that is very turbulent and creates the ability to anticipate and respond quickly to market trends through effective management of ideas, knowledge, skills and processes. Increasing the involvement of staff and effective management responsibilities facilitate efficient decision making and resulting changes ;
-  management based on objectives for encouraging and mobilizing the full potential of intellectual and practical employees at all levels to achieve maximum performance of the organization;
-  quality and environmental management in order to ensure that the requirements of quality demanded and expected by our customers , so as to achieve a partnership relationship that will lead to their full satisfaction in relation to production and our services ;
-  Occupational health and safety management , which aims to improve working conditions for workers by eliminating risks related activities , reducing and controlling those risks that cannot be removed by adopting technical and organizational measures to prevent ;

-  strategic management implemented by Balance Score Card tool, to establish the link between the environment opportunities and the company possibilities and firm management actions to fulfill strategic goals ;
-  project management to master efficient processes and achieving the goals ; combines a unique project with management by objectives ;
-  skills management, to permanently align skills to the strategic objectives of the organization;
-  cost management, for planning and monitoring the costs permanently in order to be able to reduce them
-  Kaizen management, continuous improvement.
-  performance management to a strategic and integrated approach to ensure long-term success in the organization activity by knowledge and performance management of people working in the organization, in the context of a framework which sets the general objectives, standards and criteria of competence.

In COMPA's strategic plan the following strategic axes have been defined:






-  financial axis
-  customer axis
-  processes axis
-  personal axis
-  Environmental - Occupational Health and Safety axis

The general objectives that support the strategic axes are:


-  increasing company profitability,
-  increase customer value
-  reaching operational excellence
-  increasing staff performance .
-  increasing environmental performance and occupational health and safety .









The results of efforts in recent years have resulted in the development of projects started , which marked significant changes in the organizational structure , operations , professional competencies , allocation of resources , etc.

The business orientation continued with a new configuration characteristic to global automotive industry by:

-  high - volume series ;
-  high added value
-  flexible processes
-  innovation technologies
-  quality requirements to the highest standards ;

Thus, COMPA's efforts are directed towards:

-  focusing of resources on a limited number of projects developed by the company COMPA or in partnership with leading companies ;

-  investment programs in performant equipment;
-  substituting products that have completed their life cycle , with new products (brand COMPA) ;
-  increased integration processes , particularly with primary processes (forging)
-  Higher operational efficiencies ;
-  interventions for changing the organizational culture
-  achieving excellence in purchasing ; searching for new strategic suppliers to develop major projects
-  development of the maintenance management system by approaching the TPM concept ;
-  Development of performance management; efficient communication.

4.1. *The list of the managers of the society and the following information for each manager*

a. CV (name, surname, age, qualifications, professional experience, function and years of service in the function)

NAME AND SURNAME	Age	Qualification	Professional experience	Function	Years of service in the function
DEAC Ioan	69	Engineer	45	Chairman & CEO	28 year
MICLEA Ioan	74	Economist	46	Member & CFO	28 year
MAXIM Mircea-Florin	60	Engineer	37	Non-executive Member	13 year
BALTEȘ Nicolae	60	Economist	36	Chairman Audit Committee	2year
VELȚAN Ilie-Marius	44	Economist	21	Audit Committee member	6 year

b. Understanding or family relation

There are not such cases within the members of the Administration Council of COMPA society.

c. Transaction between the manager and society

Also, there is not any kind of transactions between the society and any member of the CA of COMPA society

d. The participation of the managers at the social capital.

The managers took part in the taking over of the majority controlling interests from F.P.S. as members of the Employees Association COMPA.

e. The list of the juridical persons affiliated to the society

COMPA - IT S.R.L.

RECASERV S.R.L.

TRANS CAS S.R.L.

4.2. The presentation of the list with the members of the executive management

a. *Executive management:*

NAME AND SURNAME	FUNCTION
Deac Ioan	Chairman & CEO
Miclea Ioan	Board member / CFO
Firiza Ioan	Management Director
Băiașu Dan-Nicolae	Commercial Director
Acu Florin-Ștefan	Technical Director
Muntenaș Bogdan-Vasile	Logistics Director
Țuicu Liviu-Laurențiu	Quality – Environment Director
Suciu Ioan-Octavian	Quality and Environment Management Systems Director – retired on September 1 st , 2018
Țuțurea Mihai	Production Director
Firiza Sorin Ioan	Production Director
Morariu Mircea	Production Director
Herban Dorin-Adrian	Industrial Engineering Director
Oprițoiu Dumitru	Chief Engineer - Energy Base
Dragomir Marius C-tin	Chief Engineer - Maintenance

b. the period the person takes part in the executive management

The members of the management on functions have individual working contracts on unlimited period of time; their designation and respectfully cancellation is made by the Council of Administration.

c. any kind of agreement ,convention or family relationship between the respective person and another person due to whom the respective person was appointed as member in the executive management

There is no such family relationship between the present members of the Council of Administration and other important persons who can influence the election of the former in the Council of Administration.

d. The participation of the respective person at the social capital of the society

A part of the members of the Council of Administration and respectfully the members of the executive management of the society possess shares from the social capital of the COMPA firm, both by the shares they have as direct shareholders of the direct firm COMPA as well as indirectly through the portion they have in the Employers Association COMPA, the main shareholder of the firm COMPA.

5. FINANCIAL SITUATION- ACCOUNTING

a). Balance sheet items: assets representing at least 10% from total assets; cash and other liquid availabilities; reinvested profit; total current assets; total current liabilities

Annual accounts of the company COMPA are presented in detail in the notes to the financial statements which are submitted for review and approval. Synthetically presented in the table below are the main elements of assets and liabilities for 2017:

Table 5.a.

NAME OF INDICATOR	2016	2017	2018		% 2018 / 2018 REB	% 2018/ 2017	% 2018/ 2016
			REB	Carried out			
A.TOTAL CURRENT ASSETS, of which:	364,288,080	359,714,662	366,923,087	388,223,296	105.81	107.93	106.57
Intangible assets	3,702,191	3,139,442	2,800,000	3,534,152	126.22	112.57	95.46

NAME OF INDICATOR	2016	2017	2018		% 2018 / 2018 REB	% 2018/ 2017	% 2018/ 2016
			REB	Carried out			
Tangible assets from which:	316,711,090	312,366,482	319,900,000	338,291,016	105.75	108.30	106.81
Land and buildings	111,842,837	120,722,779	120,700,000	128,308,666	106.30	106.28	114.72
Technical plants and machines	184,942,627	184,276,119	185,700,000	192,273,407	103.54	104.34	103.96
Other plant, tools and furniture	251,301	200,878	200,000	210,362	105.18	104.72	83.71
Tangible assets in progress	19,674,325	7,166,706	13,300,000	17,498,581	131.57	244.16	88.94
Real estate investment	41,239,842	41,542,005	41,542,005	42,131,314	101.42	101.42	102.16
Financial assets	1,769,430	1,768,450	1,885,134	1,768,450	93.81	100.00	99.94
Other Financial assets	107,354	116,685	0	117,948		101.08	109.87
Other financial assets	0	0	0	668,703			
Deferred income tax	758,173	781,598	795,948	1,711,713	215.05	219.00	225.77
B. TOTAL CURRENT ASSETS, of which:	201,972,458	237,456,774	254,281,481	286,507,458	112.67	120.66	141.85
Stocks	88,267,305	99,616,397	112,000,000	111,483,670	99.54	111.91	126.30
Receivables, from which	112,675,605	136,676,019	141,000,000	173,349,128	122.94	126.83	153.85
Trade or other receivables	105,661,364	134,872,506	136,400,000	156,388,298	114.65	115.95	148.01
Other receivables	6,991,603	1,803,513	4,600,000	6,410,150	139.35	355.43	91.68
Receivables from European projects	22,638	0	0	10,550,680			46,606.06
Advance expenses	423,937	550,379	550,000	609,190	110.76	110.69	143.70
Cash and bank accounts	605,611	613,979	731,481	1,065,470	145.66	173.54	175.93
C. DEBT LESS THAN 1 YEAR, total , of which:	122,300,412	127,429,176	130,100,000	141,993,791	109.14	111.43	116.10
Commercial liabilities and similar	109,161,283	109,812,006	116,000,000	121,152,267	104.44	110.33	110.98
Current income tax liabilities	165,379	63,829	0	25,201		39.48	15.24
Other liabilities	9,240,256	13,862,879	10,400,000	15,506,272	149.10	111.85	167.81
Deferred income and grants for investments less than one year	3,733,494	3,690,462	3,700,000	5,310,051	143.51	143.89	142.23
Provisions under 1 year	0	0		0			
D. DEBTS OVER A YEAR TOTAL, of which:	77,558,265	66,265,913	69,100,000	92,584,041	133.99	139.72	119.37
Financial liabilities	46,733,495	39,244,259	46,000,000	60,199,570	130.87	153.40	128.81
Other debts	0	0	0	24,454			
Deferred income and grants for investments over one year	30,689,125	26,886,009	23,100,000	32,224,372	139.50	119.86	105.00
Provisions over a year	135,645	135,645	0	135,645		100.00	100.00
E. CAPITAL AND RESERVES	366,401,861	403,476,347	422,004,568	440,152,922	104.30	109.09	120.13
Share capital	21,882,104	21,882,104	21,882,104	21,882,104	100.00	100.00	100.00
Adjustment of share capital	82,062,778	82,062,778	82,062,778	81,787,286	99.66	99.66	99.66
Other reserves	153,826,098	191,361,655	229,461,655	231,202,184	100.76	120.82	150.30

NAME OF INDICATOR	2016	2017	2018		%	%	%
			REB	Carried out	2018 / 2018 REB	2018/ 2017	2018/ 2016
Adjustments of other reserves	23,122,057	23,122,057	23,122,057	23,122,057	100.00	100.00	100.00
Retained earnings	64,254,704	65,717,009	65,475,974	64,727,063	98.86	98.49	100.74
Profit/ loss of the period	51,868,593	36,818,566	38,100,000	35,428,575	92.99	96.22	68.30
Profit repatriation	30,614,473	17,487,822	38,100,000	17,996,347	47.23	102.91	58.78

In the table above (Table 5.a), the synthetic evolution of the company's patrimony is presented starting with 2016 and by the year 2018 are also presented the provisions entered and approved by the Budget of Incomes and Expenditures.

In 2018, the Company made entries representing the correction of accounting errors for the year 2017. Also, the amendments valid on January 1, 2018 of IFRS 15 - Revenue from contracts with customers, determined the following data reprising for the years 2016 and 2017:

- Recognition of inventory revenue available to the customer at the time of transfer of control over them, impacting sales revenue on finished products and implicitly on turnover
- the cancellation of provisions in relation to customers by reversing the provisioning expenses while reducing the turnover and recording debts from contracts with customers, also impacting the revenue from the sales of finished products and implicitly on the turnover
- advances received from clients who have met the recognition criteria that "Customer Loans" have been re-classified in this category.

For the sake of comparability, data for the years 2016 and 2017 presented in the table above were adjusted with the corrections / revisions made as follows:

EXPLANATION	2016	2017
Receivables on deferred tax	-45,911	-14,350
stocks	2,683,518	-421,767
Commercial and similar claims	2,683,518	5,002,400
Provisions less than one year	-985,600	-2,740,650
Reported result	0.00	241,035
The result of the exercise	241,036	-1,279,788

Fixed Assets

Fixed assets increased by almost 8% in 2018 compared to 2017 as a result of the acquisition of a significant number of machinery and equipment under the investment program.

In this context, the current investments recorded an increase of 2.4 times compared to the same period last year at 31.12.2018.

Also, some modernizations of buildings and constructions in general were carried out through the investment program.

Current assets

Current assets at 31.12.2018 registered a total increase of 20.66%;

Significant increases are recorded in the category of European funds as well as receivables.

They also recorded increases in the stock category (11.91%) as a result of the increase in turnover, but also as a result of the acquisition of new project materials.

Debts of less than one year

Debts of less than one year, especially trade debts, have increased as a result of the acquisition of materials from suppliers of machinery and equipment for investment

Debts older than one year

Debts of over one year, particularly financial debts to creditor banks, increased as a result of the significant increase in investment spending.

Capital and reserves

Own equity increased by more than 9% in 2018 as a result of the distribution of profits to the company's development fund.

- b. Profit and loss account: net sales; gross revenues; elements of costs and expenses accounting for at least 20% in net sales or gross income; risk provisions for various expenses; reference to any sale or shutdown of a segment of activity done in the last year or that are to be made in the next year; dividends declared and paid**

Income and expense statement for the period between 2015 and 2017 is the following :

Table 5.b

INDICATOR	2016	2017	2018		% 2018 / 2018 REB	% 2018/ 2017	% 2018/ 2016
			REB	Carried out			
Turnover	641,343,072	703,620,521	756,000,000	752,507,249	99.54	106.95	117.33
From which export	483,247,663	554,364,183	570,500,000	590,929,133	103.58	106.60	122.,28
% in turnover	75.35	78.79	75.46	78.53			
Other operating revenues	15,861,421	9,871,563	10,000,000	11,072,409	110.72	112.16	69.81
Total operating revenues	657,204,493	713,492,084	766,000,000	763,579,658	99.68	107.02	116.19
Material costs	392,823,868	433,493,918	465,800,000	463,751,363	99.56	106.98	118.06
% in total income	57.72	59.91	59.97	60.32			
Costs with energy	25,048,711	22,988,640	26,300,000	24,810,642	94.34	107.93	99.05
% in total income	3.68	3.18	3.39	3.23			
Costs with salaries	115,823,029	130,381,206	139,500,000	144,134,777	103.32	110.55	124.44
% in total income	17.02	18.02	17.96	18.75			
Amortization and depreciation of tangible assets	36,851,046	41,442,564	41,300,000	40,166,230	97.25	96.92	109.00
% in total income	5.42	5.73	5.32	5.22			
Other operating expenses	43,409,650	43,424,845	48,500,000	49,582,927	102.23	114.18	114.22
% in total income	6.38	6.00	6.24	6.45			
Total operating income	613,956,304	671,731,173	721,400,000	722,445,939	100.14	107.55	117.67
Operating result	43,248,189	41,760,911	44,600,000	41,133,719	92.23	98.50	95.11
Expenses with interest	683,219	518,478	500,000	465,295	93.06	89.74	68.10
% in total income	0.10	0.07	0.06	0.06			

INDICATOR	2016	2017	2018		% 2018 / 2018 REB	% 2018/ 2017	% 2018/ 2016
			REB	Carried out			
Other financial expenses	12,184,004	10,070,005	11,000,000	7,146,182	64.97	70.97	58.65
% in total income	1.79	1.39	1.42	0.93			
Total financial expenses	12,867,223	10,588,483	11,500,000	7,611,477	66.19	71.88	59.15
Interest income	40,010.00	408.00	0	1,374.00	!	336.76	3.43
Other financial income	23,288,166	10,059,366	10,700,000	5,298,967	49.52	52.68	22.75
Total financial income	23,328,176	10,059,774	10,700,000	5,300,341	49.54	52.69	22.72
Financial result	10,460,953	-528,709	-800,000	-2,311,136	288.89	437.13	-22.09
Total income	680,532,669	723,551,858	776,700,000	768,879,999	98.99	106.26	112.98
Total expenses	626,823,527	682,319,656	732,900,000	730,057,416	99.61	107.00	116.47
Gross result	53,709,142	41,232,202	43,800,000	38,822,583	88.64	94.16	72.28
% in total income	8.17	5.78	5.72	5.08			
Current income tax	1,934,646	4,181,141	5,700,000	3,076,123	53.97	73.57	159.00
Current income tax ratio	3.60	10.14	13.01	7.92			
Deferred income tax	-94,097	232,495	0	317,885		136.73	-337.83
Net result	51,868,593	36,818,566	38,100,000	35,428,575	92.99	96.22	68.30

In 2018, the Company made entries representing the correction of accounting errors for the year 2017. Also, the amendments valid on January 1, 2018 of IFRS 15 - Revenue from contracts with customers, determined the following data reprising for the years 2016 and 2017:

- Recognition of inventory revenue available to the customer at the time of transfer of control over them, with an impact on revenue from sales of finished products and implicitly on turnover;
- the cancellation of provisions in relation to customers by reversing the provisioning expenses together with the decrease of the turnover and the recording of debts from the contracts with the clients, also having an impact on the revenues from the sales of finished products and implicitly on the turnover;
- advances received from clients who have met the recognition criteria that "Customer Loans" have been re-classified in this category.

For the sake of comparability, data for the years 2016 and 2017 presented in the table above were adjusted with the corrections / revisions made as follows:

EXPLANATION	2016	2017
Turnover	2,683,518	-421,767
Material Costs	3,382,172	1,343,236
Salary costs	0	684,539
Other operating expences	-1,203,189	-1,038,930
Current income tax	0	-99,263
Deferrend tax	45,911	-31,561

Analizând indicatorii incluși în "contul de profit și pierdere pe anul 2018" (tabelul 5.b) se pot evidenția următoarele aspecte:



The turnover achieved in 2018 was 6.95% higher than that achieved in 2017, influenced mainly by the increase in production and sales to traditional customers, but also in the start of the production of new projects.

- ☞ Gross profit achieved in 2018 was below the level achieved in 2017 (94.16%) as a result of the decrease in volume IV in certain groups of products with high profitability and the impossibility of proportionate cost adjustment, knowing that in some projects volumes in 2019 are rising.
- ☞ The net profit registered a similar evolution as the gross profit so that in 2018 the level of this indicator was below the level of the previous year (96.22%), the causes being the same.

c) cash flow: all changes in the level of cash in the core business, investment and financial activity, the level of cash at the beginning and end of the period.

Table 5.c.

INDICATOR	2016	2017	2018
Profit before tax	53,709,142	41,232,202	38,822,583
Expenses with depreciation and depreciation of fixed assets	36,851,046	41,442,564	40,166,230
Changing in inventories	3,683,772	-7,966,921	-11,867,273
Variation of receivables	58,130	-26,810,374	-36,731,920
Variation of financial obligations	1,378,860	5,171,796	12,969,481
Purchase of tangible and intangible assets and advance payments for assets	-59,754,999	-36,858,849	-67,081,445
Profit / from sale of financial assets	12,012,660	-980	
Variation in loan and borrowings	-43,819,480	-7,489,236	20,955,311
Interest payments	-1,145,956	-943,501	-893,786
Cash availability at beginning of period	14,743,661	605,611	613,979
Cash availability at the end of period	605,611	613,979	1,065,470
Net cash flow	-14,138,050	8,368	451,491

In 2018, the Company made entries representing the correction of accounting errors for the year 2017. Also, the amendments valid on January 1, 2018 of IFRS 15 - Revenue from contracts with customers, determined the following data reprising for the years 2016 and 2017:

- recognition of inventory revenue available to the customer at the time of transfer of control over those with impact on sales revenue of finished products and implicitly on turnover;
- the cancellation of provisions in relation to customers by reversing the provisioning expenses together with the decrease of the turnover and the recording of debts from the contracts with the clients, also having an impact on the revenues from the sales of finished products and implicitly on the turnover;
- advances received from clients who have met the recognition criteria that "Customer Loans" have been re-classified in this category.

For the sake of comparability, data for the years 2016 and 2017 presented in the table above were adjusted with the corrections / revisions made as follows:

EXPLANATION	2016	2017
Profit before	286,947	-1,410,612
Stok change	3,382,171	4,705,780
Variation of receivables creanțelor	-2,683,517	-5,002,400
Variation of obligation	0	4,061,674
Ajustment of other non-monetary items	-522,864	-1,929,419

6. COMPLIANCE WITH CORPORATE GOVERNANCE BSE CODE

Starting with 2010, COMPA is in line with the demands BSE Code, when the first Corporate Governance Regulation was elaborated, regulation which transposed the principals and recommendations of the Bucharest Stock Exchange Code.

According to the new BSE Code" companies will include a corporate governance statement in the annual report in a separate section, which will include a self-assessment of how they fulfill " the requirements which must be respected "and measures adopted to observe the provisions which are not met fully". COMPA aligned to the new demands by adopting a new form of the *Declaration concerning the conformity with the Code* and has sent, in this way, a current report regarding compliance, on 20.01.2016. The Declaration is presented in Annex 1.

6.1. The Board of Directors

According to the Constitutive Act , company COMPA is administrated under a unitary system; the administration of the company lies within a Board of Directors (CA) made up of 5(five) administrators/managers, chosen by cumulative vote by the Shareholders Ordinary General Assembly on 24.04.2017. The duration of mandate of the members of the Board of Directors is four years. Out of the 5 managers, 3 are non-executive managers. The structure of the Board is presented in paragraph 4.1

The main competences of the Board of Directors are those of defining the strategy of the society, of the management policy, rational and efficient valorization of the resources, establishing and following the objectives of the company's managers. COMPA has an audit committee made up of 2 nonexecutive administrators: Mr. Balteş Nicolae chairs the audit committee and Mr. Ilie-Marius Velţan – audit committee member.

The Board of Directors meets at least once every 3 months, or as often as it is necessary, and the decisions in the meetings are taken with simple majority.

6.2. Executive management

According to the Regulation of Corporative Governance of company COMPA S.A. Sibiu, whose financial situations represent the object of the financial audit/control, the executive management of the company is delegated to the managers of the society, appointed by the Board of Directors, who are responsible for all the measures taken related to their field of activity, in compliance with the granted competences.

The managers periodically inform the Board of Directors about the operations carried out for accomplishing the set objectives of not exceeding the given resources and with regard to the fulfillment of the given tasks. The executive management team and the their positions are presented in paragraph 4.2

6.3. The way the general meetings of the shareholders (GMS) take place, their competences, the shareholders' rights and how these can be exercised:

GMS is the management body, which decides on the activity and sets the economic and commercial policy.

General meetings of the shareholders (ordinary and extraordinary) are taking place according to the convenings sent to BSE and to the Authority for Financial Control.

The organization of the general meetings of the shareholders, their competences as well as the rights of the shareholders are carried out in accordance with the present legislation that is the Incorporation Article no.31/1990, republished, law which establishes the rules of organization and functioning of the commercial companies as well as the way of organization and functioning of different management bodies -The General Assembly of the Shareholders, The Board of Directors, The Regulations CNVMnr.1/2000 and the Regulations CNVM no.6/2009 which come to complete.

6.4. Shareholders' rights

6.4.1. The right to participate and vote in the General Meeting of the Shareholders

Shareholders registered in the Register of the Company's Shareholders on the reference date may attend in person or may be represented at the GMS by their legal representatives or other persons granted a power of attorney, based on a special or general proxy provided by the company for each meeting.

The access of shareholders at the General Meeting is made with minimum 15 minutes before the beginning of the meeting, providing a simple proof of their identity, for individual shareholders- their identity card, and for the shareholders legal entities and empowered individuals- *the special/ general power of attorney* given to the individual who is representing them. If after 30 minutes after the hour at which the meeting was summoned it is observed that the quorum is not accomplished, the meeting is suspended and will take place at a second convening.

The right to vote can be exercised directly, by a representative or by correspondence. Each share entitles to one vote in the General Meeting of the Shareholders.

The shareholders can take part personally or can be represented at the meeting by their legal representatives or by other persons who were given the mandate for representation, on the basis of printed form of *Special/ general power of attorney* provided by the society on legal terms. The printed forms of Special/ general power of attorney in Romanian or English are available at the company's headquarters or can be downloaded from the company's website starting with the announced summon date.

An original copy of the Special/general power of attorney filled in and signed, together with a copy of the identity card of the shareholder (BI/ CI/passport/identification card for stay, for individual shareholders and certificate of registration for legal entities) will be laid down personally or send to the company's headquarters until the announced date.

6.4.2. The right to introduce new points on the agenda

One or several shareholders holding individually or collectively, at least 5% of the Company's share capital, have the right, under the law, to introduce new items on the agenda provided that each such item is accompanied by a justification or a draft resolution proposed for approval at the general meeting and to make draft resolutions for items , as well as to make new resolution for the items included or to be included on the agenda of the General Assembly which will be send to the company in written form until a date mentioned for each meeting. They also have the right to present resolution projects for the points already on the agenda or proposed to be included on the agenda, this right may be exercised in writing.

The proposals regarding the introduction of new point on the agenda of the day should be accompanied by the copies of the identity cards of the respective shareholders (identity card for individuals, registration certificate for legal entities) being necessary that each such item is accompanied by a justification or a draft resolution proposed for approval at the general meeting.

6.4.3. Presentation of resolution proposals

One or several shareholders holding individually or collectively, at least 5% of the Company's share capital, have the right, under the law, to introduce resolution projects for the points included or proposed to be included in the agenda of the GMS, accompanied by identity cards of the shareholders (BI/ ID card for the individuals, respectively registration certificate for legal entities),can be sent per post or by e-mail, until the date announced in the summon.

6.4.4. The right to ask questions

Any shareholder of the company, regardless of participation in the share capital is entitled to ask questions in written form (via e-mail or post office) related to items on the agenda, accompanied by a copy of a valid ID card (ID card/ passport/ identification card for stay, for individual shareholders and certificate of registration for the legal entities) so that they are registered by the company until the date announced in the convening notice. The company will elaborate a general answer for questions with the same content.

The answers will be available on the company's website www.compa.ro at section "Relations for investors" "General Meeting of the Shareholders" beginning with the date announced, in the format "Question/Answer" and/or during the meeting.

The right to ask questions and the obligation of the society to answer will be subject to confidentiality and interests of the company.

6.4.5. Voting by mail

The shareholders registered at the reference date in the Register of the shareholders are entitled to vote by mail, before the meeting, by using the printed form *Voting by mail*.

In this case *the Voting by mail* form filled in and signed, with legal signature by a public notary and the copy of the valid identity card of the shareholder (ID card for the individuals, respectively registration certificate for the legal entities) will be send via mail or e-mail, until the date announced for each meeting.

Voting by mail forms which are not received until the mentioned date in convening notice will not be counted towards the quorum and the vote in the E.G.M.

On the meeting day, when entering the meeting hall the designated representative will hand the original of *Special/general power of attorney / the Voting by mail* in case that these were sent by e-mail with electronic signature incorporated and a copy of the identity cards of the designated representative (BI / ID card).

The shareholders have the obligation to respect the procedure established by the Board of Directors regarding the voting – according to the chosen modality-otherwise their vote may be cancelled.

In order that all shareholders may have access to information, this are posted on the company's website www.compa.ro at the section **Relations for investors-General Meeting of the Shareholders**.

6.5. Other elements of Corporate Governance

6.5.1. Transparency and Reporting

In order to meet the obligations of transparency and reporting established by applicable legislation in force, COMPA made in 20187 the following statements, send them to BSE and ASF(CNVM), according to the financial calendar and published them on the company's website www.compa.ro.



Financial communication calendar for 2018;



Current report on transactions of the type listed in art.82 of Law no.24 / 2017 at 31.12.2017;



Preliminary financial statements for 2018;



Convening notice of General Meeting (Ordinary and Extraordinary) of Shareholders dated 26.04.2018;



Decisions of the General Meeting (Ordinary and Extraordinary) of the Shareholders dated 26.04.2018;



Annual report for 2017 unbound statements



Financial-economic unbound statements at 31.12.2017;



Financial-economic bound statements at 31.12.2017;



Income and expenditure budget for the year 2018;



The quarterly report (I st quarter - 2018);



Half-yearly report (I st semester - 20178;



The quarterly report (III rd quarter - 2018);



Current report at 30.06.2018 on transactions of the type listed in art 82 of Law no 24/ 2017;










Releases on the availability of reports submitted

6.6. The risk management








Detailed information on the system of risk management is presented in paragraph 1.1.8 "The evaluation of the company's activity with regard to the risk management"

6.7. Social responsibility

The efforts of the company COMPA S.A are directed towards reaching a high level of social cohesion, environment protection and fundamental human rights aiming to have a positive impact on community.

-  Assuming responsibility for the impact on the society, economy and the environment
-  Transparency of the taken decisions and of all other activities that may impact the society and the environment
-  Promoting an ethical behavior and respecting the following values: honesty, equity and integrity
-  Respect for all parties interested in our activities and decisions
-  Assuring conformance to applicable laws and regulations
-  Respecting international norms in business behavior
-  Respecting and promoting human rights, which we consider inalienable

The focus is on the following action plan:

-  Assuring an organisational management as a way to conduct all activities in an ethical and responsible manner
-  Respecting and promoting the human rights in all aspects: civil, political, economical, social and cultural
-  Applying working methods that ensure proper conditions and social protections in conformance with applicable laws and standards
-  Environmental protection and promoting responsibility towards the environment by encouraging the development of ecological technologies;
-  Applying equitable practices as a code of conduct in relation with companies and/or people, by respecting national and international regulations
-  responsibility towards clients and consumers in order to ensure their safety when using our companies products and services, as well as offering proper documentation.
-  involvement in the community development as members of the community and respecting its rights, traditions, history and cultural values in partnership with it

CEO,
Ioan DEAC

CFO,
Ioan MICLEA

ANNEXES

To the ANNUAL REPORT 2018

- A. **Article of incorporation**, if this has been amended during the reporting year.

NA.

- B. **Major contracts concluded** by the company during the reporting year:

Contracts are presented in: **Current report on 31.12.2018** regarding the transactions of the type listed in art.82(1) of law no.24/2017

- C. **Documents of resignation / dismissal**, if there were such situations among administration members and executive management.

There were no situations of resignation /dismissal within the members of the Board of Directors or executive management.

- D. **The list of the companies controlled by COMPA**

TRANSCAS S.R.L. SIBIU

COMPA - IT S.R.L. SIBIU

RECASERV S.R.L. SIBIU

- E. **The declaration of compliance with the Code BSE**

The Statement regarding compliance with the Corporate Governance Code

ANEXA – 2018 AR

Section	PROVISIONS OF THE CODE	Comply	Not comply or partly comply	The reason for non compliance
A	RESPONSIBILITIES			
A1	All companies should have internal regulation of the BoD which includes terms of reference/ responsibilities for BoD and key management functions of the company, applying, among others, the General Principles in Section A.	Yes		
A2	The provisions regarding the management of the conflict of interests must be included in the regulation of the BoD. In any case, the members of the BoD must notify the BoD regarding any conflict of interests situation which occurred or may occur and must abstain from participating in the debates (including absence with the exception of the case in which the absence might impede quorum) and from voting on issues which may create the respective conflict of interests situation.	Yes		
A3	The BoD or the Supervisory BoD must be made up of at least 5 members.	Yes		
A4	The majority of the members of the BoD must be non-executive. At least one member of the BoD or of the Supervisory BoD must be independent, in the case of Standard category companies. In the case of the companies from the Premium category, at least two non-executive BoD members have to be independent. Each independent member of the BoD or of the Supervisory BoD must submit a statement upon nomination for election or re-election, as well as when a change occurs in his or hers status, by indicating the elements based on which the independent character and judgment of the BoD member is asserted, likewise by following the criteria below:	Yes		
A4.1	- is not CEO / Executive Director of the organization or a company owned by the organization and has not held such a position in the last five (5) years.			
A4.2	- is not employed by the organization or a company owned by the organization and has not held such a position in the last five (5) years.			
A4.3	- does not receive and has not received additional remuneration or other benefits from the organization or a company owned by the organization, besides the perks corresponding to a non-executive administrator.			
A4.4	- is not employed and was not employed in the previous year by a significant shareholder of the organization, shareholder owning over 10% of the voting rights, or a company owned by said shareholder.			
A4.5	- does not hold and did not hold in the previous year a business or professional report with the organization or a company owned by said organization, either directly as a client, partner,			

Section	PROVISIONS OF THE CODE	Comply	Not comply or partly comply	The reason for non compliance
	shareholder, member of the Board/Administrator, CEO/executive director or employee of a company if, by its substantial character, this report could affect his judgment.			
A4.6	- it is not and has not been in the last three years an external or internal auditor nor a partner or a paid associate of the current external financial auditor or of the organization's internal auditor or a company owned by said organization.			
A4.7	- is not CEO / Executive Director of a different organization where another CEO / Executive Director of the organization is a non-executive administrator.			
A4.8	- was not a non-executive administrator of the organization for more than twelve years.			
A4.9	- does not hold any ties with a person in the situation expressed at points A.4.1. and A.4.4.			
A5	Other engagements and professional obligations of the BoD members, including executive or non-executive positions in the BoDs of other companies and non-profit organizations must be disclosed to the shareholders and the potential investors before nomination and during the course of the mandate.	Yes		
A6	Each BoD member must disclose before the BoD information regarding any relationship with a shareholder which owns directly and indirectly more than 5% of the total voting rights. This obligation refers to any type of relationship which may affect the member's position regarding issues that are decided in the BoD.	Yes		
A7	The Company must appoint a secretary of the BoD responsible for supporting the activities of the BoD.	Yes		
A8	The corporate governance statement will mention whether an evaluation of the BoD under the management of the President or of the nomination committee was performed and, if such an evaluation took place, it will summarize the key measures and the resulted improvements. The Company must have a policy/guide regarding the evaluation of the BoD comprising the purpose, the criteria and the frequency of the evaluation process.		Not comply	COMPA does not have a policy / guideline on the assessment of the Council comprising the scope, criteria and frequency of the evaluation process; steps in creating this guideline are underway.
A9	The statement regarding the corporate governance must contain information regarding the number of meetings of the BoD and its Committees during the previous year, the participation of the administrators (in person or in absence) and a report of the BoD and of the Committees regarding their activities.	Yes		
A10	The corporate governance statement must include information regarding the exact number of independent members from the BoD or from the Supervisory BoD.	Yes		
A11	The BoD of companies in the Premium Category must establish a nomination committee made up of non-executive members, which will lead the nomination procedure of new BoD members and will make recommendations to the BoD. The majority of the members of the nomination committee must be independent.		Not comply	COMPA is quoted at the Standard Category

<i>Section</i>	PROVISIONS OF THE CODE	Comply	Not comply or partly comply	The reason for non compliance
B	THE RISK MANAGEMENT AND INTERNAL CONTROL			
B1	The BoD must establish an audit committee in which at least one member must be an independent non-executive administrator. The majority of the members, including the President must have proven adequate qualification for the functions and responsibilities of the Committee. At least one member of the audit committee must have proven and adequate audit or accounting experience. For the companies in the Premium category, the audit committee must be made up of at least three members and the majority of the members of the committee must be independent.	Yes		
B2	The President of the audit committee must be an independent non-executive member.	Yes		
B3	Among its responsibilities, the audit committee must perform an annual evaluation of the internal control system.	Yes		
B4	The evaluation must consider the effectiveness and comprehension of the internal audit function, the adequacy degree of the risk management and internal control audit reports that are presented to the Audit Committee as well as the promptness and effectiveness with which the executive management solves the problems and deficiencies identified during the internal control and the presentation of relevant reports to the BoD.	Yes		
B5	The Audit Committee must evaluate the conflict of interests related to the transactions of the company and its subsidiaries with affiliated parties.	Yes		
B6	The Audit Committee must evaluate the efficiency of the internal control system and of the risk management system.	Yes		
B7	The Audit Committee must monitor the application of the legal standards and of the generally accepted internal control standards. The Audit Committee must receive and evaluate the reports of the internal audit team.	Yes		
B8	Every time the Code mentions reports or analysis initiated by the Audit Committee, they must be followed up by periodic reports (at least annual ones) or ad-hoc reports which must be submitted to the BoD.	Yes		
B9	No shareholder can be awarded preferential treatment against other shareholders in relation with transactions and agreements concluded by the company with shareholders and their affiliates.	Yes		
B10	The BoD must adopt a policy by means of which it makes certain that every company transaction with any of the companies it has tight relations with whose value is equal or higher than 5% of the company's net assets (as per the latest financial report) is approved by the BoD following the must have opinion of the Audit Committee and correctly revealed to the shareholders and potential investors, to the extent these transactions fall into the category of events that are the object of the reporting requirements.	Yes		

Section	PROVISIONS OF THE CODE	Comply	Not comply or partly comply	The reason for non compliance
B11	Internal audit must be done by a structurally separated division (Internal Audit Department) within the company or by hiring an independent third party.	Yes		
B12	In order to ensure the main functions of the internal audit department, this must report from a functional point of view to the BoD through the Audit Committee. From an administrative point of view and given the obligation of the management to monitor and reduce risks, this department must directly report to the General Manager.	Yes		
C	BOUNTY FAIR AND MOTIVATION			
	The company must publish on its website the remuneration policy and to include in the annual report a statement regarding the implementation of the remuneration policy during the yearly period that is the object of the analysis.			
C1	<p>The remuneration policy must be elaborated in such a way as to allow the shareholders to understand the principles and arguments that represent the basis for the remuneration of the BoD members and the General Manager, as well as of the Directorate members in the dualist system. This must describe the decision making process regarding remuneration, to detail the components of the remuneration of the executive management (such as salaries, annual bonuses, long term incentives related to the value of the shares, in kind benefits, pension and others) and to describe the purpose, principles and arguments that are the basis of each component (including the general criteria of performance related to each form of variable remuneration). In addition, the remuneration policy must specify the duration of the contract of the executive manager and the duration of the notice period established by contract, as well as the potential compensation for revocation without just cause.</p> <p>The report on remuneration must include the implementation of the remuneration policy for persons identified in the remuneration policy throughout the annual period under analysis. Any essential change that might occur in the remuneration policy must be published in due time on the company website.</p>		Partly comply	<p>The Constitutive Act states: <i>Additional remuneration of the Board members responsible for specific functions within the organ and executive remuneration in the unitary system, are determined by the Board of Directors</i> General Meeting of Shareholders fixes limits on the all remuneration granted in this way.</p>
D	ADDING VALUE BY INVESTOR RELATIONS			
D1	„Investor Relations” department-brought to the attention of the public through the responsible person/persons or as an organizational entity. In addition to the information imposed by specific legislation, the company must include on its website a section dedicated to Investor Relations, in Romanian and English languages, containing all the information considered relevant for the investors, including:	Yes		The company has on its website, a section dedicated to investors. A Investor Relations Office has been taken into account and is currently under development.
D1.1	The main corporate regulations: Articles of Incorporation, the procedure regarding the GMS	Yes		
D1.2	The CVs of the company management, other professional engagements of the BoD members, including executive and non-executive positions in the BODs of other companies or non-profit institutions.	Yes		

<i>Section</i>	PROVISIONS OF THE CODE	Comply	Not comply or partly comply	The reason for non compliance
D1.3	The current and periodical reports (quarterly, half quarterly, yearly)-at least those referred to in item D.8-including the current reports on the non-conformity to the present Code.	Yes		
D1.4	Information regarding the GMS: agenda and informative materials; the BoD member selection procedure; the arguments that support the proposals for the BoD, together with the CVs; the questions of the shareholders regarding topics on the agenda and the company's answers, including the resolutions adopted	Yes		
D1.5	Information regarding the corporate events, such as dividend payout and other distributions for the shareholders, or other events that can extend or limit the rights of the shareholders, including the deadlines and the principles applicable to such operations. Such information will be made public as to allow the investors to make investment decisions.	Yes		
D1.6	Name and contact details of a person who can provide, upon request, relevant information.	Yes		
D1.7	Company presentations (presentations for investors, presentations on the quarterly results, etc), financial statements (quarterly, half yearly and yearly), audit reports and yearly reports.	Yes		
D2	The company will have a policy on the annual dividend distribution or other shareholder related benefits, proposed by the General Manager or Directorate and adopted by the BoD, as a set of guidelines that the company intends to use for the distribution of the net profit. The principles of the annual policy of distribution will be published on the company website.		Not comply	Until now decisions on the distribution of dividends were adopted by the Shareholders' Meeting
D3	The company will have a policy on the annual dividend distribution or other shareholder related benefits, proposed by the General Manager or Directorate and adopted by the BoD, as a set of guidelines that the company intends to use for the distribution of the net profit. The principles of the annual policy of distribution will be published on the company website		Partly comply	Annual forecasts are provided in the budget of revenues and expenditures and in the investment plan.
D4	The GMS rules must not limit the participation of the shareholders in the GMS and the exercise of their rights. Any changes in the regulations will become effective starting with the next GMS.	Yes		
D5	External auditors will be present in the GMS when their reports are presented.	Yes		

<i>Section</i>	PROVISIONS OF THE CODE	Comply	Not comply or partly comply	The reason for non compliance
D6	The BoD will present to the annual GMS a brief opinion on the internal control systems and major risk management, as well as opinions on certain topics subject to the decision of the GMS.	Yes		
D7	Any specialist, consultant, expert or financial analyst can participate in GMS based on an invitation from the BoD. Journalists may also take part in the GMS, except the President of the BoD decides otherwise.	Yes		
D8	The quarterly and half yearly reports will include information in both Romanian and English languages on the key factors that influence changes in sales, operation profit, net profit and other relevant financial indicators from quarter to quarter and year to year.	Yes		
D9	A company will organize at least two meetings/teleconferences with analysts and investors on an yearly basis. The information presented during these events will be published in the „Investor Relation” section on the company website at the date of the meetings/teleconferences.	Yes		According to the Financial Calendar
D10	If case be a company supports different forms of artistic, cultural, sport, educational or scientific activities and it considers that their impact on the innovation and competitiveness of the company is part of the company’s mission and development strategy, the company will publish its policy regarding its activity in the field.		Partly comply	The Annual Report of the Board mentions the socially responsible projects in which the company is involved. The Responsibility policy is currently under development.

Chairman
Ioan DEAC

18.03.2019