

ARMATURA SA

**FINANCIAL STATEMENTS FOR
QUARTER ENDED SEPTEMBER 30, 2023**

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



FINANCIAL POSITION SITUATION	3 - 4
REVENUE AND EXPENDITURE SITUATION	5
SITUATION OF THE GLOBAL RESULT	6
STATEMENT OF CHANGES IN EQUITY	7
CASH FLOW SITUATION	8
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS	9-19
INDICATORS REPORT	20-22

ARMATURA SA
THE SITUATION OF THE FINANCIAL POSITION
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
(in lei, unless otherwise specified)

	January 1	30 September
	<u>2023</u>	<u>2023</u>
Active		
Fixed assets		
Tangible assets	109.134	113.475
Intangible assets	0	0
Real estate investments	382.375	0
Total fixed assets	<u>491.509</u>	<u>113.475</u>
Current assets		
Inventories	0	0
Customers and other receivables	526.823	595.510
Cash and equivalents of cash	7.853.999	7.421.179
Receivables tax deferred profit	153.012	153.012
Total current assets	<u>8.533.831</u>	<u>8.169.701</u>
Total active	<u>9.025.343</u>	<u>8.283.176</u>
Equity and liabilities		
Social capital	18,110,957	18,110,957
reserves	1,304,075	1,304,075
The carried forward result including the result of the period	<u>-11.365.151</u>	<u>-11,662.270</u>
Total equity	<u>8.049.881</u>	<u>7.752.762</u>
Long-term debt		
Loans	-	-
Debts related to financial leasing	392,431	0
Tax liabilities put off	0	0

The attached notes are part of these financial statements.

ARMATURA SA
THE SITUATION OF THE FINANCIAL POSITION
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
(in lei, unless otherwise specified)

	<u>January 1</u> <u>2023</u>	<u>September 30th</u> <u>2023</u>
Current liabilities		
Suppliers and other debts	366.477	322.350
Settlements with shareholders regarding social capital	100	100
Loans	0	0
Provisions for risks and expenses	8.588	207.964
Debts from leasing operations	207.966	0
Total current liabilities	<u>583.031</u>	<u>530.414</u>
Total debts	<u>975.462</u>	<u>530.414</u>
Total equity and liabilities	<u>9.025.343</u>	<u>8.283.176</u>

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ARMATURA SA
REVENUE AND EXPENDITURE SITUATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
(in lei, unless otherwise specified)

	SEPTEMBER 30TH 2022	SEPTEMBER 30TH 2023
Income	1.634.419	1.399.761
Other operating revenues	1.092	1.092
Variation in stocks of finished products and production in progress	54.210	0
Raw materials and materials	-89.885	-62.818
Cost of goods	-55.252	-55,252
Staff costs	-735.977	-561.940
Utility expenses	-327.297	-326.726
Services provided by third parties	-343.419	-343,419
Amortization and depreciation fixed assets	-364.454	-456.073
The net movement in the provision for other risks and expenses	100.032	0
Other operating expenses	<u>-15.859</u>	<u>-15,859</u>
Other income / (losses), net	<u>-170.792</u>	<u>-170,763</u>
Operational result	-626.692	-545.978
Financial income	<u>12.267</u>	<u>252.801</u>
Financial costs - net	<u>-35.018</u>	<u>-3.944</u>
Net financial result	<u>-22.751</u>	<u>248.857</u>
Profit/Loss before tax	-650.013	-297.120
Income / (Expense) with profit tax current and deferred	<u>-</u>	<u>-</u>
Net profit / loss for the exercise	<u>-650.013</u>	<u>-297.120</u>
Number of shares issued	40,000,000	40,000,000
Basic and diluted earnings per share	<u>-0.016250</u>	<u>-0.007428</u>

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ARMATURA SA
SITUATION OF THE GLOBAL RESULT
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
(in lei, unless otherwise specified)

	SEPTEMBER 30TH	SEPTEMBER 30TH
	<u>2022</u>	<u>2023</u>
Profit/Loss related to the exercise	<u>-650.013</u>	<u>-297.120</u>
Other elements of the overall result:		
Gain/(Loss) on revaluation the buildings	-	-
Deferred tax impact on Reserves from revaluation	<u>-</u>	<u>-</u>
Other elements of the overall result related to the year, net of tax	<u>-</u>	<u>-</u>
Total global result related to the exercise	<u>-650.013</u>	<u>-297.120</u>

Administrator,
Stefan Bogdan

Prepared,
Ec.Rus Dana

The attached notes are part of these financial statements

ARMATURA SA
SITUATION OF CHANGES IN OWNER'S CAPITAL
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
(in lei, unless otherwise specified)

	Social capital	Reserves from revaluation	Other reservations	Reported result	Total
Balance on January 1, 2023	<u>18,110,957</u>	<u>0</u>	<u>1,304,075</u>	<u>-11,365.151</u>	<u>8,049.881</u>
Profit / (Loss) for the year	-	-	-	-297.120	-297.120
Other elements of the result	-	-	-	-	-
Overall overall result	-	-	-	-297.120	-297.120
Balance as of September 30, 2023	<u>18,110,957</u>	<u>0</u>	<u>1,304,075</u>	<u>-11,662.270</u>	<u>7,752.762</u>

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ARMATURA SA
THE INDIVIDUAL SITUATION OF CASH FLOWS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
(in lei, unless otherwise specified)

	January 1	September 30th
	2023	2023
Cash flows from activities exploitation		
Cash generated from operations	7.249.310	-318.924
Interest paid	-	-
Net cash generated from operating activities	7.249.310	-318.924
Cash flows from investment activities		
Purchases of tangible assets	0	0
Net proceeds from the sale of tangible assets	2.435	0
Interest received	51.320	113.896
Net cash used in investment activities	53.755	113.896
Cash flows from financing activities		
Repayments of leasing loans	-	-
Settlements from associates	-	-
Net cash used in financing activities	-	-
The net change in cash and cash equivalents	7.195.556	-432.820
Cash and cash equivalents at the beginning of the year	658.444	7.853.999
Increases / - Decreases	7.195.556	-432.820
Cash and cash equivalents at the end of the semester	7.853.999	7.421.179

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ARMATURA SA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
(in lei, unless otherwise specified)

1 GENERAL INFORMATION

ARMATURA SA ("the Company") was registered at the beginning of 1991 at the Cluj Trade Registry as a joint-stock company, and at the end of 1996 it completed the privatization process, being currently a company with full private capital. The company has its headquarters in Cluj Napoca, Garii street, no. 19, where it also carries out its production activity.

The company's object of activity is "Manufacturing of faucet articles", CAEN code 2814 and it operates in the field of metal fittings with experience in the production of fittings for thermal installations and water and gas supply, including today in the product portfolio over 1,500 dimensional items. The Company's clients are national and international companies.

The Company's shares have been listed in the standard category of the Bucharest Stock Exchange since 1997, and in 2022 the main shareholder is HERZ ARMATUREN Ges.mbH Austria.

The company has no open branches, is not in association with other companies and does not hold participation titles.

The company has subscribed and paid-up capital in the amount of 4,000,000 lei consisting of 40,000,000 shares with a nominal value of 0.1 lei per share.

Starting with the year 2021, when the Company carries out the activity of sub-leasing the spaces, this risk is no longer applicable, the clients being predominantly internal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 The basis of the preparation

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

These provisions correspond to the requirements of the International Financial Reporting Standards (IFRS), adopted by the European Union (EU). The effects of changes in exchange rates, regarding the functional currency. For the purpose of preparing these financial statements in accordance with the legislative requirements in Romania, the functional currency of the Company is considered to be RON ("Romanian leu").

For the year ended December 31, 2011 and for all financial years previous, the Company prepared the financial statements in accordance with the Romanian accounting regulations (local accounting principles) represented by OMF 3055/2009 for the years 2011 and 2010. On December 31, 2012 the

ARMATURA SA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
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Company prepared the first set of financial statements according to IFRS adopted by the EU. The preparation of financial statements in accordance with IFRS requires the use of critical accounting estimates. It also requires management to use judgment in the process of applying accounting policies. The areas that involve a higher degree of complexity and the application of these reasonings or those in which assumptions and estimates have a significant impact on the financial statements.

2.1.1. Continuity of activity

The present financial statements were drawn up based on the going concern principle, which assumes that the Company will continue its activity in the foreseeable future.

The nature of the Company's activity may bring unpredictable variations in terms of cash inflows in the future. The management analyzed the problem of the opportunity of preparing the financial statements based on the principle of continuity of activity.

On September 30, 2023, the Company recorded a loss 297.120lei.

2.1.2 The new accounting regulations

The following amendments to existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are in force for the current period:

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures– Reform of the benchmark interest rate – Phase 2. They were adopted by the EU on 15 January 2020, and are applicable for periods starting on or after 1 January 2021.

Amendments to IFRS 4 Insurance contracts– Extension of the temporary exemption from the application of IFRS 9. The expiry date of the temporary exemption from the application of IFRS 9 has been extended for annual periods beginning on or after 1 January 2023.

Amendments to IFRS 16 LeasesAdopted by the EU on 30 August 2021 and applicable after 30 June 2021.

Starting with January 1, 2018, the Company applied the IFRS 15 Revenue from contracts with customers standard. IFRS 15 establishes a five-step model that will be applied for the recognition of revenues from a contract concluded with a customer (with limited exceptions), regardless of the type of transaction or the industry. Also, the requirements of the standard will apply for the recognition and evaluation of gains and losses from the sale of certain assets of a different nature than the operational one that are not the result of the entity's usual activity (e.g.: sale of tangible and intangible assets). The presentation will be provided extensive information, including the disaggregation of total income, information about performance obligations, changes in the contractual balances of assets and liabilities accounts between periods and key ratios and estimates.

ARMATURA SA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
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The society obtained income during the year from renting some spaces to other commercial companies until the date of sale of the buildings, and the income is measured at the fair value of the net collected amounts. The income obtained from renting the premises is recognized when there is an obligation to register a contract, respectively if the following conditions have been met:

- The parties to the contract have approved the contract in writing
- The company can identify the rights of each party regarding the services that will be transferred
- The company can identify the payment terms for rent
- The contract has commercial content
- The company has a number of 36 tenants as of 30.09.2023
- The company extended the contracts for an indefinite period
- The company charges a reasonable level of rents as evidence of the increase in the number of tenants compared to 2021.

Based on the internal evaluation of the possible impact resulting from the application of IFRS 15, we consider that the continuity of the activity supported by the two aspects mentioned above is clear, namely the increase in the number of tenants and the extension of their existing contracts; no significant effect was identified in these financial statements.

New standards, amendments and interpretations issued by the IASB and adopted by the EU, but not applicable for the financial year ended on September 30, 2023, therefore not adopted:

Amendments to IFRS 3 Business Combinations; IAS 16 Tangible assets; IAS 37 Provisions, contingent liabilities and contingent assets; and 2018-2020 Annual Improvements(all issued on 14 May 2020) – applicable for periods beginning on or after January 1, 2022.

IFRS 17 Insurance contracts(issued on May 18, 2017);**including Amendments to IFRS 17**(issued on June 25, 2020)–applicable for periods beginning on or after January 1, 2023.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates(published on February 12, 2021)–applicable for periods beginning on or after January 1, 2023.

Amendments to IAS 1 Presentation of financial statements and Statement of Practice 2 IFRS: Presentation of accounting policies(published on February 12, 2021) – applicable for periods beginning on or after January 1, 2021.

The Company anticipates that the adoption of these standards and amendments to the existing standards will not have a significant impact on the Company's financial statements during the period of initial application.

There are no other IFRS or IFRIC interpretations that have not yet entered into force and that could have a significant impact on the Company's financial statements.

ARMATURA SA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
(in lei, unless otherwise specified)

2.2 Segment reporting

A segment is a distinct component of the Company that provides certain products or services (activity segment) or provides products and services in a certain geographic environment (geographic segment) and which is subject to risks and benefits different from those of the other segments. From the point of view of the activity segments, the Company does not identify distinct components from the point of view of risks and benefits.

IFRS 8 Business segments must be applied to the Company's Financial Statements because its equity instruments are traded on a public market (BVB).

The presentation of information regarding the products and services, as well as the geographical areas in which the company operates is mandatory, even for those entities that identify a single reportable activity segment, taking into account the quantitative thresholds and the aggregation criteria provided by the standard. Taking into account the quantitative thresholds and the aggregation criteria provided by the standard, from the point of view of the activity segments, the Company does not identify distinct components from the perspective of associated risks and benefits.

2.3 Foreign currency conversion

(a) Functional and presentation currency

The financial statements are presented in lei (RON), the national currency of Romania. The company keeps accounting records in lei, prepares and presents its financial statements in accordance with the specific legislation on the subject and with the Regulations on accounting and financial-accounting reports issued by the Ministry of Public Finance.

(b) Transactions and balances

Transactions in foreign currency are converted into functional currency using the exchange rate valid on the date of the transactions. The gains 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 liabilities denominated in foreign currency are reflected in the profit and loss account.

Exchange rate gains and losses relating to borrowings and cash and cash equivalents are presented in the income statement under 'financial income or expenses'. All other gains and losses from the exchange rate are presented in the profit and loss account under "other (losses)/gains - net".

Monetary assets and liabilities denominated in foreign currency are expressed in lei at the balance sheet date. On 30 September 2023, the exchange rate used to convert foreign currency balances are 1 EUR = 4.9746 RON, (01 January 2023 1 EUR=4.9474 RON). Gains and losses resulting from the conversion of monetary assets and liabilities are reflected in the profit and loss account during the year.

ARMATURA SA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
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2.4 Accounting for the effects of hyperinflation

The Romanian economy went through periods of relatively high inflation and was considered hyperinflationary according to IAS 29 "Financial reporting in hyperinflationary economies" ("IAS 29").

IAS 29 requires that financial statements drawn up in the currency of a hyperinflationary economy be restated in terms of purchasing power as of the balance sheet date. The amounts expressed in terms of purchasing power on December 31, 2004 (the date of cessation of hyperinflation) are treated as the basis for the accounting values in these financial statements.

The company decided to reflect the impact of the application of IAS 29 in the financial statements drawn up on December 31, 2012. The impact of these adjustments was reflected on the value of the land, the share capital and the retained earnings.

2.5 Intangible assets

Computer programs

Purchased licenses related to the rights to use computer programs are capitalized based on the costs recorded with the acquisition and commissioning of the respective computer programs. These costs are amortized over their estimated useful life (three years). The costs related to the development or maintenance of computer programs are recognized as expenses in the period in which they are carried out.

Other intangible assets

Under other intangible assets are registered the computer programs created by the entity or purchased from third parties for its own use needs, as well as other intangible assets owned by the Company. Expenditures that allow intangible assets to generate future economic benefits beyond the initially foreseen performance are added to their original cost. These expenses are capitalized as intangible assets, if they are not an integral part of tangible assets.

Impairment of non-financial assets

Assets subject to depreciation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. The impairment loss is represented by the difference between the accounting value and the recoverable value of the respective asset. The recoverable amount is the maximum between the fair value of the asset less costs to sell and the value in use.

ARMATURA SA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
(in lei, unless otherwise specified)

2.6 Financial assets

Loans and receivables

Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments and which are not quoted on an active market. They are included in current assets, except for those that have a maturity period greater than 12 months from the date of the balance sheet. They are classified as fixed assets.

Recognition and evaluation

Regular purchases and sales of financial assets are recognized on the transaction date – the date on which the Company undertakes to buy or sell the respective asset. Financial assets cease to be recognized when the right to collect cash flows from investments expires or is transferred, and the Company transfers all the risks and benefits related to the right of ownership. Loans and receivables are recorded at amortized cost based on the effective interest method. The Company's loans and receivables are classified as "cash and cash equivalents", respectively as "customers and other receivables" in the balance sheet.

Clearing of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is an applicable legal right to offset the recognized amounts and there is an intention to offset on a net basis or to realize the asset and offset the liability at the same time.

2.7 Inventories

As of 30.09.2023, the company no longer has stocks of materials or finished products.

2.8 Trade receivables

Receivables are recorded at nominal value minus adjustments for their depreciation.

Trade receivables are amounts owed by customers for products, goods sold or services rendered in the normal course of business

The provision for the depreciation of commercial receivables is established when there is objective evidence that the Company will not be able to collect all the amounts owed to it according to the initial conditions of the receivables. The significant difficulties faced by the debtor, the probability that the debtor enters bankruptcy or financial reorganization proceedings, non-payment or non-compliance with payment conditions are considered indicators of the impairment of trade receivables.

ARMATURA SA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
(in lei, unless otherwise specified)

The accounting value of the asset is reduced by using a provision account, and the amount of the loss is recognized in the statement of income and expenses under "other gains/(losses) - net" in the profit and loss account. When a trade receivable cannot be recovered, it is expensed, with the corresponding reversal of the provision for trade receivables. 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 on hand, bank accounts, bank demand deposits, other short-term financial investments, overdraft facilities, and the short-term portion of restricted bank accounts.

2.10 Share capital and reserves

The social capital composed of common shares is registered at the value established on the basis of the articles of incorporation and additional documents, as the case may be, as well as the supporting documents regarding capital payments.

Own shares redeemed, according to the law, are presented in the statement of assets, liabilities and equity as a correction of equity.

Gains or losses related to the issuance, redemption, sale, free transfer or cancellation of the entity's equity instruments are recognized directly in equity in the "Gains / or Losses related to equity instruments" lines.

2.11 Trade Debts

Trade payables are recognized at fair value.

Trade payables are obligations to pay for goods or services that were purchased in the normal course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less than one year (or later in the normal course of business). Otherwise, they will be presented as long-term liabilities.

2.14 Loans

On 30.09.2023, the company has no loans.

2.15 Current and deferred profit tax

The company registers current profit tax at a rate of 16% of the taxable profit resulting from the statutory financial statements, by adjusting expenses that cannot be deducted and non-taxable income, in accordance with the Romanian Fiscal Code and related regulations.

ARMATURA SA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
(in lei, unless otherwise specified)

The tax expense for the period includes current tax and deferred tax. The tax is recognized in the profit and loss account, unless it refers to the elements recognized in other elements of the overall result or directly in the equity. In this case, the related tax is also recognized in other elements of the overall result or directly in equity.

The current profit tax expense is calculated based on the fiscal regulations in force at the balance sheet date in Romania. The management periodically evaluates the positions in the fiscal declarations regarding the situations in which the applicable fiscal regulations are interpretable. This constitutes provisions, where applicable, based on the amounts estimated to be owed to the tax authorities.

Deferred profit tax is recognized based on the liability method, for temporary differences between the tax bases of assets and liabilities and their accounting values from the financial statements. However, deferred income tax resulting from the initial recognition of an asset or liability from a transaction other than a business combination, and which at the time of the transaction does not affect accounting profit or taxable profit is not recognized. Deferred profit tax is determined based on the tax rates (and laws) in force until the balance sheet date and which are to be applied during the period in which the deferred tax to be recovered will be capitalized or the deferred tax payable will be paid.

The deferred tax recoverable is recognized only to the extent that it is probable that a taxable profit will be obtained in the future from which the temporary differences can be deducted.

Deferred tax assets and liabilities are offset when there is an enforceable legal right to offset current tax assets against current tax liabilities, and when deferred tax assets and liabilities are imposed by the same tax authority on either the same taxable entity or different taxable entities, if there is an intention to settle the balances on a net basis.

2.16 Uncertain fiscal positions

The uncertain fiscal positions of the Company are analyzed by the management at each balance sheet date. Liabilities are recorded for tax positions for which management believes that additional taxes are likely to be applied if these positions were to be audited by the tax authorities. The assessment is based on the interpretation of the tax laws that were adopted at the balance sheet date. Liabilities related to penalties, interest and taxes, other than income tax, are recognized based on management's best estimates necessary to settle the obligations at the balance sheet date.

2.17 Employee benefits

During the financial year, the Company makes payments to the Social Insurance budget on behalf of its employees, because they are all included in the public pension system.

The society does not contribute to any other pension plan or post-retirement benefits and does not have any other obligations of the kind mentioned, for its employees.

ARMATURA SA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
(in lei, unless otherwise specified)

Benefits upon termination of employment

In the collective labor contract of the Company, valid for the previous period, it was stipulated that the employees of the Company receive, on the occasion of retirement, a prize equivalent to one/two basic salaries earned in the month before retirement. The company made an estimate of the updated value of this promised benefit, in order to establish the necessary provision, but which did not materialize because it was not considered that it would have a significant impact on the financial statements.

Also, in the collective labor contract of the Company, valid for the previous period, it was stipulated that the Company's employees receive compensatory payments in the event of the termination of the individual labor contract for reasons related to the Company. The company made an estimate of the discounted value of this promised benefit, and constituted the necessary provision on the financial statements concluded on December 31, 2022.

The company did not pay compensatory payments in 2023

Considering the situation generated by Covid-19 within the Company, the following decisions were issued in order to prevent the damage to the good development of the activity:

- By Decision no. 20/01.09.2020, people in the vicinity of those infected with Covid-19 have benefited from the settlement of the Covid-19 test by the unit.
- As an additional protection measure for employees, in some cases, the amendment of the employment contract was chosen, in an employment contract with a telework clause.
- The employees were permanently informed about the legislative changes and updates brought to the areas affected by Covid-19.

2.18 Provisions

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

Provisions for taxes are established for payment amounts owed to the state budget, provided that the respective amounts are not reflected as debt in the relationship with the state.

Provisions are reviewed at the date of the financial statements and adjusted to reflect Management's current best estimate in this regard. In the event that an outflow of resources is no longer likely to settle an obligation, the provision must be canceled by resuming income.

2.19 Revenue recognition

Revenues are recorded when the significant risks and advantages of ownership of the goods are transferred to the customer. The amounts representing the income do not include the sales tax (VAT), but include the commercial discounts granted. Financial discounts granted to customers (discounts) reduce the value of the Company's revenues.

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FOR THE QUARTER ENDED SEPTEMBER 30, 2023
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The Company recognizes revenues when their value can be reliably estimated, when it is likely to produce future economic benefits for the entity, and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered reliably assessable until all sales contingencies have been resolved. The company bases its estimates on historical results, taking into account the type of client, the type of transaction 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 stage of execution.

Interest income is recognized periodically, proportionally, as the respective income is generated, based on accrual accounting.

Revenues from the collection of rents and/or rights to use assets are recognized on the basis of accrual accounting, according to the contract.

Dividends distributed to shareholders, proposed or declared after the date of the financial statements, are recognized as dividend income when the shareholder's right to collect them is established.

2.20 Leasing contracts

Leasing is a contract, or part of a contract, that grants the company the right to use an asset (the underlying asset) for a certain period of time in exchange for a consideration. The company, as lessee, obtains the right to use a support asset for a certain period of time in exchange for a consideration.

On the start date of development, the Company evaluates the asset related to the right of use at cost.

The cost of the right-of-use asset includes:

- The value of the initial assessment of the debt arising from the leasing contract;
- Any lease payment made on or before the commencement date, minus any lease incentives received;
- Any initial direct costs borne by the company;
- An estimate of the costs to be borne by the company as lessee for the dismantling and removal of the supporting asset, for the restoration of the place where it is located or for bringing the supporting asset to the condition imposed in the terms and conditions of the leasing contract, with the exception in the case where these costs are borne for the production of stocks. The lessee assumes the obligation to these costs either at the start of the development, or as a result of the use of the supporting asset during a certain period.

The company will choose not to apply the provisions of IFRS16 for short-term leasing contracts (<12 months) and for leasing contracts for which the underlying asset has a low value.

ARMATURA SA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2023
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Depreciation of the supporting asset is determined as follows:

- If ownership is transferred at the end of the leasing contract, then depreciation will be recognized as an expense during the useful life of the asset.
- Otherwise, the amortization will be recognized on the shortest period between the useful life of the asset and the period of the leasing contract.

In the third quarter of 2023, the Company has an operational leasing contract in progress, namely the one for the rental of buildings and land from Koro Lando Real Estate SRL.

2.21 Distribution of dividends

The distribution of dividends is recognized as a liability in the Company's financial statements during the period in which the dividends are approved by the Company's shareholders.

3 THE RUSSIAN-UKRAINIAN MILITARY CONFLICT

In the context of the invasion of Ukraine by the Russian Federation, our company has no direct exposure to Russia or Ukraine, nor does it have any customers, suppliers or operations in these countries. Our company closely monitors the events inside Ukraine, and the outbreak of this war naturally generated an important stock market correction that spread globally. At the time of drawing up these financial statements, the company is not in a position to reliably estimate the impact, because the events are constantly changing from one day to the next.

Administrator,

Stefan Bogdan

Prepared,

Ec. Rus Dana

QUARTERLY REPORT
30.09.2023*
SC ARMATURA SA.

Headquarters 400267 Cluj-Napoca
Str. Stations No. 19

Phone: +40 264 435 367

Fax: +40 264 435 368

E-mail: office@armatura.ro

www.armatura.ro

Unique registration code: RO 199001

Order number in the Register J12/13/1991

Commerce: Subscribed capital 4,000,000

The regulated market on which the issued securities are traded:

SC ARMĂTURA SA shares are traded in the standard category of the Bucharest Stock Exchange.

The main characteristics of the securities issued by the company:

- 1 Number of shares: 40,000,000
- 2 Nominal value: 0.1 RON/share
- 3 Registered shares, issued in dematerialized form, registered in the independent registry SC Depozitarul Central SA, according to contract no. 1958 of 19.01.2007

Date of the report: 20.10.2023

* Prepared according to Regulation no. 5/2018 of the Financial Supervision Authority.

* The financial statements as of 30.09.2023 have not been audited.

1. Current liquidity indicator (Indicator of working capital = current assets: debts under 1 year):

$ILC = \text{Current Assets} / \text{Current Liabilities}$

30.09.2022 $ILC = 9,849,560 / 871,754 = 11.29$

30.09.2023 $ILC = 8.159.569 / 530.414 = 15.38$

- (b) the recommended value is around 2;
- (c) highlights the extent to which current liabilities can be covered from current assets.

2. Indebtedness indicator:

$IGI = \text{Borrowed capital} / \text{equity capital} * 100$

30.09.2022 $IGI = 0 / 8,288,978 * 100 = 0 \%$

30.09.2023 $IGI = 0 / 7.752.762 * 100 = 0\%$

- expresses the effectiveness of credit risk management, indicating potential financing and liquidity problems, with influences in honoring assumed commitments.

Borrowed capital = credits over one year

3. Receivables turnover rate: $VRC = [(\text{receivables at the beginning of the period} + \text{receivables at the end of the period}) / 2] / CA * 270 \text{ days}$

30.09.2022 $VRC = [(11,981,399 + 8,317,482) / 2] / 1,544,325 * 270 = 1,774 \text{ days}$

30.09.2023 $VRC = [(526.823 + 595.510) / 2] / 1.399.761 * 270 = 108 \text{ days}$

- expresses the company's effectiveness in collecting its debts;
- expresses the number of days until the date when the debtors pay their debts to the company;

4. Turnover speed of fixed assets:

VRAI = Turnover / Fixed assets

30.09.2022 REAL = 1,544,325 / 899,385 = 1.72

30.09.2023 REAL = 1.399.761 / 113.475 = 12.33

- expresses the effectiveness of fixed asset management, by examining the turnover generated by a certain amount of fixed assets.

Administrator,

Stefan Bogdan

Prepared,

Ec. Rus Dana

Statement

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

The financial statements were drawn up on 30.09.2023 for:

SC Armatura SA,

County: 12 – Cluj

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

Trade Register number: J12/13/1991

Form of ownership: 34 – Joint-stock companies

Main activity (CAEN code and class name): 2814 – Manufacture of faucets

Fiscal identification code: RO 199001

The undersigned Stefan Bogdan as Administrator of SC Armatura SA, assume responsibility for the preparation of the financial statements on 30.09.2023 and confirm that:

- a) The financial statements as of 30.09.2023 were prepared in accordance with the International Financial Reporting Standards (IFRS) and OMF 2844/2016.
- b) The accounting policies used to prepare the quarterly financial statements are in accordance with the applicable accounting regulations.
- c) The quarterly financial statements provide a true picture of the financial position, financial performance and other information related to the activity carried out.
- d) The legal entity carries out its activity under conditions of continuity.

Administrator,
Stefan Bogdan