

Translated from Romanian

ARM TURA S.A.

**INDIVIDUAL FINANCIAL SITUATIONS
FOR THE SEMESTER THAT ENDED ON JUNE 30TH 2018**

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



CONTENTS**PAGE**

FINANCIAL POSITION STATEMENT	3 - 4
INCOME AND EXPENSE STATEMENT	5
STATEMENT OF THE OVERALL FINANCIAL RESULT	6
STATEMENT OF CHANGES IN EQUITY	7
STATEMENT OF CASH-FLOWS	8
NOTES TO INDIVIDUAL FINANCIAL STATEMENTS	9 – 19

ARM TURA SA
SITUAȚIA POZIȚIEI FINANCIARE
LA 30 IUNIE 2018
(in lei, dacă nu se specifică altfel)

	Note	<u>1st of January 2018</u>	<u>30th of June 2018</u>
Assets			
Fixed assets			
Tangible fixed assets	3	17.521.963	17.148.627
Intangible fixed assets	4	<u>445</u>	<u>117</u>
Total fixed assets		<u>17.522.408</u>	<u>17.148.744</u>
Current assets			
Stocks	5	3.320.399	2.201.022
Clients and other accounts receivables	6	787.641	3.098.861
Cash and cash equivalents		565.825	100.400
Short-term financial assets		<u>-</u>	<u>-</u>
Total current assets		<u>4.673.865</u>	<u>5.400.283</u>
Total assets		<u>22.196.273</u>	<u>22.549.027</u>
Equity and debts			
Share capital	8	18.110.957	18.110.957
Reserves		9.738.908	9.738.908
Balance carried forward		<u>-38.924.096</u>	<u>-39.305.323</u>
Total owner's equity		<u>-11.074.231</u>	<u>-11.455.458</u>
Long-term debts			
Loans		-	-
Debts related to financial leasing		-	-
Deferred tax liabilities		771.822	771.822
Suppliers and other debts	7	<u>-</u>	<u>-</u>
		<u>771.822</u>	<u>771.822</u>

Notele ata te fac parte integrantă din aceste situații financiare.

ARM TURA SA
SITUA IA POZI IEI FINANCIARE
LA 30 IUNIE 2018
(in lei, dac nu se specific altfel)

Note	<u>1st of January 2018</u>	<u>30th of June 2018</u>
Current debts		
Suppliers and other debts	7 8.674.147	9.176.083
Settlements with shareholders on share capital	100	100
Loans	23.654.449	23.895.907
Provisions for risks and expenses	<u>169.987</u>	<u>160.574</u>
Total of current debts	<u>32.498.684</u>	<u>33.232.664</u>
Total of debts	<u>33.270.505</u>	<u>34.004.485</u>
Total owner's equity and debts	<u>22.196.273</u>	<u>22.549.027</u>

Administrator,

Drawn up by,

ARM TURA S.A.
SITUAȚIA VENITURILOR ȘI CHELTUIELILOR
PENTRU SEMESTRUL ÎNCHEIAT LA 30 Iunie 2018
(în lei, dacă nu se specifică altfel)

	30th of June 2018	30th of June 2017
Revenues	4.455.311	7.078.979
Other operating revenues	18.035	26.036
Changes in stocks of end products and production to be executed	-390.532	-47.300
Capitalized tangible assets costs	-	14.302
Raw materials and materials	-2.125.056	-2.910.963
Cost of goods	-146.832	-185.772
Personnel charges	-1.368.788	-2.715.465
Utilities expenses	-251.268	-1.127.733
Services provided by third parties	-265.629	-378.890
Amortization and depreciation of fixed assets	-393.263	-470.209
Net movement in the provision for other risks and expenses	9.413	908
Other operating expenses	-333.765	-374.639
Other revenue / (losses), net	<u>668.269</u>	<u>83.286</u>
Operating result	-124.105	-1.007.460
Financial revenues	<u>-</u>	<u>7</u>
Financial expenses	<u>-257.121</u>	<u>-424.374</u>
Net financial loss	-257.121	-424.367
Profit / loss before income taxes	-381.226	-1.431.827
Revenue / (Expenditure) with current and deferred tax	<u>-</u>	<u>-</u>
Ordinary business income (loss)	-381.226	-1.432.827
Number of shares issued	40.000.000	40.000.000
Basic and diluted earnings per share	-0,0095	0,0358

ARM TURA S.A.
SITUAȚIA REZULTATULUI GLOBAL
PENTRU SEMESTRUL ÎNCHEIAT LA 30 IUNIE 2018
(în lei, dacă nu se specifică altfel)

	<u>30th of June</u> <u>2018</u>	<u>30th of June</u> <u>2017</u>
Ordinary business income (loss)	<u>-381.226</u>	<u>-1.431.827</u>
Other elements of the overall result:		
Earnings / (Loss) from revaluation of buildings	-	-
Impact of the deferred tax on revaluation reserves	<u>-</u>	<u>-</u>
Other elements of the overall result for the year, net of tax	<u>-</u>	<u>-</u>
The total overall result associated with the financial exercise	<u>-381.226</u>	<u>-1.431.827</u>

Administrator,

Drawn up by,

ARM TURA S.A.
SITUAȚIA MODIFICĂRIILOR CAPITALURILOR PROPRII
PENTRU SEMESTRUL ÎNCHEIAT LA 30 Iunie 2018
(în lei, dacă nu se specifică altfel)

Existing balance on January 1st 2018	<u>18.110.957</u>	<u>8.787.961</u>	<u>950.947</u>	<u>-38.924.096</u>	<u>-11.074.231</u>
Profit / (Loss) for the year	-	-	-	-381.226	-381.226
Other elements of the result	-	-	-	-	-
Overall global result	-	-	-	-381.226	-381.226
Existing balance on June 30th 2018	<u>18.110.957</u>	<u>8.787.961</u>	<u>950.947</u>	<u>-39.305.323</u>	<u>-11.455.458</u>

Administrator ,

Drawn up by,

Notele atașate fac parte integrantă din aceste situații financiare.

ARM TURA S.A.
SITUAȚIA INDIVIDUALĂ A FLUXURILOR DE TREZORERIE
PENTRU SEMESTRUL ÎNCHEIAT LA 30 Iunie 2018
(în lei, dacă nu se specifică altfel)

	<u>30 iunie</u> <u>2018</u>	<u>30 iunie</u> <u>2017</u>
Cash-flows from operating activities		
Cash generated from operating activities	-445.825	123.762
Paid interests	-	-
Net cash-flow generated from operating activities	<u>-445.825</u>	<u>123.762</u>
Cash-flows from investment activities		
Acquisitions of tangible fixed assets	-19.601	-491.283
Incoming net payments from the sale of tangible fixed assets	-	-
Income from interests	-	7
Net cash used in investment activities	<u>-19.601</u>	<u>--491.276</u>
Cash-flows from financing activities		
Reimbursement of leasing loans	-	-
Settlements from affiliated entities	-	-
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	<u>-465.426</u>	<u>-367.513</u>
Cash and cash equivalents at the beginning of the financial year	<u>565.825</u>	<u>547.651</u>
Increases /- Decreases	<u>-465.425</u>	<u>-367.513</u>
Cash and cash equivalents at the end of the semester	<u>100.400</u>	<u>180.138</u>

Administrator,

Drawn up by,

ARM TURA S.A.
NOTE LA SITUAŢIILE FINANCIARE INDIVIDUALE
PENTRU SEMESTRUL ÎNCHEIAT LA 30 Iunie 2018
(în lei, dacă nu se specifică altfel)

1 GENERAL INFORMATION

General information

ARM TURA 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 Garii 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 encompass over 1,500 articles with 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 from the risks and benefits point of view.

ARM TURA S.A.
NOTE LA SITUAŢIILE FINANCIARE INDIVIDUALE
PENTRU SEMESTRUL ÎNCHEIAT LA 30 Iunie 2018
(în lei, dacă nu se specifică altfel)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency conversion

(a) Functional and presentation currency

The financial statements 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 2018, the exchange rate used to convert balances in foreign currency was the following: EUR = 4.6611 lei (January 1, 2018: 1 EUR = 4.6597 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.

ARM TURA S.A.
NOTE LA SITUAŢIILE FINANCIARE INDIVIDUALE
PENTRU SEMESTRUL ÎNCHEIAT LA 30 Iunie 2018
(în lei, dac nu se specific altfel)

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 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 incurred. 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 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

ARM TURA S.A.
NOTE LA SITUAŢIILE FINANCIARE INDIVIDUALE
PENTRU SEMESTRUL ÎNCHEIAT LA 30 Iunie 2018
(în lei, dacă nu se specifică altfel)

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.

2.7 Stocks

Stocks are assessed at their acquisition or production cost. The discharge of stocks is done using the average weighted cost method.

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 ordinary course of business.

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

ARM TURA S.A.
NOTE LA SITUAȚIILE FINANCIARE INDIVIDUALE
PENTRU SEMESTRUL ÎNCHEIAT LA 30 Iunie 2018
(în lei, dacă nu se specifică altfel)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 ordinary course of 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.

ARM TURA S.A.
NOTE LA SITUAŢIILE FINANCIARE INDIVIDUALE
PENTRU SEMESTRUL ÎNCHEIAT LA 30 Iunie 2018
(în lei, dacă nu se specifică altfel)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the basic salary 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 revenue 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.

ARM TURA S.A.
NOTE LA SITUAȚIILE FINANCIARE INDIVIDUALE
PENTRU SEMESTRUL ÎNCHEIAT LA 30 IUNIE 2018
(în lei, dacă nu se specifică altfel)

3 TANGIBLE FIXED ASSETS

	Property and buildings	Vehicles and equipment	Furniture, facilities and equipments	Assets under construction	Total
Financial exercise on 1st of January 2018					
Initial net book value	16.539.334	861.661	40.262	80.706	17.521.963
Transfers	10.836	-	-	-10.836	-
Entries	-	10.907	-	8.694	19.601
Exits	-	-	-	-	-
Amortization charges	-288.459	-100.150	-4.326	-	-392.935
Revaluation surplus in owner's equity	-	-	-	-	-
Discount from revaluation in income and expenses statement	-	-	-	-	-
Transfers	-	-	-	-	-
	-	-	-	-	-
Final net book value on the 30th of June 2018	16.261.711	772.417	35.935	78.564	17.148.627
Cost or evaluation	17.765.096	8.445.035	111.292	78.564	26.399.987
Accumulated amortization	1.503.385	7.672.618	75.357	0	9.251.360
Net book value	16.261.711	772.417	35.935	78.564	17.148.627

ARM TURA S.A.
NOTE LA SITUAȚIILE FINANCIARE INDIVIDUALE
PENTRU SEMESTRUL ÎNCHEIAT LA 30 Iunie 2018
(în lei, dacă nu se specifică altfel)

4 INTANGIBLE FIXED ASSETS

	Information systems	Advances and other intangible fixed assets	Total
Financial exercise on 1st of January 2018			
Initial balance	445	-	445
Entries	-	-	-
Amortization charges	328	-	328
Transfers	-	-	-
Closing balance on 30th of June 2018	117	-	117
Cost	266.245	-	266.245
Accumulated amortization	266.128	-	266.128
Net book value	117	-	117

5 STOCKS

	30th of June 2018	1st of Januar 2018
Raw materials	1.280.593	2.684.659
Provisions for raw materials	-354.406	-641.123
Production to be executed	1.326.047	1.696.016
Provisions for goods in progress	-206.635	-462.382
Goods	163.139	164.203
Provisions for goods	-162.043	-164.203
End products	987.999	1.003.070
Provisions for end products	-864.600	-987.510
Other stocks	114.130	111.608
Provisions for other stocks	-83.202	-83.938
Total	2.201.022	3.320.399

ARM TURA S.A.
NOTE LA SITUAȚIILE FINANCIARE INDIVIDUALE
PENTRU SEMESTRUL ÎNCHEIAT LA 30 IUNIE 2018
(în lei, dacă nu se specifică altfel)

6 CLIENTS AND OTHER ACCOUNTS RECEIVABLE

	30th of June 2018	1st of Januar 2018
Commercial accounts receivable	3.053.137	986.418
Minus: provision for the depreciation of the commercial accounts receivable	-726.455	-726.455
Commercial accounts receivable – net	2.326.681	259.963
- out of which, in relation to affiliated entities	2.262.737	164.552
Accrued expenses	120.770	34.353
Advance payments to suppliers	15.957	319
Minus: provision for the depreciation of the advance payments	-	-
Various debtors	7.095	9.347
Other accounts receivable	628.357	483.659
The current portion of the commercial and other accounts receivable	3.098.861	787.641

7 SUPPLIERS AND OTHER LIABILITIES

	30th of June 2018	1st of Januar 2018
Commercial liabilities	8.926.248	8.417.002
- out of of which, in relation to affiliated entities	8.485.682	7.779.647
Debts with personnel, contributions, social security	218.334	235.638
Value Added Tax (VAT)	0	0
Other liabilities	31.501	21.507
	9.176.083	8.674.147
Minus the long-term portion: subsidies	-	-
The current portion of the commercial debts and other debts	9.176.083	8.674.147

ARM TURA S.A.
NOTE LA SITUAŢIILE FINANCIARE INDIVIDUALE
PENTRU SEMESTRUL ÎNCHEIAT LA 30 IUNIE 2018
(în lei, dacă nu se specifică altfel)

8 SHARE CAPITAL

The amount of the subscribed capital on the 30th of June 2018 was 4,000,000 lei (31st of December 2017: 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.

The shareholder structure on June 30th 2018 is presented as follows:

	Number of shares (pcs)	Amount (lei)	Percentage (%)
Hric Beteiligungs Gmbh	10.400.000	1.040.000	26.0000
Tridelta Heal Beteiligungsgesellschaft	6.703.418	670.342	16.7585
Swiss Capital	4.180.618	418.061	10.4515
Herz Armaturen Gmbh	2.797.352	279.735	6.9934
Broadhurst Investments Limited	2.730.881	273.088	6.8272
FDI Activ Dinamic/SAI Swiss	2.790.735	279.073	6.9768
Natural persons	7.854.175	785.417	29.6354
Legal persons	2.542.821	254.282	6.3571
TOTAL	40.000.000	4.000.000	100.0000

Administrator,

Drawn up by,

Translated from Romanian

S.C. ARM TURA S.A.
Cluj - Napoca

Half-year report 2018



HALF-YEAR REPORT 2018
S.C. ARM TURA S.A.
CLUJ- NAPOCA

Registered office:	400267 Cluj-Napoca 19 G rii 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 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 securities issued by the Company:

- Number of shares: 40.000.000
- Nominal value: 0,1 RON/share
- Registered shares, issued as uncertificated shares, are 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: 03.08.2018

- * drawn up in accordance with Regulation no. 5/2018 of the ASF.
- * the financial statements as at 30.06.2018 have not been audited.



1. Economic and financial statement:

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

FINANCIAL POSITION STATEMENT

	<u>1st of January 2018</u>	<u>30th of June 2018</u>
Asset		
Fixed assets		
Tangible fixed assets	17.521.963	17.148.627
Intangible fixed assets	<u>445</u>	<u>117</u>
Total fixed assets	<u>17.522.408</u>	<u>17.148.744</u>
Current assets		
Stocks	3.320.399	2.201.022
Clients and other accounts receivable	787.641	3.098.861
Cash and cash equivalents	565.825	100.400
Short-term financial assets	<u>-</u>	<u>-</u>
Total of current assets	<u>4.673.865</u>	<u>5.400.283</u>
Total of assets	<u>22.196.273</u>	<u>22.549.027</u>
Owner's equity and debts		
Share capital	18.110.957	18.110.957
Reserves	9.738.908	9.738.908
Balance carried forward	<u>-38.924.096</u>	<u>-39.305.323</u>
Total owner's equity	<u>-11.074.231</u>	<u>-11.455.458</u>
Long-term debts		
Loans	-	-
Debts related to financial leasing	-	-
Deferred tax liabilities	771.822	771.822
Suppliers and other debts	<u>-</u>	<u>-</u>
	<u>771.822</u>	<u>771.822</u>

Translated from Romanian

S.C. ARM TURA S.A.
Cluj - Napoca

Half-year report 2018



	1st of January 2018	30th of June 2018
Current debts		
Suppliers and other debts	8.674.147	9.176.083
Settlements with shareholders on share capital	100	100
Loans	23.654.449	23.895.906
Provisions for risks and expenses	<u>169.987</u>	<u>160.574</u>
Total of current debts	<u>32.498.684</u>	<u>33.232.664</u>
Total of debts	<u>33.270.505</u>	<u>34.004.485</u>
Total owner's equity and debts	<u>22.196.273</u>	<u>22.549.027</u>

STOCK ANALYSIS

The Company's stock has decreased compared to the beginning of 2018, amounting to 1,119,376 lei, with a percentage decrease of 50, 86 % .

The stock structure from June 30th 2018 is the following:

) Goods in progress	50,86 %
) Raw materials and materials	42,08 %
) End products and goods	7,06 %

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S.C. ARM TURA S.A.
Cluj - Napoca

Half-year report 2018



ACCOUNTS RECEIVABLE ANALYSIS

On June 30th 2018 the Company's accounts receivable had the following structure:

	30th of June 2018	1st of January 2018
Commercial accounts receivable	3.053.137	986.418
Minus: provision for the depreciation of the commercial accounts receivable	-726.455	-726.455
Commercial accounts receivable – net	2.326.681	259.963
- out of which, in relation to affiliated entities	2.262.737	164.552
Accrued expenses	120.770	34.353
Advance payments to suppliers	15.957	319
Minus: provision for the depreciation of the advance payments	-	-
Various debtors	7.095	9.347
Other accounts receivable	628.357	483.659
The current portion of the commercial and other accounts receivable	3.098.861	787.641

The commercial accounts receivables from June 30th 2018 recorded an increase of 2.311.220 lei compared to the existing balance in early 2018.

PAYMENT LIABILITIES ANALYSIS

	30th of June 2018	1st of January 2018
Commercial debts	8.926.248	8.417.002
- out of of which, in relation to affiliated entities	8.485.682	7.779.647
Debts with personnel, contributions, social security	218.334	235.638
Value Added Tax (VAT)	0	0
Other debts	31.501	21.507
	9.176.083	8.674.147

The Company's current debts registered an increase of 501,936 lei compared to the beginning of 2018, with a percentage increase of 5.76%.

Translated from Romanian

*S.C. ARM TURA S.A.
Cluj - Napoca*

Half-year report 2018



INCOME AND EXPENSE STATEMENT

	30th of June 2018	30th of June 2017
Revenues	4.455.311	7.078.979
Other operating revenues	18.035	26.036
Changes in stocks of end products and production to be executed	-390.532	-47.300
Capitalized tangible assets costs	-	14.302
Raw materials and materials	-2.125.056	-2.910.963
Cost of goods	-146.832	-185.772
Personnel charges	-1.368.788	-2.715.465
Utilities expenses	-251.268	-1.127.733
Services provided by third parties	-265.629	-378.890
Amortization and depreciation of fixed assets	-393.263	-470.209
Net movement in the provision for other risks and expenses	9.413	908
Other operating expenses	-333.765	-374.639
Other revenue / (losses), net	<u>668.269</u>	<u>83.286</u>
Operating result	-124.105	-1.007.460
Financial revenues	<u>-</u>	<u>7</u>
Financial expenses	<u>-257.121</u>	<u>-424.374</u>
Net financial loss	-257.121	-424.367
Profit / loss before income taxes	-381.226	-1.431.827
Revenue / (Expenditure) with current and deferred tax	<u>-</u>	<u>-</u>
Ordinary business income (loss)	-381.226	-1.432.827



2. The analysis of the commercial Company's activity

2.1. Presenting and analyzing trends, events or uncertainty factors affecting or 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, CNVM (National Securities Commission) Regulation no. 1/2006 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 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 in the applicable law.

Members of the Board of Directors:

- Akper Saryyev – President of the Board of Directors



- Matthias Haider - Member
- Zdzizlaw Klis – Member
- Andrej Kabat – Member
- Barttomiej Kowalik - 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.

The equipment and production facilities owned by the Company are located entirely in Cluj-Napoca, 19 Garii 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 Bugic Radu 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 12, 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.

The reimbursement date of the 5 million Euro loan from shareholder Herz Armaturen Ges.b.h was not prolonged throughout 2018, the maturity date being the 15th of April 2016 (15.04.2016).

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, Showroom and in February 2018 the Brass Foundry Department was closed.

From the date of the last financial statements until the date of the present semestrial situations no major changes have been recorded in the Company's current activity.

Administrator,

Drawn up by,

Declaration

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

The financial statements as of 30.06.2018:

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 Akper Saryyev , as Administrators of SC Armatura SA, takes responsibility for the semestrial financial statements as of 30.06.2018 and confirms that:

- a) The individual financial statements for 30.06.2018 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 annual 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,

