

## Questions/Answers regarding the points from the E.G.M.S. Agenda convened for November 12<sup>th</sup>/13<sup>th</sup>, 2020

### Question:

#### 1. Why is it opportune now for Compa to identify areas of nonautomotive activity?

### Answer:

The intention of the Board of Directors of Compa has always been targeted towards establishing the most suitable direction of activity and development of the company, aiming the development of the company and maintaining it at a competitive standard and creating adding value for the company and investors, aspects that have been reflected in the financial statements. During the last 30 years, the company has also gone through difficult periods, but the approach strategies followed and succeeded every time to ensure the future of the company.

Whether we like it or not, we find ourselves in a stage of radical transformation that the automotive industry is going through, which challenges us and determines us to identify other development directions of the company. We have, shortly, presented in the Information Notes regarding points 1-9 of the Agenda of E.G.M.S., and in a detailed manner in the Report of the Board of Directors from the Annual Report 2019, the nonautomotive areas in which Compa has started to develop, areas that already produce an important turnover for the company.

**On a medium-long term** our strategy has been to consolidate the portfolio of products manufactured for the automotive industry and especially to contract new products that have a future and even a medium-term growth, respectively components for gasoline-powered cars and heavy vehicles (trucks, TIR, etc.). In this concern important investments have been made in equipment and production spaces. The development of partnerships and widening of the range of manufactured products has continued by assimilating the products described above, with the most important of partners of Compa, respectively: Delphi, Bosch, Jtekt, as well as, starting new partnerships with other important players in automotive industry, as ZF, VCST, etc.

**On a long-term** strategy Compa must diversify. We cannot ignore the electrification trend. There is a real possibility that the long-term future belongs mainly or exclusively to cars with fully electric motorization. It should also be noted that the number of components required for a car with a fully electric motor is much smaller than the number of components required for a car with an internal combustion engine. For example, the transmission of an internal combustion engine can have even 100 times more components compared to the transmission of an electric motor car. In this regard, companies such as Compa that mainly produce components for the automotive industry will be in the long run in the situation where they will address to a market with a radically low demand even if the total number of vehicles produced increases (but are electric).

In this context, Compa is obliged to leave the comfort zone and to diversify, entering other fields as well. This process has already started, the board of directors anticipating and understanding these transformations since 2017. In this sense, an important action of assimilation of components and business development in non-automotive fields has started. It should be mentioned:

- The partnership created with one of the largest machine tools producers in the world, the DMG-MORI concern, which will ensure the necessary premises for the realization of as many products of great technicality and complexity as possible.
- There have been assimilated in manufacturing and went on to mass production of important components in partnership with Wilo, one of the largest manufacturers of fluid pumps worldwide.
- The development of relations with existing partners in other industrial fields as Haulote and Daikin.

This strategy has begun to bear fruit, the dependence of Compa on the automotive industry falling from over 97% to slightly over 80% in recent years. This percentage also contains a significant share of components destined to produce heavy vehicles that can remain or even increase in the long run. The proposed development in the hospitality industry is not a new strategy but is part of the same strategy of diversification and reduction of dependence on the automotive industry. Also, the management contract with Accor successfully replaces the lack of experience generated by a new and different field.

That is why, we also explained in the Notes on points 1-9 of the Agenda that our priority is the development of the basic activity, considering the experience gained, but it is also necessary to identify new areas of development.

The Individual Annual Report for 2019 can be found on the company's website [http://compa.ro/wp-content/uploads/2020/04/2019\\_Annual\\_Report\\_Separate\\_consolidated.pdf](http://compa.ro/wp-content/uploads/2020/04/2019_Annual_Report_Separate_consolidated.pdf)

The proposal of the Board of Directors comes in the context of the global decrease in the demand for diesel vehicles and is seen as an option to diversify the company's activity in the non-automotive field. To inform the shareholders about the items proposed on the agenda, on 12.10.2020, the Notes for items 1 - 9 were formulated and published on the company's website, explaining the motivation underlying the proposals. These can be accessed on the company's website at [http://compa.ro/wp-content/uploads/2020/10/EGMS\\_Note-points-1-9.pdf](http://compa.ro/wp-content/uploads/2020/10/EGMS_Note-points-1-9.pdf)

It is a reality today that the automotive industry is going through a difficult period. The prospects are uncertain, which is why, to protect society and investors, solutions must be identified to reduce dependence on this field.

In addition, the Covid 19 pandemic will lead to a drop in industry sales of over 20% in Europe. However, there are premises for a return in 2021 and a return to the 2019 level is forecasted starting in 2022 at European level.

We remind you that since 2013 - 2014 the Board of Directors has adopted a prudent but beneficial strategy to identify new areas of activity through which the company can develop in the non-automotive field. We considered that it is opportune to act in time, with diligence towards the company and investors, so that Compa can keep and improve the financial results, a goal that we have always managed to achieve.

The entire real estate asset in Sibiu, Bd. Victoriei is one with a special value, given its location and therefore with a particularly good development potential for the company. Regarding this asset, which is currently not used and does not add value to the company, we strive to identify a way to capitalize on it that is as profitable as possible for the company.

**Question:**

2. **Why is it necessary to set up an affiliated company, given that by Decision E.G.M.S. no. 1 / 15.01.2020, it was approved the proposal of the Board of Directors to set up the affiliated company, Compa Hospitality, having as main object of activity "Hotels and other similar accommodation facilities" ?**

**Answer:**

By the EGMS decision no. 1 dated January 15<sup>th</sup>,2020, the proposal of the Board of Directors to set up the affiliated company, Compa Hospitality, having as main object of activity "Hotels and other similar accommodation facilities" was approved. [http://compa.ro/wp-content/uploads/2020/01/CR\\_Resolution-EGMS\\_15.01.2020.pdf](http://compa.ro/wp-content/uploads/2020/01/CR_Resolution-EGMS_15.01.2020.pdf)

The EGMS decided to set up the affiliated company with two associates, one of which would be Compa SA, considering that the legal provisions in force at that time did not allow Compa S.A. to be the sole partner in a second company. Also, it was decided that the company, Compa Hospitality SRL, to be established with a share capital of 50,000 lei.

The new agenda proposes the setup of the company Arini Hospitality SRL, which will have as sole partner Compa SA, considering the abrogation of art. 14 of Law 31/1990 on Companies, being allowed at this moment for Compa to be a sole shareholder in several commercial companies. Also, a share capital is proposed consisting of contribution in cash and in kind, as follows: 2,000,000 lei and real estate land with an area of 7591 sqm + construction (valued at 17,703,000 lei). We mention that the total value of Compa's assets, according to the Interim Financial Report on 30.06.2020, is 665,170,105 lei, of which the fixed assets have a value of 485,526,763 lei, thus the value of the real estate asset proposed to contribute in kind to the share capital of the new company cannot create an imbalance in terms of the parent company.

[http://compa.ro/wp-content/uploads/2020/08/IFR\\_H1-2020.pdf](http://compa.ro/wp-content/uploads/2020/08/IFR_H1-2020.pdf)

The advantages for Compa by setting up this affiliated company, are:

- The new company will be 100% owned by Compa, without another partner.
- The new company will be able to apply for state aid under H.G. 807/2014. Compa Hospitality would not have been eligible, considering that its share capital was approved for a value of 50,000 lei, and one of the eligibility conditions for accessing state aid under H.G. 807/2014 art. 17 para. 3 lit. is that the requesting company has a share capital of at least 100,000 lei. It is wanted for the new company to obtain financing in the form of state aid and bank loan, without putting pressure on the parent company.

**Question:**

**3. Does the restructuring procedure followed by the client Garrett, affect the activity of Compa?**

**Answer:**

As it has been expressly mentioned in the current report from October 5<sup>th</sup>.2020 Astfel cum s-a precizat expres si in raportul curent din data de 05.10.2020 [https://www.bvb.ro/infocont/infocont20/CMP\\_20201005084154\\_05-10-2020-CR-Garrett-Motion-Inc-Chapter-11-US-Bankruptcy-Co.pdf](https://www.bvb.ro/infocont/infocont20/CMP_20201005084154_05-10-2020-CR-Garrett-Motion-Inc-Chapter-11-US-Bankruptcy-Co.pdf), that the contractual relationship with Garrett is not affected in any way by the restructure procedure applied by the company. Regarding the orders and payments, the contractually assumed obligations are respected. The Garrett company informed Compa through the official addresses dated September 21<sup>st</sup>, 2020 and October 10<sup>th</sup>, 2020 regarding the fact that the commercial relationship between our companies will run normally. Payments are made on time.