

Questions/Answers regarding the points from the E.G.M.S. Agenda convened for November 12th/13th, 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 Haulotte 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

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

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 15th, 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

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

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 5th.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, 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 21st, 2020 and October 10th, 2020 regarding the fact that the commercial relationship between our companies will run normally. Payments are made on time.

Question:

4. In E.G.M.S. from 15.01.2020, Compa shareholders approved the participation of Compa in the establishment of a company COMPA HOSPITALITY S.R.L., having as main object of activity Hotels and other similar accommodation facilities. This company was to manage the activity of the building it owns in Sibiu on Bulevardul Victoriei 42 - 44, which will be developed in the hotel. We request you to send us the stage of implementation of this decision, in correlation with the points subject to EGMS approval from 12 / 13.11.2020.

Answer:

The answer for this question comes in addition to the answer at question no. 2. We specify that the company Compa Hospitality SRL has not been established so far, considering the litigation in the file 446/85/2020 regarding which the current report was published on 02.04.2020, <https://www.bvb.ro/FinancialInstruments/SelectedData/NewsItem/CMP-Litigii-varianta-Engleza/74724> We specify that, until now, the solution is a favorable one for the company, but it is not final.

On the other hand, as specified in the answer to question no. 2, following the legislative changes starting with 07.07.2020, the legislation currently allows the establishment of a limited liability company having as sole partner only Compa, thus being more advantageous for Compa to be the sole partner of ARINI HOSPITALITY SRL which manages the business in the field of hospitality. In addition, another aspect considered and particularly important is that the possibility of accessing State aid under H.G. 807/2014 would have only a newly established enterprise with a share capital of at least 100,000 lei, a criteria that COMPA HOSPITALITY SRL if it were established would not meet because the share capital is only 50,000 lei.

Question:

5. Please detail the real estate project from point 9:

- a) The amount necessary at the start of the project for the construction of the 20 apartments**
- b) The recovery period of the investment**

Answer:

The amount needed to start the project for the construction of the 20 apartments is about 500,000 euros. The necessary financing for the completion of the investment of the two buildings, which have a total of 20 apartments, is estimated to be necessary in 2021, being partially provided by the advances received based on pre-sales contracts that will be concluded with future buyers.

The investment is estimated to be recovered by the end of the sale procedure of the apartments, in concrete terms, within an interval of approximately 18 months from the date of starting the construction.

We specify that on the market there is interest for these apartments, considering the particularly attractive area.

Question:

6. What is the sale value of the land from point 9 if the sale option will be chosen?

Answer:

The land with a total surface of 29,441 sqm, composed of the plots registered in the Land Books of Sibiu Municipality no. 128905, 128904, 128910, 128911, 128912, 128913, 128908, 128907, 128909, 131806, is part of the entire complex with an area of 37,032 sqm located in Sibiu Bd. Victoriei 42 -44. The surface of 7591 sqm, which is proposed to constitute a contribution to the share capital ARINI HOSPITALITY SRL, is evaluated on 09.10.2020 by the expert appointed by the National Office of the Trade Register at the amount of 9,135,000 lei (1,875,000 eur). This value is set by the expert starting from a value of 247 eur / sqm. Therefore, the land with a total area of 29,441 sqm currently has a value of 247 eur / sqm.

In the situation in which the option will be the sale of the land in whole or in part, being a valuable asset, all the steps will be taken in order to obtain the price established by its market value. The sale price will be at least the market value resulting from the evaluation mentioned above.

Question:

7. What is the turnover structure by product types: Diesel components, gasoline components, non-automotive components in the last three years?

Answer:

THE TURNOVER STRUCTURE BASED ON COMPONENT TYPE - 2017-2019

Nr. crt.	Year	% TURNOVER BASED ON COMPONENT TYPE					TOTAL TURNOVER
		Automotive components for diesel engines passenger cars	Automotive components for diesel engines trucks	Automotive components for gasoline engines	Automotive non engine components	Non automotive products	
1	2017	45.22%	26.20%	0.00%	16.16%	12.42%	100.00%
2	2018	43.37%	28.51%	0.00%	15.41%	12.71%	100.00%
3	2019	38.88%	30.64%	0.00%	15.86%	14.62%	100.00%

Question:

8. What are the forecasts regarding the turnover structure in 2020 and in the following years, in terms of these three types of products, considering Compa's orientation on non-automotive products as well?

Answer:

ESTIMATIVE SITUATION OF THE TURNOVER STRUCTURE BASED ON COMPONENTS TYPE

Nr. crt.	Year	% TURNOVER BASED ON COMPONENT TYPE					TOTAL TURNOVER
		Automotive components for diesel engines passenger cars	Automotive components for diesel engines trucks	Automotive components for gasoline engines	Automotive non engine components	Non automotive products	
1	2020	37.28%	27.36%	1.37%	16.75%	17.24%	100.00%
2	2021	29.00%	29.74%	6.88%	15.88%	18.50%	100.00%
3	2022	24.00%	30.30%	9.00%	17.00%	19.70%	100.00%
4	2023	20.00%	31.80%	9.00%	18.00%	21.20%	100.00%