



# REVENUES AND EXPENSES BUDGET

2020



## **C O N T E N T S**

- 1. SPECIFIC PREMISES**
- 2. SUBSTANTIATION OF THE PRODUCTION INDICATORS**
- 3. SUBSTANTIATION PROFIT AND LOSS ACCOUNT**
- 4. SUBSTANTIATION OF MAIN HERITAGE ELEMENTS**
- 5. INVESTMENTS AND FINANCING SOURCES**
- 6. ECONOMIC AND FINANCIAL INDICATORS**

## **SUBSTANTIATING OF REVENUES AND EXPENSES BUDGET 2020**

### **1. SPECIFIC PREMISES**

The Substantiation of Income and Expenses Budget for 2020 was based on the following premises

Despite it was a known fact how the epidemic would emerge and spread and subsequently become a Coronavirus COVID 19 pandemic, including in Romania, its effects could not be estimated and included in the substantiation of the Revenue and Expenditure Budget (CVD) for 2020. The effects of this pandemic remain unknown at this time and in this unprecedented situation. The extent of the spread of this unprecedented phenomenon in Western European countries such as Germany, France, Belgium, Italy, Czech Republic, UK, etc. is unknown and these are the countries where COMPA's main customers operate.

We cannot estimate the impact generated by the COVID 19 pandemic on the material base chain required for COMPA manufacturing processes.

In these circumstances, in which the extent of this phenomenon is not known, the seriousness of the effects on the economic activity of 2020 is not known, the 2020 BVC projection at COMPA S.A. was carried out by disregarding the existence of the COVID 19 pandemic.

Therefore, the substantiation of the Turnover (CA) and revenues included in the 2020 Budget is based on the following factors:

- Medium and long-term contracts with the major partners;
- Nomination Letters signed by the business partners;
- The latest forecasts on the evolution of the resulted quantities from the manufacturing programs of the most important COMPA customers;
- The programs for the assimilation into manufacturing of new products, as a result of the implementation of new projects started with certain customers, which will have an impact on CA for the coming years.

The Investment Program started in 2019 will continue to a large extent in 2020, when these programs will be completed. More specifically it implies investments in order to ensure the production capacity needed to manufacture non diesel vehicles products, as well as for Non-Auto products. This investment expenditure is budgeted to 105.5 million lei (approx. 22 million EUR) in the BVC. The financing of this investment program is obtained from both COMPA's own resources and investment loans of 15 million Euro, contracted in equal parts from BRD Societe Generale and ING Bank.

There is a cost reduction program approved by the Board of Administration and Top Management of the company in place. It is based on multiple improvement projects in each profit center (CP) within the company involving the majority of the employees. It's also a motivational factor because a percentage of the savings obtained in each project goes to those who were responsible for meeting the projects' objectives.

The exchange rate considered for establishing the budget for 2020 is 4.8 RON / euro.

The inflation considered in REB 2020 is 3%

## 2. SUBSTANTIATION OF THE PRODUCTION INDICATORS

The production and delivery indicators for 2020 is based on the following:

- Medium and long-term contracts with the main customers;
- Readjustment forecasts of partner adaption for 2020;
- New projects and products planned for production in 2020, such as:
  - o Body pump injection gasoline engines (GDI) for Delphi
  - o Valves for Bosch partner;
  - o WILO Fluid Pump Components

The impact of the spread of the Coronavirus COVID 19 epidemic in the foundation of CA and production indicators was not taken into account.

A comparison between production indicators in 2019 and 2020 is shown in Table 2.1.

Table 2.1.

INDICATORS	U/M	Achievement 2019	Provisions REB 2020	% Column 4 / Column 3
1	2	3	4	5
<b>Turnover</b>				
- current prices of the period	th RON	746.729	753.600	100.92
Average number of employees - Total	pers.	1,996	1,975	98,95
<b>Productivity</b>				
- current prices of the period	th.RON/ pers.	374,1	381,6	102,0
<b>Export production</b>				
RON	th RON	584.264	560.700	95.97
EURO	th E	123.129	116.800	94.86
<b>Requirement Material imported</b>				
RON	th RON	63.111	64.800	102,7
EURO	th E	78.520	84.900	108,1

## 3.SUBSTANTIATION OF THE PROFIT AND LOSS ACCOUNT

For the 2020 Profit and Loss Account projection, the following factors were taken into account:

- Medium and Long-term Customer Contracts, Nomination Letters and latest customer forecasts; the assimilation and approval programs for new products, information which was the basis for the Turnover and operating income. The revenues included in BVC and CA are expected to increase by 0.9% compared to last year's achievements.
- the level of production costs for products covered by manufacturing programs structured by categories and product groups
  - o Utility costs;
  - o Personnel costs including their transport from home (outside the city) to work;
  - o Maintenance costs, taking into account the wear and tear of machinery and equipment;
  - o evolutions in the steel and purchased materials market, etc.;

Taking into account these cost evolutions, as well as the structured production by product group and including the cost reduction measures through improvement projects, the operating costs will increase by 1.6% compared to 2019.

As a result of the unprecedented increase in investments in two consecutive years (2019 and 2020), by contracting investment loans in 2019, the financial expenditure will increase significantly in 2020 compared to 2019.

- Therefore, the Gross and Net Income will decrease compared to last year: 77.6% of 2019 achievements at Gross Profit and 75.21% on Net Profit.
- The 2020 Profit and Loss Account projection did not take into account the unpredictable effects of the spread of the COVID 19 epidemic, making it impossible to know the impact of this phenomenon on business in the European and global automotive industry
- Table 3.1 summarises the indicators in the 2020 Profit and Loss Account Structure.

Table 3.1.( th.RON)

INDICATOR	Achievement 2019	Provisions 2020	% Column 4 / Column 3
1	3	4	5
<b>TOTAL INCOME, of which:</b>	<b>775.476</b>	<b>782.200</b>	<b>100,9</b>
- operating income, from wich:	767.809	775.000	100,9
- turnover	746.729	753.600	100,9
- financial incomes	7.667	7.200	93,9
<b>TOTAL EXPENSES, of which:</b>	<b>741.950</b>	<b>756.200</b>	<b>101,9</b>
- operating expenses	730.917	742.300	101,6
- financial expenses	11.033	13.900	125,9
<b>TOTAL GROSS RESULT, of which:</b>	<b>33.526</b>	<b>26.000</b>	<b>77,6</b>
- operating result	36.893	32.700	88,6
- financial result	-3.367	-6.700	199,0
Profit tax	817	1.400	171,3
<b>NET RESULT</b>	<b>32.709</b>	<b>24.600</b>	<b>75.21</b>

## 4. SUBSTANTIATION OF MAIN HERITAGE ELEMENTS

Table 4.1 (below) shows a summary of the 2020 projection, Heritage Statement (Balance), the evolution of the main elements of the asset and liabilities of the Balance Sheet included in the 2020 BVC.

The following aspects in their evolution can be highlighted:

- The increase of more than 7% of Intangible Assets as a result of the implementation of the Human Resources Module within the SAP Integrated Information System in the second part of 2020
- The increase in tangible assets, more specifically machinery and equipment, as well as buildings, after finalizing the construction of a new 9,000 sqm production hall.
- the current assets will have a similar Turnover and revenue in 2020 compared to 2019
- the debts, especially the ones of more than 1 year, will increase due to the 15 million Eur investment loans contracted in 2019.
- the capital will show a slight decrease as a result of the profit decrease in 2020 compared to 2019.

Table 4.1.(th.RON)

SPECIFICATION	Achievement 2019	Provisions 2020	% Column 2 / Column 1
A	1	2	3
<b>TOTAL FIXED ASSETS, of which:</b>	<b>459.369</b>	<b>481,357</b>	<b>104,8</b>
1. Intangible assets	7.432	8.000	107,6
2. Tangible assets	338.291	402.700	105,6
3. Financial assets	1.886	1.886	100,0
<b>CURRENT ASSETS of which:</b>	<b>264.231</b>	<b>263,743</b>	<b>99,8</b>
1. Inventories	105.191	103.500	98,4
2. Receivables	151.950	154.000	101,3
3. Petty cash (cash in banks)	6.080	5.743	94,5
<b>DEBT LESS THAN ONE YEAR</b>	<b>118.018</b>	<b>121.100</b>	<b>102,6</b>
<b>DEBT OVER ONE YEAR</b>	<b>130.692</b>	<b>153.000</b>	<b>117,1</b>
<b>CAPITAL AND RESERVES</b>	<b>474.891</b>	<b>471.000</b>	<b>99,2</b>

## 5. INVESTMENTS AND FINANCING SOURCES

During 2020 the investment budget documents both the sources of funding and the level of expenditure.

- The main resources for financing the investments are:
  - COMPA's own resources obtained from:
    - the net profit allocated to the Development Fund;
    - the depreciation included in the price of the delivered products;
  - the resources, i.e. the investment loans amounting to 15 mil. Euro contracted during 2019 with BRD Societe Generale and ING Bank will be partially used in 2020.
  - the investment expenditure provided in the BVC exceed 100 mil. Ron (over 20 mil. Euro) being mainly intended for the purchase of machinery and equipment, as well as for the completion of the 9,000 sqm industrial hall whose construction began in 2019.

## 6.ECONOMIC AND FINANCIAL INDICATORS

The main financial indicators resulting from this substantiation of Revenue and Expenses budget are presented in Table 6.1.

Table 6.1.

INDICATOR	U/M	Achievement 2019	Provisions 2020	% Column 4 / Column 3
1	2	3	4	5
Financial rate of return	%	4,22	3,14	74,6
The rotation speed of assets		1,03	1,01	98,01
The labor productivity	Th. RON/ pers.	374,1	381,6	102,0
Trade receivables turnover rate	day	73,3	73,6	100,43
Trade turnover rate debt	day	45,7	45,9	100,3
Turnover rate debt stocks	day	50,7	49,4	97,5
Indebtedness ratio	%	0,51	0,57	111,5
The current liquidity		2,24	2,18	97,3
Direct liquidity		1,35	1,32	98,19

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