

COMPA S.A. Sibiu
Consolidated financial statements notes for the year ended 31.12.2018
(All amounts are expressed in RON, unless otherwise specified)

4.1. TANGIBLE ASSETS

Evolution of tangible assets from 1th of January 2017 to 31th of December 2018 is the following:

Explanations	Land	Buildings	Equipment and motor vehicles	Other tangible assets	Tangible assets in progress	Total
Inventory value						
1/1/2017	43.509.161	73.046.115	457.387.959	1.219.458	19.674.325	594.837.018
Inputs 2017		14.008.538	33.053.065	10.172	36.586.360	83.658.135
Outputs 2017		-142.666	-4.436.619	-33.057	-44.855.271	-49.467.613
12/31/2017	43.509.161	86.911.987	486.004.405	1.196.573	11.405.414	629.027.540
Inflow from acquisitions 2018			19.946		59.729.347	59.749.293
Inflow from acquisitions free purchases in 2018					21.795	21.795
Internal generated inflow 2018					6.285.781	6.285.781
Inflow from transfers from other classes of fixed assets		12.988.302	42.910.722	50.358		55.949.382
Transfer inputs in the same class 2018		0	0		488.666	488.666
Lock-out until amortization 2018		3.960.847	88.674		0	4.049.521
Outflow of transfers to other classes of fixed assets 2018		-3.960.847	-88.674		0	-4.049.521
Inflow from transfers to other classes of fixed assets 2018		-487.333	0		-56.193.714	-56.681.047
Outputs of sales 2018		0	0	0		0
Inflow from cassation 2018		0	-2.635.642	0		-2.635.642
12/31/2018	43.509.161	99.412.956	526.299.431	1.246.931	21.737.289	692.205.768
Amortization, depreciation						
01.01.2017	0	3.742.440	270.223.211	965.317	0	274.930.968
Expenditure 2017	0	4.991.493	36.658.098	60.595	0	41.710.186
Depreciation, amortization related to outflow 2017	0	-15.853	-4.393.840	-33.057	0	-4.442.750
12/31/2017	0	8.718.080	302.487.469	992.855	0	312.198.404
Expenditure 2017	0	4.588.398	35.904.251	40.874	0	40.533.523
Amortization, depreciation inputs of transfers within the same class in 2018	0	470.109	52.053		0	522.162
Amortization, depreciation outputs of transfers within the same class in 2018	0	-470.109	-52.053		0	-522.162
Amortization, depreciation outputs of transfers within the other class in 2018	0	-55.614			0	-55.614
Depreciation, amortization related to disposing 2018	0	0	-2.625.933	0	0	-2.625.933
Depreciation, amortization related to outflow 2017	0	0	0	0	0	0

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12/31/2018	13.250.864	335.765.787	1.033.729	0	350.050.380
Remaining value					
1/1/2017					319.906.050
12/31/2017					316.829.136
12/31/2018					342.155.388

Tangible assets representing "Tangible assets in progress" are valued at historical cost. The Group chose to assess its tangible assets like land and buildings at fair value. Within the hierarchy of fair value, the company's buildings and land were revalued at their fair value, categorized-level 2.

The evaluation technique used in the level 2 fair value measurement is the price comparison method. Building prices are determined in comparison with the adjacent buildings' and can be tailored to specific features such as property size, etc. The most important input data for this evaluation method is the prices per square meter. There were no transfers between the level at which the fair value measurements are classified in 2018.

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

Fixed assets declined in 2018 by scrapping, selling and depreciation.

The stock-in trade value of the fixed assets disposed of in 2018 was of 2,635,642 lei and the unamortised value of the disposed fixed assets was of 9,709lei.

The mortgage value for the tangible assets of the contracted loans had the net book value of 21,745,494lei on the 31st of December 2018. At the same time, the guarantees consisting of technological equipment had the net book value of 11,373,393lei

4.2. REAL ESTATES INVESTMENTS

Evolution of real estate investments 1 January 2017 to 31 December 2018 Take as follows

Explanations	Real estate investments	Real estate investments in execution	Total
Balance at 01.01.2017	31.665.148	8604695	0
Input 2017	0	155.813	155.813
Output 2017	-10.290	146351	136.061
Balance at 31.12.2017	31.654.858	8.906.859	40.561.717
Inflow from revaluation in 2018	0	18.076	18.076
internally generated 2018 inputs	0	1.548	1.548
Inflow from transfers from other classes of fixed assets	187.387	0	187.387
inputs transfers from tangible assets in 2018			
The balance 31.12.2018	31.842.245	8.926.483	40.768.728

Real estate investments are evaluated at a fair market value. A gain or loss arising from a change in the fair market value of property investments is acknowledged in the profit or loss statements of the same period.

The "on-going real estate investments" assets are evaluated at a historical cost.

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5. INTANGIBLE ASSETS AND GOODWILL

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

Explanations	R&C expenditure	Software and software licenses	Total
Cost			
31.12.2017	0	9.829.901	9.829.901
Input 2017	0	105.996	105.996
31.12.2017	0	9.935.897	9.935.897
Inputs of achizition2018	323.085	485.353	808.438
internally generated inputs 2018	236.298	0	236.298
Inputs from transfers within the same class 2018	600	0	600
Outputs from transfers within the same class 2018	-600	0	-600
31.12.2018	559.383	10.421.250	10.980.633
Depreciation, amortization			
1/1/2017	0	6.127.116	6.127.116
Expenses 2017	0	669.055	669.055
12/31/2017	0	6.796.171	6.796.171
Expenses 2018	0	650.310	650.310
12/31/2017	0	7.446.481	7.446.481
Remaining value			
1/1/2017			3.702.785
12/31/2017			3.139.726
12/31/2018			3.534.152

In May 2018, the Group concluded a Financing Agreement with the Ministry of European Funds and the Ministry of Research and Innovation, focusing on "Developing the research department of COMPA SA and achieving innovative results in the automotive industry"

The total value of this contract is 26,614,121.45 lei, of which non-reimbursable financing 9,230,986.36 lei. The duration of the project is 15 months from the date of signing the contract.

The Group capitalizes the R & D costs due to the fact that the criteria for their recognition as an element of intangible asset immobilization are met, namely:

- it is probable that the future economic benefits expected to be attributable to the asset are attributable to the Company; and
- the cost of immobilisation can be reliably measured.

6. TRADE RECEIVABLES AND OTHER RECEIVABLES

The situation of trade receivables is as follows:

Explanations	2018	2017
Receivables from clients who have not exceeded the maturity	132.290.542	125.896.194
Debts which exceeded maturity, but there were no adjustments for depreciation	12.380.370	6.053.798

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Debts which exceeded maturity, but there were adjustments for depreciation	1.535.953	1.105.878
Adjustments for impairment	-1.535.953	-1.105.878
Total trade receivables	144.670.912	131.949.992

The amendments valid on 01.01.2018 of IFRS 15 - Receipts from contracts with customers required the recognition of inventory income available to the client at the time of transfer of control over them.

The change in accounting policies on income recognition led to records that led to the increase of customers' amounts of RON 4,795,473.

The Company recognizes the consideration received from clients as trade receivables.

The data for the year 2017 presented in the financial statements for the year ended 31 December 2018 were adjusted with the mentioned corrections.

At 31th of December 2018 and 2017 the situation of seniority of debts that exceeded due time and for which no adjustments were recorded for impairment, is as follows:

Explanations	2018	2017
Past due by 90 days	7.283.194	4.261.375
Past due between 91 and 180 days	3.662.021	1.461.329
Past due from 181 days to 1 year	1.429.485	319.584
Past due more than 1 year	5.670	11.510
Total receivables past due	12.380.370	6.053.798

The Group has created impairment for clients' receivables as it follows:

Balance at 01.01.2017	880.678
Adjustment established in 2017	596.176
Reversed Adjustment in 2017	-370.976
Balance at 31.12.2017	1.105.878
Adjustment established in 2018	658.413
Reversed Adjustment in 2018	-228.338
Balance at 31.12.2018	1.535.953

The Group's commercial policy requires the recording of impairment adjustments exceeding 360 days, except those receivables registered at partners to which the Group is a debtor in its turn, the debts registering approximately the same age as uncollected receivables

The situation of other receivables owned by the Group is as follows:

Explanations	2018			2017		
	Total, of which	Long term	Short term	Total, of which	Long term	Short term
Advances paid to suppliers	11.627.430	0	11.627.430	3.275.383	0	3.275.383
Receivables related to staff	18.683	0	18.683	23.482	0	23.482
Claims about consolidated state and local budget	5.574.472	0	5.574.472	1.268.880	0	1.268.880
Sundry debtors	1.278.101	0	1.278.101	1.292.564	0	1.292.564

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Explanations	2018			2017		
	Total, of which	Long term	Short term	Total, of which	Long term	Short term
Impairment of debtors	-301.611	0	-301.611	-594.585	0	-594.585
Accrued expenses	664.446	0	664.446	592.980	0	592.980
Subsidies receivables (European funds projects)	11.219.383	668.703	10.550.680	0	0	0
Total – other receivables	30.080.904	668.703	29.412.201	5.858.704	0	5.858.704

The Group established Impairment of other receivables as it follows:

Balance at 01.01.2017	578.886
Adjustments in 2017	15.699
Reversed Adjustment in 2017	
Balance at 31.12.2017	594.585
Adjustments in 2018	0
Reversed Adjustment in 2018	-292.974
Balance at 31.12.2018	301.611

The Group's commercial policy requires the recording provisions for other receivables that exceed 360 days for those receivables for which there are indications that are uncertain.

Receivables in foreign currencies are valued in lei at the exchange rate of BNR dated 31.12.2018.

7. OTHER RECEIVABLES

The situation of other receivables of the Group is as follows:

Explanations	2018			2017		
	Total, of which	Long term	Short term	Total, of which	Long term	Short term
Custom home warranty	103.000	103.000	0	103.000	103.000	0
Other guarantees	13.684	13.684	0	13.684	13.684	0
Total other assets	116.684	116.684	0	116.684	116.684	0

8. STOCKS

Structure of stocks owned by the Group is presented in the table below:

Explanations	2018	2017
Raw materials	41.635.827	35.994.810
Impairment of raw materials	-307.651	-223.206
Packaging materials	22.698.829	19.476.312
Impairment of materials and packaging	-84.302	-165.376
Semifinished parts and production in progress	36.966.386	33.495.480
Impairment of semifinished parts	0	0
Finished goods and merchandise	10.922.112	11.378.191
Impairment of finished products and goods	-169.453	-169.612
Total stocks	111.661.748	99.786.599

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Starting with January 1, 2018, IFRS 15 - Income from Customer Contracts has changed, recognizing revenue from inventory available to the client at the time of transfer of control over them. Changing accounting policies on revenue recognition has led to records that led to a decrease in inventory at the customer's disposal amounting to RON 4,705,780. The data for the year 2017 presented in the financial statements for the year ended December 31, 2018 were adjusted with the corrections / repairs mentioned.

The Group established adjustments for impairment of inventories as presented below:

Balance at 01.01.2017	780.351
Adjustments established in 2017	272.383
Reversed adjustments 2017	-494.540
Balance at 31.12.2017	558.194
Adjustments established in 2018	106.232
Reversed adjustments 2018	-103.020
Balance at 31.12.2018	561.406

Adjustments for depreciation were recorded for non-moving stocks and slow moving, which the Group holds clues that probably will not generate future economic benefits.

9. CASH AND CASH EQUIVALENTS

Available cash and cash equivalents are as follows:

Explanations	2018	2017
Bank accounts in RON	2.338.749	1.125.575
Foreign currency bank accounts	908.417	1.712.478
Cash equivalents	472	1.541
House in RON	20.047	27.564
Total Cash and equivalents	3.267.685	2.867.158

The Group owns domestic and foreign currency accounts at the following banks: BRD Group Societe Generale, BCR, RBS Bank, ING Bank, Treasury.

10. PROFIT TAX

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

In the year 2018 the Group besides the Profit tax has calculated also specific tax for the catering activity for the period 01.01.2018-31.07.2018 and income tax for micro-enterprises for the period 01.08.2018-31.12.2018.

At 31 December 2018 and 2017 Profit tax consists of:

Explanations	2018	2015
Current income tax	3.149.177	4.265.052
Costs with specific tax	0	26.580
Costs with income tax of the micro-enterprises	30.452	7.731
Receivable / (flow) deferred profit tax	317.566	234.386
Total income tax	3.497.195	4.533.749

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In 2018, the Group carried out records recording the correction of accounting errors for 2017 in deductible expenses. These operations led to the reduction of the current tax for the year 2017 with the amount of 96,049 lei.

The data for the year 2017 presented in the financial statements for the year ended 31 December 2018 were adjusted with the mentioned corrections.

Numerical reconciliation between expense with income tax and the result from multiplying accounting result with effective tax rate is presented below:

Explanations	2018	2017
Profit before tax	39.270.075	41.844.435
Profit before specific tax	0	27.096
Profit before income tax for micro-enterprises	116.859	12.796
Expense with profit tax 16%	6.283.212	6.695.110
costs with specific tax	0	26.580
Costs with income tax for micro-enterprises	30.452	7.731
Sponsorship expenses deducted from income tax	-547.979	-137.772
Corporation tax payable	5.765.685	6.591.649
Effect of non-taxable income	-1.397.238	-436.751
Non deductible expenses and the effect of temporary differences	2.008.164	1.176.903
The effect of tax exemption on reinvested profit	-2.879.416	-2.798.052
Total income tax expense	3.497.195	4.533.749
Effective percentage income tax	8,88	10,82

In 2018, the Group applied for the tax exemption on the reinvested profits in technological equipment, according to OUG no. 19/2014. The Board of Directors anticipates the bought technological equipment will remain in the Company's patrimony for at least 5 years. At the same time the constituted reserve due to the above mentioned facility will not be distributes/used.

The evolution of the deferred income tax to be recoveedr during 01.01.2017 - 31.12.2018 is shown in the table below:

Deferred tax at 01.01.2017	-775.392
Deferred tax through profit or loss 2017	-255.920
Deferred tax recognized in other comprehensive income 2017, of which:	3.367
Deferred tax from legal reserves tax deductible	
Deferred tax from fixed assets revaluation	
Deferred tax at 31.12.2017	-793.559
Deferred tax through profit or loss 2018	317.566
Deferred tax on the resulting account carried over from the change in accounting policies 2018	-14.352
Deferred tax recognized in other comprehensive income 2018, of which:	-1.230.292
Deferred tax from assets revaluation	-1.233.650
Deferred tax from legal reserves tax deductible	3.358
Deferred tax at 31.12.2018	-1.720.637

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The amendments valid on 01.01.2018 of IFRS 15 - Receipts from contracts with customers required the recognition of inventory income available to the client at the time of transfer of control over them. Changing accounting policies on income recognition has led to records that have led to the change in deferred tax as follows:

- deferred tax for periods prior to 2017: debt increase amounting to RON 45,911;
- deferred tax for the year 2017: debt reduction with the amount of RON 31,561

The data for the year 2017 presented in the financial statements for the year ended 31.12.2018 were adjusted with the mentioned corrections.

Significant components of deferred income tax included in financial statements at 31.12.2017, at a 16% rate, are the following:

Temporary difference type	Cumulative temporary differences Value	Cumulative deferred tax - receivable	Cumulative deferred tax - debt	Cumulative Deferred tax - net, of which:	Attributable profit and loss account 2017	Attributable other elements of global result 2017
Assets revaluation	40.562.295	0	6.489.967	6.489.967		-255.920
Legal reserves	4.669.445	0	747.111	747.111		3.329
Differences tangible depreciation periods	-45.146.455	-7.223.433	0	-7.223.433	543.450	
Other liabilities	-5.134.952	-821.592	0	-821.592	-277.503	
Total	-5.049.667	-8.045.025	7.237.078	-807.947	265.947	-252.591

Significant components of deferred income tax included in financial statements at 31.12.2018, at a 16% rate, are the following:

Temporary difference type	Cumulative temporary differences Value	Cumulative deferred tax - receivable	Cumulative deferred tax - debt	Cumulative Deferred tax - net, of which:	Attributable profit and loss account 2018	Attributable to the retained earnings account of changes in accounting policies 2018	Attributable other elements of global result 2018
Assets revaluation	32.851.981	0	5.256.317	5.256.317			-1.233.650
Legal reserves	4.690.412	0	750.466	750.466			3.358
Differences tangible depreciation periods	-42.883.358	-6.861.337	0	-6.861.337	-362.096		
Other liabilities	-5.413.018	-866.083	0	-866.083	44.530	-14.352	
Total	-10.753.983	-7.727.420	6.006.783	-1.720.637	-317.566	-14.352	-1.230.292

The Group recognizes deferred tax assets because it is estimated that there will probably generate profit in the future subject to taxation

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11. EQUITY

Ownership structure on 31.12.2018 is as follows:

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

Shares of the Group have a nominal value of 0,1 RON / share, the value of share capital amounting to 21.882.104 lei

The equity of the Group include the following:

Explanations	2018	2017	Modifica- tion	Causes
Capital subscribed and paid	21.882.104	21.882.104	0	
Capital adjustments	0	0	0	
Own shares	-64.910	-64.910	0	
Losses related to own shares	-45.961	-45.961	0	
Reserves from reevaluation	81.787.286	82.062.778	-275.492	Transfer of revaluation reserves to Reversed earnings representing surplus from revaluation reserves
Legal reserves	4.926.887	4.905.920	20.967	Creating legal reserves;
Adjustment of legal reserves	22.679.066	22.679.066	0	
Other reserves	229.989.614	189.835.835	40.153.779	Distribution to other reserves;
Adjustment other reserves	472.028	472.028	0	
Current year profit	35.894.491	37.267.134	-1.372.643	Decrease in the profit related to the current year compared to the previous year;
Result carried	47.170.945	48.558.421	-1.387.476	Non-distributed profit; Transfer of revaluation reserves to Reversed earnings representing surplus from revaluation reserves
Minority interests	169.473	148.060	21.413	The increase of the minority interests related to the current year compared to the previous year
Total equity	444.861.023	407.700.475	37.160.548	

In 2018, the Group recorded records correcting accounting errors for the year 2017

The amendments valid on 01.01.2018 of IFRS 15 - Receipts from contracts with customers required the recognition of inventory income available to the client at the time of transfer of control over them.

Changing accounting policies on revenue recognition also led to records that led to changes in equity for 2017.

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These changes were as follows:

Explanations	2017-Restated	2017-Initial	Differences
Legal reserves	4.905.920	4.905.681	239
Other reserves	189.835.835	189.835.872	-37
Current profit	37.267.134	38.553.268	-1.286.134
Reported result	48.558.421	48.295.224	263.197
Minority Interests	148.060	147.229	831

The data for the year 2017 presented in the financial statements for the year ended 31.12.2018 were adjusted with the corrections mentioned.

Capital management

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

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

The Group distributed 2018's net profit to own development sources due to the tax exemption facility offered for reinvested profit as per the OUG 19/2014.

The Group continued to use the above mentioned facility in 2018 as well, and according to legal regulations it distributed 17.487.822 RON worth of profit to own development sources.

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

Indebtedness evolution of the Group is as follows:

Explanations	2018	2017
Total debts	233.117.079	194.202.800
Cash and cash equivalents	3.267.685	2.867.158
Net debt	229.849.394	191.335.642
Equity	444.861.023	407.700.475
Level of indebtedness	0,52	0,47

The group set as a target not to exceed the level of 0.99

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12. FINANCIAL LIABILITIES

Financial short-term and long term liabilities are:

Currency - EUR		2018			2017		
Credit institution	Loan type	Total of which	Long term (< 5 years)	Short term	Total of which	Long term (< 5 years)	Short term
BRD GROUP SOCIETE GENERALE-ROMANIA	Credit line for manufacturing	5.713.163	5.713.163	0	3.200.698	3.200.698	0
ING BANK-SIBIU	Credit line for manufacturing	7.194.397	7.194.397	0	5.221.359	5.221.359	0
IMPULS-LEASING ROMANIA I.F.N SA BUC.	Financial leasing contracts	257.119	122.388	134.731	471.189	257.119	214.070
Total financial liabilities - EUR		13.164.679	13.029.948	134.731	8.893.246	8.679.176	214.070

Currency - RON		2018			2017		
Credit institution	Loan type	Total of which	Long term (< 5 years)	Short term	Total of which	Long term (< 5 years)	Short term
BRD GROUP SOCIETE GENERALE-ROMANIA	Credit line for manufacturing	26.645.621	26.645.621	0	14.914.292	14.914.292	0
ING BANK-SIBIU	Credit line for manufacturing	33.553.949	33.553.949	0	24.329.966	24.329.966	0
IMPULS-LEASING ROMANIA I.F.N SA BUC.	Financial leasing contracts	1.199.177	570.805	628.375	2.195.597	1.198.100	997.497
Total financial liabilities -RON		61.398.747	60.770.375	628.375	41.439.856	40.442.359	997.497

The Group filed guarantees for contracting the loans.

Tangible assets mortgaged in favor of credit institutions at 31.12.2018 include land, buildings and equipment.

Also, there were concluded also "movable guarantees on receivables" as a guarantee for the credit commitments, proportionally with the value of exposure towards the financing banks.

Interest margin of loans from banking institutions engaged varies:

Euribor 1 month + 1,0 % per year and

Robor 3 months + 1,0 % per year

Interest related to finance leases varies between Euribor 3 months + 4,67% per year, and Euribor 3 months + 4,46% per year for contracts concluded before 2018 and fixed interest of 3.15% per year for contracts concluded during 2018.

Foreign currency liabilities are valued in lei at the exchange rate of BNR dated 31.12.2018.

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13. COMMERCIAL LIABILITIES AND OTHER LIABILITIES

The situation of commercial liabilities and other liabilities is the following:

Explanations	2018			2017		
	Total of which	Long term	Short term	Total of which	Long term	Short term
Suppliers	117.721.438	0	117.721.438	107.520.721	0	107.520.721
Advance payments from customers	128.204	0	128.204	20.662	0	20.662
Debts related to staff	3.515.725	0	3.515.725	2.740.650	0	2.740.650
Debts to social security and unemployment	5.745.715	0	5.745.715	5.375.460	0	5.375.460
Other debts to the state budget	6.637.971	0	6.637.971	6.051.520	0	6.051.520
Other debts to the public institution	0	0	0	103.907	0	103.907
Current income tax debts	70.885	0	70.885	93.978	0	93.978
Various creditors	228.323	24.454	203.869	143.930	0	143.930
Income in advance	1.244.370	414.790	829.580	0	0	0
Subsidies for investment contracts AMPOSDRU SI AMPOSCEE	36.266.340	31.785.869	4.480.471	30.494.652	26.804.190	3.690.462
Inventory pluses of fixed assets	23.713	23.713	0	81.819	81.819	0
Total commercial liabilities and other payables	171.582.684	32.248.826	139.333.858	152.627.299	26.886.009	125.741.290

In 2018, the Group recorded records correcting accounting errors for the year 2017. These records led to the following changes in debts for the year 2017:

- the increase of the debts related to the personnel: 684,539 lei
- the increase of the debts to the consolidated state budget: 404,813 lei
- the increase of debts to other public institutions: 103,907 lei
- the decrease of the current profit tax with the amount of 96,049 lei

Also, the amendments valid on January 1, 2018 of IFRS 15 - Income from contracts with clients, determined the following restatements:

- the provisions made by the Company, representing the obligations of the company resulting from the contracts with the clients, were reinstated in the category "Debts from contracts with clients", by canceling the expenses with the provisions together with the diminution of the turnover.
- advances received from customers who met the recognition criteria as "Debts from contracts with customers" have been re-ranked in this category. Advance payments do not contain a significant funding component.

The data for the year 2017 presented in the financial statements for the year ended 31 December 2018 were adjusted with the corrections / revisions mentioned above:

Currency liabilities are valued in RON at the exchange rate of BNR on 31.12.2018

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14. PROVISIONS

The Group set up provisions as it follows:

Explanations	Provisions for guarantees to customers	Provisions for employee benefits	Total provisions
Balance at 01.01.2017	26.945	108.700	135.645
Established adjustments in 2017	0	0	0
Reverse adjustments in 2017	0	0	0
Balance at 31.12.2017	26.945	108.700	135.645
Established adjustments in 2018	0	0	0
Reverse adjustments in 2018	0	0	0
Balance at 31.12.2018	26.945	108.700	135.645

The Company did not provide additional provisions for guarantees granted to clients and employee benefits in 2018, considering that there were no changes compared to the situation on the 31.12.2017.

The amendments valid on January 1, 2018 of IFRS 15 - Income from contracts with customers, determined the restatement of the Group's provisions in the commercial relationship between Compa and the DELPHI external customer.

The constituted provisions are represented by Group's obligations towards the above mentioned partners due to price differences.

The observable differences are explained here below:

- Recalculation of the amortization included in the price of products delivered by Compa to Delphi Diesel Systems-France

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

From the analyzes made, these provisions meet the recognition criteria as "Debt from contracts with clients". Provisions have been canceled by reversal of provisions expense while reducing turnover and debt recording from contracts with clients.

The data for the year 2017 presented in the financial statements for the year ended 31.12.2018 have been adjusted with the restatements mentioned above.

15. INCOME

Group revenues structure is as follows:

Explanations	2018	2017
Total turnover, of which:	756.505.986	707.491.620
Sales of finished products	745.213.067	693.450.677
Services rendered	8.406.212	7.790.781
Sales of goods	1.816.649	5.783.759
Income from other activities (rental, sales of materials and packaging)	517.895	462.747
Income from grants related to turnover (European funds projects)	552.163	3.656
Other operating income	11.163.809	10.062.563
Total operating income	767.669.795	717.554.183

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Other operating income consist of:

Explanations	2018	2017
Revenues from sales of property	0	72.384
Revenues from production assets	6.523.627	5.641.080
Income from investment subsidies (European funds projects)	3.681.963	3.730.574
Other operating revenues	958.219	618.525
Total other operating income	11.163.809	10.062.563

Starting with 01.01.2018, the Group first applied to IFRS 15 standard Revenue from contracts with customers. In accordance with IFRS 15, income is recognized in the amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to a customer.

The new revenue standard has replaced previous IFRS revenue recognition requirements. Full retrospective application or modified retrospective application is required for annual periods beginning on or after 1 January 2018. The company has adopted the new standard on its mandatory entry into force using a complete retrospective.

In accordance with IFRS 15, income is recognized when a customer acquires control of the goods.

The moment the customer acquires control of the goods is considered to be largely the same for most of the Group's contracts under both IFRS 15 and the previous IAS 18. Exceptions are stocks available to the customer for which the Group recognizes the income at the moment when the stock are transferred to the customer's warehouse without the transfer of ownership being carried out and, according to the terms of the contract and the business model, the Group considers that the customer has obtained control and does not represent a consignment commitment.

In accordance with IAS 18, the Group recognized the income when the customer picked up the products from the warehouse, time at which the invoice for the products in question was issued.

The terms of the contract stipulate the conditions of delivery of the products, and the moment when the customer acquires control over the goods. Revenue is recognized at some point in time, that is, when the asset control is transferred to customers for all the assets sold by the Group. The Group recognizes the consideration received from the client as receivables.

In the case of certain contracts with customers, the Group grants financial or commercial discounts, returns and volume discounts. The business model of the Group and the provisions of the contracts with the clients require a regular analysis of these variable considerations, as well as the extent to which the income reduction is necessary. In situations where the customer contract provides for volume discounts, the Group analyzes the volume of sales quarterly and reduces revenue according to the amount of consideration that is expected to collect from the customers. If the Group is not in a position to make a reasonable estimate of the discounts, the income will be recognized earlier than in the situation when a reasonable estimate of these discounts can be made. Returns based on quality defects were insignificant and occasional over the past periods, resulting in a immaterial impact in the application of the provisions regarding returns based on quality issues in IFRS 15.. The Group occasionally provides various services, and the income from the provision of services is measured at the fair value of the consideration received or receivable. The application of IFRS 15 does not result in significant differences in the recognition of income for the service provided.

Also, the amendments valid since January 1, 2018 of IFRS 15 - Income from contracts with customers, determined the following restatements for the year 2017:

- Recognition of inventory revenue available to the customer at the time of transfer of control over them, impacting on sales revenue of finished products and implicitly on turnover, worth +1,126,355 lei
- canceling the provisions in the customers' relationship by reversing the provisions expenses with the decrease of the turnover and the recording of debts from the contracts with the customers, also having an impact on the revenues from the sales of finished products and implicitly on the turnover, amounting to -1,755,050 lei.

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The data for the year 2017 presented in the financial statements for the year ended 31 December 2018 were adjusted with the mentioned corrections.

Business segments

The Group management regularly evaluates its work to identify operating segments for which information must be reported separately.

The group operates in Romania. Group revenues presented above are entirely attributable to the country of residence.

Assets other than financial instruments, deferred tax assets, post employment benefit for claims and the rights arising from insurance contracts are all located in Romania. The Group has no such fixed assets located in other countries.

The company operates in Romania. Company revenues presented above are entirely attributable to home country.

The export income for 2018 is of 590.93 mil.lei, representing 78,50% of the turnover.

The first three external clients provide 487 mil.lei worth of income. This represents approximately 61% of the turnover. Revenues are attributable to activity in Romania

16. EXPENSES BY NATURE

Operating expenses during the years 2017 and 2015 and their nature are presented in the table below:

Explanations	2018	2017
Material expenses	497.394.870	458.699.219
Differences of stock	-3.184.244	2.886.534
Employee benefits expense, of which:	149.458.100	135.355.854
Wages and salaries	146.097.864	111.285.827
Expenditure on social security and welfare	3.360.236	24.070.027
Value adjustments on property	41.172.613	42.381.177
Value adjustments on current assets	138.033	18.742
Expenditure on services provided by third parties	32.524.492	29.232.770
Other taxes, duties and similar	5.042.817	3.958.189
Adjustments for provisions	0	0
Other operating expenses	3.328.877	2.563.309
Total operating expenses	725.875.558	675.095.794

In 2018, the Group made entries representing the correction of some accounting errors for the year 2017, which led to the following changes:

- the increase of operating revenues by 684,539 lei
- the increase of expenses with other taxes and fees assimilated with 404,812 lei.
- increase of other operating expenses by 103,909 lei.

Also, the amendments valid since January 1, 2018 of IFRS 15 - Income from contracts with customers, determined the following restatements for the year 2017:

- increase of the expenses with the stocks made available to the client by 1,323,608 lei
- decrease of provisions expenses by 1,755,050 lei

The data for the year 2017 presented in the financial statements for the year ended December 31, 2018 were adjusted with the mentioned corrections / revisions.

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17. ANALYSIS OF OPERATING RESULT

Explanations	2018	2017
Operating income	767.669.795	717.554.183
Cost of sales	-693.331.626	-643.729.035
Sales and distribution expenses	-1.808.416	-1.624.588
Administrative costs	-19.414.853	-19.646.400
Expenditure on R&D	-11.320.663	-10.095.771
Operational result	41.794.237	42.458.389

In 2018, the Group made entries representing the correction of some accounting errors for the year 2017, which led to the following changes:

- increase in sales costs by 1,193,259 lei

Also, the amendments valid on January 1, 2018 of IFRS 15 - Income from contracts with customers, determined the following restatements for the year 2017:

- decrease in operating income by 628,695 lei
- reducing sales costs by 431,443 lei

The data for the year 2017 presented in the financial statements for the year ended December 31, 2018 were adjusted with the mentioned corrections / revisions.

18. EMPLOYEE BENEFITS EXPENSE

Employee benefits expenses include salaries, allowances and social security contributions.

Short-term benefits are recognized as expenses as the services are rendered.

Explanations	2018	2017
Wages and salaries	146.097.864	111.285.827
Expenditure on social security and welfare	3.360.236	24.070.027
TOTAL	149.458.100	135.355.854

In 2018, the Group made entries correcting some accounting errors for the year 2017, which led to a decrease of the net profit by 684.539 Iri.

The data for the year 2017 presented in the financial statements for the year ended December 31, 2018 were adjusted with the mentioned corrections / revisions.

19. LOSSES (GAINS) FINANCIAL;

LOSSES (GAINS) FROM SHARES IN ASSOCIATES

Structure losses (gains) financial statements is presented below:

Explanations	2018	2017
Gain from exchange differences relating to monetary items denominated in foreign currency	-1.419.711	401.755
Loss of interest	-523.661	-595.956
Other financial gains	-437.762	-440.072
Total losses / gains	-2.381.134	-634.273

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20. EPS (Earnings per share)

Explanations	2018	2017
Number of shares at the beginning of the year	218.821.038	218.821.038
Shares issued during the year	0	0
Number of shares at the end of the year	218.821.038	218.821.038
Net profit	35.915.908	37.290.367
Earnings per share (in RON per share) basic / diluted:	0,16	0,17

In 2018, the Group made entries correcting some accounting errors for the year 2017, which led to a decrease of the net profit.

Also, the modifications valid since 01.01.2018 of IFRS 15 -Income from contracts with customers, determined the net profit decrease.

The data for the year 2017 presented in the financial statements for the year ended December 31, 2018 were adjusted with the mentioned corrections / revisions.

21. RELATED PARTIES

Affiliated entities are:

Related party	% ownership	Object of activity
COMPAIT SRL	100,00	Activities of providing software on request
TRANS C.A.S. SRL	99,00	Road transport of goods
RECASERV SRL	70,00	Catering activities for different events

Affiliated entities of company COMPA S.A. Sibiu were established over time, due to the need of outsourcing some specific activities such as: software design, domestic and international auto transport, catering, etc. Outsourcing was done to streamline these activities and to benefit from some facilities granted by the state for some activities (IT activity, transport licenses, etc.)

Most of transactions, contracts with these affiliated entities represent provision by COMPA (owner of special and specific installations), of utilities like: electricity, heating, tap water, phone services, compressed air, rental of premises and equipment necessary for the activity, as well as contracts for the supply of goods and services. On the other hand, these affiliated companies provide goods and services to COMPA which represent their object of activity and for which the outsourcing was intended.

Relations were governed by commercial terms of free market, prices were established by negotiation within the frame of market indicated levels.

Transactions made between 2015 and 2014 with companies where COMPA holds shares, were the following:
(the amounts include VAT)

Explanations	2018		2017	
The company to which the securities are held	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services
TRANS C.A.S. S.R.L.	19.560.341	541.756	16.992.449	223.963
COMPA IT S.R.L.	2.452.052	65.743	2.020.025	21.713
RECASERV S.R.L.	1.722.849	175.915	1.330.735	51.505

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In 2018, the Group made entries representing the correction of accounting errors related to 2017, determined by the need to adjust transfer pricing. Thus, in 2018 there were recorded transactions for the year 2017, as follows (amo

Explanations	2017	
The company to which the securities are held	Purchases of goods and services	Sales of goods and services
TRANS C.A.S. S.R.L.	167.772	162.078
COMPA IT S.R.L.	37.055	22.762
RECASERV S.R.L.	59.845	61.404

Mutual liabilities and receivables recorded at 31.12.2017 and 31.12.2015 are the following:

COMPA S.A. 's receivables from:

Explanations	2018	2017
TRANS C.A.S. S.R.L.	359.518	18.244
COMPA-IT S.R.L.	47.417	5.291
RECASERV S.R.L.	131.622	8.390

COMPA S.A. debts paid by:

Explanations	2018	2017
TRANS C.A.S. S.R.L.	3.255.750	2.639.063
COMPA-IT S.R.L.	870.627	714.192
RECASERV S.R.L.	453.454	335.188

Outstanding balances are not guaranteed. No guarantees were established, nor were received for receivables or payables to related party.

BRANCHES

Company management

List of administrators of the company:

NAME AND FIRST NAME	QUALIFICATION	POSITION
DEAC Ioan	Engineer	Chairman & CEO
MICLEA Ioan	Economist	Member BoD & CFO
BALTEȘ Nicolae	Economist	Member BoD - Chairman Audit Committee
VELȚAN Ilie-Marius	Economist	Member BoD – Member of the Audit Committee
MAXIM Mircea Florin	Engineer	Member BoD

List of members of executive management of the Company:

NAME AND FIRST NAME	POSITION
DEAC Ioan	CEO
MICLEA Ioan	CFO
FIRIZA Ioan	Organizational Management & HR Director

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BĂIAȘU Dan-Nicolae	Commercial Director
ACU Florin-Ștefan	Technical Director
MUNTENĂȘ Bogdan-Vasile	Logistics Director
ȚUICU Liviu-Laurențiu	Quality and Environment Director
ȚUȚUREA Mihai	Production Director
Firiza Sorin Ioan	Deputy Production Director
MORARIU Mircea	Deputy Production Director
HERBAN Dorin-Adrian	System management & Continuous improvement Director
SUCIU Ioan-Octavian	Quality and Environment Management Systems Director - retired on September 1 st , 2018
OPRIȚOIU Dumitru	Head of Energy Base
DRAGOMIR Marius-C-tin	Head of Maintenance

Transactions with the Company's management members are limited to wages and salaries:

Explanations	2018	2017
Salaries and allowances granted to members of the Board and executive management members	6.418.481	5.076.477

22. EMPLOYEE BENEFITS

The Group makes payments on behalf of its employees to the Romanian state pensions system, health insurance and unemployment benefit in the normal course of business. All Group employees are members and have a legal obligation to contribute (through social security contributions) to the State pension plan (a State defined contribution plan). All related contributions are recognized in the result of the period in which incurred.

The Group is bound by the collective labor agreement to provide benefits upon termination of the labor contract when employment is terminated for reasons not attributable to employees. Benefits are valued at 0,5 - 5 base salaries, depending on length of service of employees in the Group.

Also, according to legal regulations and collective labor contract, employees who retire at age limit are entitled to an indemnity end career worth an average salary corresponding to the position occupied at the retirement date, adjusted with seniority employees in the Group.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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.

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

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.

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

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.

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.

24. DATORII CONTINGENTE ȘI ANGAJAMENTE

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

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

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

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

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

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

25. EVENIMENTE ULTERIOARE DATEI BILANTULUI

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

CEO,
Ioan DEAC

CFO,
Ioan MICLEA