

# TMK-ARTROM S.A.

**Consolidated and Separate  
Quarterly Report as at 31  
March 2019**



<b>1. Purpose of the report .....</b>	<b>2</b>
<b>2. Brief presentation of the Company and the Group .....</b>	<b>4</b>
<b>3. Economic and financial indicators in accordance with FSA Regulation No 5/2018.....</b>	<b>7</b>
<b>4. The main operational and financial indicators for the first quarter of 2019 .....</b>	<b>8</b>
<b>5. Analysis of operational and financial results.....</b>	<b>9</b>
5.1 Consolidated sales volume of the Group TMK-Artrom .....	9
5.2 Analysis of revenues from the customer contracts of TMK-Artrom Group .....	10
5.3 Expenses analysis of TMK-Artrom Group.....	13
5.4 Analysis of revenues from the customer contracts of TMK-ARTROM (separate).....	21
5.5 Expenses analysis of the company TMK-Artrom (separate) .....	23
<b>6. Liquidity and capital resources.....</b>	<b>25</b>
<b>7. Events after the reporting period.....</b>	<b>33</b>
<b>8. Declaration of responsible persons .....</b>	<b>34</b>

**ANNEXES:**

*Interim condensed consolidated and separated financial statements for  
three-month period ended as at 31 March 2019*



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

No 102/ 87 from 22.04.2019**1. Purpose of the report**

**Consolidated and Separate Current Report  
in accordance with Law no. 24/2017 and of Regulation no. 5/2018 on  
issuers of financial instruments and market operation**

Report date: 22.04.2019  
 Company's name: TMK- ARTROM S.A. Slatina  
 Localization: Draganesti street, no. 30, Slatina, Olt  
 Phone/fax: +40249436862/ +40249434330  
 Registered at Trade Register: J28/9/1991  
 Unique Registration Code: RO1510210  
 Unique Identifier at European Level (EUID): ROONRC.J28/9/1991  
 LEI code: 315700M25SMOU44FAN52  
 Subscribed capital: 291.587.538,34 RON  
 Subscribed and paid capital: 291.587.538,34 RON  
 Regulated market on which issued securities are traded: Bucharest Stock Exchange  
 Regulated market - Category Standard (market symbol ART)  
 (hereinafter referred to as "**TMK-Artrom**" or the "**Company**")

*For the purposes of this report, the Company together with TMK-Resita SA ("TMK-Resita"), TMK-Italia s.r.l. ("TMK-Italia"), TMK Industrial Solutions ltd ("TMK IS") and TMK-Assets SRL shall be hereinafter referred to together as TMK-Artrom Group or the Group. Furthermore, for the purposes of this report, TMK Europe GmbH together with the Group and any other company that consolidates their financial statements with PAO TMK's financial statements shall be together referred to the TMK group.*

**Events to be reported:** *The interim condensed consolidated and separated financial statements of TMK-Artrom for three-month period ended as at 31 March 2019*

- a) Changes in the issuer's control, including changes in the control of the entity it owns control over the issuer and changes in control arrangements: N/A;
- b) Material acquisitions or alienations of assets:

b1) The board of directors of TMK-Artrom ("Board of Directors") decided on 28 November 2018 to approve the acquisition by TMK Artrom of all the shares held by TMK Global SA as sole shareholder in TMK Italia. The transaction was completed on 5 February 2019 at the price approved by the Board of Directors.

The price for the acquisition of 50.000 shares, representing 100% of share capital of TMK-Italia, is EUR 1.730.800, meaning 34,61 EUR per share. The price was agreed by TMK-Artrom and TMK

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

### Quarterly report as at 31 March 2019

Global SA based on the valuation report issued by DARIAN DRS SA on 27 November 2018 which valued the shares taking into consideration the value of the shares at 31 October 2018.

The price is to be paid by TMK-Artrom, from its own resources, within 90 days from the date of the execution of the relevant shares purchase agreement by TMK-Artrom and TMK Global SA.

b2) The Company and the Group have not yet finalized the "Heat Treatment Complex" investment project, an investment of EUR 35.2 million. All the pieces of the equipment for the complex have been acquired from SMS Group. The heat treatment complex was officially commissioned on 16 February 2018 as Unit 6 of TMK-Artrom. This new equipment allows the Company to increase the share of the premium products in the Company's portfolio. The large investment project allows to perform heat-treatment operations on long pipes, which is quite rare in Europe. The annual projected capacity of the new line is over 160 thousand tones of pipes. SMS Group, one of the global leaders in manufacturing equipment of metallurgical industry, has both supplied the equipment for and performed the engineering works necessary for building in the equipment.

c) Bankruptcy proceeding: N/A;

d) Transactions of the kind listed in art. 82 of Law no.24/2017: N/A;

**TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019**



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## 2. Brief presentation of the Company and the Group

**TMK-Artrom** is a joint-stock company, listed for trading on a regulated market administered by the Bucharest Stock Exchange SA (“BVB”) with the registered office in Slatina, 30 Draganesti Street, Olt County, Romania. TMK Artrom produces seamless pipes for industrial applications, including for the mechanical engineering and automotive industry. The main activity of the company is the production of tubes, pipes, hollow profiles and related fittings, of steel, CAEN code 2420.

Company Headquarter	Street Draganesti, no 30, Slatina, County Olt, Romania, 230119
Phone number	+40249436862, +40249434640, +40249434641
Fax number	+40249434330, +40249437288
Registration number at the Trade Registry Office	J28/9/1991 as at 31.01.1991
Unique Identifier at European Level (EUID):	ROONRC.J28/9/1991
LEI Code:	315700M25SMOU44FAN52
Tax identification Code	RO 1510210
Class, type, number and principal characteristics of the securities issued by the company	Registered dematerialised and ordinary shares
Subscribed and paid-up share capital	291,587,538.34 lei
The regulated market on which the issued securities are traded	Bucharest Stock Exchange Regulated Market - STANDARD category (ART market symbol)

**TMK-Resita** is a closed joint stock company, having its registered office in Resita, No. 36 Traian Lalescu Street, 36, Caras-Severin County, Romania. The company produces billet for tubes, heavy round profiles and blooms (177 mm up to 350 mm) and is the sole raw material supplier for TMK-Artrom. TMK Resita was acquired by TMK Artrom on 21 December 2018.

**TMK IS** is a limited liability company, seated in Houston, 10940 West Sam Houston Pkwy North, Suite 325, Texas, USA. The company is a sales agent for steel pipes and tubes and acts as sales agent for TMK-Artrom's products in North and South America. TMK IS was set up by TMK-Artrom in 2016.

**TMK Assets SRL** is a limited liability company having its registered office in Bucharest, No. 2 Daniel Danielopolu Street, District 1, Romania. The company operates on the real estate market. TMK Assets SRL was acquired by the TMK group in 2012.

**TMK-Italia** is a company which is focused on sales and marketing of TMK group's pipes in South and West Europe areas. The subsidiary was founded in 2000 and operates according to Italian laws. TMK-Italia has social headquarters in Lecco, Piazza Degli Affari, no. 12, Italy.

### TMK-Artrom Group – entities and shareholders as at 31 March 2019

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

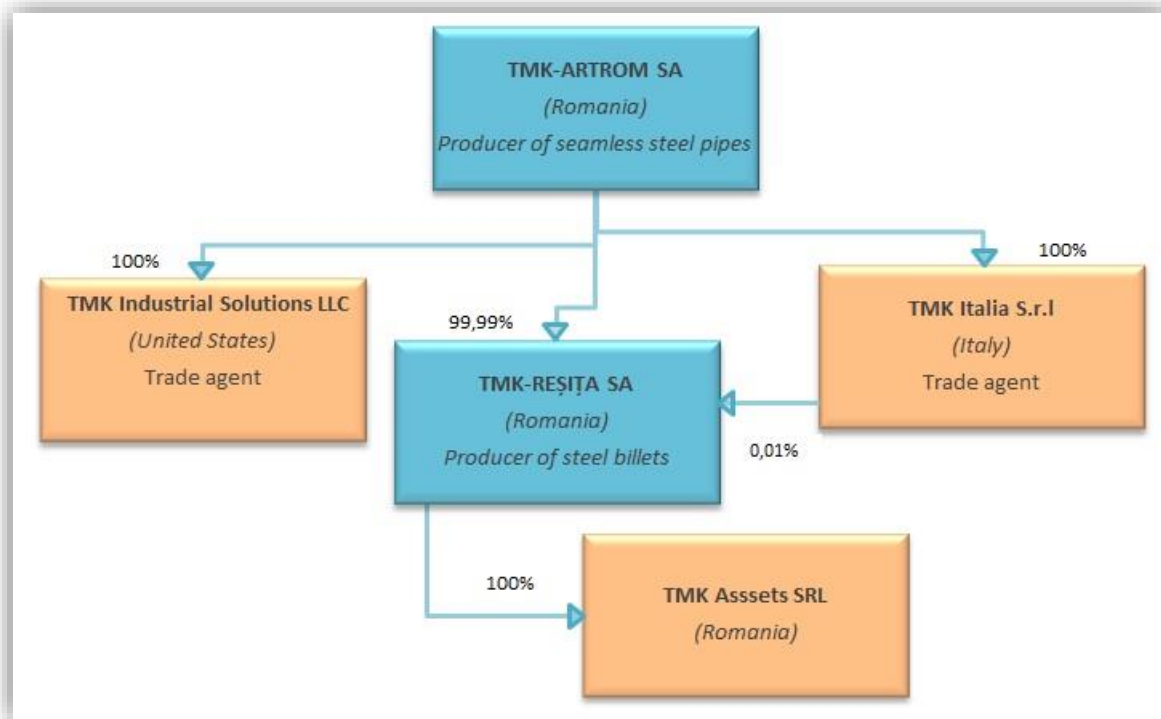
TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

Company name	Parent-company	Shareholding (%)
TMK-Artrom	TMK Europe GmbH	92.7282
TMK IS	TMK-Artrom	100
TMK-Resita	TMK-Artrom	99.99237
TMK Assets SRL	TMK-Resita	100
TMK-Italia	TMK-Artrom	100

### The structure of the Group as at 31 March 2019:



### Basis for consolidation

TMK-Artrom employed for drafting the Consolidated and separate financial statements prepared in accordance with regulations of OMFP no. 2.844/2016, with subsequent changes and amendments at 31 December 2018 and restated consolidated financial statements for 2016 and 2017 (the “Audited Consolidated Financial Statements”) and, respectively, the Interim unaudited and restated separate and consolidated condensed financial statements of the Company as at and for the period of three-months ended on 31 March 2019 which includes comparative with the restated information for the period of three months ended 31 March 2018, (“Unaudited Interim Consolidated Financial Statements”) prepared in accordance with International Accounting Standard IAS 34 - Interim financial reporting, the “pooling of interests” method, as the newly purchased (direct and indirect) subsidiaries have been acquired from entities under the common control of the TMK group (the acquisition of the shares from TMK Europe GmbH and, respectively, TMK Global SA which are owned 100% by PAO TMK) and, therefore, no change in control occurred with respect to the party controlling the TMK group.

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949



The Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements may be hereinafter referred to, together, as the “Consolidated Financial Statements”.

According to the pooling of interests’ method, the assets and liabilities of the subsidiaries transferred under common control are presented at the carrying value reflected by the predecessor’s books. Consequently, since the TMK group’s financial statements are not consolidated at the level of TMK Europe GmbH or TMK Global SA but directly at the level of PAO TMK, the value reflected by the consolidated financial statements of the TMK group for TMK-Resita, TMK-Italia and the other indirect subsidiaries transferred on 21 December 2018 and, respectively, on the 5 of February 2019, have been reflected as such in the restated Consolidated Financial Statements of the Group for 2018.

The Group has chosen to elect an accounting policy whereby it restates the financial information in the consolidated financial statements for periods prior to the combination under common control, to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the combination.

The Unaudited Interim Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2019.

The acquisition of the shares issued by TMK-Resita occurred on 21 December 2018 and of TMK-Italia in 5 february 2019 but, by applying the pooling of interests’ method, the Group’s Consolidated Financial Statements, including the comparatives for 2018, reflect the acquisition of the subsidiaries by TMK-Artrom as though such acquisition had acquired them at the same date as they had been acquired by its predecessor – the TMK group (at the level of the consolidated financial statements of PAO TMK). Thus, the Group restates the periods prior to the combination in order to reflect that no change occurred with respect to the ultimate control.

The information provided by the Consolidated Financial Statements have been restated for the periods prior to the business combination of the entities under common control, in order to reflect the combination as if it had occurred from the beginning of the earliest period presented, irrespective of the actual combination date.

The pooling of interests’ method for business combinations under common control, requires the financial statements of the combining entities to be combined as if they had been always combined. The Consolidated Financial Statements were prepared according to usual consolidation procedures to reflect the combined results of the Group corresponding to all items of assets, liabilities, income, expenses. All intragroup balances, transactions and unrealized gains on transactions between Group companies are eliminated.

By applying the “pooling of interests” method, TMK-Artrom's Consolidated Financial Statements, including the comparatives of 2018, are presented as if TMK-Artrom had acquired the TMK-Resita, TMK Assets SRL and TMK-Italia at the same date as they were initially acquired by the predecessor (TMK-Resita in 2004, TMK Assets SRL in 2012 and TMK-Italia in 2006).



### Quarterly report as at 31 March 2019

The Group finalized the transaction regarding the acquisition of TMK-Italia's all shares in 5 february 2019 and due to the pooling of interest method it restated the comparatives of the interim condensed financial statements.

### 3. Economic and financial indicators in accordance with FSA Regulation No 5/2018

	31.03.2019	Separate	Consolidated
Indicators	Calculation formula	Result	Result
Current liquidity ratio <sup>1</sup>	Current assets / Current liabilities	1.39	1.17
Indebtness indicator <sup>2</sup>	Borrowed capital / Equity *100	84.17%	82.93%
	Borrowed capital / Accrued capital *100	45.70%	45.34%
Rotation speed of debtors-clients <sup>3</sup>	The average balance – clients / Revenue from contracts with customers * 90	76	82
Rotation speed of non-current assets <sup>4</sup>	Revenue from contracts with cutsomers / non-current assets	0.37	0.29

**Note:**

1. It guarantees the ability of coverage of the current debts from current assets. The recommended value acceptable is about 2.
2. It expresses the efficacy of the credit risk management, showing the potential problems of financing, liquidity, influencing the ability to comply with the commitments undertaken.
3. It expresses the efficacy of the company in collecting its debts, respective the number of days until the date on which the debtors pay the debts to the company.
4. It expresses the efficacy of the immobilized assets, by providing for the revenue generated by a certain quantity of assets.

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949



## 4. The main operational and financial indicators for the first quarter of 2019

<b>in RON</b>		
<b>Financial indicators</b>	<b>Separate 31 Martie 2019 Unaudited</b>	<b>Consolidated 31 Martie 2018 Restated and unaudited</b>
Production of pipes(tons)	51,214	51,193
Sale of pipes production TMK -Artrom (tons)	345,736,539	336,128,284
Revenues	9,454,878	304,191
Profit of the financial year	9,443,120	1,304,672
Net global result of the period	31,788,783	40,810,685
Adjusted EBITDA	18,254,058	19,413,837
EBIT	19,413,837	16,452,11
Adjusted EBITDA margin, %	12.1	11.4

*Note: The above mentioned indicators / figures may be rounded to the nearest whole number, and therefore may result in small differences in summation or comparison with the exact figures mentioned in the financial statements.*

According to the Unaudited Interim Consolidated Financial Statements, the Company and the Group recorded the following financial indicators at 31.03.2019:

<b>in RON</b>		
<b>Financial indicators</b>	<b>Separate 31 Martie 2019 Unaudited</b>	<b>Consolidated 31 Martie 2018 Restated and unaudited</b>
Profit before tax	9,628,822	715,471
Net accounting profit of which:	9,454,878	304,191
Operating profit	18,254,058	19,413,837
Financial loss	(8,625,236)	(18,698,366)
Exceptional result	-	-
Current income tax expense	-	(147,738)
Deferred income tax - revenues	1,674,645	2,592,881
Deferred income tax - expenses	(1,848,589)	(2,856,423)
Income	345,736,539	336,128,284
Cost of sales	(279,566,396)	(263,831,707)
Export	71.7%	73.8%



## 5. Analysis of operational and financial results

### 5.1 Consolidated sales volume of the Group TMK-Artrom

#### Product premiumization and sales mix

In 2018, the Group completed the construction of the heat treatment complex - Unit 6 at its Slatina plant which allowed the increase of the production volume of pipes and the sales of premium value products. This heat treatment facility is expected to enable the Group to expand its premium pipes production beyond its current abilities and to manufacture higher volumes and more types of higher margin, high-quality, high-precision, premium pipe products competitive with the top tier of global pipe producers. Also, further planned investments are expected to grow premium output capacity to 118 thousand tonnes by 2024, from its current premium output capacity.

Total revenues of TMK-Artrom Group's revenue increased to RON 336.1 million in the first quarter of 2019 compared to RON 331,6 million in the first quarter of 2018, mainly due to the increase in the physical volume of sold pipe from 47,123 tonnes to 51,193 tonnes (representing an increase of 8.6%), but also due to the increase in the average price per product by 8.9%.

The average selling prices for premium pipes was 70% higher than the average selling price for commodities pipes in the first quarter of 2019, (in the year ended at 31 December 2018, the average selling price for the premium pipes was 59% higher than the average selling price for commodities pipes and in the year ended at 31 December 2017, the average selling price for the premium pipes was 65% higher than the average selling price of commodities pipes).

The cost of sold premium pipes was 45% higher than the cost of sold commodities pipes in the first quarter of 2019 (in the year ended at 31 December 2018, the cost of sold premium pipes was 41% higher than the cost of sold commodities pipes and in the year ended at 31 December 2017, the cost of sold premium pipes was 43% higher than the cost of sold commodities pipes).

The average selling price for all types of seamless steel pipes produced by TMK-Artrom and sold in the Americas is 68% higher than the average selling price for the same products sold on the European market (these prices include the shipping costs as well as US import charges for the steel products sector 232).

The cost of all types of seamless steel pipes produced by TMK-Artrom sold on the Americas market is 20% higher than the cost of the same products sold on the European market. These costs are production costs that do not include other commercial costs until final destination (shipping, customs, port and other charges, and import tax on products sold in the US).

The volume of sales of billets produced by TMK RESITA to other parties than TMK-Artrom decreased by 8,608 tonnes during the first quarter of 2018 de la 8,834 tonnes, la 226 tonnes in the first quarter of 2019 (a decrease of 97.4%).

The volume of sales of goods (billets, blums, pipes) produced by other parties than TMK-Artrom (acquired from other TMK group entities) decreased by 17,7% from 25,597 tonnes recorded in the quarter ended at 31 March 2018 to 21.074 tonnes recorded in the quarter ended at 31 March 2019 due to decrease in trading activity of TMK Italia.

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## Quarterly report as at 31 March 2019

The consolidated volumes sold of TMK-Artrom Group for the quarter ended March 31, 2019 ("Q1/19"), are provided below:

Type of product / Sales destination	1Q 2019	1Q 2018
	Quantity (tons)	Quantity (tons)
1. Total seamless steel pipes produced by TMK-Artrom, from which:	51,193	47,123
<b>1.1.Commodities Europe *</b>	<b>38,039</b>	<b>31,185</b>
<b>1.2 Commodities Americas **</b>	<b>2,028</b>	<b>5,194</b>
<b>1.3. Premium Europe</b>	<b>7,684</b>	<b>6,642</b>
<b>1.4. Premium Americas</b>	<b>3,443</b>	<b>4,103</b>
Total billets and blooms TMK-Reșița sold to third parties outside the TMK-Artrom Group	226	8,834
Total billets produced by TMK-Reșița sold to TMK-Artrom	57,813	56,407
2. Total sales of goods produced by other parties than TMK-Artrom, of which:	21,074	25,597
<b>2.1 Sale of goods Europe</b>	<b>20,421</b>	<b>24,410</b>
<b>2.2 Sale of goods Americas</b>	<b>652</b>	<b>1,188</b>

\*Middle East, Turkey and North Africa - sales allocated to the European market

\*\* Canada, Brazil, USA and Mexico - sales allocated to the Americas market

## 5.2 Analysis of revenues from the customer contracts of TMK-Artrom Group

The following table presents the consolidated statement of profit or loss of the TMK-Artrom Group for the period ended March 31, 2019, as compared to March 31, 2018.

Cost of sales	Amounts in RON		Variation	% in total Revenues	
	31 March 2019 Unaudited	31 March 2018 Restated and unaudited	%	31 March 2019 Unaudited	31 March 2018 Restated and unaudited
<b>Revenues from customer contracts</b>	336,128,284	331,618,972	1.40%	100.00%	100.00%
Sales of goods	335,635,427	330,569,713	1.50%	99.85%	99.68%
Rendering of services	492,857	1,049,259	-53.00	0.15%	0.32%
Cost of sales	-263,831,707	-273,181,130	-3.40%	78.49%	82.38%
Gross profit	72,296,577	58,437,842	23.70%	21.51%	17.62%
Selling and distribution expenses	-33,482,664	-24,601,826	36.10%	9.96%	7.42%
Advertising and promotion expenses	-13,321	-162,132	-91.80%	0.00%	0.05%
General and administrative expenses	-18,916,410	-16,216,094	16.70%	5.63%	4.89%
Research and development expenses	-64,284	-25,423	152.90%	0.02%	0.01%
Other operating expenses	-1,080,658	-1,001,420	7.90%	0.32%	0.30%

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## Quarterly report as at 31 March 2019

Cost of sales	Amounts in RON		Variation %	% in total Revenues	
	31 March 2019 Unaudited	31 March 2018 Restated and unaudited		31 March 2019 Unaudited	31 March 2018 Restated and unaudited
Other operating income	674,597	21,164	3087.50%	0.20%	0.01%
Amortization and depreciation*	-20,847,016	-18,558,137	12.30%	6.20%	5.60%
Income from operations	19,413,837	16,452,111	18.00%	5.78%	4.96%
Foreign exchange (loss) / gain, net	-14,060,427	1,184,938	-1286.60%	-4.18%	0.36%
Financial income	2,149	545	294.30%	0.00%	0.00%
Financial cost	-4,640,088	-2,687,035	72.70%	-1.38%	-0.81%
Profit before tax	715,471	14,950,559	-95.20%	0.21%	4.51%
Tax expense/credit	-411,28	-2,918,618	-85.90%	-0.12%	-0.88%
Profit for the year	304,191	12,031,941	-97.50%	0.09%	3.63%
<b>Adjusted EBITDA</b>	<b>40,810,685,04</b>	<b>37,640,807,10</b>	<b>8.40%</b>		

## Segment results

Regarding Segment Reporting, the Group discloses its financial results as follows: (1) the pipe production; (2) the billets production. The pipe production segment is located in Slatina. The billets production segment is located at Resita. The pipe production segment uses billets to produce hot or cold-rolled and cold or hot-drawn seamless steel pipes.

## Segment results of TMK-Artrom Group

The following table shows the results per segment of the Group. As the Group operates on an integrated vertical basis, management assigns the Group's operations as follows.

In RON	Pipes	Billets	Other	Inter- segment operations	Total
	RON	RON	RON	RON	RON
<b>31 March 2019-Unaudited</b>					
Sales to external customers	282,267,326	636,916	53,224,042	-	<b>336,128,284</b>
Inter-segment sales	165,741	157,737,020	-	(157,902,761)	-
Total sales	282,433,067	158,373,936	53,224,042	(157,902,761)	<b>336,128,284</b>
Segments result (gross profit)	68,305,731	55,129	3,935,717	-	<b>72,296,577</b>
Other operating expenses, net					(52,882,740)
Interest and other finance costs, net					(4,637,939)
Net foreign exchange gains / (losses)					(14,060,427)
<b>Result before income tax</b>					<b>715,471</b>
<b>31 March 2018-Restated and unaudited</b>					
Sales to external customers	238,661,982	21,954,253	71,002,737	-	<b>331,618,972</b>
Inter-segment sales	157,103	149,742,129	-	(149,899,232)	-
Total sales	238,819,085	171,696,382	71,002,737	(149,899,232)	<b>331,618,972</b>
Segments result (gross profit)	53,117,733	638,473	4,681,636	-	<b>58,437,842</b>
Other operating expenses, net					(41,985,731)
Interest and other finance costs, net					(2,686,490)
Net foreign exchange gains / (losses)					1,184,938

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## Quarterly report as at 31 March 2019

Result before income tax

14,950,559

The following tables present the consolidated information on the revenue of the Group divided on geographical areas.

Revenue from contracts with customers	31 March 2019	Consolidated %	31 March 2018	%
	RON <i>Unaudited</i>		RON <i>Restated and unaudited</i>	
Domestic sales	88,019,710	26.2	95,956,373	28.9
Sales abroad	248,108,574	73.8	235,662,599	71.1
<b>Total</b>	<b>336,128,284</b>	<b>100</b>	<b>331,618,972</b>	<b>100</b>

Revenues from contracts with customers – geographical information

Consolidated

Revenue	Romania	Europa	North and South America	Other countries	Total
	RON	RON	RON	RON	RON
31 March 2019- <i>Unaudited</i>	88,019,711	195,894,211	51,849,939	364,423	<b>336,128,284</b>
31 March 2018 <i>Restated and unaudited</i>	95,956,371	173,781,741	60,621,899	1,258,961	<b>331,618,972</b>

The following table shows the Group's revenues for the period ended at 31 March 2019 versus the period ended at 31 March , 2018.

	31 March 2019	31 March 2018
	RON <i>Unaudited</i>	RON <i>Restated and unaudited</i>
Sale of pipes produced by TMK-Artrom from which:		
Domestic	39,473,380	32,548,418
Europa	195,196,737	151,699,929
North and South America	47,232,786	53,154,674
Other areas	364,423	1,258,961
<b>Total sales of TMK Artrom pipes</b>	<b>282,267,326</b>	<b>238,661,982</b>
Sales of other goods and services from which:		
Sales of other goods on domestic market	48,167,462	63,008,460
Sales of other goods on external market	5,200,640	28,838,708
Rendering of services on domestic market	378,869	506,882
Rendering of services on external market	113,987	602,940
<b>Total sales of other goods and services</b>	<b>53,860,958</b>	<b>92,956,990</b>
<b>Total turnover</b>	<b>336,128,284</b>	<b>331,618,972</b>

\* Sales areas in the Middle East, Turkey and North Africa are allocated to the European market

\*\* Sales areas Canada, Brazil, USA and Mexico are allotted to the Americas market

The Group generates revenue primarily by selling seamless industrial steel pipes to end-users and distributors through its sales and marketing network that is engaged in the sale of pipe production in markets throughout Europe and the Americas. IFRS 15 – Revenue from Contracts with Customers requires qualitative and quantitative disclosures in respect of revenue, contract balances, performance obligations, significant judgements and assets recognised from costs to obtain or fulfill a contract. Consequently, these revenues are referred to as “Revenue from contracts with customers” for periods

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## Quarterly report as at 31 March 2019

commencing on or after 1 January 2018, following the adoption of IFRS 15. The adoption of IFRS 15 did not have a significant impact on the Unaudited Interim Consolidated Financial Statements because the Group does not have long-term sales contracts with clients. All other revenues are described as rendering of services referring mainly to agency services which are performed by the Company's subsidiary in the US for other parties or to other services executed by the Group to other parties.

The Group's total consolidated revenues increased by 1.4% in the first quarter ended at 31 March 2019 compared to the first quarter ended at 31 March 2018 as a result of revenue growth from contracts with customers from the sold production by 18.3% (43,6 mil RON), which was off-set by the decrease of TMK-Resita sales of blums and billets to third parties (by 97.1% or 21,3 mil RON) and the decrease of other sales (with 25% or 17,8 millions RON) from which the sales of metallurgical products from companies within the TMK group decreased with 23.4%, respectiv 16 million RON.

The increase in revenue from the pipes production sold is due to several growth factors, namely: (i) the increase in revenues from the sale of commodities pipes in the first quarter ending 31 March 2019 compared to the total revenues gained in the first quarter ended at 31 March 2018 by 15.2% or RON 25.35 million, (ii) the increase in revenues from premium pipe sales of 25.3% (RON 18.25 million), due to the increase in sales of premium pipes by 382 tons in the first quarter ended at 31 March 2019 versus 10,745 tons in the first quarter ended at 31 March 2018, as well as the increase in the selling price for the premium pipes. In the value of the increase (of RON 43.6 million) from the sales of pipe production, the Group also includes the 8.9% increase in the average selling price for the premium pipes.

### 5.3 Expenses analysis of TMK-Artrom Group

#### Cost of goods sold by TMK-Artrom Group

Regarding the cost of goods sold to the Group, the situation is as follows:

	31 March 2019	31 March 2018	%	% in total consolidated cost of production sold	
	RON	RON		31 March 2019- unaudited	31 March 2018 Restated and unaudited
	Unaudited	Restated and unaudited			
Raw materials	86,234,404	98,152,479	-12.1	40.1	47.1
Expenses with salaries, salary compensations and social contribution	34,388,061	29,738,831	15.6	16	14.3
Consumables	38,178,483	32,730,672	16.6	13.9	13.2
Energy and utilities	36,375,499	30,448,787	19.5	16.9	14.6
Depreciation and amortisation	19,521,320	17,627,265	10.7	9.1	8.5
Professional fees and services	1,737,150	1,371,018	26.7	0.8	0.7
Freight	577,647	571,897	1	0.3	0.3
Taxes	1,095,832	912,538	20.1	0.5	0.4
Repairs and maintenance	1,497,372	912,032	64.2	0.7	0.4
Insurance	707,355	614,648	15.1	0.3	0.3
Rent	165,44	322,027	-48.6	0.1	0.2
Travel	151,632	198,488	-23.6	0.1	0.1
Communications	24,543	28,178	-12.9	0	0
Other expenses	2,111	484	336.2	0	0

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949



## Quarterly report as at 31 March 2019

	31 March 2019	31 March 2018	%	% in total consolidated cost of production sold	
	RON	RON		31 March 2019- unaudited	31 March 2018 Restated and unaudited
	Unaudited	Restated and unaudited			
<b>Total production cost</b>	<b>220,656,849</b>	<b>213,629,344</b>	3.3	102.6	102.6
Change in own finished goods and work in progress	3,226,781	-452,403	-	1.5	-0.2
Cost of sales of externally purchased goods	48,837,987	64,974,812	-24.8	22.7	31.2
Capitalized production costs	-8,303,869	-5,146,586	61.3		
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	-587,104	-29,059	1920	-0.3	0
Write-off materials	1,063	205,022	-99.5	0	0.1
<b>Cost of sales from which:</b>	<b>263,831,707</b>	<b>273,181,130</b>	<b>-3.4</b>		
<b>Cost of goods</b>	<b>48,837,987</b>	<b>64,974,812</b>	<b>-24.8</b>	<b>18.5</b>	<b>23.8</b>
<b>Cost of sold production</b>	<b>214,993,720</b>	<b>208,206,318</b>	<b>3.3</b>	<b>81.5</b>	<b>76.2</b>

The cost of sales consists mainly of the costs of purchasing raw materials, consumables (including rolling instruments, spare parts for production equipment), employee costs, and energy and utilities costs. The cost of sales also includes (i) depreciation and amortization, mainly related to depreciation of plant and equipment operations of the Group; (ii) third party costs incurred in connection with certain IT equipment, leasing of equipment and technical consultants directly linked to production; and (iii) repair and maintenance costs related to the plant and machinery.

The cost of sales decreased by 3.4% or RON 9.3 million to RON 263.8 million in the quarter ended at March 31, 2019 compared to RON 273.2 million in the quarter ended at 31 March 2018.

The cost of sold production increased from RON 208,2 million in the first quarter ended at 31 March 2018 to 215 milioane RON in the first quarter ended at 31 March 2019.

### Raw materials

The main component of the cost of the Group's cost of production is the cost of its raw material, such as metal scrap and ferro-alloys used in TMK-Resita for the production of steel billet and blooms.

For the period ended March 31, 2019, the cost of the raw material accounted for 40.1 % of the cost of the production sold of the Group during the first three-months period ended at 31 March 2019 (47.1% during the first quarter ended at 31 March 2018).

The Group's raw material costs decreased by 12.1% in the quarter ended at 31 March 2019 as compared to the quarter ended 31 March 2018, mainly due to the decrease in the production of liquid steel at TMK-Resita by 8.6%. The decrease in raw material costs was also influenced by the 2.2% decrease in the average purchase price of scrap metal.

The average purchase price of scrap metal decreased with 28 lei/tonne from 1,289 RON/ tonne in the quarter ended 31 March 2018 compared to 1,261 RON/ tonne in the quarter ended 31 March 2019.

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

**Employment costs, remuneration expenses and social security contributions**

Expenses with employees in the productions sector (staff costs, other compensation and social security contributions) represent RON 34.4 million RON, meaning 16 % of the total cost of production sold on 31 March 2019 (RON 29.7million, 14.3% in the first quarter of year 2018).

Please refer to the table below for the total and average number of employees, both consolidated and individual, for the 3-month period ending at 31 March 2019, compared to the 3-month period ending 31 March 2018.

As a result of negotiations with the trade unions (and, consequently, in accordance with the collective labor agreements) and of TMK-Italia's acquisition, the Company estimates that the consolidated expenses with employees will increase in 2019 compared to 2018 with a percentage of 15-18%.

Description	Consolidated	
	31 March 2019 Unaudited	31 March 2018 Restated and unaudited
Average number of employees	2,284	2,192
Actual number of employees at the end of the financial year	2,280	2,221

Description	31 March 2019- Unaudited				
	TMK-Artrom	TMK IS	TMK-Resita	TMK-Assets	TMK-Italia
Average number of employees	1,486	10	774	1	13
Actual number of employees at the end of the financial year	1,486	10	770	1	13

Description	31 December 2018			
	TMK-Artrom	TMK IS	TMK-Resita	TMK-Assets
Average number of employees	1,457	10	781	1
Actual number of employees at the end of the financial year	1,486	11	783	2

**Materials (consumables)**

Expenses with materials (auxiliary materials, technological tools, spare parts, etc.) amount to RON 29,9 million, representing 13.9 % of the total cost of sold production for the quarter ended at 31 March 2019. The expenses are 17% higher as compared to the quarter ended at 31 March 2018 (in total amount of 27.6 millions RON representing 13.2% of the total cost of sold production ). As the Group operates a repair and maintenance programme for its facilities, these costs are expected to remain relatively the same year-on-year.

Expenses for materials (consumables) taken into consideration are the materials (consumables) (38,2 millions RON for the quarter ended at 31 March 2019) less the capitalized production costs (8,3 milioane RON for the quarter ended at 2019).



From the total costs with the materials (consumables) of the Group, we single out the costs incurred with the graphite electrodes used in the technological process of TMK-Resita, as some of the main materials used in TMK-Resita's production, which represented 25.4% of the total costs for the materials (consumables) of the Group for the quarter ended at 31 March 2019 as compared to 19.8% for quarter ended at 31 March 2018 (for the year ended at 31 December 2018, the costs for the graphite electrodes represented 21.2% of the total costs for the materials, 10.3% for the year ended at 31 December 2017 and, respectively, 9.4% for the year ended 31 December 2016).

### ***Energy and utilities***

Energy and utilities costs (natural gas, electricity, water) amount to RON 36.4 million, for the quarter ended at 31 March 2019 representing 16.9% of the total cost of sold production in the quarter ended at 31 March 2019 (RON 30.4 million, representing 14.6% in the quarter ended at 31 March 2018). Expenses with energy and utilities increased by 19.5% for the quarter ended at 31 March 2019 compared to the same period of 2018, mainly due to the combined influence of three factors: (i) the increase in actual energy consumption and utilities for TMK-Artrom's pipe production, (ii) the decrease in the actual consumption of TMK-Resita due to a reduction of the production of liquid steel by 8.6%, and (iii) the change in energy and gas purchase prices compared to the same period of the previous year. For TMK-Artrom, the average price of electricity increased by 28.3% during the quarter ended at 31 March 2019 compared to the same period of 2018 and the average price of natural gas increased by 34%. For TMK-Resita, the average electricity price increased by 29.8% during the quarter ended at 31 March 2019, compared to the same period of 2018 and the average price of natural gas increased by 22.4% for the same periods.

### ***Depreciation and amortization***

Depreciation and amortization increased by RON 1.9 million to RON 19.5 million during the quarter ended at 31 March 2019, from RON 17.6 million during the same period of 2018, largely attributable to the new machinery and equipment installed and put into operation during the years ended at 31 December 2017 and, respectively, 31 December 2018.

### ***Environmental protection expenses and provisions for emission certificates***

In the quarter ended at 31 March 2019, TMK-Artrom (separately) has registered provisions for the greenhouse gas emission allowances of RON 0.164 million for the deficit in certificates for the production of the quarter ended at 31 March 2019.

In the year ended 31 December 2018 TMK Artrom made provisions for greenhouse gas emission allowances in amount of RON 0.7 million for the deficit of certificates for the production of year ended at 31 December 2018. TMK-Artrom registered in the year ended at 31 December 2018 environmental protection costs in amount of RON 1 million representing certificates handed over to the European Greenhouse Gas Register (RUEGES) for greenhouse gas emissions related to the production of the year ended at 31 December 2017 and cancelled the provisions previously recorded for the production of the year ended at 31 December 2017, in amount of RON 1.5 million.

On 3 June 2015, TMK Artrom obtained a 60% exemption from payment of green certificates, related to TMK Artrom's mandatory quota under Exemption Agreement No. 3 of 3.06.2015 issued by the Ministry of Economy, Commerce and Tourism. On 3 June 2015, TMK Resita obtained an 85%



## Quarterly report as at 31 March 2019

exemption from payment of green certificates, related to TMK Resita's mandatory quota under Exemption Agreement No. 4 of 3.06.2015 issued by the Ministry of Economy, Commerce and Tourism.

### Gross profit and margin related to consolidated sales

The gross profit of the Group increased with 23,7% (13,9 million RON) from 58,4 milioane RON in the first quarter of 2018 to 72,3 million RON in the first quarter of 2019.

Gross margin of the Group's total sales increased to 21.5 % in the quarter ended at 31 March 2019 compared to 17.6% during the same period of 2018.

Gross profit on the sale of TMK Artrom's production increased with 15,2 million RON from 53,1 million RON in the quarter ended at 31 March 2018 to 68,3 million RON in the quarter ended at 31 March 2019.

In part, as a result of premium price increase for premium pipes, the gross margin on the sale of TMK Artrom's production increased to 24.2% in the quarter ended at 31 March 2019, from 22.2% in the same period of 2018.

### Selling and distribution expenses

Selling and distribution expenses consist of expenses related the sale of the Group's products, including freight of finished products and merchandise, agents commission, taxes (the major part represented by the US import duties), insurance, materials, and associated salaries.

Selling and distribution expenses for the quarter ended at 31 March 2019 increased by RON 8.8 million or by 36.1% to RON 33.5 million in quarter ended at 31 March 2019, from RON 24.6 million as at March 31, 2018. The increase was mainly driven by the increases in the tax expense to RON 7.3 million in the quarter ended at 31 March 2019, from RON 0.03 million in the the quarter ended at 31 March 2018:

- *taxes and duties paid at the destination* of the exported goods increased during the first quarter of year 2019 as compared to first quarter of 2018 due to sales taxes for the sales made in the US of TMK-Artrom finished products and goods purchased from TMK group companies following the introduction of the import duty on certain steel products in the US. From May 2018, the import duty on some steel products in the US (section 232) was 25%, the duty on the steel products TMK-Artrom acquired from the TMK group companies sold in the US. For similar steel products of European origin, the 25% duty was introduced as of 1 June 2018. Expenses with these taxes in the year 2018 were of RON 7.3 million, which were generally recovered by increasing sales prices to customers;

### General and administrative expenses

General and administrative expenses consist of expenses not directly related to the production of seamless steel pipes, including administrative and managerial salaries, consulting fees and other third-party services, insurance, taxes other than income taxes, utilities, travelling, marketing, public relations costs and transport cost which is not allocated to a specific sale.

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## Quarterly report as at 31 March 2019

General and administrative expenses increased by RON 2.7 million or 16.7% to RON 18.9 million in the quarter ended at 31 March 2019 from RON 16.2 million in the quarter ended at 31 March 2018, mainly due to:

- employment costs, other wage compensation and social insurance costs increased by RON 1.2 million to RON 10.6 million registered during the first quarter of year 2019 as compared to RON 9.4 million during the first quarter of 2018;
- and also the increase in professional services expenses to RON 4.5 million in the quarter ended at 2019, from RON 3.7 million in the quarter ended at 2018.

### Adjusted EBITDA

We define **EBITDA** as the result before income taxes plus interest expenses, net losses/(gains) from derivative financial instruments, other net financial costs, net foreign exchange losses/(gains), and depreciation, amortization and impairment.

**Adjusted EBITDA** is determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortization, foreign exchange (gain)/loss, impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions (except for provision for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items.

We define **EBITDA margin** as a percentage ratio calculated as EBITDA divided by revenues.

Adjusted EBITDA increased with 8.4% (or 3.2 million RON) from 37.6 million RON in first quarter 2018 to 40.8 million RON in first quarter 2019.

Marja EBITDA ajustată aferentă trimestrului I 2019 este de 12,1% față de 11,4% în trimestrul I 2018.

The adjusted EBITDA margin for the first quarter of 2019 is 12.1% versus 11.4% in the first quarter of 2018.



## Quarterly report as at 31 March 2019

## Consolidated

Indicators	31.03.2019 in RON	31.03.2018 in RON restated
Profit for the year	304,191	12,031,941
Depreciation	20,847,016	18,558,137
Interest income / expenses	4,637,939	3,109,137
Exchange rate differences	14,060,427	-1,184,938
Income Tax	411,280	2,918,618
EBITDA	40,260,853	35,432,895
Adjustments	549,832	2,207,912
- Depreciation in stock of finish goods and unfinished production	-638,558	-35,055
- Profit (-)/Loss (+) from the replacement /sale of capital assets	213,677	182,503
- Changes in provisions and allowances	144,510	1,346,798
- Social expenses	830,204	713,666
<b>Adjusted EBITDA</b>	<b>40,810,685</b>	<b>37,640,807</b>

Adjusted EBITDA increased in the year ended at 31 December 2018 by RON 82.3 million to RON 203.2 million from RON 120.8 million in the year ended at 31 December 2017 (representing a 68% increase). This increase was mainly due to the increase in the volumes of sales, including for premium products, and an increase in the average sale price compared to the year ended at 31 December 2017. The Adjusted EBITDA margin for the financial year ended at 31 December 2018 was 14.6%.

The EBITDA increase coming from premium products sales was 31%. In total EBITDA for the year ended at 31 December 2018, EBITDA from premium products sales represents 39%.

Adjusted EBITDA increased by RON 39.8 million to RON 120.8 million in the year ended at 31 December 2017 from RON 81 million in the year ended at 31 December 2016 (representing a 49% increase). This increase was mainly due to the increase in the volumes of sales, including for premium products, and an increase in the average sale price compared to the year ended at 31 December 2016 due to an increase in the volume of sold premium products in the US and Canada.

## Consolidated

Indicators	2018 in RON	2017 in RON restated	2016 in RON restated
Profit for the year	79,576,196	26,619,695	2,927,653
Depreciation	77,756,665	72,683,418	71,540,202
Interest income / expenses	15,286,806	10,675,829	8,004,169
Exchange rate differences	3,534,315	2,021,813	4,633,157
Income Tax	17,888,692	2,268,466	-639,903
EBITDA	194,042,674	114,269,221	86,465,278
Adjustments	9,190,541	6,573,415	-5,408,170
- Depreciation in stock of finish goods and unfinished production	759,902	913,365	-4,031,746
- Profit (-)/Loss (+) from the replacement /sale of capital assets	1,128,497	1,655,385	2,471,677
- Changes in provisions and allowances	4,731,497	2,057,206	-5,461,830
- Social expenses	2,570,645	1,947,459	1,613,729
<b>Adjusted EBITDA</b>	<b>203,233,215</b>	<b>120,842,636</b>	<b>81,057,108</b>

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949



**Interest rates**

The Group has entered into financing agreements providing for floating interest rates. For the period ended at 31 March 2019, 71% of its loan portfolio which amounts in total RON 311.148.808 had variable interest rates, with EURIBOR serving mainly as the basis for calculation of the interest rate (namely, 55.3%). Loans which had LIBOR as calculation basis for the interest rate represented 18% of portfolio.

**Foreign currency fluctuations - Foreign exchange net (loss) / gain**

RON/EUR exchange rate evolved from 4.6639 RON/EUR as at 31 December 2018 to 4.7628 RON/EUR as at 31 March 2019, while RON/USD exchange rate evolved from 4.0736 RON/USD as at 31 December 2018, to 4.2434 RON/USD as at 31 March 2018. Currency instability and pronounced depreciation of the exchange rate RON/EUR and RON/USD led to the recording of foreign exchange losses in the amount of RON 14 million in 2016.

The Group registered during the quarter ended at 2019 unfavorable exchange differences in amount of RON 14 million, which may be explained as followed:

- The parent company- TMK-Artrom registered in its statutory financial statements during the quarter ended 31 March 2019, the following unfavorable exchange rate differences:
  - ✓ RON 7.1 million representing unfavorable exchange rate fluctuations for loans in the Company's loan portfolio during this period related to borrowing and repayment operations;
  - ✓ RON 5,8 million representing negative exchange rates differences with negative impact on the Company's profit and loss account, as this contract provides for interest-free payment according to IFRS 9, the debt to TMK Europe is presented at fair value and is evaluated on a monthly basis;
  - ✓ RON 3 million representing negative exchange rate differences resulting from the valuation of loans granted by affiliates and denominated in a currency other than the functional currency of the Company (loan granted by TMK Europe in the amount of 18,037,540 USD as at 31.03.2019)
- TMK-Resita, registered unfavorable exchange rate differences in total amount of RON 1.3 million;
- other unfavorable net exchange differences resulting from the valuation of Group's receivables and payables denominated in a foreign currency other than the RON-functional currency, in the aggregate amount of RON 3.2 million.

**Financial income and financial cost**

The Group registered financial loss of RON 4.6 million in the quarter ended at 31 March 2019 (as compared to 2.6 million RON, registered for the same period of 2018) mainly as a result of the increase in the interest expenses. Compared to the quarter ended at 31 March 2018, the Group's financial losses increased by 72.7% mainly due to the calculation of the interest in the quarter ended at 31 March 2019 in amount of RON 1.2 million at the present value of the debt (according to IFRS 9) to TMK Europe GmbH for the acquisition of the shares held by TMK Europe GmbH in TMK-Resita as well as the recording of the interest expense related to the investment loan in the financial costs. In the quarter ended at 31 March 2018, interest expense related to the investment loan for the Heat Treatment Complex amounted to RON 0.4 million; as a result of the commissioning of this investment, the interest expense is no longer capitalized.



## Quarterly report as at 31 March 2019

### Income tax (expense)/credit

Income tax (expense)/credit decreased by RON 2.5 million to RON 0.4million as at 31 March 2019 from RON 2.9 million in the quarter ended at 2018.

The Group's effective tax rate has increased from 12.7% in the quarter ended at 31 March 2018 to 18.7% in the quarter ended at 31 March 2019, mainly due to the fact that the group's profit before tax (0,7 million RON) decreased due to the differences in the registered exchange rate and the fact that the Company benefited from the accelerated depreciation tax facility for the equipment commissioned in 2018 by the Heat Treatment Unit.

### Profit before tax

Profit before tax decreased by RON 14.2 million, reaching RON 0.715 million in the quarter ended at 31 March 2019 compared to RON 14.95 million in the quarter ended at 31 March at 2018, as a consequence of the unfavorable evolution of exchange rates.

### Profit for the quarter ended at 31 March 2019

The Group's profit (net profit) for the quarter ended at 31 March 2019 was RON 0,304 million compared to RON 12 million for the quarter ended at 31 March 2018; a decrease of 97,5% (14 million RON) due to the unfavorable exchange differences registered for the quarter ended at 31 March 2019.

## 5.4 Analysis of revenues from the customer contracts of TMK-ARTROM (separate)

The following table presents the separate statement of profit or loss of the Company for the period ended at 31 March 2019, as compared to the quarter ended at 31 March 2018.

Cost of sales	Amounts in RON		Variation by	% in separate	Revenue
	31 March 2019 <i>Unaudited</i>	31 March 2018 <i>Unaudited</i>	%	31 March 2019 <i>Unaudited</i>	31 March 2018 <i>Unaudited</i>
<b>Revenues from customer contracts</b>	345,736,539	300,698,187	15.0%	100,00%	100,00%
Sales of goods	345,660,485	300,568,685	15.0%	9998.0%	9996.0%
Rendering of services	76,054	129,502	-41.3%	2.0%	4.0%
Cost of sales	(279,566,396)	(254,954,555)	9.7%	8086.0%	8479.0%
Gross profit	66,170,143	45,743,632	44.7%	1914.0%	1521.0%
Selling and distribution expenses	(35,190,745)	(25,616,047)	37.4%	1018.0%	852.0%
Advertising and promotion expenses	(7,137)	(139,891)	-94.9%	0.0%	5.0%
General and administrative expenses	(11,829,135)	(9,640,648)	22.7%	342.0%	321.0%
Research and development expenses	(64,284)	(25,423)	152.9%	2.0%	1.0%

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## Quarterly report as at 31 March 2019

Cost of sales	Amounts in RON		Variation by	% in separate	Revenue
	31 March 2019	31 March 2018	%	31 March 2019	31 March 2018
	<i>Unaudited</i>	<i>Unaudited</i>		<i>Unaudited</i>	<i>Unaudited</i>
Other operating expenses	(841,405)	(889,912)	-5.5%	24.0%	30.0%
Other operating income	16,621	118,359	-86.0%	0.0%	4.0%
Income from operations	18,254,058	9,550,070	91.1%	528.0%	318.0%
Foreign exchange (loss) / gain, net	(12,936,530)	1,410,112	-1017.4%	374.0%	47.0%
Financial income	8,474,963	531	1595938.2%	245.0%	0.0%
Financial cost	(4,163,669)	(2,001,450)	108.0%	120.0%	67.0%
Profit before tax	9,628,822	8,959,263	7.5%	279.0%	298.0%
Tax expense/credit	(173,944)	(1,398,451)	-87.6%	5.0%	47.0%
Profit for the year	9,454,878	7,560,812	25.1%	273.0%	251.0%
<b>Adjusted EBITDA</b>	<b>31,788,783</b>	<b>23,621,795</b>			

\* Amortization and depreciation amounts are included in each type of expense listed under "Gross Profit"

The following tables present the financial information of TMK-Artrom, geographically.

Revenue from contracts with customers	31 March 2019		Separate	
	RON		%	31 March 2018
	<i>Unaudited</i>			RON
Domestic sales	98,015,007	28.36	81,636,227	27.15
Sales abroad	247,576,989	71.64	219,061,960	72.85
<b>Total</b>	<b>345,591,996</b>	<b>100</b>	<b>300,698,187</b>	<b>100</b>

Revenues from contracts with customers – geographical information

Separate

Revenue	Romania	Europa	North and South America	Other countries	Total
	RON	RON	RON	RON	RON
31 March 2019- <i>Unaudited</i>	98,015,007	195,732,621	51,479,945	364,423	<b>345,591,996</b>
31 March 2018	81,636,227	157,942,816	59,860,183	1,258,961	<b>300,698,187</b>

The following table shows comparatively, the Company's revenues for the period ended at 31 March 2019 and, respectively, 31 March 2018.

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## Quarterly report as at 31 March 2019

	Separate 31 March 2019 RON <i>Unaudited</i>	31 March 2018 RON
Sale of pipes produced by TMK-Artrom from which:		
Domestic	39,639,121	32,705,521
Europa	195,052,194	151,699,929
North and South America	46,959,733	52,978,669
Other areas	364,423	1,258,961
<b>Total sales of TMK Artrom pipes</b>	<b>282,015,471</b>	<b>238,643,080</b>
Sales of other goods and services from which:		
Sales of other goods on domestic market	58,299,831	48,818,433
Sales of other goods on external market	5,200,640	13,107,172
Rendering of services on domestic market	76,054	112,273
Rendering of services on external market	-	17,229
<b>Total sales of other goods and services</b>	<b>63,576,525</b>	<b>62,055,107</b>
<b>Total turnover</b>	<b>345,591,996</b>	<b>300,698,187</b>

\* Sales areas in the Middle East, Turkey and North Africa are allocated to the European market

\*\* Sales areas Canada, Brazil, USA and Mexico are allotted to the Americas market

Total revenues from TMK-Artrom's customer contracts increased by 15% in the first three months ending at 31 March 2019 compared to the same period of the previous year as a result of the revenue growth from customer contracts by 18.2% for TMK-Artrom's sold production and increased sales of other goods and services (including merchandises) by 2.5%.

Revenues from customer contracts for the production of TMK-Artrom sold increased in the first three months ended at 31 March 2019 compared to the same period of the previous year as a result of the increase in the physical volume of pipe sales from 47,154 tons to 51,214 tons (an increase of 8,6%) and an increase in the average selling price by 8.8% due to the increased demand on the steel pipe market and as a result of the increase in the weight of the premium pipes with high added value in the total volume of TMK-Artrom's sold production, compared to the same period of the previous year.

TMK-Artrom's sales of merchandise (trading activity) mainly consisting of metallurgical products (billets, blooms, pipes) purchased from companies within the TMK group declined in value in the first three months ended at 31 March 2019 compared to the same period of the previous year by 0.5%. However, the quantity of the sold merchandise increased by 8.7% due to their different structure.

The revenues generated by sales of TMK-Artrom's production of seamless pipes in the overall revenues of TMK-Artrom revenues for the quarter ended at 31 March 2019 represents 81.6% (during the first quarter of year 2018: 79.4%).

The increase in the volume of premium products was due to the investment in the new heat treatment Unit 6 which allowed the increase in the physical volume of pipes and the sales of premium value products.

## 5.5 Expenses analysis of the company TMK-Artrom (separate)

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR:  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## Quarterly report as at 31 March 2019

### The cost of goods sold of the company TMK-Artrom (separate)

The cost of TMK-Artrom's goods sold for the quarter ended at 31 March 2019 compared to the quarter ended at 31 March 2018, are as follows:

The company's main cost of production is the cost of raw material, accounting for 69.6% of total sales costs. Expenses with employees in the productive sector (salaries, compensations and social contribution expenses) represent 10.3% of the costs for the sold production. Expenses for materials (consumables) (auxiliary materials, technological tools, spare parts, etc.) represent 3.1%; energy expenses (natural gas, electricity, water) represent 7.6%; depreciation costs represent 5.2%. The other individual expenses are less than 1% of the total cost of selling pipes.

	31 March 2019	31 March	%	% in total consolidated cost of production sold	
	RON	2018		31 March 2019	31 March 2018
	<i>Unaudited</i>	RON		<i>Unaudited</i>	
Raw materials	160,624,156	145,458,089	0.1	69.6	70.9
Expenses with salaries, salary compensations and social contribution	23,693,461	20,130,077	0.2	10.3	9.8
Consumables	15,393,752	13,752,928	0.1	3.1	4.3
Energy and utilities	17,593,683	14,728,120	0.2	7.6	7.2
Depreciation and amortisation	12,093,836	10,470,625	0.2	5.2	5.1
Professional fees and services	636,112	490,205	0.3	0.3	0.2
Freight	577,647	571,097	0	0.3	0.3
Taxes	680,9	626,822	0.1	0.3	0.3
Repairs and maintenance	895,727	599,098	0.5	0.4	0.3
Insurance	423,949	384,702	0.1	0.2	0.2
Rent	45,822	149,296	-0.7	0	0.1
Travel	119,2	118,214	0	0.1	0.1
Communications	17,429	20,544	-0.2	0	0
Other expenses	2,111	484	3.4	0	0
<b>Total production cost</b>	<b>232,797,785</b>	<b>207,500,301</b>	<b>0.1</b>	<b>100.9</b>	<b>101.2</b>
Change in own finished goods and work in progress	6,814,894	2,612,444	1.6	3	1.3
Cost of sales of externally purchased goods	48,837,987	49,832,922	0	21.2	24.3
Capitalized production costs	-8,303,869	-4,991,112	0.7		
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	-580,401	-		-0.3	0
Write-off materials	-	-		0	0
<b>Cost of sales from which:</b>	<b>279,566,396</b>	<b>254,954,555</b>	<b>0.1</b>		
<b>Cost of goods</b>	<b>48,837,987</b>	<b>49,832,922</b>	<b>0</b>	<b>17.5</b>	<b>19.5</b>
<b>Cost of sold production</b>	<b>230,728,409</b>	<b>205,121,633</b>	<b>0.1</b>	<b>82.5</b>	<b>80.5</b>

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## 6. Liquidity and capital resources

### Overview

The Group's and the Company's liquidity requirements arise primarily from the need to fund its working capital and its capital expenditure programme. During the period under review, the Group and the Company have primarily financed their operations and investments through a combination of free cash flows, medium-term and long-term borrowings from banks and related parties, and finance leases. The Group and the Company intends to fund future acquisitions and operations through free cash flows and borrowings.

During the three-month period ended at 31 March 2019, the Group's and the Company's main liquidity sources were the cash flows from the Company's and Group's operations and the existing cash.

Cash and cash equivalents of the Group as at 31 March 2019 amounted to RON 19.2 million.

The cash and cash equivalents of the Company as at 31 March 2019 amounted to RON 6.1 million.

The main uses of the Group's capital focused on investing in, and maintaining the Group's real estate and equipment as well as on debt repayment.

Part of cash and deposits from banks are pledged in favor of banks as security for guaranteeing the obligations of the Company under the loan agreements the Company is a party to or are restricted as collateral for the issuance of bank letters of guarantees.

### Cash flows analysis of TMK-Artrom Group

The table below summarizes the cash flow of the Group over the periods analysed:

<i>in RON</i>	<b>Three-month period ended 31 March 2019 Unaudited</b>	<b>Three-month period ended 31 March 2018 Restated and unaudited</b>
Cash flows from operating activities	12.503.731	(890.273)
Cash flows from investing activities	(29.329.487)	(37.592.782)
Cash flows from financing activities	4.752.845	39.299.184
Cash and cash equivalents at the beginning of the period	31.331.361	16.907.034
Cash and cash equivalents at the end of the period	19.258.450	17.723.163

### Cash flows from operating activities

Cash flow generated from operating activities was RON 12.5 million for the quarter ended at 31 March 2019 and RON 0.9 million for the quarter ended at 31 March 2018.

Regarding the evolution of cash flows from the Group's operating activity during the first quarter ended at 31 March 2019, we can say that the main influences are due to:





## Quarterly report as at 31 March 2019

- the cash flow from operating activities, which increased mainly due to the increase in sales volume as a result of higher prices and as a result of the value increase of liabilities to suppliers;
- the cash flow from operating activities that decreased as a result of the value increase of inventories, transit stocks and receivables.

### Cash flows from investing activities

The cash flow for investing activities was RON 29.3 million for the quarter ended at 31 March 2019 and RON 37.6 million for the quarter ended at 31 March 2018.

Cash flows used in investment activities decreased during the quarter ended at 31 March 2019, compared to the quarter ended at 31 March 2018, due to the decrease in purchases of tangible assets, mainly as a result of the commissioning of the investment project for the heat treatment complex during the first quarter of 2018.

The cash flows used in the investment activity increased in the quarter ended at 31 March 2019 as compared to the similar period of 2018 as a result of the increase in the acquisition of tangible assets

### Cash flows from investing activities

Cash flows from financing activities were RON 4.8 million in the first quarter ended at 31 March 2019 and RON 39.2 million in the first quarter ended at 31 March 2018.

In the quarter ended at 31 March 2018, the Group used loans to finance the investment need in addition to the operational cash flows. The increase in cash inflows from financings in the quarter ended at 31 March 2018 was due to the drawdowns made under the investment facility concluded with Banca Comerciala Romana ("BCR") on 07.11.2016 for the financing of the acquisition of the Heat Treatment complex .

In the quarter ended at 31 March 2019 the cash flow decreased by RON 7.7 million as a result of repayments made under loan agreements, of which EUR 1,190,476 was a repayment installment under the BCR investment loan (the EUR 25 million facility).

In the quarter ended at 31 March 2019, the cash flow increased as a result of drawdowns of RON 14.3 million made from the BCR overdraft (EUR 3.05 million).

### Cash flows analysis of the Company-TMK-Artrom

The table below summarizes the cash flow of the Company over the periods analysed:

in RON	Three-month period ended 31 March 2019 <i>Unaudited</i>	Three-month period ended 31 March 2018
Cash flows from operating activities	1.339.099	(9.486.848)
Cash flows from investing activities	(18.321.009)	(34.300.631)
Cash flows from financing activities	6.176.160	40.571.632
Cash and cash equivalents at the beginning of the period	16.925.079	10.825.193
Cash and cash equivalents at the end of the period	6.119.329	7.609.346

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## Quarterly report as at 31 March 2019

### Cash flows from operating activities

Cash flows from operating activities in the quarter ended at 31 March 2019 were reduced by the amount of income from gross dividends distributed by subsidiaries in amount of RON 8,472,833 of which:

- RON 4,701,333 by TMK-IS ;
- RON 3,771,499 from TMK-Italia.

### Cash flows from investing activities

Cash flows used in investment activities increased in the quarter ended at 31 March 2019, compared with the similar period of 2018, as a result of net dividend earnings from TMK-Italia in amount of RON 3,726,241.

### Working capital

Working capital is the amount by which current assets exceed current liabilities and is a measure of the Group's and the Company's ability to pay its liabilities as they become due.

The Group's working capital as at 31 March 2019 was RON 347 million as compared to RON 312 million at 31 December 2018.

The **working capital** is defined as the amount by which current assets exceed current liabilities assets from which the Company deducts the cash and cash equivalents aggregate amounts, all finance lease liability, interest-bearing loans and borrowings, liabilities for investments in subsidiaries, derivative financial instruments (liabilities), and any other amount for which the Company has posted provisions considering that the risk for those amounts to become due will not occur in the coming 12 months.

	31 March 2019	31 December 2018
	RON	RON
		<i>Restated*</i>
<b>ASSETS</b>		
<i>Current assets</i>		
Trade and other receivables	312,691,542	300,865,499
Inventories	319,838,614	308,095,295
Prepayments	17,672,746	6,965,489
Other current assets	849,504	1,046,698
<b>Total current assets</b>	<b>651,052,406</b>	<b>616,972,981</b>
<i>Current liabilities</i>		
Trade and other payables	296,510,879	295,468,728
Advances from customers	2,389,597	997,116
Provisions and accruals less:	8,228,687	12,254,894
<b>less:</b>		
Provisions for taxes	(1,941,576.00)	(1,941,576.00)
Provisions for risks and expenses	(1,539,140.00)	(1,539,140.00)
Income tax payable	-	-

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## Quarterly report as at 31 March 2019

	31 March 2019 RON	31 December 2018 RON <i>Restated*</i>
<b>ASSETS</b>		
<b>Total current liabilities</b>	<b>303,648,447</b>	<b>305,240,022</b>
<b>Working Capital</b>	<b>347,403,959</b>	<b>311,732,959</b>

\*The restated amounts provided above as at 31 December 2018 are disclosed only for comparative purposes and numbers for TMK Italia are also considered

Net working capital increased to RON 347 million for the period ended at 31 March 2019 compared to RON 312 million as at 31 December 2018. The increase was mainly attributable to the increase in current assets in the quarter ended at 31 March 2019.

	2016 RON <i>Restated</i>	2017 RON <i>Restated</i>	2018 RON
<b>ASSETS</b>			
Current assets			
Trade and other receivables	204,728,115	255,374,534	297,222,416
Inventories	221,574,323	313,076,260	308,095,295
Prepayments	4,002,107	3,768,116	6,810,454
Other current assets	-	1,067,612	1,046,698
<b>Total current assets</b>	<b>430,304,545</b>	<b>573,286,522</b>	<b>613,174,863</b>
<b>Current liabilities</b>			
Trade and other payables	235,190,482	347,224,733	288,774,410
Advances from customers	2,213,635	4,526,587	997,116
Provisions and accruals	3,224,855	7,898,510	11,331,296
Provisions for taxes	(782,824.00)	(1,941,576.00)	(1,941,576.00)
Provisions for risks and expenses	-	-	(1,539,140.00)
Income tax payable	-	-	684,388
<b>Total current liabilities</b>	<b>239,846,148</b>	<b>357,708,254</b>	<b>298,306,494</b>
<b>Working Capital</b>	<b>190,458,397</b>	<b>215,578,268</b>	<b>314,868,369</b>

## Capital expenditure

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## Quarterly report as at 31 March 2019

The Group and the Company define capital expenditures as cash purchases of property, plant and equipment, as well as intangible assets. The Group's principal investment projects during the period under review have been allocated as set out below.

The Group's consolidated capital expenditures were RON 22.6 million as at 31 March 2019 and RON 90.6 million at 31 March 2018.

### Segmental reporting

	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
<b>31 March 2019</b>					
Total assets	1,113,371,516	587,109,294	142,448,474	-	<b>1,842,929,284</b>
Total liabilities	387,699,333	123,592,322	636,086,862	-	<b>1,147,378,517</b>
Capital expenditure	19,706,533	2,127,071	830,082	-	<b>22,663,686</b>
Impairment of property, plant and equipment	-	-	640,578	-	<b>640,578</b>
Depreciation expenses	(12,760,075)	(7,883,380)	(203,561)	-	<b>(20,847,016)</b>
<b>31 December 2018 - Restated</b>					
Total assets	1,128,301,744	587,841,272	102,085,380	-	<b>1,818,228,396</b>
Total liabilities	370,833,184	169,512,238	575,333,627	-	<b>1,115,679,049</b>
Capital expenditure	66,447,255	24,192,341	35,568	-	<b>90,675,164</b>
Depreciation expenses	(47,048,509)	(30,335,938)	(385,484)	-	<b>(77,769,931)</b>

### Net debt of the Group

The following table presents the Non-IFRS Measures and Alternative Performance Measures for the years ended 31 December 2018, 2017 and 2016 and for the three-month periods ended 31 March 2019 and 31 March 2018.

	31 March 2019	31 March 2018
	RON	RON
Consolidated Adjusted EBITDA	40,810,685	37,640,807
Consolidated Adjusted EBITDA Margin	12.1%	11.4%
	31 March 2019	31 December 2018
	RON	RON
Net debt	741,476,285	696,555,739
Net working capital	347,403,959	311,732,959

Source: Quarterly Report - individual and consolidated quarterly unaudited financial results (first three months of the financial year 2019)

	2018	2017	2016
	RON	RON	RON
Consolidated Adjusted EBITDA	203,233,215	120,842,636	81,057,108
Consolidated Adjusted EBITDA Margin	14.6%	10.2%	10.6%
Net debt	706,958,173	411,929,137	319,573,430
Net working capital	314,868,369	215,578,268	190,458,397

Source: Separate and Consolidated Report of Administration attached to the Audited Consolidated Financial Statements

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

**Quarterly report as at 31 March 2019**

**Net debt** is defined as aggregate amount of all obligations in respect of interest bearing loans and borrowings (excluding unamortized debt issue costs), finance lease liability and liabilities for financial investments\* deducting the total aggregate of cash and cash equivalents (minus);

\*Net debt is computed in 2 ways:

(1) includes in calculation liabilities for financial investments (intercompany debt related to Resita acquisition) although it is not interest-bearing there is a repayment schedule under the acquisition agreement

(1)	31 March 2019	31 December 2018 Restated
<b>Current liabilities</b>		
Interest-bearing loans and borrowings(excluding unamortized debt issue cost)	187,152,621	185,245,263
Liabilities for investments in subsidiaries	67,695,480	57,474,348
Finance lease liability	8,945,300	7,842,368
<b>Total current liabilities</b>	<b>263,793,401</b>	<b>250,561,979</b>
<b>Non-current liabilities</b>		
Liabilities for investments in subsidiaries(excluding unamortized debt issue cost)	222,987,335	218,356,982
Interest-bearing loans and borrowings	238,532,781	223,499,549
Finance lease liability	35,421,218	35,468,590
<b>Total non-current liabilities</b>	<b>496,941,334</b>	<b>477,325,121</b>
<b>less:</b>		
Cash and cash equivalents	19,258,450	31,331,361
<b>Net debt</b>	<b>741,476,285</b>	<b>696,555,739</b>

(2) Net debt computed without the liabilities for financial investments included (the debt pertaining to the acquisition of TMK Resita)

(2)	31 March 2019	31 December 2018 Restated
<b>Current liabilities</b>		
Interest-bearing loans and borrowings(excluding unamortized debt issue cost)	187,152,621	185,245,263
Finance lease liability	8,945,300	7,842,368
<b>Total current liabilities</b>	<b>196,097,921</b>	<b>193,087,631</b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings(excluding unamortized debt issue cost)	238,532,781	223,499,549
Finance lease liability	35,421,218	35,468,590
<b>Total non-current liabilities</b>	<b>273,953,999</b>	<b>258,968,139</b>
<b>less:</b>		
Cash and cash equivalents	19,258,450	31,331,361
<b>Net debt</b>	<b>450,793,470</b>	<b>420,724,409</b>

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## Quarterly report as at 31 March 2019

(1)	Consolidated		
	2018	2017 Restated	2016 Restated
<b>Current liabilities</b>			
Liabilities for investments in subsidiaries	57,474,348	-	-
Interest-bearing loans and borrowings (excluding unamortized debt issue costs)	185,245,263	210,663,305	196,389,383
Finance lease liability	7,842,368	6,645,164	5,884,818
<b>Total current liabilities</b>	<b>250,561,979</b>	<b>217,308,469</b>	<b>202,274,201</b>
<b>Non-current liabilities</b>			
Liabilities for investments in subsidiaries	218,356,982	-	-
Interest-bearing loans and borrowings (excluding unamortized debt issue costs)	223,499,549	169,499,086	96,877,164
Finance lease liability	35,468,590	37,986,109	39,333,458
<b>Total non-current liabilities</b>	<b>477,325,121</b>	<b>207,485,195</b>	<b>136,210,622</b>
<b>less:</b>			
Cash and cash equivalents	20,928,927	12,864,527	18,911,393
<b>Net debt</b>	<b>706,958,173</b>	<b>411,929,137</b>	<b>319,573,430</b>

(2)	Consolidated		
	2018	2017 Restated	2016 Restated
<b>Current liabilities</b>			
Interest-bearing loans and borrowings (excluding unamortized debt issue costs)	185,019,444	210,663,305	196,389,383
Finance lease liability	7,842,368	6,645,164	5,884,818
<b>Total current liabilities</b>	<b>192,861,812</b>	<b>217,308,469</b>	<b>202,274,201</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings (excluding unamortized debt issue costs)	223,499,549	169,499,086	96,877,164
Finance lease liability	35,468,590	37,986,109	39,333,458
<b>Total non-current liabilities</b>	<b>258,968,139</b>	<b>207,485,195</b>	<b>136,210,622</b>
<b>less:</b>			
Cash and cash equivalents	20,928,927	12,864,527	18,911,393
<b>Net debt</b>	<b>430,901,024</b>	<b>411,929,137</b>	<b>319,573,430</b>

**Borrowings**

The Group's loans and borrowing are set out below, as of 31 March 2019.

Bank loans	Contractual nominal value	Currency	Interest rate	Final maturity	Balance sheet commitments		Off balance sheet exposures	
					Total outstanding balance (long-term)	Total outstanding balance (short-term)	Undrawn available amounts	LC/LGs (non cash utilisation)
2011 BCR Facilities Agreement	20,000,000	EUR	Floating	03.10.2020	15,855,313	-	3,767,947	376,740
UniCredit Facility Agreement	15,000,000	EUR	Floating	17.08.2019 (17.01.2020 for letters of credit and letters of guarantees)	-	13,999,999	1,000,001	-

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949



### Quarterly report as at 31 March 2019

BT Loan Agreement	20,000,000	EUR	Floating	07.11.2019	-	19,403,173	596,827	-
2016 BCR Facility Agreement	25,000,000	EUR	Fixed	23.11.2023	19,047,619	4,761,905	-	-

Under the terms of the existing borrowing agreements, the Group is subject to certain restrictive covenants and other requirements. These covenants require the Group, among other things, to refrain from paying dividends to its shareholders unless certain conditions are met, and to maintain a minimum or maximum level for certain financial ratios, including: debt service coverage ratio, net debt to EBITDA, current ratio, net financial debt to shareholders' equity and solvency ratio.

### Capitalisation and indebtedness

Total capitalization is calculated as the sum of total equity and interest-bearing loans and borrowings.

The following table sets out the indebtedness and capitalisation of the Group at 31 March 2019.

	<b>Unaudited numbers</b>
Total current debt	195,715,847
Total non-current debt	273,953,999
<b>Total indebtedness</b>	<b>469,669,846</b>
from which:	
Interest-bearing loans and borrowings guaranteed and secured excluding Unamortized debt issue costs	348,947,537
Interest-bearing loans and borrowings (excluding unamortized debt issue costs) unguaranteed and unsecured	76,737,864
Finance lease liability guaranteed and secured	44,366,518
Unamortized debt issue costs	(382,074)
Capital and reserves	
Share capital, from which:	291,587,538
- Subscribed and paid share capital	291,587,538
- Subscribed and not paid share capital	-
- Adjustments of share capital	-
Other items of equity	1,191,817
Legal and other reserves	68,902,883
Retained earnings	330,293,921
Foreign currency translation reserve	3,270,417
Profit of the year	304,191
<b>Total equity</b>	<b>695,550,767</b>
<b>Total capitalisation</b>	<b>1,165,220,613</b>

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR:  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## Quarterly report as at 31 March 2019

There has been no material change to the capitalisation figures since 31 March 2019.

### 7. Events after the reporting period

The management of the company is not aware of any significant changes in the capitalization and indebtedness of the company after March 31, 2018, except for the following:

- On 1 April 2019, TMK-Resita concluded with Reșița Municipality a contract for the sale of real estate (land and buildings) with a total value of RON 12,656,994 with an advance payment of RON 1,707,698.61 which consisted in the compensation of local taxes and duties owed by TMK-Reșița as at 31 March 2019. According to the clauses of the contract, the difference of RON 10,949,296 will be offset in several annual installments at the due dates for the local taxes and duties of TMK-Resita to Reșița Municipality, but no later than 31 December 2025.
- On 05 April 2019, the Ordinary General Shareholders' Meeting of the Company approved the distribution of dividends from the net profit of the year ended at 31 December 2018 in total amount of 14.280.000 RON with the payment date 04 October 2019.
- On 05 April 2019, the Extraordinary General Shareholders' Meeting of the Company approved the the increase of the share capital with maximum RON 188,250,000 (the amount not including any issuance premium, if the case may be), through cash contribution, from the current value of RON 291,587,538.34 to the maximum amount of RON 479,837,538.34, by issuance of maximum 75,000,000 new shares with the nominal value of RON 2.51 each, for the purpose of raising cash in order to reduce the debts of the Company. The actual amount with which the share capital will be increased will be determined upon the expiration of the period allotted to the exercise of the preemption rights, as such period will be established by the Board of Directors, based on the subscriptions of the shareholders who will have exercised their preemption rights..

On 15 April 2019, the General Shareholders' Meeting of TMK-Italia has approved the distribution of gross dividends in amount of EUR 350,713 from the profit of the year ended on 31 December 2018.

On 16 April 2019 TMK-Artrom, as borrower, entered into a credit facility agreement with VTB BANK (EUROPE) SE, as arranger and facility agent and original lender, according to which the bank will make available a revolving credit facility in aggregate amount of EUR 20,000,000 with an initial maturity date of 12 months from the execution date and subject to maximum two extension (with the aggregate maturity date, following the second extension, of 36 months from the execution date of the Facility agreement) for:

- general corporate purposes of the borrower;
- financing of working capital needs of the borrower;
- refinancing of existing indebtedness of the borrower (it is envisioned that 14 million EUR of the Company's current banking loans are to be refinanced through this facility);
- trade finance operations of the borrower.

No other significant subsequent events that may have an impact on the financial statements are to be mentioned.

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

## 8. Declaration of responsible persons

On the basis of our information, we confirm that the Consolidated Interim Financial Statements and the Simplified Non-Audited Interim Financial Statements prepared in accordance with the applicable accounting standards (International Accounting Standard 34 - "Interim Financial Reporting") provides a true and fair view of the financial position, financial performance and flows for the three-month period ended 31 March 2019 and that this report, made in accordance with the provisions of the Law no. 24/2017 and of Regulation no. 5/2018 on issuers of financial instruments and market operation for the 3-month period ended March 31, 2019, contains accurate and consistent information about the Company's development and performance.

**Chief Executive Officer,**

**Eng. Adrian Popescu**

**Chief Economical and Accountancy Officer,**

**Ec. Cristiana Vaduva**



API:  
5CT-0440  
5L-0352

LR:  
ISO 9001  
ISO 14001  
ISO 45001

TUV:  
PED/AD-2000 W0/W4  
TRD 100/102  
Vd TUV

TUV CPR:  
EN 10210-1,2  
EN 10255

LR  
DNV-GL Rules  
RINA

LR:  
IATF 16949

# **TMK-ARTROM S.A.**

Unaudited Interim Condensed Consolidated and  
Separate Financial Statements

**31 MARCH 2019**

# CONTENTS

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION.....	4
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY.....	5
CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT.....	6
1. ORGANISATION AND NATURE OF BUSINESS.....	7
1.1. CORPORATE AND GROUP INFORMATION.....	7
1.2. PRESENTATION OF THE GROUP.....	8
2. BASIS OF PREPARATION AND ACCOUNTING POLICIES.....	10
2.1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS.....	10
2.2. BASIS FOR CONSOLIDATION AND ASSUMPTIONS EMPLOYED BY THE GROUP.....	11
2.3. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS.....	14
3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS.....	17
4. SEGMENT INFORMATION.....	18
5. REVENUE FROM CONTRACTS WITH CUSTOMERS.....	20
6. COST OF SALES.....	21
7. SELLING AND DISTRIBUTION EXPENSES.....	21
8. PROMOTION AND ADVERTISING EXPENSES.....	22
9. GENERAL AND ADMINISTRATIVE EXPENSES.....	22
10. RESEARCH AND DEVELOPMENT EXPENSES.....	22
11. OTHER INCOME/EXPENSES AND ADJUSTMENTS.....	23
12. INCOME TAX.....	25
13. EARNINGS PER SHARE.....	25
14. PROPERTY, PLANT AND EQUIPMENT.....	26
15. INTANGIBLE ASSETS.....	28
16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES.....	29
17. OTHER NON-CURRENT ASSETS.....	36
18. INVENTORIES.....	36
19. TRADE AND OTHER RECEIVABLES (CURRENT).....	37
20. PREPAYMENTS.....	38
21. CASH AND SHORT-TERM DEPOSITS.....	38
22. SHARE CAPITAL.....	39
23. TRADE AND OTHER PAYABLES (CURRENT).....	39
24. TRANSACTIONS WITH RELATED PARTIES.....	39
25. PROVISIONS.....	43
26.COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS.....	43
27. EVENTS AFTER THE REPORTING PERIOD.....	46

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**as of 31 March 2019**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Unaudited	Note	Consolidated		Separate	
		31.03.2019 RON	31.03.2018 RON	31.03.2019 RON	31.03.2018 RON
			<i>Restated</i>		
<b>Revenue from contracts with customers</b>		<b>336,128,284</b>	<b>331,618,972</b>	<b>345,736,539</b>	<b>300,698,187</b>
Sales of goods	5	335,635,427	330,569,713	345,660,485	300,568,685
Rendering of services	5	492,857	1,049,259	76,054	129,502
Cost of sales	6	(263,831,707)	(273,181,130)	(279,566,396)	(254,954,555)
<b>Gross profit</b>		<b>72,296,577</b>	<b>58,437,842</b>	<b>66,170,143</b>	<b>45,743,632</b>
Selling and distribution expenses	7	(33,482,664)	(24,601,826)	(35,190,745)	(25,616,047)
Advertising and promotion expenses	8	(13,321)	(162,132)	(7,137)	(139,891)
General and administrative expenses	9	(18,916,410)	(16,216,094)	(11,829,135)	(9,640,648)
Research and development expenses	10	(64,284)	(25,423)	(64,284)	(25,423)
Other operating expenses	11.2	(1,080,659)	(1,001,420)	(841,405)	(889,912)
Other operating income	11.1	674,597	21,164	16,621	118,359
<b>Income from operations</b>		<b>19,413,837</b>	<b>16,452,111</b>	<b>18,254,058</b>	<b>9,550,070</b>
Foreign exchange (loss) / gain, net		(14,060,427)	1,184,938	(12,936,530)	1,410,112
Finance income	11.4	2,149	545	8,474,963	531
Finance costs	11.3	(4,640,088)	(2,687,035)	(4,163,669)	(2,001,450)
<b>Profit / (loss) before tax</b>		<b>715,471</b>	<b>14,950,559</b>	<b>9,628,822</b>	<b>8,959,263</b>
Income tax expense/credit	12	(411,280)	(2,918,618)	(173,944)	(1,398,451)
<b>Profit / (loss) for the year</b>		<b>304,191</b>	<b>12,031,941</b>	<b>9,454,878</b>	<b>7,560,812</b>
<b>Other comprehensive income - that may be reclassified in profit or loss</b>					
Foreign currency translation		1,012,239	(93,207)	-	-
<b>Other comprehensive income - that may not be reclassified in profit or loss</b>					
Actuarial gains / (losses)		(11,758)	-	(11,758)	-
Income tax effect		-	-	-	-
<b>Other comprehensive income (loss) for the year, net of tax</b>		<b>1,000,481</b>	<b>(93,207)</b>	<b>(11,758)</b>	<b>-</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>1,304,672</b>	<b>11,938,734</b>	<b>9,443,120</b>	<b>7,560,812</b>
Average number of shares		116,170,334	116,170,334	116,170,334	116,170,334
<b>Earnings per share</b>		<b>0.00</b>	<b>0.10</b>	<b>0.08</b>	<b>0.07</b>



**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Unaudited	Note	Consolidated		Separate	
		31.03.2019 RON	31.12.2018 RON	31.03.2019 RON	31.12.2018 RON
<b>Restated</b>					
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	21	19,258,450	31,331,361	6,119,329	16,925,079
Trade and other receivables	19	312,691,542	300,865,499	322,219,304	304,919,488
Inventories	18	319,838,614	308,095,295	217,699,306	205,016,788
Prepayments	20	17,672,746	6,965,489	57,623,851	45,914,200
Other current assets	21	849,504	1,046,698	849,504	1,046,698
		<b>670,310,856</b>	<b>648,304,342</b>	<b>604,511,294</b>	<b>573,822,253</b>
<b>Assets classified as held for sale</b>		-	-	<b>286,000</b>	-
<b>Non-current assets</b>					
Intangible assets	15	2,510,145	2,755,268	1,545,061	1,693,962
Goodwill	15	22,758,149	22,285,574	-	-
Property, plant and equipment	14	1,135,226,740	1,134,549,418	627,523,480	621,465,695
Right of use assets	14	1,777,353	-	933,635	-
Investments in subsidiaries	16.1.	-	-	298,566,221	290,262,969
Financial assets	16.1.	5,020,815	4,857,610	4,983,908	4,819,724
Deferred tax asset	12	3,685,076	3,587,289	-	-
Other non-current assets	17	1,640,150	1,888,895	3,058,801	3,639,099
		<b>1,172,618,428</b>	<b>1,169,924,054</b>	<b>936,611,106</b>	<b>921,881,449</b>
<b>Total assets</b>		<b>1,842,929,284</b>	<b>1,818,228,396</b>	<b>1,541,408,400</b>	<b>1,495,703,702</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	23	296,510,879	295,468,728	171,661,298	163,574,097
Advances from customers	23	2,389,597	997,116	465,399	679,297
Liabilities for investments in subsidiaries	16.3.	67,695,480	57,474,348	67,695,480	57,474,348
Provisions and accruals	25	8,228,687	12,254,894	5,427,293	8,169,816
Interest-bearing loans and borrowings	16.2.	186,770,547	185,019,444	186,770,547	185,019,444
Lease liability	16.2.	8,945,300	7,842,368	1,722,058	1,156,675
Income tax payable	23	-	-	-	1,686,487
<b>Total current liabilities</b>		<b>570,540,490</b>	<b>559,056,898</b>	<b>433,742,075</b>	<b>417,760,164</b>
<b>Non-current liabilities</b>					
Liabilities for investments in subsidiaries	16.3.	222,987,335	218,356,982	222,987,335	218,356,982
Interest-bearing loans and borrowings	16.2.	238,532,781	223,499,549	238,532,781	223,499,549
Lease liability	16.2.	35,421,218	35,468,590	3,466,876	3,303,317
Deferred tax liability	12	71,521,012	71,237,855	37,358,027	37,184,083
Provisions and accruals	25	867,755	622,184	745,428	555,549
Employee benefits liability		5,279,033	5,212,693	2,979,190	2,900,934
Other long-term liabilities	16.2.	2,228,893	2,224,298	166,773	156,329
<b>Total Non-current liabilities</b>		<b>576,838,027</b>	<b>556,622,151</b>	<b>506,236,410</b>	<b>485,956,743</b>
<b>Total liabilities</b>		<b>1,147,378,517</b>	<b>1,115,679,049</b>	<b>939,978,485</b>	<b>903,716,907</b>
<b>EQUITY</b>					
<b>Capital and reserves</b>					
<b>Share capital, from which:</b>		<b>291,587,538</b>	<b>291,587,538</b>	<b>291,587,538</b>	<b>291,587,538</b>
- Subscribed and paid share capital		291,587,538	291,587,538	291,587,538	291,587,538
Other items of equity		1,191,817	1,203,575	(499,624)	(487,866)
Legal and other reserves		68,902,883	68,902,883	68,902,883	68,902,883
Retained earnings		330,293,921	257,387,091	231,984,240	175,414,254
Foreign currency translation reserve		3,270,417	2,258,177	-	-
Profit of the year		304,191	81,210,083	9,454,878	56,569,986
<b>Total equity</b>		<b>695,550,767</b>	<b>702,549,347</b>	<b>601,429,915</b>	<b>591,986,795</b>
<b>Total liabilities and equity</b>		<b>1,842,929,284</b>	<b>1,818,228,396</b>	<b>1,541,408,400</b>	<b>1,495,703,702</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**as of 31 March 2019**  
*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

Consolidated Unaudited	Share capital	Legal reserves	Foreign currency translation reserve	Other reserves	Retained earnings	Other elements of equity - from applying IAS 19	Total equity
	RON	RON	RON	RON	RON	RON	RON
<b>For first quarter as at 31 March 2019</b>							
<b>As at 31 December 2018</b>	<b>291,587,538</b>	<b>20,228,568</b>	<b>2,258,177</b>	<b>48,674,315</b>	<b>338,597,173</b>	<b>1,203,576</b>	<b>702,549,347</b>
Profit of the period	-	-	-	-	304,191	-	304,191
Other comprehensive income / (loss)	-	-	1,012,239	-	-	(11,758)	1,000,481
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,012,239</b>	<b>-</b>	<b>304,191</b>	<b>(11,758)</b>	<b>1,304,672</b>
TMK-Italia's shares bought according to "pooling of interests" method (note 16.1)	-	-	-	-	(8,303,252)	-	(8,303,252)
<b>At 31 March 2019</b>	<b>291,587,538</b>	<b>20,228,568</b>	<b>3,270,416</b>	<b>48,674,315</b>	<b>330,598,112</b>	<b>1,191,818</b>	<b>695,550,767</b>
<b>For first quarter as at 31 March 2018 - Restated</b>							
<b>As at 31 December 2017</b>	<b>291,587,538</b>	<b>16,839,532</b>	<b>1,897,644</b>	<b>33,991,314</b>	<b>551,054,190</b>	<b>987,033</b>	<b>896,357,251</b>
Profit of the period	-	-	-	-	12,031,941	-	12,031,941
Other comprehensive income / (loss)	-	-	(93,207)	-	-	-	(93,207)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(93,207)</b>	<b>-</b>	<b>12,031,941</b>	<b>-</b>	<b>11,938,734</b>
<b>At 31 March 2018</b>	<b>291,587,538</b>	<b>16,839,532</b>	<b>1,804,437</b>	<b>33,991,314</b>	<b>563,086,131</b>	<b>987,033</b>	<b>908,295,985</b>

Separate Unaudited	Share capital	Legal reserves	Other reserves	Retained earnings	Other elements of equity - from applying IAS 19	Total equity
	RON	RON	RON	RON	RON	RON
<b>For first quarter as at 31 March 2019</b>						
<b>As at 31 December 2018</b>	<b>291,587,538</b>	<b>20,228,568</b>	<b>48,674,315</b>	<b>231,984,239</b>	<b>(487,865)</b>	<b>591,986,795</b>
Profit of the period	-	-	-	9,454,878	-	9,454,878
Other comprehensive income / (loss)	-	-	-	-	(11,758)	(11,758)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,454,878</b>	<b>(11,758)</b>	<b>9,443,120</b>
<b>At 31 March 2019</b>	<b>291,587,538</b>	<b>20,228,568</b>	<b>48,674,315</b>	<b>241,439,117</b>	<b>(499,623)</b>	<b>601,429,915</b>
<b>For first quarter as at 31 March 2018</b>						
<b>As at 31 December 2017</b>	<b>291,587,538</b>	<b>16,839,532</b>	<b>33,991,314</b>	<b>178,803,289</b>	<b>(804,073)</b>	<b>520,417,600</b>
Profit of the period	-	-	-	7,560,812	-	7,560,812
Other comprehensive income / (loss)	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,560,812</b>	<b>-</b>	<b>7,560,812</b>
<b>At 31 March 2018</b>	<b>291,587,538</b>	<b>16,839,532</b>	<b>33,991,314</b>	<b>186,364,101</b>	<b>(804,073)</b>	<b>527,978,412</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT**  
**as of 31 March 2019**

*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

Indirect method Unaudited	Note	Consolidated		Separate	
		1 January - 31 March 2019 RON	1 January - 31 March 2018 RON	1 January - 31 March 2019 RON	1 January - 31 March 2018 RON
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Profit / (Loss) before tax</b>		<b>715,471</b>	<b>14,950,559</b>	<b>9,628,822</b>	<b>8,959,263</b>
<b>Plus / minus adjustments for:</b>					
Depreciation and amortisation	14, 15	20,847,016	18,558,137	12,739,197	10,939,547
Increase / (reversal) of provisions	25	(3,780,636)	(1,565,822)	(2,552,644)	(721,998)
Increase / (reversal) of allowances for current assets	18, 19	(226,616)	(57,660)	(376,207)	(157,335)
Exchange rate differences for financing activities		16,946,081	(2,030,752)	16,151,415	(2,010,340)
Variation of retirement benefits		187,121	156,558	83,743	84,340
Result from disposal of non-current assets	11	213,677	182,503	124,817	289,234
Interest and related expenses	11	4,479,332	3,152,212	4,021,192	2,577,588
Dividends income		-	-	(8,472,833)	-
Exchange rate differences for cash and cash equivalents		461,493	(79,756)	-	-
<b>Plus / minus adjustments for changes in working capital related to operating activities:</b>					
Decrease / (increase) in inventories	18	(11,156,215)	(5,758,558)	(12,388,117)	6,734,402
Decrease / (increase) in trade and other receivables and prepayments	19, 20, 21, 16.1	(23,086,105)	(7,983,383)	(26,194,536)	(8,839,228)
(Decrease) / increase in payables (except banks)	23, 16.2	10,174,970	(17,293,522)	11,392,527	(24,807,497)
<b>less:</b>					
Interest paid		(3,276,435)	(3,109,461)	(2,818,277)	(2,534,824)
Income tax paid		4,577	(11,328)	-	-
<b>Total inflows / (outflows) from operating activities (a)</b>		<b>12,503,731</b>	<b>(890,273)</b>	<b>1,339,099</b>	<b>(9,486,848)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Amount received from disposal of non-current assets		41,076	138,138	-	9,483
Purchase of tangible and intangible assets	14, 15	(29,372,712)	(37,731,465)	(22,049,380)	(34,310,645)
Dividends received		-	-	3,726,241	-
Interest received	11	2,149	545	2,130	531
<b>Total inflows / (outflows) from investing activities (b)</b>		<b>(29,329,487)</b>	<b>(37,592,782)</b>	<b>(18,321,009)</b>	<b>(34,300,631)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Loans received		14,333,237	154,195,539	14,333,237	154,195,539
Repayment of loans		(7,718,630)	(113,526,639)	(7,718,630)	(113,526,639)
Repayment of finance leases		(1,861,762)	(1,369,716)	(438,447)	(97,268)
<b>Total inflows / (outflows) from financing activities (c)</b>		<b>4,752,845</b>	<b>39,299,184</b>	<b>6,176,160</b>	<b>40,571,632</b>
<b>Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)</b>		<b>(12,072,911)</b>	<b>816,129</b>	<b>(10,805,750)</b>	<b>(3,215,847)</b>
<b>Cash and cash equivalents at beginning of period</b>	21	<b>31,331,361</b>	<b>16,907,034</b>	<b>16,925,079</b>	<b>10,825,193</b>
<b>Cash and cash equivalents at end of period</b>	21	<b>19,258,450</b>	<b>17,723,163</b>	<b>6,119,329</b>	<b>7,609,346</b>

## **1. ORGANISATION AND NATURE OF BUSINESS**

### **1.1. CORPORATE AND GROUP INFORMATION**

TMK-ARTROM SA (the "Company" or the "consolidating parent Company") is a joint-stock company which is registered in Slatina 30th Draganesti Street, Olt County, Romania. The plant produces seamless pipes for industrial applications, including for the mechanical engineering and automotive industry. Main activity of the Company is the production of tubes, pipes, hollow profiles and related fittings, of steel , NACE code 2420.

TMK-Artrom has today an important share of the European market for industrial seamless pipes representing mechanical pipes, hydraulic cylinders, automotive and energetically pipes. More than 85% of the plant's pipes production from total revenue of sales of pipes is intended for sales outside of Romania, mainly within other EU countries, USA, and Canada.

TMK-Artrom and its subsidiaries constitute 'TMK-Artrom Group' or 'the Group' and comprise the following companies:

- **TMK-Artrom** – status at 31 March 2019: Active;
- **TMK Industrial Solutions LLC** – status at 31 March 2019: Active;
- **TMK-Reșița** – status at 31 March 2019: Active;
  - ✓ **TMK Assets SRL** – status at 31 March 2019: Active;
- **TMK Italia** - status al 31 March 2019: Active.

In 2016, TMK-Artrom Slatina Board of Directors decided the approval of set-up of a trade entity in USA, named TMK Industrial Solutions LLC, having TMK-Artrom as sole shareholder. TMK Industrial Solutions LLC operates as trade agent for promotion and sale of industrial pipes made by TMK companies for american market.

On 21 December 2018, the Extraordinary General Meeting of the Shareholders of TMK-Artrom, approved the purchase of the shares owned by TMK Europe GmbH in TMK-Resita SA (decision no 1 of the EGSM ). TMK-Reșița is a specialized company in the production of billets for seamless pipes, continuously cast from carbon steel, low alloy and alloy. The main activity of the company is "Production of ferrous metals in primary forms and ferrous alloys" NACE code 2710. TMK Assets SRL is the subsidiary of TMK-Reșița. TMK-Reșița had also as subsidiaries Land Properties Investments S.R.L. - liquidated in 2017 and TMK Real Estate - liquidated in 2016. TMK-Reșița and TMK-Artrom were, at acquisition date under the control of the same parent.

The Board of Directors of TMK-Artrom SA, legally gathered on 28 November 2018, decided to approve the acquisition by TMK-Artrom of all the shares held by TMK Global SA Geneva, Switzerland as sole shareholder in TMK Italia S.r.l. The transaction was finalized on 5 February 2019 at the price approved by the Board of Directors.

TMK-Artrom, TMK Industrial Solutions, TMK-Reșița and TMK Italia are part of TMK Group. The parent company of TMK Group is PAO TMK, headquartered in Moscow, Russian Federation. PAO TMK is ultimately controlled by D.A. Pumpyanskiy. TMK Group's consolidated financial statements are available for inspection at [www.tmk-group.com](http://www.tmk-group.com).

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**  
**as of 31 March 2019**

*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

## **1.1. CORPORATE AND GROUP INFORMATION (continued)**

The unaudited interim condensed consolidated financial statements of TMK-Artrom Group and separate financial statements of the Company for the 3 months ended 31 March 2019 have been prepared in accordance with IAS 34 Interim financial reporting as adopted by the European Union and are authorised for issue in accordance with the resolution of the Administrators dated 22 April 2019.

The Group reorganisation by acquisition of TMK-Reșița by TMK-Artrom from the common parent TMK Europe GmbH and the acquisition of TMK Italia from TMK Global was deemed to be a business combination under common control, by precise a business combination in which all of the combining entities or businesses are ultimately controlled by the same party, the common parent PAO TMK, both before and after the business combination.

Since such transaction are outside the scope of any IFRS, management of the Group has considered the requirements of IAS 8 Accounting Policies, Change in accounting estimates and Errors and elected to apply the pooling of interest method in the preparation of these consolidated financial statement as being the most relevant and reliable under the circumstances.

The application of the pooling of interests method generally involves the following:

- The assets and liabilities of the combining entities were reflected at their carrying amounts from the ultimate parent consolidated financial statements; the only adjustments that are made are made to align the accounting policies;
- No adjustments were made to reflect fair values, or recognize any new assets and liabilities;
- No "new" result from acquisition was recognized as a result of the consolidation; the only result from acquisition that was recognized was the existing related to the acquisition of TMK-Reșița by TMK Europe in 2004 and the acquisition of TMK Italia by TMK Global in 2006;
- The income statement reflects the results of the combining entities for the full year, irrespective of when the date of the legal merger was;
- Comparatives are presented as if the entities have always been combined, since the date of the acquisition of TMK-Reșița and TMK Italia by the PAO TMK Group.

## **1.2. PRESENTATION OF THE GROUP**

<b>Company name</b>	<b>Parent company</b>	<b>Shareholding (%)</b>
TMK-Artrom SA	TMK Europe GmbH	92.7282
TMK Industrial Solutions LLC	TMK-Artrom SA	100
TMK-Reșița SA	TMK-Artrom SA	99.99237
TMK Assets SRL	TMK-Reșița SA	100
TMK Italia S.r.l	TMK-Artrom SA	100

**TMK-Artrom** ("the parent company"), founded in 1982, is a privately owned company whose major shareholder TMK Europe GmbH gained control in 2002.

TMK-Artrom is an open company. The regulated market on which the issued securities are traded is the Bucharest Stock Exchange - Regulated Market - STANDARD category - ART market symbol.

## **1.2. PRESENTATION OF THE GROUP (continued)**

### **Subsidiaries of TMK-Artrom:**

**TMK Industrial Solutions LLC**, is a limited liability company, seated in Houston, 10940 West Sam Houston Pkwy North, Suite 325, Texas, USA. It was registered on 26 April 2016 and operates according to US laws, Delaware. The subsidiary has TMK-ARTROM as sole partner.

The financial investment of TMK-Artrom in the subsidiary is of USD 1,000 (exchange rate 4.0271 RON/USD). The Company presents the investment in TMK Industrial Solutions LLC at acquisition cost.

TMK Industrial Solutions LLC operates as trade agent for promotion and sale of industrial pipes made by TMK companies for american market. The purpose of this investment is the development of a sale system specialized in industrial pipes in american market leading to the increase of the company's revenues in this domain.

**TMK-REȘIȚA SA** (TMK-Reșița) is a "closed" joint stock company which operates according to Romanian laws, specialized in the production of billets for seamless pipes, continuously cast from carbon steel, low alloy and alloy. The main activity of the company is "Production of ferrous metals in primary forms and ferrous alloys" NACE code 2710. The registered and administrative office of TMK-Resita is in Romania, Caras-Severin county, Resita city, Traian Lalescu street, no.36. TMK-Reșița was acquired by TMK-Artrom on 21 December 2018.

TMK-RESITA's subsidiaries:

- **TMK ASSETS SRL** is a limited liability company which has as main activity "Rental and sublease of own or rented real estate", NACE code 6820. It was founded in year 2006 and has the headquarters in Bucharest, District 1, Daniel Danielopolu street, no. 2, room 2. The subsidiary is a company which operates according to Romanian laws. As at 31 December 2018 TMK-Resita owns 100% of TMK Assets's share capital (2017 and 2016: 99.9995% and 0.0005% Land Properties Investments). TMK Assets was acquired by the TMK Group in 2012.

**TMK Italia s.r.l.** is a limited liability company, seated in Lecco, Piazza Degli Affari, no. 12, Italy. The subsidiary was founded in 2000 and operates according to Italian laws.

TMK Italia is a company which is focused on sales and marketing of TMK's pipes in South and West Europe areas.



## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

### **2.1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

These financial statements are presented in Romanian Lei ("RON"). The financial statements have been prepared under the historical cost convention.

#### **Statement of Compliance**

The unaudited interim condensed consolidated and separate financial statements of TMK-Artrom Group and the Company ("Condensed financial statements") have been prepared in accordance with IAS 34 Interim financial reporting as adopted by the European Union. The accounting policies are in accordance with the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU). These provisions are in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), except as provided in IAS 21 The Effects of Changes in Foreign Exchange Rates on functional currency.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2018. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2018.

#### **Going concern**

The financial statements of the Group and the Company are prepared on a going concern basis, which assumes the Group will be able to realize its assets and discharge its liabilities in the normal course of business.

#### **Functional and presentation currency**

In order to prepare these financial statements in accordance with the laws of Romania, the functional currency of TMK-Artrom is considered Romanian Leu (RON).

Functional currency of TMK Industrial Solutions is American Dollar (USD) and functional currency of TMK Italia is European Currency (EUR). The elements of the subsidiaries, TMK Industrial Solutions and TMK Italia, included in the financial statements are assessed using USD and EUR as functional currency and translated to Group's presentation currency namely RON.

Exchange rate for 1 unit of foreign currency:

	<u>31 March 2019</u>	<u>31 December 2018</u>	<u>31 March 2018</u>
1 EUR	4.7628	4.6639	4.6576
1 USD	4.2434	4.0736	3.7779

Average exchange rate for 1 unit of foreign currency:

	<u>31 March 2019</u>	<u>31 December 2018</u>	<u>31 March 2018</u>
1 EUR	4.7351	4.6535	4.6553
1 USD	4.1681	3.9416	3.7860

## **2.2. BASIS FOR CONSOLIDATION AND ASSUMPTIONS EMPLOYED BY THE GROUP**

TMK-Artrom employed for drafting the Consolidated Financial Statements the "pooling of interests" method as the newly purchased (direct and indirect) subsidiaries have been acquired from entities under the common control of the TMK group (the acquisition of the shares from TMK Europe GmbH and TMK Global SA which are owned 100% by PAO TMK) and, therefore, no change in control occurred with respect to the party controlling the TMK group. According to the pooling of interests' method, the assets and liabilities of the subsidiaries transferred under common control are presented at the carrying value reflected by the predecessor's books. Consequently, since the TMK group's financial statements are not consolidated at the level of TMK Europe GmbH and TMK Global SA but directly at the level of PAO TMK, the value reflected by the consolidated financial statements of the TMK group for TMK-Reșița, TMK Italia and the other indirect subsidiaries transferred on 21 December 2018 and respectively on the 5 of February 2019, has been reflected as such in the restated Consolidated Financial Statements of the Group for 2018.

The Group has chosen to elect an accounting policy whereby it restates the financial information in the consolidated financial statements for periods prior to the combination under common control, to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the combination.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## **2.2. BASIS FOR CONSOLIDATION AND ASSUMPTIONS EMPLOYED BY THE GROUP (continued)**

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The assets and liabilities of subsidiaries included in the Consolidated Financial Statements for 2019 and 2018 of TMK-Artrom are, therefore, based on the same value reflected at the moment of the acquisition by the financial consolidated statements of TMK group in accordance with IFRS which are based on the fair value at the date of the initial acquisition by the TMK group (through TMK Europe GmbH and TMK Global SA).

The carrying amounts of TMK-Artrom remain the same as provided by the separate financial statements of TMK-Artrom prior to the acquisition of TMK-Reșița and TMK Italia by TMK-Artrom.

The only goodwill recognized in the Consolidated Financial Statements of the Group is the original goodwill from acquisition of TMK Italy by PAO TMK Group (as such was reflected by the consolidated financial statements issued at the level of PAO TMK). With respect to the acquired subsidiaries, the registered goodwill from the acquisition of TMK Italia was in amount of EUR 4,778,313 and the registered goodwill from the acquisition of TMK-Reșița was nil. Any difference between the total net assets value, including the goodwill registered in the consolidated financial statements of the TMK Group, and the consideration agreed to be paid for the shares acquired, is accounted for in the Consolidated Financial Statements of the Group as an adjustment to equity.

The acquisition of the shares issued by TMK-Reșița occurred on 21 December 2018 and of TMK Italia in 5 february 2019 but, by applying the pooling of interests' method, the Group's Consolidated Financial Statements, including the comparatives for 2018, reflect the acquisition of the subsidiaries by TMK-Artrom as though such acquisition had acquired them at the same date as they had been acquired by its predecessor – the TMK group (at the level of the consolidated financial statements of PAO TMK). Thus, the Group restates the periods prior to the combination in order to reflect that no change occurred with respect to the ultimate control.

The information provided by the Consolidated Financial Statements have been restated for the periods prior to the business combination of the entities under common control, in order to reflect the combination as if it had occurred from the beginning of the earliest period presented, irrespective of the actual combination date.

The pooling of interests method for business combinations under common control, requires the financial statements of the combining entities to be combined as if they had been always combined. The Consolidated Financial Statements were prepared according to usual consolidation procedures to reflect the combined results of the Group corresponding to all items of assets, liabilities, income, expenses. All intragroup balances, transactions and unrealized gains on transactions between Group companies are eliminated.

By applying the "pooling of interests" method, TMK-Artrom's Consolidated Financial Statements, including the comparatives of 2018, are presented as if TMK-Artrom had acquired the TMK-Reșița, TMK Assets and TMK Italia at the same date as they were initially acquired by the predecessor (TMK-Reșița in 2004, TMK Assets in 2012 and TMK Italia in 2006)

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**  
**as of 31 March 2019**

*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

**2.2. BASIS FOR CONSOLIDATION AND ASSUMPTIONS EMPLOYED BY THE GROUP (continued)**

The Group finalized the transaction regarding the acquisition of TMK Italia's all shares in 5 february 2019 and due to the pooling of interest method it restated the comparatives of the interim condensed financial statements.

The following tabel presents the differences between the initial consolidated statement of financial position and the restated consolidated statement of financial position as at 31 december 2018:

	Consolidated (Previously reported) 2018 RON	Consolidated Restated 2018 RON	Differences 2018 RON
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	20,928,927	31,331,361	(10,402,434)
Trade and other receivables	297,222,416	300,865,499	(3,643,083)
Inventories	308,095,295	308,095,295	-
Prepayments	6,810,454	6,965,489	(155,035)
Other current assets	1,046,698	1,046,698	-
	<b>634,103,790</b>	<b>648,304,342</b>	<b>(14,200,552)</b>
<b>Non-current assets</b>			
Intangible assets	2,755,268	2,755,268	-
Goodwill	-	22,285,574	(22,285,574)
Property, plant and equipment	1,134,522,183	1,134,549,418	(27,235)
Financial assets	4,857,610	4,857,610	-
Deferred tax asset	128,534	3,587,289	(3,458,755)
Other non-current assets	1,888,895	1,888,895	-
	<b>1,144,152,490</b>	<b>1,169,924,054</b>	<b>(25,771,564)</b>
<b>Total assets</b>	<b>1,778,256,280</b>	<b>1,818,228,396</b>	<b>(39,972,116)</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	288,774,410	295,468,728	(6,694,318)
Advances from customers	997,116	997,116	-
Liabilities for investments in subsidiaries	57,474,348	57,474,348	-
Provisions and accruals	11,331,296	12,254,894	(923,598)
Interest-bearing loans and borrowings	185,019,444	185,019,444	-
Finance lease liability	7,842,368	7,842,368	-
Income tax payable	684,388	-	684,388
<b>Total current liabilities</b>	<b>552,123,370</b>	<b>559,056,898</b>	<b>(6,933,528)</b>
<b>Non-current liabilities</b>			
Liabilities for investments in subsidiaries	218,356,982	218,356,982	-
Interest-bearing loans and borrowings	223,499,549	223,499,549	-
Finance lease liability	35,468,590	35,468,590	-
Deferred tax liability	71,237,855	71,237,855	-
Provisions and accruals	622,184	622,184	-
Employee benefits liability	3,935,330	5,212,693	(1,277,363)
Other long-term liabilities	2,224,298	2,224,298	-
<b>Total Non-current liabilities</b>	<b>555,344,788</b>	<b>556,622,151</b>	<b>(1,277,363)</b>
<b>Total liabilities</b>	<b>1,107,468,158</b>	<b>1,115,679,049</b>	<b>(8,210,891)</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
<b>Share capital, from which:</b>	<b>291,587,538</b>	<b>291,587,538</b>	-
- Subscribed and paid share capital	291,587,538	291,587,538	-
Other items of equity	1,203,575	1,203,575	-
Legal and other reserves	68,902,883	68,902,883	-
Retained earnings	229,162,228	257,387,091	(28,224,863)
Foreign currency translation reserve	355,702	2,258,177	(1,902,475)
Profit of the year	79,576,196	81,210,083	(1,633,887)
<b>Total equity</b>	<b>670,788,122</b>	<b>702,549,347</b>	<b>(31,761,225)</b>
<b>Total liabilities and equity</b>	<b>1,778,256,280</b>	<b>1,818,228,396</b>	<b>(39,972,116)</b>

### **2.3. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The accounting policies adopted by the Group in the preparation of these condensed financial statements are consistent with those used in the preparation of the annual financial statements of the Group and the Company for the year ended 31 December 2018, except for the adoption of new standards in force as of January 1, 2019.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 *Leases*. Some other amendments and interpretations apply for the first time in 2019, but have no impact on the Group's financial statements.

#### **Standards and Interpretations in force in the quarter ended in the year 2019, which the Group has applied in these financial statements:**

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2019:

- **IFRS 16: Leases**

#### ***Initial recognition of lease contract under IFRS 16***

The Group adopted the standard on 1 January 2019 (the date of initial application) using the modified retrospective approach which means that the cumulative effect of the adoption is recognised in retained earnings as at 1 January 2019 and that comparatives are not restated.

The impact of IFRS 16 at the date of initial application:

- there are no changes in accounting for the contracts under which companies of the Group are lessees and which were classified as financial leases under IAS 17;
- there are no changes in accounting for the contracts under which companies of the Group are lessors;
- for the contracts under which companies of the Group are lessees and which were classified as operating leases under IAS 17 - accounting is described below:
  - lease liability is recognised at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019;
  - the right-of-use asset is recognised in amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Group applied the following practical expedients at the date of initial application:

- to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment) was applied a single discount rate;
- right-of-use assets and lease liabilities were not recognised for contracts for which the lease term ends within 12 months after 1 January 2019;
- initial direct costs were not included in measurement of the right-of-use assets.

#### ***Initial measurement of the lease liability***

Lease liability = present value of the lease payments + present value of the amounts expected to be payable at the end of lease term.

### 2.3. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### ***Subsequent measurement of the lease liability***

The lessee subsequently assesses the lease obligations using the effective interest method.

After the commencement date lessee:

- increase the carrying amount to reflect interest on the lease liability;
- reduce the carrying amount to reflect the lease payments made; and
- re-measuring the carrying amount to reflect any reassessment or lease modifications.

After the commencement date lessee shall recognise interest on the lease liability in profit or loss.

The Group's impact on the statement of financial position (increase / (decrease)) as at 31 March 2019:

	<b>RON</b>
<i>Assets</i>	
Right-of -use the assets	1.777.353
Property, plant and equipment	-
Prepayments	-
<b>Total assets</b>	<b>1.777.353</b>
<i>Equity</i>	
Retained earnings	(61.660)
Non-controlling interests	-
<b>Total Equity</b>	<b>(61.660)</b>
<i>Liabilities</i>	
Interest-bearing loans and borrowings	-
Lease liability	1.839.013
Deferred tax liabilities	-
Trade and other payables	-
<b>Total Liabilities</b>	<b>1.839.013</b>

#### **Amounts recognised in the statement of financial position and profit or loss of the Group**

Set out below, are the carrying amounts of the Group's right-of use assets and lease liabilities and movements during the period:

	<b>Right of use assets</b>		
	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>RON</b>	<b>RON</b>	<b>RON</b>
<b>As at 31 December 2018</b>	-	-	-
Additions	795.805	1.240.720	<b>2.036.525</b>
Depreciation expense	(85.987)	(173.185)	<b>(259.173)</b>
<b>As at 31 March 2019</b>	<b>709.818</b>	<b>1.067.535</b>	<b>1.777.352</b>



**as of 31 March 2019**

*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

**2.3. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**

<u>Lease liability</u>	<b>31 March 2019</b>
	<u>RON</u>
<b>As at 31 December 2018</b>	-
Additions	2.036.525
Interest expense	19.670
Payments	(221.906)
Exchange difference	4.722
<b>As at 31 March 2019</b>	<b>1.839.011</b>

Set out below, are the amounts recognised in Group's profit or loss:

	<b>31 March 2019</b>
Depreciation expense of right-of-use assets	258.542
Interest expense on lease liabilities	19.623
Rent expense-short-term leases	552.464
Rent expense-leases of low-value assets	56.789
Rent expenses-variable lease payments	-
Total amounts recognised in profit or loss	<b>887.418</b>

• **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. This standard has no significant impact on the Group's financial statements.

• **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. This standard has no impact on the Group's financial statements.

• **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This interpretation has no impact on the Group's financial statements.

### 2.3. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. This amendments have no impact on the Group's financial statements.

- **The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. This improvements have no impact on the Group's financial statements.

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's and the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In preparing these simplified financial statements, significant estimates of management in applying the Group's accounting policies and the main sources of uncertainty were the same as those applied in the preparation of the financial statements for the year ended 31 December 2018.

#### Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### *Impairment of Goodwill*

Tests for impairment of goodwill are made at least annually. The recoverable amount of cash-generating unit to which goodwill allocated is determined based on the value in use calculations. These calculations require the use of estimates. Revisions to the estimates may significantly affect the recoverable amount of the cash-generating unit.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill was allocated to each of the PAO TMK group's cash-generating units expected to benefit from the synergies of the combination. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### 4. SEGMENT INFORMATION

The Board of directors are monitoring overall the operational results of the Company, in the purpose to decide the allocation of the resources and to measure the performance. The performance is measured based on the operational result included in the financial statements.

The pipes segment is located in Slatina. The billets segment is located in Resita. The pipes segment uses billets to produce seamless steel pipes, hot rolled and cold drawn.

Segment revenues and expenses are directly attributable to the segments; common expenses are allocated to the segments on a reasonable basis. The income, expenses and results per segments include the transfers between operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segment assets include all operating assets used by a segment and consist principally of property, plant and equipment, operating cash, receivables, inventories and intangible assets, net of allowances for impairment. The carrying amount of the assets is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of trade payables, wages and taxes payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes, borrowings, financial liabilities and other un-allocatable items.

Group's revenues and results for the quarter ended 31 March by segment were as follows:

Unaudited	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
<b>31 March 2019</b>					
Sales to external customers	282,267,326	636,916	53,224,042	-	<b>336,128,284</b>
Inter-segment sales	165,741	157,737,020	-	(157,902,761)	-
Total sales	282,433,067	158,373,936	53,224,042	(157,902,761)	<b>336,128,284</b>
Segments result (gross profit)	68,301,731	55,129	3,935,717	-	<b>72,296,577</b>
Other operating expenses, net					(52,882,740)
Interest and other finance costs, net					(4,637,939)
Net foreign exchange gains / (losses)					(14,060,427)
<b>Result before income tax</b>					<b>715,471</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

**4. SEGMENT INFORMATION (continued)**

Unaudited	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
<b>31 March 2018</b>					
Sales to external customers	238,661,982	21,954,253	71,002,737	-	<b>331,618,972</b>
Inter-segment sales	157,103	149,742,129	-	(149,899,232)	-
Total sales	238,819,085	171,696,382	71,002,737	(149,899,232)	<b>331,618,972</b>
Segments result (gross profit)	53,117,733	638,473	4,681,636	-	<b>58,437,842</b>
Other operating expenses, net					(41,985,731)
Interest and other finance costs, net					(2,686,490)
Net foreign exchange gains / (losses)					1,184,938
<b>Result before income tax</b>					<b>14,950,559</b>

Group's segment assets and liabilities at 31 March were as follows:

Unaudited	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
<b>31 March 2019</b>					
Total assets	1,113,371,516	587,109,294	142,448,474	-	<b>1,842,929,284</b>
Total liabilities	387,699,332	123,592,322	636,086,862	-	<b>1,147,378,517</b>
<b>31 December 2018 - Restated</b>					
Total assets	1,128,301,744	587,841,272	102,085,380	-	<b>1,818,228,396</b>
Total liabilities	370,833,184	169,512,238	575,333,627	-	<b>1,115,679,049</b>

**Geographical information**

**Consolidated**

Revenue Unaudited	Romania	Europe	North and South America	Other countries	Total
	RON	RON	RON	RON	RON
31 March 2019	88,019,711	195,894,211	51,849,939	364,423	<b>336,128,284</b>
31 March 2018 - Restated	95,956,371	173,781,741	60,621,899	1,258,961	<b>331,618,972</b>

**Separate**

Revenue Unaudited	Romania	Europe	North and South America	Other countries	Total
	RON	RON	RON	RON	RON
31 March 2019	98,015,007	195,877,164	51,479,945	364,423	<b>345,736,539</b>
31 March 2018	81,636,227	157,942,816	59,860,183	1,258,961	<b>300,698,187</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**  
**as of 31 March 2019**

*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

**5. REVENUE FROM CONTRACTS WITH CUSTOMERS**

Unaudited	Consolidated		Consolidated	
	31 March 2019	%	31 March 2018	%
	RON		Restated RON	
Domestic sales	88,019,710	26.19	95,956,373	28.94
Sales abroad	248,108,574	73.81	235,662,599	71.06
<b>Total</b>	<b>336,128,284</b>	<b>100</b>	<b>331,618,972</b>	<b>100</b>

Unaudited	Separate		Separate	
	31 March 2019	%	31 March 2018	%
	RON		RON	
Domestic sales	98,015,007	28.35	81,636,227	27.15
Sales abroad	247,721,532	71.65	219,061,960	72.85
<b>Total</b>	<b>345,736,539</b>	<b>100</b>	<b>300,698,187</b>	<b>100</b>

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	RON		RON	
<b>Sales of pipes produced by TMK-Artrom from which:</b>				
Domestic	39,473,380	32,548,418	39,639,121	32,705,521
Europe	195,196,737	151,699,929	195,196,737	151,699,929
North and South America	47,232,786	53,154,674	46,959,733	52,978,669
Other areas	364,423	1,258,961	364,423	1,258,961
<b>Total sales of TMK-Artrom pipes</b>	<b>282,267,326</b>	<b>238,661,982</b>	<b>282,160,014</b>	<b>238,643,080</b>
<b>Sales of other goods and services from which:</b>				
Sales of other goods on domestic market	48,167,462	63,008,460	58,299,831	48,818,433
Sales of other goods on external market	5,200,640	28,838,708	5,200,640	13,107,172
Rendering of services on domestic market	378,869	506,882	76,054	112,273
Rendering of services on external market	113,987	602,940	-	17,229
<b>Total sales of other goods and services</b>	<b>53,860,958</b>	<b>92,956,990</b>	<b>63,576,525</b>	<b>62,055,107</b>
<b>Total revenue from contracts with customers</b>	<b>336,128,284</b>	<b>331,618,972</b>	<b>345,736,539</b>	<b>300,698,187</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**  
**as of 31 March 2019**  
*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

## 6. COST OF SALES

Cost of sales for the first quarter ended as at 31 March consisted of the following:

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
	RON	RON	RON	RON
Raw materials	86,234,404	98,152,479	160,624,156	145,458,089
Staff cost (note 11.5)	29,322,936	25,453,749	20,480,149	17,298,712
Consumables	38,178,483	32,730,672	15,393,752	13,752,928
Energy and utilities	36,375,499	30,448,787	17,593,683	14,728,120
Depreciation and amortisation	19,521,320	17,627,265	12,093,836	10,470,625
Other compensations for employees	3,260,155	2,713,556	2,390,305	2,181,020
Social security expenses (note 11.5)	1,804,970	1,571,526	823,007	650,345
Professional fees and services	1,737,150	1,371,018	636,112	490,205
Freight	577,647	571,897	577,647	571,097
Taxes	1,095,832	912,538	680,900	626,822
Repairs and maintenance	1,497,372	912,032	895,727	599,098
Insurance	707,355	614,648	423,949	384,702
Rent	165,440	322,027	45,822	149,296
Travel	151,632	198,488	119,200	118,214
Communications	24,543	28,178	17,429	20,544
Other expenses	2,111	484	2,111	484
<b>Total production cost</b>	<b>220,656,849</b>	<b>213,629,344</b>	<b>232,797,785</b>	<b>207,500,301</b>
Change in own finished goods and work in progress	3,226,781	(452,403)	6,814,894	2,612,444
Cost of sales of externally purchased goods	48,837,987	64,974,812	48,837,987	49,832,922
Capitalized production costs	(8,303,869)	(5,146,586)	(8,303,869)	(4,991,112)
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	(587,104)	(29,059)	(580,401)	-
Write-off materials	1,063	205,022	-	-
<b>Cost of sales</b>	<b>263,831,707</b>	<b>273,181,130</b>	<b>279,566,396</b>	<b>254,954,555</b>

## 7. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the first quarter ended as at 31 March, consisted of the following:

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
	RON	RON	RON	RON
Freight	15,653,994	16,174,793	15,520,593	15,856,593
Professional fees and services	4,024,507	3,430,942	9,000,451	7,662,292
Taxes	7,385,974	31,858	7,324,631	24,247
Staff cost (note 11.5)	2,759,930	2,410,317	1,334,810	1,104,961
Consumables	1,330,827	760,533	739,042	317,735
Insurance	677,445	355,064	632,232	305,874
Utilities and maintenance	56,091	86,460	47,720	68,968
Other compensations for employees	463,793	371,243	178,783	217,004
Travel	72,449	40,587	5,296	10,074
Depreciation and amortisation	221,372	98,176	94,902	76,998
Social security expenses (note 11.5)	450,304	418,449	55,189	39,825
Communications	51,004	57,563	23,247	34,786
Other expenses	97,264	85,631	28,800	33,436
Rent	158,376	187,597	855	20,589
Bad debt expense (note 19)	79,334	92,613	204,194	(157,335)
<b>Selling and distribution expenses</b>	<b>33,482,664</b>	<b>24,601,826</b>	<b>35,190,745</b>	<b>25,616,047</b>

The increase in the taxes is due to the introduction of US import duties. These have been applied since May 2018 for Russian products and June 2018 for EU countries. Tax increases have been recovered from the rise of the prices to US customers.



**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

## 8. PROMOTION AND ADVERTISING EXPENSES

Promotion and advertising expenses for the first quarter ended as at 31 March consisted of the following:

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
	RON	RON	RON	RON
Marketing expenses	12,221	143,604	6,037	121,363
Media expenses	1,100	18,528	1,100	18,528
<b>Promotion and advertising expenses</b>	<b>13,321</b>	<b>162,132</b>	<b>7,137</b>	<b>139,891</b>

## 9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the first quarter ended as at 31 March, consisted of the following:

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
	RON	RON	RON	RON
Staff cost (note 11.5)	7,982,942	6,982,185	5,042,272	4,250,996
Professional fees and services	4,577,436	3,701,818	2,146,417	1,559,779
Other compensations for employees	2,150,666	1,986,266	1,917,716	1,617,143
Rent	285,437	463,610	384,479	436,113
Taxes	695,868	579,047	470,196	402,934
Depreciation and amortisation	1,011,593	739,130	550,459	391,924
Communications	258,827	291,387	213,827	249,009
Consumables	369,606	408,326	193,848	255,264
Utilities and maintenance	737,419	390,946	535,192	245,904
Travel	186,908	107,925	148,849	84,172
Social security expenses (note 11.5)	525,575	468,776	141,350	86,285
Other expenses	101,610	55,428	72,268	41,601
Insurance	32,523	41,250	12,262	19,524
<b>General and administrative expenses</b>	<b>18,916,410</b>	<b>16,216,094</b>	<b>11,829,135</b>	<b>9,640,648</b>

## 10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the first quarter ended as at 31 March, consisted of the following:

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
	RON	RON	RON	RON
Professional fees and services	36,242	-	36,242	-
Staff cost (note 11.5)	26,209	23,666	26,209	23,666
Other compensations for employees	980	995	980	995
Social security expenses (note 11.5)	853	762	853	762
<b>Research and development expenses</b>	<b>64,284</b>	<b>25,423</b>	<b>64,284</b>	<b>25,423</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

## 11. OTHER INCOME/EXPENSES AND ADJUSTMENTS

### 11.1 Other operating income

Other operating income for the first quarter ended as at 31 March, consisted of the following:

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
	RON	RON	RON	RON
Reversal of property, plant and equipment impairment	640,578	-	-	-
Investment subsidies	12,093	4,714	12,093	4,714
Rent income	-	-	4,278	-
Damages, trial expenses	250	-	250	-
Other income	21,676	15,170	-	-
Income from recovered materials	-	-	-	113,645
Materials free of charge	-	1,280	-	-
<b>Total</b>	<b>674,597</b>	<b>21,164</b>	<b>16,621</b>	<b>118,359</b>

### 11.2 Other operating expenses

Other operating expenses for the first quarter ended as at 31 March, consisted of the following:

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
	RON	RON	RON	RON
Social actions expenses	605,750	503,150	605,750	503,150
Loss on disposal of property, plant and equipment	213,677	182,503	124,817	289,234
Sponsorship and charitable donations	59,365	51,500	53,481	49,500
Staff costs - medical dispensary	110,938	101,402	33,796	30,491
Professional fees and services	16,500	16,500	16,500	16,500
Rent expense	445	40,479	-	-
Other expenses	39,028	75,421	1,563	3
Social security costs - medical dispensary	5,172	3,575	891	1,013
Penalties - legal entities	21,653	21	4,607	21
Fines and penalties	1,096	20,403	-	-
Other compensations for employees - medical dispensary	7,034	6,466	-	-
<b>Total</b>	<b>1,080,658</b>	<b>1,001,420</b>	<b>841,405</b>	<b>889,912</b>

### 11.3 Financial costs

Financial costs for the first quarter ended as at 31 March, consisted of the following:

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
	RON	RON	RON	RON
Interest on short-term loans and borrowings (note 16.2)	892,284	1,716,194	892,284	1,716,194
Interest on long-term loans and borrowings (note 16.2)	1,850,362	-	1,850,362	-
Interest on amounts owed to entities in the group (nota 16.5)	1,235,189	-	1,235,189	-
Amortisation of issuance fee	69,939	178,531	69,939	178,531
Other financial expenses	88,668	207,805	70,407	96,857
Interest on financial leasing	503,646	584,505	45,488	9,868
<b>Total</b>	<b>4,640,088</b>	<b>2,687,035</b>	<b>4,163,669</b>	<b>2,001,450</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

**11. OTHER INCOME/EXPENSES AND ADJUSTMENTS (continued)**

**11.4 Financial income**

Financial income for the first quarter ended as at 31 March, consisted of the following:

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
	RON	RON	RON	RON
Incom from shares of subsidiaries	-	-	8,472,833	-
Interest on deposits	2,115	492	2,115	492
Interest from granted borrowing	11	14	-	-
Other financial income	23	39	15	39
<b>Total</b>	<b>2,149</b>	<b>545</b>	<b>8,474,963</b>	<b>531</b>

**11.5 Employee benefits expenses**

Employee benefits expenses for the first quarter ended as at 31 March, consisted of the following:

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
	RON	RON	RON	RON
Wages and salaries (Notes 6,7,9,10,11.2)	40,206,911	34,982,124	26,917,237	25,156,368
Social security costs (Notes 6,7,9,10,11.2), out of which:	2,786,964	2,463,332	1,021,289	572,062
- Company's contributions to social security (pensions)	1,192,252	1,137,137	-	-
Other compensations for employees - meal tickets	1,909,130	1,778,962	1,266,847	1,162,971
Other compensations for employees - holiday vouchers	124,848	196,150	-	184,600
Other compensations for employees - other	3,848,650	3,106,949	3,220,937	427,217
<b>Total employee benefits expense</b>	<b>48,876,503</b>	<b>42,527,517</b>	<b>32,426,310</b>	<b>27,503,218</b>

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
Average number of employees	2.284	2.192	1.486	1.389
Actual number of employees at the end of reporting period	2.280	2.221	1.486	1.423

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

## 12. INCOME TAX

For first quarter ended as at 31 March , the Company and the Group calculated income tax as follows:

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
	RON	RON	RON	RON
Current income tax	(133,746)	(1,894,224)	-	(1,491,700)
Small companies income tax	(13,992)	(3,607)	-	-
Deferred income tax:	(263,542)	(1,020,787)	(173,944)	93,249
- Deferred income tax credit	2,592,881	2,330,667	1,674,645	232,294
- Deferred income tax charge	(2,856,423)	(3,351,454)	(1,848,589)	(139,045)
<b>Income tax</b>	<b>(411,280)</b>	<b>(2,918,618)</b>	<b>(173,944)</b>	<b>(1,398,451)</b>

As at 31 March 2019 the Group has a deferred tax liability in amount of RON 71.521.012 and a deferred tax asset in amount of RON 3.685.076.

Reconciliation between income tax expense and the accounting profit multiplied by Romanian domestic tax rate for the quarter ended as at 31 March is as follows:

Unaudited	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
	RON	RON	RON	RON
<b>Profit before income tax</b>	<b>715,471</b>	<b>14,950,559</b>	<b>9,628,822</b>	<b>8,959,263</b>
Income taxes calculated at the nominal applicable tax rate (16%)	114,475	2,392,089	1,540,612	1,433,482
Tax effect of deductible / non-taxable elements, out of which:	(8,929,551)	(4,840,508)	(7,131,848)	(2,758,827)
- Fiscal depreciation	(5,585,870)	(4,143,380)	(4,075,735)	(2,188,261)
- Legal reserve	-	(45,732)	-	-
- Dividends income	(1,039,781)	(651,396)	(752,213)	-
- Income from reversal of allowances	(2,303,900)	-	(2,303,900)	(570,566)
Tax effect of taxable / non-deductible elements, out of which:	7,524,423	5,111,581	4,520,031	2,866,545
- Realization of revaluation reserve	1,019,381	1,296,613	614,473	645,609
- Accounting depreciation	3,410,442	2,954,373	2,038,271	1,750,328
- Allowances expenses	1,398,545	585,254	1,845,924	440,207
- Other items	1,696,055	275,341	21,363	30,401
Tax loss to be recovered	1,420,415	(840,353)	1,071,205	-
Deferred tax expenses arising from deferred tax assets	(934,973)	1,130,360	(1,202,422)	128,710
Deferred tax expenses arising from deferred tax liabilities	1,198,515	(109,573)	1,376,366	(221,959)
Tax credit, out of which:	-	(49,500)	-	(49,500)
- sponsoring expense	-	(49,500)	-	(49,500)
Effect of other tax rates	17,976	124,522	-	-
<b>Computed income tax / (tax loss)</b>	<b>411,280</b>	<b>2,918,618</b>	<b>173,944</b>	<b>1,398,451</b>
<b>Income tax reported in the statement of income</b>	<b>411,280</b>	<b>2,918,618</b>	<b>173,944</b>	<b>1,398,451</b>

## 13. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the reported period attributable to ordinary shareholders of the entity by the weighted average number of ordinary shares outstanding during the reported period.

Earnings per share - Unaudited amounts in RON	Consolidated		Separate	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
<b>Earnings</b>				
Net profit	304,191	12,031,941	9,454,878	7,560,812
Average number of shares	116,170,334	116,170,334	116,170,334	116,170,334
<b>Earnings per average number of shares</b>	<b>0.00</b>	<b>0.10</b>	<b>0.08</b>	<b>0.07</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**  
**as of 31 March 2019**  
*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

**14. PROPERTY, PLANT AND EQUIPMENT**

Movements in property, plant and equipment for the first quarter ended as at 31 March, were as follows:

**Consolidated**

Unaudited	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Assets from right of use of leased assets	Construction in progress	Total
	RON	RON	RON	RON	RON	RON	RON
<b>Cost</b>							
<b>At 31 December 2018 Restated</b>	<b>440,249,219</b>	<b>1,094,612,149</b>	<b>87,636,298</b>	<b>5,300,278</b>	<b>-</b>	<b>33,783,667</b>	<b>1,661,581,611</b>
Additions	-	-	-	-	973,590	21,686,722	22,660,312
Disposals	(26,298)	(488,573)	-	-	-	-	(514,871)
Transfers	1,285,600	21,482,185	255,894	237,540	1,062,935	(24,268,780)	55,374
Translation differences	2,756	8,367	-	7,558	-	-	18,681
<b>At 31 March 2019</b>	<b>441,511,277</b>	<b>1,115,614,128</b>	<b>87,892,192</b>	<b>5,545,376</b>	<b>2,036,525</b>	<b>31,201,609</b>	<b>1,683,801,107</b>
<b>Depreciation and impairment</b>							
<b>At 31 December 2018 Restated</b>	<b>(120,195,496)</b>	<b>(369,443,712)</b>	<b>(34,809,046)</b>	<b>(2,583,939)</b>	<b>-</b>	<b>-</b>	<b>(527,032,193)</b>
Depreciation charge for the period	(3,480,241)	(15,630,920)	(1,094,909)	(132,882)	(258,542)	-	(20,597,494)
Disposals	2,633	257,486	-	-	-	-	260,119
Transfers	(5,969)	1,342	(49,089)	(1,657)	-	-	(55,373)
Impairment	640,578	-	-	-	-	-	640,578
Translation differences	(2,468)	(3,904)	-	(5,649)	(630)	-	(12,651)
<b>At 31 March 2019</b>	<b>(123,040,963)</b>	<b>(384,819,708)</b>	<b>(35,953,044)</b>	<b>(2,724,127)</b>	<b>(259,172)</b>	<b>-</b>	<b>(546,797,014)</b>
<b>Net book value</b>							
At 31 March 2019	318,470,314	730,794,420	51,939,148	2,821,249	1,777,353	31,201,609	<b>1,137,004,093</b>

During the quarter ended 31 March 2018 the Group acquired property, plant and equipment amounting to RON 15,938,019.

The depreciation expense for the first quarter of 2018 was RON 18,272,792.

From January to March 2018, the Group disposed of property, plant and equipment in the amount of RON 840,491.

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**  
**as of 31 March 2019**  
*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

**14. PROPERTY, PLANT AND EQUIPMENT( continued)**

**Separate**

Unaudited	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Assets from right of use of leased assets	Construction in progress	Total
	RON	RON	RON	RON	RON	RON	RON
<b>Cost</b>							
<b>At 31 December 2018</b>	<b>167,445,340</b>	<b>665,908,716</b>	<b>14,322,019</b>	<b>3,075,885</b>	<b>-</b>	<b>27,391,205</b>	<b>878,143,165</b>
Additions	-	-	-	-	-	19,703,159	19,703,159
Disposals	-	(348,091)	-	-	-	-	(348,091)
Transfers	649,794	15,276,056	176,212	197,388	1,062,935	(17,362,385)	-
<b>At 31 March 2019</b>	<b>168,095,134</b>	<b>680,836,681</b>	<b>14,498,231</b>	<b>3,273,273</b>	<b>1,062,935</b>	<b>29,731,979</b>	<b>897,498,233</b>
<b>Depreciation and impairment</b>							
<b>At 31 December 2018</b>	<b>(29,991,339)</b>	<b>(218,514,068)</b>	<b>(6,922,915)</b>	<b>(1,249,148)</b>	<b>-</b>	<b>-</b>	<b>(256,677,470)</b>
Depreciation charge for the period	(1,488,340)	(10,513,667)	(378,866)	(76,750)	(129,300)	-	(12,586,923)
Disposals	-	223,275	-	-	-	-	223,275
<b>At 31 March 2019</b>	<b>(31,479,679)</b>	<b>(228,804,460)</b>	<b>(7,301,781)</b>	<b>(1,325,898)</b>	<b>(129,300)</b>	<b>-</b>	<b>(269,041,118)</b>
<b>Net book value</b>							
At 31 March 2019	136,615,455	452,032,221	7,196,450	1,947,375	933,635	29,731,979	<b>628,457,115</b>

Out of total property, plant and equipment as of 31 December 2018, properties with a net book value of RON 27,706,566 were pledged in favor of BCR (31 December 2018: RON 27,990,244).

During the quarter ended 31 March 2018 the Company acquired property, plant and equipment amounting to RON 14,475,260.

The depreciation expense for the first quarter of 2018 was RON 10,801,116.

From January to March 2018, the Company disposed of property, plant and equipment in the amount of RON 655,577.

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

**14. PROPERTY, PLANT AND EQUIPMENT( continued)**

**Lease**

Consolidated carrying amount of property, plant and equipment representing building, equipment and vehicles in lease as of 31 March 2019 was of RON 37,381,069 (31 December 2018: RON 36,707,839).

Separate carrying amount of property, plant and equipment representing equipment and vehicles in lease as of 31 March 2019 was of RON 6,879,677 (31 December 2018: RON 5,804,795).

**15. INTANGIBLE ASSETS**

Intangible assets consist of licenses, software, technical certificates valued at cost at reporting date and depreciation. Accounting and fiscal depreciation method used is the straight-line method.

Movements in intangible assets during the first quarter of 2019, ended as at 31 March, were as follows:

**Consolidated**

Unaudited	Licenses and trademarks RON	Other intangible assets RON	Intangible assets in progress RON	Total RON
<b>Cost</b>				
<b>At 31 December 2018 Restated</b>	<b>1,535,783</b>	<b>4,404,492</b>	-	<b>5,940,275</b>
Additions	2,186	1,188	-	3,374
Translation differences	-	1,504	-	1,504
<b>At 31 March 2019</b>	<b>1,537,969</b>	<b>4,407,184</b>	-	<b>5,945,153</b>
<b>Amortisation and impairment</b>				
<b>At 31 December 2018 Restated</b>	<b>(918,793)</b>	<b>(2,266,214)</b>	-	<b>(3,185,007)</b>
Amortisation	(67,407)	(182,115)	-	(249,522)
Translation differences	-	(479)	-	(479)
<b>At 31 March 2019</b>	<b>(986,200)</b>	<b>(2,448,808)</b>	-	<b>(3,435,008)</b>
<b>Net book value</b>				
At 31 March 2019	551,769	1,958,376	-	2,510,145

During the quarter ended 31 March 2018 the Group acquired intangible assets amounting to RON 138,224. The depreciation expense for the first quarter of 2018 was RON 285,346.

From January to March 2018, the Group disposed of intangible assets in the amount of RON 37,390.



**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

**15. INTANGIBLE ASSETS (continued)**

**Separate**

Unaudited	Licenses and trademarks RON	Other intangible assets RON	Intangible assets in progress RON	Total RON
<b>Cost</b>				
At 31 December 2018	812,397	2,499,827	-	3,312,224
Additions	2,186	1,188	-	3,374
At 31 March 2019	814,583	2,501,015	-	3,315,598
<b>Amortisation and impairment</b>				
At 31 December 2018	(592,333)	(1,025,929)	-	(1,618,262)
Amortisation	(25,607)	(126,668)	-	(152,275)
At 31 March 2019	(617,940)	(1,152,597)	-	(1,770,537)
<b>Net book value</b>				
At 31 March 2019	196,643	1,348,418	-	1,545,061

During the quarter ended 31 March 2018 the Company acquired intangible assets amounting to RON 49,197. The depreciation expense for the first quarter of 2018 was RON 138,431.

From January to March 2018, the Company did not record any disposal of intangible assets.

**16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

**16.1. Financial assets**

Unaudited	Consolidated		Separate	
	31 March 2019 RON	31 December 2018 Restated RON	31 March 2019 RON	31 December 2018 RON
<b>Other financial receivables</b>				
Investments in subsidiaries	-	-	298,566,221	290,262,969
Deposits for letters of guarantee	1,411,489	1,382,180	1,411,489	1,382,180
Granted guarantees, from which:	3,609,326	3,475,430	3,572,419	3,437,544
- Guarantees granted to related parties (note 24)	-	-	47,130	46,151
<b>Total other financial receivables</b>	<b>5,020,815</b>	<b>4,857,610</b>	<b>303,550,129</b>	<b>295,082,693</b>
<b>Total other financial assets</b>	<b>5,020,815</b>	<b>4,857,610</b>	<b>303,550,129</b>	<b>295,082,693</b>

TMK-Artrom holds the following investments in subsidiaries:

Subsidiaries	Headquarters	Shareholding
TMK Industrial Solutions LLC	10940 W.Sam Houston PKWY N., apartment 325 Houston, TX 77 064	100%
TMK-RESITA SA	36 Traian Lalescu Street, Resita, Caras-Severin, Romania	99.99237%
TMK-Italia S.r.l	Lecco, Piazza Degli Affari Street no.12, Italia	100%

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**  
**as of 31 March 2019**

*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

**16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

The financial investment of TMK-Artrom in the subsidiary TMK Industrial Solutions LLC is of 1,000 USD (exchange rate 4.0271 RON/USD). The Company presents the investment in TMK Industrial Solutions LLC at acquisition cost.

In 21 December 2018 TMK-Artrom purchased a number of 131,010,874 shares of TMK-Resita's share capital, representing 99.99237%, held by TMK Europe GmbH.

The price to be paid by TMK-Artrom for the number of 131,010,874 shares is EUR 62,290,000, representing RON 290,258,942 (exchange rate 4.6598 RON/EUR), that is EUR 0.475/share.

The Board of Directors of TMK-Artrom, legally gathered on 28 November 2018, decided to approve the acquisition by TMK-Artrom of all the shares held by TMK Global SA Geneva, Switzerland as sole shareholder in TMK Italia S.r.l. The transaction was finalized on 5 February 2019 at the price approved by the Board of Directors. The price for the purchase of 50,000 shares with a nominal value of EUR 1 each, in total EUR 50,000, representing 100% of the share capital of TMK Italia srl, is EUR 1,730,800 (RON 8,229,261.68), with a value of EUR 34.61 per share.

**Assets acquired and liabilities assumed**

The acquisition of the shares issued by TMK Italia occurred on 5 february 2019 but, by applying the pooling of interests' method, the Group's Consolidated Financial Statements, including the comparatives for 2018, reflect the acquisition of the subsidiary by TMK-Artrom as though such acquisition had acquired it at the same date as they had been acquired by its predecessor – the TMK group (at the level of the consolidated financial statements of PAO TMK). Thus, the Group restates the period prior to the combination in order to reflect that no change occurred with respect to the ultimate control.

The carrying value of assets and liabilities of TMK-Italia as at 1 January 2019, that have adjusted the opening balance of the earliest period presented under pooling of interest accounting, are summarized bellow:

	Carrying value of TMK Italia in TMK Global - 1 January 2019
Property, plant and equipment	27,235
Goodwill	22,285,574
Investments in subsidiaries	19,122
Cash and cash equivalents	10,402,434
Trade receivables	5,105,207
Inventories	-
Deferred tax asset	3,458,755
<b>TOTAL ASSETS</b>	<b>41,298,327</b>
Trade payables	7,317,020
Provision for risk and charges	2,200,961
Loans and lease	-
<b>TOTAL LIABILITIES</b>	<b>9,517,981</b>
<b>Net assets transferred</b>	<b>31,780,346</b>

The entity has reviewed for indications of significant impairment since the end of the most recent financial year (31 December 2018) to determine whether such a calculation is needed. As of 31 March 2019, the management has not identified any impairment indicators regarding the goodwill recognized in TMK Italy.

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

**16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

**16.2. Other financial liabilities**

**Interest-bearing long-term loans and borrowings**

Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
Long-term interest-bearing bank loans	166,235,684	154,095,426	166,235,684	154,095,426
Long-term interest-bearing borrowing-related parties (note 24)	72,297,097	69,404,123	72,297,097	69,404,123
<b>Balance of long-term loans</b>	<b>238,532,781</b>	<b>223,499,549</b>	<b>238,532,781</b>	<b>223,499,549</b>

Future repayments Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
Long- and short-term loans and borrowings, net of future interests	424,548,809	407,577,995	424,548,809	407,577,995
Interest payable at reporting date	1,136,593	1,166,818	1,136,593	1,166,818
Un-amortized cost of debt origination fees	(382,074)	(225,820)	(382,074)	(225,820)
<b>Total long- and short-term loans and related interest and un-amortized cost</b>	<b>425,303,328</b>	<b>408,518,993</b>	<b>425,303,328</b>	<b>408,518,993</b>
Future interests	22,563,427	20,547,869	22,563,427	20,547,869
<b>Total future repayments for loans and related interest</b>	<b>447,866,755</b>	<b>429,066,862</b>	<b>447,866,755</b>	<b>429,066,862</b>

## 16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### Interest-bearing long-term loans and borrowings

Bank	Type of loan	Currency	31 March 2019		Interest rate	Amount repayable equivalent RON	Amount repayable EUR/USD
			Contracted amount	Due date (mm/dd/yyyy)			
BCR ERSTE	Investment loan - 7 years	EUR	25,000,000	11/07/2023	3.40%	90,720,000	19,047,619
BCR ERSTE	overdraft	EUR	20,000,000	11/03/2020	EURIBOR 3M+margin	75,515,684	15,855,313
<b>Total long-term bank loans</b>						<b>166,235,684</b>	
TMK EUROPE GmbH	Long-term borrowing	USD	22,837,540	09/25/2022	Libor+0.5%	72,297,097	17,037,540
<b>Un-amortized long-term cost</b>						-	
<b>Total</b>						<b>238,532,781</b>	

Bank	Type of loan	Currency	31 December 2018		Interest rate	Amount repayable equivalent RON	Amount repayable EUR/USD
			Contracted amount	Due date (mm/dd/yyyy)			
BCR ERSTE	Investment loan - 7 years	EUR	25,000,000	11/07/2023	EURIBOR 3M+margin	94,388,452	20,238,095
BCR ERSTE	overdraft	EUR	20,000,000	11/03/2020	EURIBOR 3M+margin	59,706,974	12,801,941
<b>Total long-term bank loans</b>						<b>154,095,426</b>	
TMK EUROPE GmbH	Long-term borrowing	USD	22,837,540	09/25/2022	Libor+0.5%	69,404,123	17,067,540
<b>Un-amortized long-term cost</b>						-	
<b>Total</b>						<b>223,499,549</b>	

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

**16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

**Lease**

Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
Lease payments less than 3 months, gross	3,532,943	3,240,550	465,086	319,483
Lease payments between 3 and 12 months, gross	7,205,482	6,386,880	1,391,980	959,919
Lease payments between 1 and 5 years, gross	39,444,782	39,725,980	3,631,554	3,460,360
<b>Total minimum lease payments, gross</b>	<b>50,183,207</b>	<b>49,353,410</b>	<b>5,488,620</b>	<b>4,739,762</b>
Less: future finance charges	5,816,689	6,042,452	299,686	279,770
<b>Present value of minimum lease payments</b>	<b>44,366,518</b>	<b>43,310,958</b>	<b>5,188,934</b>	<b>4,459,992</b>

**Interest-bearing short-term loans and borrowings**

Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
Long-term interest-bearing bank loans, current portion	22,680,000	22,209,048	22,680,000	22,209,048
Short-term bank loans	159,092,628	157,795,799	159,092,628	157,795,798
Short-term interest-bearing borrowing - related parties (note 24)	4,243,400	4,073,600	4,243,400	4,073,600
Interest related to long-term bank loans	647,501	679,967	647,501	679,968
Interest related to short-term bank loans	291,725	296,862	291,725	296,862
Interest related to long-term borrowings - related parties (note 24)	197,367	189,988	197,367	189,988
Un-amortized short-term cost	(382,074)	(225,820)	(382,074)	(225,820)
<b>Total</b>	<b>186,770,547</b>	<b>185,019,444</b>	<b>186,770,547</b>	<b>185,019,444</b>

**Other long-term liabilities**

Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
Long-term sundry creditors	156,420	151,024	52,440	38,194
Long-term advances from customers	1,813,674	1,813,674	-	-
Investment subsidy	63,066	66,925	63,066	66,925
Long-term guarantees	195,733	192,675	51,267	51,210
<b>Balance of other long-term liabilities</b>	<b>2,228,893</b>	<b>2,224,298</b>	<b>166,773</b>	<b>156,329</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**  
**as of 31 March 2019**  
*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

**16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

Bank	Type of loan	Currency	31 March 2019		Interest rate	Amount repayable	
			Contracted amount	Due date (mm/dd/yyyy)		RON equivalent	EUR
UNICREDIT BANK	Credit for funding general needs	EUR	16,000,000	02/17/2019	EURIBOR 1M+margin	66,679,195	13,999,999
BANCA TRANSILVANIA	Uncommitted overdraft	EUR	20,000,000	07/11/2019	EURIBOR 3M+margin	92,413,433	19,403,173
<b>Total short-term bank loans</b>						<b>159,092,628</b>	
BCR ERSTE	Investment loan - 7 years current portion	EUR	25,000,000	11/07/2023	3.40%	22,680,000	4,761,905
<b>Total short part of long-term bank loans</b>						<b>22,680,000</b>	
TMK EUROPE GmbH	Long-term borrowing - current portion	USD	22,837,540	07/25/2023	Libor+0.5%	4,243,400	1,000,000
<b>Total long-term borrowings from related parties - current portion</b>						<b>4,243,400</b>	
<b>Total</b>						<b>186,016,028</b>	

Bank	Type of loan	Currency	31 December 2018		Interest rate	Amount repayable	
			Contracted amount	Due date (mm/dd/yyyy)		RON equivalent	EUR
UNICREDIT BANK	Credit for funding general needs	EUR	15,000,000	02/17/2019	EURIBOR 1M+margin	65,294,595	13,999,999
BANCA TRANSILVANIA	Uncommitted overdraft	EUR	20,000,000	07/11/2019	EURIBOR 3M+margin	92,501,203	19,833,445
<b>Total short-term bank loans</b>						<b>157,795,798</b>	
BCR ERSTE	Investment loan - 7 years current portion	EUR	25,000,000	11/07/2023	3.40%	22,209,048	4,761,905
<b>Total short part of long-term bank loans</b>						<b>22,209,048</b>	
TMK EUROPE GmbH	Long-term borrowing - current portion	USD	22,837,540	07/25/2023	Libor+0.5%	4,073,600	1,000,000
<b>Total long-term borrowings from related parties - current portion</b>						<b>4,073,600</b>	
<b>Total</b>						<b>184,078,446</b>	

## 16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### 16.3. Liabilities for investments in subsidiaries

Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
Amounts owed to entities in the group - short-term	66,460,291	57,474,348	66,460,291	57,474,348
Amounts owed to entities in the group - long-term	222,987,335	218,356,982	222,987,335	218,356,982
Interest on amounts owed to entities in the group	1,235,189	-	1,235,189	-
<b>Total liabilities for investments in subsidiaries</b>	<b>290,682,815</b>	<b>275,831,330</b>	<b>290,682,815</b>	<b>275,831,330</b>

In 21 December 2018 TMK-Artrom purchased a number of 131,010,874 shares of TMK-Resita's share capital, representing 99.99237%, held by TMK Europe GmbH.

The price to be paid by TMK-Artrom for the number of 131,010,874 shares is Euro 62,290,000 (exchange rate 4.6598 RON/EUR), that is Euro 0.475/share.

The price shall be paid by TMK-Artrom from its own financial resources as follows:

1. EUR 100,000 (RON 466,390) is to be paid within thirty (30) days from the execution of the sale-purchase agreement of the shares concluded between TMK-Europe GmbH and TMK-Artrom and the transfer of the ownership over the shares following the signing of TMK-Reșița's Shareholders (Shares) Registry by TMK Europe GmbH and TMK-Artrom;

2. The remaining price of EUR 62,190,000 (RON 290,047,941) shall be paid during a five (5) year period, starting with 2019, in equal installments of EUR 12,438,000 (RON 58,009,588) each, no later than 31 December for every year. TMK-Artrom may pay such installments in full or partially in advance, as well as to extend the payment term for such installments (implicitly reducing the value of the installments) for another period of maximum five (5) years, depending on the available financial resources.

As a principle, because this contract provides payment in instalments, without interest, in accordance with IFRS 9, the debt to TMK Europe it is presented at fair value.

The initial amount was discounted at the interest rate for a similar loan - the last received from BCR - using the interest rate of 1.9% resulting in a difference of EUR 3,148,224 (RON 14,683,001). Being an off market transaction due from the relationship with shareholders, the difference between the fair value and the nominal value is transferred as equity item.

The Board of Directors of TMK-Artrom, legally gathered on 28 November 2018, decided to approve the acquisition by TMK-Artrom of all the shares held by TMK Global SA Geneva, Switzerland as sole shareholder in TMK Italia S.r.l. The transaction was finalized on 5 February 2019 at the price approved by the Board of Directors. The price for the purchase of 50,000 shares with a nominal value of EUR 1 each, in total EUR 50,000, representing 100% of the share capital of TMK Italia srl, is EUR 1,730,800 (RON 8,229,261.68), with a value of EUR 34.61 per share. The price was agreed by TMK-Artrom and TMK Global SA on the basis of the valuation report issued by Darian DRS SA on 27 November 2018 and which evaluated the shares taking into account the value as at 31 October 2018. The price will be paid by TMK-Artrom from the resources own financial instruments within 90 days of the date of signing of the share sale purchase agreement by TMK Global and TMK-Artrom.



**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

**17. OTHER NON-CURRENT ASSETS**

Unaudited	Consolidated		Separate	
	31 March 2019 RON	31 December 2018 Restated RON	31 March 2019 RON	31 December 2018 RON
Prepayments for property, plant, and equipment	1,463,546	1,400,986	1,008,100	1,087,580
Gas emission certificates with greenhouse effect	-	-	1,946,688	2,232,688
Prepaid expenses	104,013	456,272	104,013	318,831
- Prepaid expenses - related parties	54,890	295,501	54,890	295,502
Other non-current assets	72,591	31,637	-	-
<b>Total</b>	<b>1,640,150</b>	<b>1,888,895</b>	<b>3,058,801</b>	<b>3,639,099</b>

The prepayments represent advances paid to various third party suppliers, mainly for the acquisition of production equipment.

**18. INVENTORIES**

Inventories consist of the following:

Unaudited	Consolidated		Separate	
	31 March 2019 RON	31 December 2018 Restated RON	31 March 2019 RON	31 December 2018 RON
Raw materials	48,453,867	49,802,332	63,548,365	61,500,287
Finished goods in transit	24,880,708	40,620,391	24,880,708	40,620,392
Work in progress	28,555,635	26,139,295	27,168,068	25,158,689
Finished goods	32,659,952	32,022,485	36,875,032	36,310,870
Consumables	79,871,123	82,664,404	22,434,734	24,104,586
Semi-finished goods	87,673,549	78,910,397	20,320,167	15,759,626
Merchandise at third parties (in transit)	21,015,276	2,930,311	21,015,276	2,930,311
Consigned finished goods	2,152,431	1,459,332	2,152,431	1,459,332
Other materials	10,179,024	8,690,647	7,483,452	5,734,967
Raw materials and consumables at third parties	1,124,176	845,658	285,489	495,805
Materials in transit	13,260	1,177,720	13,260	-
Merchandise and packaging	446,869	446,869	16,869	16,869
Raw materials to be purchased	-	159,814	-	-
<b>Total</b>	<b>337,025,870</b>	<b>325,869,655</b>	<b>226,193,851</b>	<b>214,091,734</b>

The finished goods, semi-finished goods and work in progress are valued considering the net realizable value. The management of the Company has analysed the ageing of the inventories and considered the implications in establishing the net realizable value of the old inventories. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. For raw materials specific analysis are made considering obsolescence of items in balance.

In the first quarter of 2019, were set up allowances for inventories considering net realizable value – the movement of the adjustments is presented below:

Unaudited	Consolidated		Separate	
	31 March 2019 RON	31 December 2018 Restated RON	31 March 2019 RON	31 December 2018 RON
<b>Balance 1 January</b>	<b>17,774,360</b>	<b>13,971,105</b>	<b>9,074,946</b>	<b>5,384,770</b>
Additional allowances set	8,494,545	14,271,058	8,494,545	13,754,852
Resumption / Allowances used	(9,081,649)	(10,467,803)	(9,074,946)	(10,064,676)
<b>Balance at the end of reporting period</b>	<b>17,187,256</b>	<b>17,774,360</b>	<b>8,494,545</b>	<b>9,074,946</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

**19. TRADE AND OTHER RECEIVABLES (CURRENT)**

Trade receivables consist of the following:

Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
Trade receivables, from which:	311,858,765	300,285,280	300,298,501	285,098,098
- Receivables from other related parties (note 24)	273,853	769,915	7,809,938	8,542,585
Other receivables - VAT	11,197,541	12,744,649	15,508,906	18,456,168
Sundry debtors, from which:	3,936,536	3,851,479	1,358,980	1,085,226
- Sundry debtors - related parties (note 24)	4,690	321,599	187,938	360,125
Other receivables - penalty and fines	(19)	(26)	-	-
Employee claims	985,681	492,257	582,825	375,722
Settlements between affiliates	-	-	4,714,889	-
Recoverable income tax	2,126,926	554,714	45,669	-
Other social receivables	1,480,429	1,470,975	1,480,429	1,470,975
<b>Less:</b>				
Allowance for doubtful accounts receivable	(16,300,483)	(15,939,995)	(1,770,895)	(1,566,701)
Allowance for sundry debtors	(2,593,834)	(2,593,834)	-	-
<b>Total</b>	<b>312,691,542</b>	<b>300,865,499</b>	<b>322,219,304</b>	<b>304,919,488</b>

Starting with May 2015 TMK-Artrom and TMK-Reșița form a single fiscal group only for the purpose of VAT operations. TMK-Artrom is the representative of the fiscal group. The monthly payment obligation of TMK-Reșița is offset by the VAT refunded by TMK-Artrom through the consolidation of the tax group.

The following summarises the changes in the allowance for doubtful sundry debtors:

Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
<b>At 1 January</b>	<b>2,593,834</b>	<b>2,023,558</b>	-	-
Impairment adjustments expenses	-	556,065	-	-
Used	-	14,211	-	-
<b>At 31 March</b>	<b>2,593,834</b>	<b>2,593,834</b>	-	-

The following summarises the changes in the allowance for doubtful receivable:

Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
<b>At 1 January</b>	<b>15,939,995</b>	<b>15,855,310</b>	<b>1,566,701</b>	<b>2,242,756</b>
Impairment adjustments expenses	429,574	1,372,700	207,194	301,788
Used	(350,348)	(1,300,532)	(3,000)	(977,843)
Translation differences	281,262	12,517	-	-
<b>At 31 March</b>	<b>16,300,483</b>	<b>15,939,995</b>	<b>1,770,895</b>	<b>1,566,701</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

## 20. PREPAYMENTS

Prepayments consist of the following:

Unaudited	Consolidated		Separate	
	31 March 2019 RON	31 December 2018 Restated RON	31 March 2019 RON	31 December 2018 RON
Prepayments for services, inventories, from which:	652,175	796,970	44,741,842	40,107,536
- Prepayments for services, inventories - related parties (note 24)	-	-	44,124,647	39,335,965
Prepaid expenses	14,323,411	2,105,802	10,184,849	1,743,947
- Prepaid expenses - related parties	92,544	24,660	-	-
Selling and distribution expenses registered in advance until the date of transfer of customer control over the goods	755,584	2,121,141	755,584	2,121,141
Income tax, VAT, interest and penalties appealed, computed according to the Fiscal Inspection Report F-MC15/08.02.2016	1,941,576	1,941,576	1,941,576	1,941,576
<b>Total</b>	<b>17,672,746</b>	<b>6,965,489</b>	<b>57,623,851</b>	<b>45,914,200</b>

The amount of RON 44,124,647 (without VAT) represents advances given to TMK-Reșița (31 December 2018: RON 39,335,965).

Prepaid expenses consist mainly of local taxes and insurance policies for up to one year for equipment and discontinuation of activity, product insurance, life insurance and health insurance for employees.

## 21. CASH AND SHORT-TERM DEPOSITS

In coherence of the statement of cash flows, cash and cash equivalents comprise the following:

Unaudited	Consolidated		Separate	
	31 March 2019 RON	31 December 2018 Restated RON	31 March 2019 RON	31 December 2018 RON
Cash at banks in foreign currency	17,751,102	27,117,193	5,300,226	13,705,719
Cash at banks in RON	1,273,100	3,439,418	594,493	2,451,724
Short-term deposits	224,230	767,347	224,230	767,347
Other cash equivalents	443	481	380	289
Cash on hand	9,575	6,922	-	-
<b>Total</b>	<b>19,258,450</b>	<b>31,331,361</b>	<b>6,119,329</b>	<b>16,925,079</b>

The cash includes cash on hand and cash at banks, in RON and in foreign currency (EUR, USD, GBP) and also other cash equivalents (treatment vouchers).

Short-term deposits Unaudited	Consolidated		Separate	
	31 March 2019 RON	31 December 2018 Restated RON	31 March 2019 RON	31 December 2018 RON
in RON	4,841	767,347	4,841	767,347
in EURO	219,389	-	219,389	-

### Other current assets

Unaudited	Consolidated		Separate	
	31 March 2019 RON	31 December 2018 Restated RON	31 March 2019 RON	31 December 2018 RON
Deposits for letters of guarantee	849,504	1,046,698	849,504	1,046,698
<b>Total</b>	<b>849,504</b>	<b>1,046,698</b>	<b>849,504</b>	<b>1,046,698</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

## 22. SHARE CAPITAL

### Share capital

Subscribed and paid share capital Unaudited	Number of shares	Nominal Value RON / share	Subscribed share capital RON	Total RON
Balance 1 January 2019	(116,170,334)	2.51	(291,587,538)	(291,587,538)
Balance at 31 March 2019	(116,170,334)	2.51	(291,587,538)	(291,587,538)

## 23. TRADE AND OTHER PAYABLES (CURRENT)

Trade and other payables consists of the following:

Unaudited	Consolidated		Separate	
	31 March 2019 RON	31 December 2018 Restated RON	31 March 2019 RON	31 December 2018 RON
Current trade payables, from which:	260,226,463	257,443,217	145,198,175	137,282,485
- Intercompany trade payables (note 24)	87,789,585	85,119,326	78,739,791	71,629,829
Payables for non-current assets	13,131,387	21,476,994	10,110,802	14,104,158
Bills of exchange payable	545,469	387,371	545,469	387,371
Short-term guarantees	1,141,722	1,196,008	634,716	635,753
Accrued and other liabilities	2,947,810	181,385	1,265,464	20,698
<b>Total financial liability</b>	<b>277,992,851</b>	<b>280,684,975</b>	<b>157,754,626</b>	<b>152,430,465</b>
Accrued and withheld taxes on payroll	14,149,578	11,043,914	11,303,181	8,583,615
Salaries and Wages	4,165,926	3,458,422	2,476,577	2,332,344
Advances from customers	2,389,598	997,116	465,399	679,297
Income tax liabilities	-	-	-	1,686,487
Liabilities for other taxes	202,523	281,417	126,914	227,673
<b>Total non-financial liability</b>	<b>20,907,625</b>	<b>15,780,869</b>	<b>14,372,071</b>	<b>13,509,416</b>
<b>Grand total</b>	<b>298,900,476</b>	<b>296,465,844</b>	<b>172,126,697</b>	<b>165,939,881</b>

Advances from customers consist of amounts received in advance according to the contracts signed with customers.

## 24. TRANSACTIONS WITH RELATED PARTIES

TMK EUROPE GmbH Germania, company which is part of PAO TMK, is the major shareholder of TMK - Artrom.

The Company is part of PAO TMK group. PAO TMK is a producer of steel pipes in top 3 at worldwide level and it has 24 units of production in United States, Russia, Romania and Kazakhstan and 2 R&D centres (Research and Development) in Russia and United States. The biggest part of TMK sales refers to steel pipes for oil and natural gas industry and pipes for industrial purposes with high margin, in 85 countries.

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

**24. TRANSACTIONS WITH RELATED PARTIES (continued)**

The Company has relations with the following related parties from TMK group:

Society	Country home	Relationship
- PAO TMK Russia	Russia	ultimate parent
- TMK Europe GmbH Koln, Germania	Germany	parent (major shareholder)
- TMK IPSCO INTERNATIONAL, L.L.C., USA	USA	Related, under common control
- TMK Middle East, Dubai, United Arab Emirates	United Arab Emirates	Related, under common control
- TMK-REȘIȚA S.A. Reșița	Romania	Related, under common control
- TMK Italia s.r.l. Lecco, Italia	Italy	Related, under common control
- Sinarsky pipe plant RUSIA	Russia	Related, under common control
- OJSC Volzsky Pipe Plant RUSIA	Russia	Related, under common control
- RosNITI JSC RUSIA	Russia	Related, under common control
- TMK-Inox RUSIA	Russia	Related, under common control
- Trade House TMK	Russia	Related, under common control
- TMK Assets SRL	Romania	Related, under common control
- Land Properties Investments	Romania	Related, under common control
- Sarl Prieure Saint Jean de Bebian	France	Related, under common control
- TMK Industrial Solutions LLC, Houston	USA	Related, subsidiary sole control
- ORSKY Machine Building Plant Russia	Russia	Related, under common control
- Completions Development Sarl	Luxemburg	Related, under common control

**The balances of transactions with related parties**

Trade Receivables Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
TMK-REȘIȚA	-	-	7,611,198	7,461,476
TMK Industrial Solutions LLC, Houston	-	-	-	691,154
PAO TMK Russia	198,383	448,237	198,383	388,527
TMK Assets Bucharest	-	-	357	1,428
TMK IPSCO International USA	75,470	321,678	-	-
<b>Total</b>	<b>273,853</b>	<b>769,915</b>	<b>7,809,938</b>	<b>8,542,585</b>

Other Assets Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
TMK-REȘIȚA (advances for purchase of goods)	-	-	44,124,647	39,335,965
TMK Industrial Solutions LLC, Houston (sundry debtors)	-	-	46,098	407
PAO TMK (sundry debtors)	-	319,500	-	319,500
TMK Assets Bucharest (long-term receivables - guarantees)	-	-	47,130	46,151
TMK RESITA S.A. (sundry debtors)	-	-	137,150	36,532
Trade House TMK Russia (sundry debtors)	2,143	2,099	2,143	2,099
TMK Assets Bucharest (sundry debtors)	-	-	-	1,587
TMK Industrial Solutions LLC, Houston (settlements between affiliates)	-	-	4,714,889	-
Completions Development Sarl (sundry debtors)	2,547	-	2,547	-
<b>Total</b>	<b>4,690</b>	<b>321,599</b>	<b>49,074,604</b>	<b>39,742,241</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**  
**as of 31 March 2019**

*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

**24. TRANSACTIONS WITH RELATED PARTIES (continued)**

Trade Payables Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
PAO TMK Russia	75,168,296	72,170,591	72,818,167	67,323,716
TMK Europe GmbH Germany	11,805,700	11,982,957	3,176,887	1,590,059
TMK Industrial Solutions LLC, Houston	-	-	1,690,052	2,061,880
TMK Italia s.r.l. Italy	-	-	1,053,104	622,701
RosNITI JSC Russia	-	31,473	-	31,473
TMK Assets Bucharest	-	-	1,581	-
TMK-Inox Russia	815,589	934,305	-	-
<b>Total</b>	<b>87,789,585</b>	<b>85,119,326</b>	<b>78,739,791</b>	<b>71,629,829</b>

Other liabilities Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
TMK Europe GmbH (borrowing)	76,540,497	73,477,723	76,540,497	73,477,723
TMK Europe GmbH Germany (interest owed at reporting date)	197,367	189,988	197,367	189,988
TMK Europe GmbH Germany (amounts owed to group's entities)	282,439,361	275,831,330	282,439,361	275,831,330
TMK GLOBAL (amounts owed to group's entities)	-	-	8,243,454	-
<b>Total</b>	<b>359,177,225</b>	<b>349,499,041</b>	<b>367,420,679</b>	<b>349,499,041</b>

**Transactions with related parties**

Sales (Revenue) Unaudited	Object of the transaction	Consolidated		Separate	
		31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
		RON	RON	RON	RON
TMK-REȘIȚA	waste product, pipes, perceives commission, management services	-	-	11,273,243	9,424,734
TMK Industrial Solutions LLC	pipes for resale	-	-	282,927	2,915,642
PAO TMK	claim for billets - raw material	(198,383)	1,109,170	(198,383)	1,109,170
TMK Middle East	pipes	364,422	907,918	364,422	907,918
TMK Assets	management services	-	-	900	900
TMK IPSCO International	pipes	96,942	372,865	-	-
<b>Total</b>		<b>262,981</b>	<b>2,389,953</b>	<b>11,723,109</b>	<b>14,358,364</b>

**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

**24. TRANSACTIONS WITH RELATED PARTIES (continued)**

Purchases Unaudited	Object of the transaction	Consolidated		Separate	
		31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018
		RON	RON	RON	RON
TMK-REȘIȚA	billets - raw material, other materials	-	-	157,737,020	149,094,302
PAO TMK	pipes and blooms for resale, consulting services, financial costs	66,861,025	41,355,465	66,861,025	41,355,465
TMK Industrial Solutions LLC	agent commission for sales of pipes produced by TMK-Artrom and pipes of Russian origin	-	-	2,284,138	2,909,367
TMK Europe GmbH	agent commission for pipes sales, materials for own consumption, spare partes	14,587,599	14,935,013	4,846,154	2,346,454
TMK Italia s.r.l.	agent commission for pipes sales	-	-	3,094,365	2,433,076
Taganrog metallurgical Works	sole representative services	-	14,657,608	-	-
TMK Assets	rent and apartment maintenance	-	-	139,923	138,341
RosNITI JSC	research and development services	36,242	-	36,242	-
Sarl Prieure Saint Jean de Bebian	protocol expenses	-	14,762	-	14,762
TMK INOX Russia	steel pipes for resale	-	135,401	-	-
OJSC Volzsky Pipe Plant Russia		-	14,941,341	-	-
TMK GLOBAL Switzerland		8,229,262	-	8,229,262	-
<b>Total</b>		<b>89,714,128</b>	<b>86,039,590</b>	<b>243,228,129</b>	<b>198,291,767</b>

**Borrowings within the Group – long-term and short term**

The company TMK EUROPE GmbH Germany is the lender with the amount of RON 76,540,497 representing USD 18,037,540, related to the loan agreement w/n/01.12.2008, respectively the assignment of receivables no. 054/20.02.2002 from AVAS (AVAB) in initial amount of USD 22,837,540 and RON 38,425. RON 4,243,600, equivalent of USD 1,000,000, represent short-term liabilities and amount of RON 72,297,097 equivalent of USD 17,037,540 represent long-term liabilities.

In 2015 have been reimbursed USD 4,800,000 and RON 38,425.07 from the loan in accordance with the payment schedule.

In 18 December 2018 was concluded Addendum no.4 on which parties agree about repayment of USD 1,000,000 in second half of the year 2019, and starting with January 2020, Borrower will continue the reimbursement if remaining outstanding amount of USD 17,037,540.03 as following: 42 installments in amount of USD 400,000 and the last one in amount of USD 237,540.03 on the 25th day of each month.

The interest due by TMK-Artrom on 31 March 2019 is of USD 46,511.55, respectively RON 197,367.11.



**TMK-ARTROM S.A.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS**

as of 31 March 2019

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

**24. TRANSACTIONS WITH RELATED PARTIES (continued)**

**Management compensation**

Cash compensations formed from monthly remuneration and paid yearly KPI bonuses, including the correspondent taxes, granted to managers with mandate and members of the Board of Directors from TMK-Artrom and its subsidiaries, in the first quarters of 2018 and 2019 were in gross amounts as follow:

Quarter	Number of persons	Fixed remuneration	Bonus
Q1 2018	13	RON 4,010,987	RON 4,051,344
Q1 2019	13	RON 4,424,553	RON 4,692,146

**25. PROVISIONS**

Other short-term provisions Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
Accruals for managers bonuses	3,218,116	7,560,866	2,417,102	5,236,353
Provisions for taxes	1,941,574	1,941,574	1,941,576	1,941,576
Provisions for emission certificates	832,918	668,096	832,918	668,096
Provisions for quality complaints material cost	175,589	165,761	175,589	165,761
Provisions for quality complaints additional cost	51,444	126,066	51,445	126,066
Accruals for unused vacations	157,262	114,533	8,663	31,964
Provision for employment compensation	312,644	138,858	-	-
Provisions for risks and expenses	1,539,140	1,539,140	-	-
<b>Total</b>	<b>8,228,687</b>	<b>12,254,894</b>	<b>5,427,293</b>	<b>8,169,816</b>

Other long-term provisions Unaudited	Consolidated		Separate	
	31 March 2019	31 December 2018 Restated	31 March 2019	31 December 2018
	RON	RON	RON	RON
Provisions for decommissioning property, plant and equipment	219,350	219,350	219,350	219,350
Accruals for managers bonuses	648,405	402,834	526,078	336,199
<b>Total</b>	<b>867,755</b>	<b>622,184</b>	<b>745,428</b>	<b>555,549</b>

**26.COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Group's total commitments for the acquisition of property, plant and equipment as at 31 March 2019 are of RON 6,714,466 (31 December 2018: RON 6,335,794).

Company's total commitments for the acquisition of property, plant and equipment as at 31 March 2019 are of RON 5,481,752 (31 December 2018: RON 5,621,331).

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

## **26.COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)**

### *Contingent assets*

TMK-Reșița owns an old equipment, which was removed from service in 1993 due to the abandonment of the production of liquid-based steel, called Furnace no. 2. This equipment can not be disposed because it is included in the List of Historical Monuments, so that approximately 9,000 tonnes of scrap can not be valued from its demolition.

TMK-Reșița started an action to downgrade the Furnace no.2 from the Historical Monuments list, action that was rejected by the Ministry of Culture and National Heritage, which justified that the documentation submitted by TMK-Reșița is incomplete and it is necessary to carry out a historical study by an expert certified by the Ministry of Culture and technical expertise elaborated by certified technical experts.

There was also an execution file against the Ministry of Culture and National Heritage requesting the enforcement of the Civil Sentence irrevocable by Decision of the High Court of Cassation and Justice, for the purpose of issuing a decision regarding the applicant's request TMK-Reșița to declassify the Furnace.

The Ministry of Culture and National Heritage replied again that the documentation is incomplete.

The company will continue to act on all legal ways to obtain a declassification of the furnace which is subject to physical degradation and presents risk of accidents being located within the factory in the railway transport area that serves the production workshops

### Litigations against National Fiscal Administration Agency ("ANAF")

#### 1. TMK-Artrom

Litigation against National Fiscal Administration Agency ("ANAF") and General Department for the Administration of Big Contributors ("DGAMG")

TMK-Artrom challenged the Fiscal report no. F - MC 15 of 8 February 2016, the Decision regarding the supplementary fiscal obligations no. F - MC 4 of 8 February 2016 and the Decision regarding the non-change of the base of taxes no. F - MC5 of 8 February 2016, requesting the court (i) mainly, to annul the fiscal report and all the following deeds, (ii) secondary, the annulment of the Decision no. 42 of 7 October 2016 regarding the decision to reject the contestation filed by the company, the annulment in part of the fiscal report and the supplementary income decision regarding the income taxes in amount of 727,223 RON, interest rate/delay increases in amount of RON 1,392,488 and delay penalties in amount of RON 239,693, the monthly VAT in amount of RON 481,237, interest rate/delay increases in amount of RON 867,632 and delay penalties in amount RON 158,622 and the interest rate/delay increases and delay penalties calculated for the period 20 July 2010 – 15 December 2015; and (iii) the obligation to the payment of the trial expenses. On 13 October 2017, Bucharest Court of Appeal ruled against the claim. TMK-Artrom filed appeal. The first hearing is set with the High Court of Justice and Cassation on 18 June 2020.

TMK-Artrom paid the supplementary debts for the income taxes under the terms and conditions set by the Emergency Ordinance 44/2015. Therefore, TMK-Artrom paid the amounts set in the fiscal report after the decrease of such taxes by (i) 77.1% for the delay increases and (ii) 54.2% of the interest rate. Furthermore, the delay penalties set for TMK-Artrom had been canceled.

#### 2. TMK-Reșița

Litigation against National Fiscal Administration Agency ("ANAF") and General Department for the Administration of Big Contributors ("DGAMG").

## **26.COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)**

TMK-Reșița challenged the Fiscal report no. F-MC 318 of 15 October 2014, the Decision regarding the supplementary fiscal obligations no. F-MC 1538 of 15 October 2014, the Decision regarding the measures set by the fiscal inspectors no. 87050 of 14 October 2014 and the Decision regarding the non-change of the base of taxes no.F-MC 1539 of 15 October 2014, requesting the court (i) mainly, to annul the fiscal report and all the following deeds, (ii) secondary, the annulment of the Decision no. 178 of 16 June 2015 regarding the decision to reject the contestation filed by the company, the annulment in part of the fiscal report and the supplementary income decision regarding the income tax for individuals in amount of RON 11,194, monthly VAT in amount of RON 544,300, interest rate/delay increases in amount of RON 1,161,841 and delay penalties in amount of RON 84,985, monthly VAT in amount of RON 41,037, interest rate/delay increases in amount of RON 76,307 and delay penalties in amount of RON 6,156, monthly VAT in amount of RON 58,928, interest rate/delay increases in amount of RON 131,085 and delay penalties in amount of RON 8,839, the amount of RON 393,453 representing the interest rate/delay increases and delay penalties calculated for the period 28 December 2011 – 25 September 2014; (iii) the modification of the decision regarding the measures of the fiscal authority based on the annulment in part of the fiscal report and the decision regarding the supplementary fiscal obligations for the amounts mentioned above; and (iv) the obligation to the payment of the trial expenses. On 21 April 2016, Bucharest Court of Appeal ruled against the claim. TMK-Reșița filed appeal. The first hearing is set with the High Court of Justice and Cassation on 20 June 2019.

TMK-Reșița paid the supplementary debts for the income taxes under the terms and conditions set by the Emergency Ordinance 44/2015. Therefore, TMK-Reșița paid the amounts set in the fiscal report after the decrease of such taxes and the annulment of the delay penalties.

### **Taxation**

The taxation systems in Romania and in the jurisdictions where the Group operates are undergoing continuous developments. Thus, it is subject to various interpretations and constant changes which may sometimes be retroactive. In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant. In Romania, the fiscal year remains open for tax audit for a period of 5 years, all the Romanian companies of the Group having this period open. The management considers that the tax liabilities included in these financial statements are adequate.

In accordance with the requirements issued by the Ministry of Public Finance in Romania, which relate to the fiscal treatment of the items of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts due to their nature, should the Group change the destination of the statutory reserves in the future (to cover losses or to make distributions to the shareholders), this will lead to additional income tax liabilities.

Seamless steel tubes originating in Romania with outside diameter less than or equal to 114.3 mm and intended for use as pipe, standard or high pressure applications are subject to anti-dumping duty, applicable to imports into the United States. This fee is applicable since 2000, differentiated by each manufacturer – TMK-Artrom with a percentage of 13.06%. TMK-Artrom supply of such products are minor and not a target product for the US market, TMK-Artrom SA, not taking part in the previous administrative review investigations.

On 7 August 2018, the Commerce Department of the United States published a notice regarding the opportunity to review the fees stated above. Being the end of a new period allowing the revision administrativa at the request of interested parties, in October 8, 2018, was initiated the review of the fees outlined above, including TMK Artrom SA.

## **26.COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)**

TMK-Artrom decided to participate voluntarily and seek reduction/elimination of the fee even if the amount of such pipes delivered on US market is small during the investigated period. During the period 01 August 2017 - 31 July 2018 the deliveries do not exceed 500 tons, a small volume compared to the total volume of pipes shipped in the US. Following this investigation, the American Commerce Department may decide to reduce anti-dumping duty, the elimination or maintaining it up to date 01 September 2021, the expiration date of the current antidumping decision. Non-participation in this request from the Department of Commerce of the United States would impact in the increase of the tax if in the dumping investigation procedure an equivalent country with higher costs would be selected.

### **Foreign currency risk**

The Company's exposure to foreign currency risk relates to sales, purchases and borrowings denominated in a currency other than the functional currency of the Company. The currencies in which these transactions and balances are denominated are EUR and USD.

The Company in 2018 did not sign EUR/RON and USD/RON forward contracts in order to cover the exposure to foreign currency risk, because the management considers that the evolution of exchange rate cannot bring variations that will produce significant losses to the Company. Due to changes in RON/EUR exchange rate from 31 December to 31 March, the Group recorded foreign exchange loss of RON 14,060,427 and the company has recorded a foreign exchange loss of RON 12,936,530, mainly related to loans denominated in EUR.

## **27. EVENTS AFTER THE REPORTING PERIOD**

On 1 April 2019, TMK-Reșița concluded with Reșița Municipality a contract for the sale of real estate (land and buildings) with a total value of RON 12,656,994 with an advance payment of RON 1,707,698.61 which consisted in the compensation of local taxes and duties owed by TMK-Reșița as at 31 March 2019. According to the clauses of the contract, the difference of RON 10,949,296 will be offset in several annual installments at the due dates for the local taxes and duties of TMK-Reșița to Reșița Municipality, but no later than 31 December 2025.

On 05 April 2019, the Ordinary General Shareholders' Meeting of the Company approved the distribution of dividends from the net profit of the year ended at 31 December 2018 in total amount of RON 14,280,000 with the payment date 04 October 2019.

On 05 April 2019, the Extraordinary General Shareholders' Meeting of the Company approved the increase of the share capital with maximum RON 188,250,000 (the amount not including any issuance premium, if the case may be), through cash contribution, from the current value of RON 291,587,538.34 to the maximum amount of RON 479,837,538.34, by issuance of maximum 75,000,000 new shares with the nominal value of RON 2.51 each, for the purpose of raising cash in order to reduce the debts of the Company. The actual amount with which the share capital will be increased will be determined upon the expiration of the period allotted to the exercise of the preemption rights, as such period will be established by the Board of Directors, based on the subscriptions of the shareholders who will have exercised their preemption rights.

On 15 April 2019, the General Shareholders' Meeting of TMK Italia has approved the distribution of gross dividends in amount of EUR 350,713 from the profit of the year ended on 31 December 2018.

**as of 31 March 2019**

*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

---

## **27. EVENTS AFTER THE REPORTING PERIOD (continued)**

On 16 April 2019 TMK-Artrom, as borrower, entered into a credit facility agreement with VTB BANK (EUROPE) SE, as arranger and facility agent and original lender, according to which the bank will make available a revolving credit facility in aggregate amount of EUR 20,000,000 with an initial maturity date of 12 months from the execution date and subject to maximum two extension (with the aggregate maturity date, following the second extension, of 36 months from the execution date of the Facility agreement) for:

- a) general corporate purposes of the borrower;
- b) financing of working capital needs of the borrower;
- c) refinancing of existing indebtedness of the borrower (it is envisioned that 14 million EUR of the Company's current banking loans are to be refinanced through this facility);
- d) trade finance operations of the borrower.

No other significant subsequent events that may have an impact on the financial statements are to be mentioned.

Date: 22 April 2019

**Chief Executive Officer,**  
**Ing. Popescu Adrian**

**Chief Economical and Accountancy Officer,**  
**Ec. Văduva Cristiana**