

TMK-ARTROM S.A.

Consolidated and Separate Semestrial Report as at 30 June 2019



REPORT OF THE BOARD OF DIRECTORS

as at 30.06.2019, prepared in accordance with ORDER MFP 881 and 2844/12.12.2016 with subsequent amendments and additions to the Accounting Regulations compliant with International Financial Reporting Standards, of Law no. 24/2017 on issuers of financial instruments and market operations and the ASF Regulation no. 5/2018 on issuers of financial instruments and market operations regarding the consolidated activity of the TMK-ARTROM Group and the TMK-ARTROM parent company for the 1st semester 2019

Report date: 09 August 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.



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Brief presentation of the Company and the Group

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

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



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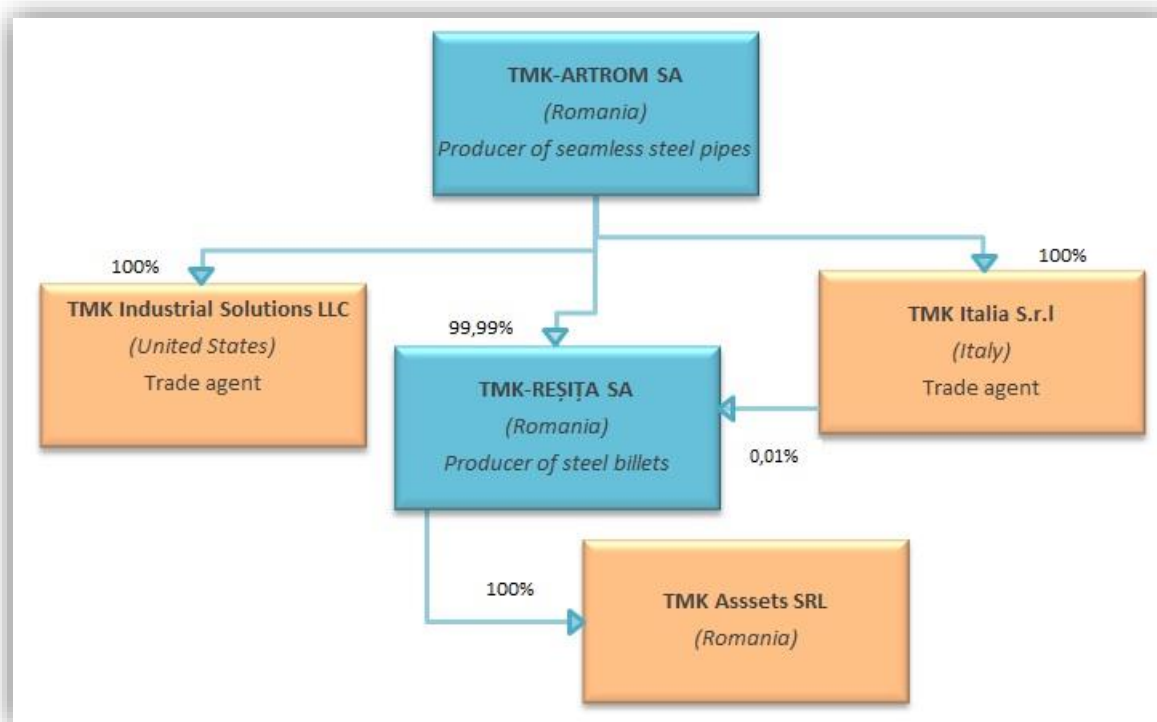
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The structure of the Group as at 30 June 2019



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 Unaudited and Restated Interim Condensed Consolidated Financial Statements of the Group for the period of six-months ended on 30 June 2019 which includes comparatives with the restated information for the period of six months ended 30 June 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.

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 Consolidated Financial Statements of the Group for 2019.

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

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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 Restated Interim Condensed Financial Statements comprise the financial statements of the Company and its subsidiaries as at 30 June 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 2019, 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, The Group's Consolidated Financial Statements, including the comparatives of 2019, 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).

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.



Financial indicators

TMK-ARTROM Group in RON

Financial indicators	30 June 2019 <i>Unaudited</i>	30 June 2018 <i>Restated and Unaudited</i>
Production of pipes(tons)	96,819	98,193
Sale of pipes production TMK -Artrom (tons)	99,439	100,337
Revenues	675,381,236	715,373,179
Profit of the financial year	14,970,583	43,868,238
Net global result of the period	15,703,620	44,008,046
Adjusted EBITDA*	73,237,572	101,004,906
EBIT	36,531,364	61,117,539
Adjusted EBITDA margin*, %	10.8%	14.1%

TMK-ARTROM stand alone in RON

Financial indicators	30 June 2019 <i>Unaudited</i>	30 June 2018 <i>Restated and Unaudited</i>
Production of pipes(tons)	96,819	98,193
Sale of pipes production TMK -Artrom (tons)	99,464	100,377
Revenues	690,036,142	668,957,585
Profit of the financial year	16,426,934	28,388,727
Net global result of the period	16,415,176	28,388,727
Adjusted EBITDA*	50,800,099	64,584,350
EBIT	25,085,746	40,657,076
Adjusted EBITDA margin*, %	7.4%	9.7%

* We define EBITDA as the profit / (loss) of the financial year that excludes financial costs and financial income, profit tax (income) / expense, depreciation and amortization and (net gain) / net loss from exchange rate differences

*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 (social expenses).

** We define adjusted EBITDA margin as the percentage ratio between adjusted EBITDA and revenues from customer contracts.

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.



In accordance with the Simplified Interim Condensed and Individual Unaudited Financial Statements, the Group and the Company recorded the following financial indicators on 30.06.2019:

TMK-ARTROM Group

Financial indicators	RON	RON
	Consolidated	Consolidated
	30 June 2019	30 June 2018
	<i>Unaudited</i>	<i>Unaudited</i>
Profit before tax	17,184,042	52,425,193
Net accounting profit of which:	14,970,583	43,868,238
Operating profit	36,531,364	61,117,539
Financial loss	(19,347,322)	(8,692,346)
Exceptional result	-	-
Current income tax expense	(337,748)	(5,688,124)
Deferred income tax - revenues	3,669,359	1,727,905
Deferred income tax - expenses	(5,545,070)	(4,596,736)
Income	675,381,236	715,373,179
Cost of sales	(544,633,012)	(563,799,276)
Export	70.2%	70.4%

TMK-ARTROM Stand alone

Financial indicators	RON	RON
	Consolidated	Consolidated
	30 June 2019	30 June 2018
	<i>Unaudited</i>	<i>Unaudited</i>
Profit before tax	17,671,104	33,738,376
Net accounting profit of which:	16,426,934	28,388,727
Operating profit	25,085,746	40,657,076
Financial loss	(7,414,642)	(6,918,700)
Exceptional result	-	-
Current income tax expense	(11,919)	(4,609,129)
Deferred income tax - revenues	1,958,589	232,294
Deferred income tax - expenses	(3,190,840)	(972,814)
Income	690,036,142	668,957,585
Cost of sales	(578,971,335)	(548,810,523)
Export	68.0%	72.2%

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Important events in the 1st semester 2019

The main events that marked the first six months of the financial year 2019 are mentioned below:

February

On **5 February 2019**, TMK-Artrom SA finalized the purchase of all the shares held by TMK Global SA in its capacity as sole shareholder in TMK Italia SRL, namely 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 at the price 1,730,800, EUR approved by the Board of Directors of TMK-Artrom SA, legally gathered on 28 November 2018.

On **7 February 2019** TMK-ARTROM SA, announced the signing of the new Collective Bargaining Agreement for the period 2019-2020. TMK-Artrom's team lead by Mr. Valeru Mustata, Chief Commercial Officer (CCO) and the leaders of «Oltmet» and «Solidaritatea» Trade Unions reached the agreement to amend the previously negotiated terms and conditions. The document was also updated accordance with the recently amended legislative requirements in Romanian Law.

March

On **1 March 2019** the Company published a current report in which mentioned that it had been informed by its majority shareholder, TMK Europe GmbH, which currently holds 92.72824% of the Company's share capital ("TMK Europe"), that TMK Europe is exploring available financing options, including a potential secondary public offering of shares held in the Company.

April

On **5 April 2019** the Ordinary General Meeting of the Shareholders of TMK - ARTROM S.A. approved the distribution of the Company's profit for 2018 amounting to 56,569,986.13 lei as follows: (i) 3,389,036 lei to the legal reserves according to Law 31/1990, respectively at least 5% of the annual gross profit (but no more than 20% of the share capital), (ii) 14,280,000 lei as dividends and (ii) 38,900,950.13 lei will be carried over in the next year.

With respect to the decision to approve the distribution of dividends, to establish the date of registration, ex-date and date of payment for the payment of dividends in accordance with the provisions of the Capital Market Law and FSA Regulation 5/2018 as follows:

- 13 September 2019 shall be the record date set in accordance with Article 86(1) of the Capital Market Law (the "Record Date") and
- 12 September 2019 shall be the ex-date set in accordance with ASF Regulation 5/2018 (the "Ex-date"); and
- 4 October 2019 shall be the payment date of the dividends, set in accordance with Article 178(2) of ASF Regulation 5/2018 (the "Payment Date").

On **5 April 2019**, the Extraordinary General Meeting of the Shareholders of TMK - ARTROM S.A. decided to approve the increase of the share capital with maximum RON 188,250,000, 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, decision revoked on 4 July 2019 (see subsequent events). The EGMS also decided to approve the dividend distribution



policy in the form proposed by the shareholder of TMK Europe GmbH made available to the shareholders on the Company's website and to approve the rules of the general meetings of the shareholders in the form made available to the shareholders on the Company's website.

On 16.04.2019, TMK-ARTROM SA, as borrower, executed the facility agreement with VTB BANK (EUROPE) SE, as arranger, 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 contract's 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;
- trade finance operations of the borrower.

On **24 April** TMK-ARTROM S.A. published a current report in which mentioned that it had been informed by its major shareholder, TMK Europe GmbH (the "Selling Shareholder"), of its intention to launch a secondary public offering (the "Offering") of up to 69,000,000 existing, nominative shares issued by the Company and owned by the Selling Shareholder, representing approximately 59.3955% of the Company's share capital (the "Offer Shares").

The Board of Directors of the Company, validly met on **24 April 2019**, decided that the price of the shares that were going to be issued by the Company in the share capital increase operation approved by the Company's extraordinary general meeting of shareholders dated 5 April 2019 would have had the same value as the price of the shares that were going to be sold within the secondary public sale offering TMK Europe GmbH (the majority shareholder of the Company) intended to initiate.

May

On **8 May 2019** TMK-ARTROM S.A. published a current report in which mentioned that it had been informed by its major shareholder, TMK Europe GmbH, of its intention to postpone the launch of the secondary public offering of up to 69,000,000 existing, nominative shares issued by the Company and owned by TMK Europe GmbH, representing approximately 59.3955% of the Company's share capital.

The Board of Directors of TMK-ARTROM SA also reported that, on 8 May 2019, TMK Europe GmbH, holding 107,722,706 shares representing 92.7282% of TMK-ARTROM SA's share capital, requested the convening of TMK-Artrom SA's General Meeting of Shareholders, having the following agenda:

To revoke point 3 of decision no. 1 dated 5 April 2019 of the Extraordinary General Meeting of the Shareholders of TMK-Artrom regarding the approval of the increase of the share capital of the Company.

In the period 14-16 May 2019 TMK-Artrom was present to the fair Made in Steel Milan where were discussed market issues, on going and future contracts, evolutions, etc. with numerous clients from Europe and not only, who visited our stand.



1. Economic - Financial statement

1.1. Presenting an analysis of the current economic and financial situation compared to the same period last year, with reference at least to:

- a) balance sheet items: Assets that represent at least 10% of the total assets; cash and other liquid assets; reinvested profits; total current assets; the debt situation of the company; total current liabilities;
- b) profit and loss account: net sales; gross income; cost and expense items with a weight of at least 20% in net sales or gross incomes; risk provisions and for various expenses; reference to any sale or closure of a segment of activity performed over the past 6 months or to be carried out within the next 6 months; dividends declared and paid;
- c) cash flow: all changes in cash in the core business, investment and financial activity, cash at the beginning and end of the period.

a) balance sheet items: Assets that represent at least 10% of the total assets; cash and other liquid assets; reinvested profits; total current assets; the debt situation of the company; total current liabilities

The total assets of the group as at 30.06.2019 were of 1,855 million RON compared to 1,818 million RON as at 30.12.2018. The total assets of TMK-ARTROM stand-alone as at 30.06.2019 were of 1,555 million RON compared to 1,496 million RON as at 30.06.2018.

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 working Capital is defined as the amount by which current assets exceed current liabilities from which the Company deducts the cash and cash equivalents aggregate amounts, finance lease liability, interest-bearing loans and borrowings, liabilities for investments in subsidiaries, derivative financial instruments (liabilities).

in RON	Consolidated	
	30 June 2019 Unaudited	31 December 2018 Restated unaudited
Current assets less cash and cash equivalents		
Trade and other receivables	326,571,992	300,865,499
Inventories	327,167,424	308,095,295
Prepayments	13,477,295	6,965,489
Other current assets	1,487,226	1,046,698
Total Current assets less cash and cash equivalents	668,703,937	616,972,981
Current liabilities less interest bearing loans, liabilities for investments and lease liability		
Trade and other payables	324,943,844	295,468,728
Advances from customers	285,220	997,116
Provisions and accruals:	8,304,639	12,254,894

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in RON	Consolidated	
	30 June 2019 Unaudited	31 December 2018 Restated unaudited
Income tax payable	-	-
Total current liabilities less interest bearing loans, liabilities for investments and lease liability	333,533,703	308,720,738
Working Capital	335,170,234	308,252,243

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

The Group's working capital increased to RON 335.2 million as at 30 June 2019 compared to RON 308.3 million as at 31 December 2018. The increase was mainly attributed to the increase in current assets during the six-month period ended 30 June 2019.

Capital expenditure

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 40.9 million as at 30 June 2019 and RON 35.9 million at 30 June 2018.

Segmental reporting

	Pipes	Billets	Other	Total
	RON	RON	RON	RON
30 June 2019 - Unaudited				
Total assets	1,113,572,959	577,964,352	163,648,604	1,855,185,915
Total liabilities	414,821,909	113,342,273	631,352,018	1,159,516,200
Capital expenditure	32.5,75,693	7,365,581	981,376	40,922,650
Impairment of property, plant and equipment	-	-	-	-
Depreciation expenses	(26,004,914)	(15,901,545)	(342,474)	(42,248,933)
31 December 2018 - Restated				
Total assets	1,128,301,744	587,841,272	102,085,380	1,818,228,396
Total liabilities	370,833,184	169,512,238	575,333,627	1,115,679,049
Capital expenditure	66,447,255	24,92,341	35,568	90,675,164
Depreciation expenses	(47,048,509)	(30,335,938)	(385,484)	(77,769,931)

Net debt of the Group

The following table presents the Non-IFRS Measures and Alternative Performance Measures for the six-month periods ended 30 June 2019 and 30 June 2018, as well as the Group's net debt as at 30

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June 2019

	30 June 2019 RON	30 June 2018 Restated unaudited RON
Consolidated Adjusted EBITDA	73,237,572	101,004,906
Consolidated Adjusted EBITDA Margin	10.8%	14.1%

	30 June 2019 RON	31 December 2018 Restated unaudited RON
Net debt	730,025,814	696,555,740
Working capital	335,170,234	308,252,243

Net debt is defined as aggregate amount of all obligations in respect of interest bearing loans and borrowings (including 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 investments in subsidiaries (intercompany debt related to TMK-Resita and TMK-Italia acquisitions) although it is not interest-bearing there is a repayment schedule under the acquisition agreements.

in RON	Consolidated	
	30 June 2019 <i>Unaudited</i>	31 December 2018 <i>Restated unaudited</i>
Current liabilities related to:		
Liabilities for investments in subsidiaries	58,387,830	57,474,348
Interest-bearing loans and borrowings	201,170,750	185,019,444
<i>adding:</i>		
<i>Un-amortized short-term cost</i>	337,228	225,820
Finance lease liability	9,201,471	7,842,368
Total current liabilities including liabilities for investments in subsidiaries	269,097,279	250,561,980
Non-current liabilities		
Liabilities for investments in subsidiaries	223,642,289	218,356,982
Interest-bearing loans and borrowings	218,871,976	223,499,549
<i>adding:</i>		
<i>Un-amortized cost of debt origination fees</i>	172,794	-
Finance lease liability	33,198,238	35,468,590
Total non-current liabilities including liabilities for investments in subsidiaries	475,885,297	477,325,121
<i>less:</i>		
Cash and cash equivalents	14,956,762	31,331,361
Net debt including liabilities for investments in subsidiaries	730,025,814	696,555,740

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



(2) RON	Consolidated	
	30 June 2019 <i>Unaudited</i>	31 December 2018 <i>Restated unaudited</i>
Current liabilities related to:		
Interest-bearing loans and borrowings	201,170,750	185,019,444
<i>adding:</i>		
<i>Un-amortized short-term cost</i>	337,228	225,820
Finance lease liability	9,201,471	7,842,368
Total current liabilities excluding liabilities for investments in subsidiaries	210,709,449	193,087,632
Non-current liabilities related to:		
Interest-bearing loans and borrowings	218,871,976	223,499,549
<i>adding:</i>		
<i>Un-amortized cost of debt origination fees</i>	172,794	-
Finance lease liability	33,198,238	35,468,590
Total non-current liabilities excluding liabilities for investments in subsidiaries	252,243,008	258,968,139
<i>less:</i>		
Cash and cash equivalents	14,956,762	31,331,361
Net debt excluding liabilities for investments in subsidiaries	447,995,695	420,724,410

Borrowings

The Group's loans and borrowing are set out below, as of 30 June 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	15,546,931	-	4,453,069	
VTB BANK(EUROPE) SE	20,000,000	EUR	Floating	16.04.2022		16,707,118	3,292,882	
BT Loan Agreement	20,000,000	EUR	Floating	07.11.2019	-	17,892,350	2,107,649	-
2016 BCR Facility Agreement	25,000,000	EUR	Fixă	07.11.2023	17,857,143	4,761,905	-	-

The situation of bank loans, at the end of 2018 compared to the previous year is presented as follows:

Short-term bank loans



Name of banking company	Currency	31.dec.17		31.dec.18	
		Balance Ron	Currency balance	Balance Ron	Currency balance
Line for financing general needs in UNICREDIT BANK	EUR	65,235,795	13,999,999	65,294,595	13,999,999
Overdraft not employed for 3 years BANCPOST	EUR	91,456,392	19,627,099	0	0
Overdraft not employed BANCA TRANSILVANIA	EUR			92,501,203	19,833,445
Total short term bank loans		156,692,187	33,627,098	157,795,799	33,833,444

Long-term bank loans

Name of banking company	Currency	BALANCE AT 31.12.2018					
		Amount due		with a maturity of more than one year		with a maturity of less than one year	
		RON	Currency	RON	Currency	RON	Currency
BCR ERSTE overdraft credit line	EUR	59,706,974	12,801,941	59,706,974	12,801,941		
Investment credit BCR ERSTE - 7 years	EUR	116,597,500	25,000,000	94,388,452	20,238,095	22,209,048	4,761,905
TOTAL		176,304,474	37,801,941	154,095,426	33,040,036	22,209,048	4,761,905

- ❖ The sum of RON 79,109,875 (the equivalent of EUR 16,707,118) is related to an operating loan - credit facility renewable within 20,000,000 EURO limit - contracted with VTB BANK (EUROPE) SA employed for 12 months, valid until 16.04.2022, with 3M EURIBOR interest plus 2.0%. The first use of this facility was for the refinancing on 23.04.2019 of the balance of EUR 13,999,999 of the loan in the initial amount of EUR 27,000,000 - contracted by TMK-ARTROM with UNICREDIT BANK on 15.10.2013. Following this reimbursement, the facility with UNICREDIT BANK was closed.

For this loan, the company constituted Guarantees, as follows:

- Company Warranty issued by PAO TMK, in guaranteeing the integral and irrevocable repayment of any and all amounts that the Borrower owes to the Bank under this Agreement.
- ❖ The sum of RON 73,616,275, representing EUR 15,546,931, is related to the operating credit - multi-product credit facility within the limit of EUR 20,000,000 - contracted by TMK-ARTROM, as a borrower and TMK-REȘIȚA, as a co-borrowed, with BCR on 03.10.2011, with a EURIBOR 3M interest plus 1.9%. The final deadline is 03.10.2020. For this loan, the company has constituted guarantees as follows:

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- Pledge without dispossession on the credit balance of the current accounts / sub-accounts of the Company opened at BCR SA;
- Pledge without dispossession on the credit balance of the current accounts / sub-accounts opened at BCR SA having TM-REȘIȚA holder;
- Company Warranty issued by PAO TMK, guaranteeing the full and irrevocable repayment of any and all amounts that the Borrower and / or the Co-Debtor owes to the Bank under this Agreement;

In February 2012, an amendment was concluded by which this loan was transformed into a loan committed by BCR SA, for which, at the end of 2012, the loan is considered long term and not short term as it was at the end of 2011. In September 2013, a new amendment was concluded with BCR and the overdraft credit was transformed into a multi-product facility that can be used both as overdraft and as a ceiling for issuing the guarantee and credit letter and which reduced the fixed interest margin applied to EURIBOR 3M. from 3.5% to 1.9%. On 25.09.2014, a new amendment was signed with BCR whereby the final validity of the facility was extended until 03.10.2017 with the annual approval of the uses. In October 2017, a new amendment was signed with BCR whereby the final validity of the facility was extended until 03.10.2018. In November 2018, an amendment to the contract was signed by which its validity was extended until 03.10.2020. As of 30.06.2019, there were no letters of credentials or letters of bank guarantee issued from the facility.

- ❖ The sum of RON 107,103,452 (respectively the equivalent of EUR 22,619,048) is related to a 7-year investment loan in the contracted amount of EUR 25,000,000 - concluded by TMK-ARTROM, as a borrower and TMK-RESITA, as guarantor, with BCR on 07.11.2016, with a EURIBOR 3M interest plus 3.35% in order to finance the heat treatment complex.

The final deadline is 07.11.2023.

In April 2018, an additional act was concluded by which the interest rate was modified at a fixed interest rate of 3.4%.

The loan repayment started from January 2019 in 21 equal quarterly installments in the amount of EUR 1,190,476.19.

For this loan, the company constituted Guarantees as follows:

- Pledge without dispossession having as holder TMK-ARTROM;
- Pledge without dispossession on the credit balance of the current accounts / sub-accounts of the Company, opened at BCR SA;
- Company Warranty issued by PAO TMK, in guaranteeing the integral and irrevocable repayment of any and all amounts that the Borrower and / or Co-Debtor owes to the Bank under this Agreement.

- The mortgage on the land having the category of use yards of construction with an area of 69,339 sqm (sixty-ninethousandthreehundredthirtynine sq m) identified with cadastral no. 58253, together with C1 - industrial and urban construction having the built surface on the ground and unfolded of 66,346 sq m, identified with no. cadastral 58253-C1, located in the Municipality of Slatina, Drăgănești Street, No. 30, Olt county, listed in the Land Registry of Slatina, Olt county with no. 58 253

- ❖ The sum of RON 84,722,070 (the equivalent of EUR 17,892,351) is related to an overdraft not committed in the amount of EUR 20,000,000 - concluded by TMK-ARTROM, as a borrower and TMK RESITA, as a guarantor, with BANCA TRANSILVANIA on 29.10.2018, with a 3M EURIBOR interest plus 2.0%.

The final deadline is 07.11.2019.

For this loan, the company constituted Guarantees as follows:

- Pledge without dispossession on the credit balance of the current accounts / sub-accounts of the Company opened at TRANSILVANIA BANK;



- Company Warranty issued by PAO TMK, in guaranteeing the integral and irrevocable repayment of any and all amounts that the Borrower and / or the Co-Debtor owes to the Bank under this Agreement.
- Personal Guarantee (fideiusiune) of TMK-REȘIȚA SA.

Considering the acquisition of BANCPOST by TRANSILVANIA BANK, the loan granted to the company by BANCPOST in 2016 was refinanced AT 01.11.2018, in exactly the same conditions as TRANSILVANIA BANK through the loan presented above.

- ❖ The company has contracted with BCR a discount ceiling for promissory notes in the initial amount of RON10,000,000 with an interest of 3M + 3% ROBOR that can be converted into credit if the customers do not settle the promissory notes at the due date. In July 2015 the value of this ceiling was reduced to RON 4,000,000, and in August 2016 to RON 2,000,000.

As of 30.06.2019, there were no settled and before due date promissory notes in the balance.

Upon receipt of the loans, TMK-ARTROM paid management fees for the entire duration of the loans, the unamortized part of the management fees at the end of each reporting period diminishes the value of the debt in the balance.

On 24.07.2014 TMK-ARTROM and TMK-REȘIȚA contracted from Banca Comerciala Romana SA a Reverse Factoring Contract - according to which BCR will accept for financing invoices issued by TMK-ARTROM and TMK-REȘIȚA suppliers within the approved global limit of RON 45 million, in order to maintain an efficient supply network with the company's suppliers. The guarantees granted by this contract are: mortgage on the credit balance of the current accounts opened at Banca Comerciala Romana by TMK-ARTROM S.A. and mortgage on the credit balance of the current accounts opened by TMK-REȘIȚA S.A. at Banca Comerciala Romana. In July 2015 the value of the contract was increased to RON 51,000,000, and in September 2016 it was increased to RON 65,000,000. In 21.11.2018 a new additional act was signed with the bank through which the value of the ceiling was increased to RON 70,000,000. On 30.06.2019 from this ceiling, RON 2,400,000 were allocated for the suppliers of TMK-ARTROM S.A. and of these, RON 1,429,301 were used. The difference of RON 67,600,000 was allocated to TMK-RESITA S.A. and from it RON 52,869,443 were used.

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 30 June 2019.

	RON
	<i>Unaudited</i>
Total current debt	210,709,449
-Interest bearing loans and borrowings	201,170,750
-Un-amortized short-term cost	337,228
-Lease liability	9,201,471
Total non-current debt	252,243,008

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-Interest bearing loans and borrowings	218,871,976
-Un-amortized cost of debt origination fees	172,794
Lease liability	33,198,238
Total indebtedness	462,952,457
from which:	
Interest-bearing loans and borrowings guaranteed and secured	345,030,008
Added Un-amortized cost of debt	510,022
Interest-bearing loan agreement with TMK-EUROPE GmbH unguaranteed and unsecured, in amount 18,037,540 USD at 30.06.2019	75,012,718
Finance lease liability guaranteed and secured	42,399,709
Capital and reserves	
Share capital, from which:	291,587,538
- Subscribed and paid share capital	291,587,538
Other items of equity	1,191,817
Legal and other reserves	68,902,883
Retained earnings	316,013,921
Foreign currency translation reserve	3,002,973
Profit of the year	14,970,583
Total equity	695,669,715
Total capitalization	1,158,622,172

There has been no material change to the capitalisation figures since 30 June 2019.

Other long-term liabilities to affiliated entities

As at 30 June 2019 the company TMK EUROPE GmbH Germany (former TMK SINARA HANDEL GMBH) is creditor with the amount of 75,012,718 RON representing 18,037,540 USD, related to the loan agreement w/n/01.12.2008, namely the assignment of receivables no. 054/20.02.2002 from AVAS (AVAB) in initial amount of 22,837,540 USD and 38,425 RON. Of this sum of 14,139,580 RON, the equivalent of 3,400,000 USD, represents short-term debt, and the amount of 60,873,138 RON, the equivalent of 14,637,540 USD, represents long-term debt.

In 2015 have been reimbursed 4,800,000 USD and 38,425 RON from the loan in accordance with the payment schedule.

The company has established Guarantees in favor of TMK EUROPE GmbH, as follows:

1. Rank I mortgage on land with an area of 203,651.82 sqm and built buildings;
2. Real furniture guarantee without dispossession of goods of rank I on the hot rolling line, HPT 250 laminator, non-destructive ultrasonic control installation; laminator Assel AWW250, straightener D 38-90; TTF oven, Pilger laminator SKW75; induction heating system; normalization and rank I heat treatment furnace on the other goods of TMK-ARTROM according to registration no. 2004-1080142242453-QJU / 24.03.2004;
3. Rank I mortgage for land with an area of 211,614.54 sqm and related buildings within the TMK-ARTROM premises according to contract no. 1869 / 14.10.2003.
4. Real guarantee without the dispossession of goods of rank I on the other goods of TMK-ARTROM SA according to registration in the electronic furniture archive, no 2002-1034612284359-IUD / 14.10.2003.



In EGSM dated 17.11.2008 it was approved changes in the nature and deferred payment of the debt owed by the company TMK EUROPE GmbH worth 22,837,540 USD in the following conditions: the debt shall be paid in 57 instalments starting from 25 January 2014 until 25 September 2018 inclusively.

The first 56 monthly instalments will be worth 400.000 USD and the 57th will be worth 437,540 USD. The payment of debt amounting to 38,425 RON of the Company to TMK Europe GmbH from 25 January 2014 will be paid in USD at the official RON/USD exchange rate of the National Bank of Romania on the last working day of the year 2013.

The debt has an interest rate of LIBOR + 0.5% per year starting on 1 January 2009. Interest is calculated and paid on the 15th of each month for the previous month.

In 21.11.2013 was concluded the Addendum no.1 at the Contract dated 01.12.2008 according to which the loan reimbursement begins with 25.01.2015, maintaining the same number of instalments.

In 3.12.2015 was concluded Addendum no .2 on which repayment of loan shall be suspended for a period of three years and will be resumed starting in January 2019 in 44 instalments in the amount of 400.000 USD and a last instalment of 437,540 USD as a result on 31.12.2016 the full amount of the loan was long-term.

In 08.08.2016 by Addendum no.3 was expressly renounced to all pledged aforementioned.

In 18.12.2018 was concluded Addendum no. 4 by which the parties agreed that in the second half of 2019 the borrower will repay 10,000,000 USD, and from 2020, the borrower will continue to reimburse the remaining amount of 17,037,540.03 USD in 42 installments in the amount of 400,000.00 USD and the 43rd rate in the amount of 237,540.03 USD on the 25th of each month.

Interest due by TMK-ARTROM S.A. as of 30.06.2019, it is USD 43,560.66, respectively RON 181,156.

For the interest due, there is no withholding tax on the incomes of the non-resident persons since the interest income is exempted according to art 229 letter g of the Fiscal Code as the ownership of TMK EUROPE GmbH's holdings in TMK-ARTROM SA is 92.7282% (more than 25%) for a period of more than 2 years uninterrupted.

Debt for investments in subsidiaries / subsidiaries

- ❖ On 30.06.2019 TMK-ARTROM registers a debt in the amount of RON 294,475,869 equivalent to EUR 62,190,000, to TMK EUROPE GmbH representing payments to be made for the purchase of a number of 131,010,874 shares, representing 99.99237% of the share capital of TMK-REȘIȚA owned by TMK Europe GmbH.

The share price established to be paid by TMK-Artrom for a number of 131,010,874 shares, representing 99.99237% of the share capital of TMK-REȘIȚA, is 62,290,000 Euro, ie 0.475 Euro / share.

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

1. 100,000 Euro within thirty (30) days from the execution of the sale-purchase contract of the shares concluded between TMK-Europe GmbH and TMK-Artrom and the transfer of the ownership right over the shares following the signing of the shareholders register (Shares) TMK - REȘIȚA from TMK Europe GmbH and TMK-Artrom; TMK-Artrom paid the amount of 100,000 Euro in the first quarter of 2019.

2. The remaining price of 62,190,000 EUR will be paid over a period of five (5) years, starting with 2019, in equal installments of 12,438,000 EUR each, at the latest until 31 December for each year. TMK-Artrom may pay such installments in whole or in part in advance, as well as extend the payment term for such installments (implicitly reducing the value of tranches) for another period of up to five (5) years, depending on the available financial resources.



As this contract provides for payment in installments without interest, according to IFRS 9, the debt to TMK Europe is presented at fair value. The initial amount was reduced using the interest rate for a similar loan— using the 1.9% interest rate and the value of 3,148,224 EUR (14,683,001 RON) was obtained. This is updated quarterly.

Being a sum due from the relationship with the shareholder, the difference between the fair value and the nominal value is transferred as an element of equity.

Thus, the balance of the debt for investments in subsidiaries / subsidiaries to TMK EUROPE on 30.06.2019 is in the amount of 282,030,119 RON equivalent to 59,561,597 EUR.

- ❖ In the second quarter of 2019 TMK ARTROM paid the debt to TMK GLOBAL SA for the acquisition of TMK ITALIA in the amount of EUR 1,730,800.

b) profit and loss account: net sales; gross income; cost and expense items with a weight of at least 20% in net sales or gross incomes; risk provisions and for various expenses; reference to any sale or closure of a segment of activity performed over the past 6 months or to be carried out within the next 6 months; dividends declared and paid;

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 decreased to RON 675.4 million in the first semester of 2019 compared to RON 713.4 million in the first semester of 2018, mainly due to the decrease in the physical volume of sold pipe from 100,337 tonnes to 99,439 tonnes (representing a decrease of 0.9%), but also due to the decrease in the average price per product by 0.4%.

The average selling prices for premium pipes was 72% higher than the average selling price for commodities pipes in the first semester of 2019.

The cost of sold premium pipes was 42% higher than the cost of sold commodities pipes in the first semester of 2019.

The volume of sales of billets produced by TMK RESITA to other parties than TMK-Artrom decreased by 13,482 tonnes from 14,961 tonnes, during the first semester of 2018 to 1,479 tonnes in the first semester of 2019 (a decrease of 90.1%).

The volume of sales of goods (billets, blums, pipes) produced by other parties than TMK-Artrom (acquired from other TMK group entities) increased by 10.4% from 49,297 tonnes recorded in the semester ended at 30 June 2018 to 54,425 tonnes recorded in the semester ended at 30 June 2019 due to increase the sales to clients in Romania.

The consolidated volumes sold of TMK-Artrom Group for the semester ended June 30, 2019 ("H1/19"), are provided below:

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Type of product / Sales destination	1H 2019	1H 2018
	Quantity (tons)	Quantity (tons)
1. Total seamless steel pipes produced by TMK-Artrom, from which:	99,439	100,337
1.1.Commodities Europe *	74,927	66,414
1.2 Commodities Americas **	3,822	6,984
1.3. Premium Europe	15,274	15,128
1.4. Premium Americas	5,416	11,811
Total billets and blooms TMK-Reșița sold to third parties outside the TMK-Artrom Group	1,479	14,961
Total billets produced by TMK-Reșița sold to TMK-Artrom	119,636	120,481
2. Total sales of goods produced by other parties than TMK-Artrom, of which:	54,425	49,297
2.1 Sale of goods Europe	53,513	47,253
2.2 Sale of goods Americas	54,425	49,297

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

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

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 June 30, 2019, as compared to June 30, 2018.

	Amounts in RON		Variation %	% in total Revenues	
	30 June 2019 Unaudited	30 June 2018 Restated and unaudited		30 June 2019 Unaudited	30 June 2018 Restated and unaudited
Revenues from customer contracts	675,381,236	715,373,179	-5.6%	100.0%	100.0%
Sales of goods	673,107,079	713,422,929	-5.7%	99.7%	99.7%
Rendering of services	2,274,157	1,950,250	16.6%	0.3%	0.3%
Cost of sales	(544,633,012)	(563,799,276)	-3.4%	-80.6%	-78.8%
Gross profit	130,748,224	151,573,903	-13.7%	19.4%	21.2%
Selling and distribution expenses	-59,829,490	-55,425,711	7.9%	-8.9%	-7.7%
Advertising and promotion expenses	-247,384	-315,617	-21.6%	0.0%	0.0%
General and administrative expenses	-35,979,682	-32,129,746	12.0%	-5.3%	-4.5%
Research and development expenses	-94,339	-162,818	-42.1%	0.0%	0.0%
Other operating expenses	-2,121,236	-2,451,920	-13.5%	-0.3%	-0.3%
Other operating income	4,055,271	29,448	13671.0%	0.6%	0.0%
Amortization and depreciation*	42,248,933	37,821,359	11.7%	6.3%	5.3%

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	Amounts in RON		Variation %	% in total Revenues	
	30 June 2019 <i>Unaudited</i>	30 June 2018 <i>Restated and unaudited</i>		30 June 2019 <i>Unaudited</i>	30 June 2018 <i>Restated and unaudited</i>
Income from operations	36,531,364	61,117,539	-40.2%	5.4%	8.5%
Foreign exchange (loss) / gain, net	-9,934,971	-1,673,751	493.6%	-1.5%	-0.2%
Financial income	105,733	1,300	8033.3%	0.0%	0.0%
Financial cost	-9,518,084	-7,019,895	35.6%	-1.4%	-1.0%
Profit before tax	17,184,042	52,425,193	-67.2%	2.5%	7.3%
Tax expense/credit	-2,213,459	-8,556,955	-74.1%	-0.3%	-1.2%
Profit for the year	14,970,583	43,868,238	-65.9%	2.2%	6.1%
Adjusted EBITDA	73,237,572	101,004,906	-27.5%		

* Amounts with amortization and depreciation are included in each type of expense listed under "Gross profit"

Segment results of TMK-Artrom Group

In terms of segment reporting, the Group presents its financial results as follows (1): pipe production; (2) the production of billets

Pipe production is located in Slatina. The production of billets is located in Reșița. The pipe segment uses billets to produce hot and cold rolled seamless steel pipes.

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.

	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
30 June 2019-Unaudited					
Sales to external customers	532,499,752	4,103,803	138,777,681	-	675,381,236
Inter-segment sales	196,333	330,293,478	-	(330,489,811)	-
Total sales	532,696,085	334,397,281	138,777,681	(330,489,811)	675,381,236
Segments result (gross profit)	121,562,080	262,143	8,924,001	-	130,748,224
Other operating expenses, net					(94,216,860)
Interest and other finance costs, net					(9,412,351)
Net foreign exchange gains / (losses)					(9,934,971)
Result before income tax					17,184,042
30 June 2018-Restated and unaudited					
Sales to external customers	539,679,734	38,275,479	137,417,966	-	715,373,179
Inter-segment sales	216,026	324,201,586	-	(324,417,612)	-
Total sales	539,895,760	362,477,065	137,417,966	(324,417,612)	715,373,179
Segments result (gross profit)	139,903,480	1,389,755	10,280,668	-	151,573,903
Other operating expenses, net					(90,456,364)
Interest and other finance costs, net					(7,018,595)
Net foreign exchange gains / (losses)					(1,673,751)
Result before income tax					52,425,193

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

Revenue from contracts with customers	30 June 2019 RON <i>Unaudited</i>	Consolidated		
		%	30 June 2018 RON Restated and unaudited	%
Domestic sales	201,189,481	29.8	211,433,409	29.6
Sales abroad	474,191,755	70.2	503,939,770	70.4
Total	675,381,236	100	715,373,179	100

Revenues from contracts with customers – geographical information

Consolidated

Revenue	Romania RON	Europa RON	North and South America RON	Other countries RON	Total RON
30 June 2019-<i>Unaudited</i>	201,189,480	385,443,305	84,656,765	4,091,686	675,381,236
30 June 2018 <i>Restated and unaudited</i>	204,826,412	371,794,244	137,329,547	1,422,976	715,373,179

The following table shows the Group's revenues for the period ended at 30 June 2019 versus the period ended at 30 June , 2018.

	Consolidated	
	30 June 2019 RON <i>Unaudited</i>	30 June 2018 RON <i>Restated and unaudited</i>
Sale of pipes produced by TMK-Artrom from which:		
Domestic	77,616,982	77,171,674
Europa*	377,011,292	337,355,977
North and South America**	77,050,495	123,729,107
Other areas***	820,983	1,422,976
Total sales of TMK Artrom pipes	532,499,752	539,679,734
Sales of other goods and services from which:		
Sales of other goods on domestic market	122,790,592	126,655,867
Sales of other goods on external market	17,816,733	47,055,606
Rendering of services on domestic market	781,906	998,871
Rendering of services on external market	1,492,253	983,101
Total sales of other goods and services	142,881,484	175,693,445
Total turnover	675,381,236	715,373,179

*Turkey sales area is allocated to European market

**Canada, Brazil, US and Mexico sales areas are allocated to Americas market

***Middle East and North Africa sales areas are allocated to Other areas 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 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 decreased by 5.6% in the first semester ended at 30 June 2019 compared to the first semester ended at 30 June 2018 as a result of revenue decrease from contracts with customers from the sold production by 1.3% (7.2 mil RON), as well as the decrease of TMK-Resita sales of blums and billets to third parties (by 89.3% or 34.1 mil RON) and the increase of other sales (with 1% or 1.3 millions RON) from which the sales of metallurgical products from companies within the TMK group increased with 1.8%, respective 2.4 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 semester ending 30 June 2019 compared to the total revenues gained in the first semester ended at 30 June 2018 by 5.7% (or RON 20.8 million), (ii) the decrease in revenues from premium pipe sales of 16.9% (RON 28 million), due to the decrease in sales of premium pipes by 6,250 tons (increase with 146 tons in Europa and decrease with 6395 tons in America) in the first semester ended at 30 June 2019 versus 26,939 tons in the first semester ended at 30 June 2018, as well as the increase in the selling price for the premium pipes. In the value of the decrease (of RON 7.2 million) from the sales of pipe production, the Group also includes the 11% increase in the average selling price for the premium pipes.

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:

	30 June 2019	30 June 2018	%	% in total consolidated cost of production sold	
	RON	RON		30 June 2019- unaudited	30 June 2018 Restated and unaudited
	Unaudited	Restated and unaudited			
Raw materials	180,557,268	208,466,134	-13.4%	43.3%	47.5%
Expenses with salaries, salary compensations and social contribution	70,216,715	61,141,066	14.8%	16.8%	13.9%
Consumables	76,693,986	72,524,590	5.7%	15.5%	14.1%
Energy and utilities	71,063,544	57,062,469	24.5%	17.0%	13.0%
Depreciation and amortisation	39,586,398	35,947,307	10.1%	9.5%	8.2%
Professional fees and services	4,312,732	3,288,144	31.2%	1.0%	0.7%
Freight	1,263,792	1,283,783	-1.6%	0.3%	0.3%
Taxes	2,155,183	1,871,031	15.2%	0.5%	0.4%
Repairs and maintenance	3,426,964	1,649,376	107.8%	0.8%	0.4%
Insurance	1,371,157	1,257,646	9.0%	0.3%	0.3%
Rent	297,388	665,503	-55.3%	0.1%	0.2%

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	30 June 2019 RON	30 June 2018 RON	%	% in total consolidated cost of production sold	
	Unaudited	Restated and unaudited		30 June 2019- unaudited	30 June 2018 Restated and unaudited
Travel	344,262	459,045	-25.0%	0.1%	0.1%
Communications	51,331	52,742	-2.7%	0.0%	0.0%
Other expenses	3,200	7,017	-54.4%	0.0%	0.0%
Total production cost	451,343,920	445,675,853	1.3%	108.2%	101.5%
Change in own finished goods and work in progress	(21,767,321)	4,354,879	-	-5.2%	1.0%
Cost of sales of externally purchased goods	127,416,681	124,800,282	2.1%	30.5%	28.4%
Capitalized production costs	(11,819,736)	(10,549,890)	12.0%		
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	(541,595)	(692,069)	-21.7%	-0.1%	-0.2%
Write-off materials	1,063	210,221	-99.5%	0.0%	0.0%
Cost of sales from which:	544,633,012	563,799,276	-3.4%	100.0%	100.0%
Cost of goods	127,416,681	124,800,282	2.1%	23.4%	22.1%
Cost of sold production	417,216,331	438,998,994	-5.0%	76.6%	77.9%

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 19.2 million) to RON 544.6 million in the semester ended at June 30, 2019 compared to RON 563.8 million in the semester ended at 30 June 2018.

The cost of sold production decreased from RON 439 million in the first semester ended at 30 June 2018 to 417.2 milioane RON in the first semester ended at 30 June 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, accounting for 43.3% of the cost of the production sold of the Group during the first semester ended at 30 June 2019 (47.5% during the first semester ended at 30 June 2018). The Group's raw material costs decreased by 13.4% in the semester ended at 30 June 2019 as compared to the semester ended 30 June 2018, mainly due to the decrease in the production of liquid steel at TMK-Resita. The decrease in raw material costs was also influenced by the 6% decrease in the average purchase price of scrap metal.

The average purchase price of scrap metal decreased with 75 lei/tonne from 1,240 RON/ tonne in the semester ended 30 June 2018 to 1,165RON/ tonne in the semester ended 30 June 2019.



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 70.2 million RON, meaning 16.8 % of the total cost of production sold on 30 June 2019 (RON 61.1 million, 13.9% in the first semester ended at 30 June 2018).

The employment costs have increased by 14.8% or RON 9.1 million for the six-month period ended 30 June 2019 as compared to the six-month period ended 30 June 2018 as a result of the new staff employed as well as of the indexation of salaries with the inflation rate.

Description	Consolidated	
	30 June 2019 <i>Unaudited</i>	30 June 2018 <i>Restated and unaudited</i>
Average number of employees	2.296	2.224
Actual number of employees at the end of the financial year	2.293	2.280

Description	30 June 2019- <i>Unaudited</i>				
	TMK-Artrom	TMK IS	TMK-Resita	TMK-Assets	TMK - Italia
Average number of employees	1499	10	774	0	13
Actual number of employees at the end of the financial year	1501	9	770	0	13

Materials (consumables)

Expenses with materials (auxiliary materials, technological tools, spare parts, etc.) amount to RON 64.9 million, representing 15.5% of the total cost of sold production for the semester ended at 30 June 2019. The expenses are 4.7% higher as compared to the semester ended at 30 June 2018 (in total amount of 62 millions RON representing 14.1% 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) (76.7 millions RON for the semester ended at 30 June 2019) diminished with the revenues from the production of tangible and intangible assets (11.8 millions RON for the semester ended at 30 June 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 26.7% of the total costs for the materials (consumables) of the Group for the semester ended at 30 June 2019 as compared to 21.8% for semester ended at 30 June 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 71.1 million, for the semester ended at 30 June 2019 representing 17% of the total cost of sold production in the semester ended at 30 June 2019 (RON 57.1 million, representing 13% in the semester ended at 30 June 2018). Expenses



with energy and utilities increased by 24.5% for the semester ended at 30 June 2019 compared to the same period of 2018, mainly due to the combined influence of three factors: (i) the change in energy and gas purchase prices compared to the same period of the previous year, (ii) the decrease of the physical consumption of natural gas and the increase of the physical consumption of electricity for TMK-Artröm's pipe production, (iii) the decrease in the actual consumption of TMK-Resita due to a reduction of the production of liquid steel by 9%. For TMK-Artröm, the average price of electricity increased by 28.8% during the semester ended at 30 June 2019 compared to the same period of 2018 and the average price of natural gas increased by 28%. For TMK-Resita, the average electricity price increased by 30.4% during the semester ended at 30 June 2019, compared to the same period of 2018 and the average price of natural gas increased by 23.5% for the same periods.

Depreciation and amortization

Depreciation and amortization increased by RON 3.7 million to RON 39.6 million during the semester ended at 30 June 2019, from RON 35.9 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 semester ended at 30 June 2019, TMK-Artröm (separately) has registered provisions for the greenhouse gas emission allowances of RON 0.337 million for the deficit in certificates for the production of the semester ended at 30 June 2019 and canceled provisions for greenhouse gas emission allowances of RON 0.7 million for the deficit of certificates for the production of TMK-Artröm made in the year ended December 31, 2018 as a result of surrendering to the register of certificates due for production of the year 2018.

On 3 June 2015, TMK Artröm obtained a 60% exemption from payment of green certificates, related to TMK Artröm'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% 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 decreased with 13.7% (RON 20.9 million) from RON 151.6 million in the first semester of 2018 to RON 130.7 million in the first semester of 2019.

Gross margin of the Group's total sales decreased to 19.4% in the semester ended at 30 June 2019 compared to 21.2% during the same period of 2018.

Gross profit on the sale of TMK Artröm's production increased with RON 18.3 million from RON 139.9 million in the semester ended at 30 June 2018 to RON 121.6 million in the semester ended at 30 June 2019.

In part, as a result of premium price increase for premium pipes, the gross margin on the sale of TMK Artröm's production decreased to 22.8% in the semester ended at 30 June 2019, from 25.9% in the semester ended at 30 June 2018.

Gross margin from the sale of pipes from TMK-Artröm production decreased to 22.8% in the semester ended at 30 June 2019, from 25.9% in the semester ended at 30 June, 2018, being influenced by the decrease in sales prices for commodities products and rising prices for premium pipes.

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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 semester ended at 30 June 2019 increased by RON 4.4 million or by 7.9% to RON 59.8 million in semester ended at 30 June 2019, from RON 55.4 million as at June 30, 2018. The increase was mainly driven by the increases in the tax expense to RON 7.2 million in the semester ended at 30 June 2019, from RON 3.6 million in the the semester ended at 30 June 2018:

- *taxes and duties paid at the destination* of the exported goods increased during the first semester of year 2019 as compared to first semester 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 six-month period ended on 30 June 2019 amounted to RON 10.9 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.

General and administrative expenses increased by RON 3.9 million or 12% to RON 36 million in the semester ended at 30 June 2019 from RON 32.1 million in the semester ended at 30 June 2018, mainly due to:

- employment costs, other wage compensation and social insurance costs increased by RON 1.3 million to RON 19.6 million registered in the semester semester ended at 2019 as compared to RON 18.4 million during the first semester of 2018;
- and also the increase in professional services expenses to RON 9.3 million in the semester ended at 30 June 2019, from RON 7.9 million in the semester ended at 30 June 2018.

Adjusted EBITDA

We define **EBITDA** as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortization foreign exchange (gain)/loss

Adjusted EBITDA is determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortization, less the depreciation included in the cost of the unsold production foreign exchange (gain)/loss, impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions (except for provision for bonuses),

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(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.

- The Group's management subtracts depreciation of stock of finished goods and unfinished products from the Group's EBITDA, so that Adjusted EBITDA reflects solely the depreciation related to sold production and therefore reflects only realised earnings. The Group believes that this adjustment results in a measure more representative of the Group's underlying financial performance in the relevant period. Depreciation of stock of finished goods and unfinished products is calculated by (A) calculation a percentage represented by depreciation in the total cost of production of the Group for the period and (B) multiplying such percentage by the amount of the stock of finished goods and unfinished production (which is in turn calculated as the sum of value of finished goods in transit and the value of work in progress and semi-finished goods at the end of the reporting period), and (C) calculating the net change in the amount calculated in (B) from the prior period.
- Gain/loss on disposal of property, plant and equipment and impairment/(reversal of impairment) of non-current assets, as well as changes in provisions and allowances are added back to EBITDA in calculating Adjusted EBITDA as these items represent non-cash charges which the Group's management believes are not representative of underlying operating performance. The changes in provisions and allowances include allowances for stocks and short term provision from which it were excluded the provisions for managers bonuses.
- Social expenses are added back to EBITDA in calculating Adjusted EBITDA because it is considered them not related to operational activity and part of them, such as sponsorship and charitable expenses are non cash items because they are deducted from the payable income tax according to the Fiscal Code.

Social expenses are calculated as the sum of:

- Social actions expenses representing amounts paid to Trade Unions according to the Collective Bargaining Agreements of the Group companies, amounts paid for social, cultural and sport events organized for the employees and their children ;
- Sponsorship and charitable donations expenses according to the law;
- Professional fees and services for professional associations representing fees and contributions for the professional associations UNITUB and UNIROMSIDER;
- Total expenses with personnel medical dispensary which includes staff costs, social security costs and other compensations for employees from the medical dispensaries of the Group.

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

Adjusted EBITDA decreased with 27.5% (the decrease representing RON 27.,8 million) from RON 101 million for the six months period ended 30 June 2018 to RON 73.2 million for the six months period ended 30 June 2019.

Adjusted EBITDA margin for the six months period ended 30 June 2019 was 10.8% compared to 14.1% for the six months period ended 30 June 2018.

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Indicators	Consolidated	
	30 June 2019 RON Unaudited	30 June 2018 RON Restated unaudited
Profit for the period	14.970.583	43.868.238
Depreciation	42.248.933	37.821.359
Finance costs	9.518.084	7.019.895
Finance income	(105.733)	(1.300)
Foreign exchange (loss) / gain, net	9.934.971	1.673.751
Income Tax	2.213.459	8.556.955
EBITDA	78.780.297	98.938.898
Adjustments	(5.542.725)	2.066.008
- Depreciation in stock of finish goods and unfinished production	(2.691.967)	(705.602)
- Gain(-)/Loss (+) on disposal of property, plant and equipment and impairment (+)/reversal of impairment (-) of non-current assets	(3.974.280)	778.325
- Changes in provisions and allowances	(871.980)	(981.290)
- Social expenses	1.995.502	1.563.370
Adjusted EBITDA	73.237.572	101.004.906

(1) Reconciliation of the depreciation in stock of finish goods and unfinished production is presented below

Description	Consolidated 30 June 2019 <i>Unaudited</i>
Depreciation expense included in the cost of production in the reporting period	39.586.398
Production cost in the reported period	451.343.920
% of depreciation in total production cost (A)	8.77%
Value of finished goods and goods in transit at the end of the reporting period	70.130.409
Value of WIP and semi-finished goods at the end of the reporting period	130.730.781
Stock value at the end of the reporting period	200.861.190
Total stocks x % of depreciation in total production cost - =depreciation in stocks (B)	17.617.100
Variance in depreciation in stocks included in Adjusted EBITDA (C)	2.691.967



(2) Reconciliation of social expenses is presented below:

	Consolidated	
	30 June 2019	30 June 2018
	RON	RON
	<i>Unaudited</i>	<i>Restated unaudited</i>
Social actions expenses	1.327.021	1.057.315
Sponsorship and charitable donations	354.128	237.078
Professional fees and services for professional associations	66.056	39.000
Total expenses with personnel medical dispensary from which:	248.297	229.977
Staff costs - medical dispensary	228.661	206.112
Social security costs - medical dispensary	9.665	7.074
Other compensations for employees - medical dispensary	9.971	16.791
Total	1.995.502	1.563.370

Interest rates

The group has concluded financing agreements that provide for fixed and floating interest rates. For the period ended June 30, 2019, from the loan portfolio, in the amount of 419,564,439 lei, loans with variable interest rates amounted to 312,939,273 lei representing 74.5%. The loans with EURIBOR mainly serving as a basis for calculating the interest rate represented 56.6% and the loans based on LIBOR as a basis for calculating the interest rate represented 17.9% of the portfolio.

Foreign currency fluctuations

RON/EUR exchange rate evolved from 4.6639 RON/EUR as at 31 December 2018 to 4.7351 RON/EUR as at 30 June 2019, while RON/USD exchange rate evolved from 4.0736 RON/USD as at 31 December 2018, to 4.1587 RON/USD as at 30 June 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 9.9 million for the six months period ended 30 June 2019.

The Group registered during the semester ended at 2019 unfavorable exchange differences in amount of RON 9.9 million, which may be explained as followed:

- The parent company- TMK-Artrom registered in its statutory financial statements during the semester ended 30 June 2019, the following unfavorable exchange rate differences:
 - ✓ RON 5.3 million representing unfavorable exchange rate fluctuations for loans in the Company's loan portfolio during this period related to revaluation, borrowing and repayment operations;
 - ✓ RON 4.2 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 1.5 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 30.06.2019)
- TMK-Resita, registered unfavorable exchange rate differences in total amount of RON 0.9 million;



- other favorable 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 2 million.

Financial income and financial cost

The Group registered financial loss of RON 9.4 million in the semester ended at 30 June 2019 (7 million RON, registered for the same period of 2018) mainly as a result of the increase in the interest expenses. Compared to the semester ended at 30 June 2018, the Group's financial losses increased by 35.6% mainly due to the calculation of the interest in the semester ended at 30 June 2019 in amount of RON 2.5 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 semester ended at 30 June 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.

Income tax (expense)/credit

Income tax (expense)/credit decreased by RON 6.4 million to RON 2.2 million as at 30 June 2019 from RON 8.6 million in the semester ended at 30 June 2018.

The Group's effective tax rate has decreased from 10.8% in the semester ended at 30 June 2018 to 1.8% in the semester ended at 30 June 2019, mainly due to the fact that the group's profit before tax (17.2 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 35.2 million, reaching RON 17.2 million in the semester ended at 30 June 2019 compared to RON 52.4 million in the semester ended at 30 June at 2018, as a consequence of the decrease in gross profit from sales and the unfavorable evolution of exchange rates.

The Group's net profit for the semester ended at 30 June 2019

The Group's profit (net profit) for the semester ended at 30 June 2019 was RON 15 million compared to RON 43,9 million for the semester ended at 30 June 2018; a decrease of 66% due to the unfavorable exchange differences registered for the semester ended at 30 June 2019 in a net amount of RON 9.9 million as well as the decrease in gross profit from sales.

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 30 June 2019, as compared to the semester ended at 30 June 2018.

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	Amounts in RON		Variation by	% in separate	Revenue
	30 June 2019 <i>Unaudited</i>	30 June 2018 <i>Unaudited</i>	%	30 June 2019 <i>Unaudited</i>	30 June 2018 <i>Restated and Unaudited</i>
Revenues from customer contracts	690,036,142	668,957,585	3.2%	100.0%	100.0%
Sales of goods	689,616,427	668,711,716	3.1%	99.9%	100.0%
Rendering of services	419,715	245,869	70.7%	0.1%	0.0%
Cost of sales	(578,971,335)	(548,810,523)	5.5%	-83.9%	-82.0%
Gross profit	111,064,807	120,147,062	-7.6%	16.1%	18.0%
Selling and distribution expenses	-62,245,277	-58,676,762	6.1%	-9.0%	-8.8%
Advertising and promotion expenses	-241,200	-268,643	-10.2%	0.0%	0.0%
General and administrative expenses	-22,297,934	-19,207,574	16.1%	-3.2%	-2.9%
Research and development expenses	-94,339	-162,818	-42.1%	0.0%	0.0%
Other operating expenses	-2,114,904	-1,786,657	18.4%	-0.3%	-0.3%
Other operating income	1,014,593	612,468	65.7%	0.1%	0.1%
Amortization and depreciation	25,964,996	22,641,490	14.7%	3.8%	3.4%
Income from operations	25,085,746	40,657,076	-38.3%	3.6%	6.1%
Foreign exchange (loss) / gain, net	-9,057,877	-1,390,043	551.6%	-1.3%	-0.2%
Financial income	10,144,891	1,275	795577.7%	1.5%	0.0%
Financial cost	-8,501,656	-5,529,932	53.7%	-1.2%	-0.8%
Profit before tax	17,671,104	33,738,376	-47.6%	2.6%	5.0%
Tax expense/credit	-1,244,170	-5,349,649	-76.7%	-0.2%	-0.8%
Profit for the year	16,426,934	28,388,727	-42.1%	2.4%	4.2%
Adjusted EBITDA	50,800,099	64,584,350	-21.3%		

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

In addition, the Company presents the financial information, geographically.

Revenue from contracts with customers	Separate			
	30 June 2019 RON <i>Unaudited</i>	%	30 June 2018 RON	%
Domestic sales	220,827,698	32.0	185,974,596	27.8
Sales abroad	469,208,444	68.0	482,982,989	72.2
Total	690,036,142	100	668,957,585	100

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Revenues from contracts with customers – geographical information**Separate**

Revenue	Romania RON	Europa RON	North and South America RON	Other countries RON	Total RON
30 June 2019- <i>Unaudited</i>	220,827,698	385,123,440	83,264,021	820,983	690,036,142
30 June 2018	185,974,596	345,549,765	136,010,248	1,422,976	668,957,585

The following table shows comparatively, the Company's revenues for the period ended at 30 June 2019 and, respectively, 30 June 2018.

	Separate 30 June 2019 RON <i>Unaudited</i>	30 June 2018 RON <i>Unaudited</i>
Sale of pipes produced by TMK-Artrom from which:		
Domestic	77,813,315	77,387,700
Europa*	377,011,292	337,355,977
North and South America**	76,909,060	123,383,176
Other areas***	820,983	1,422,976
Total sales of TMK Artrom pipes	532,554,650	539,549,829
Sales of other goods and services from which:		
Sales of other goods on domestic market	142,859,422	108,381,588
Sales of other goods on external market	14,202,354	20,780,299
Rendering of services on domestic market	154,961	205,309
Rendering of services on external market	264,755	40,560
Total sales of other goods and services	157,481,492	129,407,756
Total turnover	690,036,142	668,957,585

*Turkey sales area is allocated to European market

**Canada, Brazil, US and Mexico sales areas are allocated to Americas market

***Middle East and North Africa sales areas are allocated to Other areas market

Total revenues from TMK-Artrom's customer contracts increased by 3.2% in the first six months ending at 30 June 2019 compared to the same period of the previous year as a result of the revenue growth from customer contracts by 1.3% for TMK-Artrom's sold production and increased sales of other goods and services (including merchandises) by 21.7%.

Revenues from customer contracts for the production of TMK-Artrom sold decreased in the first six months ended at 30 June 2019 compared to the same period of the previous year as a result of the decrease in the physical volume of pipe sales from 100.377 tons to 99.464 tons (a decrease of 0.9%) and also in the average selling price by 0.4% due to the decreased demand on the steel pipe market and as a result of the decrease 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 the previous year.

TMK-Artom's sales of merchandise (trading activity) mainly consisting of metallurgical products (billets, blooms, pipes) purchased from companies within the TMK group increased in value in the first six



months ended at 30 June 2019 compared to the same period of the previous year by 1.8%. However, the quantity increased by 36.5% 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 semester ended at 30 June 2019 represents 77.2% (during the first semester of year 2018: 80.7%).

Expenses analysis of the company TMK-Artrom (separate)

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

The cost of TMK-Artrom's goods sold for the semester ended at 30 June 2019 compared to the semester ended at 30 June 2018, are as follows:

The company's main cost of production is the cost of raw material, accounting for 73.4% of total sales costs. Expenses with employees in the productive sector (salaries, compensations and social contribution expenses) represent 10.5% of the costs for the sold production. Expenses for materials (consumables) (auxiliary materials, technological tools, spare parts, etc.) represent 3.8%; energy expenses (natural gas, electricity, water) represent 7.6%; depreciation costs represent 5.5%. The other individual expenses are less than 1% of the total cost of selling pipes.

	30 June 2019	30 June 2018	%	% in total consolidated cost of production sold	
	RON	RON		30 June 2019	30 June 2018
	<i>Unaudited</i>	<i>Unaudited</i>		<i>Unaudited</i>	<i>Unaudited</i>
Raw materials	331,472,406	320,873,362	3.3%	73.4%	71.7%
Expenses with salaries, salary compensations and social contribution	47,659,417	41,411,723	15.1%	10.5%	9.2%
Consumables	28,595,336	30,441,685	-6.1%	3.8%	4.5%
Energy and utilities	34,386,140	26,960,426	27.5%	7.6%	6.0%
Depreciation and amortisation	24,636,021	21,705,258	13.5%	5.5%	4.8%
Professional fees and services	1,667,558	1,344,175	24.1%	0.4%	0.3%
Freight	1,263,792	1,282,733	-1.5%	0.3%	0.3%
Taxes	1,360,531	1,268,442	7.3%	0.3%	0.3%
Repairs and maintenance	2,225,561	1,079,280	106.2%	0.5%	0.2%
Insurance	847,848	796,358	6.5%	0.2%	0.2%
Rent	93,209	309,282	-69.9%	0.0%	0.1%
Travel	257,809	306,359	-15.8%	0.1%	0.1%
Communications	37,876	38,158	-0.7%	0.0%	0.0%
Other expenses	3,201	7,017	-54.4%	0.0%	0.0%
Total production cost	474,506,705	447,824,258	6.0%	105.0%	100.0%
Change in own finished goods and work in progress	(10,537,775)	10,692,436	-198.6%	-2.3%	2.4%
Cost of sales of externally purchased goods	127,116,566	100,996,975	25.9%	28.1%	22.6%
Capitalized production costs	(11,580,857)	(10,072,964)	15.0%	-2.6%	-2.2%
Write-off materials	(533,304)	(630,182)	-15.4%	-0.1%	-0.1%
Cost of sales from which:	578,971,335	548,810,523	5.5%	100.0%	100.0%
Cost of goods	127,116,566	100,996,975	25.9%	22.0%	18.4%
Cost of sold production	451,854,769	447,813,548	0.9%	78.0%	81.6%

There is no record of stopping any segment of activity in the last 6 months.

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Dividends:

In 2018, no dividends were distributed by the company or its subsidiaries for the year 2017 (as in the last three years).

In the first half of 2019, the company TMK ARTROM received from its subsidiaries dividends in a total amount of RON 10,141,770, as follows:

- RON 4,701,333 representing USD 1,111,111 gross dividends from the subsidiary TMK INDUSTRIAL SOLUTIONS LLC USA
- RON 5,440,437 representing EUR 1,142,712 gross dividends from the subsidiary TMK ITALIA SRL.

On 5 April 2019 the Ordinary General Meeting of the Shareholders of TMK - ARTROM S.A. approved the distribution of the Company's profit for 2018 amounting to 56,569,986.13 lei as follows: (i) 3,389,036 lei to the legal reserves according to Law 31/1990, respectively at least 5% of the annual gross profit (but no more than 20% of the share capital), (ii) 14,280,000 lei as dividends and (ii) 38,900,950.13 lei will be carried over in the next year.

With respect to the decision to approve the distribution of dividends, to establish the date of registration, ex-date and date of payment for the payment of dividends in accordance with the provisions of the Capital Market Law and FSA Regulation 5/2018 as follows:

- 13 September 2019 shall be the record date set in accordance with Article 86(1) of the Capital Market Law (the "Record Date") and
- 12 September 2019 shall be the ex-date set in accordance with ASF Regulation 5/2018 (the "Ex-date"); and
- 4 October 2019 shall be the payment date of the dividends, set in accordance with Article 178(2) of ASF Regulation 5/2018 (the "Payment Date").

c) cash flow: all the changes made in the cash level within the basic activity, investments and financial activity, the cash level at the beginning and at the end of the period.

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 six-month period ended at 30 June 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 30 June 2019 amounted to RON 15 million.

The cash and cash equivalents of the Company as at 30 June 2019 amounted to RON 7.4 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.

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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>	Six-month period ended 30 June 2019 <i>Unaudited</i>	Six-month period ended 30 June 2018 <i>Restated and unaudited</i>
Cash flows from operating activities	26,221,292	34,374,853
Cash flows from investing activities	(47,116,243)	(49,516,459)
Cash flows from financing activities	4,520,352	36,081,259
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	14,956,762	37,846,687

Cash flows from operating activities

Cash flow generated from operating activities was RON 26.2 million for the semester ended at 30 June 2019 and RON 34.4 million for the semester ended at 30 June 2018.

Regarding the evolution of cash flows from the Group's operating activity during the first semester ended at 30 June 2019, we can say that the main influences are 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 47.1 million for the semester ended at 30 June 2019 and RON 49.5 million for the semester ended at 30 June 2018.

Cash flows used in investment activities decreased during the semester ended at 30 June 2019, compared to the semester ended at 30 June 2018, due to the decrease in purchases of tangible assets, mainly as a result of the decrease in the volume of investments compared to the same period last year. This decrease was diminished by the increase of other non-current assets by RON 8.7 million as a result of the sale by TMK RESITA of some lands and buildings to the Resita City Hall with a collection period until 2025 through annual, future offsets with local taxes and fees owed by TMK RESITA to the local budget. Considering the provisions of IFRS 15, the fair value of the other non-current assets was reflected at the present value using a discount rate of 4.35% similar to the interest rate of the state bonds for a maturity of 81 months with the amount of RON 1.3 million.



Cash flows from financing activities

Cash flows from financing activities were RON 4.5 million in the first semester ended at 30 June 2019 and RON 36.1 million in the first semester ended at 30 June 2018.

In the semester ended at 30 June 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 semester ended at 30 June 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 semester ended at 30 June 2019, the cash flow decreased as a result of repayments made under loan agreements with EUR 2.4 million from the BCR investment loan (EUR 25 million facility), respectively, of the overdraft reduction on BT by EUR 1.9 million, and it increased mainly as a result of the withdrawals carried out during this period. From the loan from VTB BANK (EUROPE) SA, EUR 16.7 million were used on 30.06.2019 to pay the credit contracted with UNICREDIT in the amount of EUR 14 million and the difference for current payments. The overdraft contracted with BCR also increased by EUR 2.7 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	Six-month period ended	Six-month period
	30 June 2019	ended 30 June 2018
	<i>Unaudited</i>	<i>Unaudited</i>
Cash flows from operating activities	10,602,343	3,715,802
Cash flows from investing activities	(27,565,021)	(41,238,249)
Cash flows from financing activities	7,477,213	39,355,811
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	7,439,615	12,658,557

Cash flows from operating activities

Cash flows from operating activities in the semester ended at 30 June 2019 were reduced by the amount of income from gross dividends distributed by subsidiaries in amount of RON 10,141,770 of which:

- RON 4,701,333 by TMK-IS ;
- RON 5,440,437 from TMK-Italia.

Cash flows from investing activities

Cash flows used in investment activities increased in the semester ended at 30 June 2019, compared with the similar period of 2018, as a result of net dividend earnings from TMK-Italia and TMK IS in amount of RON 9,606,181. The difference compared to the total dividend income RON 10,141,770 is the tax on dividend income withheld at source in Italy and the USA.



2. Analysis of the issuer's activity

2.1. Presenting and analysing trends, items, events or uncertainty factors that affect or could affect the issuer's liquidity, as compared to the same period last year.

Elements that may affect incomes from core business are:

Positive:

- The new investment in thermal treatments inaugurated in February 2018 will allow TMK-Artrom to increase the share of alloy steels with heat treatments that enjoy much higher prices than commodities pipes and provide a more consistent profit taking into account that and competition on this sector is lower.
- Maintaining the barrel price at over USD 60 / barrel, which will keep investors' appetite for new drilling in the US and an increasing appetite in regions / countries like Middle East, China, North Africa, Russia, Europe, etc. with positive effects on not only with positive effects on OCTG pipe consumption and not only.
- Maintaining a high level of OCTG pipe consumption in most regions (except the American continent) will maintain at an acceptable level the supply of industrial pipes in the global market which will allow the producers of such pipes (as is the case of TMK-Artrom), to enjoy a good level of orders.
- Imposition of quotas on the import into Europe of metallurgical products (including pipes) from non-EU countries such as Turkey, China, etc.
- Reduction of prices for raw materials and materials (eg, old, graphite electrodes, etc.) compared to previous years, due to lower consumption of steel products.

Negative:

- Increasing the price of electricity and natural gas.
- A possible fall in the price of oil around the psychological threshold of 50 USD / barrel or below, with direct effects on the investments in extraction and implicitly reducing the consumption of OCTG pipes, which will lead to an increase of the competition on the industrial pipe market and a higher pressure on the pipe price.
- 25% duty on importing steel products into the USA (section 232) which affects our competitiveness on the USA market.
- The amplification of the protectionist measures on the biggest markets (USA, Canada, Europe) can cause disturbances in the traditional chain of commercial relations with old and stable clients.
- Brexit without an agreement can have a negative impact on global trading conditions, although in our case the effects will be reduced, as the UK is not a very important market for us. However, it can deteriorate the business feeling and consequently a smaller increase in investments and consumption of metallurgical products and not only.
- Negative trend of car sales, an important sector for the consumption of steel pipes

2.2. Presenting and analysing the effects on the issuer's financial position of all current or anticipated capital expenditures (specifying the purpose and sources of financing of these expenditures) compared to the same period last year.

The Group defines capital expenditures as cash acquisitions of non-current tangible assets, as well as non – current intangible assets.

The Group and the Company define capital expenditures as cash purchases of real estate, plants and equipment, as well as non-current intangible assets.

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The Group's consolidated capital expenditures were RON 40.9 million at June 30, 2019 and RON 35.9 million at June 30, 2018.

2.3. Presenting and analysing events, transactions, and economic changes that significantly affect earnings from core business. Specify the extent to which the revenue of each identified item has been affected. Comparison with the corresponding period of previous year.

Revenues from core business as compared to the same period last year decreased by 1.3%.

The sales were made in the first semester of 2019 as follows:

- a) In Romania and Eastern Europe, sales were made directly;
- b) In North and Central Europe, direct sale to clients but using as agent TMK-EUROPE in Dusseldorf, Germany, the major shareholder;
- c) In South and West Europe, direct sale to clients but using as agent on TMK-ITALIA in Lecco, Italy;
- d) In America direct sale to clients but using as agent on TMK INDUSTRIAL SOLUTIONSS LLC, Houston, USA;
- e) In the Middle East indirect sale by the trader TMK Middle East, Dubai, UAE;

In the first half of 2019 and especially starting with the second quarter the activity of attracting orders from the market began to be more difficult due to the reduction in some regions of America of the investments in the extractive field, of the large stocks of OCTG pipes, which led to a reorientation of the OCTG pipe producers to the pipe market for industrial applications, thus increasing the competition in this segment with direct implications in the level of the prices of these products that continued to fall slightly, practically maintaining the trend recorded in the first months of the year.

Despite the much better positioning on the market of TMK-Artrom compared to most of its competitors in the segment of pipes for industrial applications, to attract a constant volume of orders and to ensure the continuous functioning of the production capacities and to compensate the lower volume of orders from the American market, we were also forced to offer discounts at the prices offered on the market in the previous months, also taking into account in this action the quantities ordered by customers, final use, etc.

TMK-Artrom is currently better positioned in the market compared to a large part of its competitors in the seamless pipe sector for industrial applications as a result of the last investments it has made in recent years and which have allowed it and continues to allow it to move further and further away from the commodity pipe market, which is most affected by lower prices and where the biggest competition for orders is observed. For premium products - bored and rolled pipes - cylinders, polished pipes, precision pipes or for heat-treated pipes, prices have increased more easily or even remained for some products compared to commodity pipes where competition is much higher than as a result of the large number of producers and prices have fallen much more sharply, all of them helping us to record a decrease of the incomes from the basic activity compared to the similar period of last year, slightly above 1%, under the conditions in which the prices for commodities pipes (carbon steel pipes without heat treatments) have decreased in average during the last months by 30-40 Euro / ton.

Even if during this period we observe a negative trend of the demand for the steel products and implicitly for the seamless steel pipes, which is mainly the result of the decline in the production sector in Europe due to the decreasing exports and investments, of the stocks higher than the normal level, we consider that it will be possible to maintain a good level of orders during 2019, considering that the specialists appreciate that the market reached this period at the lowest point and that for the last months of the year a slight increase in volumes is expected and automatically in the price level, first in the American markets (USA, Canada) and then in Europe. In addition, in regions such as the Middle East, North Africa, etc. the level of investments in the energy field remains high and there are no signs of slowing down in the coming period, given the large number of biddings in progress in these areas,

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which should keep busy OCTG pipe manufacturers and stop their reorientation to the seamless pipe market for industrial applications.

The degree of utilization of the production capacity in the 1st semester of 2019 was 100%.

3. Changes affecting the issuer's capital and management

3.1. Description of cases where the issuer was unable to meet its financial obligations during that period.

The Company was not in the impossibility to fulfil the financial obligations in the first semester 2019.

3.2. Description of any change in the rights of the holders of securities issued by the issuer.

There were no changes to the rights of the holders of securities issued by TMK-ARTROM.

The structure of the share capital on 30.06.2019 is the following:

	%	Number of shares	Subscribed capital value and paid in RON
TMK EUROPE GmbH Dusseldorf Germany	92.7282	107,722,706	270,383,992
Other shareholders individuals and companies	7.2718	8,447,628	21,203,546
Total	100	116,170,334	291,587,538

Starting with 24.02.2014 Financial Investment Company OLTENIA SA became a significant shareholder by trading on the secondary market with a number of shares held after a transaction 5.810.951 representing 5,002% of the share capital and the number of votes in the GSM of TMK-ARTROM. On 26.06.2019 Financial Investment Company OLTENIA SA held a number of 6,672,352 shares representing 5,74% of the share capital (the reference date of the last GSM TMK-ARTROM).

Obligations of the company are guaranteed with social heritage, shareholders being liable only up to the subscribed capital.

The shares owned gives shareholders the right to vote and dividends.

Shares are registered, embodied, numbered.

4. Significant transactions

In the case of issuers of shares, information on the major transactions entered into by the issuer with the persons with whom they are acting concertedly or in which those persons were involved during the relevant time period.

TMK EUROPE GmbH Germany, company that is part of the PAO TMK is the majority shareholder of TMK-ARTROM SA.

The company is part of the PAO TMK group. PAO TMK is a producer of steel pipes in the top 3 worldwide and directly or indirectly controls 24 production units in the United States, Russia, Romania and Kazakhstan and 2 R&D centers in Russia and the United States. Most of TMK's sales are made up of steel pipes for the oil and gas industry (OCTG) and high-margin industrial pipes in 85 countries.



TMK delivers its products together with an extensive service package especially for heat treatment, pipes coated with anti-corrosion protection systems and large depths, premium threaded connections. PAO TMK is a public company registered in the Russian Federation. TMK shares are listed on the largest Russian stock market - MICEX-TRS. Its GDRs are traded on the London Stock Exchange and ADRs - at OTCQX International Premier Trading in the USA.

The Company and the TMK-ARTROM Group had relations in the first half 2019 with the following related or related parties in the TMK Group:

Company	Origin country	Relation
- PAO TMK Russia;	Russia	ultimate parent
- TMK Europe GmbH Koln	Germany	parent (majority shareholder)
- TMK IPSCO INTERNATIONAL L.L.C.	USA	affiliated (related) under common control
- TMK Middle East, Dubai	Emiratele Arabe Unite	affiliated (related) under common control
- TMK-REȘITA S.A. Reșița	România	affiliated (related) under common control
- TMK Italia s.r.l. Lecco	Italia	affiliated (related) under common control
- OJSC Volzsky Pipe Plant RUSIA	Rusia	affiliated (related) under common control
- RosNITI JSC RUSIA	Rusia	affiliated (related) under common control
- TMK Assets SRL, București	România	affiliated (related) under common control
- TMK Industrial Solutions LLC, Houston	USA	affiliated (related) subsidiary, single control
- TMK-Inox RUSIA	Rusia	affiliated (related) under common control
- TMK Global Switzerland	Switzerland	affiliated (related) under common control

Transactions between affiliated entities that occurred during the first six months of the financial year 2019 were based on bilateral contracts and occurred under normal market conditions.

As to the nature of these transactions, they refer to goods sold and services provided by affiliated entities, such as: raw material - billet, pipes, consulting services, commission services, cost reinvoiced.

List of contracts in force on 30.06.2019 concluded by TMK-Artrom with related companies as Seller / Principal:

Client	Contract no.	Contract date	Contract Expiration date	Quantity - to/mtr	Contract value	Currency	Contract Object	Due date
SINARSKY Pipe Plant	162/13001800028 2 + Add 2	16.03.2018	31.12.2019		specifications amount	EUR	Pipes sale	100% in advance
TMK Europe GmbH	1818+Add 5	07.11.2013	Indefinite			EUR	agent comission	
TMK Europe GmbH	agreement	24.04.2019	30.06.2019			EUR	assistance for the preparation of the prospectus and other documents necessary to carry out the Offer	30 days

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TMK INDUSTRIAL SOLUTIONS LLC	3223+Add 9	27.06.2016	31.12.2019			USD	agent comission	30 days
TMK INDUSTRIAL SOLUTIONS LLC	646	24.10.2018	24.10.2019		1,500,000	USD	Pipes sale	30 days
TMK Italia	868+Add 12	13.09.2011	30.06.2020			EUR	agent comission	
TMK MIDDLE EAST FZCO	PM-026/2A + Add 7	01.01.2015	31.12.2019	1,500	2,876,642	USD	Pipes sale	60 days
TMK-REȘIȚA	2919 + Add 1/2019	04.01.2016	31.12.2019	200	240,000	EUR	Pipes sale	30 days
TMK-REȘIȚA	12	08.01.2019	31.12.2019	36	43,000,000	RON	sale of by-products / metal waste	30 days
TMK-REȘIȚA	990 + Add 7	30.12.2011	31.12.2019		20,000,000	EUR	sale buy on commission	30 days
TMK-REȘIȚA	267	17.04.2019	30.04.2020	10,000	260,000	EUR	sale buy certificates greenhouse gases EUA	5 days
ORSKY Machine Building Plant (OMZ)	178 + Add 1	23.03.2018	31.01.2019		specifications amount	EUR	sell TMK-C material pipes	100% in advance
VOLZHSKY Pipe Plant	114	06.03.2019	06.03.2021	100	400,000	EUR	laminating pipes	100% in advance

List of contracts in force on 30.06.2019 concluded by TMK-Artrom with related companies as Buyer:

The main product groups purchased in the first half of the financial year 2019 by TMK-ARTROM SA from related companies were the following:

- Raw material (billets);
- materials for consumption in the production activity;
- goods - wholesale on commission - buying and selling (recording turnover);
- services.

Supplier	Contract no.	Contract date	Contract Expiration date	Contract value	Currency	Contract Object
PAO TMK	TA-001/6A+Add 627	16.04.2015	31.12.2019	specifications amount	EUR	buy pipe hose for resale in USA
PAO TMK	TA-002/67 + Add 463	10.08.2016	31.12.2019	specifications amount	USD	buy pipe hose for resale in USA
PAO TMK	TA-003/6A + Add 245	20.04.2017	20.04.2020	specifications amount	EUR	buy pipe hose for resale in USA
PAO TMK	Agreement 3 + Add 2	20.11.2016	31.12.2019		EUR	remuneration contract (Bancpost)

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
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TUV CPR:
EN 10210-1,2
EN 10255

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PAO TMK	Agreement 4	27.12.2016	07.11.2023		EUR	remuneration contract (BCR)
PAO TMK	Agreement 5	14.05.2019	16.04.2022		EUR	remuneration contract (VTB Bank)
ROSNITI	1.21.30-K-120/18	28.06.2018	31.12.2021	96000	USD	research and development works "services for conducting metallographic, chime, mechanical, corrosion, fabrication tests for testing and testing"
TMK ASSETS	618	26.09.2018	30.09.2021		EUR	Lease contract
TMK Europe	1818+Add 5	07.11.2013	Indefinite		EUR	agent comission
TMK EUROPE	18-5013 ART	03.12.2018	03.12.2019	927,638.60 + transport costs	EUR	contract purchase of spines and bank rods
TMK EUROPE	18-5011 ART	03.12.2018	03.12.2019	70,165	EUR	contract purchase spare parts Comet
TMK EUROPE	18-5014 ART	24.01.2019	31.12.2019	115,405	EUR	K5 EZTM PTO drive contract
TMK EUROPE	19-5001 ART	11.04.2019	11.04.2020	113,764	EUR	steel bars purchase contract
TMK EUROPE	718	21.12.2018	31.12.2024	62,290,000	EUR	TMK-Resita share purchase contract
TMK INDUSTRIAL SOLUTIONS LLC	3223+Add 9	27.06.2016	31.12.2019		USD	agent comission
TMK-INOX	IN-119 + Add 712	01.09.2014	31.12.2020	20,000,000	EUR	contract purchase of steel pipes for resale purpose
TMK Italia	868+Add 12	13.09.2011	30.06.2020		EUR	agent comission
TMK-REȘIȚA	283/1000 +ADD 4	21.12.2015	31.12.2019	671,725,764	LEI	purchase of billets - extension of validity

TMK-ARTROM transactions on financing - loans received are described in Section 1.1. a)

Events after the reporting period

The management of the Company is not aware of other significant changes in the capitalization and indebtedness of the Company after June 30, 2019, except for the following:

On July 4, 2019 the Extraordinary General Meeting of TMK Shareholders - ARTROM S.A decided to revoke point 3 of the Decision of the Extraordinary General Meeting of TMK-Artrom Shareholders no. 1 of April 5, 2019 regarding the approval of the increase of the share capital of the Company.



Declaration of responsible persons

In accordance with the legal provisions in force of Law no. 24/2017 on Issuers of Financial Instruments and Market Operations and the Financial Supervisory Authority (ASF) Regulation No. 5/2018 on Issuers of Financial Instruments and Market Operations, the management of the Company declares the following:

1. To our knowledge, we confirm that the consolidated financial statements of TMK-ARTROM SA SLATINA together with its subsidiary TMK Industrial Solutions LLC and stand-alone TMK-ARTROM SA SLATINA, prepared in accordance with the applicable accounting standards, provide a correct and consistent picture of the reality of assets, liabilities, financial position, profit and loss account of the Group and the Company for the financial year ended 30.06.2019.

2. The consolidated report of the administrators provides a correct and consistent picture of the reality regarding the development and performance of the group and of the company as well as a description of the main risks and uncertainties specific to the ongoing activity related to the expected development of the group and the Company.

3. The consolidated interim financial statements of the TMK-ARTROM group and the individual consolidated financial statements of TMK-ARTROM SA SLATINA for 30.06.2019 are not audited.

4. The Board of Directors represents and protects the interests of the Company and is responsible for General Administration according the law.

5. The Chief Executive Officer represents and protects the interests of the Company and legally represent the Company in relationship with third parties, acting individually and has full powers to engage, dismiss, determine the remuneration of any employee, establish and amend at any time the Company's organizational chart.

6. The Management Board represents and protects the interests of the Company and is responsible for the Company's management in accordance with the law. The members of the Management Board represent the Company lawfully in relations with third parties acting jointly or separately, in accordance with the provisions of Article 14 of the Articles of Association and / or the mandate given by the CEO to each member of the Management Board

At the date of this report, the Management Board of TMK-ARTROM is composed of seven members, as follows:

Adrian Popescu - President & Chief Executive Officer CEO
 Valeru Mustata - Chief Commercial Officer CCO
 Cristian Drinciu - Chief Operational Officer COO
 Cristiana Vaduva - Chief Economical and Accountancy Officer CEO
 Alexander Pavlov - Chief Procurement Officer CPO
 Evgeny Chernyy - Chief Financial Officer CFO
 Constantin Neacsu - Executive Mill Officer

7. The organization and exercise of the Preventive Financial Control at the TMK-ARTROM Group is entrusted by special mandate by the Chief Executive Officer of the Company to Mrs. Vaduva Cristiana – Chief Economical Accountancy Officer.

8. Members of the Administration and Management bodies ensure that the individual and consolidated semi-annual financial statements and the report of the Board of Directors have been prepared and published in accordance with national law.

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



API:
5CT-0440
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At the date of this report, the Board of Directors of TMK-ARTROM is composed of seven members, as follows:

1. Andrey Zimin - Chairman of the Board of Directors
2. Adrian Popescu - member / Chief Executive Officer
3. Mikhail Albertovich Surif - member
4. Andrey Parkhomchuk - member
5. Olga Nikolaeva - member
6. Florin-Tudor Tat - independent member
7. Vlad Nastase - independent member.

Chief Executive Officer,

Ing. Popescu Adrian

**Chief Economical and Accountancy
Officer,**

Ec. Vaduva Cristiana

7 August 2019



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TMK-ARTROM S.A.

Interim Condensed Consolidated and Separate
Financial Statements

30 JUNE 2019

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TMK-ARTROM S.A.
INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
as of 30 June 2019

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

Unaudited	Note	Consolidated		Separate	
		30.06.2019	30.06.2018	30.06.2019	30.06.2018
		RON	RON	RON	RON
Revenue from contracts with customers		675,381,236	715,373,179	690,036,142	668,957,585
Sales of goods	5	673,107,079	713,422,929	689,616,427	668,711,716
Rendering of services	5	2,274,157	1,950,250	419,715	245,869
Cost of sales	6	(544,633,012)	(563,799,276)	(578,971,335)	(548,810,523)
Gross profit		130,748,224	151,573,903	111,064,807	120,147,062
Selling and distribution expenses	7	(59,829,490)	(55,425,711)	(62,245,277)	(58,676,762)
Advertising and promotion expenses	8	(247,384)	(315,617)	(241,200)	(268,643)
General and administrative expenses	9	(35,979,682)	(32,129,746)	(22,297,934)	(19,207,574)
Research and development expenses	10	(94,339)	(162,818)	(94,339)	(162,818)
Other operating expenses	11.2	(2,121,236)	(2,451,920)	(2,114,904)	(1,786,657)
Other operating income	11.1	4,055,271	29,448	1,014,593	612,468
Income from operations		36,531,364	61,117,539	25,085,746	40,657,076
Foreign exchange (loss) / gain, net		(9,934,971)	(1,673,751)	(9,057,877)	(1,390,043)
Finance income	11.4	105,733	1,300	10,144,891	1,275
Finance costs	11.3	(9,518,084)	(7,019,895)	(8,501,656)	(5,529,932)
Profit / (loss) before tax		17,184,042	52,425,193	17,671,104	33,738,376
Income tax expense/credit	12	(2,213,459)	(8,556,955)	(1,244,170)	(5,349,649)
Profit / (loss) for the year		14,970,583	43,868,238	16,426,934	28,388,727
Other comprehensive income - that may be reclassified in profit or loss					
Foreign currency translation		744,795	139,808	-	-
Other comprehensive income - that may not be reclassified in profit or loss					
Actuarial gains / (losses)		(11,758)	-	(11,758)	-
Income tax effect		-	-	-	-
Other comprehensive income (loss) for the year, net of tax		733,037	139,808	(11,758)	-
Total comprehensive income for the year, net of tax		15,703,620	44,008,046	16,415,176	28,388,727
Average number of shares		116,170,334	116,170,334	116,170,334	116,170,334
Earnings per share		0.13	0.38	0.14	0.24

TMK-ARTROM S.A.
INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
as of 30 June 2019
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Unaudited	Note	Consolidated		Separate	
		30.06.2019	31.12.2018 Restated	30.06.2019	31.12.2018
		RON	RON	RON	RON
ASSETS					
Current assets					
Cash and cash equivalents	21	14,956,762	31,331,361	7,439,615	16,925,079
Trade and other receivables	19	326,571,992	300,865,499	329,001,912	304,919,488
Inventories	18	327,167,424	308,095,295	231,897,476	205,016,788
Prepayments	20	13,477,295	6,965,489	49,596,578	45,914,200
Other current assets	21	1,487,226	1,046,698	1,487,226	1,046,698
		683,660,699	648,304,342	619,422,807	573,822,253
Non-current assets					
Intangible assets	15	2,368,919	2,755,268	1,500,898	1,693,962
Goodwill	15	22,625,790	22,285,574	-	-
Property, plant and equipment	14	1,125,280,634	1,134,549,418	627,101,539	621,465,695
Right of use assets	14	1,771,031	-	806,222	-
Investments in subsidiaries	16.1.	-	-	298,566,221	290,262,969
Financial assets	16.1.	3,925,918	4,857,610	3,888,737	4,819,724
Deferred tax asset	12	3,675,750	3,587,289	-	-
Other non-current assets	17	11,877,174	1,888,895	4,168,258	3,639,099
		1,171,525,216	1,169,924,054	936,031,875	921,881,449
Total assets		1,855,185,915	1,818,228,396	1,555,454,682	1,495,703,702
LIABILITIES					
Current liabilities					
Trade and other payables	23	324,943,844	295,468,728	206,938,348	163,574,097
Advances from customers	23	285,220	997,116	166,100	679,297
Liabilities for investments in subsidiaries	16.3.	58,387,830	57,474,348	58,387,830	57,474,348
Provisions and accruals	25	8,304,639	12,254,894	4,983,702	8,169,816
Interest-bearing loans and borrowings	16.2.	201,170,750	185,019,444	201,170,750	185,019,444
Lease liability	16.2.	9,201,471	7,842,368	1,760,037	1,156,675
Income tax payable	23	-	-	-	1,686,487
		602,293,754	559,056,898	473,406,767	417,760,164
Non-current liabilities					
Liabilities for investments in subsidiaries	16.3.	223,642,289	218,356,982	223,642,289	218,356,982
Interest-bearing loans and borrowings	16.2.	218,871,976	223,499,549	218,871,976	223,499,549
Lease liability	16.2.	33,198,238	35,468,590	3,043,556	3,303,317
Deferred tax liability	12	73,146,214	71,237,855	38,416,334	37,184,083
Provisions and accruals	25	867,755	622,184	745,428	555,549
Employee benefits liability	23	5,345,135	5,212,693	3,037,808	2,900,934
Other long-term liabilities	16.2.	2,150,839	2,224,298	168,553	156,329
		557,222,446	556,622,151	487,925,944	485,956,743
Total Non-current liabilities		557,222,446	556,622,151	487,925,944	485,956,743
Total liabilities		1,159,516,200	1,115,679,049	961,332,711	903,716,907
EQUITY					
Capital and reserves					
Share capital, from which:		291,587,538	291,587,538	291,587,538	291,587,538
- 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		316,013,921	257,387,091	217,704,240	175,414,254
Foreign currency translation reserve		3,002,973	2,258,177	-	-
Profit of the year		14,970,583	81,210,083	16,426,934	56,569,986
		695,669,715	702,549,347	594,121,971	591,986,795
Total equity		695,669,715	702,549,347	594,121,971	591,986,795
Total liabilities and equity		1,855,185,915	1,818,228,396	1,555,454,682	1,495,703,702

TMK-ARTROM S.A.
INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
as of 30 June 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
For first half ended as at 30 June 2019							
As at 1 January 2019	291,587,538	20,228,568	2,258,177	48,674,315	338,597,173	1,203,576	702,549,347
Profit of the period	-	-	-	-	14,970,583	-	14,970,583
Other comprehensive income / (loss)	-	-	744,795	-	-	(11,758)	733,037
Total comprehensive income	-	-	744,795	-	14,970,583	(11,758)	15,703,620
TMK-Italia's shares bought according to "pooling of interests" method	-	-	-	-	(8,303,252)	-	(8,303,252)
Dividends distribution from 2018 profit	-	-	-	-	(14,280,000)	-	(14,280,000)
At 30 June 2019	291,587,538	20,228,568	3,002,972	48,674,315	330,984,504	1,191,818	695,669,715
For first half ended as at 30 June 2018 - Restated							
As at 1 January 2018	291,587,538	16,839,532	1,897,644	33,991,314	551,054,190	987,033	896,357,251
Profit of the period	-	-	-	-	43,868,238	-	43,868,238
Other comprehensive income / (loss)	-	-	139,808	-	-	-	139,808
Total comprehensive income	-	-	139,808	-	43,868,238	-	44,008,046
At 30 June 2018	291,587,538	16,839,532	2,037,452	33,991,314	594,922,428	987,033	940,365,297

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
For first half ended as at 30 June 2019						
As at 1 January 2019	291,587,538	20,228,568	48,674,315	231,984,239	(487,865)	591,986,795
Profit of the period	-	-	-	16,426,934	-	16,426,934
Other comprehensive income / (loss)	-	-	-	-	(11,758)	(11,758)
Total comprehensive income	-	-	-	16,426,934	(11,758)	16,415,176
Dividends distribution from 2018 profit	-	-	-	(14,280,000)	-	(14,280,000)
At 30 June 2019	291,587,538	20,228,568	48,674,315	234,131,173	(499,623)	594,121,971
For first half ended as at 30 June 2018						
As at 1 January 2018	291,587,538	16,839,532	33,991,314	178,803,289	(804,073)	520,417,600
Profit of the period	-	-	-	28,388,727	-	28,388,727
Total comprehensive income	-	-	-	28,388,727	-	28,388,727
At 30 June 2018	291,587,538	16,839,532	33,991,314	207,192,016	(804,073)	548,806,327

TMK-ARTROM S.A.
INTERIM CONDENSED CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT
as of 30 June 2019

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

Indirect method	Note	Consolidated		Separate	
		1 January - 30 June 2019	1 January - 30 June 2018 Restated	1 January - 30 June 2019	1 January - 30 June 2018
Unaudietd		RON	RON	RON	RON
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit / (Loss) before tax		17,184,042	52,425,193	17,671,104	33,738,376
Plus / minus adjustments for:					
Depreciation and amortisation	14, 15	42,248,933	37,821,359	25,964,996	22,641,488
Increase / (reversal) of provisions	25	(3,704,684)	(2,804,059)	(2,996,235)	(2,263,919)
Increase / (reversal) of allowances for current assets	18, 19	(560,357)	16,835	(464,737)	(792,542)
Exchange rate differences for financing activities		8,220,839	2,021,993	7,636,668	2,015,787
Variation of retirement benefits		354,631	331,831	167,486	168,680
Result from disposal of non-current assets	11	(3,974,280)	778,325	361,695	472,295
Interest and related expenses	11	8,974,436	6,559,650	8,017,600	5,379,451
Dividends income		-	-	(10,141,771)	-
Exchange rate differences for cash and cash equivalents		348,773	131,142	-	-
Plus / minus adjustments for changes in working capital related to operating activities:					
Decrease / (increase) in inventories	18	(18,530,535)	(1,748,011)	(26,347,384)	9,363,317
Decrease / (increase) in trade and other receivables and prepayments	19, 20, 21, 16.1	(31,984,179)	(71,687,002)	(28,505,725)	(60,334,071)
(Decrease) / increase in payables (except banks)	23, 16.2	14,509,941	15,657,049	24,983,605	(1,354,646)
less:					
Interest paid		(6,804,325)	(5,920,605)	(5,744,959)	(5,318,414)
Income tax paid		(61,943)	791,153	-	-
Total inflows / (outflows) from operating activities (a)		26,221,292	34,374,853	10,602,343	3,715,802
CASH FLOWS FROM INVESTING ACTIVITIES					
Amount received from disposal of non-current assets		9,882,733	4,138,258	-	3,942,234
Purchase of tangible and intangible assets	14, 15	(57,104,709)	(53,656,017)	(37,174,321)	(45,181,758)
Dividends received		-	-	9,606,180	-
Interest received	11	105,733	1,300	3,121	1,275
Total inflows / (outflows) from investing activities (b)		(47,116,243)	(49,516,459)	(27,565,021)	(41,238,249)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans received		92,174,713	56,867,264	92,174,713	56,867,264
Repayment of loans		(83,823,982)	(17,870,179)	(83,823,900)	(17,292,147)
Repayment of leases		(3,830,379)	(2,915,826)	(873,600)	(219,306)
Total inflows / (outflows) from financing activities (c)		4,520,352	36,081,259	7,477,213	39,355,811
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)		(16,374,599)	20,939,653	(9,485,464)	1,833,364
Cash and cash equivalents at beginning of period	21	31,331,361	16,907,034	16,925,079	10,825,193
Cash and cash equivalents at end of period	21	14,956,762	37,846,687	7,439,615	12,658,557

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.

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 6 months ended 30 June 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 7 August 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

Company name	Parent company	Shareholding (%)
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. TMK-Resita owns 100% of TMK Assets's share capital. 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 owns 0.00763% from TMK-Reșița's shares.

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>30 June 2019</u>	<u>31 December 2018</u>	<u>30 June 2018</u>
1 EUR	4.7351	4.6639	4.6611
1 USD	4.1587	4.0736	4.0033

Average exchange rate for 1 unit of foreign currency:

	<u>30 June 2019</u>	<u>31 December 2018</u>	<u>30 June 2018</u>
1 EUR	4.7414	4.6535	4.6537
1 USD	4.1955	3.9416	3.8440

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.
INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS
as of 30 June 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
ASSETS			
Current assets			
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	-
	634,103,790	648,304,342	(14,200,552)
Non-current assets			
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	-
	1,144,152,490	1,169,924,054	(25,771,564)
Total assets	1,778,256,280	1,818,228,396	(39,972,116)
LIABILITIES			
Current liabilities			
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
Total current liabilities	552,123,370	559,056,898	(6,933,528)
Non-current liabilities			
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	-
Total Non-current liabilities	555,344,788	556,622,151	(1,277,363)
Total liabilities	1,107,468,158	1,115,679,049	(8,210,891)
EQUITY			
Capital and reserves			
Share capital, from which:	291,587,538	291,587,538	-
- 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)
Total equity	670,788,122	702,549,347	(31,761,225)
Total liabilities and equity	1,778,256,280	1,818,228,396	(39,972,116)

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 first half of 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 30 June 2019:

	RON
<i>Assets</i>	
Right-of -use the assets	1,771,031
Property, plant and equipment	-
Prepayments	-
Total assets	1,771,031
<i>Equity</i>	
Retained earnings	(39,045)
Non-controlling interests	-
Total Equity	(39,045)
<i>Liabilities</i>	
Interest-bearing loans and borrowings	-
Lease liability	1,810,076
Deferred tax liabilities	-
Trade and other payables	-
Total Liabilities	1,810,076

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:

	Right of use assets		
	Plant and machinery	Motor vehicles	Total
	RON	RON	RON
As at 31 December 2018	-	-	-
Additions	814,380	1,426,712	2,241,092
Depreciation expense	(82,044)	(388,017)	(470,061)
As at 30 June 2019	732,335	1,038,696	1,771,031

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

<u>Lease liability</u>	30 June 2019
	<u>RON</u>
As at 31 December 2018	-
Additions	2,197,293
Interest expense	31,097
Payments	(412,765)
Exchange difference	(5,549)
As at 30 June 2019	<u>1,810,076</u>

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

	30 June 2019
Depreciation expense of right-of-use assets	470,239
Interest expense on lease liabilities	31,110
Rent expense-short-term leases	855,492
Rent expense-leases of low-value assets	272,796
Rent expenses-variable lease payments	-
Total amounts recognised in profit or loss	<u>1,629,637</u>

- **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 period of 6 months ended 30 June by segment were as follows:

Unaudited	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
30 June 2019					
Sales to external customers	532,499,752	4,103,803	138,777,681	-	675,381,236
Inter-segment sales	196,333	330,293,478	-	(330,489,811)	-
Total sales	532,696,085	334,397,281	138,777,681	(330,489,811)	675,381,236
Segments result (gross profit)	121,562,080	262,143	8,924,001	-	130,748,224
Other operating expenses, net					(94,216,860)
Interest and other finance costs, net					(9,412,351)
Net foreign exchange gains / (losses)					(9,934,971)
Result before income tax					17,184,042

4. SEGMENT INFORMATION (continued)

Unaudited	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
30 June 2018					
Sales to external customers	539,679,734	38,275,479	137,417,966	-	715,373,179
Inter-segment sales	216,026	324,201,586	-	(324,417,612)	-
Total sales	539,895,760	362,477,065	137,417,966	(324,417,612)	715,373,179
Segments result (gross profit)	139,903,480	1,389,755	10,280,668	-	151,573,903
Other operating expenses, net					(90,456,364)
Interest and other finance costs, net					(7,018,595)
Net foreign exchange gains / (losses)					(1,673,751)
Result before income tax					52,425,193

Group's segment assets and liabilities at 30 June were as follows:

Unaudited	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
30 June 2019					
Total assets	1,113,572,959	577,964,352	163,648,604	-	1,855,185,915
Total liabilities	414,821,909	113,342,273	631,352,018	-	1,159,516,200
31 December 2018 - Restated					
Total assets	1,128,301,744	587,841,272	102,085,380	-	1,818,228,396
Total liabilities	370,833,184	169,512,238	575,333,627	-	1,115,679,049

Geographical information

Consolidated

Revenue	Romania	Europe	North and South America	Other countries	Total
Unaudited	RON	RON	RON	RON	RON
30 June 2019	201,189,480	385,443,305	84,656,765	4,091,686	675,381,236
30 June 2018 Restated	204,826,412	371,794,244	137,329,547	1,422,976	715,373,179

Separate

Revenue	Romania	Europe	North and South America	Other countries	Total
Unaudited	RON	RON	RON	RON	RON
30 June 2019	220,827,698	385,123,440	83,264,021	820,983	690,036,142
30 June 2018	185,974,596	345,549,765	136,010,248	1,422,976	668,957,585

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

Unaudited	30 June 2019		Consolidated	
	RON	%	30 June 2018 Restated RON	%
Domestic sales	201,189,481	29.79	211,433,409	29.56
Sales abroad	474,191,755	70.21	503,939,770	70.44
Total	675,381,236	100	715,373,179	100

Unaudited	30 June 2019		Separate	
	RON	%	30 June 2018 RON	%
Domestic sales	220,827,698	32.00	185,974,596	27.80
Sales abroad	469,208,444	68.00	482,982,989	72.20
Total	690,036,142	100	668,957,585	100

Unaudited	Consolidated		Separate	
	30 June 2019 RON	30 June 2018 Restated RON	30 June 2019 RON	30 June 2018 RON
Sales of pipes produced by TMK-Artrom from which:				
Domestic	77,616,982	77,171,674	77,813,315	77,387,700
Europe	377,011,292	337,355,977	377,011,292	337,355,977
North and South America	77,050,495	123,729,107	76,909,060	123,383,176
Other areas	820,983	1,422,976	820,983	1,422,976
Total sales of TMK-Artrom pipes	532,499,752	539,679,734	532,554,650	539,549,829
Sales of other goods and services from which:				
Sales of other goods on domestic market	122,790,592	126,655,867	142,859,422	108,381,588
Sales of other goods on external market	17,816,733	47,055,606	14,202,354	20,780,299
Rendering of services on domestic market	781,906	998,871	154,961	205,309
Rendering of services on external market	1,492,253	983,101	264,755	40,560
Total sales of other goods and services	142,881,484	175,693,445	157,481,492	129,407,756
Total revenue from contracts with customers	675,381,236	715,373,179	690,036,142	668,957,585

6. COST OF SALES

Cost of sales for the period of 6 months ended 30 June, consisted of the following:

Unaudited	Consolidated		Separate	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
	RON	RON	RON	RON
Raw materials	180,557,268	208,466,134	331,472,406	320,873,362
Staff cost (note 11.5)	59,990,808	52,654,024	41,461,412	35,979,408
Consumables	76,693,986	72,524,590	28,595,336	30,441,685
Energy and utilities	71,063,544	57,062,469	34,386,140	26,960,426
Depreciation and amortisation	39,586,398	35,947,307	24,636,021	21,705,258
Other compensations for employees	6,497,880	5,249,561	4,527,619	4,047,902
Social security expenses (note 11.5)	3,728,027	3,237,481	1,670,386	1,384,413
Professional fees and services	4,312,732	3,288,144	1,667,558	1,344,175
Freight	1,263,792	1,283,783	1,263,792	1,282,733
Taxes	2,155,183	1,871,031	1,360,531	1,268,442
Repairs and maintenance	3,426,964	1,649,376	2,225,561	1,079,280
Insurance	1,371,157	1,257,646	847,848	796,358
Rent	297,388	665,503	93,209	309,282
Travel	344,262	459,045	257,809	306,359
Communications	51,331	52,742	37,876	38,158
Other expenses	3,200	7,017	3,201	7,017
Total production cost	451,343,920	445,675,853	474,506,705	447,824,258
Change in own finished goods and work in progress	(21,767,321)	4,354,879	(10,537,775)	10,692,436
Cost of sales of externally purchased goods	127,416,681	124,800,282	127,116,566	100,996,975
Capitalized production costs	(11,819,736)	(10,549,890)	(11,580,857)	(10,072,964)
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	(541,595)	(692,069)	(533,304)	(630,182)
Write-off materials	1,063	210,221	-	-
Cost of sales	544,633,012	563,799,276	578,971,335	548,810,523

7. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the period of 6 months ended 30 June, consisted of the following:

Unaudited	Consolidated		Separate	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
	RON	RON	RON	RON
Freight	29,580,539	33,681,138	29,227,476	33,026,461
Professional fees and services	7,423,960	6,448,279	16,445,177	17,023,828
Taxes	64,448	61,606	48,623	48,605
Import duties	10,856,457	3,616,134	10,802,279	3,528,316
Staff cost (note 11.5)	5,689,651	5,163,078	2,701,408	2,290,424
Consumables	2,205,779	1,833,203	1,077,676	871,816
Insurance	1,080,276	922,944	1,004,321	825,594
Utilities and maintenance	111,638	350,431	96,420	335,922
Other compensations for employees	943,944	615,408	343,824	332,595
Travel	179,108	298,150	31,343	183,319
Depreciation and amortisation	380,764	190,183	193,751	147,405
Social security expenses (note 11.5)	946,651	884,056	112,992	85,274
Communications	95,668	97,758	49,775	60,309
Other expenses	209,608	177,813	39,752	43,304
Rent	280,846	380,943	1,485	35,950
Bad debt expense (note 19)	(219,847)	704,587	68,975	(162,360)
Selling and distribution expenses	59,829,490	55,425,711	62,245,277	58,676,762

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.

8. PROMOTION AND ADVERTISING EXPENSES

Promotion and advertising expenses for the period of 6 months ended 30 June, consisted of the following:

Unaudited	Consolidated		Separate	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
	RON	RON	RON	RON
Marketing expenses	246,173	267,028	239,989	220,054
Media expenses	1,211	48,589	1,211	48,589
Promotion and advertising expenses	247,384	315,617	241,200	268,643

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the period of 6 months ended 30 June, consisted of the following:

Unaudited	Consolidated		Separate	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
	RON	RON	RON	RON
Staff cost (note 11.5)	15,955,606	12,955,481	10,274,901	8,783,013
Professional fees and services	9,299,716	7,912,939	4,535,533	3,614,615
Other compensations for employees	2,696,299	4,561,810	2,162,743	2,434,658
Rent	550,054	715,442	767,954	827,266
Taxes	1,380,222	1,178,560	937,766	821,041
Depreciation and amortisation	2,096,310	1,497,062	1,135,224	788,824
Communications	532,810	544,714	443,136	453,318
Consumables	760,438	727,838	421,450	441,808
Utilities and maintenance	1,124,737	559,735	878,796	379,297
Travel	391,476	484,654	317,858	339,523
Social security expenses (note 11.5)	928,883	803,716	293,214	216,267
Other expenses	148,122	99,961	98,671	67,109
Insurance	115,009	87,834	30,688	40,835
General and administrative expenses	35,979,682	32,129,746	22,297,934	19,207,574

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the period of 6 months ended 30 June, consisted of the following:

Unaudited	Consolidated		Separate	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
	RON	RON	RON	RON
Professional fees and services	36,242	111,281	36,242	111,281
Staff cost (note 11.5)	53,053	48,167	53,053	48,167
Other compensations for employees	3,309	1,807	3,309	1,807
Social security expenses (note 11.5)	1,735	1,563	1,735	1,563
Research and development expenses	94,339	162,818	94,339	162,818

11. OTHER INCOME/EXPENSES AND ADJUSTMENTS

11.1 Other operating income

Other operating income for the period of 6 months ended 30 June, consisted of the following:

Unaudited	Consolidated		Separate	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
	RON	RON	RON	RON
Gains on sales of property, plant and equipment	3,974,280	-	-	-
Income from sale of emission certificates	-	-	951,574	384,886
Investment subsidies	24,490	10,707	24,490	10,707
Rent income	-	-	8,553	-
Damages, trial expenses	29,976	-	29,976	-
Other income	26,525	15,496	-	7
Income from recovered materials	-	-	-	216,868
Materials free of charge	-	3,245	-	-
Total	4,055,271	29,448	1,014,593	612,468

11.2 Other operating expenses

Other operating expenses for the period of 6 months ended 30 June, consisted of the following:

Unaudited	Consolidated		Separate	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
	RON	RON	RON	RON
Social actions expenses	1,262,058	974,150	1,262,058	974,150
Loss on disposal of property, plant and equipment	-	778,325	361,695	472,295
Sponsorship and charitable donations	393,101	246,599	354,128	237,078
Staff costs - medical dispensary	228,661	206,112	68,382	58,525
Professional fees and services	60,056	33,000	60,056	33,000
Rent expense	50,464	45,180	-	-
Other expenses	81,849	123,314	1,568	9,708
Social security costs - medical dispensary	9,665	7,074	1,810	1,735
Penalties - legal entities	6,345	166	5,207	166
Fines and penalties	11,566	21,209	-	-
Other compensations for employees - medical dispensary	17,471	16,791	-	-
Total	2,121,236	2,451,920	2,114,904	1,786,657

11.3 Financial costs

Financial costs for the period of 6 months ended 30 June, consisted of the following:

Unaudited	Consolidated		Separate	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
	RON	RON	RON	RON
Interest on short-term loans and borrowings (note 16.2)	1,745,736	2,749,308	1,745,736	2,749,308
Interest on long-term loans and borrowings (note 16.2)	3,720,135	2,177,507	3,720,135	2,177,507
Interest on amounts owed to entities in the group (nota 16.5)	2,468,588	-	2,468,588	-
Amortisation of issuance fee	250,598	361,495	282,337	361,495
Other financial expenses	187,317	526,860	198,598	217,122
Interest on financial leasing	1,145,710	1,204,725	86,262	24,500
Total	9,518,084	7,019,895	8,501,656	5,529,932

11. OTHER INCOME/EXPENSES AND ADJUSTMENTS (continued)

11.4 Financial income

Financial income for the period of 6 months ended 30 June arch, consisted of the following:

Unaudited	Consolidated		Separate	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
	RON	RON	RON	RON
Income from shares of subsidiaries	-	-	10,141,771	-
Interest on deposits	3,095	1,219	3,095	1,220
Interest from granted borrowing	23	21	-	-
Other financial income	102,615	60	25	55
Total	105,733	1,300	10,144,891	1,275

On 29 March 2019, the Shareholders' Meeting of TMK Industrial Solutions has approved the distribution from retained earnings to the sole shareholder TMK-Artrom in gross amount of USD 1,111,111.11 (RON 4,701,334). On April 2019, TMK-Artrom received USD 1,000,000, the difference in amount of USD 111,111.11 (RON 470,317) representing 10% tax withheld at source in USA.

In March 2019, TMK Italia has approved the distribution of dividends from other reserves to the sole shareholder TMK-Artrom in gross amount of EUR 791,999 (RON 3,771,499). The net amount received by TMK-Artrom was of EUR 782,495.01, the difference in amount of EUR 9,503.99 (RON 45,258) representing 1.2% tax withheld at source in Italy.

On 15 April 2019, the General Shareholders' Meeting of TMK Italia has approved the distribution of dividends to the sole shareholder TMK-Artrom in gross amount of EUR 350,713 (RON 1,668,938) from the profit of the year ended on 31 December 2018. TMK Italia withheld at source a tax of 1.2% representing EUR 4,208.56 (RON 20,016), and paid to TMK-Artrom, in May 2019, net dividends in amount of EUR 346,504.44.

11.5 Employee benefits expenses

Employee benefits expenses for the period of 6 months ended 30 June, consisted of the following:

Unaudited	Consolidated		Separate	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
	RON	RON	RON	RON
Wages and salaries (Notes 6,7,9,10,11.2)	81,925,692	71,048,474	54,559,156	47,159,537
Social security costs (Notes 6,7,9,10,11.2), out of which:	5,615,141	4,934,377	2,080,139	1,689,253
- Company's contributions to social security (pensions)	2,325,928	2,200,573	-	-
Other compensations for employees - meal tickets	3,736,845	3,494,039	2,471,456	2,287,140
Other compensations for employees - holiday vouchers	1,150,968	711,901	369,196	545,458
Other compensations for employees - other	5,271,089	6,243,969	4,196,841	3,984,363
Total employee benefits expense	97,699,735	86,432,760	63,676,788	55,665,751

Unaudited	Consolidated		Separate	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
Average number of employees	2,297	2,224	1,499	1,421
Actual number of employees at the end of reporting period	2,295	2,280	1,501	1,473

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12. INCOME TAX

For the period of 6 months ended 30 June, the Company and the Group calculated income tax as follows:

Unaudited	Consolidated		Separate	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
	RON	RON	RON	RON
Current income tax	(309,723)	(5,680,877)	(11,919)	(4,609,129)
Small companies income tax	(28,025)	(7,247)	-	-
Deferred income tax:	(1,875,711)	(2,868,831)	(1,232,251)	(740,520)
- Deferred income tax credit	3,669,359	1,727,905	1,958,589	232,294
- Deferred income tax charge	(5,545,070)	(4,596,736)	(3,190,840)	(972,814)
Income tax	(2,213,459)	(8,556,955)	(1,244,170)	(5,349,649)

As at 30 June 2019 the Group has a deferred tax liability in amount of RON 73,146,214 and a deferred tax asset in amount of RON 3,675,750.

Reconciliation between income tax expense and the accounting profit multiplied by Romanian domestic tax rate for the period of 6 months ended 30 June is as follows:

Unaudited	Consolidated		Separate	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
	RON	RON	RON	RON
Profit before income tax	17,184,042	51,324,346	17,671,104	33,738,376
Income taxes calculated at the nominal applicable tax rate (16%)	2,749,447	8,211,895	2,827,377	5,398,140
Tax effect of deductible / non-taxable elements, out of which:	(15,454,536)	(10,987,024)	(11,571,647)	(7,329,732)
- Fiscal depreciation	(10,009,466)	(9,071,395)	(7,002,002)	(5,647,000)
- Legal reserve	(19,173)	(99,277)	-	-
- Dividends income	(752,213)	-	(752,213)	-
- Income from reversal of allowances	(4,673,684)	(1,816,352)	(3,817,432)	(1,682,732)
Tax effect of taxable / non-deductible elements, out of which:	13,301,516	10,562,465	8,759,169	6,777,799
- Realization of revaluation reserve	2,250,413	2,615,358	1,226,975	1,446,638
- Accounting depreciation	6,855,659	6,021,522	4,154,399	3,622,638
- Allowances expenses	3,407,147	1,579,823	3,283,696	1,208,093
- Other items	788,297	345,762	94,099	500,430
Tax loss to be recovered	(327,278)	(2,170,611)	-	-
Deferred tax expenses arising from deferred tax assets	(187,867)	2,784,412	(308,887)	477,150
Deferred tax expenses arising from deferred tax liabilities	2,063,578	84,419	1,541,138	263,370
Tax credit, out of which:	(2,980)	(237,078)	(2,980)	(237,078)
- sponsoring expense	(2,980)	(237,078)	(2,980)	(237,078)
Effect of other tax rates	71,579	308,477	-	-
Computed income tax / (tax loss)	2,213,459	8,556,955	1,244,170	5,349,649
Income tax reported in the statement of income	2,213,459	8,556,955	1,244,170	5,349,649

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	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
Earnings				
Net profit / (Net loss)	14,970,583	43,868,238	16,426,934	28,388,727
Average number of shares	116,170,334	116,170,334	116,170,334	116,170,334
Earnings per average number of shares	0.13	0.38	0.14	0.24

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14. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the period of 6 months ended 30 June, 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
Cost							
At 31 December 2018 Restated	440,249,219	1,094,612,149	87,636,298	5,300,278	-	33,783,667	1,661,581,611
Additions	-	-	-	3,599	1,177,789	39,623,293	40,804,681
Disposals	(7,698,123)	(1,334,787)	(216,476)	-	(23,184)	-	(9,272,570)
Transfers	2,642,379	43,436,764	1,916,273	526,239	1,079,531	(50,253,797)	(652,611)
Translation differences	1,384	4,194	-	4,953	-	-	10,531
At 30 June 2019	435,194,859	1,136,718,320	89,336,095	5,835,069	2,234,136	23,153,163	1,692,471,642
Depreciation and impairment							
At 31 December 2018 Restated	(120,195,496)	(369,443,712)	(34,809,046)	(2,583,939)	-	-	(527,032,193)
Depreciation charge for the period	(6,986,705)	(31,774,150)	(2,220,691)	(275,423)	(487,083)	-	(41,744,052)
Disposals	2,423,441	777,356	194,065	-	23,799	-	3,418,661
Transfers	(5,969)	1,341	(49,089)	(1,657)	-	-	(55,374)
Translation differences	(1,696)	(1,722)	-	(3,780)	179	-	(7,019)
At 30 June 2019	(124,766,425)	(400,440,887)	(36,884,761)	(2,864,799)	(463,105)	-	(565,419,977)
Net book value							
At 30 June 2019	310,428,434	736,277,433	52,451,334	2,970,270	1,771,031	23,153,163	1,127,051,665

During the 6 months period ended 30 June 2018 the Group acquired property, plant and equipment amounting to RON 35,606,081.

The depreciation expense for the first half of year 2018 was RON 37,243,855.

From January to June 2018, the Group disposed of property, plant and equipment in the amount of RON 8,467,098.

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
Cost							
At 31 December 2018	167,445,340	665,908,716	14,322,019	3,075,885	-	27,391,205	878,143,165
Additions	-	-	-	-	-	32,457,724	32,457,724
Disposals	(3,800)	(974,996)	-	-	-	-	(978,796)
Transfers	1,896,322	35,679,858	1,381,588	280,575	1,079,532	(40,317,875)	-
At 30 June 2019	169,337,862	700,613,578	15,703,607	3,356,460	1,079,532	19,531,054	909,622,093
Depreciation and impairment							
At 31 December 2018	(29,991,339)	(218,514,068)	(6,922,915)	(1,249,148)	-	-	(256,677,470)
Depreciation charge for the period	(2,990,681)	(21,445,564)	(784,386)	(160,022)	(273,310)	-	(25,653,963)
Disposals	1,891	615,210	-	-	-	-	617,101
At 30 June 2019	(32,980,129)	(239,344,422)	(7,707,301)	(1,409,170)	(273,310)	-	(281,714,332)
Net book value							
At 30 June 2019	136,357,733	461,269,156	7,996,306	1,947,290	806,222	19,531,054	627,907,761

Out of total property, plant and equipment as of 30 June 2019, properties with a net book value of RON 27,422,887 were pledged in favor of BCR (31 December 2018: RON 27,990,244).

During the 6 months period ended 30 June 2018 the Company acquired property, plant and equipment amounting to RON 30,302,421.

The depreciation expense for the first half of year 2018 was RON 22,360,805.

From January to June 2018, the Company disposed of property, plant and equipment in the amount of RON 7,007,889.

14. PROPERTY, PLANT AND EQUIPMENT(continued)

Lease

Consolidated carrying amount of property, plant and equipment representing building, equipment and vehicles in lease as of 30 June 2019 was of RON 35,955,220 (31 December 2018: RON 36,707,839).

Separate carrying amount of property, plant and equipment representing equipment and vehicles in lease as of 30 June 2019 was of RON 6,664,376 (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 half of 2019, ended as at 30 June, were as follows:

Consolidated

Unaudited	Licenses and trademarks RON	Other intangible assets RON	Intangible assets in progress RON	Total RON
Cost				
At 31 December 2018 Restated	1,535,783	4,404,492	-	5,940,275
Additions	116,782	1,187	-	117,969
Translation differences	-	753	-	753
At 30 June 2019	1,652,565	4,406,432	-	6,058,997
Amortisation and impairment				
At 31 December 2018 Restated	(918,793)	(2,266,214)	-	(3,185,007)
Amortisation	(140,931)	(363,950)	-	(504,881)
Translation differences	-	(190)	-	(190)
At 30 June 2019	(1,059,724)	(2,630,354)	-	(3,690,078)
Net book value				
At 30 June 2019	592,841	1,776,078	-	2,368,919

During the 6 months period ended 30 June 2018 the Group acquired intangible assets amounting to RON 305,112. The depreciation expense for the first half of year 2018 was RON 577,504.

From January to June 2018, the Group disposed of intangible assets in the amount of RON 47,550.

15. INTANGIBLE ASSETS (continued)

Separate

Unaudited	Licenses and trademarks RON	Other intangible assets RON	Intangible assets in progress RON	Total RON
Cost				
At 31 December 2018	812,397	2,499,827	-	3,312,224
Additions	116,782	1,187	-	117,969
At 30 June 2019	929,179	2,501,014	-	3,430,193
Amortisation and impairment				
At 31 December 2018	(592,333)	(1,025,929)	-	(1,618,262)
Amortisation	(57,613)	(253,420)	-	(311,033)
At 30 June 2019	(649,946)	(1,279,349)	-	(1,929,295)
Net book value				
At 30 June 2019	279,233	1,221,665	-	1,500,898

During the 6 month period ended 30 June 2018 the Company acquired intangible assets amounting to RON 140,004. The depreciation expense for the first half of year 2018 was RON 280,685. From January to June 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	
	30 June 2019 RON	31 December 2018 Restated RON	30 June 2019 RON	31 December 2018 RON
Other financial receivables				
Investments in subsidiaries	-	-	298,566,221	290,262,969
Deposits for letters of guarantee	385,051	1,382,180	385,051	1,382,180
Granted guarantees, from which:	3,540,867	3,475,430	3,503,686	3,437,544
- Guarantees granted to related parties (note 24)	-	-	46,855	46,151
Total other financial receivables	3,925,918	4,857,610	302,454,958	295,082,693
Total other financial assets	3,925,918	4,857,610	302,454,958	295,082,693

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%

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
TOTAL ASSETS	41,298,327
Trade payables	7,317,020
Provision for risk and charges	2,200,961
Loans and lease	-
TOTAL LIABILITIES	9,517,981
Net assets transferred	31,780,346

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 30 June 2019, the management has not identified any impairment indicators regarding the goodwill recognized in TMK Italy.

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

16.2. Other financial liabilities

Interest-bearing long-term loans and borrowings

Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
Long-term interest-bearing bank loans	158,171,632	154,095,426	158,171,632	154,095,426
Long-term interest-bearing borrowing-related parties (note 24)	60,873,138	69,404,123	60,873,138	69,404,123
Un-amortized cost of debt origination fees	(172,794)	-	(172,794)	-
Balance of long-term loans	218,871,976	223,499,549	218,871,976	223,499,549

Future repayments	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
Unaudited	RON	RON	RON	RON
Long- and short-term loans and borrowings, net of future interests	419,564,391	407,577,995	419,564,391	407,577,995
Interest payable at reporting date	988,358	1,166,818	988,358	1,166,818
Un-amortized cost of debt origination fees	(510,023)	(225,820)	(510,023)	(225,820)
Total long- and short-term loans and related interest and un-amortized cost	420,042,726	408,518,993	420,042,726	408,518,993
Future interests	16,697,733	20,547,869	16,697,733	20,547,869
Total future repayments for loans and related interest	436,740,459	429,066,862	436,740,459	429,066,862

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Interest-bearing long-term loans and borrowings

Bank	Type of loan	Currency	30 June 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%	84,555,357	17,857,143
BCR ERSTE	Overdraft	EUR	20,000,000	11/03/2020	EURIBOR 3M+margin	73,616,275	15,546,931
Total long-term bank loans						158,171,632	
TMK EUROPE GmbH	Long-term borrowing	USD	22,837,540	07/25/2023	Libor+0.5%	60,873,138	14,637,540
Un-amortized long-term cost						(172,794)	
Total						218,871,976	

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
Total long-term bank loans						154,095,426	
TMK EUROPE GmbH	Long-term borrowing	USD	22,837,540	09/25/2022	Libor+0.5%	69,404,123	17,067,540
Un-amortized long-term cost						-	
Total						223,499,549	

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Lease

Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
Lease payments less than 3 months, gross	2,490,638	3,240,550	517,632	319,483
Lease payments between 3 and 12 months, gross	8,428,496	6,386,880	1,367,697	959,919
Lease payments between 1 and 5 years, gross	36,769,830	39,725,980	3,144,179	3,460,360
Lease payments over 5 years, gross	32,213	-	32,213	-
Total minimum lease payments, gross	47,721,177	49,353,410	5,061,721	4,739,762
Less: future finance charges	5,321,468	6,042,452	258,128	279,770
Present value of minimum lease payments	42,399,709	43,310,958	4,803,593	4,459,992

Interest-bearing short-term loans and borrowings

Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
Long-term interest-bearing bank loans, current portion	22,548,095	22,209,048	22,548,096	22,209,048
Short-term bank loans	163,831,944	157,795,799	163,831,945	157,795,798
Short-term interest-bearing borrowing - related parties (note 24)	14,139,580	4,073,600	14,139,580	4,073,600
Interest related to long-term bank loans	661,140	679,967	661,140	679,968
Interest related to short-term bank loans	146,064	296,862	146,064	296,862
Interest related to long-term borrowings - related parties (note 24)	181,156	189,988	181,154	189,988
Un-amortized short-term cost	(337,229)	(225,820)	(337,229)	(225,820)
Total	201,170,750	185,019,444	201,170,750	185,019,444

Other long-term liabilities

Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
Long-term sundry creditors	138,902	151,024	46,714	38,194
Long-term advances from customers	1,813,674	1,813,674	-	-
Investment subsidy	55,486	66,925	55,486	66,925
Long-term guarantees	142,777	192,675	66,353	51,210
Balance of other long-term liabilities	2,150,839	2,224,298	168,553	156,329

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Bank	Type of loan	Currency	30 June 2019		Interest rate	Amount repayable <i>RON equivalent</i>	Amount repayable <i>EUR/USD</i>
			Contracted amount	Due date (mm/dd/yyyy)			
VTB BANK (EUROPE)	Credit revolving	EUR	20,000,000	04/16/2020	EURIBOR 1M+margin	79,109,875	16,707,118
BANCA TRANSILVANIA	Uncommitted overdraft	EUR	20,000,000	07/11/2019	EURIBOR 3M+margin	84,722,070	17,892,351
Total short-term bank loans						163,831,945	
BCR ERSTE	Investment loan - 7 years current portion	EUR	25,000,000	11/07/2023	3.40%	22,548,096	4,761,905
Total short part of long-term bank loans						22,548,096	
TMK EUROPE GmbH	Long-term borrowing - current portion	USD	22,837,540	07/25/2023	Libor+0.5%	14,139,580	3,400,000
Total long-term borrowings from related parties - current portion						14,139,580	
Total						200,519,621	

Bank	Type of loan	Currency	31 December 2018		Interest rate	Amount repayable <i>RON equivalent</i>	Amount repayable <i>EUR/USD</i>
			Contracted amount	Due date (mm/dd/yyyy)			
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
Total short-term bank loans						157,795,798	
BCR ERSTE	Investment loan - 7 years current portion	EUR	25,000,000	11/07/2023	3.40%	22,209,048	4,761,905
Total short part of long-term bank loans						22,209,048	
TMK EUROPE GmbH	Long-term borrowing - current portion	USD	22,837,540	07/25/2023	Libor+0.5%	4,073,600	1,000,000
Total long-term borrowings from related parties - current portion						4,073,600	
Total						184,078,446	

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

16.3. Liabilities for investments in subsidiaries

Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
Amounts owed to entities in the group - short-term	57,878,253	57,474,348	57,878,253	57,474,348
Amounts owed to entities in the group - long-term	221,690,462	218,356,982	221,690,462	218,356,982
Interest on short-term amounts owed to entities in the group	509,577	-	509,577	-
Interest on long-term amounts owed to entities in the group	1,951,827	-	1,951,827	-
Total liabilities for investments in subsidiaries	282,030,119	275,831,330	282,030,119	275,831,330

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.

The amount of EUR 1,730,800 owed to TMK Global SA was paid in 6 May 2019 at an exchange rate of 4.7561 RON/EUR.

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17. OTHER NON-CURRENT ASSETS

Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
Prepayments for property, plant, and equipment	2,462,531	1,400,986	2,262,041	1,087,580
Sundry debtors	8,671,467	-	-	-
Gas emission certificates with greenhouse effect	-	-	1,278,592	2,232,688
Prepaid expenses	743,176	456,272	627,625	318,831
- Prepaid expenses - related parties	584,004	295,501	584,004	295,502
Other non-current assets	-	31,637	-	-
Total	11,877,174	1,888,895	4,168,258	3,639,099

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	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
Raw materials	39,409,917	49,802,332	69,240,432	61,500,287
Finished goods in transit	33,835,374	40,620,391	33,835,374	40,620,392
Work in progress	32,465,109	26,139,295	31,346,787	25,158,689
Finished goods	35,309,403	32,022,485	39,449,366	36,310,870
Consumables	82,862,821	82,664,404	26,512,905	24,104,586
Semi-finished goods	98,265,672	78,910,397	23,193,014	15,759,626
Merchandise at third parties (in transit)	6,838,653	2,930,311	6,838,653	2,930,311
Consigned finished goods	985,632	1,459,332	985,632	1,459,332
Other materials	11,937,022	8,690,647	8,615,463	5,734,967
Raw materials and consumables at third parties	1,438,031	845,658	404,623	495,805
Materials in transit	605,687	1,177,720	-	-
Merchandise and packaging	446,869	446,869	16,869	16,869
Raw materials to be purchased	-	159,814	-	-
Total	344,400,190	325,869,655	240,439,118	214,091,734

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

Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
Balance 1 January	17,774,360	13,971,105	9,074,946	5,384,770
Additional allowances set	17,044,503	14,271,058	17,036,187	13,754,852
Resumption / Allowances used	(17,586,097)	(10,467,803)	(17,569,491)	(10,064,676)
Balance at the end of reporting period	17,232,766	17,774,360	8,541,642	9,074,946

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19. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables consist of the following:

Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
Trade receivables, from which:	321,425,992	300,285,280	307,077,030	285,098,098
- Receivables from other related parties (note 24)	597,277	769,915	5,212,290	8,542,585
Other receivables - VAT	12,195,250	12,744,649	18,063,925	18,456,168
Sundry debtors, from which:	7,052,004	3,851,479	3,426,995	1,085,226
- Sundry debtors - related parties (note 24)	2,570,970	321,599	2,601,402	360,125
Other receivables - penalty and fines	(19)	(26)	-	-
Employee claims	785,632	492,257	476,230	375,722
Recoverable income tax	2,559,282	554,714	524,083	-
Other social receivables	1,068,917	1,470,975	1,068,917	1,470,975
Less:				
Allowance for doubtful accounts receivable	(15,921,232)	(15,939,995)	(1,635,268)	(1,566,701)
Allowance for sundry debtors	(2,593,834)	(2,593,834)	-	-
Total	326,571,992	300,865,499	329,001,912	304,919,488

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	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
At 1 January	2,593,834	2,023,558	-	-
Impairment adjustments expenses	-	556,065	-	-
Used	-	14,211	-	-
At 30 June	2,593,834	2,593,834	-	-

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

Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
At 1 January	15,939,995	15,855,310	1,566,701	2,242,756
Impairment adjustments expenses	280,738	1,372,700	207,194	301,788
Used / Reversed	(501,102)	(1,300,532)	(138,627)	(977,843)
Translation differences	201,601	12,517	-	-
At 30 June	15,921,232	15,939,995	1,635,268	1,566,701

20. PREPAYMENTS

Prepayments consist of the following:

Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
Prepayments for services, inventories, from which:	129,063	796,970	39,120,580	40,107,536
- Prepayments for services, inventories - related parties (note 24)	-	-	38,988,207	39,335,965
Prepaid expenses	9,946,695	2,105,802	7,074,461	1,743,947
- Prepaid expenses - related parties	69,408	24,660	-	-
Selling and distribution expenses registered in advance until the date of transfer of customer control over the goods	1,459,961	2,121,141	1,459,961	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
Total	13,477,295	6,965,489	49,596,578	45,914,200

The amount of RON 38,988,207 (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	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
Cash at banks in foreign currency	12,528,859	27,117,193	5,621,833	13,705,719
Cash at banks in RON	872,312	3,439,418	267,716	2,451,724
Short-term deposits	1,549,413	767,347	1,549,413	767,347
Other cash equivalents	707	481	653	289
Cash on hand	5,471	6,922	-	-
Total	14,956,762	31,331,361	7,439,615	16,925,079

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	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
in RON	788,796	767,347	788,796	767,347
in EURO	760,617	-	760,617	-

Other current assets

Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
Deposits for letters of guarantee	1,487,226	1,046,698	1,487,226	1,046,698
Total	1,487,226	1,046,698	1,487,226	1,046,698

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 30 June 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	
	30 June 2019 RON	31 December 2018 Restated RON	30 June 2019 RON	31 December 2018 RON
Current trade payables, from which:	279,765,888	257,443,217	170,675,664	137,282,485
- Intercompany trade payables (note 24)	110,914,185	85,119,326	106,547,729	71,629,829
Payables for non-current assets, from which:	12,371,311	21,476,994	8,941,505	14,104,158
Dividends payable, from which:	14,280,000	-	14,280,000	-
- Dividends payable to related parties (note 24)	13,241,593	-	13,241,593	-
Bills of exchange payable	-	387,371	-	387,371
Short-term guarantees	811,935	1,196,008	300,697	635,753
Accrued and other liabilities	2,012,991	181,385	834,714	20,698
- Accrued and other liabilities related parties (note 24)	182	-	182	-
Total financial liability	309,242,125	280,684,975	195,032,580	152,430,465
Accrued and withheld taxes on payroll	11,804,706	11,043,914	9,476,227	8,583,615
Salaries and Wages	3,555,688	3,458,422	2,185,625	2,332,344
Advances from customers	285,220	997,116	166,100	679,297
Income tax liabilities	-	-	-	1,686,487
Liabilities for other taxes	341,325	281,417	243,916	227,673
Total non-financial liability	15,986,939	15,780,869	12,071,868	13,509,416
Grand total	325,229,064	296,465,844	207,104,448	165,939,881

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

On 5 April 2019, Ordinary General Meeting of the Shareholders of TMK-Artrom approved the distribution of dividends in amount of RON 14,280,000 from the net profit of 2018. The dividends payment date is 4 October 2019.

24. TRANSACTIONS WITH RELATED PARTIES

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

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.

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
- 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
- TMK Assets SRL	Romania	Related, under common control
- TMK Industrial Solutions LLC, Houston	USA	Related, subsidiary sole control
- TMK GLOBAL SA Zurich	Switzerland	Related, subsidiary sole control

The balances of transactions with related parties

Trade Receivables Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
TMK-REȘIȚA	-	-	5,207,774	7,461,476
TMK Industrial Solutions LLC, Houston	-	-	4,159	691,154
PAO TMK Russia	-	448,237	-	388,527
TMK Assets Bucharest	-	-	357	1,428
TMK IPSCO International USA	597,277	321,678	-	-
Total	597,277	769,915	5,212,290	8,542,585

Other Assets Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
TMK-REȘIȚA (advances for purchase of goods)	-	-	38,988,207	39,335,965
TMK Europe GmbH (sundry debtors)	2,570,970	-	2,570,970	-
TMK Industrial Solutions LLC, Houston (sundry debtors)	-	-	-	407
PAO TMK (sundry debtors)	-	319,500	-	319,500
TMK Assets Bucharest (long-term receivables - guarantees)	-	-	46,855	46,151
TMK RESITA S.A. (sundry debtors)	-	-	30,432	36,532
Trade House TMK Russia (sundry debtors)	-	2,099	-	2,099
TMK Assets Bucharest (sundry debtors)	-	-	-	1,587
Total	2,570,970	321,599	41,636,464	39,742,241

TMK-ARTROM S.A.
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(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

24. TRANSACTIONS WITH RELATED PARTIES (continued)

Trade Payables Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
PAO TMK Russia	103,783,852	72,170,591	101,447,391	67,323,716
TMK Europe GmbH Germany	6,319,487	11,982,957	2,927,123	1,590,059
TMK Industrial Solutions LLC, Houston	-	-	1,127,002	2,061,880
TMK Italia s.r.l. Italy	-	-	1,045,412	622,701
RosNITI JSC Russia	-	31,473	-	31,473
TMK Assets Bucharest	-	-	801	-
TMK-Inox Russia	810,846	934,305	-	-
Total	110,914,185	85,119,326	106,547,729	71,629,829

Other liabilities Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
TMK Europe GmbH (borrowing)	75,012,717	73,477,723	75,012,717	73,477,723
TMK Europe GmbH Germany (interest owed at reporting date)	181,155	189,988	181,155	189,988
TMK Europe GmbH Germany (amounts owed to group's entities)	282,030,119	275,831,330	282,030,119	275,831,330
TMK Europe GmbH Germany (dividends payable)	13,241,593	-	13,241,593	-
TMK Europe GmbH (sundry creditors)	182	-	182	-
Total	370,465,766	349,499,041	370,465,766	349,499,041

Transactions with related parties

Sales (Revenue) Unaudited	Object of the transaction	Consolidated		Separate	
		30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
		RON	RON	RON	RON
TMK-REȘIȚA	waste product, pipes, perceives commission, management services, additional costs for quality claims	-	-	23,355,449	21,033,729
TMK Industrial Solutions LLC	pipes for resale	-	-	422,389	3,424,298
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 Italia s.r.l.	audit services	-	-	23,811	23,332
TMK Assets	management services	-	-	1,800	1,800
TMK IPSCO International	pipes	1,255,497	749,940	-	-
Total		1,421,536	2,767,028	23,969,488	26,500,247

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24. TRANSACTIONS WITH RELATED PARTIES (continued)

Purchases Unaudited	Object of the transaction	Consolidated		Separate	
		30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018
		RON	RON	RON	RON
TMK-REȘIȚA	billets - raw material, other materials	-	-	330,314,478	324,201,586
PAO TMK	pipes and blooms for resale, consulting services, financial costs	131,449,696	91,527,435	131,449,696	91,527,435
TMK Industrial Solutions LLC	agent commission for sales of pipes produced by TMK-Artrom and pipes of Russian origin	-	-	3,768,550	6,672,205
TMK Europe GmbH	agent commission for pipes sales, materials for own consumption, spare partes	29,360,475	28,726,218	8,021,926	6,474,776
TMK Italia s.r.l.	agent commission for pipes sales	-	-	6,180,413	5,545,908
TMK Assets	rent and apartment maintenance	-	-	281,127	276,530
RosNITI JSC	research and development services	36,242	111,281	36,242	111,281
Sarl Prieure Saint Jean de Bebian	protocol expenses	-	14,762	-	14,762
OJSC Volzsky Pipe Plant Russia	pipes	59,488	-	-	-
TMK GLOBAL Switzerland	acquisition of TMK Italia	8,229,262	-	8,229,262	-
Total		169,135,163	120,379,696	488,281,694	434,824,483

Borrowings within the Group – long-term and short term

The company TMK EUROPE GmbH Germany is the lender with the amount of RON 75,012,717 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 14,139,580, equivalent of USD 3,400,000, represent short-term liabilities and amount of RON 16,873,138 equivalent of USD 14,637,540 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 30 June 2019 is of USD 43,560.66, respectively RON 181,155.72.

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 half of 2018 and 2019 were in gross amounts as follow:

Half year	Number of persons	Fixed remuneration	Bonus
H 1 2018	13	RON 7,900,151	RON 4,051,344
H 1 2019	13	RON 8,723,966	RON 4,692,146

25. PROVISIONS

Other short-term provisions Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 2019	31 December 2018
	RON	RON	RON	RON
Accruals for managers bonuses	4,042,919	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	336,593	668,096	336,593	668,096
Provisions for quality complaints material cost	153,696	165,761	153,696	165,761
Provisions for quality complaints additional cost	134,734	126,066	134,735	126,066
Accruals for unused vacations	155,983	114,533	-	31,964
Provision for employment compensation	-	138,858	-	-
Provisions for risks and expenses	1,539,140	1,539,140	-	-
Total	8,304,639	12,254,894	4,983,702	8,169,816

Other long-term provisions Unaudited	Consolidated		Separate	
	30 June 2019	31 December 2018 Restated	30 June 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
Total	867,755	622,184	745,428	555,549

26.COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Group's total commitments for the acquisition of property, plant and equipment as at 30 June 2019 are of RON 12,362,248 (31 December 2018: RON 6,335,794).

Company's total commitments for the acquisition of property, plant and equipment as at 30 June 2019 are of RON 10,896,659 (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 30 June, the Group recorded foreign exchange loss of RON 9,934,971 and the company has recorded a foreign exchange loss of RON 9,057,877, mainly related to loans denominated in EUR.

27. EVENTS AFTER THE REPORTING PERIOD

On 4 July 2019 the Extraordinary General Meeting of the Shareholders of TMK-Artrom decided to revoke point 3 of decision no. 1 dated 5 April 2019 of the Extraordinary General Meeting of the Shareholders of TMK-Artrom regarding the approval of the increase of the share capital of the Company.

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

Date: 7 August 2019

Chief Executive Officer,
Ing. Popescu Adrian

Chief Economical and Accountancy Officer,
Ec. Văduva Cristiana