



TMK-ARTROM S.A.

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EUID: ROONRC.J28/9/1991; J28/9/31.01.1991
VAT No. RO 1510210/1992
Subscribed and Paid Share Capital: 291.587.538,34 lei

№ 102/218 from 11.11.2019

**Report related to the unaudited interim condensed consolidated and separate financial statements at /
and for the nine-month period ended September 30, 2019
according to Law no.24 / 2017 and to Regulation no. 5/2018, regarding the issuers of financial
instruments and market operations**

Date of the report: 11.11.2019

Name of the issuing entity: TMK- ARTROM S.A. Slatina

Registered office: Draganesti street, no. 30, Slatina, Olt

Telephone/fax number: +40249436862/ +40249434330

Registered in the Trade Register under no: J28/9/1991

Tax Identification Number: RO1510210

Unique Identifier at European Level (EUID): ROONRC.J28/9/1991

Code LEI: 315700M25SMOU44FAN52

Subscribed capital: 291.587.538,34 RON

Subscribed and paid up share capital: 291.587.538,34 RON

**Regulated market where the issued securities are traded: Bucharest Stock Exchange Regulated
market - STANDARD Category (market symbol ART)**

A. Economic and financial indicators

		Separate	Consolidated
Indicators	Calculation formula	Result	Result
Current liquidity ratio	Current assets / Current liabilities	1.22	1.06
Indebtness indicator	Borrowed capital / Equity *100	79.18%	77.44%
	Borrowed capital / Accrued capital *100	44.19%	43.64%
Rotation speed of debtors- clients	The average balance – clients / Turnover * 270	71	77
Rotation speed of non- current assets	Turnover / non-current assets	0.99	0.77

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



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Note:

- 1) It is offering the guarantee for coverage of the debts from current assets. The recommended value acceptable is about 2.
- 2) It is expressing the efficacy of the credit risk management, showing the potential problems of financing, liquidity, with influences in respecting the assumed commitments. Borrowed capital = Loans over 1 year, Employed capital = Borrowed capital + Equity
- 3) It is expressing the efficacy of the company in collecting its debts, respective the number of days until the date on which the debtors pay the debts to the company.
- 4) It is expressing the efficacy of the immobilized assets, by checking the turnover generated by a certain quantity of assets.

B. Other information**1. Presentation of important events that occurred during the relevant time period and the impact they have on the financial position of the issuer and its subsidiaries**

The main events that marked the first nine 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, 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 (iii) 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").





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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.

July

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.

August

On 30 August 2019 TMK-Artrom S.A. informed the investors that it had been notified on 30.08.2019 by Societatea de Investitii Financiare OLTENIA S.A., which used to hold 6,672,352 voting rights in TMK-Artrom SA, representing 5.7436% of the share capital of TMK-Artrom SA, about the transaction made on 29.08.2019 subsequent which Societatea de Investitii Financiare OLTENIA S.A. reached the threshold of 0% of the share capital of the issuer TMK-Artrom S.A. . TMK Steel Holding Ltd. acquired the 6,672,352 voting rights sold by Societatea de Investitii Financiare OLTENIA S.A. , thus exceeding the threshold of 5% of the share capital of the issuer TMK-Artrom S.A.

September

On **10 september 2019** TMK-Artrom published a notice regarding the payment of the dividends for year 2018 and the availability of the procedure for dividends' payment. The gross dividend is of RON 0.1229229486/share. The payment of the dividends started on October 4, 2019 (Payment Date), through Depozitarul Central S.A., the Participants to the compensation-settlement and register system (Participants) and BCR Bank as Payment Agent.

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Events after the reporting period

On **1 October 2019**, the company concluded an addendum with VTB BANK (EUROPE) SA, whereby the value of the loan was increased from 20 million euros to 40 million euros, and the interest rate was modified, moving to a fixed interest rate of 2%. The main use of the increase is the payment in the amount of EUR 19,051,727.15 on 1 November 2019 for the full repayment of the loan contracted with BANCA TRANSILVANIA in the amount of EUR 20 million.

TMK-Artrom S.A., on **16 October 2019** informed the investors that it has been notified by TMK Europe GmbH (TMK-Artrom S.A.'s majority shareholder) of its intention to initiate a public purchase offer in relation to the shares issued by TMK-Artrom S.A.

On **23 October 2019** TMK-ARTROM S.A. (the "Debtor") reported the conclusion of addendum no.2 dated 22.10.2019 to the remuneration contract no. 5 from 14.05.2019 (the "Contract") with PAO TMK (the "Guarantor"), a company that controls TMK-ARTROM S.A, concluded as a result of the increase in the value of the credit agreement between Debtor and VTB BANK (EUROPE) SE by EUR 20,000,000, which led to the increase of the guarantee given by the Guarantor to the bank with the same amount.

On **24 October 2019** the Extraordinary General Meeting of the Shareholders of the Company decided to approve the participation of the Company, in the next 5 years from the date of this decision, to any kind of awarding procedures (public tender, direct awarding, etc.) in the country or abroad (especially in Europe and the two Americas) for works in the field of constructions and/or energy infrastructure with a value of up to EUR 500,000,000 (or the equivalent in other currencies), individually or as a member (including leader) of an association without legal personality (e.g. joint venture, consortium etc.) with the execution period not to exceed 5 years.

2. General description of the financial position and the performance of the issuer and its subsidiaries for the relevant time period

Financial indicators

TMK-ARTROM Group

in RON	Consolidated	Consolidated
Financial indicators	30 September 2019	30 September 2018
	Unaudited	Restated and Unaudited
Production of pipes(tons)	140.765	147.984
Sale of pipes production TMK -Artrom (tons)	142.869	147.919
Revenues	917.164.158	1.098.204.780
Profit of the financial year	7.820.924	64.512.924
Net global result of the period	8.840.817	64.825.812
Adjusted EBITDA*	93.990.047	153.853.719
EBIT	36.581.359	91.859.307

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Adjusted EBITDA margin*, %	10,2%	14,0%
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TMK-ARTROM stand alone

in RON	Separate	Separate
Financial indicators	30 September 2019	30 September 2018
	Unaudited	Restated and Unaudited
Production of pipes(tons)	140.765	147.984
Sale of pipes production TMK -Artrom (tons)	143.310	148.300
Revenues	942.247.476	1.046.616.275
Profit of the financial year	7.351.005	44.792.219
Net global result of the period	7.339.247	44.792.219
Adjusted EBITDA*	61.654.365	101.611.343
EBIT	22.614.286	64.676.231
Adjusted EBITDA margin*, %	6,5%	9,7%

The Group generates revenue primarily by selling seamless industrial steel pipes to end-users 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 16.5% in the period ended 30 September 2019 compared to the period ended 30 September 2018 as a result of revenue decrease from contracts with customers from sold production by 9.2% (RON 76 million).), as well as the decrease of TMK-REȘITA sales of blooms and billets to third parties (by 90.7% or RON 41.5 million) and the decrease of other sales (with 28.25% or RON 63.5 million) from which the sales of metallurgical products from companies within the TMK group decreased with 28.17%, respective RON 61.5 million.

The decrease in revenue from the pipes production sold with RON 76 million is due to several factors, namely:

- (i) decrease of the physical volume of pipes sold from 147,919 tonnes to 142,869 tonnes (representing a decrease of 3.4%), mainly due to the decrease of the volume of orders due to the low demand of industrial pipes mainly on the American market (28, 2 million RON influence)

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(ii) the structure of the pipes sold has a negative influence in the conditions of the decrease of the revenues obtained from the sales of premium pipes by 24.5% (representing RON 77 million), due to the decrease of the volume of sales of premium pipes by 11,470 tonnes (decrease with 1130 tonnes in Europe and decrease with 10,340 tonnes in America) in the period ended 30 September 2019 compared to 41,699 tonnes in the period ended 30 September 2018 and the quantitative growth of ordinary pipes with 6,420 tonnes but with a decrease of the average sale price by 5.5% (total influence RON 29.5 million)

(iii) the decrease of the sale prices on average by 6% which represents a value decrease of RON 36.7 million

(iv) price value increase in the amount of RON 18.4 million from exchange rate differences for sales in currency.

Due to the low demand for billets, the volume of sales of billets produced by TMK REȘIȚA to parties other than TMK-Artrom decreased by 16,281 tonnes from 17,804 tonnes in the period ended 30 September 2018 to 1,523 tonnes in the period ended 30 September 2019 (a quantitative decrease by 91.4%).

The volume of sales of goods (billets, blooms, pipes) produced by parties other than TMK-Artrom (purchased from other companies within the TMK group) decreased by 26% from 81,194 tonnes recorded in the period ended 30 September 2018 to 60,097 tonnes registered in the period ended 30 September 2019 due to the reduced demand for pipes and billets manifested globally.

Regarding the consolidated volumes sold by the TMK-Artrom Group for the quarter ended 30 September 2019, they are shown below:

Type of product / Sales destination	30.09.2019	30.09.2018
	Quantity (tons)	Quantity (tons)
1. Total seamless steel pipes produced by TMK-Artrom, from which:	142.869	147.919
1.1.Commodities Europe *	107.232	97.166
1.2 Commodities Americas **	5.408	9.054
1.3. Premium Europe	21.912	23.042
1.4. Premium Americas	8.317	18.657
Total billets and blooms TMK-Reșița sold to third parties outside the TMK-Artrom Group	1.523	17.804
Total billets produced by TMK-Reșița sold to TMK-Artrom	175.089	177.506
2. Total sales of goods produced by other parties than TMK-Artrom, of which:	60.097	81.194
2.1 Sale of goods Europe	58.776	78.289
2.2 Sale of goods Americas	1.321	2.906

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

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

As a result of the decrease in the sales volumes of the company and its subsidiaries, the decrease of the sale prices at a greater rate than the decrease of the prices of raw materials and materials, the increase of





the prices for energy and gas, during the period ended 30 September 2019, the main indicators, (net) profit for the period and Adjusted EBITDA decreased compared to the period ended 30 September 2018.

The profit period (net) was negatively influenced as a result of the increase of the expenses with unfavorable exchange rate differences due to the depreciation of the national currency against EUR and USD.

The RON / EURO exchange rate evolved from 4.6639 RON / EURO on 31 December 2018 to 4.7511 RON / EURO on 30 September 2019, while the RON / USD exchange rate evolved from 4.0736 RON / USD at 31 December 2018 at 4.3488 RON / USD at 30 September 2018. Currency instability and pronounced depreciation of the RON / EURO and RON / USD exchange rate led to the loss of RON 14.5 million in foreign currency during the the period ended 30 September 2019.

The (net) consolidated profit for the period ended 30 September 2019 decreased by RON 56.7 million compared to the period ended 30 September 2018 (an 88% decrease, from RON 64.5 million to RON 7.8 million).

The (net) separate profit for the period decreased in the period ended 30 September 2019 by RON 37.5 million compared to the period ended 30 September 2018 (an 84% decrease from RON 44.8 million to RON 7.3 million).

Costs of raw materials

The main component of the cost of the Group's sold production is the costs of its raw material, such as metal scrap and ferro-alloys used in TMK-Resita for the production of steel billet blooms, accounting for 42.61% of the total cost of the production sold of the Group during the period ended 30 September 2019 (45.9% during the period ended 30 September 2018). The Group's raw material costs decreased by 16% in the period ended 30 September 2019 as compared to the period ended 30 September 2018, mainly due to the decrease in the production of liquid steel production at TMK-Reșița. The decrease in raw material costs was also influenced by the 5% decrease in the average purchase price of scrap metal.

The average purchase price of scrap metal decreased with 68 lei / tonne from 1,291 lei / tonne in the period ended 30 September 2018 to 1,223 lei / tonne in the period ended 30 September 2019.

Energy and utilities costs (natural gas, electricity, water) amount to RON 104.6 million, for the period ended at 30 September 2019 representing 17.58% of the total cost of sold production in the period ended at 30 September 2019 (RON 85.7 million, representing 13% in the period ended at 30 September 2018). Expenses with energy and utilities increased by 22% for the period ended at 30 September 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 electricity as a result of the decrease TMK-Artrom 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-Artrom, the average price of electricity increased by 31.2% during the period ended at 30 September 2019 compared to the same period of 2018 and the average price of natural gas increased by 25.6%. For TMK-Resita, the average electricity price increased by 33% during the period ended at 30 September 2019, compared to the same period of 2018 and the average price of natural gas increased by 21% for the same period.





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The consolidated adjusted EBITDA for the period decreased in the period ended 30 September 2019 by RON 59.9 million compared to the period ended 30 September 2018 (a decrease of 38.9%, from RON 153.9 million to RON 94 million).

The separate adjusted EBITDA decreased in the period ended 30 September 2019 by RON 40 million the period ended 30 September 2018 (a decrease of 39.3%, from 101.6 million lei to 61.6 million lei) as a result of the decrease in volumes sales especially in the American market, lower sales prices and rising energy costs.

In North America, the market situation is most likely to remain challenging due to the oil, gas and steel price volatility, a slowdown in drilling activity and operators focusing on capital discipline all resulting in lower pipe demand and pressure on prices.

In Europe, a challenging market environment and pricing pressure are most likely to remain until the end of the year. This might put pressure on seamless industrial pipe shipments in the fourth quarter.

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

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



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Interim Condensed Consolidated and Separate
Financial Statements-unaudited

30 SEPTEMBER 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 September 2019-unaudited
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Unaudited	Consolidated		Separate	
	30.09.2019	30.09.2018 Restated	30.09.2019	30.09.2018
	RON	RON	RON	RON
Revenue from contracts with customers	917,164,158	1,098,204,780	942,247,476	1,046,616,275
Sales of goods	5 914,474,844	1,095,314,395	941,763,271	1,046,247,388
Rendering of services	5 2,689,314	2,890,385	484,205	368,887
Cost of sales	6 (742,013,600)	(862,710,586)	(793,926,271)	(853,345,450)
Gross profit	175,150,558	235,494,194	148,321,205	193,270,825
Selling and distribution expenses	7 (86,679,885)	(91,535,210)	(90,519,752)	(97,605,453)
Advertising and promotion expenses	8 (438,083)	(307,472)	(430,016)	(278,880)
General and administrative expenses	9 (52,954,038)	(48,193,935)	(32,972,292)	(28,735,973)
Research and development expenses	10 (108,108)	(191,029)	(108,108)	(191,029)
Other operating expenses	11.2 (2,734,302)	(3,519,176)	(2,729,288)	(2,464,636)
Other operating income	11.1 4,345,217	111,935	1,052,537	681,377
Income from operations	36,581,359	91,859,307	22,614,286	64,676,231
Foreign exchange (loss) / gain, net	(14,492,409)	(2,200,715)	(13,763,026)	(1,921,341)
Finance income	11.4 172,328	2,498	10,146,357	2,462
Finance costs	11.3 (14,393,827)	(11,134,330)	(12,736,917)	(8,610,898)
Profit / (loss) before tax	7,867,451	78,526,760	6,260,700	54,146,454
Income tax expense/credit	12 (46,527)	(14,013,836)	1,090,305	(9,354,235)
Profit / (loss) for the period	7,820,924	64,512,924	7,351,005	44,792,219
Other comprehensive income - that may be reclassified in profit or loss				
Foreign currency translation	1,031,651	312,888	-	-
Other comprehensive income - that may not be reclassified in profit or loss				
Actuarial gains / (losses)	(11,758)	-	(11,758)	-
Other comprehensive income (loss) for the year, net of tax	1,019,893	312,888	(11,758)	-
Total comprehensive income for the year, net of tax	8,840,817	64,825,812	7,339,247	44,792,219
Average number of shares	116,170,334	116,170,334	116,170,334	116,170,334
Earnings per share	0.07	0.56	0.06	0.39

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

Unaudited	Consolidated		Separate		
	30.09.2019	31.12.2018 Restated	30.09.2019	31.12.2018	
	RON	RON	RON	RON	
ASSETS					
Current assets					
Cash and cash equivalents	21	14,718,331	31,331,361	5,929,624	16,925,079
Trade and other receivables	19	226,282,588	300,865,499	231,942,565	304,919,488
Inventories	18	340,311,947	308,095,295	249,731,106	205,016,788
Prepayments	20	7,500,585	6,965,489	66,458,163	45,914,200
Other current assets	21	1,408,022	1,046,698	1,408,022	1,046,698
		590,221,473	648,304,342	555,469,480	573,822,253
Non-current assets					
Intangible assets	15	2,248,134	2,755,268	1,445,367	1,693,962
Goodwill	15	22,702,243	22,285,574	-	-
Property, plant and equipment	14	1,136,637,461	1,134,549,418	636,263,452	621,465,695
Right of use assets	14	4,055,450	-	658,656	-
Investments in subsidiaries	16.1.	-	-	298,566,221	290,262,969
Financial assets	16.1.	5,549,848	4,857,610	5,526,176	4,819,724
Deferred tax asset	12	3,706,122	3,587,289	-	-
Other non-current assets	17	13,755,885	1,888,895	5,698,133	3,639,099
		1,188,655,143	1,169,924,054	948,158,005	921,881,449
Total assets		1,778,876,616	1,818,228,396	1,503,627,485	1,495,703,702
LIABILITIES					
Current liabilities					
Trade and other payables	23	259,433,671	295,468,728	169,716,584	163,574,097
Advances from customers	23	528,678	997,116	471,341	679,297
Liabilities for investments in subsidiaries	16.3.	61,786,548	57,474,348	61,786,548	57,474,348
Provisions and accruals	25	10,429,622	12,254,894	6,660,938	8,169,816
Interest-bearing loans and borrowings	16.2.	215,057,573	185,019,444	215,057,573	185,019,444
Lease liability	16.2.	9,425,541	7,842,368	1,669,982	1,156,675
Income tax payable	23	-	-	-	1,686,487
Total current liabilities		556,661,633	559,056,898	455,362,966	417,760,164
Non-current liabilities					
Liabilities for investments in subsidiaries	16.3.	222,439,559	218,356,982	222,439,559	218,356,982
Interest-bearing loans and borrowings	16.2.	197,602,336	223,499,549	197,602,336	223,499,549
Lease liability	16.2.	33,782,655	35,468,590	2,723,896	3,303,317
Deferred tax liability	12	70,810,655	71,237,855	36,093,778	37,184,083
Provisions and accruals	25	1,275,366	622,184	1,125,193	555,549
Employee benefits liability	23	5,321,454	5,212,693	3,029,314	2,900,934
Other long-term liabilities	16.2.	2,176,046	2,224,298	204,401	156,329
Total Non-current liabilities		533,408,071	556,622,151	463,218,477	485,956,743
Total liabilities		1,090,069,704	1,115,679,049	918,581,443	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		3,289,829	2,258,177	-	-
Profit of the year		7,820,924	81,210,083	7,351,005	56,569,986
Total equity		688,806,912	702,549,347	585,046,042	591,986,795
Total liabilities and equity		1,778,876,616	1,818,228,396	1,503,627,485	1,495,703,702

TMK-ARTROM S.A.
INTERIM CONDENSED CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
as of 30 September 2019-unaudited
(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 third quarter ended as at 30 September 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	-	-	-	-	7,820,924	-	7,820,924
Other comprehensive income / (loss)	-	-	1,031,651	-	-	(11,758)	1,019,893
Total comprehensive income	-	-	1,031,651	-	7,820,924	(11,758)	8,840,817
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 September 2019	291,587,538	20,228,568	3,289,828	48,674,315	323,834,845	1,191,818	688,806,912
For third quarter ended as at 30 September 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	-	-	-	-	64,512,924	-	64,512,924
Other comprehensive income / (loss)	-	-	312,888	-	-	-	312,888
Total comprehensive income	-	-	312,888	-	64,512,924	-	64,825,812
At 30 September 2018	291,587,538	16,839,532	2,210,532	33,991,314	615,567,114	987,033	961,183,063
Separate							
	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 third quarter ended as at 30 September 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	-	-	-	7,351,005	-	7,351,005	
Other comprehensive income / (loss)	-	-	-	-	(11,758)	(11,758)	
Total comprehensive income	-	-	-	7,351,005	(11,758)	7,339,247	
Dividends distribution from 2018 profit	-	-	-	(14,280,000)	-	(14,280,000)	
At 30 September 2019	291,587,538	20,228,568	48,674,315	225,055,244	(499,623)	585,046,042	
For third quarter ended as at 30 September 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	-	-	-	44,792,219	-	44,792,219	
Total comprehensive income	-	-	-	44,792,219	-	44,792,219	
At 30 September 2018	291,587,538	16,839,532	33,991,314	223,595,508	(804,073)	565,209,819	

TMK-ARTROM S.A.
INTERIM CONDENSED CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS
as of 30 September 2019-unaudited
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Indirect method	Note	Consolidated		Separate	
		1 January - 30 September 2019	1 January - 30 September 2018 Restated	1 January - 30 September 2019	1 January - 30 September 2018
		RON	RON	RON	RON
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit / (Loss) before tax		7,867,451	78,526,760	6,260,700	54,146,454
Plus / minus adjustments for:					
Depreciation and amortisation	14, 15	64,100,365	57,393,920	39,514,723	34,656,630
Increase / (reversal) of provisions	25	(1,172,090)	(40,738)	(939,234)	(1,135,770)
Increase / (reversal) of allowances for current assets	18, 19	(1,451)	(7,955)	(422,198)	(795,731)
Exchange rate differences for financing activities		12,819,638	2,591,731	12,121,744	2,568,559
Variation of retirement benefits		520,145	488,522	251,229	253,020
Result from disposal of non-current assets	11	(4,166,905)	1,256,205	439,183	731,481
Interest and related expenses	11	13,229,167	10,166,907	11,891,200	8,160,973
Dividends income		-	-	(10,141,771)	-
Exchange rate differences for cash and cash equivalents		541,717	287,999	-	-
Plus / minus adjustments for changes in working capital related to operating activities:					
Decrease / (increase) in inventories	18	(31,660,206)	1,539,874	(44,181,014)	21,941,435
Decrease / (increase) in trade and other receivables and prepayments	19, 20, 21, 16.1	71,866,546	(99,787,130)	50,103,182	(102,331,681)
(Decrease) / increase in payables (except banks)	23, 16.2	(51,004,381)	(15,928,951)	(10,442,926)	(8,056,147)
less:					
Interest paid		(11,420,628)	(10,053,549)	(9,915,001)	(8,047,579)
Income tax paid		53,418	801,408	-	-
Total inflows / (outflows) from operating activities (a)		71,572,786	27,235,003	44,539,817	2,091,644
CASH FLOWS FROM INVESTING ACTIVITIES					
Amount received from disposal of non-current assets		10,354,348	4,575,660	120,048	4,002,339
Purchase of tangible and intangible assets	14, 15	(90,860,479)	(75,623,160)	(61,878,656)	(56,709,213)
Dividends received		-	-	9,606,180	-
Interest received	11	172,329	2,498	4,587	2,462
Total inflows / (outflows) from investing activities (b)		(80,333,802)	(71,045,002)	(52,147,841)	(52,704,412)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans received		79,899,373	66,554,125	79,899,373	66,554,125
Repayment of loans		(81,975,100)	(14,849,051)	(81,975,019)	(14,849,051)
Repayment of leases		(5,776,287)	(4,434,930)	(1,311,785)	(406,904)
Total inflows / (outflows) from financing activities (c)		(7,852,014)	47,270,144	(3,387,431)	51,298,170
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)		(16,613,030)	3,460,177	(10,995,455)	685,402
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	14,718,331	20,367,211	5,929,624	11,510,595

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 30 September 2019: Active;
- **TMK Industrial Solutions LLC** – status at 30 September 2019: Active;
- **TMK-Reșița** – status at 30 September 2019: Active;
 - ✓ **TMK Assets SRL** – status at 30 September 2019: Active;
- **TMK Italia** - status at 30 September 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 9 months ended 30 September 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 08.11.2019.

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

* On 29.08.2019, TMK Steel Holding Ltd. acquired 6,672,352 voting rights, representing 5.7436% of the share capital of TMK-Artrom S.A. and controls more than 65% of the share capital of PAO TMK, which in turn controls 100% of the share capital of TMK Europe GmbH (the majority shareholder of TMK-Artrom SA holding 92.7282% of the share capital of TMK-Artrom SA)

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, 10713 West Sam Houston Pkwy North, Suite 680, Texas, USA (starting with August 1,2019). 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 September 2019</u>	<u>31 December 2018</u>	<u>30 September 2018</u>
1 EUR	4.7511	4.6639	4.6637
1 USD	4.3488	4.0736	4.0210

Average exchange rate for 1 unit of foreign currency:

	<u>30 September 2019</u>	<u>31 December 2018</u>	<u>30 September 2018</u>
1 EUR	4.7382	4.6535	4.6514
1 USD	4.2157	3.9416	3.8943

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 30 September 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)

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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 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 September 2019:

	RON
<i>Assets</i>	
Right-of -use the assets	4,055,450
Property, plant and equipment	-
Prepayments	-
Total assets	4,055,450
<i>Equity</i>	
Retained earnings	(147,753)
Non-controlling interests	-
Total Equity	(147,753)
<i>Liabilities</i>	
Interest-bearing loans and borrowings	-
Lease liability	4,203,203
Deferred tax liabilities	-
Trade and other payables	-
Total Liabilities	4,203,203

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	3,423,676	1,398,761	4,822,437
Depreciation expense	(206,160)	(560,827)	(766,986)
As at 30 September 2019	3,217,516	837,934	4,055,450

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

<u>Lease liability</u>	30 September 2019
	<u>RON</u>
As at 31 December 2018	-
Additions	4,807,910
Interest expense	58,511
Payments	(666,303)
Exchange difference	3,088
As at 30 June 2019	4,203,206

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

	30 September 2019
	<u>RON</u>
Depreciation expense of right-of-use assets	688,996
Interest expense on lease liabilities	58,433
Rent expense-short-term leases	1,175,161
Rent expense-leases of low-value assets	440,535
Rent expenses-variable lease payments	-
Total amounts recognised in profit or loss	1,629,637

- **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.²

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 9 months ended 30 September by segment were as follows:

	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
30 September 2019					
Sales to external customers	751,545,789	4,229,605	161,388,764	-	917,164,158
Inter-segment sales	402,895	475,185,788	-	(475,588,683)	-
Total sales	751,948,684	479,415,393	161,388,764	(475,588,683)	917,164,158
Segments result (gross profit)	164,036,528	263,343	10,850,687	-	175,150,558
Other operating expenses, net					(138,569,199)
Interest and other finance costs, net					(14,221,499)
Net foreign exchange gains / (losses)					(14,492,409)
Result before income tax					7,867,451

4. SEGMENT INFORMATION (continued)

	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
30 September 2018-Restated					
Sales to external customers	827,582,926	45,698,841	224,923,013	-	1,098,204,780
Inter-segment sales	303,804	478,844,561	-	(479,148,365)	-
Total sales	827,886,730	524,543,402	224,923,013	(479,148,365)	1,098,204,780
Segments result (gross profit)	216,274,614	1,483,431	17,736,149	-	235,494,194
Other operating expenses, net					(143,634,887)
Interest and other finance costs, net					(11,131,832)
Net foreign exchange gains / (losses)					(2,200,715)
Result before income tax					78,526,760

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

	Pipes	Billets	Other	Total
	RON	RON	RON	RON
30 September 2019				
Total assets	1,101,886,531	567,530,423	109,459,662	1,778,876,616
Total liabilities	372,222,766	89,394,267	628,754,291	1,090,371,324
Capital expenditure	58,051,273	17,411,245	1,041,888	76,504,406
Depreciation expenses	(39,649,951)	(23,940,014)	(510,400)	(64,100,365)
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 Unaudited	Romania	Europe	North and South America	Other countries	Total
	RON	RON	RON	RON	RON
30 September 2019	239,053,769	549,599,984	123,719,660	4,790,745	917,164,158
30 September 2018-Restated	309,699,410	563,846,121	220,212,151	4,447,098	1,098,204,780

Separate

Revenue Unaudited	Romania	Europe	North and South America	Other countries	Total
	RON	RON	RON	RON	RON
30 September 2019	267,095,958	549,280,352	124,351,125	1,520,042	942,247,476
30 September 2018	292,675,360	529,065,164	220,428,653	4,447,098	1,046,616,275

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

Unaudited	Consolidated		Consolidated	
	30 September 2019	%	30 September 2018 Restated	%
	RON		RON	
Domestic sales	239,053,768	26.06	309,696,592	28.20
Sales abroad	678,110,390	73.94	788,508,188	71.80
Total	917,164,158	100	1,098,204,780	100

Unaudited	Separate		Separate	
	30 September 2019	%	30 September 2018	%
	RON		RON	
Domestic sales	267,095,958	28.35	292,675,360	27.96
Sales abroad	675,151,518	71.65	753,940,915	72.04
Total	942,247,476	100	1,046,616,275	100

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018 Restated	30 September 2019	30 September 2018
	RON	RON	RON	RON
Sales of pipes produced by TMK-Artrom from which:				
Domestic	109,142,861	117,434,710	109,545,754	117,738,514
Europe	527,618,236	506,552,802	527,618,236	506,552,802
North and South America	113,264,650	200,257,486	115,153,467	201,955,509
Other areas	1,520,042	3,337,928	1,520,042	3,337,928
Total sales of TMK-Artrom pipes	751,545,789	827,582,926	753,837,499	829,584,753
Sales of other goods and services from which:				
Sales of other goods on domestic market	128,731,931	190,852,328	157,342,794	174,626,985
Sales of other goods on external market	34,197,125	76,847,419	30,582,978	42,035,651
Rendering of services on domestic market	1,178,977	1,412,372	207,410	309,861
Rendering of services on external market	1,510,336	1,509,735	276,795	59,025
Total sales of other goods and services	165,618,369	270,621,854	188,409,977	217,031,522
Total revenue from contracts with customers	917,164,158	1,098,204,780	942,247,476	1,046,616,275

6. COST OF SALES

Cost of sales for the period of 9 months ended 30 September, consisted of the following:

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018 Restated	30 September 2019	30 September 2018
	RON	RON	RON	RON
Raw materials	253,586,788	302,020,971	477,845,006	485,939,482
Staff cost (note 11.5)	90,313,424	80,687,348	61,716,955	54,950,787
Consumables	117,957,997	111,397,440	43,768,524	45,395,129
Energy and utilities	104,616,670	85,708,542	50,387,183	40,228,821
Depreciation and amortisation	59,997,770	54,448,099	37,492,996	33,185,296
Other compensations for employees	11,866,911	9,021,106	8,613,748	6,733,394
Social security expenses (note 11.5)	5,641,359	4,913,674	2,490,851	2,134,271
Professional fees and services	6,234,107	4,577,822	2,237,919	1,719,883
Freight	1,731,090	1,864,423	1,731,090	1,863,373
Taxes	3,211,773	2,794,233	2,034,746	1,893,814
Repairs and maintenance	4,581,006	2,949,882	2,810,081	1,928,318
Insurance	2,075,185	1,877,260	1,268,701	1,183,318
Rent	471,458	1,022,987	137,311	487,282
Travel	498,183	720,732	383,660	479,603
Communications	75,687	76,748	55,979	55,419
Other expenses	8,069	9,132	8,070	9,133
Total production cost	662,867,477	664,090,399	692,982,820	678,187,323
Change in own finished goods and work in progress	(41,790,659)	12,757,534	(24,701,897)	17,769,976
Cost of sales of externally purchased goods	146,844,186	204,474,113	146,544,261	172,450,198
Capitalized production costs	(25,362,613)	(18,092,516)	(20,365,609)	(14,431,865)
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	(556,446)	(729,165)	(533,304)	(630,182)
Write-off materials	11,655	210,221	-	-
Cost of sales	742,013,600	862,710,586	793,926,271	853,345,450

7. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the period of 9 months ended 30 September, consisted of the following:

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018 Restated	30 September 2019	30 September 2018
	RON	RON	RON	RON
Freight	42,149,790	50,204,630	41,801,822	49,130,171
Professional fees and services	10,085,849	9,656,590	23,698,066	26,242,911
Taxes	95,104	93,326	73,157	73,075
Import duties	16,727,990	14,706,979	16,673,551	14,479,050
Staff cost (note 11.5)	8,515,388	7,813,140	4,099,629	3,539,127
Consumables	2,908,578	2,767,491	1,345,936	1,422,848
Insurance	1,358,170	1,307,521	1,254,069	1,163,913
Utilities and maintenance	181,947	403,016	162,837	382,065
Other compensations for employees	1,213,953	932,326	651,332	539,059
Travel	229,846	474,755	37,521	260,862
Depreciation and amortisation	599,551	264,697	294,660	215,763
Social security expenses (note 11.5)	1,543,810	1,286,048	180,948	132,137
Communications	147,102	154,225	79,797	87,663
Other expenses	283,405	244,833	51,414	52,308
Rent	330,854	516,044	2,115	50,050
Bad debt expense (note 19)	308,548	709,589	112,898	(165,549)
Selling and distribution expenses	86,679,885	91,535,210	90,519,752	97,605,453

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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 9 months ended 30 September, consisted of the following:

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RON	Restated RON	RON	RON
Marketing expenses	248,056	248,646	239,989	220,054
Media expenses	190,027	58,826	190,027	58,826
Promotion and advertising expenses	438,083	307,472	430,016	278,880

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the period of 9 months ended 30 September, consisted of the following:

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RON	Restated RON	RON	RON
Staff cost (note 11.5)	23,758,086	21,441,962	15,329,157	13,325,273
Professional fees and services	13,319,576	11,730,836	6,364,436	5,147,108
Other compensations for employees	4,294,535	4,568,698	3,365,017	3,402,167
Rent	813,385	1,112,012	1,152,128	1,224,182
Taxes	2,043,391	1,781,856	1,390,235	1,246,531
Depreciation and amortisation	3,225,271	2,401,636	1,727,067	1,255,571
Communications	798,144	760,646	664,726	631,108
Consumables	1,287,505	1,076,298	804,722	660,690
Utilities and maintenance	1,324,987	876,606	1,054,621	657,027
Travel	642,157	826,428	527,910	572,188
Social security expenses (note 11.5)	1,106,714	1,216,983	431,388	346,392
Other expenses	188,667	161,872	117,346	108,216
Insurance	151,620	238,102	43,539	159,520
General and administrative expenses	52,954,038	48,193,935	32,972,292	28,735,973

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the period of 9 months ended 30 September, consisted of the following:

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RON	Restated RON	RON	RON
Professional fees and services	16,321	112,984	16,321	112,984
Staff cost (note 11.5)	84,934	72,846	84,934	72,846
Other compensations for employees	4,121	2,833	4,121	2,833
Social security expenses (note 11.5)	2,732	2,366	2,732	2,366
Research and development expenses	108,108	191,029	108,108	191,029

11. OTHER INCOME/EXPENSES AND ADJUSTMENTS

11.1 Other operating income

Other operating income for the period of 9 months ended 30 September, consisted of the following:

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RON	Restated RON	RON	RON
Gains on sales of property, plant and equipment	4,166,905	-	-	-
Income from sale of emission certificates	-	-	951,574	384,886
Investment subsidies	37,474	18,236	37,474	18,236
Rent income	9,843	-	12,816	-
Damages, trial expenses	51,064	10,448	50,673	10,448
Other income	79,931	76,966	-	9
Income from recovered materials	-	-	-	267,798
Materials free of charge	-	6,285	-	-
Total	4,345,217	111,935	1,052,537	681,377

11.2 Other operating expenses

Other operating expenses for the period of 9 months ended 30 September, consisted of the following:

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RON	Restated RON	RON	RON
Social actions expenses	1,590,058	1,254,150	1,590,058	1,254,150
Loss on disposal of property, plant and equipment	-	1,256,205	439,183	731,481
Sponsorship and charitable donations	505,372	300,653	466,278	288,892
Staff costs - medical dispensary	350,107	318,185	107,175	90,452
Professional fees and services	89,374	84,364	89,374	84,364
Rent expense	-	94,430	-	-
Other expenses	111,850	158,378	2,850	12,374
Social security costs - medical dispensary	14,189	10,727	2,786	2,536
Penalties - legal entities	6,482	387	5,345	387
Fines and penalties	40,304	22,300	26,239	-
Other compensations for employees - medical dispensary	26,566	19,397	-	-
Total	2,734,302	3,519,176	2,729,288	2,464,636

11.3 Financial costs

Financial costs for the period of 9 months ended 30 September, consisted of the following:

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018 Restated	30 September 2019	30 September 2018
	RON	RON	RON	RON
Interest on short-term loans and borrowings (note 16.2)	2,574,990	5,389,606	2,574,990	5,389,606
Interest on long-term loans and borrowings (note 16.2)	5,485,973	2,295,635	5,485,973	2,295,635
Interest on amounts owed to entities in the group (nota 16.5)	3,711,433	-	3,711,433	-
Amortisation of issuance fee	353,823	541,282	419,664	541,282
Other financial expenses	638,509	853,054	421,467	335,592
Interest on financial leasing	1,629,099	2,054,753	123,390	48,783
Total	14,393,827	11,134,330	12,736,917	8,610,898

11. OTHER INCOME/EXPENSES AND ADJUSTMENTS (continued)

11.4 Financial income

Financial income for the period of 9 months ended 30 September, consisted of the following:

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RON	Restated RON	RON	RON
Income from shares of subsidiaries	-	-	10,141,771	-
Interest on deposits	4,554	2,389	4,554	2,389
Interest from granted borrowing	38	27	-	-
Other financial income	167,736	82	32	73
Total	172,328	2,498	10,146,357	2,462

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 9 months ended 30 September, consisted of the following:

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RON	Restated RON	RON	RON
Wages and salaries (Notes 6,7,9,10,11.2)	123,033,810	110,365,899	81,337,850	71,978,486
Social security costs (Notes 6,7,9,10,11.2), out of which:	8,309,074	7,430,526	3,108,705	2,617,702
- Company's contributions to social security (pensions)	3,371,635	3,204,698	-	(81)
Other compensations for employees - meal tickets	5,523,367	5,252,656	3,666,122	3,459,978
Other compensations for employees - holiday vouchers	2,822,257	1,478,395	1,194,471	698,749
Other compensations for employees - other	9,060,462	7,818,629	7,773,625	6,518,725
Total employee benefits expense	148,748,970	132,346,105	97,080,773	85,273,640

11.5 Employee benefits expenses(continued)

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018 Restated	30 September 2019	30 September 2018
Average number of employees	2,300	2,249	1,500	1,447
Actual number of employees at the end of reporting period	2,290	2,292	1,493	1,483

12. INCOME TAX

For the period of 9 months ended 30 September, the Company and the Group calculated income tax as follows:

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018 Restated	30 September 2019	30 September 2018
	RON	RON	RON	RON
Current income tax	(477,367)	(8,688,895)	-	(6,880,076)
Small companies income tax	(41,927)	(11,039)	-	-
Deferred income tax:	472,767	(5,313,902)	1,090,305	(2,474,159)
- Deferred income tax credit	6,571,635	2,475,756	4,546,112	421,010
- Deferred income tax charge	(6,098,868)	(7,789,658)	(3,455,807)	(2,895,169)
Income tax	(46,527)	(14,013,836)	1,090,305	(9,354,235)

As at 30 September 2019 the Group has a deferred tax liability in amount of RON 70,810,655 and a deferred tax asset in amount of RON 3,706,122.

Reconciliation between income tax expense and the accounting profit multiplied by Romanian domestic tax rate for the period of 9 months ended 30 September is as follows:

Unaudited	Consolidated		Separate	
	30 September 2019	30 September 2018 Restated	30 September 2019	30 September 2018
	RON	RON	RON	RON
Profit before income tax	7,867,451	78,526,760	6,260,700	54,146,454
Income taxes calculated at the nominal applicable tax rate (16%)	1,258,792	12,564,282	1,001,712	8,663,433
Tax effect of deductible / non-taxable elements, out of which:	(20,018,324)	(16,126,311)	(14,594,505)	(10,942,419)
- Fiscal depreciation	(14,527,203)	(14,115,194)	(9,984,791)	(9,209,630)
- Legal reserve	-	(131,488)	-	-
- Dividends income	(752,213)	-	(752,213)	-
- Income from reversal of allowances	(4,738,908)	(1,879,629)	(3,857,501)	(1,732,789)
Tax effect of taxable / non-deductible elements, out of which:	17,669,139	15,017,147	12,198,076	9,447,954
- Realization of revaluation reserve	3,249,848	3,758,545	1,842,498	2,076,005
- Accounting depreciation	10,162,105	9,138,117	6,322,356	5,545,061
- Allowances expenses	4,153,031	1,868,576	3,658,331	1,447,161
- Other items	104,156	251,909	374,891	379,727
Tax loss to be recovered	1,475,540	(2,996,417)	1,394,717	-
Deferred tax expenses arising from deferred tax assets	(2,663,741)	3,532,868	(2,896,409)	288,432
Deferred tax expenses arising from deferred tax liabilities	2,190,974	1,781,034	1,806,104	2,185,727
Tax credit, out of which:	-	(288,892)	-	(288,892)
- sponsoring expense	-	(288,892)	-	(288,892)
Effect of other tax rates	134,147	530,125	-	-
Computed income tax / (tax loss)	46,527	14,013,836	(1,090,305)	9,354,235
Income tax reported in the statement of income	46,527	14,013,836	(1,090,305)	9,354,235

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 <i>amounts in RON-unaudited</i>	Consolidated		Separate	
	30 September 2019	30 September 2018 Restated	30 September 2019	30 September 2018
<u>Earnings</u>				
Net profit / (Net loss)	7,820,924	64,512,924	7,351,005	44,792,219
Average number of shares	116,170,334	116,170,334	116,170,334	116,170,334
Earnings per average number of shares	0.07	0.56	0.06	0.39

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14. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the period of 9 months ended 30 September, 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	-	40,615	-	128,221	3,842,565	72,230,196	76,241,597
Disposals	(7,875,291)	(5,794,343)	(367,176)	(47,467)	(106,612)	-	(14,190,889)
Transfers	8,258,447	70,590,334	3,111,659	712,464	1,079,529	(83,965,054)	(212,621)
Translation differences	4,469	13,560	-	8,313	-	-	26,342
At 30 September 2019	440,636,844	1,159,462,315	90,380,781	6,101,809	4,815,482	22,048,809	1,723,446,040
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	(10,497,065)	(48,201,220)	(3,390,296)	(429,988)	(810,310)	-	(63,328,879)
Disposals	2,512,727	4,724,720	344,764	45,628	53,126	-	7,680,965
Transfers	(5,969)	1,341	(49,089)	(1,657)	-	-	(55,374)
Translation differences	(1,977)	(6,866)	-	(5,957)	(2,848)	-	(17,648)
At 30 September 2019	(128,187,780)	(412,925,737)	(37,903,667)	(2,975,913)	(760,032)	-	(582,753,129)
Net book value							
At 30 September 2019	312,449,064	746,536,578	52,477,114	3,125,896	4,055,450	22,048,809	1,140,692,911

During the 9 months period ended 30 September 2018 the Group acquired property, plant and equipment amounting to RON 60,441,930.

The depreciation expense for the first nine-months period of year 2018 was RON 56,518,973.

From January to September 2018, the Group disposed of property, plant and equipment in the amount of RON 11,819,913.

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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	-	-	-	-	-	55,054,843	55,054,843
Disposals	(11,114)	(2,969,775)	(5,472)	(47,467)	-	-	(3,033,828)
Transfers	5,924,440	55,275,335	1,843,985	432,087	1,079,532	(64,555,379)	-
At 30 September 2019	173,358,666	718,214,276	16,160,532	3,460,505	1,079,532	17,890,669	930,164,180
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	(4,534,659)	(32,619,126)	(1,218,841)	(245,696)	(420,876)	-	(39,039,198)
Disposals	6,006	2,417,491	5,471	45,628	-	-	2,474,596
At 30 September 2019	(34,519,992)	(248,715,703)	(8,136,285)	(1,449,216)	(420,876)	-	(293,242,072)
Net book value							
At 30 September 2019	138,838,674	469,498,573	8,024,247	2,011,289	658,656	17,890,669	636,922,108

Out of total property, plant and equipment as of 30 September 2019, properties with a net book value of RON 151,255,959 were pledged in favor of BCR (31 December 2018: RON 27,990,244).

During the 9 months period ended 30 September 2018 the Company acquired property, plant and equipment amounting to RON 47,888,087.

The depreciation expense for the first nine-months of year 2018 was RON 34,230,084.

From January to September 2018, the Company disposed of property, plant and equipment in the amount of RON 8,555,633.

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 September 2019 was of RON 34,354,894 (31 December 2018: RON 36,707,839).

Separate carrying amount of property, plant and equipment representing equipment and vehicles in lease as of 30 September 2019 was of RON 6,413,886 (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 nine-months period of 2019, ended as at 30 September, 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	251,981	4,079	6,749	262,809
Translation differences	-	2,439	-	2,439
At 30 September 2019	1,787,764	4,417,759	-	6,205,523
Amortisation and impairment				
At 31 December 2018-Restated	(918,793)	(2,266,214)	-	(3,185,007)
Amortisation	(225,686)	(545,799)	-	(771,485)
Translation differences	-	(897)	-	(897)
At 30 September 2019	(1,144,479)	(2,812,910)	-	(3,957,389)
Net book value				
At 30 September 2019	643,285	1,604,849	-	2,248,134

During the 9 months period ended 30 September 2018 the Group acquired intangible assets amounting to RON 415,228. The depreciation expense for the first nine-months period of year 2018 was RON 874,947. From January to September 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	218,993	1,187	6,749	226,929
At 30 September 2019	1,031,390	2,507,763	-	3,539,153
Amortisation and impairment				
At 31 December 2018	(592,333)	(1,025,929)	-	(1,618,262)
Amortisation	(95,352)	(380,172)	-	(475,524)
At 30 September 2019	(687,685)	(1,406,101)	-	(2,093,786)
Net book value				
At 30 September 2019	343,705	1,101,662	-	1,445,367

During the 9 month period ended 30 September 2018 the Company acquired intangible assets amounting to RON 219,267. The depreciation expense for the first nine months of year 2018 was RON 426,546. From January to September 2018, the Company did not recorded any disposal of intangible assets.

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

16.1. Financial assets

	Consolidated		Separate	
	30 September 2019 RON	31 December 2018 Restated RON	30 September 2019 RON	31 December 2018 RON
Other financial receivables				
Investments in subsidiaries	-	-	298,566,221	290,262,969
Deposits for letters of guarantee	1,869,851	1,382,180	1,869,850	1,382,180
Granted guarantees, from which:	3,679,997	3,475,430	3,656,326	3,437,544
- Guarantees granted to related parties (note 25)	-	-	47,014	46,151
Total other financial receivables	5,549,848	4,857,610	304,092,397	295,082,693
Total other financial assets	5,549,848	4,857,610	304,092,397	295,082,693

TMK-Artrom holds the following investments in subsidiaries:

Subsidiaries	Headquarters	Shareholding
TMK Industrial Solutions LLC	10713 W.Sam Houston PKWY N., apartment 680 Houston, TX 77064(starting with August 1, 2019)	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 established for the number of 131,010,874 shares was EUR 62,290,000, representing RON 290,258,942 (exchange rate 4.6598 RON/EUR), that is EUR 0.475/share, from which EUR 100,000 was paid on January, 17 2019.

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 below:

	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 September 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 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
Long-term interest-bearing bank loans	139,263,052	154,095,426	139,263,051	154,095,426
Long-term interest-bearing borrowing-related parties (note 25)	58,437,174	69,404,123	58,437,174	69,404,123
Un-amortized cost of debt origination fees	(97,890)	-	(97,889)	-
Balance of long-term loans	197,602,336	223,499,549	197,602,336	223,499,549

Unaudited	Consolidated		Separate	
	30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
Future repayments				
Long- and short-term loans and borrowings, net of future interests	412,373,662	407,577,995	412,373,662	407,577,995
Interest payable at reporting date	693,381	1,166,818	693,381	1,166,818
Un-amortized cost of debt origination fees	(407,134)	(225,820)	(407,134)	(225,820)
Total long- and short-term loans and related interest and un-amortized cost	412,659,909	408,518,993	412,659,909	408,518,993
Future interests	15,326,544	20,547,869	15,326,544	20,547,869
Total future repayments for loans and related interest	427,986,453	429,066,862	427,986,453	429,066,862

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Interest-bearing long-term loans and borrowings

Bank	Type of loan	Currency	30 September 2019		Interest rate	Amount repayable	Amount repayable
			Contracted amount	Due date (mm/dd/yyyy)			
BCR ERSTE	Investment loan - 7 years	EUR	25,000,000	11/07/2023	3.40%	79,185,000	16,666,667
BCR ERSTE	Overdraft	EUR	20,000,000	11/03/2020	EURIBOR 3M+margin	60,078,051	12,645,082
Total long-term bank loans						139,263,051	
TMK EUROPE GmbH	Long-term borrowing	USD	22,837,540	07/25/2023	Libor+0.5%	58,437,174	13,437,540
Un-amortized long-term cost						(97,889)	
Total						197,602,336	

Bank	Type of loan	Currency	31 December 2018		Interest rate	Amount repayable	Amount repayable
			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	

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Lease

Unaudited	Consolidated		Separate	
	30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
Lease payments less than 3 months, gross	3,656,187	3,240,550	524,164	319,483
Lease payments between 3 and 12 months, gross	7,243,640	6,386,880	1,021,548	959,919
Lease payments between 1 and 5 years, gross	37,194,489	39,725,980	3,042,159	3,460,360
Lease payments over 5 years, gross	203,628	-	28,269	-
Total minimum lease payments, gross	48,297,944	49,353,410	4,616,140	4,739,762
Less: future finance charges	5,089,748	6,042,452	222,262	279,770
Present value of minimum lease payments	43,208,196	43,310,958	4,393,878	4,459,992

Interest-bearing short-term loans and borrowings

Unaudited	Consolidated		Separate	
	30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
Long-term interest-bearing bank loans, current portion	22,624,285	22,209,048	22,624,286	22,209,048
Short-term bank loans	172,044,670	157,795,799	172,044,671	157,795,798
Short-term interest-bearing borrowing - related parties (note 25)	20,004,480	4,073,600	20,004,480	4,073,600
Interest related to long-term bank loans	374,786	679,967	374,785	679,968
Interest related to short-term bank loans	154,154	296,862	154,154	296,862
Interest related to long-term borrowings - related parties (note 25)	164,442	189,988	164,442	189,988
Un-amortized short-term cost	(309,245)	(225,820)	(309,245)	(225,820)
Total	215,057,573	185,019,444	215,057,573	185,019,444

Other long-term liabilities

	Consolidated		Separate	
	30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
Long-term sundry creditors	118,559	151,024	37,275	38,194
Long-term advances from customers	1,813,674	1,813,674	-	-
Investment subsidy	46,253	66,925	46,253	66,925
Long-term guarantees	197,560	192,675	120,873	51,210
Balance of other long-term liabilities	2,176,046	2,224,298	204,401	156,329

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Bank	Type of loan	Currency	30 September 2019		Amount repayable <i>RON equivalent</i>	Amount repayable <i>EUR</i>
			Contracted amount			
VTB BANK (EUROPE)	Credit revolving	EUR	20,000,000		79,818,244	16,799,950
BANCA TRANSILVANIA	Uncommitted overdraft	EUR	20,000,000		92,226,427	19,411,594
Total short-term bank loans					172,044,671	
BCR ERSTE	Investment loan - 7 years current portion	EUR	25,000,000		22,624,286	4,761,905
Total short part of long-term bank loans					22,624,286	
TMK EUROPE GmbH	Long-term borrowing - current portion	USD	22,837,540		20,004,480	4,600,000
Total long-term borrowings from related parties - current portion					20,004,480	
Total					214,673,437	

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 September 2019	31 December 2018	30 September 2019	31 December 2018
	RON	Restated RON	RON	RON
Amounts owed to entities in the group - short-term	58,073,825	57,474,348	58,073,825	57,474,348
Amounts owed to entities in the group - long-term	222,439,559	218,356,982	222,439,559	218,356,982
Interest on short-term amounts owed to entities in the group	3,712,723	-	3,712,723	-
Total liabilities for investments in subsidiaries	284,226,107	275,831,330	284,226,107	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) were paid on 17.01.2019, being within the maximum term of 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, with the mention that TMK-Artrom will be able to extend the payment term depending on the financial resources available for a maximum period another 5 years.

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.

17. OTHER NON-CURRENT ASSETS

Unaudited	Consolidated		Separate	
	30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
Prepayments for property, plant, and equipment	4,591,464	1,400,986	4,148,117	1,087,580
Sundry debtors TL	8,788,391	-	-	-
Gas emission certificates with greenhouse effect	-	-	1,278,592	2,232,688
Prepaid expenses TL	376,030	456,272	271,424	318,831
- Prepaid expenses - related parties TL	232,545	295,501	232,545	295,502
Other non-current assets	-	31,637	-	-
Total	13,755,885	1,888,895	5,698,133	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 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
Raw materials	37,867,394	49,802,332	70,562,122	61,500,287
Finished goods in transit	32,989,238	40,620,391	32,989,238	40,620,392
Work in progress	41,126,778	26,139,295	40,553,406	25,158,689
Finished goods	41,542,159	32,022,485	44,780,784	36,310,870
Consumables	78,138,550	82,664,404	27,740,807	24,104,586
Semi-finished goods	105,320,183	78,910,397	25,460,014	15,759,626
Merchandise at third parties (in transit)	7,053,945	2,930,311	7,053,945	2,930,311
Consigned finished goods	382,926	1,459,332	382,926	1,459,332
Other materials	11,720,459	8,690,647	8,353,493	5,734,967
Raw materials and consumables at third parties	553,845	845,658	378,018	495,805
Materials in transit	93,832	1,177,720	-	-
Merchandise and packaging	447,995	446,869	17,995	16,869
Raw materials to be purchased	292,557	159,814	-	-
Total	357,529,861	325,869,655	258,272,748	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.

18. INVENTORIES (continued)

In the first nine-months period 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 September 2019	31 December 2018 Restated	30 September 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	17,052,176	14,271,058	17,036,187	13,754,852
Resumption / Allowances used	(17,608,622)	(10,467,803)	(17,569,491)	(10,064,676)
Balance at the end of reporting period	17,217,914	17,774,360	8,541,642	9,074,946

19. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables consist of the following:

Unaudited	Consolidated		Separate	
	30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
Trade receivables, from which:	223,751,784	300,285,280	212,565,418	285,098,098
- Receivables from other related parties (note 24)	-	769,915	7,437,462	8,542,585
Other receivables - VAT	12,246,632	12,744,649	17,625,372	18,456,168
Sundry debtors, from which:	4,792,616	3,851,479	1,199,596	1,085,226
- Sundry debtors - related parties (note 24)	418,862	321,599	453,452	360,125
Other receivables - penalty and fines	(19)	(26)	-	-
Employee claims	705,426	492,257	387,472	375,722
Recoverable income tax	2,580,378	554,714	547,921	-
Other social receivables	1,294,595	1,470,975	1,294,593	1,470,975
Less:				
Allowance for doubtful accounts receivable	(16,494,990)	(15,939,995)	(1,677,807)	(1,566,701)
Allowance for sundry debtors	(2,593,834)	(2,593,834)	-	-
Total	226,282,588	300,865,499	231,942,565	304,919,488

Under the Decision no 2/30.04.2008 issued by N.A.F.A.- D.G.A.M.C. starting with June 2008, TMK ARTROM SA is representative of the fiscal group, consisting of TMK- ARTROM SA and TMK REȘIȚA SA. Through the Decision N.A.F.A no.22/28.05.2010 it was approved the maintaining of the fiscal group for a period of 5 years and was extended through the Decision no. 6026/SRC dated 6.05.2015 for a period of minimum 2 years. 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 September 2019	31 December 2018 Restated	30 September 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 September	2,593,834	2,593,834	-	-

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

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

Unaudited	Consolidated		Separate	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	RON	Restated RON	RON	RON
At 1 January	15,939,995	15,855,310	1,566,701	2,242,756
Impairment adjustments expenses	805,594	1,372,700	271,022	301,788
Used/ Reversed	(498,947)	(1,300,532)	(159,916)	(977,843)
Translation differences	248,348	12,517	-	-
At 30 September	16,494,990	15,939,995	1,677,807	1,566,701

20. PREPAYMENTS

Prepayments consist of the following:

Unaudited	Consolidated		Separate	
	30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
Prepayments for services, inventories, from which:	43,863	796,970	60,410,088	40,107,536
- Prepayments for services, inventories - related parties (note 24)	-	-	60,357,567	39,335,965
Prepaid expenses	4,836,122	2,105,802	3,427,475	1,743,947
- Prepaid expenses - related parties	51,621	24,660	-	-
Selling and distribution expenses registered in advance until the date of transfer of customer control over the goods	679,024	2,121,141	679,024	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	7,500,585	6,965,489	66,458,163	45,914,200

The amount of RON 60,357,567 (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 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
Cash at banks in foreign currency	13,260,531	27,117,193	5,132,706	13,705,719
Cash at banks in RON	1,359,863	3,439,418	705,934	2,451,724
Short-term deposits	89,420	767,347	89,420	767,347
Other cash equivalents	1,682	481	1,564	289
Cash on hand	6,835	6,922	-	-
Total	14,718,331	31,331,361	5,929,624	16,925,079

21. CASH AND SHORT-TERM DEPOSITS (continued)

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).

Unaudited	Short-term deposits	Consolidated		Separate	
		30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	in RON	5,191	767,347	5,191	767,347
	in EURO	84,229	-	84,229	-

Other current assets

Unaudited	Consolidated		Separate		
	30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018	
	RON	RON	RON	RON	
	Deposits for letters of guarantee	1,408,022	1,046,698	1,408,022	1,046,698
	Total	1,408,022	1,046,698	1,408,022	1,046,698

22. SHARE CAPITAL

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 30 September 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 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
Current trade payables, from which:	218,119,358	257,443,217	138,164,236	137,282,485
- Intercompany trade payables (note 25)	92,312,216	85,119,326	88,017,189	71,629,829
Payables for non-current assets, from which:	13,522,709	21,476,994	8,467,857	14,104,158
Dividends payable, from which:	14,280,000	-	14,280,000	-
- Dividends payable to related parties (note 25)	14,061,778	-	14,061,778	-
Bills of exchange payable	-	387,371	-	387,371
Short-term guarantees	831,159	1,196,008	318,860	635,753
Accrued and other liabilities	1,142,492	181,385	465,926	20,698
- Accrued and other liabilities related parties (note 25)	170	-	170	-
Total financial liability	247,895,718	280,684,975	161,696,879	152,430,465
Accrued and withheld taxes on payroll	7,867,317	11,043,914	5,771,307	8,583,615
Salaries and Wages	3,407,643	3,458,422	2,102,415	2,332,344
Advances from customers	528,678	997,116	471,341	679,297
Income tax liabilities	-	-	-	1,686,487
Liabilities for other taxes	262,993	281,417	145,983	227,673
Total non-financial liability	12,066,631	15,780,869	8,491,046	13,509,416
Grand total	259,962,349	296,465,844	170,187,925	165,939,881

23. TRADE AND OTHER PAYABLES (CURRENT) continued)

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 payment of dividends began on October 4, 2019 (Date of payment).

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.

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
- ORSKY Machine Building Plant Rusia	Russia	Related, under common control
- Completions Development Sarl	Luxembourg	Related, under common control
- TMK GLOBAL SA Zurich	Switzerland	Related, under common control
-TMK Steel Holding	Cyprus	Related, under common control

24. TRANSACTIONS WITH RELATED PARTIES (continued)

The balances of transactions with related parties

Trade receivables Unaudited	Consolidated		Separate	
	30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
TMK-REȘIȚA	-	-	5,333,380	7,461,476
TMK Industrial Solutions LLC, Houston	-	-	2,103,368	691,154
PAO TMK Rusia	-	448,237	-	388,527
TMK Assets București	-	-	714	1,428
TMK IPSCO International USA	-	321,678	-	-
Total	-	769,915	7,437,462	8,542,585

Other Assets Unaudited	Consolidated		Separate	
	30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
TMK-REȘIȚA (advances for purchase of goods)	-	-	60,357,567	39,335,965
TMK Industrial Solutions LLC, Houston (sundry debtors)	-	-	-	407
PAO TMK (sundry debtors)	418,862	319,500	418,862	319,500
TMK Assets Bucharest (long-term receivables - guarantees)	-	-	47,014	46,151
TMK RESITA S.A. (sundry debtors)	-	-	34,590	36,532
Trade House TMK Russia (sundry debtors)	-	2,099	-	2,099
TMK Assets Bucharest (sundry debtors)	-	-	-	1,587
Total	418,862	321,599	60,858,033	39,742,241

Trade Payables Unaudited	Consolidated		Separate	
	30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
PAO TMK Rusia	86,588,321	72,170,591	84,243,966	67,323,716
TMK Europe GmbH Germany	4,910,308	11,982,957	2,232,025	1,590,059
TMK Industrial Solutions LLC, Houston	-	-	760,737	2,061,880
TMK Italia s.r.l. Italy	-	-	780,461	622,701
RosNITI JSC Russia	-	31,473	-	31,473
TMK-Inox Russia	813,587	934,305	-	-
Total	92,312,216	85,119,326	88,017,189	71,629,829

Other liabilities Unaudited	Consolidated		Separate	
	30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
TMK Europe GmbH (borrowing)	78,441,654	73,477,723	78,441,654	73,477,723
TMK Europe GmbH Germany (interest owed at reporting date)	164,442	189,988	164,442	189,988
TMK Europe GmbH Germany (amounts owed to group's entities)	284,226,107	275,831,330	284,226,107	275,831,330
TMK Europe GmbH Germany (dividends payable)	13,241,593	-	13,241,593	-
TMK Europe GmbH (sundry creditors)	170	-	170	-
TMK Assets Bucharest (sundry creditors)	3,019,168	-	-	-
TMK Steel Holding Limited (dividends payable)	820,185	-	820,185	-
Total	379,913,319	349,499,041	376,894,151	349,499,041

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24. TRANSACTIONS WITH RELATED PARTIES (continued)

Transactions with related parties

Sales (Revenue) Unaudited	Object of the transaction	Consolidated		Separate	
		30 September 2019	30 September 2018	30 September 2019	30 September 2018
		RON	Restated RON	RON	RON
TMK-REȘIȚA	waste product, pipes, perceives commission, management services, additional costs for quality claims	-	-	32,800,892	32,150,301
TMK Industrial Solutions LLC	pipes for resale	-	-	2,455,334	6,751,984
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	27,996
TMK Assets	management services	-	-	2,700	2,700
Sinarsky pipe plant	pipes	-	1,125,288	-	1,125,288
TMK IPSCO International	pipes	1,261,541	1,259,128	-	-
TMK Europe GmbH Germany	audit services	236,755	-	236,755	-
TMK GLOBAL Switzerland	pipes	-	144,488	-	144,488
Total		1,664,335	4,545,992	35,685,531	42,219,846

Purchases Unaudited	Object of the transaction	Consolidated		Separate	
		30 September 2019	30 September 2018	30 September 2019	30 September 2018
		RON	Restated RON	RON	RON
TMK-REȘIȚA	billets - raw material, other materials	-	-	475,206,788	478,893,701
PAO TMK	pipes and blooms for resale, consulting services, financial costs	151,526,090	160,152,893	151,526,090	160,152,893
TMK Industrial Solutions LLC	agent commission for sales of pipes produced by TMK-Artrom and pipes of Russian origin	-	-	6,182,276	10,283,951
TMK Europe GmbH	agent commission for pipes sales, materials for own consumption, spare partes	50,998,933	46,417,982	24,788,458	9,806,993
TMK Italia s.r.l.	agent commission for pipes sales	-	-	8,721,069	8,421,301
TMK Assets	rent and apartment maintenance	-	-	421,622	414,405
RosNITI JSC	research and development services	38,099	112,984	38,099	112,984
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		210,851,872	206,698,621	820,185	668,100,990

Borrowings within the Group – long-term and short term

The company TMK EUROPE GmbH Germany is the lender with the amount of RON 78,441,654 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 20,004,480, equivalent of USD 4,600,000, represent short-term liabilities and amount of RON 58,437,174 equivalent of USD 13,437,540 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 37,813.15, respectively RON 164,441.83.

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 nine-months period of 2018 and 2019 were in gross amounts as follow:

Period	Number of persons	Fixed remuneration	Bonus
First nine-months of year 2018	13	RON 11,474,634	RON 4,051,344
First nine-months of year 2019	13	RON 12,954,737	RON 4,692,146

25. PROVISIONS

Other short-term provisions Unaudited	Consolidated		Separate	
	30 September 2019	31 December 2018 Restated	30 September 2019	31 December 2018
	RON	RON	RON	RON
Accruals for managers bonuses	5,893,635	7,560,866	3,909,454	5,236,353
Provisions for taxes	1,941,574	1,941,574	1,941,576	1,941,576
Provisions for emission certificates	489,432	668,096	489,432	668,096
Provisions for quality complaints material cost	148,422	165,761	148,422	165,761
Provisions for quality complaints additional cost	172,054	126,066	172,054	126,066
Accruals for unused vacations	103,911	114,533	-	31,964
Provision for employment compensation	141,454	138,858	-	-
Provisions for risks and expenses	1,539,140	1,539,140	-	-
Total	10,429,622	12,254,894	6,660,938	8,169,816

25. PROVISIONS (continued)

Other long-term provisions Unaudited	Consolidated		Separate	
	30 September 2019	31 December 2018 Restated	30 September 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	1,056,016	402,834	905,843	336,199
Total	1,275,366	622,184	1,125,193	555,549

26.COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Group's total commitments for the acquisition of property, plant and equipment as at 30 September 2019 are of RON 18,189,421 (31 December 2018: RON 6,335,794).

Company's total commitments for the acquisition of property, plant and equipment as at 30 September 2019 are of RON 16,019,156 (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.

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

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

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 ("DGAMC"):

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 was set with the High Court of Justice and Cassation on 20 June 2019 when the High Court of Justice and Cassation rejected the appeal. This decision is final.

TMK-Resita paid the supplementary fiscal obligations established for the corporate income tax under the tax facilities granted under GEO 44/2015. Thus TMK-Reșița paid the amounts established in the Tax Inspection Report with the application of reductions, and the delay penalties established for TMK-Reșița were canceled.

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

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.

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 2019 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 September, the Group recorded foreign exchange loss of RON 14,492,409 and the company has recorded a foreign exchange loss of RON 13,763,026, mainly related to loans denominated in EUR.

27. EVENTS AFTER THE REPORTING PERIOD

On **October 1, 2019**, the company concluded an addendum with VTB BANK (EUROPE) SA, whereby the value of the loan was increased from 20 million euros to 40 million euros, and the interest rate was changed, passing to a fixed interest rate of 2%. The main use of the increase is the repayment in amount of 19,051,727.15 Euro on November 1, 2019 of the loan contracted with TRANSILVANIA BANK in amount of 20 million Euro.

TMK-Artrom S.A., on **16 October 2019**, informed the investors that it has been notified by TMK Europe GmbH (TMK-Artrom S.A.'s majority shareholder) of its intention to initiate a public purchase offer in relation to the shares issued by TMK-Artrom S.A.

On **23 October 2019** TMK-ARTROM S.A. (the "Debtor") reported the conclusion of addendum no.2 dated 22.10.2019 to the remuneration contract no. 5 from 14.05.2019 (the "Contract") with PAO TMK (the "Guarantor"), a company that controls TMK-ARTROM S.A, concluded as a result of the increase in the

value of the credit agreement between Debtor and VTB BANK (EUROPE) SE by EUR 20,000,000, which led to the increase of the guarantee given by the Guarantor to the bank with the same amount.

On **24 October 2019** the Extraordinary General Meeting of the Shareholders of the Company decided to approve the participation of the Company, in the next 5 years from the date of this decision, to any kind of awarding procedures (public tender, direct awarding, etc.) in the country or abroad (especially in Europe and the two Americas) for works in the field of constructions and/or energy infrastructure with a value of up to EUR 500,000,000 (or the equivalent in other currencies), individually or as a member (including leader) of an association without legal personality (e.g. joint venture, consortium etc.) with the execution period not to exceed 5 years.

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

Date: 08.11.2019

Chief Executive Officer,
Ing. Popescu Adrian

Chief Economical and Accountancy Officer,
Ec. Văduva Cristiana