



TMK-ARTROM S.A.

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J 28/9/1991; VAT No. RO 1510210/1992
Subscribed and Paid Share Capital: 291.587.538,34 lei

REPORT OF ADMINISTRATION

at 30 June 2017, prepared in accordance with Order MFP 2844/2016 on accounting regulations in accordance with International Financial Reporting Standards, Law no. 297/2004 regarding the capital market and NSC Regulation no. 1/2006

Half-yearly report according to Regulation no. 1/2006 (NSC)

Reporting date: 30.06.2017

Date of report: 16.08.2017

Company's name: TMK-ARTROM S.A.

Headquarter: Draganesti Street, no 30, Slatina, Olt County

Phone number /fax: 0249434640; 0249434330

Unique registration Code to Trade Register: 1510210

Registration number at the Trade Register: J 28/9/1991

Share capital subscribed and paid: 291.587.538,34 lei

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

Company overview

TMK-ARTROM SA SLATINA it is a company whose main activity is the production of tubes, pipes, hollow profiles and related fittings, of steel NACE 2420.

The company is a privately owned company.

The company's headquarter is in Romania, Slatina, Draganesti street, no.30, Olt County.

TMK-ARTROM SA Slatina was founded in 1982 and is registered at the Trade Register under the number J28/9/1991.

TMK- ARTROM SA SLATINA is a privately owned company whose majority shareholder TMK Europe GmbH gained control in 2002.

In 26 April 2016 the Board of Directors of TMK-ARTROM Slatina has decided to approve the establishment of a company in USA, named TMK INDUSTRIAL SOLUTIONS LLC, having as sole associate TMK-ARTROM SA. TMK INDUSTRIAL SOLUTIONS LLC was registered on 26 April 2016 and starting with 1st June 2016 as a commercial agent for promoting and selling industrial pipes produced by TMK companies for the American market. The purpose of this investment is to develop a sales system specializing in industrial pipes in the American market that will lead to the growth of the company's turnover in this field.

Financial indicators	TMK-ARTROM SA stand-alone		TMK-ARTROM SA consolidated	
	Semester 1 2017	Semester 1 2016	Semester 1 2017	Semester 1 2016
Production of pipes (to)	98.098	87.204	98.098	87.204
Sale of pipes (to)	93.646	88.116	94.525	88.116
Total Turnover RON	508.056.319	404.234.125	516.306.336	404.443.882
Profit of financial year RON	15.993.042	2.464.699	18.080.065	2.580.537
Net global result for the period	15.993.042	2.464.699	18.064.557	2.574.820

ISO 9001 AD-2000 WO/W4
ISO 14001 TRD 100/102
OHSAS 18001 Vd TUV

LRS
DNV 5CT-0440
GL-RULES 5L-0352

PED 97/23/EC
EN 10297

EN 10210-1,2
EN 10255
DIN 1629
EN 10210

ISO/TS 16949

TMK EUROPEAN DIVISION Cod: FCU-01, Ed.3 Rev. 1/2014

1. Economic and financial situation

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

- a) balance sheet elements: assets which represent at least 10% from total assets; cash and other liquid availabilities; reinvested earnings; total current assets; total current liabilities;
- b) profit and loss account: net sales; gross gains; costs elements and expenses with a percentage of at least 20% in net sales or in gross gains; risk provisions and for other losses; refers to any sale or stop of a segment of activity made in last 6 months or which will be made in next 6 months; states and paid dividends;
- c) cash flow: all changes of cash from operating activity, investments and financial activity, at the cash at the beginning and at the end of period.

a) balance sheet elements: assets which represent at least 10% from total assets; cash and other liquid availabilities; reinvested earnings; total current assets; total current liabilities;

Compared to the first semester 2016 the property, plant and equipment increased from 455.446.169 lei to 567.550.816 lei (increase with 25%), due to the investment project "Heat Treatment Complex". In this semester the machines from this capacity were received in large part and their assembly works started. Further work is being done on commissioning this complex with the first hottest tests scheduled for October 2017.

The consolidated current assets increased from 446.319.696 lei as at 30.06.2016 to 575.68.449 lei as at 30.06.2017 (with 29%) due to the increase of total receivables with 39%, increase of availabilities with 23%, decrease of prepayments with 2% and increase of inventories with 33%.

Prepayments to TMK-RESITA decreased from 79.510.978 lei as at 30.06.2016 to 75.898.030 lei without VAT as at 30.06.2017 due to the decrease of financing working capital needed for ensuring the production of billets required by TMK ARTROM consumption. The amount effectively paid as prepayments are with VAT in amount of 90.318.656 lei.

Total receivables increase from 199.852.797 lei as at 30.06.2016 from 277.265.650 lei (with 39%) as at 30.06.2017 mainly due to the increase of trade payable with, increase of trade receivables from the state budget for VAT with 18% As well as the decrease of the amounts to be collected from debtors with 38%.

The trade payables registered a significant increase with 40% mainly due to the increase of turnover related to goods sold (billets and pipes from Russia) with 86% also of the turnover with pipes produced by TMK-ARTROM with 15%.

As at 30.06.2017, the company register doubtful clients on collection in amount of 2.670.921 lei for which were made value adjustments in amount of 1.988.795 lei.

The company has to recover as at 30.06.2016 from the state budget the value added tax in amount of 12.354.308 lei (as at 30.06.2016: 10.426.147lei), representing VAT to be reimbursed of the tax group related to the statement of May and April 2017 and VAT to be reimbursed related to the statement of June 2017 of TMK-ARTROM SA in his quality of fiscal group.

In accordance with the Decision no. 2/30.04.2008 issued by N.A.F.A.- G.D.S.B.T. starting with June 2008 TMK ARTROM SA is representative of tax group consisting from TMK ARTROM SA and TMK RESITA SA. Through the Decision no. 22 of 28.05.2010 it was approved the maintenance for a period of 5 years of the tax group and was extended through the Decision no. 6026/SRC of 6.05.2015 for a period of minimum 2 years

The monthly obligation regarding VAT to be paid of TMK RESITA SA is compensated with the VAT to be reimbursed of TMK ARTROM SA through the consolidated VAT statement of the tax group.

The sales were performed in the first semester 2017 directly and through related party traders as follows:

- a) In Romania and East Europe directly to customers;
- b) In Northern and Central Europe directly to customers, through TMK EUROPE from Dusseldorf, the major shareholder, which act as agent;

In South and West Europe directly to customers, through TMK Italia from Lecco, which act as agent

- c) In USA through TMK INDUSTRIAL SOLUTIONS LLC, TMK Middle East Dubai and directly to customers.

The trade receivables from the companies within the group decreased with 17% compared to 30.06.2016. TMK- ARTROM SA consolidated has to collect on 30.06.2017 trade receivables from related companies within the Group TMK as follows:

TMK IPSCO = 474.675 lei compared to 4.134.818 lei as at 30.06.2016;

TMK RESITA SA = 8.193.734 lei compared to 8.916.281 lei as at 30.06.2016;

TMK MIDDLE EAST = 922.651 lei compared to 0 lei as at 30.06.2016;

TMK SINARSKY PIPE PLANT = 1.060.472 lei compared to 326.588 lei as at 30.06.2016.

We mention that TMK-EUROPE GmbH Germany is major shareholder both TMK-RESITA SA and TMK-ARTROM SA Slatina.

TMK-EUROPE GmbH Germany has as sole shareholder the Russian company PAO TMK that starting with 9 July 2015 changed its name in PAO TMK from OAO TMK.

The liabilities which has to be paid earlier than one year decreased compared to the first semester of 2016 from 238.007.928 lei as at 30.06.2016 to 461.976.481 lei as at 30.06.2017 (with 94%) mainly due to the increase of the volume of bank loans on short term with 111%, increase of trade payables (with 80%), increase of prepayments collected for orders with 202%.

The increase of the short term bank loans from 105.036.063 lei, from 94.09.652 lei as at 30.06.2016 to 199.345.715 lei is mainly due to the change of loan portfolio as at 30.06.2017 compared to the previous period, so the short part of loans from BCR and UNICREDIT since 30.06.2016 was full reimbursed 8,9 million euro, the overdraft from BCR that on 30.06.2016 was on long term as at 30.06.2017 was on short term and in addition the company contracted also an overdraft from Bancpost that as at 30.06.2017 was on short term .

Compared to first semester of 2016, the liabilities which has to be paid in a period greater than one year decreased from 192.835.918 lei as at 30.06.2016 to 184.229.286 lei as at 30.06.2017 (with 4%) mainly due to the transfer between long term and short term on the loan agreements in force; thus as at 30.06.2016 we had long term loans 17.297.024 euro and 18.037.540 USD and as at 30.06.2017 had long term 15.747.142 euro and 18037540 USD.

Exchange rates at 30.06.2017 were of 4,5539 lei/EUR and 3,9915 lei/USD compared to 4,5210 lei/EUR and 4,0624 lei/USD as at 30.06.2016.

The company has calculated also deferred tax liability at 30.06.2017 in amount of 35.688.410 lei compared to 37.974.222 lei as at 30.06.2016.

Trade receivables TMK- Artrom SA at 30.06.2017 to companies within TMK increased from 84.335.816 lei as at 30.06.2016 to 164.611.324 lei as at 30.06.2017 and are mainly due to PAO TMK in amount of 161.903.456 lei (30.06.2016: 77.147.369 lei) for purchasing metallurgical profiles acquisition of metallurgical profiles for the purpose of selling in domestic and foreign markets and to TMK EUROPE GmbH Germany in amount of 2.099.829 lei (30.06.2016: 6.043.136 lei) for the acquisition of production tools, spare parts and commission agent.

Loans within the Group

TMK EUROPE GmbH Germany is short term creditor with the amount of 19.581.770 lei equivalent to 4.300.000 euro related to the loan agreement 2016/2A dated 24.11.2016, in amount of 5.000.000 euro, with interest 3.5% yearly and final maturity in 29.09.2017.

Other long-term liabilities to affiliated entities

The company TMK EUROPE GmbH Germany (former TMK SINARA HANDEL GMBH) is creditor with the amount of 71.996.841 lei representing 18.037.540,03 USD, related to the loan agreement w/n/01.12.2008, respectively assignment of receivables no. 054/20.02.2002 from AVAS (AVAB) in initial amount of 22.837.540,03 USD and 38.425,07 RON.

In 2015 have been reimbursed 4.800.000 USD and 38.425,07 RON from the loan in accordance with the payment schedule.

The company established guarantees in favour of TMK EUROPE GmbH Germany as follows:

1. First rank mortgage on the land area of 203,651.82 square meters and the buildings constructed

2. Pledge without dispossession of goods of first rank on line hot rolling mill HPT 250, control installation ultrasonic non-destructive; Assel mill AWW250 Straightening Machine D 38-90; Furnace TTF, Pilger mill SKW75; Induction heating installation; furnace normalizing heat treatment and first rank the other assets of TMK-ARTROM under registration no 2004-1080142242453-QJU/24.03.2004.

3. First rank mortgage on land in Area 211,614.54 sq. and related buildings inside TMK ARTROM under contract no. 1869/14.10.2003s.

4. Real guarantee without dispossession of goods first rank over the other assets of TMK-ARTROM SA as enrolment in security electronic archive, no 2002-1034612284359-IUD/14.10.2003.

In EGSM from 17.11.2008 was approved the change of the nature and delay of payment of the receivable owed by Society to TMK EUROPE GmbH in amount of 22.837.540,03 USD with following conditions. The receivable will be paid in 57 instalments starting from 25 January 2014 until 25 September 2018 inclusively. First 56 monthly instalments will be of 400.000 USD and the 57th will be in amount of 437.540.03 USD. The payment of the debit of 38.425,07 lei of the company to TMK Europe GmbH from 25 January 2014 will be paid in USD at the official exchange rate RON/USD of Romanian National Bank from the last day of year 2013. The receivable has an interest of LIBOR + 0.5% p.y. starting from 1st January 2009.

In 21.11.2013 was concluded the Addendum no.1 to Agreement from 01.12.2008 through which the reimbursement of the loan start with 25.01.2015, respecting the same number of instalments.

In 3.12.2015 was concluded Addendum No. 2 through which the reimbursement of the loan is suspended for a period of 3 years, following to be resumed starting with January 2019 in 44 instalments in amount of 400.000 USD and a final instalments of 437.540,03 USD as a result as at 31.12.2016 the entire value of the loan was on long term.

In 08.08.2016 through the Amendment no 3 was expressly waives all the securities and real estate securities mentioned above.

The interest due by TMK-ARTROM S.A. as at 30.06.2017 is of 25.912,28 USD, respectively 103.428,87 lei.

The bank loans increase compared to the same period of the previous year with the amount of 78.851.302 lei from 171.954.083 lei as at 30.06.2016 to 250.805.385 lei as at 30.06.2017, due to the reimbursement performed.

In balance 30.06.2017 there were the following bank loans:

Bank name	Currency	30/06/2017		With maturity less than one year		With maturity greater than one year		Interest due on 30/06/2017	
		Lei	Foreign currency	lei	Foreign currency	lei	Foreign currency	lei	Foreign currency
BCR overdraft	EUR	71.770.382	15.760.202	71.770.382	15.760.202			328.445	72.124
BCR 5 INV	EUR	71.710.910	15.747.142			71.710.910	15.747.142	187.901	41.262
UNICREDIT BANK	EUR	63.754.595	13.999.999	63.754.595	13.999.999			121.252	26.626
Bancpost	EUR	43.569.498	9.567.513	43.569.498	9.567.513			68.086	14.951
Total bank loans		250.805.385	55.074.856	179.094.476	39.327.714	71.710.910	15.747.142	705.685	154.963

- ❖ The amount of 63.754.59,45 lei (equivalent of 13.999.999 EURO an uncommitted loan in initial amount 27.000.000 EURO – contracted with UNICREDIT TIRIAC BANK in 15.10.2013, that after the addendum dated 23.06.2015 became 26 mil euro, and after the addendum dated 16.03.2017 was decreased to 16 mil euro, with final maturity (validity) until 17.02.2019 for cash and 17.07.2019 for

the purpose of issuing Bank Guarantee Letters and opening Letters of Credit, which may be used as follows:

- In maximum amount of 15.000.000 EURO for general needs financing / issuance of bank guarantee letters / letters of credit (revolving credit) with interest rate EURIBOR 1M+2.7% if NFD/EBITDA of group TMK is lower or equal to 5.00x
- In maximum amount of 10.000.000 EURO for overdraft loan with interest rate EURLIBOR O/N+3.5% if NFD/EBITDA of the group TMK is lower or equal to 5.00x
- In maximum amount of 1.000.000 EURO for treasury transactions;

in June 2015 was concluded an addendum through which the amount to be used for covering the value risk (treasury transactions) was decreased from 2.000.000 EURO to 1.000.000 EURO, which determined the decrease of total value of the loan from 27.000.000 EURO initially contracted to 26.000.000 EURO.

In December 2015 was concluded an addendum through which was extended the maturity until the validity 17.04.2017 for uses for the purpose of issuance of letters of guarantee and opening letters of credit.

Under the initial agreement, this credit was to be reimbursed in one instalment at the final maturity.

During 2016 the company decide the early voluntary reimbursement of 1.000.000 EURO.

In October 2016 was concluded an addendum through which was extended the maturity until 17.01.2017 for cash and until 17.07.2017 for the purpose of issuing the Bank Guarantee Letters and the opening of letters of credit, and the negotiations with the bank for the extension of the facility for another 2 years.

Through the addendum dated March 2017, the value of the loan decreased to 16.000.000 euro, and the margin used in the calculation of the interest varies depending on the consolidated results of the Group PAO TMK and the maturity of the loan was extended until 17.02.2019 for cash and until 17.07.2019 for the purpose of issuing Bank Guarantee Letters and Opening Letters of Credit.

For this loan, the company provided the following guarantees:

- Pledge without dispossession on credit balance of accounts / sub-accounts opened with UniCredit having as current holder TMK-ARTROM SA;
- Company guarantee issued by OAO Volzhskiy Pipe Plant in full and irrevocable guarantee repayment of any and all amounts the Borrower and / or co-debtor owes to the Bank under this Contract.

- ❖ The amount of 71.770.382,36 lei, representing 15.760.202 euro is related to operating loan – credit line multiproduct within 20.000.000 EURO- contracted with BCR in 03.10.2011 with an availability period of 3 years, with an interest EURIBOR 3M plus 1,9% and which replace the overdraft of 18.400.000 euro.

The final maturity is on 03.10.2017.

For this loan, the company provided the following guarantees:

- Pledge without dispossession on credit balance of current bank accounts/ subaccounts opened at BCR SA with the owner TMK-ARTROM S.A;
- Pledge without dispossession on credit balance of current bank accounts/ subaccounts opened at BCR SA with the owner TMK RESITA SA;
- Company warranty issued by: PAO TMK, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract;

In February 2012 was concluded an amendment by which this loan was converted to a loan contracted by BCR SA, for which at the end of 2012 the loan was the loan is considered long term and not short term as it was at the end of 2011. In September 2013 a new amendment was signed with BCR and overdraft credit was transformed in a multi- product facility which can be used both as overdraft and the ceiling for issuing letters of guarantee and letters of credit and has low fixed interest margin applied near EURIBOR3M from 3.5% to 1.9%. In 25.09.2014 was signed a new addendum with BCR through which the final availability was extended until 03.10.2017 with annual approval for use. As

at 30.06.2017 the company had issued based on this facility a letter of guarantee in amount of 150.000 Ron in favour of custom house Slatina and another one in amount of 168962.49 in favour of TRANSELECTRICA, a letter of bank guarantee in the amount of 80000 euro in favour of INOTAL and one in amount of 19687 euro in favour of NIS SERBIA.

- ❖ The amount of 71.710.910 lei (respectively the equivalent of 15.747.192 EURO) is relate to an investment loan for 7 years in contracted amount of 25.000.000 EURO - concluded with BCR in 07.11.2016, with an interest EURIBOR 3M plus 3,35% to finance complex HEAT TREATMENT COMPLEX.

The final maturity is on 07.11.2023.

For this loan the company established guarantees as follows:

- Pledge without dispossession with the owner TMK-ARTROM SA;
- Real estate mortgage on land, having courtyard as category of use, with an area of 69.339 square meters with no. 58253 plus C1 – industrial and utility building, having the area built on the ground of 66.346 square meters, identified with no. 58253-C1, located in Slatina, Draganesti street, no. 30, Olt County, tabulated in the Land Book of Slatina with no. 58253;
- Pledge without dispossession on credit balance of current bank accounts/ subaccounts opened at BCR SA with the owner TMK RESITA SA;
- Company warranty issued by: PAO TMK, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract.

As at 30.06.2017 within this facility letters of credit were opened in unused amounts of 3490993 euro for SMS GROUP SPA Italy and 2.115.000 EURO for SMS GmbH Germany

- ❖ The amount of 43.569.498 lei (equivalent of 9.567.513 EURO) is related to an uncommitted overdraft for 3 years in the amount contracted by 10.000.000 EURO- concluded with BANCPOST in 07.11.2016, with an interest EURIBOR 3M plus 2,0% Used to finance the needs of working capital.

The final maturity is on 07.11.2019.

For this loan the company established guarantees as follows:

- Pledge without dispossession on credit balance of current bank accounts/ subaccounts opened at BANCPOST SA owned by TMK-ARTROM SA;
- Company warranty issued by: PAO TMK, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract.
- Personal Guarantee (fiduciary) of TMK-RESITA SA.

- ❖ The company has contracted with BCR a promissory notes discount ceiling amounting 10.000.000 lei with an interest of ROBOR 3M +3% which can be transformed in a loan if the customers do not settle the promissory notes reached to maturity. In July 2015 the value of this ceiling was reduced to 4.000.000 RON, and in August 2016 to 2.000.000 RON.

As at 30.06.2017 no promissory notes discounted and endorsed were within this ceiling.

- ❖ On 24.07.2014 TMK-ARTROM and TMK-RESITA contracted from BCR SA an Agreement of Reverse Factoring - according to which BCR will accept for financing invoices issued by TMK-ARTROM suppliers and TMK-RESITA in global limit approved by 45 million RON, in order to maintain an efficient supply networks with company suppliers. The guarantees granted through this agreement are: pledge on credit balance of current accounts opened at BCR by TMK-ARTROM S.A. and pledge on the creditor balance of the current accounts opened by TMK RESITA S.A. at BCR. In July 2015 the contract value was increased to 51.000.000 lei, and in September 2016 was increased to 65.000.000 lei. As at 30.06.2017 from this ceiling 1.900.000 Ron were allocated to suppliers of TMK-ARTROM of these 540.138 Ron were used.

On receiving loans TMK-ARTROM paid administration fees related to the entire duration of the loans. The not depreciated part of the administration fees at the end of each reporting period reduces the value of liability in balance.

b) profit and loss account: net sales; gross gains; costs elements and expenses with a percentage of at least 20% in net sales or in gross gains; risk provisions and for other losses; refers to any sale or stop of a segment of activity made in last 6 months or which will be made in next 6 months; states and paid dividends;

The company has the following net profit structure:

	TMK-ARTROM SA stand-alone		TMK-ARTROM SA consolidated	
	Semester 1 2017	Semester 1 2016	Semester 1 2017	Semester 1 2016
Operating profit	18.633.013	5.168.118	21.936.636	5.309.621
Profit (loss) from financial activity	165.190	(2.038.883)	164.433	(2.039.170)
Current income tax expense	(3.632.484)	(300.921)	(4.817.247)	(309.617)
Revenues from deferred income tax	1.063.807	353.412	1.063.807	353.412
Expense from deferred income tax	(236.484)	(717.027)	(267.564)	(733.709)
Net profit of financial year RON	15.993.042	2.464.699	18.080.065	2.580.537

Under the provisions of OMFP 2844/2016 amended and supplemented, were evaluated monthly the account balances of availabilities, receivables and obligations in foreign currency (monetary elements) according to the central bank reference rates. As at 30.06.2017 the reference rates NBR were of 4.5539 lei/EUR and 3.9915 lei/USD in decreasing compared to 31.12.2016 when were of 4,5411 lei/EUR and 4,3033 lei/USD determining a net gain from exchange rate differences in amount of 4.030.426 lei compared to the same period of the previous year when was registered a net loss from exchange rate differences in amount of 803.309 lei.

The total consolidated turnover increased with 27.7% (with 25.7% individually increased TMK-ARTROM) in the first semester of 2017 compared to the first semester of 2016, from 404.443.882 lei to 516.306.336 lei.

The turnover from sale of steel pipes production TMK-ARTROM increased with 15,34%, from 328.498.026 lei as at 30.06.2016 to 378.905.620 lei as at 30.06.2017 due to the increase of sale price with 8,5% and increase of the volume of sold production from 88.116 tons in the first semester 2016 to 93.646 tons in semester 1 2017 (increased with 6,3%). This increase is mainly due to the higher deliveries of pipe in the North American market where we have increased deliveries over this period of 3.5 times against the background of the higher barrel price compared to last year, which has led to a substantial increase in investment in The extraction industry with direct repercussions on the volume of orders received by TMK-Artrom, considering that a large part of our clients in this market are active in this filed

The sale of goods increased in value in semester 1 2017 with 86% due to change in the structure of the product types as well as the increase in prices due to the change in the delivery conditions of the metallurgical profiles purchased from the group enterprises through PAO TMK and sold both on the domestic market and on the external market compared to the first semester 2016.

The physical production obtained in the first semester 2017 was of 98.098 tons, compared to 87.204 tons in the same period of the year 2016, registering an increase with 12,5% due to the increase of the volume of orders.

Based on the increase of the turnover the cost of sales increased with 22,5% in semester I 2017 compared to semester I 2016.

The main elements of costs varied toward the corresponding period of year 2016 as follows:

- the expenses on goods sold (trade activity) increased with 77,3% as a result of the change in the structure of the types of metallurgical products acquired from the enterprises within the group.

- the costs with raw materials and materials increased with 27%, as a result of the increase in the physical consumption of raw materials and materials generated by the increase in the volume of physical production. The average cost of raw materials in the first half of 2017 increased by 10.8% as compared to the first half of 2016 due to the increase in the price of raw material, billets. The price of billet purchased from TMK-RESITA increased in semester 1 2017 compared to the same period of the previous year due to the increase of the market price for steel and scrap.

- energy costs (electricity, natural gas) increased with 2,6%, as a result of the increase of physical consumption determined by the increase of production. Compared to the first semester of 2016 the purchase prices of energy registered an increase with 8,5% and for natural gas a decrease by 7,9%. In 3.06.2015 TMK-ARTROM obtained exemption on payment of 60% from the number of green certificates related to the mandatory quota under the Exemption Agreement No. 3 dated 3.06.2015 issued by the Ministry of Economy, Trade and Tourism.

- total expenses with staff increased with 19% mainly due to the increase of the number of employees both stand-alone and consolidated with the subsidiary TMK INDUSTRIAL SOLUTIONS, increase of wages as at 1.07.2016 with the inflation index of 1,5% as well as at 1.01.2017 with the inflation index of 1% as well as providing salary increases for specialists and young people up to 35 years of age.

The average number of employees of TMK-ARTROM – stand-alone - as at 30.06.2017 was of 1311 people compared to 1295 people as at 30.06.2016. The effective number of employees as at 30.06.2017 was of 1336 people compared to 1301 people as at 30.06.2016.

The average number of employees of TMK-ARTROM –consolidated - as at 30.06.2017 was of 1321 people compared to 1302 people as at 30.06.2016. The effective number of employees as at 30.06.2017 was of 1346 people compared to 1308 people as at 30.06.2016.

It is not registered any stop of any activity segment in the last 6 months.

There were not granted and paid dividends in the last 6 months related to the period of first semester of 2017 or year 2016.

c) cash flow: all changes of cash from operating activity, investments and financial activity, at the cash at the beginning and at the end of period.

All the changes of cash within the operating activity, investments and financial activity have been determined by the collections from sale of pipes and metallurgical products, loans reimbursements to BCR and UNICREDIT payments for acquisition of property, plant and equipment and payments for current activity and advances to TMK RESITA.

The cash at the beginning of the period (1.01.2017) was of 18.076.998 lei and on 30.06.2017 was of 5.979.828 lei.

In the first semester 2017 were made payments for investments amounting 66.481.929 lei.

2. The analysis of company's activity

2.1 Presentation and analysis of trends, items, events or factors of uncertainty that affects or could affect the liquidity of the company compared to same period last year.

In the first months from 2017 the effects of the international financial economic crisis have been maintained, maintaining a low level of sales prices for welded steel pipes.

It was being registered the maintenance of collection term of trade receivables on export (30-60-90-120 days).

The uncertainty factors which could affect the company's liquidity in the next period are: instability of the exchange rate, economic crisis, political and financial ones of the states from euro and non-euro area, the slow rhythm of the economical increase in the country, the increase of prices for electricity and natural gases.

2.2. Presentation and analysis of the effects on financial statement of Society of all capital, current and anticipated losses (specifying the purpose and financing sources of this expenses), in comparison with the same period of last year.

Compared to semester I 2016 the capital expenses registered an increase. The company has launched an investment program designed to increase the added value of its production.

In the first semester 2016 TMK-ARTROM contracted with SMS group, one of the world's largest manufacturers of plants and machines for all tube and pipe manufacturing processes, to supply a heat treatment line for seamless steel tubes.

The heat treatment line serves for the production of seamless steel tubes for oil and gas applications as well as high-strength tubes for mechanical applications. The heat treatment line annual capacity will be of 160,000 tons and it will be able to treat seamless steel tubes up to a wall thickness of 60 millimetres

The heat treatment line supplied by SMS group allows carrying out various process steps, such as quenching and tempering and normalizing.

Thanks to the high product flexibility, the heat treatment line is also suitable for the cost-effective processing of small batch sizes and different product groups. Eco-friendly recuperative burners with very low nitrogen oxide (NOx) emissions in the furnaces allow fuel savings of up to 5 percent compared with conventional burners.

With the installation of this heat treatment line, TMK-ARTROM S.A. is strengthening its presence on the market with tubes for mechanical application and for oil and gas exploration

The contract is part of the investment project "Heat Treatment Complex" with a budgeted value of 35.2 million euro, project which will be performed during the period 2016 - 2018.

In order to achieve this, the company contracted on 7.11.2016 from the main financier Banca Comerciala Romana an investment loan in the amount of 25 million with the final maturity 7.11.2023.

2.3. Presentation and analysis of the events, transactions, economic changes which significantly affect the gains from basic activity. Specifying the extent on which were affected the gains by the each identified element. Comparison with the corresponding period of last year.

The incomes from the basic activity compared to the corresponding period of the previous year registered an increase with 28%.

The European market of pipes registered on the first 6 months from 2017 an increase of pipe consumption compared to the same period of the previous year due to the positive situation in the European markets that characterized this beginning of the year. Positive situation in the European market of pipes was generated mainly by strong demand for pipes for oil and gas in the US market but also the consumption of pipe rising market EU28, allowing coverage much higher capacity production of pipe producers in Europe and an increase almost monthly prices for seamless average of 20-30 Euro / ton (products manufactured also by TMK-Artrom).

The competition on the industrial pipe field will be in increase, this being determined by the presence more aggressive on the market of the producers of pipe OCTG (pipe designed for petrol and gas industry), producers which after the crash of prices at the oil barrel, together with the reduction of investments in the extractive field, had registered drastically reductions of the volume of orders which made them to orient production capacities to the industrial pipe production. In these terms the offer of industrial pipe on market will be higher compared to the previous year, generating a high pressure on the prices on which these goods are trade.

For the second semester we expect to maintain at least the same level of pipe deliveries in TMK-Artrom with possible increases in the American market and the completion of the new investment in thermal treatments which will allow us to accept a larger volume of pipes with thermal treatments of tempering and returning of alloy steel where we currently have limited capacity. At the same time, we are

confident that we will grow easily and deliver to countries in South America like Brazil where we have contacts with some customers and where we have already delivered mechanical pipes and pipes, bent and rolled in the interior.

In the second half of the year 2017 we also rely on a gain in profit taking into account the increasing volumes of orders for ACH products where we perform further processing operations for part of the pipes produced by the other divisions in order to increase value added and address new market segments, but also as a result of the increase in pipe deliveries in the North American market where special steel pipes are requested, with thermal treatments of tempering and returning, annealing and where the price level and the profit obtained is much higher compared to other markets. This will also help to put into use the investment in thermal treatments that will enable us to increase the production of heat treatment pipes and thus the delivery of high value added pipes. In this sense, we continue to direct our direction towards the production of high value added pipe which ensures a higher profitability for the company and an extension of the range of customers.

The degree of utilization of production capacity in the first semester of 2017 was of 90%.

3. Changes which affect the capital and the administration of the Company

3.1. Description of cases on which the Society was unable to keep its financial obligations in that period of time.

The company has not been unable to meet its financial obligations in the first semester of 2017.

3.2. Description of any change regarding the rights of securities holders issued by the Society.

There were not changes regarding the rights of securities holders issued by TMK-ARTROM.

The structure of share capital at 30.06.2017 is as follows:

	%	Number of shares	Value of share capital subscribed and paid lei
TMK EUROPE GmbH Dusseldorf Germany	92,7282	107.722.706	270.383.992
Other individual and legal entities shareholders	7,2718	8.447.628	21.203.546
Total	100	116.170.334	291.587.538

Starting with 24.02.2014 Financial Investment Company Oltenia SA has become a significant shareholder in the secondary market transaction with a total of 5.810.951 representing 5,002 of the share capital and number of votes in GMS of TMK-ARTROM. On 30.06.2017 Financial Investment Company Oltenia SA holds a number of 6.381.540 shares representing 5.4933% of the share capital (the latest public data).

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

Shares owned confers shareholders the right to vote and dividends.

The shares are nominal, no materialized, numbered.

The company is managed by a Board of Directors composed of:

1. Andrey Zimin- Chairman of the Board of Directors
2. Adrian Popescu- Chief Executive Officer
3. Mikhail Surif
4. Parkhomchuk Andrey
5. Olga Nikolaeva

The management privileges of the Company are delegated to the Chief Executive officer and to three deputy managers, namely:

1. Adrian Popescu – Chief Executive Officer (CEO)- Chairman of the Management Board
2. Vaduva Cristiana – Chief Economical and Accountancy Officer
3. Drinciu Cristian –Chief Operational Officer
4. Mustata Valeru – Chief Commercial Logistic and Administrative Officer

The Chief Executive Officer expanded the powers of the Management Board to the Panel of Directors, an advisory body and internal collective decision composed of 7 members as follows:

- Members of the Board of Directors
- Three executives as follows:
 - 5) Cernyy Evgeny – Chief Financial Officer
 - 6) Kolomeets Olga – Chief Public Relations and personal's policy
 - 7) Pavlov Alexander – Chief Procurement Officer

Managers are appointed exclusively outside the Board of Directors except for the Chief Executive Officer who is a member of the Board of Directors.

The Chief Executive Officer represents the company in relations with third parties and has full power to hire, fire, fix the remuneration of any employees, establish and modify at any time the organizational chart of the Company.

The company is validly represented in relations with third parties, including but not limited to financial institutions, courts of all levels of jurisdiction, governmental authorities, by the following persons acting together or separately, as follows:

- a) By the Chief Executive Officer acting individually; or
- b) by Chief Operational Officer (first signature) acting together with the Chief Economical and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer,
- c) by Chief Commercial Logistic and Administrative Officer (first signature) acting together with the Chief Economical and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer; and also
- d) by Chief Financial Officer (first signature) acting together with the chief Economical and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer; or
- e) by Chief Procurement Officer (first signature) acting together with the chief Economical and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer.

Chief Economical and Accountancy Officer exercises the Preventive Financial-Economic Control in the company.

4. Significant transactions

1. Remuneration contract with PAO TMK ('The guarantor') no. 4 dated 27.12.2016, through which TMK-ARTROM ('The debtor') will pay The guarantor for the guarantee granted to the Debtor under the loan contract between the debtor and BANCA COMERCIALA ROMANA SA, regarding opening a credit line for the purpose of financing for investments. The amount of the remuneration is in the first month 0.1% of the loan balance contracted at the end of the month, and in the following months 0.1% of the amount exceeding the balance of the previous period. The contract is valid until 07.11. 2023.

2. Purchase agreement no. 17-5001 ART dated 11.01.2017 with TMK EUROPE GmbH ('The Seller') in value of 618.989 euro + transportation costs, having as object purchase mandrels and Bench rods, the payment term being 90 days from the delivery of goods.

3. Purchase agreement no. 17-5003 ART dated 20.04.2017 with TMK EUROPE GmbH ('The Seller') in value of 141.713 euro, having as object purchase of steel bars, the payment term being 60 days from the delivery of goods.

4. Purchase agreement no. 17-5005 ART dated 29.03.2017 with TMK EUROPE GmbH (The Seller') in value of 77.405 euro, having as object purchase of roller bearings, adjustable roller coils, fixed cay rollers, the payment term being 60 days from the date of delivery of the goods.

5. Purchase agreement with PAO "TMK" ('The Seller') agreement TA-003/6A dated 20.04.2017, having as object the purchase of pipes and metal products from the related company Volzhsky Pipe Plant in Russia, according to the contract specifications, the sum of these specifications determines the value of the contract valid up to 20.04.2019, the payment deadline set is 150 days from the date delivery of goods.

6. Addendum no. 39 dated 03.01.2017 to the sale – purchase agreement 2389 dated 23.12.2014 with TMK-RESITA ('The Buyer'), having as object the sale of sub products / ferrous metallic scrap, the contracted quantity for the year 2017 being of almost 33.000 tons in value of approximately 32.000.000 lei, and the agreement validity is extended until 31.12.2017.

7. Addendum no. 1/2017 dated 04.01.2017 to the sale – purchase agreement 2919 dated 04.01.2016 with TMK-RESITA ('The Buyer'), having as object sale of rolled seamless steel pipes, through which is extended the validity of the agreement until 31.12.2017.

8. Addendum no. 1 din 08.12.2016 to the sale – purchase agreement no. 283/1000 dated 21.12.2015 with TMK-RESITA ('The Seller'), having as object purchase of approximately 210.000 tons of continuously cast products and non-ferrous products recovered, in estimated value of 415.851.568 lei +VAT (+/-10%), and the validity of the agreement is extended until 31.12.2017.

9. Addendum no. 212 dated 22.12.2016 to the sale agreement no. PM-026/2A dated 09.01.2012 with TMK Middle East ('The Buyer'), having as object the sale of pipes, approximately 995 tons (+/-10%), the value of agreement being by approximately 1.000.000 USD (+/- 10%), and the validity of the agreement is extended until 31.12.2017.

10. Addendum no. 213 dated 27.12.2016 to the sale agreement no. 14-2043 dated 22.01.2015 with Sinarsky Pipe Plant ('The Buyer'), having as object the sale of pipes, under the agreement specifications, through which the validity of the agreement is extended until 31.12.2017.

11. Addendum no. 2 dated 27.12.2016 to the agent agreement no. 3223 dated 27.06.2016 with TMK INDUSTRIAL SOLUTIONS LLC ('The Agent'), through which is extended the validity of the agreement until 31.12.2017.

12. Addendum no. 3 dated 08.03.2017 to the agent agreement no. 3223 dated 27.06.2016 with TMK INDUSTRIAL SOLUTIONS LLC ('The Agent'), through which is added at article 1.1 from the agreement the mention that for certain customers and/or concluded agreements, the agent will assist the Committee in executing sales contracts by organizing and contracting logistics operations in amounts of up to 2.500 USD per transaction. The agent will invoice the logistics costs to the Committee once a month, perceiving a commission of 5% of the amount of each transaction.

13. Addendum no. 3 dated 27.12.2016 to the agent agreement no. 1818 dated 07.11.2013 with TMK Europe GmbH ('The Agent'), through which is stipulated that the Agent may promote and market the products mentioned in the contract on markets other than those listed in Annex 1 of the contract, only with the Principal's consent. This agreement will be given by issuing a letter of acceptance by the Principal.

14. Addendum no. 8 dated 10.01.2017 to the agent agreement no. 868 dated 13.09.2011 with TMK ITALIA SRL ('The Agent'), through which is extended the validity of the agreement until 31.12.2017.

15. Amendment no. 1 dated 26.05.2017 to the loan agreement no. 2016/2 A dated 24.11.2016 with TMK EUROPE GmbH ('The Creditor'), through which is extended the loan reimbursement until 29.09.2017.

16. Addendum no. 9 dated 12.07.2017 to the agent agreement 868/13.09.2011 with TMK ITALIA SRL ('The Agent'), through which is amended article 2.2 regarding the payment of agent commission invoices, which will be performed within 5 days from the issuance of invoice.

17. Specification no 17-067 dated 14.06.2017 to the purchase agreement TA-003/6A dated 20.04.2017 with PAO "TMK" ('The Seller'), having as object the purchase of metallic products, in total amount of 3.827.670 euro.

18. Specification no. 17-086 dated 06.06.2017 to the purchase agreement TA-001/6A dated 16.04.2015 with PAO "TMK" ('The Seller'), having as object the purchase of metallic products, in total amount of 453.124 euro.

5. Litigations

(Information valid on 26 July 2017)

1. Litigation in conflict with the National Agency for Fiscal Administration ("ANAF") and with the General Administration of Large Taxpayers ("DGAMG")

In 15.02.2016 was ended the tax inspection for the period 2005-2009 and were issued the following documents: (i) Tax Inspection Report No. F - MC 15 dated 8 February 2016; (ii) The tax decision on additional tax obligations for payment no. F - MC 4 dated 8 February 2016; and (iii) Decision regarding unchanging the taxable base no. F - MC5 dated 8 February 2016 (registered by TMK - ARTROM under the number 1735 dated 15 February 2016). Through these, additional debts were set for the income tax in the amount of 796.197 lei, delay increase amounting 1.524.559 lei and delay penalties amounting 262.427 lei.

TMK- ARTROM paid the additional debts established for the income tax under the tax facilities conditions granted by OUG 44/2015. Thus TMK-ARTROM paid the amounts established in The Tax Inspection Report applying some reductions of (i) 77,1% of delay increases and of (ii) 54,2% of interests. Also the delay penalties established for TMK-ARTROM were cancelled.

Thus, in the first quarter of 2016 TMK-ARTROM paid the additional debts established by the tax inspection report worth: (i) 1.332.027 lei, representing the difference for income tax and VAT and (ii) 787.113 lei representing increases and penalties. Through Decision no. 202 dated 19 April 2016 were calculated accessories between the tax audit report date and the actual payment date of established debts.

Through cancellation decision no. 3687 dated 24 May 2016 issued by ANAF, according to stipulations of OUG 44/2015, have been cancelled accessories in the amount of 2.129.582 lei of which 2.102.332 lei amounts established in the tax inspection report (1.663.294 lei representing increases and delay penalties and 439.037 lei delay penalties) the difference representing accessories between the date of the tax inspection report and the actual payment date of established debts.

Regarding the additional debits and accessories established by the tax inspection report, the company filed a complaint against ANAF's decision, which was rejected. Accordingly, TMK - ARTROM filed a petition to challenge the ANAF's decision to reject the appeal (received on 13 October 2016) requesting the court:

A. Mainly:

1. Cancellation of the Tax Inspection Report No. F-MC 15 dated 8 February 2016;
2. Cancellation of all subsequent acts of the above-mentioned report, namely the annulment of: the tax decision on the additional tax obligations established by the tax inspection report no F-MC 4 dated 8 February 2016 and Decision regarding unchanging the taxable base no. F - MC5 dated 8 February 2016;
3. Obligation of the National Tax Administration Agency and the General Directorate for Administration of the Large Taxpayers to pay the court costs.

B. In subsidiary:

1. Cancellation in totality of Decision no. 42 dated 7 October 2016 in the settlement of the appeal filed by TMK – ARTROM, through which ANAF, through DGAMG, the dispute settlement service, dismissed as unreasonable the complaint filed by TMK – ARTROM;
2. cancellation in part of the tax inspection report no. F-MC 15 dated 8 February 2016 and The tax decision on additional tax obligations for payment no. F - MC 4 dated 8 February 2016, regarding:
 - a. Income tax in amount of 727.223 LEI, interest/ delay increases in value of 1.392.488 LEI and delay penalties in value of 239.693 LEI;
 - b. the monthly VAT in value of 481.237 LEI, interest/ delay increases in value of 867.632 LEI and delay penalties in value of 158.622 LEI; and
 - c. interest/ delay increases and delay penalties calculated for the period 20 July 2010 – 15 December 2015;
3. Obligation of the ANAF and DGAMC parties to pay the sums paid by TMK - ARTROM on the basis of the tax decision regarding the additional tax obligations established by the tax inspection no. F-MC 4 dated 8 February 2016.

The first hearing was established on 22 September 2017.

2. Litigation in contradiction with the National Regulatory Authority for Energy ("ANRE")

In 2 July 2014, the Romanian authorities have notified state aid in the form of reduced funding for the support for electricity from renewable energy sources planned to be granted to large energy consumers. Following the European Commission Decision C (2014) 7287 dated 15 October 2014 through which are not raise objections to the aid, considering that it is compatible and justified for the domestic market, on 1 December 2014, entered in force HG no. 495/2014 through which a state aid scheme was established by exempting certain categories of final consumers from the application of Law no. 220/2008 establishing the system for promoting the production of electricity from renewable energy sources. Under the provisions of Article 3 (1) of that decision (in the version at that date), the exemption shall apply from 1 January of the year in which the exemption agreement was issued.

On 3 December 2014, TMK-ARTROM filed the application for the exemption agreement, a request which was settled on 3 June 2015, by issuing the Exemption Agreement no. 3. As mentioned above, in relation to the provisions of Article 3 (1) of GD no. 495/2014, this exemption was to apply from 1 January 2015. But since the energy supplier could not apply this exemption to achieve the agreement, between 1 January 2015 – 3 June 2015, TMK - ARTROM paid the full price of green certificates. In relation to the provisions of Law no. 220/2008, the electricity supplier was to offset by 1 September 2016 the price already paid by TMK-ARTROM for the period 1 January 2015 - 3 June 2015. We mention that the value that would be compensated was 516.104,75 lei.

But prior to compensate this amount, on 24 February 2016, the Government approved the GD no. 113/2016 amending Article 3 (1) of GD no. 495/2014 in the sense that the exemption applies from the date of issue of the exemption agreement obtained by the beneficiaries of the state aid. In the Understanding note of this decision it is mentioned that these changes are to be applicable at the level of 2015, therefore retroactively.

Moreover, on 26 February 2016, The National Regulatory Authority for Energy (ANRE) approves Order no. 5 on the establishment of mandatory quota for the acquisition of green certificates for the year 2015. In the calculation of the mandatory quota for the acquisition of green certificates, the authority is considering the retroactive application of the provisions of GD no. 113/2016 and establishes a binding quota in relation to the date of the exemption agreements and not on 1 January 2015. As a result, this order prevented the electricity supplier from offsetting the amount of 516.104,75 lei already paid by the company.

In this context, TMK-ARTROM, requested court, against ANRE:

1. Cancellation of the ANRE Order no. 5 of 26 February 2016 published in the Official Gazette, Part I, no. 152 of 29 February 2016 on the establishment of the mandatory quota for the acquisition of green certificates for the year 2015;
2. Cancelling Address no. 22225 / 23.03.2016 issued by ANRE, rejecting the preliminary complaint;
3. Obliging ANRE to pay damages in the amount of 516.104,75 lei; and
4. Obligation of defendant to pay the court costs.

On 1 March 2017 Bucharest Court of Appeal dismisses the action filled by TMK – Artrom. The court's decision can be appealed against within 15 days of its being notified. TMK – Artrom Intends to appeal against the decision of the Court of Appeal.

3. Dispute in conflict with the Government of Romania

In the same context as previously set out on the dispute with ANRE, TMK – ARTROM also filed an action in contradiction with the Romanian Government, filed against the Bucharest Court of Appeal, requesting the court:

1. Cancellation of HG no. 113/2016;
2. Payment of the loss suffered by the company for not being able to compensate the amount of money paid for the green certificates paid between 1 January 2015 and 3 June 2015, respectively in amount of 516.104,75 lei;
3. Obligation of defendant to pay the court costs.

On 21 March 2017 Bucharest Court of Appeal dismisses the action filled by TMK – Artrom. The court's decision can be appealed against within 15 days of its being notified. TMK – Artrom intends to appeal against the decision of the Court of Appeal.

Subsequent Events

Chief Executive Officer

Ing. Popescu Adrian

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

TMK-ARTROM S.A.

Stand-alone and consolidated financial statements prepared in accordance with regulations of OMFP no. 2.844/2016, with following changes and additions

30 JUNE 2017

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TMK ARTROM S.A.
STAND-ALONE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
as of 30 June 2017

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

	Note	Stand-alone		Consolidated	
		30.06.2017 RON	30.06.2016 RON	30.06.2017 RON	30.06.2016 RON
Turnover	5	508.056.319	404.234.125	516.306.336	404.443.882
Sales of goods	5	507.774.844	404.023.414	513.167.789	404.023.414
Rendering of services	5	281.475	210.711	3.138.547	420.468
Cost of sales	6	(426.104.314)	(351.462.023)	(431.293.406)	(351.462.023)
Gross profit		81.952.005	52.772.102	85.012.930	52.981.859
Selling and distribution expenses	7	(44.915.546)	(32.288.975)	(43.164.205)	(32.157.193)
Advertising and promotion expenses	8	(189.927)	(103.104)	(197.666)	(104.150)
General and administrative expenses	9	(16.938.300)	(13.994.660)	(18.431.673)	(14.193.650)
Research and development expenses	10	(65.345)	(64.198)	(65.345)	(64.198)
Other operating expenses	11.2	(1.308.818)	(2.248.392)	(1.316.349)	(2.248.392)
Other operating income	11.1	98.944	1.095.345	98.944	1.095.345
Income from operations		18.633.013	5.168.118	21.936.636	5.309.621
Foreign exchange (loss) / gain, net	11.4	4.030.426	803.309	4.030.426	803.309
Finance income	11.4	1.119	1.015	362	728
Finance costs	11.3	(3.866.355)	(2.843.207)	(3.866.355)	(2.843.207)
Profit before tax		18.798.203	3.129.235	22.101.069	3.270.451
Income Tax	12	(2.805.161)	(664.536)	(4.021.004)	(689.914)
Profit for the year		15.993.042	2.464.699	18.080.065	2.580.537
Other comprehensive income - which can be reclassified in profit or loss					
Foreign currency translation		-	-	(15.508)	(5.717)
Other comprehensive income (loss) for the year, net of tax		-	-	(15.508)	(5.717)
Total comprehensive income for the year, net of tax		15.993.042	2.464.699	18.064.557	2.574.820
Average number of shares		116.170.334	116.170.334	116.170.334	116.170.334
Earnings per share		0,14	0,02	0,16	0,02

TMK ARTROM S.A.
STAND-ALONE AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of 30 June 2017

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

	Note	Stand-alone		Consolidated	
		30.06.2017 RON	01.01.2017 RON	30.06.2017 RON	01.01.2017 RON
ASSETS					
Current assets					
Cash and cash equivalents	21	5.423.940	16.771.796	5.979.828	18.076.998
Trade and other receivables	19	272.904.299	213.734.145	277.265.650	212.585.857
Inventories	18	209.129.989	158.437.553	209.129.989	158.437.553
Prepayments	20	82.795.890	101.740.816	83.005.002	101.802.916
Other current assets	21	287.980	-	287.980	-
		570.542.098	490.684.310	575.668.449	490.903.324
Non-current assets					
Intangible assets	15	2.118.739	2.199.489	2.128.387	2.211.205
Property, plant and equipment	14	567.337.589	495.204.358	567.550.816	495.453.535
Financial assets	16.1.	923.129	1.207.715	919.102	1.203.688
Other non-current assets	17	5.618.941	14.145.049	5.649.939	14.178.469
		575.998.398	512.756.611	576.248.244	513.046.897
Total assets		1.146.540.496	1.003.440.921	1.151.916.693	1.003.950.221
LIABILITIES					
Current liabilities					
Trade and other payables	24	252.693.579	177.652.799	254.552.963	177.668.537
Advances from customers	24	1.769.524	2.096.244	1.769.523	2.096.244
Provisions and accruals	26	2.904.426	2.899.042	3.212.855	3.029.112
Interest-bearing loans and borrowings	16.2.	199.345.715	196.239.070	199.345.715	196.239.070
Finance lease liability	16.2.	342.716	168.979	342.716	168.979
Income tax payable	24	2.006.665	-	2.752.709	-
Total current liabilities		459.062.625	379.056.134	461.976.481	379.201.942
Non-current liabilities					
Interest-bearing loans and borrowings	16.2.	143.607.990	96.877.164	143.607.990	96.877.164
Finance lease liability	16.2.	999.950	31.096	999.950	31.096
Deferred tax liability	12	35.617.759	36.445.082	35.688.410	36.488.399
Provisions and accruals	26	227.281	227.281	227.281	227.281
Employee benefits liability	23	3.012.066	2.909.557	3.012.066	2.909.557
Other long-term liabilities	16.2.	693.589	568.414	693.589	568.414
Total Non-current liabilities		184.158.635	137.058.594	184.229.286	137.101.911
Total liabilities		643.221.260	516.114.728	646.205.767	516.303.853
EQUITY					
Capital and reserves					
Share capital, from which:					
- Subscribed and paid share capital	22	291.587.538	291.587.538	291.587.538	291.587.538
Other items of equity	22	(840.114)	(840.114)	(840.114)	(840.114)
Legal and other reserves	22	17.775.480	17.775.480	17.778.394	17.807.460
Retained earnings	22	178.803.290	177.926.099	179.105.043	177.926.099
Profit of the year		15.993.042	877.190	18.080.065	1.165.385
Total equity		503.319.236	487.326.193	505.710.926	487.646.368
Total liabilities and equity		1.146.540.496	1.003.440.921	1.151.916.693	1.003.950.221

TMK ARTROM S.A.
STAND-ALONE AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as of 30 June 2017

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

Stand-alone	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 semester ended as at 30 June 2017						
As at 1 January 2017	291.587.538	15.184.422	2.591.058	178.803.289	(840.114)	487.326.193
Profit of the period	-	-	-	15.993.042	-	15.993.042
Other comprehensive income / (loss) for the period, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	15.993.042	-	15.993.042
At 30 June 2017	291.587.538	15.184.422	2.591.058	194.796.332	(840.114)	503.319.236
For semester ended as at 30 June 2016						
As at 1 January 2016	291.587.538	15.122.069	2.481.407	178.098.103	(1.102.272)	486.186.845
Profit of the period	-	-	-	2.464.699	-	2.464.699
Other comprehensive income / (loss) for the period, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	2.464.699	-	2.464.699
At 30 June 2016	291.587.538	15.122.069	2.481.407	180.562.802	(1.102.272)	488.651.544

Consolidated	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 semester ended as at 30 June 2017							
As at 1 January 2017	291.587.538	15.184.422	31.980	2.591.058	179.091.484	(840.114)	487.646.368
Profit of the period	-	-	-	-	18.080.065	-	18.080.065
Other comprehensive income / (loss) for the period, net of tax	-	-	(29.065)	-	13.558	-	(15.507)
Total comprehensive income	-	-	(29.065)	-	18.093.623	-	18.064.558
At 30 June 2017	291.587.538	15.184.422	2.915	2.591.058	197.185.107	(840.114)	505.710.926
For semester ended as at 30 June 2016							
As at 1 January 2016	291.587.538	15.122.069	-	2.481.407	178.098.103	(1.102.272)	486.186.845
Profit of the period	-	-	-	-	2.580.537	-	2.580.537
Other comprehensive income / (loss) for the period, net of tax	-	-	(5.716)	-	-	-	(5.716)
Total comprehensive income	-	-	(5.716)	-	2.580.537	-	2.574.821
At 30 June 2016	291.587.538	15.122.069	(5.716)	2.481.407	180.678.640	(1.102.272)	488.761.666

TMK ARTROM S.A.
STAND-ALONE AND CONSOLIDATED CASH FLOW STATEMENT
as of 30 June 2017

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

Indirect method	Note	Stand-alone		Consolidated	
		1 January - 30 June 2017 RON	1 January - 30 June 2016 RON	1 January - 30 June 2017 RON	1 January - 30 June 2016 RON
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit / (Loss) before tax		18.798.203	3.129.235	22.101.069	3.270.451
Plus / minus adjustments for:					
Depreciation and amortisation	14, 15	20.704.289	20.516.124	20.704.289	20.518.099
Increase / (reversal) of provisions	26	5.384	(2.553.697)	183.744	(2.503.857)
Increase / (reversal) of allowances for current assets	18, 19	102.949	(1.384.416)	102.949	(1.384.416)
Exchange rate differences for financing activities		727.314	(1.747.095)	727.314	(1.747.095)
Variation of retirement benefits	23	148.453	151.100	148.453	151.100
Result from disposal of non-current assets	11.2	247.562	968.229	247.562	968.229
Interest and related expenses	11.3, 11.4	3.606.648	2.508.683	3.607.405	2.508.683
Plus / minus adjustments for changes in working capital related to operating activities:					
Decrease / (increase) in inventories	18	(50.817.675)	(22.608.310)	(50.817.675)	(22.608.310)
Decrease / (increase) in trade and other receivables and prepayments	19	(42.145.822)	35.163.072	(47.488.802)	35.205.199
(Decrease) / increase in payables (except banks)	24	57.639.333	18.604.170	59.482.976	18.595.919
less:					
Interest paid		(2.862.417)	(2.556.333)	(2.865.810)	(2.556.333)
Income tax paid		-	(421.064)	(471.975)	(421.064)
Total inflows / (outflows) from operating activities (a)		6.154.221	49.769.698	5.661.500	49.996.605
CASH FLOWS FROM INVESTING ACTIVITIES					
Amount received from disposal of non-current assets		499.907	9.931	499.907	9.931
Purchase of tangible and intangible assets	14	(66.522.369)	(23.387.912)	(66.481.929)	(23.600.558)
Repayment of given loans		313.671	-	-	-
Interest received	11.4	1.119	1.015	362	728
Total inflows / (outflows) from investing activities (b)		(65.707.672)	(23.376.966)	(65.981.660)	(23.589.899)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans received		82.582.071	-	82.582.071	-
Repayment of loans		(34.223.960)	(25.525.137)	(34.220.566)	(25.524.850)
Repayment of finance leases (amortisation)		(152.516)	(96.500)	(152.516)	(96.500)
Total inflows / (outflows) from financing activities (c)		48.205.595	(25.621.637)	48.208.989	(25.621.350)
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)		(11.347.856)	771.095	(12.111.171)	785.356
Cash and cash equivalents at beginning of period	21	16.771.796	4.078.542	18.076.998	4.078.542
Exchange rate differences for cash and cash equivalents		-	-	14.001	(14.261)
Cash and cash equivalents at end of period	21	5.423.940	4.849.637	5.979.828	4.849.637

TMK ARTROM S.A.
STAND-ALONE AND CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
as of 30 June 2017

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

1. CORPORATE INFORMATION

TMK-ARTROM S.A. (the "Company" or the "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, CAEN code 2420.

Stand-alone financial statements of TMK-ARTROM S.A. and consolidated financial statements of TMK-ARTROM S.A. with the subsidiary TMK Industrial Solutions LLC (collectively referred as the "Group") for half-year ended at 30 June 2017 have been prepared in accordance with Order no. 2.844/2016 for approving the Accounting Regulations in accordance with International Financial Reporting Standards, with subsequent amendments and additions and authorised for issue in accordance with the resolution of the Administrators dated 15 August 2017.

Stand-alone financial statements of TMK-ARTROM are consolidated at the parent entity, PAO TMK (former OAO 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.

TMK Industrial Solutions LLC, the subsidiary of TMK-ARTROM SA, was registered on 26 April 2016, has the social headquarters in 10940 W.Sam Houston PKWY N., apartment 325 Houston, TX 77 064 and operates according to US laws, Delaware. TMK-Artrom owns 100% from the shares of TMK Industrial Solutions LLC.

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 sales system specialized in industrial pipes in American market leading to the increase of the company's turnover in this domain.

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 80% of the plant's pipes production is intended for sales outside of Romania, mainly within other EU countries, USA, and Canada.

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

Standalone and consolidated financial statements of the Company have been prepared in accordance with Order no. 2.844/2016 for approving the Accounting Regulations in accordance with International Financial Reporting Standards, with subsequent amendments and additions. 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.

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). The elements of the subsidiary included in the financial statements are assessed using USD as functional currency and exchanged to Group's presentation currency, namely RON.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Going concern

The financial statements of the Company and the Group are prepared on a going concern basis.

At 30 June 2017, the Company's stand-alone net current assets are RON 111.479.473 (31 December 2016: RON 111.628.176), consolidated net assets are RON 113.691.968 (2016: RON 111.701.382) and has recorded a stand-alone net profit of RON 15.993.042 and a consolidated net profit of RON 18.080.065. The Company has generated positive cash flows from operations (before changes in working capital) in first semester of year 2017 and in the same period of prior year and has budgeted a further increase in its operating cash flow for entire year 2017.

The Company has complied with the covenants set at 30 June 2017.

Based on the above factors, management is confident that the Company and its subsidiary will continue in operational existence for the foreseeable future and the going concern basis for preparing the financial statements is appropriate, therefore no adjustments relating to this uncertainty have been included in these financial statements.

b) Transactions in foreign currencies

For the purposes of the preparation of these financial statements, the functional currency of the Company is deemed to be the Romanian Leu (RON), and subsidiary's functional currency is the American Dollar (USD). Transactions in foreign currencies are initially recorded at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Differences arising on settlement or translation of monetary items are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange rate for 1 unit of foreign currency:

	<u>30 June 2017</u>	<u>31 December 2016</u>	<u>30 June 2016</u>
1 EUR	4,5539	4,5411	4,5210
1 USD	3,9915	4,3033	4,0624

Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value is determined.

c) Significant accounting judgments, 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 disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the assets or liabilities affected in the future periods.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

For details regarding significant accounting judgments, estimates and assumptions, please refer to Note 3.

d) Financial instruments

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit and loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company and the Group determinates the classification of its financial assets and liabilities at initial recognition.

The Company's and the Group's financial assets include cash and cash equivalents, trade and other receivables. Financial liabilities include trade and other payables, interest bearing borrowings and finance lease obligations.

For financial assets at fair value through profit and loss, gains and losses arising from changes in fair value are included in net profit or loss for the period.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Initially, financial instruments are recognized at their fair value plus transaction costs directly attributable to the acquisition or issue of financial instruments unless the financial instruments are at fair value through profit or loss.

Subsequently, financial assets and liabilities are measured according to the category to which they are classified, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as during the amortization process.

Loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net profit or loss when the liabilities are derecognized as well as during the amortization process.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and, therefore, are capitalized. Other borrowing costs are recognized as an expense.

Amortized cost

Amortized cost for financial assets and liabilities is computed using the effective interest method. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Derecognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired; or the Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Entity has transferred substantially all the risks and rewards of the asset, or (b) the Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A financial liability is derecognized when the obligation under the liability is paid or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such a change or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognized in the profit and loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Reverse factoring

Reverse factoring liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. When the reverse factoring facility is used by the suppliers, the Company recognizes the liability towards the bank and decreases the liability towards the suppliers. Liability toward the bank are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired, as well as during the amortization process.

e) Impairment of financial assets

The Company and the Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets than can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter in bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease on the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

In relation to trade receivables, a provision for impairment is set when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company and the Group will not be able to collect all of the amounts payable under the original terms of the invoice. The impairment value is determined considering the financial position of the client, the result of the negotiations with the client, and the assessment of the lawyers. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as irrecoverable.

No provisions are set for affiliates.

f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in the financial statements of the Company and the Group.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put to operation, such as repairs and maintenance are charged to Statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

The initial cost of a tangible asset could also include the decommissioning and restoration costs initially estimated, when this value can be reliably measured and there is an obligation in this regard. The estimated decommissioning and restoration costs are recognized in the value of the non-current asset and at the same time as a provision. Construction in progress represents plant and properties under construction and is stated at cost, less any impairment loss. This includes cost of construction and other direct costs.

Depreciation of property, plant and equipment except land and construction in progress, commences when the assets are ready for their intended use.

Depreciation for property, plant and equipment except land and construction in progress is computed using the straight-line method over the following estimated useful lives:

Buildings and other constructions	9 to 60 years
Machinery and other equipment	2 to 42 years
Transport and motor vehicles	4 to 20 years

The useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

The tooling transferred from inventories to fixed assets are depreciated over the useful life estimated considering the specified use.

g) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their entire estimated useful lives.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets have the following useful lives:

Software and licenses	1-5 years
Other intangible assets (development costs)	3 years

Research and development costs

Research is recognized as an expense; development costs are recognized either as expenses, when they are incurred, or capitalized if they meet the definition of an intangible asset. Development costs for a project are recognized as intangible assets, if such expenditure satisfies the criteria in IAS 38 for recognizing it as an intangible asset.

h) Prepayments

Advances paid for acquisition of property plant and equipment are considered non-monetary assets and for cash flow presentation are assimilated to property, plant and equipment.

Advances paid for services and inventories are considered non-monetary assets and for cash flow presentation are assimilated to trade and other receivables.

i) Impairment of non-financial assets

At each reporting date the Company and the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company and the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

When an impairment loss subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Provisions

Provisions are recognized when the Company and the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company and the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

The expense related to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

k) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases. Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company and the Group, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company and the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

l) Subsidies / government grants

The subsidies are recognized when there is a reasonable assurance that the amount will be collected and all the conditions are met. When the grant relates to an expense item, it is recognized as the decrease of respective expenses over the periods when the costs, which it is intended to compensate, are incurred.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost comprises the acquisition cost and other costs that have been incurred in bringing the inventories to their present location and condition.

Finished goods and work in progress comprise of cost of direct materials and labour and a proportion of manufacturing overheads, allocated based on the normal operating capacity – the level of production equipment used (which is as full capacity). The allocation is made based on the quantity produced.

For the output of inventories, the cost is measured and registered by applying the first in – first out method for raw material and consumables and weight average cost method for work in progress and finished goods.

n) Cash and cash equivalents

Cash includes cash on hand, cash with banks and checks in course of being cashed. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with remaining three months or less to maturity from the date of acquisition and that are subject to an insignificant risk of change in value.

o) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the Group and the amount of revenue can be measured reliably.

Revenues from sales of inventory are recognized when significant risks and rewards of ownership of goods have passed to the buyer. Revenues arising from rendering of services are recognized in the same period when the services are provided.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, revenue is measured at the fair value of goods or services provided.

p) Post-employment benefits and other long term employee benefits

Short-term employee benefits

Short-term employee benefits paid by the Company and the Group include wages, salaries, social security contributions, paid annual leave and paid sick leave, bonuses and non-monetary benefits (such as medical care). Such employee benefits are accrued in the year in which the associated services are rendered by employees of the Company and the Group.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Defined benefit pension plans

The Company and the Group provides post-employment and other long-term benefits to their employees (lump-sum post-employment payments and payments in case of death). All post-employment benefit plans are unfunded. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age, the completion of a minimum service period and the amount of the benefits stipulated in the collective bargaining agreements. The liability recognized in respect of post-employment and other long-term employee benefits is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognized past-service costs. Defined benefit obligation is calculated by external consultants using the projected unit credit method.

All actuarial gains and losses are recognized in other comprehensive income in the period in which they occur. The interest cost is recognized in finance costs.

q) Taxes

► Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in Romania.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

► Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ▶ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

▶ Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- ▶ Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable
- ▶ Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

r) Dividends

Dividends are recorded in the year in which they are approved by the shareholders.

s) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Reportable segments

TMK Group has identified the Board of Directors as its chief operating decision maker and as the internal reporting reviewed by the Board focuses on the operations of the Company as a whole and does not identify individual operating segments, the Company has only one reportable segment based on criteria from IFRS 8:

- ▶ Products sold on different markets are homogenous;
- ▶ Customers class is for all markets;
 - ▶ The methods used to distribute the products are similar for all markets.

u) Gas emission certificates with greenhouse effect

Gas emission certificates with greenhouse effect purchased in year 2016 are registered in account "Expenses with environment protection" when are used during the year.

When the purchase of gas emission certificates with greenhouse effect is made before the deadlines fixed by the law, their value are registered in account "Prepaid expenses" / Other long-term assets, following that at the deadlines fixed by the law to be registered in account "Expenses with environment protection".

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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

➤ Taxes

All amounts due to State authorities for taxes have been paid or accrued at the balance sheet date. The Romanian tax system undergoes a consolidation process and is being harmonized with the European legislation. Different interpretations may exist at the level of the tax authorities in relation to the tax legislation that may result in additional taxes and penalties payable. Where the State authorities have findings from reviews relating to breaches of Romania's tax laws, and related regulations these may result in: confiscation of the amounts in case; additional tax liabilities being payable; fines and penalties (those are applied on the total outstanding amount). As a result the fiscal penalties resulting from breaches of the legal provisions may result in a significant amount payable to the State.

➤ Pension benefits

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

The management considers that the value of retirement benefits do not differ significantly from the value estimated for year 2017 in financial statements of previous year; the liability was updated with the effect of time passing.

➤ Inventories

The finished goods, semi-finished goods and work in progress are valued considering the net realizable value. The management 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.

The management analysed the net realizable value of finished goods, semi-finished goods and work in progress considering the market sales prices and market trends.

For raw materials specific analysis are made considering obsolescence of items in balance. All assumptions are reviewed annually.

4.1. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company and the Group as of 1 January 2017:

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**
- **IAS 7: Disclosure Initiative (Amendments)**
- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**

The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have not yet been endorsed by the EU. The Management estimated that this amendment did not have an impact on the financial statements.

- **IAS 7: Disclosure Initiative (Amendments)**

The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments have not yet been endorsed by the EU. The Management estimated that this amendment did not have an impact on the financial statements.

- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle,**

which is a collection of amendments to IFRSs. The following annual improvement has not yet been endorsed by the EU. This improvement did not have an effect on the Company's and Group's financial statements:

- **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

4.2. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

In addition to those standards and interpretations that have been disclosed in the financial statements for the year ended 31 December 2016, the following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted from the Company:

- **IFRS 9 Financial Instruments: Classification and Measurement**

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The amendment has not yet been endorsed by the EU. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the EU.

4.2. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED (continued)

The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

- **IAS 40: Transfers to Investment Property (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

4.2. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED (continued)

- **IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration**

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. The Management is in the process of assessing the impact of the interpretation on the financial statements.

- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**

which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The Management is in the process of assessing the impact of the improvements on the financial statements.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- **IFRIC INTERPETATION 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 not yet been endorsed by the EU. The Management is in the process of assessing the impact of the interpretation on the financial statements.

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5. TURNOVER

The chiefs executives 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.

	Stand-alone			
	30 June 2017 RON	%	30 June 2016 RON	%
Domestic sales	104.780.394	20,62	134.187.967	33,20
Sales abroad	403.275.925	79,38	270.046.158	66,80
Total	508.056.319	100	404.234.125	100

	Consolidated			
	30 June 2017 RON	%	30 June 2016 RON	%
Domestic sales	104.780.394	20,29	134.187.967	33,18
Sales abroad	411.525.942	79,71	270.255.915	66,82
Total	516.306.336	100	404.443.882	100

	Stand-alone		Consolidated	
	30 June 2017 RON	30 June 2016 RON	30 June 2017 RON	30 June 2016 RON
Sales of pipes produced by TMK-ARTROM from which:				
Domestic	54.550.840	60.929.023	54.550.840	60.929.023
Europe	260.536.989	247.606.903	260.536.989	247.606.903
North America	50.397.232	8.040.985	50.442.854	8.040.985
Other areas	13.420.559	11.921.115	13.420.559	11.921.115
Total sales of TMK-ARTROM pipes	378.905.620	328.498.026	378.951.242	328.498.026
Sales of other goods and services from which:				
Sales of other goods on domestic market	49.988.014	73.050.688	49.988.014	73.050.688
Sales of other goods on external market	78.890.046	2.474.700	84.237.369	2.474.700
Rendering of services on domestic market	241.540	208.256	241.540	208.256
Rendering of services on external market	31.099	2.455	2.888.171	212.212
Total sales of other goods and services	129.150.699	75.736.099	137.355.094	75.945.856
Total turnover	508.056.319	404.234.125	516.306.336	404.443.882

Total consolidated turnover increased with 27,7% (with 25,7% increase in stand-alone TMK_ARTROM) in first semester of year 2017 compared to first semester of year 2016, from RON 404.443.882 to RON 516.306.336.

The turnover from sales of steel pipes TMK-ARTROM production increased with 15,34% from RON 328.498.026 at 30.06.2016 to RON 378.905.620 at 30.06.2017 due to the increase of selling price with 8,5% and the increase in the physical volume of sold pipes from 88.116 tons in first semester 2016 to 93.646 tons in first semester 2017 (an increase with 6,3%).

The sales of goods purchased to be resold increased in first semester of year 2017 with 86% due to the increase of quantity and the changes in structure of the products and the selling conditions of metallurgical profiles purchased from related companies by PAO TMK and sold on the internal and external market compared to first semester of year 2016.

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5. TURNOVER (continued)

The sales were made in first semester of 2016 directly and by related parties traders as follows:

- a) In Romania and East Europe directly to customers;
- b) In North and Central Europe directly to customers, by TMK Europe from Dusseldorf, major shareholder, which acts as agent;
- c) In South and West Europe directly to customers, by TMK Italia from Lecco, which acts as agent;
- d) In USA by TMK Industrial Solutions, and in Middle East respectively by TMK Middle East – Dubai and directly to customers.

Geographical information

Gross margin on geographical areas

Stand-alone

1 January - 30 June 2017	Romania	Europe	North America	Other countries	Total
	RON	RON	RON	RON	RON
Turnover (Sales)	104.780.394	283.831.317	106.024.049	13.420.559	508.056.319
Cost of Sales	(93.914.219)	(246.272.630)	(73.250.725)	(12.666.740)	(426.104.314)
Gross Margin	10.866.175	37.558.687	32.773.324	753.819	81.952.005

1 January - 30 June 2016	Romania	Europe	North America	Other countries	Total
	RON	RON	RON	RON	RON
Turnover (Sales)	134.187.968	250.084.057	8.040.985	11.921.115	404.234.125
Cost of Sales	(125.057.574)	(209.929.720)	(6.228.371)	(10.246.358)	(351.462.023)
Gross Margin	9.130.394	40.154.337	1.812.614	1.674.757	52.772.102

Consolidated

1 January - 30 June 2017	Romania	Europe	North America	Other countries	Total
	RON	RON	RON	RON	RON
Turnover (Sales)	104.780.394	283.831.317	114.274.066	13.420.559	516.306.336
Cost of Sales	(93.914.219)	(246.272.631)	(78.439.816)	(12.666.740)	(431.293.406)
Gross Margin	10.866.175	37.558.686	35.834.250	753.819	85.012.930

1 January - 30 June 2016	Romania	Europe	North America	Other countries	Total
	RON	RON	RON	RON	RON
Turnover (Sales)	134.187.968	250.084.057	8.250.742	11.921.115	404.443.882
Cost of Sales	(125.057.574)	(209.929.720)	(6.228.371)	(10.246.358)	(351.462.023)
Gross Margin	9.130.394	40.154.337	2.022.371	1.674.757	52.981.859

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6. COST OF SALES

Cost of sales for the first semester ended as at 30 June, consisted of the following:

	Stand-alone		Consolidated	
	30 June 2017 RON	30 June 2016 RON	30 June 2017 RON	30 June 2016 RON
Raw materials	252.203.829	197.902.916	252.203.829	197.902.915
Energy and utilities	25.882.962	25.224.762	25.882.962	25.224.763
Staff cost (note 11.5)	25.860.215	23.541.426	25.860.215	23.541.426
Consumables	20.683.493	21.236.645	20.683.493	21.236.645
Depreciation and amortisation	19.856.517	19.608.977	19.856.517	19.608.977
Social security expenses (note 11.5)	6.418.998	5.856.677	6.418.998	5.856.677
Other compensations for employees	3.311.626	1.977.682	3.311.626	1.977.682
Repairs and maintenance	1.110.101	1.048.214	1.110.101	1.048.214
Professional fees and services	1.670.106	938.986	1.670.106	938.986
Freight	993.230	891.277	993.230	891.277
Taxes	1.065.647	726.723	1.065.647	726.723
Travel	233.580	256.440	233.580	256.440
Rent	201.411	130.171	201.411	130.171
Insurance	60.069	63.254	60.069	63.254
Communications	54.839	45.649	54.839	45.649
Other expenses	4.403	3.025	4.403	3.025
Total production cost	359.611.026	299.452.824	359.611.026	299.452.824
Change in own finished goods and work in progress	(30.004.509)	(819.438)	(30.004.509)	(819.438)
Cost of sales of externally purchased goods	101.924.434	60.416.835	107.113.525	60.416.835
Capitalized production costs	(5.551.876)	(5.328.484)	(5.551.876)	(5.328.484)
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	125.239	(2.259.714)	125.239	(2.259.714)
Cost of sales	426.104.314	351.462.023	426.104.314	351.462.023

7. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the first semester ended as at 30 June, consisted of the following:

	Stand-alone		Consolidated	
	30 June 2017 RON	30 June 2016 RON	30 June 2017 RON	30 June 2016 RON
Freight	28.634.946	19.751.688	28.661.518	19.751.689
Professional fees and services	12.359.770	8.370.167	8.438.150	7.958.154
Staff cost (note 11.5)	1.672.427	1.627.363	2.694.230	1.759.205
Insurance	654.838	667.256	676.569	668.508
Consumables	501.759	441.251	619.112	479.024
Social security expenses (note 11.5)	421.443	404.077	790.191	440.628
Bad debt expense (note 19)	(18.672)	370.656	(18.672)	370.656
Other compensations for employees	250.318	120.292	377.589	146.661
Depreciation and amortisation	150.791	190.942	184.639	192.917
Travel	63.952	97.569	195.889	100.195
Utilities and maintenance	119.042	79.108	119.042	79.108
Taxes	11.962	75.142	11.962	75.142
Communications	54.634	57.314	81.221	59.850
Other expenses	33.631	36.150	148.847	45.978
Rent	4.705	-	183.918	29.478
Selling and distribution expenses	44.915.546	32.288.975	43.164.205	32.157.193

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8. PROMOTION AND ADVERTISING EXPENSES

Promotion and advertising expenses for the first semester ended as at 30 June, consisted of the following:

	Stand-alone		Consolidated	
	30 June 2017 RON	30 June 2016 RON	30 June 2017 RON	30 June 2016 RON
Marketing expenses	189.927	82.177	197.666	83.223
Media expenses	-	20.927	-	20.927
Promotion and advertising expenses	189.927	103.104	197.666	104.150

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the first semester ended as at 30 June, consisted of the following:

	Stand-alone		Consolidated	
	30 June 2017 RON	30 June 2016 RON	30 June 2017 RON	30 June 2016 RON
Staff cost (note 11.5)	6.998.453	6.597.730	7.773.037	6.699.714
Professional fees and services	3.737.451	2.017.556	3.861.997	2.056.495
Social security expenses (note 11.5)	1.673.561	1.615.679	1.895.210	1.635.623
Other compensations for employees	1.463.636	401.561	1.630.404	421.958
Depreciation and amortisation	696.980	716.205	696.980	716.205
Rent	638.224	599.578	695.516	599.578
Utilities and maintenance	364.375	493.400	368.896	493.401
Travel	280.057	397.067	339.319	411.631
Consumables	351.864	383.777	399.089	383.777
Communications	388.098	385.505	400.015	388.165
Taxes	240.895	255.538	244.559	255.538
Other expenses	64.769	101.197	81.093	101.197
Insurance	39.937	29.867	45.558	30.368
General and administrative expenses	16.938.300	13.994.660	18.431.673	14.193.650

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the first semester ended as at 30 June, consisted of the following:

	Stand-alone		Consolidated	
	30 June 2017 RON	30 June 2016 RON	30 June 2017 RON	30 June 2016 RON
Staff cost (note 11.5)	37.584	36.275	37.584	36.275
Professional fees and services	16.515	18.154	16.515	18.154
Social security expenses (note 11.5)	9.148	8.752	9.148	8.752
Other compensations for employees	1.878	1.014	1.878	1.014
Travel	220	-	220	-
Consumables	-	3	-	3
Research and development expenses	65.345	64.198	65.345	64.198

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11. OTHER INCOME/EXPENSES AND ADJUSTMENTS

11.1 Other operating income

Other operating income for the first semester ended at 30 June, consisted of the following:

	Stand-alone		Consolidated	
	30 June 2017 RON	30 June 2016 RON	30 June 2017 RON	30 June 2016 RON
Damages, trial expenses	24.558	132.284	24.558	132.284
Income from recovered materials	74.349	-	74.349	-
Other income	37	98	37	98
Reversal of provisions for risks and expenses (note 26)	-	843.546	-	843.546
Reversal of provisions for taxes (note 26)	-	110.919	-	110.919
Prescription of advances granted by customers	-	7.250	-	7.250
Materials free of charge	-	1.248	-	1.248
Total	98.944	1.095.345	98.944	1.095.345

11.2 Other operating expenses

Other operating expenses for the first semester ended at 30 June, consisted of the following:

	Stand-alone		Consolidated	
	30 June 2017 RON	30 June 2016 RON	30 June 2017 RON	30 June 2016 RON
Loss on disposal of property, plant and equipment	247.562	968.230	247.562	968.230
Social actions expenses	827.750	502.000	827.750	502.000
Allowance for sundry debtors (note 19)	-	504.642	-	504.642
Professional fees and services	37.140	68.276	37.139	68.276
Staff costs - medical dispensary	49.050	53.767	49.050	53.767
Sponsorship and charitable donations	53.812	50.000	61.344	50.000
Other expenses	14.335	45.362	14.335	45.362
Fines and penalties	23.165	42.571	23.165	42.571
Social security costs - medical dispensary	12.270	13.281	12.270	13.281
Penalties - legal entities	43.734	263	43.734	263
Total	1.308.818	2.248.392	1.316.349	2.248.392

11.3 Financial costs

Financial costs for the first semester ended at 30 June, consisted of the following:

	Stand-alone		Consolidated	
	30 June 2017 RON	30 June 2016 RON	30 June 2017 RON	30 June 2016 RON
Interest on long-term loans and borrowings (note 16.2)	1.336.268	1.110.196	1.336.268	1.110.196
Interest on short-term loans and borrowings (note 16.2)	2.259.876	1.393.744	2.259.876	1.393.744
Amortisation of issuance fee	205.201	211.873	205.201	211.873
Other financial expenses	53.387	119.727	53.387	119.727
Interest on financial leasing	11.623	5.471	11.623	5.471
Discounts granted	-	2.196	-	2.196
Total	3.866.355	2.843.207	3.866.355	2.843.207

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11. OTHER INCOME/EXPENSES AND ADJUSTMENTS (continue)

11.4 Financial income

Financial income for the first semester ended at 30 June, consisted of the following:

	Stand-alone		Consolidated	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RON	RON	RON	RON
Interest on deposits	202	408	202	408
Interest from granted borrowing	757	287	-	-
Other financial income	160	320	160	320
Total	1.119	1.015	362	728

Net gain / (net loss) from foreign exchange differences

	Stand-alone		Consolidated	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RON	RON	RON	RON
Foreign exchange gain	18.711.404	10.580.637	18.711.404	10.580.637
Foreign exchange loss	14.680.978	9.777.328	14.680.978	9.777.328
	4.030.426	803.309	4.030.426	803.309

According to provisions of OMFP 2844/2016 with following changes and additions, the balances of cash, receivables and liabilities in foreign currency are revalued (monetary items) according to reference exchange rates of BNR. At 30.06.2017 BNR reference exchange rates were 4,5539 RON/EUR and 3,9915 RON/USD in dropping towards 31.12.2016 when were 4,5411 RON/EUR and 4,3033 RON/USD resulting a net gain from foreign exchange differences in amount of RON 4.030.426 towards the same period of prior year when was registered a net gain from foreign exchange differences in amount of RON 803.309.

11.5 Employee benefits expenses

Employee benefits expenses for the first semester ended at 30 June, consisted of the following:

	Stand-alone		Consolidated	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RON	RON	RON	RON
Wages and salaries (Notes 6,7,9,10,11.2)	34.617.729	31.856.561	36.414.116	32.090.388
Social security costs (Notes 6,7,9,10,11.2), out of which:	8.535.420	7.898.466	9.125.817	7.954.961
- Company's contributions to social security (pensions)	5.930.058	5.475.362	5.930.058	5.475.362
Other compensations for employees - meal tickets	2.175.001	1.365.305	2.175.001	1.365.305
Other compensations for employees - holiday vouchers	122.000	89.280	122.000	89.280
Other compensations for employees - other	2.730.457	1.045.964	3.024.496	1.092.729
Total employee benefits expense	48.180.607	42.255.576	50.861.430	42.592.663

	Stand-alone		Consolidated	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Average number of employees	1.311	1.295	1.321	1.302
Actual number of employees at the end of financial year	1.336	1.301	1.346	1.308

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12. INCOME TAX

For half-year ended at 30 June 2017, the Company has calculated a current income tax of RON 3.632.484 and the Group a current income tax of RON 4.817.247.

	Stand-alone		Consolidated	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Current income tax	(3.632.484)	(231.947)	(4.817.247)	(240.643)
Current income tax computed according to the Fiscal Inspection Report F-MC15/08.02.2016	-	(68.974)	-	(68.974)
Deferred income tax:	827.323	(363.615)	796.243	(380.297)
- Deferred income tax credit	1.063.806	353.412	1.063.806	353.412
- Deferred income tax charge	(236.483)	(717.027)	(267.564)	(733.709)
Income tax	(2.805.161)	(664.536)	(4.021.004)	(689.914)

The Company and the Group computed deferred tax from different temporary differences for fixed assets and other items. In first semester of year 2017 stand-alone deferred tax expenses were of RON 236.483 (30 June 2016: RON 717.027) and stand-alone deferred tax income of RON 1.063.806 (30 June 2016: RON 353.412). Consolidated deferred tax expenses were of RON 267.564 (30.06.2016: RON 733.709)

Reconciliation between current income tax expense and the accounting profit multiplied by Romanian domestic tax rate for half-year ended at 30 June is as follows:

	Stand-alone		Consolidated	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Profit before income tax	18.798.203	3.129.235	22.101.069	3.270.451
Income taxes calculated at the nominal applicable tax rate (16%)	3.269.310	500.678	3.797.768	523.272
Tax effect of deductible / non-taxable elements, out of which:	(5.067.095)	(5.450.062)	(5.063.976)	(5.467.900)
- Fiscal depreciation	(3.898.460)	(4.360.343)	(3.895.341)	(4.378.181)
- Revenues from reversal of allowances	(1.168.635)	(1.089.719)	(1.168.635)	(1.089.719)
Tax effect of taxable / non-deductible elements, out of which:	5.894.927	5.231.331	5.873.718	5.232.164
- Realization of revaluation reserve	1.355.349	1.396.427	1.355.349	1.396.427
- Accounting depreciation	3.312.687	3.282.580	3.312.687	3.282.580
- Allowances expenses	1.202.370	480.216	1.185.969	480.216
- Other items	24.521	72.108	19.713	72.941
Tax credit, out of which:	(203.060)	(50.000)	(203.060)	(50.000)
- sponsoring expense	(53.812)	(50.000)	(53.812)	(50.000)
- reinvested profit in equipment	(148.837)	-	(148.837)	-
- 10% withholding tax in USA	(411)	-	(411)	-
Effect of tax rates in the USA	-	-	674.394	3.107
Computed income tax	3.632.484	231.947	4.817.247	240.643
Income tax reported in the statement of income	3.632.484	231.947	4.817.247	240.643

Litigation in conflict with the National Agency for Fiscal Administration ("ANAF") and with the General Administration of Large Taxpayers ("DGAMG"):

- In 15.02.2016 was ended the tax inspection for the period 2005-2009 and were issued the following documents: (i) Tax Inspection Report No. F - MC 15 dated 8 February 2016; (ii) The tax decision on additional tax obligations for payment no. F - MC 4 dated 8 February 2016; and (iii) Decision regarding unchanging the taxable base no. F - MC5 dated 8 February 2016 (registered by TMK - ARTROM under the number 1735 dated 15 February 2016). Through these, additional debts were set for the income tax in the amount of RON 796.197, delay increase amounting RON 1.524.559 and delay penalties amounting RON 262.427.

12. INCOME TAX (continue)

- TMK-ARTROM paid the additional debts established for the income tax under the tax facilities conditions granted by OUG 44/2015. Thus TMK-ARTROM paid the amounts established in The Tax Inspection Report applying some reductions of (i) 77,1% of delay increases and of (ii) 54,2% of interests. Also the delay penalties established for TMK-ARTROM were cancelled.
- Thus, in the first quarter of 2016 TMK-ARTROM paid the additional debts established by the tax inspection report worth: (i) RON 1.332.027, representing the difference for income tax and VAT and (ii) RON 787.113 representing increases and penalties. Through Decision no. 202 dated 19 April 2016 were calculated accessories between the tax audit report date and the actual payment date of established debts.
- Through cancellation decision no. 3687 dated 24 May 2016 issued by ANAF according to stipulations of OUG 44/2015 have been cancelled accessories in the amount of RON 2.129.582 of which RON 2.102.332 amounts established in the tax inspection report (RON 1.663.294 representing increases and delay penalties and RON 439.037 delay penalties) the difference representing accessories between the date of the tax inspection report and the actual payment date of established debts.
- Regarding the additional debts and accessories established by the tax inspection report, the company filed a complaint against ANAF's decision, which was rejected. Accordingly, TMK - ARTROM filed a petition to challenge the ANAF's decision to reject the appeal (received on 13 October 2016) requesting the court:

A. Mainly:

1. Cancellation of the Tax Inspection Report No. F-MC 15 dated 8 February 2016;
2. Cancellation of all subsequent acts of the above-mentioned report, namely the annulment of: the tax decision on the additional tax obligations established by the tax inspection report no F-MC 4 dated 8 February 2016 and Decision regarding unchanging the taxable base no. F - MC5 dated 8 February 2016;
3. Obligation of the National Tax Administration Agency and the General Directorate for Administration of the Large Taxpayers to pay the court costs.

B. In subsidiary:

1. Cancellation in totality of Decision no. 42 dated 7 October 2016 in the settlement of the appeal filled by TMK – ARTROM, through which ANAF, through DGAMG, the dispute settlement service, dismissed as unreasonable the complaint filed by TMK – ARTROM;
2. cancellation in part of the tax inspection report no. F-MC 15 dated 8 February 2016 and The tax decision on additional tax obligations for payment no. F - MC 4 dated 8 February 2016, regarding:
 - a. Income tax in amount of RON 727.223, interest/ delay increases in value of RON 1.392.488 and delay penalties in value of RON 239.693;
 - b. the monthly VAT in value of RON 481.237, interest/delay increases in value of RON 867.632 and delay penalties in value of RON 158.622; and
 - c. interest/ delay increases and delay penalties calculated for the period 20 July 2010 – 15 December 2015;
3. Obligation of the ANAF and DGAMC parties to pay the sums paid by TMK - ARTROM on the basis of the tax decision regarding the additional tax obligations established by the tax inspection no. F-MC 4 dated 8 February 2016.

The first hearing was established on 22 September 2017.

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12. INCOME TAX (continue)

Deferred tax relates to the following:

Statement of financial position

	Stand-alone		Consolidated	
	30 June 2017 RON	31 December 2016 RON	30 June 2017 RON	31 December 2016 RON
<u>Deferred income tax assets</u>				
Allowance for doubtful accounts receivable	204.607	200.393	204.607	200.393
Employee benefits	412.883	396.482	412.883	396.482
Provisions for management bonuses	257.180	285.831	264.217	330.060
Provisions for quality complaints	78.345	48.833	78.345	48.833
Adjustments of inventories	1.010.467	990.429	1.010.467	990.429
Provisions for unused vacations	5.200	5.200	5.200	5.200
Provisions for risks and charges	-	-	-	1.153
Provisions for decommissioning property, plant and equipment	35.096	35.096	35.096	35.096
Total (a)	2.003.778	1.962.264	2.010.815	2.007.646
<u>Deferred income tax liabilities</u>				
Difference between carrying amount and fiscal amount of property, plant and equipment and intangible assets	37.621.537	38.407.346	37.699.225	38.496.045
Total (b)	37.621.537	38.407.346	37.699.225	38.496.045
Net deferred tax income (a) - (b)	(35.617.759)	(36.445.082)	(35.688.410)	(36.488.399)

Statement of comprehensive income

	Stand-alone		Consolidated	
	30 June 2017 RON	30 June 2016 RON	30 June 2017 RON	30 June 2016 RON
<u>Deferred income tax assets</u>				
Allowance for doubtful accounts receivable	4.214	137.191	4.214	137.191
Employee benefits	16.402	(90.398)	16.402	(90.398)
Provisions for management bonuses	(28.650)	(275.092)	(63.318)	(275.092)
Provisions for quality complaints	29.511	19.214	29.511	19.214
Adjustments of inventories	20.038	(361.554)	20.039	(361.554)
Provisions for risks and charges	-	(134.967)	(1.091)	(134.927)
Total (a)	41.515	(705.606)	5.757	(705.566)
<u>Deferred income tax liabilities</u>				
Difference between carrying amount and fiscal amount of property, plant and equipment and intangible assets	(785.808)	(341.991)	(790.486)	(325.269)
Total (b)	(785.808)	(341.991)	(790.486)	(325.269)
Net deferred tax income (a) - (b)	827.323	(363.615)	796.243	(380.297)

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13. EARNINGS PER SHARE

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

Earnings per share amounts in RON	Stand-alone		Consolidated	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Earnings				
Net profit	15.993.042	2.464.699	18.080.065	2.580.537
Average number of shares	116.170.334	116.170.334	116.170.334	116.170.334
Earnings per average number of shares	0,14	0,02	0,16	0,02

During the first semester of year 2017 there were no transactions involving ordinary shares or potential ordinary shares.

14. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment in first semester of year 2017, ended at 30 June, were as follows:

Stand-alone

	Land and buildings RON	Machinery and equipment RON	Transport and motor vehicles RON	Furniture and fixtures RON	Construction in progress RON	Total RON
Cost						
At 1 January 2017	121.952.100	488.526.383	13.375.333	1.941.463	45.602.115	671.397.394
Additions	-	-	-	-	93.324.813	93.324.813
Disposals	(206.196)	(632.181)	(2.229.330)	(9.369)	-	(3.077.076)
Transfers	814.732	4.359.192	479.446	74.458	(5.727.828)	-
At 30 June 2017	122.560.636	492.253.394	11.625.449	2.006.552	133.199.100	761.645.131
Depreciation and impairment						
At 1 January 2017	(21.056.294)	(147.448.941)	(6.764.897)	(922.904)	-	(176.193.036)
Depreciation charge for the period	(2.043.523)	(17.815.735)	(503.721)	(81.134)	-	(20.444.113)
Disposals	41.787	406.312	1.872.207	9.301	-	2.329.607
At 30 June 2017	(23.058.030)	(164.858.364)	(5.396.411)	(994.737)	-	(194.307.542)
Net book value						
At 30 June 2017	99.502.606	327.395.030	6.229.038	1.011.815	133.199.100	567.337.589

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14. PROPERTY, PLANT AND EQUIPMENT(continued)

Consolidated

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Construction in progress	Total
	RON	RON	RON	RON	RON	RON
Cost						
At 1 January 2017	122.021.958	488.696.234	13.375.333	1.982.858	45.602.115	671.678.498
Additions	-	-	-	-	93.338.882	93.338.882
Disposals	(206.196)	(632.181)	(2.229.330)	(9.369)	-	(3.077.076)
Transfers	814.733	4.371.186	479.446	76.532	(5.741.897)	-
Translation differences	(5.061)	(12.307)	-	(2.999)	-	(20.367)
At 30 June 2017	122.625.434	492.422.932	11.625.449	2.047.022	133.199.100	761.919.937
Depreciation and impairment						
At 1 January 2017	(21.068.270)	(147.467.275)	(6.764.897)	(924.521)	-	(176.224.963)
Depreciation charge for the period	(2.054.853)	(17.832.243)	(503.721)	(85.901)	-	(20.476.718)
Disposals	41.787	406.312	1.872.207	9.301	-	2.329.607
Translation differences	1.090	1.652	-	211	-	-
At 30 June 2017	(23.080.246)	(164.891.554)	(5.396.411)	(1.000.910)	-	(194.372.074)
Net book value						
At 30 June 2017	99.545.188	327.531.378	6.229.038	1.046.112	133.199.100	567.550.816

Movements in property, plant and equipment in year 2016 ended at 31 December were as follows:

Stand-alone

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Construction in progress	Total
	RON	RON	RON	RON	RON	RON
Cost						
At 1 January 2016	115.522.787	453.879.622	13.302.463	1.857.674	11.497.561	596.060.107
Additions	-	-	-	-	76.914.450	76.914.450
Disposals	(105.844)	(3.831.191)	(6.009)	-	-	(3.943.044)
Transfers	6.535.157	38.477.952	78.879	83.789	(45.175.777)	-
Transfers from inventories	-	-	-	-	2.365.881	2.365.881
At 31 December 2016	121.952.100	488.526.383	13.375.333	1.941.463	45.602.115	671.397.394
Depreciation and impairment						
At 1 January 2016	(17.258.222)	(112.961.256)	(5.534.820)	(763.385)	-	(136.517.683)
Depreciation charge for the year	(3.829.406)	(36.616.310)	(1.232.899)	(159.519)	-	(41.838.134)
Disposals	31.334	2.128.625	2.822	-	-	2.162.781
At 31 December 2016	(21.056.294)	(147.448.941)	(6.764.897)	(922.904)	-	(176.193.036)
Net book value						
At 31 December 2016	100.895.806	341.077.442	6.610.436	1.018.559	45.602.115	495.204.358

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

Consolidated

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Construction in progress	Total
	RON	RON	RON	RON	RON	RON
Cost						
At 1 January 2016	115.522.787	453.879.622	13.302.463	1.857.674	11.497.561	596.060.107
Additions	-	-	-	-	77.195.554	76.914.450
Disposals	(105.844)	(3.831.191)	(6.009)	-	-	(3.943.044)
Transfers	6.605.015	38.647.803	78.879	125.184	(45.456.881)	-
Transfers from inventories	-	-	-	-	2.365.881	2.365.881
At 31 December 2016	122.021.958	488.696.234	13.375.333	1.982.858	45.602.115	671.397.394
Depreciation and impairment						
At 1 January 2016	(17.258.222)	(112.961.256)	(5.534.820)	(763.385)	-	(136.517.683)
Depreciation charge for the year	(3.841.382)	(36.634.644)	(1.232.899)	(161.136)	-	(41.838.134)
Disposals	31.334	2.128.625	2.822	-	-	2.162.781
At 31 December 2016	(21.068.270)	(147.467.275)	(6.764.897)	(924.521)	-	(176.193.036)
Net book value						
At 31 December 2016	100.953.688	341.228.959	6.610.436	1.058.337	45.602.115	495.453.535

Land owned by the Company are located in Slatina city, with an area of 416.081,03 square meters.

Property, plant and equipment increases were made in first semester of year 2017 by purchases of independent fixed assets and by putting into operation the contracting or self-made investments.

During half-year 2017 the Company made current repairs for developing the process flow at the designed parameters, but also capital repairs for equipment and buildings which were recognized in the carrying value of property, plant and equipment in amount of RON 5.727.828 (31 December 2016: RON 16.866.801).

The disposal of property, plant and equipment in half-year 2017 in amount of RON 3.077.076 are represented by:

- undepreciated value of parts replaced during capital repairs made in first semester of year 2017 in amount of RON 387.404 (30 June 2016: RON 978.160) and their depreciated value of RON 171.449 (30 June 2016: RON 797.155),
- sales of property, plant and equipment of RON 1.997.280 (with an undepreciated value of RON 257.860 and a depreciated value of RON 1.739.420) and
- disposals of property, plant and equipment in amount of RON 520.943 (with an undepreciated value of RON 102.205 and a depreciated value of RON 418.738).

The corresponding revenues are in amount of RON 499.907 as at 30 June 2017.

The gross value of fully depreciated items of property, plant and equipment in use as at 30 June 2017 is of RON 17.858.142 (31 December 2016: RON 12.027.449).

Out of total property, plant and equipment as of 30 June 2017, properties with a net book value of RON 18.353.490 were pledged in favour of BCR (as at 31 December 2016 there were no pledged properties).

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company and the Group have ongoing the investment project „Heat treatment complex”. The project started in December 2015. In first semester of year 2017 a big part of the machinery were received and their assembling works started. The first tests are scheduled for October 2017.

In the net carrying amount of „Construction in progress” the Company and the Group included the amount of RON 2.219.196 which represents borrowing costs capitalized according to IAS 23 Borrowing costs, revised (2016: RON 1.300.713 for Company and Group). Interest expense capitalized in first semester 2017 by the Company and the Group was in amount of RON 605.368 (2016: RON 3.584).

The management of the Company proposes that a heat treatment furnace from the location of the new „Heat treatment complex” to be disposed at estimated date of 31 December 2017, after putting into operation the new project. Net carrying amount of the furnace at 30 June 2017 is of RON 505.429. From the analyses made by the Company’s management resulted that is not necessary to recognize an impairment provision.

Financial leasing and assets in progress

The carrying amount of property, plant and equipment representing vehicles and lathes held under finance lease at 30 June 2017 was of RON 1.928.645 (31 December 2016: RON 476.351). Assets held under lease are pledged as guarantees for finance lease.

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 first semester of year 2017 were as follows:

Stand-alone

	Licenses and trademarks RON	Other intangible assets RON	Intangible assets in progress RON	Total RON
Cost				
At 1 January 2017	552.651	2.155.620	-	2.708.271
Additions	43.801	-	135.624	179.425
Disposals	-	-	-	-
Transfers	-	135.624	(135.624)	-
At 30 June 2017	596.452	2.291.244	-	2.887.696
Amortisation and impairment				
At 1 January 2017	(425.408)	(83.374)	-	(508.782)
Amortisation	(43.017)	(217.158)	-	(260.175)
At 30 June 2017	(468.425)	(300.532)	-	(768.957)
Net book value				
At 30 June 2017	128.027	1.990.712	-	2.118.739

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15. INTANGIBLE ASSETS (continued)

Consolidated

	Licenses and trademarks RON	Other intangible assets RON	Intangible assets in progress RON	Total RON
Cost				
At 1 January 2017	552.651	63.662	2.105.098	2.721.411
Additions	43.801	-	135.624	179.425
Disposals	-	-	-	-
Transfers	-	135.624	(135.624)	-
Translation differences	(952)	-	-	(952)
At 30 June 2017	595.500	199.286	2.105.098	2.899.884
Amortisation and impairment				
At 1 January 2017	(425.408)	(84.798)	-	(510.206)
Amortisation	(44.260)	(217.158)	-	(261.418)
Translation differences	127	-	-	127
At 30 June 2017	(469.541)	(301.956)	-	(771.497)
Net book value				
At 30 June 2017	125.959	(102.670)	2.105.098	2.128.387

In 2015 the Company signed a contract for the purchase of a new IT software „Microsoft Dynamics AX 2012 Integrated System”. The implementation of the software MS Dynamics AX 2012 followed the phases: design, configuration, Testing and acceptance, deployment, go live and go live support, software development and Integration, Customized user manuals, Migration.

Microsoft Dynamics AX is implemented in TMK-Artrom SA from 1 November 2016 (Go live) and manages the activity with the exception of the production line, which is integrated.

Movements in intangible assets during year 2016 were as follows:

Stand-alone

	Licenses and trademarks RON	Other intangible assets RON	Intangible assets in progress RON	Total RON
Cost				
At 1 January 2016	506.905	50.522	1.340.501	1.897.928
Additions	45.746	-	764.597	810.343
Transfers	-	2.105.098	(2.105.098)	-
At 31 December 2016	552.651	2.155.620	-	2.708.271
Amortisation and impairment				
At 1 January 2016	(331.889)	(46.878)	-	(378.767)
Amortisation	(93.519)	(36.496)	-	(130.015)
At 31 December 2016	(425.408)	(83.374)	-	(508.782)
Net book value				
At 31 December 2016	127.243	2.072.246	-	2.199.489

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15. INTANGIBLE ASSETS (continued)

Consolidated

	Licenses and trademarks RON	Other intangible assets RON	Intangible assets in progress RON	Total RON
Cost				
At 1 January 2016	506.905	50.522	1.340.501	1.897.928
Additions	45.746	13.140	764.597	823.483
Transfers	-	2.105.098	(2.105.098)	-
At 31 December 2016	552.651	63.662	2.105.098	2.721.411
Amortisation and impairment				
At 1 January 2016	(331.889)	(46.878)	-	(378.767)
Amortisation	(93.519)	(37.920)	-	(131.439)
At 31 December 2016	(425.408)	(84.798)	-	(510.206)
Net book value				
At 31 December 2016	127.243	(21.136)	2.105.098	2.211.205

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

16.1. Financial assets

	Stand-alone		Consolidated	
	30 June 2017 RON	31 December 2016 RON	30 June 2017 RON	31 December 2016 RON
Other financial receivables				
Securities carried at cost	4.027	4.027	-	-
Deposits for letters of guarantee	755.393	1.040.438	755.393	1.040.438
Granted guarantees, from which:	163.709	163.250	163.709	163.250
- Guarantees granted to related parties (note 25)	45.062	44.936	45.062	44.936
Total other financial receivables	923.129	1.207.715	919.102	1.203.688
Total other financial assets	923.129	1.207.715	919.102	1.203.688

In 2016, TMK-ARTROM Slatina Board of Directors decided the approval of foundation of a trade entity in USA, named TMK Industrial Solutions LLC, having TMK-ARTROM as sole partner. The financial investment of TMK-ARTROM in the subsidiary is of 1.000 USD (exchange rate 4,0271 RON/USD).

As at 30 June 2017 the Company presents the investment in TMK Industrial Solutions LLC at acquisition cost.

The deposits for guarantees are restricted, representing collateral constituted by the Company for good performance bank letters available more than one year, issued by BCR in favour of customer NIS from Serbia.

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

16.2. Other financial liabilities

Interest-bearing long-term loans and borrowings

	Stand-alone		Consolidated	
	30 June 2017 RON	31 December 2016 RON	30 June 2017 RON	31 December 2016 RON
Long-term interest-bearing bank loans	71.710.910	19.256.218	71.710.910	19.256.218
Long-term interest-bearing borrowing-related parties (note 25)	71.996.840	77.620.946	71.996.840	77.620.946
Un-amortized cost of debt origination fees	(99.760)	-	(99.760)	-
Balance of long-term loans	143.607.990	96.877.164	143.607.990	96.877.164

The un-amortized short-term cost paid at granting of loans it is amortized during the loan duration.

Future repayments	Stand-alone		Consolidated	
	30 June 2017 RON	31 December 2016 RON	30 June 2017 RON	31 December 2016 RON
Long- and short-term loans and borrowings, net of future interests	342.383.995	292.589.290	342.383.995	292.589.290
Interest payable at reporting date	866.228	677.257	866.228	677.257
Un-amortized cost of debt origination fees	(296.518)	(150.313)	(296.518)	(150.313)
Total long- and short-term loans and related interest and un-amortized cost	342.953.705	293.116.234	342.953.705	293.116.234
Future interests	13.856.740	7.842.331	13.856.740	7.842.331
Total future repayments for loans and related interest	356.810.445	300.958.565	356.810.445	300.958.565

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Interest-bearing long-term loans and borrowings

Bank	Type of loan	Currency	30 June 2017		Interest rate	Amount repayable RON / equivalent RON	Amount repayable EUR/USD
			Contracted amount	Due date (mm/dd/yyyy)			
BCR ERSTE	Investment loan - 7 years	EUR	25.000.000	11/07/2023	EURIBOR 3M+margin	71.710.910	15.747.142
Total long-term bank loans						71.710.910	
TMK EUROPE GmbH	Long-term borrowing	USD	22.837.540	09/25/2022	Libor+0.5%	71.996.840	18.037.540
Un-amortized long-term cost						(99.760)	
Total						143.607.990	

Bank	Type of loan	Currency	31 December 2016		Interest rate	Amount repayable RON / equivalent RON	Amount repayable EUR/USD
			Amount received	Due date (mm/dd/yyyy)			
BCR ERSTE	Investment loan - 7 years	EUR	20.000.000	10/03/2017	EURIBOR 3M+margin	19.256.218	4.240.430
Total long-term bank loans						19.256.218	
TMK EUROPE GmbH	Long-term borrowing	USD	22.837.540	09/25/2022	Libor+0.5%	77.620.946	18.037.540
Un-amortized long-term cost						-	
Total						96.877.164	

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Finance lease

	Stand-alone		Consolidated	
	30 June 2017 RON	31 December 2016 RON	30 June 2017 RON	31 December 2016 RON
Lease payments less than 3 months, gross	106.426	52.213	106.426	52.213
Lease payments between 3 and 12 months, gross	270.300	120.301	270.300	120.301
Lease payments between 1 and 5 years, gross	1.055.900	31.525	1.055.900	31.525
Total minimum lease payments, gross	1.432.626	204.039	1.432.626	204.039
Less: future finance charges	89.960	3.964	89.960	3.964
Present value of minimum lease payments	1.342.666	200.075	1.342.666	200.075
Distributed as follows:	-	-	-	-
Maturing within 1 year	342.716	168.978	342.716	168.978
Maturing between 1 and 2 years	265.518	31.097	265.518	31.097
Maturing between 2 and 3 years	260.323	-	260.323	-
Maturing between 3 and 4 years	267.974	-	267.974	-
Maturing between 4 and 5 years	206.135	-	206.135	-
Total	1.342.666	200.075	1.342.666	200.075

At 30 June 2017, TMK-Artrom had on-going with BCR Leasing IFN S.A. 7 financial lease contracts for the purchase of five vehicles and two lathes (31 December 2016: TMK-Artrom had on-going with BCR Leasing IFN S.A. 6 financial lease contracts for the purchase of 6 vehicles).

There are no restrictions imposed by the lease arrangements to the Company.

Interest-bearing short-term loans and borrowings

	Stand-alone		Consolidated	
	30 June 2017 RON	31 December 2016 RON	30 June 2017 RON	31 December 2016 RON
Long-term interest-bearing bank loans, current portion	71.770.382	76.875.748	71.770.382	76.875.748
Short-term bank loans	107.324.093	91.589.778	107.324.093	91.589.778
Short-term interest-bearing borrowing - related parties (note 25)	19.581.770	27.246.600	19.581.770	27.246.600
Interest related to long-term bank loans	516.346	383.162	516.346	383.162
Interest related to short-term bank loans	189.339	126.978	189.339	126.978
Interest related to long-term borrowings - related parties (note 25)	103.429	84.999	103.429	84.999
Interest related to short-term borrowings - related parties (note 25)	57.114	82.118	57.114	82.118
Un-amortized short-term cost	(196.758)	(150.313)	(196.758)	(150.313)
Total	199.345.715	196.239.070	199.345.715	196.239.070

The un-amortized short-term cost paid at granting of loans it is amortized during their life.

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Bank	Type of loan	Currency	30 June 2017		Interest rate	Amount repayable RON equivalent	Amount repayable EUR
			Contracted amount	Due date (mm/dd/yyyy)			
UNICREDIT BANK	Credit for funding general needs	EUR	26.000.000	02/17/2019	EURIBOR 1M+margin	63.754.595	13.999.999
BANCPOST	Uncommitted overdraft	EUR	10.000.000	07/11/2019	EURIBOR 3M+margin	43.569.498	9.567.513
Total short-term bank loans						107.324.093	
BCR ERSTE	Overdraft 3 years - current portion	EUR	20.000.000	10/03/2017	EURIBOR 3M+margin	71.770.382	15.760.202
Total short part of long-term bank loans						71.770.382	
TMK EUROPE GmbH	Short-term borrowing	EUR	5.000.000	05/29/2017	3,50%	19.581.770	4.300.000
Total short-term borrowings from related parties						19.581.770	
Total						198.676.245	

Bank	Type of loan	Currency	31 December 2016		Interest rate	Amount repayable RON / RON equivalent	Amount repayable EUR
			Amount received	Due date (mm/dd/yyyy)			
UNICREDIT BANK	Credit for funding general needs	EUR	26.000.000	01/17/2017	EURIBOR 1M+margin	49.043.880	10.800.000
BANCPOST	Uncommitted overdraft	EUR	10.000.000	07/11/2019	EURIBOR 3M+margin	42.545.898	9.369.073
Total short-term bank loans						91.589.778	
BCR ERSTE	Overdraft 3 years - current portion	EUR	20.000.000	10/03/2017	EURIBOR 3M+margin	76.875.748	16.928.883
Total short part of long-term bank loans						76.875.748	
TMK EUROPE GmbH	Short-term borrowing	EUR	5.000.000	03/31/2017	3,50%	22.705.500	5.000.000
TMK EUROPE GmbH	Short-term borrowing	EUR	5.000.000	05/29/2017	3,50%	4.541.100	1.000.000
Total short-term borrowings from related parties						27.246.600	
Total						195.712.126	

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Bank loans received by TMK-ARTROM S.A. are guaranteed as follows:

- Loans granted by BCR, as follows:
 - Multiproduct relief in amount of 20 mil euro guaranteed with:
 - Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Artrom S.A.;
 - Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK Resita S.A.;
 - Company warranty issued by PAO TMK, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract.
 - Investment loan in amount of 25 mil euro guaranteed with:
 - Pledge without dispossession TMK-Artrom S.A.;
 - Real estate mortgage on land, having courtyard as category of use, with an area of 69.339 square meters with no. 58253 plus C1 – industrial and utility building, having the area built on the ground of 66.346 square meters, identified with no. 58253-C1, located in Slatina, Draganesti street, no. 30, Olt County, tabulated in the Land Book of Slatina with no. 58253;
 - Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK Resita S.A.;
 - Company warranty issued by PAO TMK, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract.
- Loan granted by Unicredit Bank in initial amount of EUR 27 mil. which according to the addendum from 23.06.2015 decreased to EUR 26 mil., and according to the addendum from 16.03.2017 decreased to EUR 16 mil. and from which at 30.06.2017 the amount used was of EUR 13.999.999 guaranteed with:
 - Pledge without dispossession on credit balance of current bank accounts opened at Unicredit Bank by TMK-ARTROM S.A.;
 - Company warranty issued by Pipe Plant Volzsky Russia, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract.
- Loan granted by BANCPOST in amount of 10 mil euro guaranteed with:
 - Pledge without dispossession on credit balance of current bank accounts opened at BANCPOST by TMK-Artrom S.A.;
 - Company warranty issued by Pipes plant PAO TMK, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract;
 - TMK-RESITA personal guarantee.

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

At 30.06.2017 the Company had issued more bank letter guarantees and also more letters of credit opened for the payment of contractual liabilities both for TMK-ARTROM S.A. suppliers and for TMK-RESITA S.A. suppliers, as follows:

No.	Issuing Bank	The beneficiary of the letter of credit	Number of letter of credit	The amount of the contract regarding the issue of letter of credit	Currency	The balance of unrealized letter of credit	Due date of letter of credit
1	2	3	4	5	6	7	8
1	BCR	SMS GROUP s.p.a	I097443	6,761,523	EUR	349,569	29.11.2017
2	BCR	SMS GROUP s.p.a	I097531	1,299,000	EUR	1,299,000	31.01.2018
3	BCR	SMS GROUP s.p.a	I097444	975,080	EUR	35,252	30.01.2018
4	BCR	SMS GROUP s.p.a	I097532	126,900	EUR	126,900	31.01.2018
5	BCR	SMS GROUP s.p.a	IO97551	2,006,250	EUR	1,412,771	30.09.2017
6	BCR	SMS GmbH	I097750	1,880,000	EUR	1,880,000	15.10.2017
7	BCR	SMS GROUP s.p.a	IO97626	267,500	EUR	267,500	31.12.2017
8	BCR	SMS GmbH	I097625	235,000	EUR	235,000	23.05.2018

No.	Bank which issued the guarantee	The Organization which received the guarantee	Liability type for which was the guarantee issued	The amount of the contract/agreement regarding the granted guarantee	Guarantee amount	Currency	Due date of the guarantee
1	2	3	4	5	6	7	8
1	BCR	VAMA SLATINA	export VAT san marino	DGLC/G062523/844/26.09.2016	150000	RON	30.06.2017
2	BCR	CNTEE Transelectrica S.A.	for good payment	G064051/832	168962.49	RON	31.08.2017
3	BCR	NIS JSC Novi SAD	for quality	G060706/836/28.04.16	19687	EUR	27.09.2017
4	BCR	NIS JSC Novi SAD	for quality	GO62287/836/12.09.16	63238	EUR	20.05.2018
5	BCR	NIS JSC Novi SAD	for quality	GO62392/844/12.10.16	25187	EUR	09.07.2018
6	BCR	NIS JSC Novi SAD	for quality	G063939/844/30.12.16	140690.9	EUR	17.09.2018
7	BCR	INOTAL ALUMINIUMFELDOL GOZO	for good payment	G064443/832	80000	EUR	20.09.2017
8	BCR	TRANS GAZ SA	for participation	G065158/828/08.03.2017	3333015	EUR	24.08.2017

The undrawn credit facilities are as follows:

Lender	Type of facility	Currency	Amount of agreement	Amount available	Expiry date
BCR	Overdraft	EUR	20.000.000	432.340	10/03/2017
UNICREDIT	Credit line	EUR	16.000.000	1.000.001	02/17/2018
BANCPPOST	Overdraft	EUR	10.000.000	432.487	07/11/2018
BCR	Investment loan	EUR	25.000.000	3.646.865	7/11/2023

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The Company signed with BCR a limit of discounts for promissory notes in amount of RON 10.000.000 with ROBOR 3M +3% interest which can be changed in loan if customers do not settle the promissory notes which have reached the maturity. By addendums the limit was decreased at RON 4.000.000 in 24.07.2015 and in August 2016 to RON 2.000.000.

At 30.06.2017 there were no promissory notes discounted and warranted in this limit. This facility is guaranteed with:

- Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Artrom S.A.
- Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK Resita S.A.

At 24.07.2014 TMK-ARTROM and TMK-RESITA have signed with Banca Comerciala Romana SA a Contract of Reverse Factoring - according to which BCR will accept for financing invoices issued by the suppliers of TMK-ARTROM and TMK-RESITA in overall limit approved of RON 45 million, in order to maintain an efficient supply network with the suppliers of the company. The guarantees granted by this contract are: security mortgage on the creditor balance of the current accounts opened at Banca Comerciala Romana by TMK-ARTROM S.A. and security mortgage on the creditor balance of the current accounts opened by TMK RESITA S.A. at Banca Comerciala Romana. In July 2015 the of the contract was increased to RON 51.000.000 and in September 2016 the value was increased to RON 65.000.000. At 30.06.2017 from this limit RON 1.900.000 were allocated for TMK-ARTROMs suppliers and from this the amount of RON 540.138 was used. As at 31.12.2016 from the limit, RON 2.235.000 were allocated to TMK-ARTROM suppliers and from which RON 573.074 were used.

As at 30.06.2017, all financial ratios agreed through the loan contracts signed with banks were complied.

The Company has to maintain certain condotions, related to its capital, which are imposed by contracts concluded with BCR and BANCPOST: Combined Net Debt to Combined EBITDA, Combined EBITDA, Combined EBITDA reported to Net service of cobined debt, based on the Combined Financial Statements, Shareholder Equity to Combined total assets.

Unicredit Bank analyses the financial indicators such as: Combined Net Debt to EBITDA.

Other long-term liabilities

	Stand-alone		Consolidated	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RON	RON	RON	RON
Long-term sundry creditors	18.000	4.733	18.000	4.733
Investment subsidy	26.715	3.017	26.715	3.017
Long-term guarantees	648.874	560.664	648.874	560.664
Balance of other long-term liabilities	693.589	568.414	693.589	568.414

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17. OTHER NON-CURRENT ASSETS

	Stand-alone		Consolidated	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RON	RON	RON	RON
Prepayments for property, plant, and equipment	1.690.822	10.059.567	1.690.822	10.059.567
Gas emission certificates with greenhouse effect	3.658.055	4.085.482	3.658.054	4.085.482
Prepaid expenses TL	270.064	-	270.064	-
- Prepaid expenses - related parties TL	251.784	-	251.784	-
Other long-term prepayments	-	-	30.999	33.420
Total	5.618.941	14.145.049	5.649.939	14.178.469

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

18. INVENTORIES

Inventories consist of the following:

	Stand-alone		Consolidated	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RON	RON	RON	RON
Work in progress	49.271.648	56.144.998	49.271.648	56.144.998
Raw materials	54.963.327	36.218.736	54.963.327	36.218.736
Finished goods	37.572.769	25.496.727	37.572.769	25.496.727
Consumables	16.164.093	16.346.634	16.164.093	16.346.634
Finished goods in transit	24.354.906	14.277.337	24.354.906	14.277.337
Other materials	7.984.226	6.137.991	7.984.226	6.137.991
Semi-finished goods	3.760.020	4.515.703	3.760.020	4.515.703
Raw materials to be purchased	3.185.599	2.943.453	3.185.599	2.943.453
Raw materials and consumables at third parties	545.785	1.588.322	545.785	1.588.322
Consigned finished goods	2.227.318	934.567	2.227.318	934.567
Merchandise and packaging	15.321.827	23.266	15.321.827	23.266
Materials in transit	93.891	-	93.891	-
Total	215.445.409	164.627.734	215.445.409	164.627.734

The finished goods, semi-finished goods and work in progress are valued considering the net realizable value. The management 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.

Merchandise stock as at 30.06.2017 increased due to the stock of metallurgical profiles purchased from related parties, through PAO TMK, and sold on the internal and the external market in transit as at 30.06.2017, the transfer of ownership at selling was not made as at 30.06.2017.

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18. INVENTORIES (continued)

Ageing analysis of inventories:

	Below 1 year RON	1 - 2 years RON	2 - 3 years RON	Over 3 years RON	Total RON
30.06.2017	182.808.504	16.082.329	4.500.677	12.053.899	215.445.409
31.12.2016	127.923.406	21.487.081	4.223.661	10.993.586	164.627.734

In first semester of year 2017 were set up allowances for inventories considering net realizable value – the movement of the adjustments is presented below:

	Stand-alone		Consolidated	
	30 June 2017 RON	31 December 2016 RON	30 June 2017 RON	31 December 2016 RON
Balance January 1st	6.190.181	5.406.122	6.190.181	5.406.122
Additional allowances set	5.392.286	10.122.636	5.392.286	10.122.636
Resumption / Allowances used	(5.267.047)	(9.338.577)	(5.267.047)	(9.338.577)
Balance at the end of reporting period	6.315.420	6.190.181	6.315.420	6.190.181

19. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables consist of the following:

	Stand-alone		Consolidated	
	30 June 2017 RON	31 December 2016 RON	30 June 2017 RON	31 December 2016 RON
Trade receivables, from which:	259.691.107	202.385.458	264.052.458	201.536.940
- Receivables from other related parties (note 25)	10.864.261	9.670.563	11.054.737	8.441.523
Other receivables - VAT	12.354.308	10.419.588	12.354.308	10.419.588
Sundry debtors, from which:	1.984.890	1.924.033	1.984.890	1.884.896
- Sundry debtors - related parties (note 25)	689.579	573.606	689.579	534.469
Employee claims	862.789	445.199	862.789	445.199
Settlements between affiliates	-	321.551	-	-
Recoverable income tax	-	249.401	-	310.319
Less:				
Allowance for doubtful accounts receivable	(1.988.795)	(2.011.085)	(1.988.795)	(2.011.085)
Total	272.904.299	213.734.145	277.265.650	212.585.857

Trade receivables are non-interest bearing and generally have an average collection period of 82 days (2016: 98 days).

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

	Stand-alone RON	Consolidated RON
At 1 January 2017	2.011.085	2.011.085
Impairment adjustments expenses Used	(22.290)	(22.290)
At 30 June 2017	1.988.795	1.988.795

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

In first half of year 2017 the Company used RON 22.290 from the adjustment recognised for Dural due to the collection.

Ageing analysis of trade receivables

Stand-alone

	Neither past due nor impaired		Past due but not impaired					Past due and impaired	Total
		< 30 days	30–60 days	61–90 days	91–120 days	> 120 days	> 120 days		
	RON	RON	RON	RON	RON	RON	RON	RON	
30.06.2017	226.591.179	27.393.817	723.995	2.096.180	67.322	147.693	2.670.921	259.691.107	
31.12.2016	179.466.845	18.372.861	1.474.316	86.141	3.374	764.637	2.217.284	202.385.458	

Consolidated

	Neither past due nor impaired		Past due but not impaired					Past due and impaired	Total
		< 30 days	30–60 days	61–90 days	91–120 days	> 120 days	> 120 days		
	RON	RON	RON	RON	RON	RON	RON	RON	
30.06.2017	230.952.530	27.393.817	723.995	2.096.180	67.322	147.693	2.670.921	264.052.458	
31.12.2016	178.618.327	18.372.861	1.474.316	86.141	3.374	764.637	2.217.284	201.536.940	

TMK-Artrom SA and the Group highlighted in trade receivables these amounts:

Stand-alone

Receivables	Currency	30 June 2017		31 December 2016	
		RON	Foreign currency	RON	Foreign currency
Internal customers	LEI	44.999.004		39.830.527	
	EUR	34.503.882	7.576.776	44.102.229	9.711.794
External customers	EUR	110.823.314	24.335.913	107.381.970	23.646.687
	USD	65.199.733	16.334.645	7.701.558	1.789.686
Doubtful customers	LEI	1.668.293		1.217.474	
	EUR	1.002.628	220.169	999.810	220.169
Notes issued by customers	LEI	1.494.253		1.151.890	
Total		259.691.107		202.385.458	

Consolidated

Receivables	Currency	30 June 2017		31 December 2016	
		RON	Foreign currency	RON	Foreign currency
Internal customers	LEI	44.999.004		39.830.527	
	EUR	34.503.882	7.576.776	44.102.229	9.711.794
External customers	EUR	110.823.314	24.335.913	107.381.970	23.646.687
	USD	69.561.084	17.498.505	6.853.040	1.890.074
Doubtful customers	LEI	1.668.293		1.217.474	
	EUR	1.002.628	220.169	999.810	220.169
Notes issued by customers	LEI	1.494.253		1.151.890	
Total		264.052.458		201.536.940	

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

As of 30 June 2017 the Company registered doubtful customers receivables in amount of RON 2.670.921 (1 January 2017: RON 2.217.284). For the amounts registered in this category adjustments were recognized in amount of RON 1.988.795, because they are considered to have high risk on collection.

From the amount of RON 226.591.179 trade receivables at 30.06.2017 neither past due nor impaired, the amount of RON 122.524.301 is considered without risk, and includes the following categories:

- RON 74.243.151, respectively 32,77% representing receivables insured by COFACE Germany;
- RON 36.053.588, respectively 15,9% receivables covered by export letters;
- RON 12.227.561, respectively 5,4% intercompany receivables.

The difference of RON 104.066.878, respectively 45,93% are considered to have a low risk in aggregate because those customers are in general located in different countries and industries independent markets.

20. PREPAYMENTS

Prepayments consist of the following:

	Stand-alone		Consolidated	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RON	RON	RON	RON
Prepayments for services, inventories, from which:	75.954.178	98.100.197	75.974.160	98.122.264
- Prepayments for services, inventories - related parties (note 25)	75.898.030	98.019.745	75.898.030	98.019.745
Prepaid expenses	4.900.136	1.699.043	5.089.266	1.739.076
- Prepaid expenses - related parties	-	286.108	-	286.108
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	82.795.890	101.740.816	83.005.002	101.802.916

The amount of RON 75.898.030 (without VAT) represents advances given to TMK Resita S.A. (31 December 2016: RON 98.019.745).

21. CASH AND SHORT-TERM DEPOSITS

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

	Stand-alone		Consolidated	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RON	RON	RON	RON
Cash on hand	14.936	16.005	14.936	16.005
Cash at banks in RON	505.868	385.660	505.868	385.660
Cash at banks in foreign currency	4.898.278	16.360.174	5.454.166	17.665.376
Short-term deposits	4.858	9.957	4.858	9.957
Total	5.423.940	16.771.796	5.979.828	18.076.998

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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).

TMK-Artrom constituted interest-bearing overnight deposits at Banca Comerciala Romana, depending on the availability of cash in bank account at the end of the day. TMK-ARTROM has constituted at Banca Comerciala Romana also a collateral deposit in EUR for a letter of guarantee opened in favour of a customer in amount of RON 287.980.

Short-term deposits in RON	Stand-alone		Consolidated	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	4.858	9.957	4.858	9.957

There is no restricted cash.

Other current assets

	Stand-alone		Consolidated	
	30 June 2017 RON	31 December 2016 RON	30 June 2017 RON	31 December 2016 RON
Deposits for letters of guarantee TL	287.980	-	287.980	-
Total	287.980	-	287.980	-

22. SHARE CAPITAL, RESERVES AND RETAINED EARNINGS

Share capital

Subscribed and paid share capital	Number of shares	Nominal Value RON / share	Subscribed share capital RON	Total RON
Balance 1 January 2017	(116.170.334)	2,51	(291.587.538)	(291.587.538)
Balance 30 June 2017	(116.170.334)	2,51	(291.587.538)	(291.587.538)

Legal and other reserves

Stand-alone

	Legal reserve RON	Other reserves RON	Total RON
Balance at 1 January 2016	15.122.069	2.481.407	17.603.476
Increase from the profit of the year	56.582	-	56.582
Increase from reinvested profit	5.771	109.651	115.422
Balance at 31 December 2016	15.184.422	2.591.058	17.775.480
Balance at 30 June 2017	15.184.422	2.591.058	17.775.480

The legal reserve is set in accordance with the provisions of the Romanian Company Law, which requires that minimum 5% of the annual accounting profit before tax is transferred to "legal reserve" until the balance of this reserve reaches 20% of the share capital of the Company. Legal reserves are not distributable.

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22. SHARE CAPITAL, RESERVES AND RETAINED EARNINGS (continued)

Consolidated

	Legal reserve RON	Other reserves RON	Total RON
Balance at 1 January 2016	15.122.069	2.481.407	17.603.476
Increase from the profit of the year	56.582	-	56.582
Increase from reinvested profit	5.771	109.651	115.422
Set-up of reserves representing foreign exchange differences from the conversion of a foreign operation included in the consolidation	-	31.980	31.980
Balance at 31 December 2016	15.184.422	2.623.038	17.807.460
Increase from the profit of the period	-	-	-
Increase from reinvested profit	-	-	-
Set-up of reserves representing foreign exchange differences from the conversion of a foreign operation included in the consolidation	-	(29.066)	(29.066)
Balance at 30 June 2017	15.184.422	2.623.038	17.778.394

Conversion reserve represent foreign exchange rate differences from the conversion of subsidiary foreign operations, which has a different functional currency than RON that is USD.

Retained earnings

The structure of stand-alone retained earnings

Account name	Balance at 30 June 2017	Balance at 31 December 2016	Nature
Retained earnings representing undistributed profit	29.733.676	29.028.489	Can be distributed or used to cover losses
Retained earnings from adopting IAS for the first time (OMFP 94/2001)	-	-	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from the changes of accounting policies	14.455	14.455	Can be distributed or used to cover losses
Retained earnings representing the surplus realized from revaluation reserves	11.225.078	11.225.078	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost	105.544.558	105.544.558	It has to be realized (through sale and/ or depreciation) before distributing dividends
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost, surplus made from fair value as deemed cost	32.285.523	32.285.523	Can be distributed or used to cover losses
Distribution from profit of the year to legal reserve	-	(172.004)	
Period result	15.993.042	877.190	
Total retained earnings	194.796.332	178.803.289	

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22. SHARE CAPITAL, RESERVES AND RETAINED EARNINGS (continued)

In April 2017, under the approval of GSM dated 27.04.2017 the Company registered the allocation of the accounting profit of year 2016, in amount of RON 877.190, as follows:

- Legal reserves according to Law 31/1990, at least 5% from gross annual profit (but no more than 20% from share capital) from which: RON 56.582 legal reserve less the part of reinvested profit and RON 5.771 legal reserve of reinvested profit according to provisions of article 22 regarding the exemption of income tax of the reinvested profit from Law 227/2015 "Fiscal Code";
- Other reserves of the reinvested profit RON 109.651 representing reinvested profit in technological equipment – machinery, equipment and electronic computers and accesories according to provisions of article 22 regarding the exemption of income tax of the reinvested profit from Law 227/2015 "Fiscal Code";
- Retained earnings representing undistributed profit RON 705.186.

The structure of consolidated retained earnings

Account name	Balance at 30 June 2017	Balance at 31 December 2016	Nature
Retained earnings representing undistributed profit	30.035.429	29.028.489	Can be distributed or used to cover losses
Retained earnings from the changes of accounting policies	14.455	14.455	Can be distributed or used to cover losses
Retained earnings representing the surplus realized from revaluation reserves	11.225.078	11.225.078	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost	105.544.558	105.544.558	It has to be realized (through sale and/ or depreciation) before distributing dividends
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost, surplus made from fair value as deemed cost	32.285.523	32.285.523	Can be distributed or used to cover losses
Distribution from profit of the year to legal reserve	-	(172.004)	
Period result	18.080.065	1.165.385	
Total retained earnings	197.185.108	179.091.484	

23. PENSIONS PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Retirement compensations are given according to the collective labour contract signed at the level of the Company as presented below.

- **Retirement benefits:** all employees receive two gross monthly salaries in force at retirement date;
- **Benefits for death of an employee for any cause:** in case of death of an employee, the families of the employees receive two average monthly salaries per Company. The average monthly salary is computed for all employees and is adjusted with inflation each year.

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23. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (continued)

These employee benefits are classified as long-term benefits according to IAS 19 revised:

	30 June 2017	31 December 2016
	RON	RON
Net liability at the beginning of the year	2.909.557	2.927.896
Expense recognized in statement of income	148.453	304.925
Benefits paid	(45.944)	(61.106)
Components of defined benefit costs recorded in OCI	-	(262.158)
Net liability at the end of period	3.012.066	2.909.557

As at 30.06.2017 the Company estimated the obligation regarding actuarial provision for employee benefits, accounting the following:

- Expenses accounted in profit or loss in amount of RON 148.453;
- Benefits paid in amount of RON 45.944.

Total net liability at 30.06.2017 is of RON 3.012.066.

The key assumptions used in the actual computation from the beginning of current period for the pension and post-employment benefit obligations of the Company are:

Mortality: mortality rates are based on separate mortality tables for male and female published by the Romanian National Institute of Statistics in 2013.

Staff turnover: the turnover rate used in the actuarial projections was of 2,37% (2015: 1,88%) which corresponds to historical data from last 5 years.

Discount rate: the discount rate of future cash flows used in actuarial evaluation is the risk free rate represented by the average interest rate at 30 December 2016 of zero coupon government bonds issued in Romanian lei according to Bloomberg. There is an overall decrease of the discount rate in year 2016 towards 2015. The average decrease is 7%, while the discount rate for one year decreases by 15%. Were used RON government bonds with maturity 1 year, 2 years, etc. where available from the full range of years needed. If there was no bond available with a certain maturity interpolations of the rate performed by Bloomberg were used.

Salaries indexation and long-term inflation: base salaries are assumed to increase by 1% starting 1st January 2017, 1,7% starting 1st July 2017 and 1st January 2018 and by 2% per annum starting 1st January 2019, in line with the inflation projected by the National Bank of Romania for Q4 2017 which is 2,1%. An annual salary increase of 2,5% starting 1st January 2018 was assumed at year end 31st December 2015.

For the computation of the death benefit we have used the average monthly salary of RON 2.306 / employee as at 31 December 2016 (2015: 2.252 lei/ employee).

Taxes: IAS 19 requires social charges and other related taxes to be included in the measurement of benefit obligation. Both benefits included in the evaluation generate costs with social contributions. The rate of 23,1% (2015: 23,1%) was used for social contributions for assessing the employee benefits, meaning that the obligation value and the corresponding periodical components were increased by this rate. This rate is the current rate of contributions applied by the Company.

Other assumptions: retirement age for women born after 1967 is expected to be 63, while for men born after 1950 is expected to be 65. This information is extracted from the revised law on pensions number 263/2010 issued by the Labor Ministry.

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23. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (continued)

The management considers that the going concern assumption is applicable for the Company as at 30 June 2017 and there are no restructuring plans announced as at this date.

Disclosures according to IFRS on the basis that all changes in the employee benefits are treated as Actuarial gains/losses – Experience:

	PV of Retirement Benefits	PV of Employee Death Benefits	Total 30 June 2017	Total 31 December 2016
	RON	RON	RON	RON
Opening defined benefit obligation as at 1 January	2.343.161	566.396	2.909.557	2.927.896
Current service cost	72.417	29.549	101.966	217.499
Interest cost	37.339	9.148	46.487	87.426
Remeasurement (gains)/losses:	-	-	-	(262.158)
- Remeasurement (gains)/losses arising from experience	-	-	-	126.618
- Remeasurement (gains)/losses arising from changes in financial assumptions	-	-	-	(213.900)
- Remeasurement (gains)/losses arising from changes in demographic assumptions	-	-	-	(174.876)
Benefits paid	(45.944)	-	(45.944)	(61.106)
Closing defined benefit obligation as at end of period	2.406.973	605.093	3.012.066	2.909.557

The amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	PV of Retirement Benefits	PV of Employee Death Benefits	Total 30 June 2017	Total 31 December 2016
	RON	RON	RON	RON
Current service cost	72.417	29.549	101.966	217.499
Net interest expense	37.339	9.148	46.487	87.426
Components of defined benefit costs recorded in profit or loss	109.756	38.697	148.453	304.925

The movements of net liabilities in the current period have been the following:

	PV of Retirement Benefits	PV of Employee Death Benefits	Total 30 June 2017	Total 31 December 2016
	RON	RON	RON	RON
Opening net liability arising from defined benefit obligation	2.343.161	566.396	2.909.557	2.927.896
Components of defined benefit costs recorded in profit or loss	109.756	38.697	148.453	304.925
Components of defined benefit costs recorded in OCI	-	-	-	(262.158)
Benefits paid	(45.944)	-	(45.944)	(61.106)
Closing net liability arising from defined benefit obligation	2.406.973	605.093	3.012.066	2.909.557

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24. TRADE AND OTHER PAYABLES (CURRENT)

Trade and other payables consists of the following:

	Stand-alone		Consolidated	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RON	RON	RON	RON
Current trade payables, from which:	215.688.978	153.901.779	217.521.797	153.713.559
- Intercompany trade payables (note 25)	166.611.043	115.188.187	164.611.324	114.942.085
Payables for non-current assets, from which:	29.324.988	12.171.029	29.324.988	12.171.029
- Intercompany payables for non-current assets (note 25)	147.705	192.562	147.705	192.562
Bills of exchange payable	218.841	3.692.171	218.841	3.692.171
Short-term guarantees	216.708	135.796	216.708	135.796
Accrued and other liabilities	67.308	89.377	67.308	89.377
Total financial liability	245.516.823	169.990.152	247.349.642	169.801.932
Accrued and withheld taxes on payroll	5.193.475	5.635.927	5.193.475	5.635.927
Salaries and Wages	1.899.345	1.865.509	1.899.345	2.069.467
Advances from customers	1.769.523	2.096.244	1.769.523	2.096.244
Liabilities for other taxes	83.937	161.211	110.501	161.211
Total non-financial liability	8.946.280	9.758.891	8.972.844	9.962.849
Grand total	254.463.103	179.749.043	256.322.486	179.764.781

Trade payables are non-interest bearing and are, normally, settled on an average of 54 day terms.

Concerning the Company's debts to the fiscal authorities, as of 30 June 2017, there is a balance to be paid RON 5.277.412 (1 January 2017: RON 5.797.138), which represents the current debts of taxes and social debts of salaries, income tax of legal and individual non-resident persons which were required for compensation with input VAT from fiscal authorities.

In 15.02.2016 the comprehensive fiscal control for period 2005-2009 was finished with Report of tax inspection no. F-MC 15/08.02.2016, the Decision regarding additional tax payment obligations no. F-MC 4/08.02.2016 and Decision regarding non modifying tax base no. F-MC5/8.02.2016 (registered in TMK-ARTROM under no. 1735 from 15.02.2016). Through that was established the additional debts for income tax and VAT in total amount of RON 4.221.471 (from which additional debits of RON 1.332.027 and interest and penalties in amount of RON 2.889.444).

To benefit of the annulment of a part of interest and penalties requested by the tax authorities, the Company paid the debit and the part of the interest and penalties which could not be annulled according to the law. As a result of this approach, in the first semester of year 2016 it was obtained the annulment of a part of accessories calculated in amount of RON 2.129.582 according to Decision 3687 from 24.05.2016 issued by ANAF, amounts that the company asked to be annulled according to stipulations of OUG 44/2015 regarding granting some tax facilities.

Making the payment does not mean that the Company accepted the result of the fiscal contro, TMK-ARTROM contested the result of the fiscal control following a possible dispute with ANAF on this subject. Therefore the amount paid is not reflected in the result of the period but it can be find in prepaid expenses (Note 20).

The Company has constituted a provision for taxes as a result of the fiscal control in amount of RON 782.824 (Note 26).

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25. TRANSACTIONS WITH RELATED PARTIES

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

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

TMK delivers its products, together with a large package of services (especially on heat treatment, tubes coated with corrosion protection systems for large depths, premium threaded connections, and other). PAO TMK is a public company registered in Russian Federation. TMK shares are listed on the main stock exchange from Russia – MICEX-TRS. GRD's sale are traded at London Stock Exchange and ADR's – at OTCQX International Trading Premier in USA.

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

Society	Country home	Relationship
- PAO TMK Russia	Russia	final parent
- TMK Europe GmbH Koln, Germania	Germany	parent (major shareholder)
- TMK IPSCO INTERNATIONAL, L.L.C., USA	USA	Related, under common control
- TMK IPSCO CANADA L.T.D., Canada	Canada	Related, under common control
- TMK Middle East, Dubai, United Arab Emirates	United Arab Emirates	Related, under common control
- TMK-RESITA S.A. Resita	Romania	Related, under common control
- TMK GLOBAL SA Zurich	Switzerland	Related, under common control
- TMK Italia s.r.l. Lecco, Italia	Italy	Related, under common control
- Sinarsky pipe plant RUSIA	Russia	Related, under common control
- OJSC Volzsky Pipe Plant RUSIA	Russia	Related, under common control
- RosNITI JSC RUSIA	Russia	Related, under common control
- TMK-Inox RUSIA	Russia	Related, under common control
- Trade House TMK	Russia	Related, under common control
- TMK Real Estate SRL	Romania	Related, under common control
- TMK Assets SRL	Romania	Related, under common control
- TMK Land SRL	Romania	Related, under common control
- TMK Gulf International Pipe Industry L.L.C.	Sultanate of Oman	Related, under common control
- SCEA Domaine de Bebian	France	Related, under common control
- TMK Industrial Solutions LLC, Houston	USA	Related, subsidiary sole control

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25. TRANSACTIONS WITH RELATED PARTIES (continued)

The balances of transactions with related parties

Trade Receivables	Stand-alone		Consolidated	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RON	RON	RON	RON
TMK RESITA S.A.	8.193.734	7.778.750	8.193.734	7.778.750
Sinarsky pipe plant Russia	1.060.472	-	1.060.472	-
TMK Middle East Dubai	922.651	333.703	922.651	333.703
PAO TMK Russia	379.364	-	379.364	-
TMK Industrial Solutions LLC, Houston	284.199	1.526.619	-	-
TMK Italia s.r.l. Italy	22.770	-	22.770	-
TMK Assets Bucharest	1.071	3.600	1.071	3.600
TMK IPSCO International USA	-	27.171	474.675	324.750
Land Properties Investments Bucharest	-	720	-	720
Total	10.864.261	9.670.563	11.054.737	8.441.523

Other Assets	Stand-alone		Consolidated	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RON	RON	RON	RON
TMK RESITA S.A. (advances for purchase of goods)	75.898.031	98.019.745	75.898.031	98.019.745
PAO TMK (sundry debtors)	655.880	459.880	655.880	459.880
TMK Assets Bucharest (long-term receivables - guarantees)	45.062	44.936	45.062	44.936
TMK RESITA S.A. (sundry debtors)	31.041	72.545	31.041	72.545
Trade House TMK Russia (sundry debtors)	2.049	2.044	2.049	2.044
TMK-Inox Russia (sundry debtors)	608	-	608	-
TMK Industrial Solutions LLC, Houston (settlements between affiliates)	-	318.159	-	-
TMK Industrial Solutions LLC, Houston (interest for settlements between affiliates)	-	3.392	-	-
TMK Industrial Solutions LLC, Houston (sundry debtors)	-	39.137	-	-
Total	76.632.671	98.959.838	76.632.671	98.599.150

Trade Payables	Stand-alone		Consolidated	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RON	RON	RON	RON
PAO TMK Russia	161.903.456	109.108.523	161.903.456	109.108.523
TMK Europe GmbH Germany	2.099.829	5.194.568	2.099.829	5.194.568
TMK Industrial Solutions LLC, Houston	1.999.719	246.102	-	-
TMK Italia s.r.l. Italy	738.803	712.579	738.803	712.579
RosNITI JSC Russia	15.966	27.247	15.966	27.247
TMK Assets Bucharest	920	867	920	867
TMK-Inox Russia	55	55	55	55
Sarl Prieure Saint Jean de Bebian France	-	90.808	-	90.808
Total	166.758.748	115.380.749	164.759.029	115.134.647

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25. TRANSACTIONS WITH RELATED PARTIES (continued)

Other liabilities	Stand-alone		Consolidated	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RON	RON	RON	RON
TMK Europe GmbH (loan)	91.578.611	104.867.546	91.578.611	104.867.546
TMK Europe GmbH Germany (interest owed at reporting date)	160.542	167.117	160.542	167.117
Total	91.739.153	105.034.663	91.739.153	105.034.663

Transactions with related parties

Sales (Turnover)	Stand-alone		Consolidated	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RON	RON	RON	RON
TMK RESITA S.A. (waste product, pipes, re-invoiced ferro materials from domestic market (Metalimpex), perceives commission, management services)	15.427.949	11.814.005	15.427.949	11.814.005
TMK IPSCO International USA (pipes)	-	7.867.147	2.778.145	8.076.903
TMK Middle East Dubai (pipes)	1.522.278	827.847	1.522.278	827.847
TMK Industrial Solutions LLC, Houston (pipes for resale, audit services)	1.975.643	-	1.975.643	-
Sinarsky pipe plant Russia (pipes)	1.051.554	323.409	1.051.554	323.409
TMK GLOBAL Switzerland (pipes)	-	-	-	-
TMK IPSCO Canada (pipes)	-	89.370	-	89.370
TMK Italia s.r.l. Italy (audit services)	22.994	2.232	22.994	2.232
TMK Europe GmbH Germany (audit services)	-	(1.909)	-	(1.909)
TMK Assets Bucharest (management services)	2.475	2.250	2.475	2.250
TMK Real Estate Bucharest (management services, sale of property, plant and equipment and other materials)	-	5.250	-	5.250
Land Properties Investments Bucharest (management services)	800	1.200	800	1.200
PAO TMK Russia (claim for billets - raw material)	382.496	-	382.496	-
Total	20.386.188	20.930.801	23.164.333	21.140.557

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25. TRANSACTIONS WITH RELATED PARTIES (continued)

Purchases	Stand-alone		Consolidated	
	30 June 2017 RON	30 June 2016 RON	30 June 2017 RON	30 June 2016 RON
TMK RESITA S.A. (billets - raw materials, spare parts, repair services)	248.610.408	201.500.459	248.610.408	201.500.459
PAO TMK Russia (advisory services, billets and pipes for resale, billets - raw materials)	118.691.402	78.764.633	118.691.402	78.764.633
TMK Europe GmbH Germany (materials re-invoiced to TMK Resita, pipes and billets selling commission, materials for own consumption, extra charges for quality claims)	5.240.733	13.569.184	5.240.733	13.569.184
TMK Italia s.r.l. Italy (extra charges for quality claims, pipes and billets selling commission)	4.548.837	4.416.629	4.548.837	4.416.629
TMK Industrial Solutions LLC, Houston (agent commission, marketing expences)	4.058.933	412.013	-	-
TMK Assets Bucharest (rent and apartment maintenance, re-invoice of electric energy)	273.629	44.643	273.629	44.643
TMK Real Estate Bucharest (rent and apartment maintenance, car rent)	-	228.626	-	228.626
TMK Ipsco International USA (extra charges for quality claims)	-	144.559	-	144.559
TMK INOX Russia (steel pipes for resale)	-	124.855	-	124.855
RosNITI JSC Russia (research and development services)	16.515	18.154	16.515	18.154
Total	381.440.457	299.223.755	377.381.524	298.811.742

Borrowings within the Group – short-term

TMK Europe GmbH Germany, is creditor with the amount of RON 19.581.770 equivalent of EURO 4.300.000 of the borrowing agreement no. 2016/2A from 24.11.2016 in amount of EURO 5.000.000, with an interest of 3.5% per year and final due date in 29.09.2017.

Borrowings within the Group – long-term

TMK Europe GmbH Germany it is creditor with the amount of RON 71.996.841 representing USD 18.037.540,03 related to the borrowing agreement w/n/01.12.2008, respectively the assignment of receivables no. 054/20.02.2002 from AVAS (AVAB) in initial amount of 22.837.540,03 USD and 38.425,07 RON.

In 2015 have been reimbursed 4.800.000 USD and 38.425,07 RON from the loan in accordance with the payment schedule.

The Company established guarantees in favour TMK EUROPE GmbH Germany, as follows:

1. First rank mortgage on the land with an area of 203.651,82 square meters and the buildings constructed;
2. Pledge without disposal first rank on hot rolling line, rolling HPT 250, ultrasonic NDT facility; AWW250 Assel mill, Planer D 38-90; oven FTT SKW75 Pilger mill, heating installation induction, heat treatment furnace rank normalization and the other assets of the TMK-ARTROM under registration no 2004-1080142242453-QJU/24.03.2004.
3. First rank mortgage on land in area 211.614,54 sqm and related buildings inside TMK-ARTROM under the contract no. 1869/14.10.2003.
4. Real guarantee without disposal of goods first rank over the other assets of TMK-ARTROM as enrolment in movable electronic archive, no 2002-1034612284359-IUD/14.10.2003.

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25. TRANSACTIONS WITH RELATED PARTIES (continued)

During the EGMS from November 17, 2008 there has been approved the change in the nature and the payment postponement of debt owed by the Company to TMK Europe GmbH in amount of USD 22.837.540,03 in the following conditions. The debt shall be paid in 57 instalments starting from 25 January 2014 until 25 September 2018 inclusively.

The first 56 monthly instalments will be worth 400.000 USD and the 57th will be worth 437.540.03 USD.

The payment of debt amounting to 38.425,07 RON of the Company to TMK Europe GmbH from 25 January 2014 will be paid in USD at the official RON/USD exchange rate of the National Bank of Romania on the last working day of year 2013. The debt has an interest rate of LIBOR + 0.5% per year starting on 1 January 2009.

The interest is calculated and paid on the 15th of each month for the previous month.

In 21.11.2013 was signed Amendment No. 1 to Contract of 01.12.2008 according to which the loan reimbursement begins with 25.01.2015, maintaining the same number of instalments.

In 3.12.2015 was concluded Addendum no .2 on which repayment of loan shall be suspended for a period of three years and will be resumed starting in January 2019 in 44 instalments in the amount of 400.000 USD and a last instalment of 437.540,03 USD as a result on 31.12.2015 the full amount of the loan was long-term.

On 08.08.2016 according to Addendum no. 3 were expressly dropped all the movable and immovable guarantees mentioned above.

The interest due by TMK-ARTROM S.A. on 30.06.2017 is of USD 25.912, respectively RON 103.429.

Cash compensations granted to key-employees registered in first semester of year 2017 are in amount of RON 8.269.962 (30 June 2016: RON 7.818.721).

TMK ARTROM S.A.
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as of 30 June 2017

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26. PROVISIONS

Other short-term provisions	Stand-alone		Consolidated	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RON	RON	RON	RON
Accruals for managers bonuse	1.607.379	1.786.442	1.915.808	1.916.512
Provisions for taxes	782.824	782.824	782.824	782.824
Provisions for quality complaints material cost	358.198	240.506	358.198	240.506
Provisions for quality complaints additional cost	123.525	56.770	123.525	56.770
Accruals for unused vacations	32.500	32.500	32.500	32.500
Total	2.904.426	2.899.042	3.212.855	3.029.112

Other long-term provisions	Stand-alone		Consolidated	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RON	RON	RON	RON
Provisions for decommissioning property, plant and equipment LT	219.350	219.350	219.350	219.350
Provisions for quality complaints additional cost LT	7.931	7.931	7.931	7.931
Total	227.281	227.281	227.281	227.281

The movement in stand-alone short-term provisions are as follows:

Short-term provisions	Provisions for quality complaints material cost	Provisions for quality complaints additional cost	Accruals for manager bonuses	Accruals for unused vacations	Provisions for taxes	Provisions for risks and expenses	Total
At 1st January 2016	231.652	55.374	1.719.322	5.638	893.743	843.546	3.749.275
Expense with provisions recognized in statement of income	415.309	98.418	1.786.442	26.862	-	-	2.327.031
Amounts used	(406.455)	(97.022)	(1.719.322)	-	(110.919)	(338.904)	(2.672.622)
Unused amounts reversed	-	-	-	-	-	(504.642)	(504.642)
At 31 December 2016	240.506	56.770	1.786.442	32.500	782.824	-	2.899.042
Expense with provisions recognized in statement of income	266.759	99.931	1.607.378	-	-	-	1.974.068
Amounts used	(149.067)	(33.176)	(1.786.441)	-	-	-	(1.968.684)
At 30 June 2017	358.198	123.525	1.607.379	32.500	782.824	-	2.904.426

The movement in consolidated short-term provisions are as follows:

Short-term provisions	Provisions for quality complaints material cost	Provisions for quality complaints additional cost	Accruals for manager bonuses	Accruals for unused vacations	Provisions for taxes	Provisions for risks and expenses	Total
At 1st January 2016	231.652	55.374	1.719.322	5.638	893.743	843.546	3.749.275
Expense with provisions recognized in statement of income	415.309	98.418	1.916.512	26.862	-	-	2.457.101
Amounts used	(406.455)	(97.022)	(1.719.322)	-	(110.919)	(338.904)	(2.672.622)
Unused amounts reversed	-	-	-	-	-	(504.642)	(504.642)
At 31 December 2016	240.506	56.770	1.916.512	32.500	782.824	-	3.029.112
Expense with provisions recognized in statement of income	266.759	99.931	1.785.737	-	-	-	2.152.427
Amounts used	(149.067)	(33.176)	(1.786.441)	-	-	-	(1.968.684)
At 30 June 2017	358.198	123.525	1.915.808	32.500	782.824	-	3.212.855

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26. PROVISIONS (continued)

As at 30 June 2017 stand-alone and consolidated long-term provisions did not register any movement.

Long-term provisions	Provisions for quality complaints material cost	Provisions for quality complaints additional cost	Provisions for decommissioning property, plant and equipment	Total
At 1st January 2017	-	7.931	219.350	227.281
At 30 June 2017	-	7.931	219.350	227.281

27. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES

The main financial liabilities of TMK-Artrom S.A. include bank loans, trade payables, loans from Group and leasing contracts. The main purpose of these financial liabilities is to increase the financing for Company's operations. The Company has also financial assets such as trade account receivables, cash and deposits, which result directly from its operations.

During its current activity, the Company is exposed to a number of financial risks: market risk (which includes interest rate risk, foreign currency risk and other price risk), liquidity risk and credit risk. The disclosure shows the Company's sensitivity towards all of each risks. The Management Committee establishes and revises the policies in order to supervise each category of risks presented below.

Market risk

The Company is exposed to risks from movements in interest rate, foreign currency exchange rates and market prices that affect its assets, liabilities and anticipated future transactions.

Interest rate risk

Interest rate risk is the risk that the fair value of cash flows of financial instruments will fluctuate because of changes in the market of interest rates. The policy of minimizing this risk is supervised by Financial Management and it is coordinated also by Financial Department of PAO TMK Group.

TMK-ARTROM borrows mainly on variable interest rates. In first semester of year 2017, 94,28% from loans had variable interest rates, the rest fixed rate, EURIBOR serves mainly as the basis for the calculation of interest rate. Loans which had LIBOR as calculation basis for the interest rate represented 21% of portfolio at 30.06.2017 and 30% at 30.06.2017. At 30 June 2017 and at 31 December 2016 the Company did not had in balance loans with ROBOR calculation basis. The market evolution in the last 3 years of EURIBOR and LIBOR made the Company not to consider necessary to use hedge instruments, but the Company monitors interest rates level and it is disposed to use hedging instruments if it considers that it is necessary. In year 2017 EUROBOR registered negative values being levelled at 0 according to credit contracts.

On 30 June 2017, the Company did not have financial assets with variable interest rate.

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27. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES (continued)

The following table demonstrates the analysis of sensitivity to possible changes in interest rate, with all other variables held constant of the profit before tax.

	Variation in margin	Effect on profit before tax (thousands RON)	Effect on equity (thousands RON)
30 June 2017			
increase in LIBOR	10	(36,5)	(30,7)
decrease in LIBOR	(10)	36,5	30,7
31 December 2016			
increase in LIBOR	10	(38,4)	(32,2)
decrease in LIBOR	(10)	38,4	32,2

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 at half-year 2017 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.

The exposure to the risk of exchange rate is detailed in Note 27 the paragraph "Financial instruments, cash and deposits" below.

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the profit before tax:

	Percentage volatility	Effect on profit before tax (thousands RON)	Effect on equity (thousands RON)
30 June 2017			
EUR/RON	10%	(34.109)	(28.651)
EUR/RON	-10%	34.109	28.651
USD/RON	10%	(1.329)	(1.116)
USD/RON	-10%	1.329	1.116
31 December 2016			
EUR/RON	10%	(17.953)	(15.081)
EUR/RON	-10%	17.953	15.081
USD/RON	10%	(7.018)	(5.895)
USD/RON	-10%	7.018	5.895

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27. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk arises when the Company encounters difficulties to fulfil commitments associated with liabilities. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities, under both normal and stressed conditions, without incurring unacceptable losses to Company's reputation.

The Company tries to target an optimal ration between equity and total debt and to maintain an appropriate level of liquidity and financial capacity as to minimize interest expenses and to have an optimal profile of composition and duration of liabilities. As at 30.06.2017 about 58% from the total of loans and borrowings are due in the following 12 months, because the indebtedness rate is monitored in the way it do not exceed the limit established by the management. We also mention that the access to the financing sources it is available, and the bank loans due in 12 months can be extended with the existing creditors according to the contracts in force.

The table below summarizes the maturity profile of the Company's financial liabilities, including interest payments:

Stand-alone

Liquidity risk	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
30 June 2017					
Interest bearing loans (including future interest)	1.910.050	202.979.960	145.680.714	6.560.017	357.130.741
Leasing	106.426	270.300	1.055.900	-	1.432.626
Other non-current liabilities	-	-	693.589	-	693.589
Trade and other payables	163.638.688	81.878.135	-	-	245.516.823
Total	165.655.164	285.128.395	147.430.203	6.560.017	604.773.779
31 December 2016					
Interest bearing loans (including future interest)	54.893.353	145.352.739	83.384.762	17.478.024	301.108.878
Leasing	52.213	120.301	31.525	-	204.039
Other non-current liabilities	-	-	568.414	-	568.414
Trade and other payables	150.691.513	19.298.639	-	-	169.990.152
Total	205.637.079	164.771.679	83.984.701	17.478.024	471.871.483

Consolidated

Liquidity risk	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
30 June 2017					
Interest bearing loans (including future interest)	1.910.050	202.979.960	145.680.714	6.560.017	357.130.741
Leasing	106.426	270.300	1.055.900	-	1.432.626
Other non-current liabilities	-	-	693.589	-	693.589
Trade and other payables	165.471.507	81.878.135	-	-	247.349.642
Total	167.487.983	285.128.395	147.430.203	6.560.017	606.606.598
31 December 2016					
Interest bearing loans (including future interest)	54.893.353	145.352.739	83.384.762	17.478.024	301.108.878
Leasing	52.213	120.301	31.525	-	204.039
Other non-current liabilities	-	-	568.414	-	568.414
Trade and other payables	150.503.293	19.298.639	-	-	169.801.932
Total	205.448.859	164.771.679	83.984.701	17.478.024	471.683.263

27. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES (continued)

Financial indicators of the loan contracts were respected as at 30 June 2017 and up to the date of the approval of the financial statements.

Credit risk

Credit risk represents the potential exposure of the Company to losses that would be recognized if counterparties failed to fulfil their commitments on due date, according to a financial instrument, to a contract, therefor leading to a financial loss.

The Company is exposed to credit risk from its operating activities (mainly for trade receivables) and from its financing activities, including deposits in banks and in financial institutions, currency exchange transactions and other financial instruments.

Net cash

Net cash from operating activities decreased in first semester of year 2017 compared to the same period of previous year due to the increase of turnover, the increase of liabilities with higher values compared with the increase of inventory and the increase of the profit before tax.

Net cash from investing activities decreased in half-year 2017 compared to the same period of previous year due to the higher volume of payments made for purchases of property, plant and equipment mainly for the execution of the investment "Heat treatment complex".

Net cash from financing activities increased in first semester 2017 compared to the same period of previous year due to the use of investment loan BCR ERSTE on 7 years, of credit for funding general needs UNICREDIT BANK and of uncommitted Overdraft loan on 3 years from BANCPOST, but also due to the reimbursements made from existing loans.

Trade receivables

Client's credit risk is monitored according to established policy, to procedures and to supervision regarding clients' credit risk management.

Within the Entity, the adjustments for impairment related to clients 90 day outstanding is computed according to five risk categories:

A = Companies with temporary problems	0%;
B = Steady companies	15%;
C = Unsteady companies	30%;
D = Companies in a pre-bankruptcy stage	50%;
E = Bankrupt companies	100%.

27. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES (continued)

For 100% risks, a provision for all recorded client invoices not received is set, not only for those 90 day outstanding.

The classification into the five categories will be made as follows:

A = Companies with temporary problems 0%;

We have the debtors' assurance that the payment will be made at once. The payment was not made for technical reasons (the invoice was issued late, or it was incorrectly prepared, but the client always pays on time. The document included errors.)

B = Steady companies 15%

The debtor' financial situation shows that they have enough resources to make the payment, they guarantee the payment will be made and mention the payment term and have liquid assets.

They have not been sued because intensive work is conducted with them and the payment schedule was prepared.

A 15% risk is assigned when the payment schedule is prepared and several amounts have been paid. The department in charge with the receivables has enough information (Balance Sheet, Income Statement) and the Financial Department can perform a financial analysis on these clients.

C = Unsteady companies 30%

Following analysis of the financial situation and the feedback to the request to pay the debt, the management has decided to initiate legal proceedings. The attorneys are confident they will win. All clients sued are classified in the C category. If the financial analysis shows they have the sources to make the payment and choose not to make it, they will be classified as:

D = Companies in a pre-bankruptcy stage 50%

All actions to receive the debts have been taken by the Financial and Legal Departments. Debt collection has been transferred to the Security Service and the probability to receive the debts is possible and/or likely. When the client is in this situation, it is virtually impossible to receive the debt (the company Security Service is in charge).

E = Bankrupt companies 100%

In this case, a provision for the entire receivable of the client, regardless of the maturity, is set. The analysis prepared by the Legal Department for each individual case and the commercial analysis of internal and external clients will be attached.

The case is submitted to the Company's Management and the Board of Directors for approval.

Starting 1 July 2011 a Commercial Credit Committee was elected and its regulation started to take effect for a better coordination of financial discipline and for Company's receivables security.

27. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES (continued)

The provisions of this regulation are applied on sales done directly to third parties, on both internal and external parties, on sales for client with TMK Italy and agent TMK EUROPE as well as directly on adjacent markets from East Europe.

The monitoring activity of credit risk is performed according to a set of guidelines and technique measurements which qualify and monitor counterparty risk.

The Company sells its products to external and internal partners and it offers them credit limits from 30 to 90 days, depending on their reliability.

The offered credit limits are approved by Commercial Credit Committee and they are revised quarterly, but they can be updated during the year when it is necessary. They are set in order to minimize concentration of risks and to reduce, therefor, financial losses caused by potential non-payment.

In order to limit the credit risk, the Company signed with COFACE S.A. on 1 October 2012 a contract to secure the non-payment risk for almost the entire portfolio of sales to third parties. In 2013, the Company decided to maintain the contract of securing the non-payment risk with Coface, but this time with the subsidiary from Germany which offered an insurance premium significantly lower under the same conditions as those from the previous year. In December 2014 and in December 2015 the Company decided to extend the insurance contract signed with COFACE Germany with one more year. In 28 November 2016 the agreement was extended until 28.11.2017. At 30.06.2017 credit limits granted by Coface S.A covered 56% of requested limits for external clients and on internal market 45% of requested limits. As at 30.06.2016 57% from the receivables which are insured were covered by Coface. For 16% from the total third parties receivables were opened irrevocable letters of credit or guarantee letters received. Customers which are not covered by Coface S.A in percentage of 100% and do not have opened letters of credit are carefully monitored in order to limit the possible losses from non-collection.

In first semester 2017 there were no customers which had a percentage higher than 10% from the total turnover.

Financial instruments, cash and deposits

Credit risk which derives from cash and deposits from banks (Banca Comerciala Romana) is coordinated by the Financial Management. A part from the cash and deposit from banks are pledged in favour of banks for securing loans.

Negative differences existing between monetary assets and liabilities are justified by the existing of a long-term loans portfolio for which repayments were taken into account the cash flows resulted from future sales.

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28. AUDIT COMPANIES FEES

The audit of the company is provided by Ernst & Young Assurance Services SRL. It audits the statutory Financial Statements and the Group Reporting Pack issued by TMK-ARTROM. In half-year 2017 for the audit of Financial Statements TMK-ARTROM paid to the audit company the amount of RON 247.970 (RON 208.405 without VAT).

The actuarial valuation of employee benefits, according to IAS 19, it is made by PricewaterhouseCoopers Audit SRL. For these services in half-year 2017 it was paid the amount of RON 7.915 (RON 6.651 without VAT).

29. COMMITMENTS AND CONTINGENT LIABILITIES

Total commitments for the acquisition of property, plant and equipment as at 30 June 2017 are of RON 43.659.559 (31 December 2016: RON 79.273.056).

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.

Future rent expenses (related to operating leasing):

	Stand-alone		Consolidated	
	30 June 2017 RON	31 December 2016 RON	30 June 2017 RON	31 December 2016 RON
Less than one year	436.181	755.890	802.759	1.114.381
Between one and two years	229.200	236.750	609.801	967.712
Between two and three years	229.200	229.200	623.823	1.346.612
	894.581	1.221.840	2.036.383	3.428.705

There are no significant contingent liabilities or commitments to be presented.

30. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period end to be presented.

Chief Executive Officer,
Ing. Popescu Adrian

Chief Economical and Accountancy Officer,
Ec. Vaduva Cristiana



TMK-ARTROM S.A.

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Subscribed and Paid Share Capital: 291.587.538,34 lei

Statement of Management Responsibilities

Pursuant to the legal stipulations of the Law no. 24/2017 regarding issuers of financial instruments and market operations and NSC Regulation no. 1/2006 issued by the Romanian National Securities Commission (RNSC), currently the Financial Supervisory Authority (FSA) – Instruments and Financial Investments Sector for issuers and operations with securities, the Management of the Group states that:

1. We confirm to the best of our knowledge that the consolidated half-yearly financial statements of TMK-ARTROM SA SLATINA and its subsidiary TMK Industrial Solutions LLC and stand-alone half-yearly financial statements of TMK-ARTROM SA SLATINA, prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position, profit and loss account of the Group and of the Company for the for the six months ended 30 June 2017;
2. The Consolidated Directors' Report gives a true and fair view of the development and the performance of the Group and of the Company.

The consolidated and separate financial statements of TMK-ARTROM SA SLATINA together with its subsidiary TMK Industrial Solutions LLC and stand-alone of TMK-ARTROM SA SLATINA for the year ended 30 June 2017 are audited.

Chief Executive Officer,
Ing. Popescu Adrian

Chief Economical and Accountancy Officer,
Ec.Vaduva Cristiana