

Cluj - Napoca



**HALF-YEAR REPORT 2021
S.C. ARMATURA S.A.
CLUJ- NAPOCA**

Registered office:	400267 Cluj-Napoca 19 Gării Street
Telephone:	+40 264 435 367
Fax:	+40 264 435 368
Email:	office@armatura.ro
Website:	www.armatura.ro
Tax Identification Number:	RO 199001
Trade Register Registration Number:	J12/13/1991
Subscribed and paid-in share capital:	4.000.000 RON

The regulated market on which the issued transferable securities are traded:

The shares of S.C. ARMATURA S.A. are traded within the 2nd category of the Bucharest Stock Exchange.

The main features of the transferable securities issued by the Company:

- Number of shares: 40.000.000
- Nominal value: 0,1 RON/share
- Registered shares, issued as uncertificated shares, registered in the S.C. Depozitarul Central S.A. independent registry book, as per contract no. 1958 from 19.01.2007

Date of the report: 05.08.2021

* drawn up in accordance with Regulation no. 5/2018 of the Financial Regulator.

* the financial statements as at 30.06.2021 have not been audited.

1. Economic and financial statement:

The financial statements have been drawn up in accordance with International Financial Reporting Standards.

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FINANCIAL POSITION STATEMENT

	1 st of January 2021	30 th of June 2021
Asset		
Fixed assets		
Tangible fixed assets	29.072.291	28.862.917
Intangible fixed assets	1.493	853
Real estate investments	-	-
Total fixed assets	<u>29.073.784</u>	<u>28.863.770</u>
Current assets		
Stocks	489.443	362.798
Clients and other accounts receivable	291.398	370.289
Cash and cash equivalents	1.037.481	421.672
Short-term financial assets	0	0
Total of current assets	<u>1.818.322</u>	<u>1.154.759</u>
Total of assets	<u>30.892.106</u>	<u>30.018.529</u>
Owner's equity and debts		
Share capital	18.110.957	18.110.957
Reserves	21.335.091	21.335.091
Balance carried forward including the balance of the period	-46.703.442	-48.630.142
Total owner's equity	<u>- 7.257.394</u>	<u>-9.184.094</u>
Long-term debts		
Loans	-	-
Debts related to financial leasing	-	-
Deferred tax liabilities	2.755.530	2.755.530
Suppliers and other debts	-	-
	<u>2.755.530</u>	<u>2.755.530</u>

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	1 st of January	30 th of June
	2021	2021
Current debts		
Suppliers and other debts	9.166.945	9.674.773
Settlements with shareholders on share capital	100	100
Loans	26.201.430	26.755.225
Provisions for risks and expenses	25.495	16.995
Total of current debts	35.393.970	36.447.093
Total of debts	38.149.500	39.202.623
Total owner's equity and debts	30.892.106	30.018.529

STOCK ANALYSIS

The Company's stock has decreased compared to the beginning of 2021, amounting to -126.645 lei, with a percentage increase of 25.88 %.

The stock structure from June 30th 2021 is the following:

- Raw materials and materials 20.61 %
- End products and goods 0.34 %
- Goods in progress 79.05 %

	1 st of January	30 th of June
	2021	2021
Raw materials	503.810	369.760
Provisions for raw materials	-330.335	-296.148
Production in progress	504.196	483.182
Provisions for goods in progress	-198.194	-196.404
Goods	159.914	157.344
Provisions for goods	-159.731	-156.577
End products	707.772	703.013
Provisions for end products	-707.293	-702.559
Other stocks	38.290	8.637

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Provisions for other stocks	-28.986	-7.450
Total	489.443	362.798

ACCOUNTS RECEIVABLE ANALYSIS

On June 30th 2021 the Company's accounts receivable had the following structure:

	1st of January 2021	30th of June 2021
Commercial accounts receivable	920.429	947.712
Minus: provision for the depreciation of the commercial accounts receivable	-743.225	-743.225
Commercial accounts receivable – net	177.204	204.487
- out of which, in relation to affiliated entities	9.739	7.460
Accrued expenses	6.414	96.261
Advance payments to suppliers	405	405
Minus: provision for the depreciation of the advance payments	-	-
Various debtors	7.397	7.397
Other accounts receivable	90.239	61.739
The current portion of the commercial and other accounts receivable	291.398	370.289

The commercial accounts receivables from June 30th 2021 recorded an increase of 78.891 lei compared to the existing balance in early 2021, with a percentage increase of 27.07 %.

PAYMENT LIABILITIES ANALYSIS

	1st of January 2021	30th of June 2021
Commercial debts	8.939.008	9.528.566
- out of of which, in relation to affiliated entities	8.755.166	9.465.613
Debts with personnel, contributions, social security	167.599	82.201
Value Added Tax (VAT)	0	0
Other debts	60.338	64.006
	9.166.945	9.674.773

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The Company's current debts have registered an decreased of 507.828 lei compared to the beginning of 2021, with a percentage increase of 5.54 %.

INCOME AND EXPENSE STATEMENT

	30 th of June 2020	30 th of June 2021
Revenues	3.076.141	754.148
Other operating revenues	2.955	1.599
Changes in stocks of end products and production to be executed	-1.264.130	-25.886
Raw materials and materials	-939.380	-96.082
Cost of goods	-494.640	-125.983
Personnel charges	-1.112.305	-534.840
Utilities expenses	-140.542	-157.465
Services provided by third parties	-205.716	-161.818
Amortization and depreciation of fixed assets	-287.963	-205.116
Net movement in the provision for other risks and expenses	130.869	8.500
Other operating expenses	-233.339	-826.443
Other revenue / (losses), net	578.052	95.983
Operating result	-889.998	-1.273.403
Financial revenues	29	0
Financial expenses	-703.630	-653.297
Net financial loss	-703.601	-653.297
Profit / loss before income taxes	-1.593.599	-1.926.700
Revenue / (Expenditure) with current and deferred tax	-	-
Ordinary business income (loss)	-1.593.599	-1.926.700

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2. The analysis of the commercial Company's activity

2.1. Presenting and analyzing trends, events or uncertainty factors that are affecting or are likely to affect the corporate liquidity as compared to the same period of the previous year.

The Company's management monitors the provisions related to the corporate liquidity needs to ensure that there is sufficient cash to meet the operational requirements. These provisions take into account the Company's debt financing plans, compliance with agreements, compliance with internal targets on the balance sheet ratios.

The Company is financially dependent on Herz Armaturen Gesmh.

2.2. Corporate governance:

The Company has shares listed on BVB Bucharest (Bucharest Stock Exchange). As a result, the Company applies all the legal provisions in force: updated Law no. 31/1990, OMFP Order 2844/2016 (Order of the Minister of Public Finance) for the approval of the Accounting Regulations according to the International Financial Reporting Standards, Regulation ASF 05 / 2018 on reporting, Law no. 297/2004 regarding the stockmarket, BVB regulations and others. All these regulations are public. Until the date of this report, the Company did not adhere to the Corporate Governance Code issued by the Bucharest Stock Exchange (BVB) in 2015. The Company has implemented an Organization and Functioning Regulation, as well as an Internal Order Regulation, which are meant to ensure its functional safety and to contribute to the achievement of the Company's objectives. The internal control system fulfills its established objectives and no significant deficiencies have been identified in the functioning of the internal system. The implemented principles of the internal control system are: the separation of decisions, the existence of automated controls incorporated into the IT application, authorization limits, periodical reports, etc. The Company has an appointed internal auditor, however not an audit committee. There is no distinct department to deal with investors. The Company has a contract with an authorized financial auditor, according to legal requirements, who verifies the financial statements in accordance with the legal provisions in force. The General Assembly has the attributions stipulated by the Law 31/1990 with its subsequent amendments and by the Company's Articles of Incorporation in force at the date of the General Assembly. The procedure for the Shareholders' General assembly and its key attributes are in line with the legislation in force and the Company's Articles of Incorporation. The shareholders' rights and how they can be exercised are provided by the applicable law.

Members of the Board of Directors:

- Stoina Vlad Iulian-Member
- Matthias Haider - Member
- Damir Rutar – Member
- Zoran Bankovic – Member
- Walter Simmel – Member

3. The Company's tangible assets

3.1. Specification of the location and characteristics of the main production capacities in the Company's property.

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The equipment and production facilities owned by the Company are located entirely in Cluj-Napoca, 19 Gării Street.

The equipment of the Assembly Department consists mainly of equipment for the assembly of valves or their component parts, pressure test stands, electrostatic painting line and spray painting plant

The processing of large-scale cast iron products is done with the help of CNC machines.

3.2. The outline and analysis of the wear and tear degree of the Company's properties.

At present, the production is limited only to CNC processing and the assembly of valves supplied from third parties. The departments that have been closed are in conservation and regarding the machines that do not have a high degree of wear and tear, one tries to capitalize them.

4. Changes affecting the capital and management of the Company

On the 7th of March 2013, the Extraordinary General Assembly of Shareholders approved the reduction of the Company's share capital to the "zero" value together with its increase to the amount of 4.000.000 lei by cash contribution by its shareholders. The completion of this operation was not possible due to the fact that the shareholder Bugică Rađu challenged this decision at the Cluj County Commercial Court, under **file no. 817/1285/2013**, and the EGA decision was annulled by the court through definitive sentence. From the financial point of view, this affected the Company only in the sense that it was not possible to solve the problem of equity, which on 31.12.2015 was less than 50% of the share capital. The main reason for the annulment was that the Company did not organize an Extraordinary General Assembly in which to discuss the dissolution and liquidation of the Company, previous to the approval of the reduction and increase of the share capital.

On April 29th 2014 within the Extraordinary General Assembly of Shareholders one has rejected the proposal of the Board of Directors regarding the winding-up and the liquidation of the Company and the Company had one year to come up with a proposal to the shareholders to solve the negative equity situation at the end of 2014.

On February 12th 2015, the Extraordinary General Assembly of the Shareholders decided to reduce the Company's share capital from 4.000.000 lei to 400.000 lei by reducing the number of shares from 40.000.000 to 4.000.000 registered shares and simultaneously increasing the share capital from 400.000 lei to the amount of 4.000.000 lei by cash contribution. The notification provided by ASF (Financial Supervisory Authority) regarding the registration of the share capital reduction operation was sent to the Company on 12.02.2016. Within the Extraordinary General Assembly of Shareholders (EGA) that took place in April 2016 the proposal approved through the EGA Decision **no. 01/12.02.2015** was rejected. The same EGA granted the mandate of the Board of Directors to approve and carry out an increase of the share capital up to the amount of 10.000.000 lei, within one year from the EGA's decision date, but up to the present financial statements no steps have been taken so far.

During the year of 2017 the Company went through a period of reorganizing its activity by closing the following departments: Iron Foundry, Mechanical Machining, Assembly Department, the Showroom and in February 2018 the Brass Foundry Department was closed.

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The company ARMATURA SA has concluded with HERZ ARMATUREN Ges.MBH a loan contract for the sum of 5,000,000 euros, the loan will be repaid within 5 years from the date of conclusion of the contract. By agreement of the will of ARMATURA, taken on the basis of DECISION AGEA no. 1/12.02.2015, and the borrower HERZ ARMATUREN Ges.MBH, it was decided to extend the loan repayment deadline by 1 year, so that the due date became 15.04.2016.

Given that the company ARMATURA SA did not repay, at maturity, the loan taken, the International Arbitration Centre in Vienna, in the process no. SCH – 5519, obliged THE company ARMATURA SA to repay to HERZ ARMATUREN Ges.MBH the loan received, as well as interest on delay and legal costs.

On the date of **25/04/2019**, took place an EGAS in which, via the decision **no. 3/25.04.2019**, the shareholders representing **49.76%** of the share capital do not approve the dissolution of the Company and approve the selling, entirely or partially, simultaneously or successively, to one or several buyers, of any and all real-estate owned by the Company. The amounts of money thus obtained will be used to pay Company's debts.

Moreover, via the Decision of the Board of Directors of the Company Armatura SA no. **957/10.12.2019**, was approved the dissolution from the organigram of 9 job positions, and the individual labour agreements of the employees occupying those positions were scheduled to end on January 2020.

In the month of January 2020, via the Decision of the Board of Directors of the Company Armatura SA no. **89/23.01.2020**, was approved the scrapping of the fixed assets and the inventory items from all the departments of Armatura SA.

In January 2020, by the Decision of the Board of Directors of Armatura SA no. **89 / 23.01.2020**, it was approved the scrapping of fixed assets and inventory items from all sections of Armatura SA. In 2020, 2 (two) Extraordinary General Meetings of Shareholders were held, by which the following were decided:

- By **Decision no. 2 / 29.04.2020** with a participation representing 82.73% of the subscribed share capital, the shareholders approved the cessation of the company's production activity, carried out in Cluj Napoca, strada Garii nr. 19.
- By **Decision no. 4 / 04.12.2020** with a participation representing 82.74% of the subscribed share capital, the shareholders did not approve the dissolution of the company by reference to the provisions of art. 153 (24) of Law no. 31/1990.

In the decision **no.2 / 27.04.2021** of the Extraordinary General Meeting of Shareholders of ARMATURA SA issued based on the minutes no.287 / **27.04.2021**, the dissolution of the company was not approved, by reference to the provisions of art. 153 (24) of Law no. 31 / 1990.

The Board of Directors of the company decided by Decision No. 4 of 22.06.2021 the appointment of the new provisional member of the Board of Directors on Mr.Vlad-Iulian Stoina, and by Decision No.5 of 22.06.2021 the provisional election of the new Chairman of the Board of Directors was decided on Mr.Vlad-Iulian Stoina.

The President of the Board of Directors of ARMATURA SA decided by decision no. 447 / 23.07.2021, in accordance with the provisions of Decision no. 2 / 29.04.2020 of the Extraordinary General Meeting of

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Shareholders of the company, as starting with 30.07.2021, the production activity of the Company carried out in Cluj Napoca, str. Gării, no.19

Administrator,
Stoia Vlad Iulian



Drawn up by,
Ec. Rus Dana

ARMATURA S.A.

**INDIVIDUAL FINANCIAL SITUATIONS
FOR THE SEMESTER THAT ENDED ON JUNE 30TH 2021**

**DRAWN UP IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION**



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ARMĂTURA SA
FINANCIAL POSITION STATEMENT
ON THE 30TH OF JUNE 2021
(in lei, if not specified otherwise)

	Note	1 st of January 2021	30 th of June 2021
ASSETS			
Fixed assets			
Tangible assets	3	29.072.291	28.862.917
Intangible assets	4	1.493	853
Total fixed assets		<u>29.073.784</u>	<u>28.863.770</u>
Current assets			
Stocks	5	489.443	362.798
Clients and other accounts receivables	6	291.398	370.289
Cash and equivalents cash		1.037.481	421.672
Financial assets Short-term		<u>0</u>	<u>0</u>
Total current assets		<u>1.818.322</u>	<u>1.154.759</u>
Total assets		<u>30.892.106</u>	<u>30.018.529</u>
Equity and debt			
Share capital	8	18.110.957	18.110.957
Reserves		21.335.091	21.335.091
Balance carried forward including the balance of period		<u>-46.703.442</u>	<u>-48.630.142</u>
Total owner's equity		<u>- 7.257.394</u>	<u>-9.184.094</u>
Long-term debts			
Loans		-	-
Debts related to financial leasing		-	-
Deferred tax liabilities		2.755.530	2.755.530
Suppliers and other liabilities	7	<u>-</u>	<u>-</u>
		2.755.530	2.755.530

The notes attached are an integral part of these financial statements.

ARMĂTURA SA
FINANCIAL POSITION STATEMENT
ON THE 30TH OF JUNE 2021
(in lei, if not specified otherwise)

	Note	1 st of January 2021	30 th of June 2021
Current liabilities			
Suppliers and other debts	7	9.166.945	9.674.773
Settlements with shareholders on share capital		100	100
Loans		26.201.430	26.755.225
Provisions for risks and expenses		25.495	16.995
Total Current debts		35.393.970	36.447.093
Total of Debts		38.149.500	39.202.623
Total owner's equity and debts		30.892.106	30.018.529

Administrator,
Stoina Vlad Iulian




Drawn up by,
Ec. Rus Dana



The notes attached are an integral part of these financial statements.

ARMĂTURA SA
STATEMENT OF INCOME AND EXPENSE STATEMENT
ON THE 30TH OF JUNE 2021
(in lei, if not specified otherwise)

	<u>30th of June 2020</u>	<u>30th of June 2021</u>
Revenues	3.076.141	754.148
Other operating revenues	2.955	1.599
Change in stocks of end products and production to be executed	-1.264.130	-25.886
Raw materials and materials	-939.380	-96.082
Cost of goods	-494.640	-125.983
Personnel charges	-1.112.305	-534.840
Utility expenses	-140.542	-157.465
Services provided by third parties	-205.716	-161.818
Amortization and depreciation of fixed assets	-287.963	-205.116
Net movement in the provision for other risks and expenses	130.869	8.500
Other operating expenses	-233.339	-826.443
Other revenue / (loss),net	<u>578.052</u>	<u>95.983</u>
Operational result	-889.998	-1.273.403
Financial revenues	<u>29</u>	<u>0</u>
Financial expenses	<u>-703.630</u>	<u>-653.297</u>
Net financial loss	-703.601	-653.297
Profit/Loss before income taxes	-1.593.599	-1.926.700
Revenue / (Expenditure) with current and deferred tax	<u>-</u>	<u>-</u>
Ordinary bussiness income (loss)	-1.593.599	-1.926.700
Number of shares issued	40.000.000	40.000.000
Basic and diluted earnings per share	-0,0398	-0,0481

The notes attached are an integral part of these financial statements.

ARMATURA SA
STATEMENT OF THE OVERALL FINANCIAL RESULT
ON THE 30TH OF JUNE 2021
(in lei, if not specified otherwise)

	<u>30th of June 2020</u>	<u>30th of June 2021</u>
ORDINARY BUSINESS INCOME(LOSS)	<u>-1.593.599</u>	<u>-1.926.700</u>
Other elements of the overall result:		
Earnings /(Loss) from revaluation		
Buildings	-	-
Impact of deferred tax on		
Revaluation reserves	<u>-</u>	<u>-</u>
Other elements of the overall result for related year, net tax	<u>-</u>	<u>-</u>
Total overall result associated with the financial exercise	<u>-1.593.599</u>	<u>-1.926.700</u>

Administrator,

Stoia Vlad Iulian



Drawn up by,

Ec. Rus Dana



The notes attached are an integral part of these financial statements.

ARMĂTURA S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE SEMESTER THAT ENDED ON THE 30TH OF JUNE 2021
(in lei, if not specified otherwise)

	Share capital	Reserves from reevaluation	Other reserves	Balance carried forward	Total
Existing balance on 1 January 2021	18.110.957	20.384.144	950.947	-46.703.442	-7.257.394
Profit / (Loss) for the year	-	-	-	-1.926.700	-1.926.700
Other elements of the result	-	-	-	-	-
Overall global result	-	-	-	-1.926.700	-1.926.700
Existing balance at 30 June 2021	18.110.957	20.384.144	950.947	-48.630.142	-9.184.094

Administrator,
Stoima Vlad Iulian



Drawn up by,
Ec. Rus Dana




The notes attached are an integral part of these financial statements.

ARMĂTURA SA
STATEMENT OF CASH-FLOWS
FOR THE SEMESTER THAT ENDED ON THE 30TH OF JUNE 2021
(in lei, if not specified otherwise)

	<u>30th of June 2020</u>	<u>30th of June 2021</u>
Cash flows from activities operating		
Cash generated from operation	-173.806	-651.292
Interest paid	-	-
Net cash generated from operating activities	<u>-173.806</u>	<u>-651.292</u>
Cash flows from investment activities		
Acquisitions of tangible fixed assets	-3.541	0
Net proceeds from the sale of tangible assets	12.396	35.483
Income from interests	29	0
Net cash used in investment activities	<u>8.884</u>	<u>35.483</u>
Cash flows from financing activities		
Reimbursement of leasing loans	-	-
Settlements from shareholders	-	-
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	<u>-164.922</u>	<u>-615.809</u>
Cash and cash equivalents at the beginning of the year	446.077	1.037.481
Increases /- Decreases	<u>-164.922</u>	<u>-615.809</u>
Cash and cash equivalents at the end of the semester	281.155	421.672

Administrator,
Stoina Vlad Iulian




Drawn up by,
Ec.Rus Dana



ARMĂTURA S.A.
NOTES TO INDIVIDUAL FINANCIAL STATEMENTS OF
ON THE 30TH OF JUNE 2021
(in lei, if not specified otherwise)

1 GENERAL INFORMATION

General information

ARMĂTURA SA („The Company”) was registered in early 1991 at the Trade Register Office from Cluj as a joint-stock company and at the end of 1996 the privatization process was completed. It is currently a fully private owned Company. The Company has its registered office in Cluj Napoca, 19 Gării Street, where it also carries out its production activity.

The object of the Company’s activity is the „Manufacturing of valve items”, CAEN (Classification of Economic Activities in the National Economy) code 2814 and it operates in the field of metal fittings with experience in producing valves for heating, water and gas installations, today's portfolio of products covering over 1,500 articles of different dimensions. Its customers are national and international companies.

The Company has been listed on the Bucharest Stock Exchange - 2nd category - since 1997.

The Company has no open subsidiaries, is not associated with other companies and does not hold equity securities.

The Company has a subscribed and paid-in share capital of 4.000.000 lei consisting of 40.000.000 shares with a nominal value of 0.1 RON per share.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in the preparation of these individual financial statements are presented below. These policies have been consistently applied in all the given years, unless otherwise stated.

2.1 Bases for its preparation

The Company’s individual financial statements were drawn up in accordance with the provisions of the Ordinance of the Public Finances Ministry no. 2844/2016, for the approval of Accounting Regulations in accordance with the International Financial Reporting Standards, applicable to commercial companies whose securities are admitted to trading on a regulated market, including subsequent amendments and clarifications.

2.2 Segment reporting

A segment is a distinct component of the Company that provides certain products or services (segment of activity) or provides products and services in a particular geographic environment (geographic segment) and which is subject to risks and benefits different from those of other segments. In terms of business segments, the Company does not identify distinct components when it comes to risks and benefits.

ARMATURA S.A.
NOTES TO INDIVIDUAL FINANCIAL STATEMENTS OF
ON THE 30TH OF JUNE 2021
(in lei, if not specified otherwise)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency conversion

(a) Functional and presentation currency

The financial situations are presented in lei (RON), which is the national currency of Romania. *The Company* keeps its accounting records in lei, it prepares and presents the financial statements in accordance with the applicable laws and with the Regulations on Accounting and the financial and accounting reports issued by the Public Finances Ministry.

(b) Transactions and balances

Foreign currency transactions are converted into functional currency using the exchange rate from the date of the transaction. Earnings and losses resulting from exchange rate differences following the conclusion of these transactions and from the conversion at the end of the financial year, at the year-end exchange rate of monetary assets and denominated liabilities in foreign currency, are reflected in the profit and loss account.

Exchange-rate earnings and losses relating to loans, cash and cash equivalents are presented in the profit and loss account within the "Financial income or expenses" section. All other earnings and losses resulting from the exchange rate are presented in the profit and loss account under „Other revenue / (losses), net”.

Monetary assets and liabilities denominated in foreign currencies are expressed in lei at the date of the balance sheet. On June 30th 2021, the exchange rate used to convert balances in foreign currency was the following: EUR = 4,9267 lei (January 1, 2021: 1 EUR = 4,8694 lei). Earnings and losses resulting from the conversion of monetary assets and liabilities are reflected in the profit and loss account over the year.

2.4 Accounting the effects of the hyperinflation

The Romanian economy has experienced periods with relatively high inflation rates and has been considered hyperinflationary according to IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

IAS 29 requires that the financial statements drawn up using the currency of a hyperinflationary economy be restated in terms of the purchasing power at the balance sheet date. Amounts expressed in terms of the purchasing power on December 31st 2003 (end date of the hyperinflation) are considered basis for the net book values in these financial statements.

The Company has decided to reflect the impact of applying IAS 29 in the financial statements drawn up on December 31st, 2012 and the recalculation of the amounts presented on December 31st, 2011 and December 31st, 2010. The impact of these adjustments was reflected in the value of the property, share capital and balance carried forward.

ARMĂTURA S.A.
NOTES TO INDIVIDUAL FINANCIAL STATEMENTS OF
ON THE 30TH OF JUNE 2021
(in lei, if not specified otherwise)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible fixed assets

Intangible fixed assets are presented in the financial statements at acquisition costs less accumulated amortization and are depreciable over a period of 1 to 3 years, their reference values being shown in *Note 4*.

2.6 Tangible fixed assets

Buildings are presented at their fair value, based on regular assessments, at least once every three years, performed by independent external assessors, less amortization and subsequent depreciation. Any accumulated amortization at the revaluation date is eliminated from the gross book value of the asset and the net amount is recorded as a revalued amount of the asset. All other tangible assets are recorded at the historical cost less amortization. Historical cost includes costs that can be directly attributed to the acquisition of those items.

Subsequent expenses are included in the net book value or recognized as a separate asset, as the case may be, only when the Company's future economic benefits associated with the item are probable and the cost of that item can be measured in a reliable way.

Increases in the book value arising from the revaluation of buildings are credited to "Revaluation reserves" from the owner's equity.

Decreases that compensate increases associated with the same asset are recorded alongside other reserves directly in the owner's equity; all other decreases are recorded in the profit and loss account. Amounts recorded in revaluation reserves are transferred to the balance carried forward at the end of the useful life of the asset or when the asset is derecognised.

Repairs and maintenance expenses are recorded in the income and expense statement within the period in which they incur. The costs of replacing the major components of tangible assets elements and equipment are capitalized, while the replaced components are being decommissioned.

Earnings and losses from eliminations determined by the comparison of earnings with the net book value are recognized in profit or loss.

Real estate is not amortized. The amortization of other tangible assets elements is calculated using the straight-line method in order to allocate the revalued amount of each asset to its residual value over its expected useful life, as follows:

<u>Type</u>	<u>Number of years</u>
Buildings	7 - 45
Equipment	2 - 12
Vehicles	3 - 15

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The residual value of an asset is the estimated amount that the company could derive from the sale of the asset less the estimated sale costs if the asset already has the age and corresponds to the end-of-life conditions of the asset. The residual value of an asset is zero if the Company estimates the use of the asset until the end of its physical life. Residual asset values and their expected useful life are revised and adjusted accordingly at each balance sheet date.

Real estate investments

Real estate investments are real estate properties (buildings) owned by the Company for the purpose of renting or increasing the value or both, and not for:

- being used in the production or supply of goods or services or for administrative purposes; or
- being sold during the normal course of the business.

A real estate investment is initially assessed at fair value. The Company's accounting policy for the subsequent assessment of real estate investments is based on the fair value model. This policy is equally applied to all owned real estate investments. Assessing the fair value of real estate investments is carried out by evaluators that are members of The National Association of Romanian Authorized Valuers (ANEVAR). Thus, the amortization expense is no longer recognized, and the real estate investment is subject to revaluation with sufficient regularity in order to be recognized at fair value. Gains or losses resulting from changes in the fair value of real estate investments are recognized in the profit or loss account for the time period in which they incur.

At the beginning of 2019, the Company transferred several buildings that are owned for the purpose of leasing in the "Real Estate Investment" category.

2.7 Stocks

Stocks are assessed at their acquisition or production cost. The discharge of stocks is done starting with 2019 by using the FIFO method (first in, first out).

End products and goods to be executed are recorded at the actual production cost.

Where necessary, provision is made for slow moving stocks, with physical wear and tear or obsolescence. The probable value of completion is estimated on the basis of the selling price without the final costs and sales expenses.

2.8 Commercial accounts receivable

Receivables are recorded at nominal value less depreciation adjustments.

Commercial accounts receivable are amounts owed by customers for the products or sold goods or for the services provided in the normal course of business.

The provision for depreciation of accounts receivable is established when there is objective

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evidence that the Company will not be able to collect all the amounts owed to it under the original terms of the receivables. Significant difficulties faced by the debtor, the likelihood of the debtor to go bankrupt or to undergo a financial reorganization, failure to pay or to comply with payment terms are considered to be signs of depreciation of accounts receivable.

The net book value is reduced by the use of a provision account and the amount of the loss is recognized in the statement of income and expenses in "Other earnings / (losses) - net" in the profit and loss account. When a commercial accounts receivable cannot be recovered, it is charged to expenses, with the corresponding cancellation of the provision for accounts receivable. Subsequent recoveries of previously amortized amounts are credited to the profit and loss account.

2.9 Cash and cash equivalents

For the cash flow statement, cash and cash equivalents include cash-in-hand, bank accounts, demand deposit accounts, other short-term financial investments, overdraft facilities and the short-term part of the restricted cash accounts.

2.10 Share capital and reserves

The share capital composed of common shares is registered at the value established on the basis of the Articles of Incorporation and additional acts, as the case may be, as well as on the supporting documents regarding the capital payments.

According to the law, repurchased shares are presented in the statement of assets, liabilities and equity as a correction of the owner's equity.

Earnings or losses relating to the issuing, repurchasing, sale, free of charge transfers or cancellation of the entity's equity instruments are recognized directly in the owner's equity in the "Earnings / or losses related to the equity instruments" section.

2.11 Loans

Short-term and long-term loans are initially recorded at the amount received, net of borrowing costs. In the following periods, the loans are recorded at amortized cost using the effective yield method, the differences between the amounts received (net of costs of acquisition) and the normal repurchase value being recognized in the profit and loss account over the term of the loan agreement.

2.12 Commercial liabilities

Commercial liabilities are recognized at fair value.

Commercial liabilities are obligations to pay for goods or services that were purchased in the ordinary course of business from suppliers. Supplier accounts are classified as current debts if the payment is to be made within a year or less than a year (or later, within the normal course of

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business). Otherwise, they will be presented as long-term debts.

2.13 Provisions

Provisions are recognized when the Company has a current (legal or constructive) obligation generated by a previous event, it is likely that an outflow of resources will be required to honor the obligation and the liability can be estimated reliably.

2.14 Employee benefits

During the financial year *the Company* makes payments to the National Insurance Fund on the account of its employees, as they are all included in the public pension system. With regard to its employees, *the Company* does not contribute to any other pension or retirement benefits funds and has no other obligations of the kind.

Benefits given at the termination of the activity

According to the Company's Collective Labor Agreement, the employees will receive on account of their retirement a prize equivalent to two basic salaries from the month previous to their retirement.

2.15 Revenue recognition

Revenue is recorded when the significant risks and benefits of owning the property are transferred to the client. Revenue amounts do not include sales taxes (VAT), but they do include the commercial discounts given. Financial discounts given to customers (discounts) reduce the value of the Company's revenue.

The Company recognizes revenues when their value can be measured in a reliable way, when it is likely to produce the future economic benefits to the entity and well as when specific criteria have been met for each of the Company's activities as described below. The amount of the revenues is not considered as measured reliably until all sales contingencies have been settled. The Company bases its estimates on historical data, taking into account the type of customer, the transaction type and the specific elements of each contract.

Revenues from the provision of services are recognized in the period in which they were provided and in correspondence with the execution stage.

Interest revenue is recognized periodically and proportionately, as the revenue is generated, and on the basis of accrual accounting.

Revenues from renting and / or rights to use assets are recognized on the basis of accrual accounting, as per the contract.

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3 TANGIBLE FIXED ASSETS

	Property and buildings	Vehicles and equipment	Furniture, facilities and equipments	Assets under construc tion	Real estate investments	Total
Financial exercise on 1st of January 2021						
Initial net book value	23.823.719	487.071	16.588	1.975	4.742.938	29.072.291
Transfers	-	-	-	-	-	-
Entries	-	-	-	-	-	-
Exits	-	-4.898	-	-	-	-4.898
Amortization charges	-161.670	-37.861	-4.945	-	-	-204.476
Revaluation surplus in owner's equity	-	-	-	-	-	-
Discount from revaluation in income and expenses statement	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Final net book value on the 30th of June 2021	23.662.049	444.312	11.643	1.975	4.742.938	28.862.917
Cost or evaluation	24.848.803	4.763.130	66.432	1.975	4.742.938	34.423.278
Accumulated amortization	1.186.754	4.318.818	54.789	0	0	5.560.361
Net book value	23.662.049	444.312	11.643	1.975	4.742.938	28.862.917

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4 INTANGIBLE FIXED ASSETS

	<u>Information systems</u>	<u>Advances and other intangible fixed assets</u>	<u>Total</u>
Financial exercise on 1st of January 2021			
Initial balance	1.493	-	9.709
Entries	-	-	894
Amortization charges	-640	-	-2.442
Transfers	-	-	-
Closing balance on the 30th of June 2021	853	-	8.161
Cost	279.391	-	281.162
Accumulated amortization	278.538	-	273.001
Net book value	853	-	8.161

5 STOCKS

	<u>1st of January 2021</u>	<u>30th of June 2021</u>
Raw materials	503.810	369.760
Provisions for raw materials	-330.335	-296.148
Production to be executed	504.196	483.182
Provisions for goods in progress	-198.194	-196.404
Goods	159.914	157.344
Provisions for goods	-159.914	-156.577
End products	707.772	703.013
Provisions for end products	-707.293	-702.559
Other stocks	38.290	8.637
Provisions for other stocks	-28.986	-7.450
Total	489.443	362.798

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6 CLIENTS AND OTHER ACCOUNTS RECEIVABLE

	<u>1st of January 2020</u>	<u>30th of June 2021</u>
Commercial accounts receivable	920.429	947.712
Minus: provision for the depreciation of the commercial accounts receivable	-743.225	-743.225
Commercial accounts receivable – net	177.204	204.487
- out of which, in relation to affiliated entities	9.739	7.460
Vat collected	40.160	41.167
Accrued expenses	6.414	96.261
Advance payments to suppliers	405	405
Minus: provision for the depreciation of the advance payments	-	-
Various debtors	7.397	7.397
Other accounts receivable	<u>59.818</u>	<u>20.572</u>
The current portion of the commercial and other accounts receivable	<u>291.398</u>	<u>370.289</u>

7 SUPPLIERS AND OTHER LIABILITIES

	<u>1st of January 2021</u>	<u>30th of June 2021</u>
Commercial liabilities	8.939.008	9.528.566
- out of of which in relation to affiliated entities	8.755.166	9.465.613
Debts with personnel, contributions, social security	167.599	82.201
Value Added Tax (VAT)	0	0
Other liabilities	<u>60.338</u>	<u>64.006</u>
	<u>9.166.945</u>	<u>9.674.773</u>
Minus the long-term portion: subsidies	<u>-</u>	<u>-</u>
The current portion of the commercial debts and other debts	<u>9.166.945</u>	<u>9.674.773</u>

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8 SHARE CAPITAL

The amount of the subscribed capital on the 30th of June 2021 was of 4.000.000 lei (31st of December 2020: 4.000.000 lei) representing 40.000.000 shares. All shares have the same voting right, with a nominal value of 0.1 lei / share and are traded on the BVB (Bucharest Stock Exchange), 2nd category.

According to the data supplied by the Central Depository, the shareholder structure on June 30th 2021 is presented as follows:

	<u>Number of shares</u> (pcs)	<u>Amount</u> (lei)	<u>Percentage</u> (%)
Hric Beteiligungs Ges.M.B.H	10.400.000	1.040.000	26.0000
Tridelta Heal Beteiligungsgesellschaft	6.703.418	670.342	16.7585
Herz Armaturen Ges.M.B.H	13.197.352	1.319.735	32.9934
Legal persons	3.993.581	399.358	9.9840
Natural persons	5.705.649	570.565	14.2641
TOTAL	40.000.000	4.000.000	100.0000

Administrator,

Stoia Vlad Iulian



Drawn up by,

Ec. Rus Dana



Declaration

in accordance with Art. 30 of the Accounting Law no. 82/1991

The financial statements as of 30.06.2021:

SC Armatura SA

County 12 – Cluj

Address: Cluj Napoca, Str. Garii, No. 19

Number in the Trade Register: J12 / 13/1991

Form of ownership: 34 - Stock company

Preponderant activity – Manufacture of valves

Fiscal identification code: RO 199001

Matthias Haider and Vlad – Iulian Stoina , as Administrators of SC Armatura SA, takes responsibility for the semestrial financial statements as of 30.06.2021 and confirms that:

- a) The individual financial statements for 30.06.2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the order of Ministry of Finance no. 2844/2016.
- b) The accounting policies used in preparing the semestrial financial statements are in accordance with the applicable accounting regulations.
- c) The financial statements present fairly the financial position, financial performance and other information of the activity carried.
- d) The legal person develops its activity in conditions of continuity.

Signatures,

