TMK-ARTROM S.A.

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

SEPARATE AND CONSOLIDATED REPORT OF ADMINISTRATION

("Report")

Prepared in accordance with ORDER MFP 881 and 2844/12.12.2016 as amended and supplemented, regarding the Accounting Regulations in compliance with the International Financial Reporting Standards, Law no. 24/2017 on Issuers of Financial Instruments and Market Operations and F.S.A. Regulation no. 5/2018 on Issuers of Financial Instruments and Market Operations regarding the consolidated activity of the TMK-ARTROM SA parent company for the financial year 2019 and the consolidated activity of the TMK-ARTROM Group for the financial years 2017, 2018 and 2019.

This report will accompany the separate financial statements and the consolidated financial statements for the year 2019 together with the restated consolidated financial statements for the years 2017 and 2018.

The Company and its significant Romanian subsidiary, TMK-REŞIŢA S.A. ("**TMK-Resita**"), together with TMK-Italia s.r.l. ("**TMK-Italy**") and TMK Industrial Solutions LLC ("**TMK-USA**"), and TMK Assets S.R.L. ("**TMK-Assets**") are a group within the meaning of this Report, the "Group" or "TMK Artrom Group". Only in the purpose of this Report, the Group together with its major shareholder, TMK Europe GmbH, under common control of PAO TMK, will be named " TMK Group".

The Group TMK Artrom decided to apply the consolidation method by pooling interests called by IFRS "pooling of interests" to consolidate the financial statements of all entities under its joint control. As a result the acquisition of the majority of the share capital of TMK Reşiţa on 21 December 2018, the consolidated financial statements issued under IFRS for the years 2016 and 2017 were restated for the entire Group and of the acquisition of the majority of the share capital of TMK Italia on 5th of February 2019, the consolidated financial statements issued under IFRS for the years 2017 and 2018 were restated for the entire Group.
TMK Artrom Group applied in the Consolidated Financial Statements the method of pooling of interests as newly acquired (direct or indirect) subsidiaries were acquired from entities under joint control of the TMK Group (acquisition from TMK Europe GmbH which is 100% owned by PAO TMK) and, therefore, from the perspective of the party controlling the TMK group, there has been no change in control.
Under the pooling method, the assets and liabilities of the subsidiaries transferred under joint control are presented at the predecessor's accounting data. Consequently, as TMK's financial statements do not consolidate at TMK Europe GmbH level but directly at PAO TMK, the value reflected by the consolidated financial statements of the TMK Group for TMK RESITA and other indirect subsidiaries, transferred on 21 December 2018 and respectively for TMK –Italia transferred on 5 February 2019 is the reflected at the same value in the Group's Restated Consolidated Financial Statements for the years 2019, 2018, 2017. Thus, the subsidiaries' assets included in the Consolidated Financial Statements of the Group for 2019, 2018, 2017 are reflected in the amounts recognized in the financial statements of the TMK Group prepared in accordance with IFRSs and are based on the fair values from the original acquisition date by TMK (through TMK Europe GmbH). As the financial statements do not consolidate at TMK Europe GmbH but at the PAO TMK level, whenever the notion of predecessor is used in this Report, it will be understood purely for accounting purposes PAO TMK.

DISCLAIMER: This Report has been drafted in Romanian and the English version represents solely an informal translation of the Romanian version. In case of discrepancies between the two version, the Romanian version shall prevail.

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SEPARATE AND CONSOLIDATED REPORT OF ADMINISTRATION

For the financial year 2019, prepared in accordance with ORDER MFP 881/25.06.2012 and 2844/12.12.2016 as amended and supplemented, regarding the Accounting Regulations in compliance with the International Financial Reporting Standards, Law no. 24/2017 on Issuers of Financial Instruments and Market Operations and F.S.A. Regulation no. 5/2018 on Issuers of Financial Instruments and Market Operations regarding the consolidated activity of the TMK-ARTROM Group and the TMK-ARTROM parent company for the financial years 2017,2018 and 2019.

Informative data:

TMK-ARTROM SA

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

TMK-ARTROM Group - component entities at 31 December 2019

Company name	Parent company/ Shareholder	Shareholding (%)
TMK-Artrom S.A.	TMK Europe GmbH	92.7282*
TMK Industrial Solutions LLC	TMK-Artrom S.A.	100
TMK Reşiţa S.A.	TMK-Artrom S.A.	99.99237
TMK Reşiţa S.A.	TMK Italia S.r.l	0.00763
TMK Assets S.R.L.	TMK Reşiţa S.A.	100
TMK Italia S.r.l	TMK-Artrom S.A.	100

*starting with 29 January 2020, TMK Europe owns 98.83% from the share capital of TMK-Artrom

In this report, the terms „ TMK-ARTROM Group", „ The Group" are sometimes used for practical reasons when referring to TMK-ARTROM and its subsidiary in general, and the terms „Company", "The Parent Company" and „The Company" are sometimes used for practical reasons when referring to TMK-ARTROM.

INTRODUCTION

Overview

Information about the Group

TMK- ARTROM SA was established in 1982, is a joint stock company registered in Slatina, Drăgăneşti Street, no. 30, Olt County, Romania. The plant is specialised in the production of seamless pipes for industrial applications, including mechanical or automotive engineering. The main activity of the company is the production of tubes, pipes, hollow profiles and related fittings, of steel NACE 2420.

The Company is a wholly private equity company whose majority shareholder TMK Europe GmbH gained control in 2002 (at that moment, Sinara Handel GmbH). TMK-EUROPE Gmbh has sole shareholder Russian company - PAO TMK. (On 9 July 2015, OAO TMK changed its name to PAO TMK). PAO TMK has its headquarters in Moscow, Russia. The final beneficiary of PAO TMK is D.A. Pumpyanskiy. The consolidated financial statements of the TMK Group are available for consultation by the public at www.tmk-group.com.

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

The company is administered by a Board of Directors consisting of seven (7) members while the daily operations of the company are run by a Management Board consisting of seven (7) members.

The President of the Management Board is The Chief Executive Officer and member in the Board of Directors and represent the Company in the relations with third parties. The others members of the Management Board are executive officers and are not members of the Board of Directors.

TMK-ARTROM currently holds an important share of the European market for industrial seamless pipes including mechanical pipes, hydraulic cylinders, pipes for the automotive and power industry. More than 85% of the pipe production of the plant is destined for the outside, mainly in countries of the European Union, USA and Canada.

TMK REŞIŢA S.A. is a closed joint stock company organized according to the Romanian legislation with private capital. The social and administrative headquarters of the Company are in Romania, Caras-Severin County, REŞIŢA, Traian Lalescu Street, no.36, registered with the Trade Register under no. J11 / 59/1991, CUI 1064207 (hereinafter referred to as "TMK -Resita"). The main object of activity is the production of ferrous metals in primary forms and ferro-alloys, NACE code 2410.

In July 1771, the first two blast furnaces were commissioned for the steel mill in Resita.. CSR expanded and went on to become a major European steel mill during the 19th and 20th centuries. The steel mill was nationalised in the mid-1900s and was operated by the Romanian government. Renamed Combinatul Siderurgic Resita S.A., the company was listed on the RASDAQ on November 11th 1996 and become public. The company then went through a difficult transition period, including a failed privatization in 2000 and its subsequent reorganization procedure. The problems at that time and the conflicting interests led to the cancellation of the first privatization and demanded the return of CSR to the Romanian government.

The privatization process resumed in 2003, and in mid-2004 the company was sold by AVAS to Sinara Handel GmbH (now TMK Europe GmbH).

The acquisition of the company by the TMK group has quickly proven to be beneficial for CSR (renamed TMK-REŞIŢA in 2006), as investments in production and management capabilities combined with financial aid have helped restore and modernize the factory and restore steel to the center of the community.

The company is administered by a Board of Directors consisting of five (5) members while the daily operations of the company are run by a Management Board consisting of seven (7) members. The President of the Management Board is the Chief Executive officer and member of the Board of Directors and represent the company in the relation with third parties. The other six members of the Management Board are executive officers appointed by the Board of Directors and are not members of the Board of Directors.

TMK INDUSTRIAL Solutions LLC was registered on 26 April 2016 with a share capital of 1.000 USD having as sole associate TMK-ARTROM SA. and act as trade agent for promoting and sale of industrial pipes produced by the TMK companies for the US market. The purpose of this investment is to develop a sales system specializing in industrial pipes in the American market that will increase the turnover of the company and the group in this field. TMK INDUSTRIAL Solutions LLC is headquartered in 10940 W. Sam Houston Pkwy N., apartment Houston 325, TX 77 064, USA and operating under US law, Delaware.

TMK ASSETS SRL is a limited liability company organized according to the Romanian legislation, with private capital, having its registered office in Bucharest, District 1, Daniel Danielopolu street no. 2, ground floor, room 2, registered with the Trade Register under no. J40 / 12479/2006, fiscal code RO 18902022. The main object of activity is renting and sub-leasing of own or rented real estate, NACE code 4110. The sole associate is TMK REŞIŢA SA.

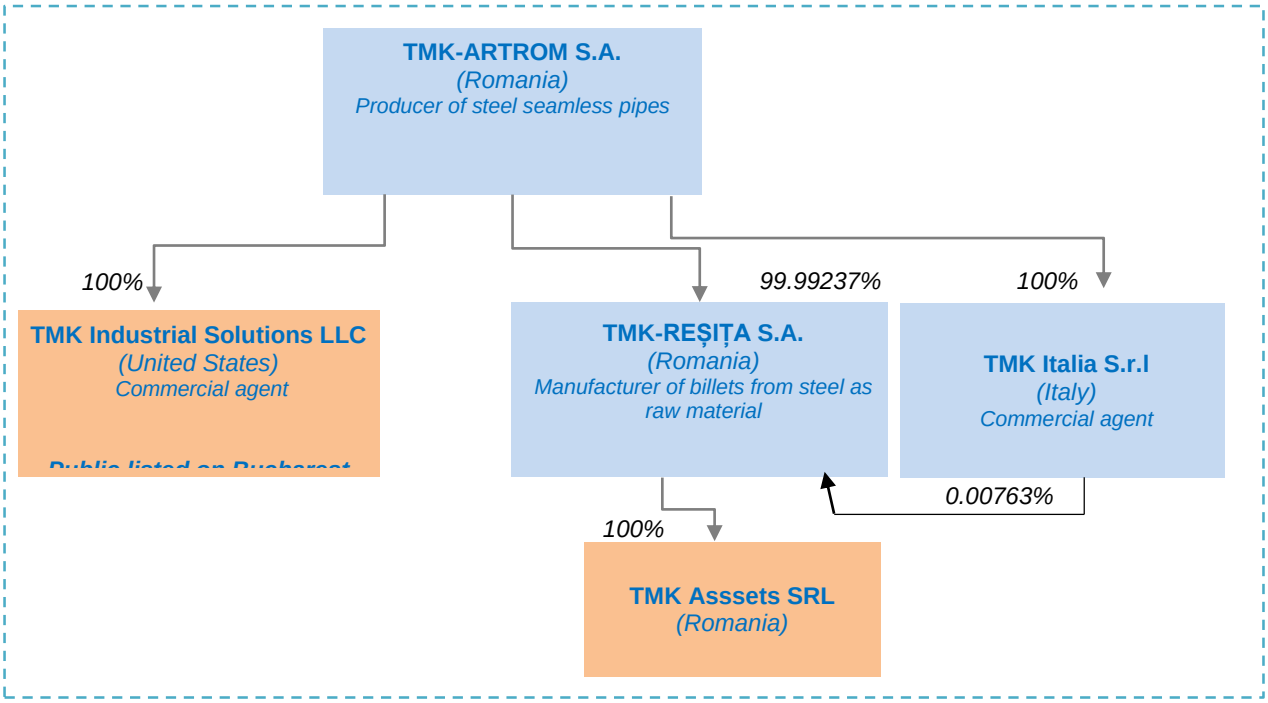
Land Properties Investments S.R.L. is a limited liability company having its registered office in Bucharest, No. 2 Daniel Danielopolu Street, chamber 1, District 1, Romania. The company operates on the real estate market, CAEN code 4110. The company was liquidated and dissolved in 2017.

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

TMK Italia owns 0.00763% from TMK-Reşiţa's shares.

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

Group structure at 31.12.2019



Important Events in the Financial Year 2019

The main events that took place in the financial year 2019

February

On **February 5, 2019** TMK-Artrom S.A. finalized the purchase of all the shares held by TMK Global SA in its capacity as sole shareholder in TMK Italia SRL, namely 50,000 shares, with a nominal value of EUR 1 each, in total EUR 50,000, representing 100% of the share capital of TMK Italia at the price 1,730,800, EUR approved by the Board of Directors of TMK-Artrom SA, legally gathered on 28 November 2018.

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

March

On **March 1st, 2019** the Company published a current report in which mentioned that it had been informed by its majority shareholder, TMK Europe GmbH, that TMK Europe is exploring available financing options, including a potential secondary public offering of shares held in the Company.

April

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

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

- 13 September 2019 shall be the record date set in accordance with Article 86(1) of the Capital Market Law (the "Record Date") and

- 12 September 2019 shall be the ex-date set in accordance with ASF Regulation 5/2018 (the "Ex-date"); and

- 4 October 2019 shall be the payment date of the dividends, set in accordance with Article 178(2) of ASF Regulation 5/2018 (the "Payment Date").

On April 5, 2019 the Extraordinary General Meeting of the Shareholders of TMK - ARTROM S.A. decided to approve the increase of the share capital with maximum RON 188,250,000, through cash contribution, from the current value of RON 291,587,538.34 to the maximum amount of RON 479,837,538.34, by issuance of maximum 75,000,000 new shares with the nominal value of RON 2.51 each, for the purpose of raising cash in order to reduce the debts of the Company, decision revoked on 4 July 2019 (see subsequent events). The EGMS also decided to approve the dividend distribution policy in the form proposed by the shareholder of TMK Europe GmbH made available to the shareholders on the Company's website and to approve the rules of the general meetings of the shareholders in the form made available to the shareholders on the Company's website.

On April 16, 2019 TMK- Artrom S.A. as borrower, executed the facility agreement with VTB BANK (EUROPE) SE, as arranger, facility agent and original lender, according to which the bank will make available a revolving credit facility in aggregate amount of EUR 20,000,000 with an initial maturity date of 12 months from the contract's execution date and subject to maximum two extension (with the

aggregate maturity date, following the second extension, of 36 months from the execution date of the Facility agreement) for:

- general corporate purposes of the borrower;
- financing of working capital needs of the borrower;
- refinancing of existing indebtedness of the borrower;
- trade finance operations of the borrower.

On April 24, 2019 TMK- Artrom S.A. published a current report in which mentioned that it had been informed by its major shareholder, TMK Europe GmbH (the "Selling Shareholder"), of its intention to launch a secondary public offering (the "Offering") of up to 69,000,000 existing, nominative shares issued by the Company and owned by the Selling Shareholder, representing approximately 59.3955% of the Company's share capital (the "Offer Shares").

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

May

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

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

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

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

July

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

August

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

September

On September 10, 2019 TMK-Artrom S.A. published a notice regarding the payment of the dividends for year 2018 and the availability of the procedure for dividends' payment.The gross dividend is of RON

0.1229229486/share. The payment of the dividends started on October 4, 2019 (Payment Date), through Depozitarul Central S.A., the Participants to the compensation-settlement and register system (Participants) and BCR Bank as Payment Agent.

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

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

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

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

December

On December 17, 2019 TMK-ARTROM S.A. (the "Borrower") reported the conclusion of addendum no. 5 dated 13.12.2019 to the Loan Agreement , Agreement w\n dated 01.12.2008 with TMK EUROPE GmbH (the "Creditor") , having as object the suspension of the repayment of the Debt from 01.01.2020 until 31.12.2021 and the reimbursement of outstanding amount of USD 17,037,540.03 in 42 instalments in amount of USD 400.000,00, of which the last one will have the value of USD 237,540,03, on the 25th day of each month, starting with January 2022.

Also, **on December 17, 2019** TMK- ARTROM S.A. (the "Buyer") reported the conclusion of an addendum dated 16.12.2019 to the Agreement no.718 dated 21.12.2018 for the purchase of the shares issued by TMK-Resita (the "Agreement") with TMK EUROPE GmbH (the "Seller"), through which clause 2.2 letter b) of the Agreement was modified as following: the remaining price of EUR 62,190,000 shall be paid during a five (5) years period, starting with 2021, in equal installments of EUR 12,438,000 each, no later than 31 December for every year. TMK-Artrom may pay such installments in full or partially in advance, as well as to extend the payment term for such installments (implicitly reducing the value of the installments) for another period of three (3) years, depending on the available financial resources.

The main financial indicators for 2019

The Group TMK-ARTROM

	Consolidated	Consolidated	Consolidated
Financial indicators	**2019**	**2018**	**2017**
	Audited	***Audited and restated***	***Audited and restated***
Production of pipes (tons)	187,667	199,878	192,685
Sale of pipes production TMK -ARTROM (tons)	187,106	200,446	185,416
Income (thousands RON)	1,164,600	1,430,788	1,207,076
Profit (Loss) of the period (thousands RON)	(23,415)	81,210	26,938
Net global result of the period (thousand RON)	(22,392)	81,787	27,641
Adjusted EBITDA * (thousands RON)	96,611	205,664	122,467
EBIT (thousands RON)	10,163	118,291	42,113
Adjusted EBITDA margin, %	8.3%	14.4%	10.1%

TMK-ARTROM SA separate

Financial indicators	**2019**	**2018**	**2017**
	Audited	***Audited***	***Audited***
Production of pipes (tons)	187,667	199,878	192.685
Sale of pipes production TMK -ARTROM (tons)	187,496	200,565	185.614
Income (thousand RON)	1,196,927	1,385,787	1,065,446
Profit (Loss) of the period (thousands RON)	(7,737)	56,570	33,055
Net global result of the period (thousand RON)	(7,626)	56,886	33,091
Adjusted EBITDA * (thousands RON)	70,840	135,885	88,855
EBIT (thousands RON)	11,275	82,428	41,871
Adjusted EBITDA margin, %	5.9%	9.8%	8.3%
Gain/(Loss) per share (RON)	(0.07)	0.49	0.28

* Adjusted EBITDA is determined according to point 5. b) from this report

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

1. ANALYSIS OF THE ISSUER'S ACTIVITY

1.1. a) Description of the issuer's core business:

TMK-ARTROM SA is a joint stock company whose main activity is the production of tubes, pipes, tubular profiles and related fittings, of steel, NACE code 2420.

The company is a privately owned company.
The company headquarter is in Romania, Slatina, 30 Draganesti Street, Olt County.

b) Specifying the date of establishment of the issuer:

TMK-ARTROM SA Slatina was established in 1982 and is registered with the Trade Registry of the Olt Tribunal under the number J28 / 9/1991.

TMK- ARTROM SA SLATINA is a private owned company of which the majority shareholder TMK Europe GmbH has acquired control in 2002.

c) Description of any significant merger or reorganization of the issuer, its subsidiaries or controlled companies during the financial year:

On 28 November 2018 Board of Directors of TMK-Artrom, decided to approve the acquisition by TMK-Artrom of all shares held by TMK Global SA as sole shareholder in TMK Italia SRL. The price for the acquisiton of 50,000 shares, with a nominal value of 1 EUR each, totalling 50,000 EUR, representing 100% of the share capital of TMK Italia, is of 1,730,800 EUR, with a value of 34.61 EUR each share, value determined through the Evaluation Report at 31 October 2018, report issued by Darian DRS SA as at 27 November 2018; the price will be paid by TMK-Artrom from its own financial resources within 90 days from the date of the signing by TMK Global SA and TMK-Artrom of the sale-purchase contract of the shares. The corresponding contract for this transaction was not signed until 31 December 2018.

The transaction was finalized on 5 February 2019 at the price approved by the Board of Directors.

On 21 Dcember 2018 at 11:00 the Extraordinary General Meeting of Shareholders of TMK_Artrom SA approved the purchase of a number of 131,010,874 shares by the Company, representing 99.99237% of TMK-Resita's share capital held by TMK Europe GmbH.

The price of the shares to be paid by TMK-Artrom for a number of 131,010,874 shares, representing 99.99237% of the TMK-Resita's share capital is EUR 62,290,000, that is EUR 0.475/share.

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

1. EUR 100,000 is to be paid within thirty (30) days from the execution of the sale-purchase agreement of the shares concluded between TMK-Europe GmbH and TMK-Artrom and the transfer of the ownership over the shares following the signing of TMK Resita's Shareholders (Shares) Registry by TMK Europe GmbH and TMK-Artrom;
2. The remaining price of EUR 62,190,000 shall be paid during a five (5) years period, starting with 2019, in equal instalments of 12,438,000 EUR each, no later than 31 December for every year. TMK-Artrom may pay such instalments in full or partially in advance, as well as to extend the payment term for such instalments (implicitly reducing the value of the instalments) for another period of maximum five (5) years, depending on the available financial resources.

As this agreement provides for interest-free payment, according to IFRS 9, the debt to TMK Europe is presented at fair value. The initial amount was reduced using the interest rate for a similar loan - the last received from BCR - using the interest rate of 1.9% and the value of 3,148,224 EUR (14,683,001 lei).

As for an amount due from the relationship with the shareholder, the difference between the fair value and the nominal value is transferred as an element of equity.

Thus the debt balance for investments in subsidiaries / subsidiaries to TMK EUROPE as at 31.12.2018 is in the amount of 275,831,330 lei equivalent to 59,141,776 EUR.

Also on 21 December 2018, TMK Italia S.r.l, private equity company headquartered in Lecco, Italy, bought the rest of TMK REŞIŢA's shares. The price of all shares is equal to 4,100 EUR, which represent 0.41 EUR/share. The price was calculated based on the company's value determined by the evaluation report issued by Darian DRS S.A. on 30 September 2018.

d) Description of the purchases and / or disposal of assets:

TMK-ARTROM, one of the top European producers in the production of seamless pipes for industrial applications, has commissioned with the company SMS group, one of the largest manufacturers of lines and equipment for manufacturing processes of all types of pipes, heat treatment plant for seamless steel pipes, named HTP (Heat Treatment Plant).

Heat treatment plant produce seamless steel pipes for applications in oil and gas industry but also high-strength pipes for mechanical applications. Annual production capacity is of 160,000 tons per year and treat the TMK-ARTROM fabricated steel pipes, including extra thick wall pipes up to 60 mm but also larger pipe diameters in line with the company's future development plans. Heat treatment plant has a modern know-how, flexibility of furnaces for performing a wide range of treatments required in applications industrial pipe, an advanced system for management of combustion for both furnaces which ensures a uniform heating of the pipes. The furnaces meet requirements for heat treatment process qualification according to API (American Petroleum Institute) and SAE AMS (Aero-space Material Specification) standards which are the most recognised standards for a large area of applications, like oil and gas, automotive, aeronautical industry.

The heat treatment plant provided by the SMS Group allows for various processes, such as quenching and recovery treatments, normalization treatments annealing or other heat treatment combination.

Thanks to the high flexibility of the product, the heat treatment plant is also suitable for cost-effective processing of small batches and different product groups. Eco-friendly burners with very low nitrogen oxide emissions in the furnace allow for fuel savings of at least 10% compared to conventional burners

Combustion efficiency also ensures a reduction of natural gas consumption by 1.5 million cubic meters / year, reflecting accordingly the CO2 / CO and NOx emissions.

The cumulating of all the benefits of this project leads to the consolidation of TMK Artrom's position in the industrial pipe market and the reduction of the influence of the excessive competitive situation in the area of the common products.

By installing this heat treatment plant, TMK-ARTROM S.A. is enhancing its presence in the market with pipes for mechanical applications and for oil and gas applications.

In the second half of 2018, another pipe loading handling mechanism was installed for this heat treatment plant and was installed in the area where the old CTTR furnace (part of old heat treatment plant) was dismantled.

Other investments made for TMK-ARTROM in 2018 were:

(i) For energy efficiency, was begun replacing mercury fluorescent lamps in the industrial hall: WS.1-ASSEL and WS.2-CPE, with efficient LED-based lighting lamps, and this goal was completed in 2018.

(ii) Various equipment has been purchased, of which the most important are: two pipe cutting machines; and a spindle briquetting press to recover and reuse the blasting oil, and to more efficiently transport TMK-ARTROM to TMK-RESITA span, now in the form of briquettes, and to increase the efficiency of melting them in the Arc Electric Furnace from TMK RESITA.

e) Description of the main results of the issuer's activity evaluation:

1.1.1. General evaluation elements:

According to OMFP no. 881 of 25 June 2012 on the application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards, starting with the financial year of 2012, companies whose values securities are admitted to trading on a regulated market are required to apply International Financial Reporting Standards (IFRS) at the individual annual financial statements approved by the Order of the Deputy Prime Minister, Finance Minister, no.1286/2012 for

approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

The Order no. 1286/2012 was repealed by Order no 2844/12.12.2016 approving the Accounting Regulations compliant with International Financial Reporting Standards applicable starting with the financial statements of the year 2016.

For all periods up to and including the year ended December 31, 2011, the company prepared the financial statements in accordance with the Romanian accounting standards under the Order of the Minister of Public Finance no. 3055 /2009. The financial statements for the year ended 31 December 2012 are the first financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

Therefore, the Company has prepared financial statements in accordance with IFRSs starting 1 January 2012, respecting accounting policy methods. For the preparation of these financial statements, the opening balance sheet was prepared on 1 January 2011, the date of transition to IFRSs, in accordance with IFRS 1.

The separate and consolidated financial statements of the Group, for the financial years 2016,2017 and 2018 were prepared in accordance with the provisions of Order no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards, with all subsequent amendments and clarifications. These provisions are in line with the provisions of the International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU"), except for the provisions of IAS 21 "Effects of Changes in Foreign Exchange Rates on the Functional Currency".

TMK Artrom decided to apply the consolidation pooling interests method named by IFRS "pooling of interests" to consolidate the financial statements of all entities under its joint control. As a result of the acquisition of majority shares of TMK Resita on 21 December 2018, the Group's consolidated financial statements for the years 2016 and 2017 were restated.

The basis for consolidation

TMK Artrom applied in the Consolidated Financial Statements the method of pooling of interests as newly acquired (direct or indirect) subsidiaries were acquired from entities under joint control of the TMK Group (acquisition from TMK Europe GmbH which is 100% owned by the PAO TMK), and therefore no change in control occurred from the perspective of the party controlling the TMK group.

Under the pooling method, the assets and liabilities of the subsidiaries transferred under joint control are presented at the predecessor's accounting data. Consequently, as TMK's financial statements are not consolidate at TMK Europe GmbH level but directly at PAO TMK level, the amount reflected by TMK's consolidated financial statements for TMK Reşiţa and other indirect subsidiaries transferred on 21 December 2018 is reflected in the same amount in the Group's Restated Consolidated Financial Statements for the years 2018, 2017, 2016. Thus, the subsidiaries' assets included in the Consolidated Financial Statements of the Group for 2018, 2017, 2016 are reflected in the amounts recognized in the financial statements of the TMK Group prepared in accordance with IFRSs and are based on the fair values from the original acquisition date by TMK (thorogh TMK Europe GmbH). As the financial statements are not consolidate at TMK Europe GmbH level but at the PAO TMK level, whenever the notion of predecessor is used in this Report, it will be understood purely for accounting purposes PAO TMK.

TMK Artrom's book values remain the same as those in the separate TMK Artrom financial statements prior to acquisition.

The only goodwill recognized in the Consolidated Financial Statements of the Group must be the initial goodwill belonging to TMK Group (as reflected in the consolidated financial statements at the PAO TMK level) and in the case of the acquired subsidiaries it was zero. Any difference between the total net book value of the net assets, including the trading fund recorded in the consolidated financial statements of the TMK Group and the agreed payment amount for the purchase of the shares, is accounted for in the consolidated financial statements as an adjustment of equity.

The acquisition of the majority shares of TMK Resita held on 21 December, 2018, but by applying the pooling of interests method, the consolidated financial statements IFRS of TMK Artrom including comparatives from 2015, 2016 and 2017 are presented as TMK Artrom would be acquired its subsidiary, when were originally acquired by the predecessor the TMK Group (at teh level of consolidated financial statements of PAO TMK). Thus, the Group resumed the periods prior to the combination to reflect that there was no change in final control.

The financial information in the consolidated financial statements are restated for the periods prior to the business combination under joint control to reflect the combination as it would have arisen since the beginning of the earliest period presented, regardless of the effective date of the combination. It was decided that the earliest period reflected to be 2016 but were also presented compared to 2015.

Thus, the assets and liabilities of TMK REŞIŢA and TMK Assets included in the Group's consolidated financial statements have been restated in accordance with IFRSs and adjusted to align their accounting policies with the accounting policies applied by TMK Artrom and TMK prior to 21 December 2018, these subsidiaries managing the accounting and preparing the separate financial statements in accordance with the local accounting legislation adopted by Order of the Ministry of Finance no. 1802 of 29 December 2014 for the approval of the Accounting Regulations on the separate annual financial statements and the consolidated annual financial statements, as subsequently amended and supplemented.

Consolidation method by applying the pooling of interests requires that the financial statements of the combined entities are combined as if they had always been combined.

Consolidated financial statements have been prepared in accordance with the usual consolidation procedures to reflect the combined results of the Group, consistent with all items of assets, liabilities, income and expense. All intragroup balances, unrealized transactions and gains on transactions between Group companies are eliminated.

Under the pooling of interest method, the assets and liabilities of the subsidiaries transferred under joint control are recorded at the historical cost of the predecessor and in the Consolidated Financial Statements of the Group for the years 2018, 2017, 2016.

Applying the "pooling of interests" method, the Consolidated Financial Statements of the Group, including the comparatives of the years 2016 and 2017, are presented as if TMK Artrom had acquired the TMK Resita and TMK Assets subsidiaries at the time they were originally procured by the predecessor.

The assets and liabilities of TMK Resita and TMK Assets included in the Group's consolidated financial statements for 2018, 2017, 2016 are reflected in the amounts recognized in the consolidated financial statements of the TMK Group prepared under IFRSs and are based on fair values from the date of acquisition by the predecessor TMK Europe GmbH.

According to the separate and consolidated financial statements prepared under the orders OMFP 881/25.06.2012, OMFP 2844/12.12.2016 and OMFP 3781/23.12.2019, the company registered the following indicators as at 31.12.2019:

TMK-ARTROM Group

Grupul TMK-ARTROM

	thousands RON		
	2019	**2018**	**2017**
Profit (Loss) before tax	(26,044)	99,939	29,852
Net accounting profit (loss) of which:	(23,415)	81,210	26,938
Operating profit	10,163	118,291	42,113
Financial loss	(36,206)	(18,351)	(12,261)

Exceptional result	-	-	-
Current income tax expense	(772)	(11,098)	(4,462)
Deferred income tax - revenues	10,656	4,045	9,786
Deferred income tax - expenses	(7,255)	(11,676)	(8,238)
Income	1,164,600	1,430,788	1,207,076
Cost of sales	(970,104)	(1,110,506)	(1,015,728)
Export	75%	73%	69%
Market share for seamless steel industrial pipes in Europe	18.6%	16.1%	17.5%
Market share for seamless steel industrial pipes in North America	3.9%	4.9%	3.9%
Liquidity	1.11	1.16	1.03

TMK-ARTROM SA separate

	Thousand RON		
	2019	**2018**	**2017**
Profit (loss) before tax	(11,715)	67,781	33,102
Net accounting profit (loss) of which:	(7,737)	56,570	33,055
Operating profit	11,275	82,428	41,871
Financial loss	(22,990)	(14,647)	(8,769)
Exceptional result	-	-	-
Current income tax expense	-	(8,567)	(1,952)
Deferred income tax - revenues	8,249	1,507	2,182
Deferred income tax - expenses	(4,272)	(4,151)	(277)
Income	1,196,927	1,385,787	1,065,446
Cost of sales	(1,019,468)	(1,122,693)	(894,405)
Export	73%	73%	75%
Market share for seamless steel industrial pipes in Europe	18.6%	16.1%	17.5%
Market share for seamless steel industrial pipes in North America	3.9%	4.9%	3.9%
Liquidity	1.33	1.37	1.26

1.1.2. Assessment of the issuer's technical level

Description of the main products manufactured and/or services rendered mentioning:

a) the main markets for each product or service and the distribution methods;

b) the share of each category of products or services in the revenues and in the total turnover of the issuer for the last three years;

c) new products taken into consideration for which a substantial amount of assets will be affected in the next financial year as well as the stage of development of those products.

TMK-Artrom has a production capacity of approximately 200,000 tons of seamless steel pipe per year, the company being recognized in Europe as one of the world's leading producers of seamless carbon steel pipes, low alloyed and alloyed with a dimensional range starting with an outer diameter of 15.88 mm to 260 mm and a wall of 1.5 mm to 60 mm. Seamless pipes produced in TMK-Artrom are designed for industrial applications, consisting of mechanical pipes, boiler tubes for high temperature applications and low temperature applications, pipework, pipes for the production of plugs, pipes for the production of hydraulic cylinders, precision pipes, etc.

The main products made by TMK-ARTROM are:

1. Mechanical pipes
2. Seamless steel pipes, for boilers and high temperature
3. Seamless steel pipes, for services at low temperature
4. Plain end pipes for pipelines
5. Pipes for the production of jacks
6. Precision pipes, seamless
7. Seamless pipes for water and gas installations.
8. Boring pipes and rolled at the inside pipes for hydraulic cylinders
9. Polished exterior pipes for telescopic cylinders
10. Pipes cut to precise lengths for the automotive industry
11. Pipes for hydraulic cylinders suitable for boring and rolling operations.

The subsidiary of the TMK-ARTROM group, TMK RESITA SA, has a production capacity of 450,000 tons of billets and blooms per year and is a producer of continuous castings and includes the following range of semi-finished goods:

- Round billets Ø 177 mm, Ø 220 mm, Ø 280 mm and Ø 350 mm, continuous casting for carbon steel pipes, low alloy and alloy, for the rolling of mechanical pipes, boiler pipes, pipework, pipe for the production of plugs, pipes for the production of hydraulic cylinders, precision pipes, etc..;
- Rounds semi goods Ø 177 mm, Ø 220 mm, Ø 280 mm and Ø 350 mm, continuously cast from carbon steel, low alloyed and alloyed, for hot plastic processing by forging / molding (flanges, rings, axes, pinions);
- Blooms 260x340 mm continuous cast steel, low alloy and alloy for hot plastic deformation, designed for lamination of medium and light profiles for machine building, lamination of shaped profiles or economical profiles for metal constructions and for hot processing by forging / molding (forged / molded parts, rings, flanges, trees).

The TMK-ARTROM Group is one of the market leaders aimed at increasing the volumes of premium products for mechanical engineering, automotive and energy industry. The pipes for industrial applications produced within the TMK-ARTROM Group include precision pipes, low temperature service pipes, pipe pipes, boiler pipes and high temperature services, mechanical pipes, pipes for the production of jacks, precision pipes cut at fixed lengths, pipes drilled and rolled on the inside, pipes polished to the outside. The TMK-ARTROM

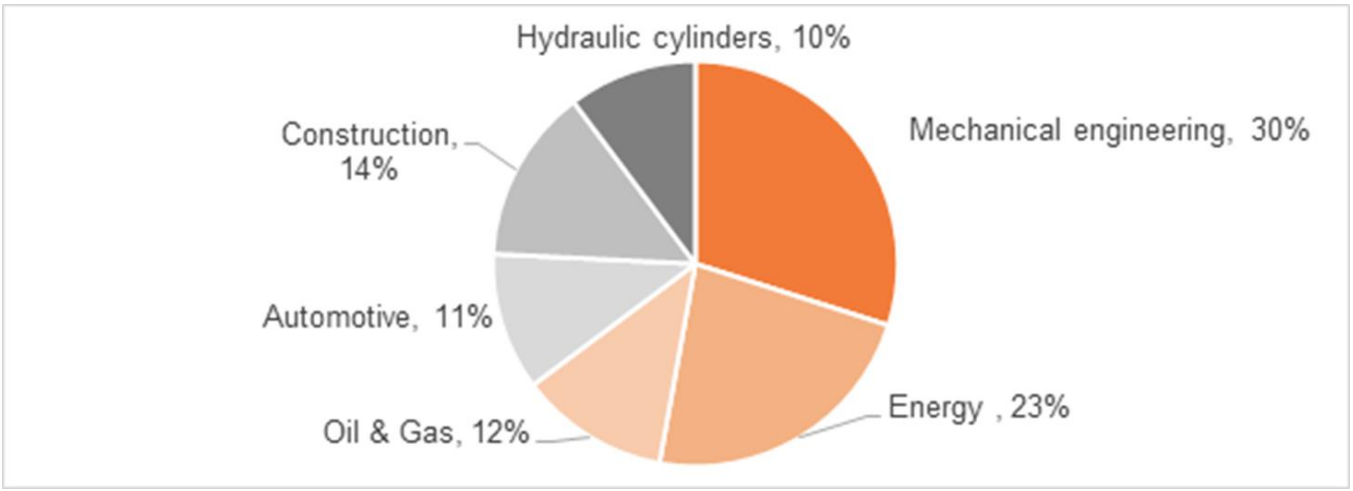
Group capitalizes its own production chain from one end to the other that enables it to produce high quality billet for pipe production and then can be transformed into multi-purpose industrial pipes as well as machined steel pipes premium with all the important types of heat treatments. The final primary markets for seamless steel pipes for industrial applications produced by the TMK-ARTROM Group are in Europe and North America, but the TMK Group has expanded its customer base in South America, Asia and Africa. In addition to its production capacities, the TMK-ARTROM Group also has sales and distribution channels for the sale of its own pipes and for the pipes produced by its affiliates within the TMK Group.

Consolidated sales volume and turnover

Type of product / Sales destination	31 December 2019	31 December 2018	31 December 2017
	Quantity(tonnes)		
TOTAL seamless steel pipes, from which:	**187,106**	**200,446**	**185,416**
1.1.Commodities Europe *	139,749	133,044	137,649
1.2 Commodities the Americas **	7,019	12,965	8,477
1.3. Premium Europe	29,630	30,185	25,454
1.4. Premium the Americas	10,708	24,251	13,836
Total billets and blooms sold by TMK Resita towards third parties outside the Group TMK-Artrom	**1,567**	**17,848**	**63,403**
Total billets and blooms produced by TMK-Resita	**229,613**	**239,842**	**236,682**
TOTAL trading Resita, from which:	**73,195**	**92,483**	**95,280**
2.1 Trading Europe	70,243	89,577	76,640
2.2 Trading the Americas	2,952	2,906	18,640

*Middle East. Turkey and North Africa - sales allocated to the European market
** Canada, Brazil, USA and Mexico - sales allocated to the Americas market

End-markets for TMK-Artrom products



API: 5CT-0440 5L-0352
LR: ISO 9001 ISO 14001 ISO 45001
TUV: PED/AD-2000 W0/W4 TRD 100/102 Vd TUV
TUV CPR: EN 10210-1,2 EN 10255
LR DNV-GL Rules RINA
LR: IATF 16949

Sales were made in 2019 directly and through related business traders as follows:

a) In Romania, Eastern Europe and Turkey, sales were made directly;

b) In North and Central Europe, direct sale using the TMK-EUROPE agent in Dusseldorf, Germany, the majority shareholder;

c) In South and West Europe, direct sale using TMK-ITALIA agent in Lecco, Italy;

d) In America through TMK INDUSTRIAL SOLUTIONSS LLC, Houston, USA;

e) In the Middle East through TMK-Middle East, Dubai, UAE.

Since June 2016, sales have been made by TMK-ARTROM directly to customers in North America following the conclusion of an agent contract with TMK INDUSTRIAL SOLUTIONSS LLC in June 2016.

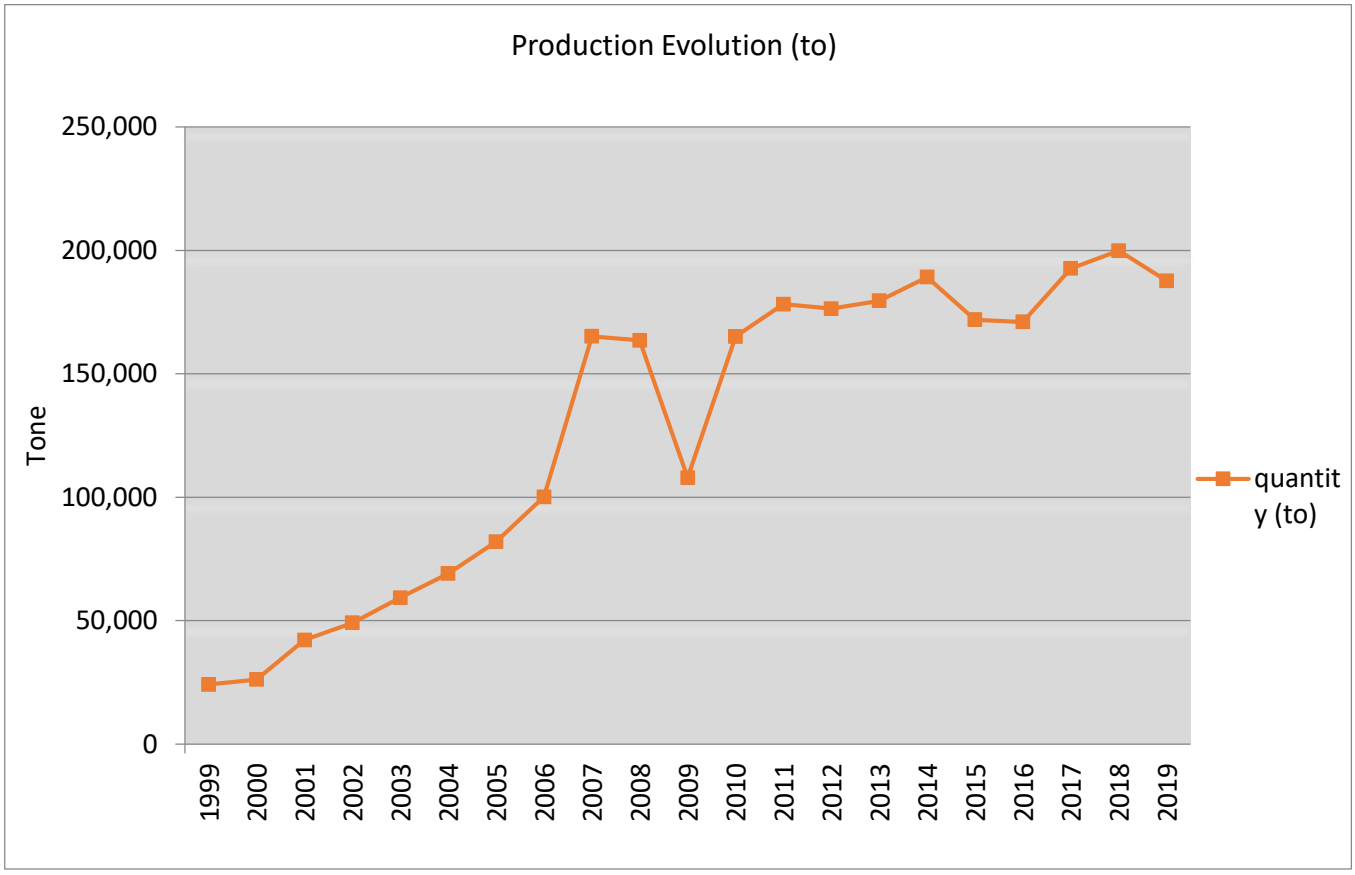
Agents do not conclude commercial documents in the name and on behalf of TMK-ARTROM, but only provide commercial agent services to TMK-ARTROM.

Also in 2019 it has been considering the increase of the share of high added value products and especially of pipes with heat treatments for quenching and return and not only. It has also been pursued and further pursued the growth of deliveries of products where additional services are provided, for example: fixed and precise length cuts, inside reaming and rolling, external polishing of pipes, etc.

The company registered in 2019 the highest pipe production of 187,667 tons of pipes, registering a decrease of 6% due to the decrease of the volume of orders.

Evolution of the volume of pipe production from the privatisation of the company:

year	Quantity (to)
1999	24,177
2000	26,174
2001	42,153
2002	49,121
2003	59,315
2004	69,079
2005	81,955
2006	100,147
2007	165,196
2008	163,519
2009	107,936
2010	165,095
2011	178,210
2012	176,385
2013	179,553
2014	189,130
2015	171,910
2016	170,980
2017	192,685
2018	199,878
2019	187,667



For the year 2020 no large investments are planned to involve the development of new products. We have proposed to assimilate in production new pipes with higher mechanical characteristics like S770 steel pipes or pipes for the energy, petrochemical industry such as P5 steel pipes but these do not involve large volumes or investments in 2020.

1.1.3. The assessment of the technical–material acquisition activity (indigenous sources, import sources)

Specifying information about the safety of supply sources and raw-materials prices and sizes of raw materials and materials inventory.

TMK-REŞIŢA SA is the only supplier of raw materials (billets) of TMK- ARTROM SA.
The raw material inventory as at 31.12.2019 increased compared to 31.12.2018 from 23,853 tons (2018) to 24,326 tons (2019).

TMK-ARTROM SA ensured the financing production activity of TMK RESITA SA through trade advances granted for delivery of billets to TMK-ARTROM which were in amount of 55,970,702 lei (without VAT) as at 31.12.2019 (as at 31.12.2018: 39,335,965 lei (without VAT)).

1.1.4. Assessment of sale activity

a) Description of the sale evolution sequential on domestic market and/or external and sale prospects in the medium and long term:

Depending on the type of product market, TMK-ARTROM Group's revenues are as follows:

Year	Market	Romania	Europe	North and South America	Other countries	Total
		thousands RON	*thousands RON*	*thousands RON*	*thousands RON*	*thousands RON*
	Revenues	290,129	705,039	164,378	5,055	**1,164,601**
2019	Cost of Sales	-263,528	-601,579	-100,488	-4,509	-970,104
	Gross profit on sales	**26,601**	**103,460**	**63,890**	**546**	**194,497**
	Revenues	380,035	748,815	299,306	2,632	**1,430,788**
2018	Cost of Sales	-328,713	-587,935	-191,579	-2,279	-1,110,506
	Gross profit on sales	**51,322**	**160,880**	**107,727**	**353**	**320,282**
	Revenues	369,646	588,731	222,672	26,027	**1,207,076**
2017	Cost of Sales	-353,422	-492,074	-148,864	-21,369	-1,015,729
	Gross profit on sales	**16,224**	**96,657**	**73,808**	**4,658**	**191,347**

Depending on the type of product market, TMK-ARTROM's revenues are as follows:

Year	Market	Romania	Europa	America de Nord si de Sud	Alte tari	Total
		thousands RON	*thousands RON*	*thousands RON*	*thousands RON*	*thousands RON*
	Revenues	326,244	704,719	164,180	1,784	**1,196,927**
2019	Cost of Sales	-300,128	-616,043	-101,808	-1,489	-1,019,468
	Gross profit on sales	**26,116**	**88,676**	**62,372**	**295**	**177,459**
	Revenues	373,835	712,940	296,380	2,632	**1,385,787**
2018	Cost of Sales	-335,637	-583,172	-201,478	-2,406	**-1,122,693**
	Gross profit on sales	**38,198**	**129,768**	**94,902**	**226**	**263,094**
	Revenues	264,547	563,200	211,672	26,027	**1,065,446**
2017	Cost of Sales	-246,453	-481,271	-144,637	-22,044	-894,405
	Gross profit on sales	**18,094**	**81,929**	**67,035**	**3,983**	**171,041**

For the first months of 2020 we attracted a volume of orders from the market that allowed the coverage at a level relatively close to our needs of production capacity, taking into account the capital maintenance of the ASSEL workshop from February. For the next period we appreciate that the level of orders drawn from the market will be below the level necessary to cover the production capacities optimally as a result of the spread of coronavirus which is affecting more and more the markets and implicitly the consumption and the investments. We appreciate that the situation will improve starting with June when it is estimated that the effects of coronavirus will diminish and the market will return to the normal limits. We expect that in the next period the prices will remain at the same level and then to increase slightly starting with the second part of the year.

b) Description of the competitive situation in the business area of the company, share market of goods or services of the company and main competitors

TMK Artrom has a market share of over 7% in the in the total market for seamless steel pipes in Europe and around 12-19% for the seamless industrial pipes . TMK Artrom also has a 4-5% share in the seamless industrial pipe market in North America (USA and Canada). In the last year, TMK Artrom products have been sold in over 45 countries, with a focus on Europe and America.

Local competitors are:

- ArcelorMittal Roman
- Tenaris Silcotub Zalau

In the **European market**, the main external competitors are:

- Vallourec,
- Tenaris Dalmine,
- Liberty Ostrava,
- Podbrezova,
- Maxutte,
- Alchemia,
- Moravia
- Benteler
- Tubos Reunidos,
- Interpipe,
- BMZ, etc,

In USA, *the main competitors are*:

- Timken,
- Michigan Seamless Tube, etc.

c) Description of any significant dependence of the issuer to a single customer or to a group of customers of which loss have a negative impact on the issuer revenues.

Not applicable.

The company has a total of over 640 customers worldwide, of which nearly 400 customers were active in 2018, of which the largest customer has <8% of sales and top 10 customers <25% of sales.

1.1.5. Evaluation of issues related to the employee / staff of the issuer

a) Specifying the number and level of training of company employees and the degree of unionization of the workforce;

The average number of employees in 2019 within the Group was of 2,296 (2018: 2,260), of which 1,498(2018: 1,457), people works within TMK-ARTROM. The structure of employees of TMK-ARTROM is the following: employees with higher education 18% and with secondary education 82%.
The effective number of employees, existing at TMK-ARTROM as at 31.12.2019 was of 1,511 employees increased with 25 employees compared to the staff registered at the end of 2018- 1,486 employees.

TMK INDUSTRIAL SOLUTIONS LLC had at the end of the year 2018 a number of 8 employees (2018: 11 employees).

The effective number of employees as at 31.12.2019 of TMK REŞIŢA was of 775 employees.

As at TMK-ARTROM, the remuneration of employees is paid in Lei under the provision of the Collective Labour Contract and the relevant legislation. In these are guaranteed in a percentage of 90% regardless the volume of production achieved, which transform this part of the cost from a variable cost in a fix cost.

The unionisation of the workforce within TMK-ARTROM is of 92.5%.

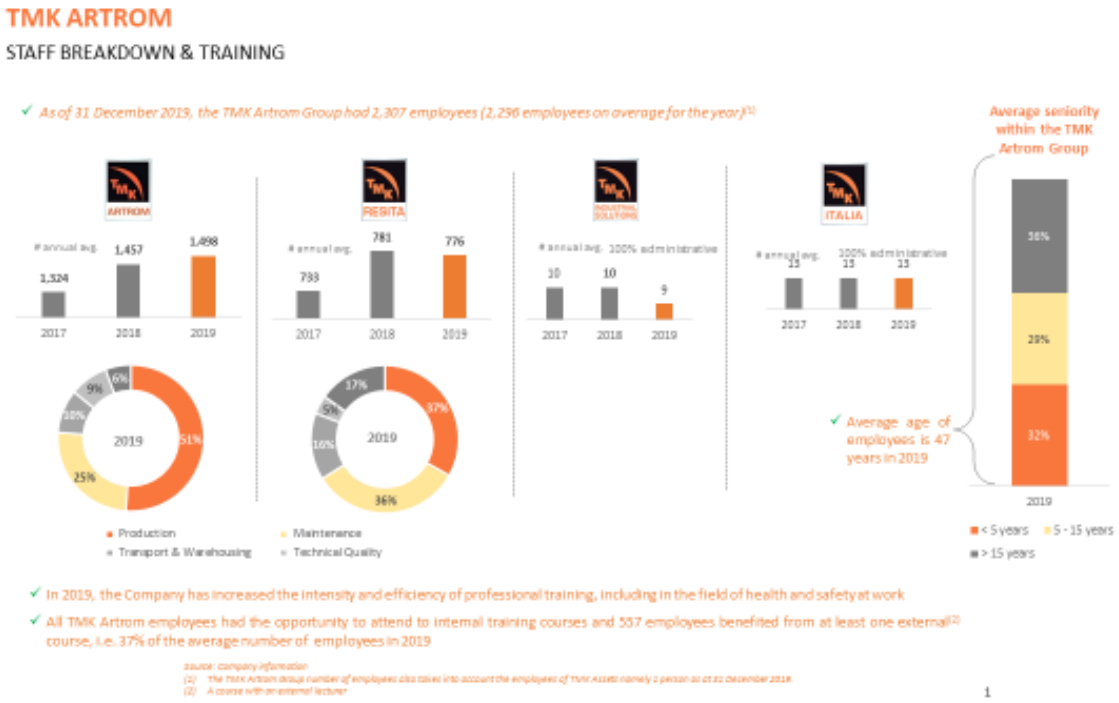
As at TMK RESITA, the remuneration of employees is paid in Lei under the provision of the Collective Labour Contract and the relevant legislation. In these are guaranteed in a percentage of 96% regardless the volume of production achieved, which transform this part of the cost from a variable cost in a fix cost.

The staff of the company is in a continuous improvement process, participating in numerous courses and training programs.

The unionisation of the workforce within TMK RESITA is of 99.5%.

The staff of the company is in a continuous improvement process, participating in numerous courses and training programs, both internal and external. Internal trainings are carried out within the company with employee lectors within the company among specialists who have trainers training.

External training is based on an annual plan that sums up the training needs of all departments in terms of the technological needs of the production process, authorizations under the legal regulations in force for certain trades, as well as legislative changes.



b**) Description of the relationship between manager and employees and any conflictual elements which characterize these reports.**

The relationship of the management with employees is very good and was not registered conflictual elements.

In the last 15 years there have been no labor conflicts.

1.1.6. The assessment of the legal aspects related to the impact of core business of the issuer over the environment

The synthetic description of the impact of basic activities of the issuer over the environment also any existing or expected litigation or regarding to the violation of the law on the environment protection.

TMK-ARTROM ARTROM implemented and certified an integrated management system efficiently planned under ISO 9001:2015, integrated with an Environmental Management System and certified under ISO 14001:2015 and integrated also with Health and occupational safety Management System under ISO 45001:2018.

The top management from TMK-ARTROM established the policy in the quality management, environmental management, health and occupational safety and ensure that it:

a) - is suitable for the purpose of organization;

b) - includes the commitment for continuous improvement, prevention of pollution, decrease of the risks and meeting the requirements;

c) - creates a framework for setting and analysing the objectives in the management of the quality and environmental, health and occupational safety management;

d) - is communicated and understood at appropriate levels of the organization;

e) - is systematically analysed for accuracy and continuity.

TMK- ARTROM determined how to identify environmental issues arising from business activities or company goods in order to determine their potential impact on environmental factors in the area.

The environmental aspects identified are:

· Low and medium environmental aspects

· Significant environmental aspects.

The identification/ determination of the general and specific environmental aspects, was performed based the following documents:

- The own procedure for identification and establishment of the environmental aspects;
- Legislation in force;
- Registrations of the measures imposed through authorisations: water management and environmental authorization IPPC (relating to integrated pollution control) and GES (relating to greenhouse gases);
- Analysis bulletins resulted after measurements made on environmental factors (water, air, soil);

In order to determine the activities and products that can have a significant environmental impact, TMK-ARTROM constantly monitors its environmental impact through activities and products.

The departments or positions responsible for these activities are specified in the system procedures, procedures / work instructions and job description.

To comply with legislation and to ensure access to normative acts in force (including those related to environmental matters), TMK-ARTROM is a subscriber to the "Official Gazette" in electronic format. Also available on the Intranet is a legislative soft. Systematic evaluation of compliance with the law is carried out in accordance with the related procedure.

In setting environmental general objectives and specific objectives, management at the highest level takes into account the stated environmental policy, management commitment, legal provisions and other requirements, identified environmental issues, technological options and financial/trade requirements of the company.

Through these plans, it ensures that responsibilities are established and the resources needed to achieve the set environmental objectives are estimated.

The planning activity of environmental management includes:

- Planning objectives / targets and necessary resources;
- Development of environmental management programs;
- Implementation of environmental management programs;
- Actions for checking / monitoring environmental management programs.

There have been met all environmental protection standards and no litigation or complaints have been recorded.

In 2018, the company obtained a new water management permit and revised the integrated environmental permit and the greenhouse gas emission permit following the completion of the investment

works "Modernization of Heat Treatment Plant of TMK-ARTROM SA " which by "low nox autorecuvery" burner technology can be framed as a minor emission source.

Within the policy of optimizing resource consumption and compliance with environmental conditions for water and soil protection, TMK ARTROM has started the investment "Metallic hall for briquetting slag", which consisted in the construction of a metallic hall and the purchase of a slag machine resulting from the technological process of pipework.

This investment aims to protect the soil against accidental pollution, as well as to reduce the costs of transporting slag for recovery.

1.1.7. Assessment of research and development activity

Specification of the expenses in the financial year and those which are anticipated in the next financial year for the research and development activity.

The research expenses made registered an increase of 110% compared to the previous year and were carried out for the development of the technology for the rolling of stainless steel pipes and for the assimilation in the heat treatment plant of the alloy steel pipes with extra thick walls.

For the next year, the following research papers for the cold rolled pipe production technology from stainless steel for the oil drilling industry are planned for the production of mechanical heat-treated pipes with high mechanical resistivity at low temperatures for the development of thermal treatment technology through analyses compared between software simulations and practical results as well as the continuation of the project: "Increasing the productivity and durability of reduction roller cylinders by applying lubricating-deoxidizing material to the external surface of the pipes".

The results of the research expenditure did not result in the recognition of intangible assets of the nature of development expenditures.

1.1.8. Assessment of the issuer activity regarding the risk management

Description of the issuer exposure to the price, credit, liquidity and cash flow risk.
Description of the issuer policies and objectives on the risk management.

Through the work of TMK-ARTROM S.A. in 2019, the Company tried to reduce as much as possible the company's exposure to market, credit, liquidity and treasury risk.

The company was not exposed to internal risks:

The risks related to acquisition and sale (agreements which could not be met by suppliers, narrowing the sale market) were reduced by the fact that the main supplier of raw material is TMK-RESITA company within the group, and 86% of the production is intended for export, directly to customers, 0,6% being performed through companies within the group PAO TMK (related to the main shareholder TMK EUROPE GmbH Germany).

The company is exposed to the risk of credit from its operating activities (primarily for trade receivables) and from its financing activities, including deposits in banks and financial institutions, foreign exchange transactions and other financial instruments.

The credit risk of customers is managed under the established policies, procedures and control regarding the customer's credit risk management.

As of 1 July 2011, a Commercial Credit Committee was elected and its Rules of Procedure entered into force in order to better coordinate the financial discipline and the security of the Company's receivables.

Provisions of that Regulation shall apply to sales made directly to third parties, internally but also externally for direct sales to customers (agent TMK ITALIA, agent TMK EUROPE Germany, TMK INDUSTRIAL SOLUTIONS LLC) but also for direct sales in Eastern Europe.

The tracking activity monitoring of credit risk is made based on a set of rules and technical measures which classify and monitories the risk for each partner.

The company sell the goods to external and domestic partners providing them depending on each creditworthiness credit limits in amount calculated for periods between 30 and 120 days.

The credit limits granted are approved by the commercial credit Committee and are revised quarterly, but can be updated during the year when is necessary. Those are settled in order to minimize the risk concentration and to reduce, therefore, the potential financial losses due to failure to pay by the partners.

In order to limit the credit risk, the company concluded on 1 October 2012 with COFACE S.A. an insurance contract default risk for almost the entire portfolio of sales to third parties by Coface SA. In 2013 the company decided to maintain the insurance contract for the non-payment also with Coface but this time with the German subsidiary which could grant a smaller insurance premium in the same condition with the previous year. In December 2014 it was decided to extend for another year the insurance contract concluded with Coface GERMANY. In 2017 the contract with COFACE GERMANIA was extended for another year. The contract was extended automatically for 2019 and 2020.

As at 31.12.2019 the credit limit granted by Coface covered to external market 70% from the required limits, and to domestic market 43% from the required limits. As at 31.12.2019, 74% of insurable receivables were covered by Coface. For 3% of the total receivables from third parties irrevocable letters of credit were opened. Clients not covered by Coface in 100% or has no letter of credit opened are closely monitored to limit possible loss of non-payment. Customers covered by COFACE are third-party customers in the EU, Romania and non-EU markets (including the US and Canada).

TMK- RESITA

As of 1 July 2011, a Commercial Credit Committee was elected and its regulation came into force in order to better coordinate financial discipline and the security of the company's claims. The provisions of that Regulation apply to sales made directly to third parties, both internally and externally.

Monitoring of credit risk tracking activity is carried out according to a set of technical rules and measures that classify and monitor the risk of each partner. The company sells its products to external and domestic partners by offering them the creditworthiness of each credit limit for periods generally ranging from 30 to 60 days.

Credit limits granted are approved by the Commercial Credit Committee and are reviewed quarterly, but may be updated during the year when the situation so requires. They are set in such a way as to minimize the concentration of risks and thus reduce the financial losses due to the potential failure of the partners to make payments.

In order to limit the credit risk, the Company ended on 1 July 2017 with COFACE S.A. a non-payment risk insurance contract. As at 31 December 2019, Coface's credit limits covered 20% of customer requests in Romania and 23% of external customer requests. As of 31.12.2019 there were no insurable claims on the balance. **TMK-ASSETS** did not enter into the insurance contract having perceived guarantees at the end of lease contracts.

The technological risks (unable acquisition of modern technology due to the problems mainly related to financing activities) have not existed because the company was engaged in a new investment process financed from own and borrowed sources namely a loan of EUR 25 million contracted with BCR for a period of 7 years.

In 2019, TMK-ARTROM did not face the risks generated by the human factor (strikes, incompetence) and / or informational risks (the inability to keep up with the new market trends).

In 2019, the European and American pipes market, the main markets for TMK-Artrom / TMK Resita products, recorded a decreasing of consumption of metallurgical products and implicitly of pipes compared to the previous year. This negative trend was determined by the worsening of the business conditions in the main industries consuming pipes (machine production, mechanical engineering, energy industry, construction), the maintaining during the year of the commercial tensions between the USA and the main trading partners (EU, China), uncertainty generated by the evolution of Brexit, etc. all of these ultimately affecting investor confidence, reducing investments and implicitly pipes consumption.

Due to the lower consumption of the market, the large stocks of pipes with which they started the year 2019, the majority of the clients had the objective in 2019 to reduce the level of the stocks of pipes that were purchased with high prices in 2018 and to supplement these stocks only when they had firm orders from end-users for which they did not find those pipes in their stock.

Despite the decrease of the consumption of seamless steel pipes with more than 10% in the European market in 2019 and of our substantial decrease of deliveries in American markets as a result of the large stocks of pipes that the customers had, the decrease of the investments of the companies active in the oil and gas industry, a year 2019 with substantial decreases for the automotive industry, this being another large consumer sector of steel pipes, TMK-Artrom managed to maintain in 2019 a relatively constant volume of deliveries every month even though it was slightly lower compared to the average of the previous year, so that for the whole year 2019 from TMK-Artrom was delivered an amount of 184k tons of pipes a decrease by about 8% compared to the year 2018, and a realization of the plan of the year 2019 of 90.4%. To the European market, we increased the deliveries by 1% in 2019 compared to the previous year, partially compensating the substantial drop in deliveries from the American market.

The quantity of pipes with premium heat treatments delivered to the European market (including Turkey and North Africa) was higher by 19% compared to 2018. In the USA market we continued to sell significant volumes of premium pipes with QT and annealing treatments, although lower than the previous year, but which still have higher prices compared to the prices of pipes practiced in the European market.

In the case of TMK ARTROM, current and future cash receipts are sufficient to ensure that the relationship between creditors and shareholders is not affected.

In order to protect itself against the price risk, TMK-ARTROM determines the selling price of the products, starting from the price calculation by negotiating with the business partners according to the prices of the markets, in order to ensure the profitability threshold.

At the beginning of the year there are concluded framework agreements for the sale of the export products with trade houses within the group for TMK Middle East UAE and TMK Global.

The price for each order is determined based on the catalogue prices on sales markets.

In sales analysis are monthly tracked all value influences of quantity, structure and price.

In relations the with related companies, TMK-ARTROM uses only market prices.

Currency risk represents the potential effect that changing exchange rates might have on the profit and loss account and on the accounting balance sheet of TMK-ARTROM S.A.

Foreign exchange risk management has as its objective a loss minimization that might arise from variations in exchange rates.

On the short term, currency risk management aimed and still aims to maintain that expense elements which form the cost of operation performed to avoid the loss to be less than the loss which could be produced without protection against the currency risk.

It was followed that the payments in a certain currency to be made from the collections in that currency, eliminating in this way the cost of currency risk.

Currency auctions are negotiated with the bank and here are considered the higher currency exchanges which benefit from better exchange rates.

On the long term, it was aimed and is still aimed that the protection expenses of the exchange rate to be as lower as possible and to represent a lower share in the total loss derived from the currency risk.

As at 31 December 2019 TMK-Artrom concluded with BCR a framework agreement “Master Agreement ISDA/17.11.2011” through which it may run forward transactions but also other transactions with BCR up to a limit of EUR 850,000 treasury line.

In 2019 it was not necessary and was not concluded any agreement on derivatives transactions exchange transactions.

1.1.9. Prospective elements regarding the issuer's activity

a) Presentation and analysis of trends, elements, events or uncertainty factors affecting or likely to affect the issuer's liquidity as compared to the same period of the previous year.

Although it is difficult to analyze the trends / elements / events or uncertainty factors that could affect the Company's liquidity, from our point of view, the following key factors might be considered:

(i) Decrease in sales prices of seamless steel pipes

(ii) In 2018, the EURIBOR was maintained at negative rates throughout the year, while the LIBOR rate steadily increased and the global economic-financial and political developments signal for the next period the increase of the EURIBOR and LIBOR rates on the fund of maintaining the economic and financial crisis that could affect both the liquidity as well as the level of financial losses from interests

(iii) Increase the collection period for receivables for sale of pipes as a result of maintaining the economic and financial crisis

(iv) During 2019, efforts have been made to increase supplier pay-outs (supplier rotation speeds have reached 59 days), the evolution of the commodity market, variations in the oil market can all converge towards shorter supplier pay-outs the conditions imposed on the market by utilities suppliers; the price of raw material - billets is increasing mainly due to the higher purchase price of old iron, graphite electrodes and ferro alloys

(v) Oscillations of the exchange rates

(vi) Lowering the price of oil barrel to close to the psychological threshold of USD 50 what would negatively affect the oil extraction investments with direct repercussions on the consumption of the pipe

(vii) Decreases in volumes and negative changes in the structure of orders for the US market due to the maintaining of the protectionist policies for steel and aluminium trade, including the introduction of US import duties on 25% steel products. However, we estimate the negative impact to be moderate

b) Presentation and analysis of the capital spending effects, current or anticipated on the financial position of the issuer compared to the same period last year.

The Group defines capital expenses as cash acquisitions of property, plants, equipment, as well as intangible assets.

The capital expenses were in 2019 of RON 77,726,444 (2018: RON 74,624,141) and had as main destination investment project "Heat Treatment Plant" as well as equipment to ensure the added value of the products.

Considering the provisions of Law no. 227/2015 regarding the Fiscal Code, in the years 2018 and 2019, the company applied for the calculation of the income tax the accelerated depreciation method for technological equipment put into operation in 2018 consisting mainly of technological equipment within the Heat Treatment Plant.

c) Presentation and analysis of events, economic changes transactions that materially affect the revenues from the core business.

Among the elements that may affect revenues from the core business we mention:

Positive:

- The investment in heat treatments inaugurated in February 2018 allows the TMK-Artrom plant to increase the share of allied steels with heat treatments that enjoy much higher prices than normal pipes and provide more consistent profit as competition on this sector is lower.
- The investment in heat treatments allows us to accept starting with 2018 a much larger volume of orders from the US market given that customers in this market demand in large quantities

steel pipes allied with heat treatment and return and until this investment TMK-Artrom has a limited heat treatment capacity.

- Maintaining antidumping duty on Chinese seamless pipe.
- Measures of commercial protection of the metallurgical market which were adopted in 2019 which include seamless steel pipes.

Negative:

- Lower oil prices with direct effects on investment in extraction and implicitly reduced OCTG pipe consumption which could eventually lead to increased competition on the industrial pipe market and higher pressure on the price of the steel pipes.
- Coronavirus

2. TANGIBLE ASSETS OF THE ISSUER

2.1 The location and the main production capacity characteristics owned by the company

The main production capacities of TMK-ARTROM SA Slatina are:

(i) **Unit no 1 ASSEL**: Hot rolling and finishing line for hot rolled pipe with heavy wall thickness in range of 60-260 mm, ASSEL type (120,000 tons / year) composed by several stands in line.

(ii) **Unit no. 2 CPE**: The rolling and finishing CPE (Cross Piercing Elongator) with a capacity of 80,000 tons / year. The line was commissioned on 31 December 2006, at first with only 80% of its capacity. In 2007 we continued the investment process so that the mill's production capacity reached 80,000 tons. It produced pipes in the range of 21.3 -121 mm.

(iii) **Unit no. 3 for cold drawn/rolled pipes** is composed mainly of a series of cold rolling mills: LAPIR Pilger mill type 50, 75, SKW 75 automatic Pilger mill and Pilger mill HPT 250 and drawing benches 15 tj, 30 tf, 45 tf, 50 tf, 150 tf. Also, the department is equipped with pipe finishing and delivery machines. It has a production capacity of 28,000 tons / year and can provide cold processing of pipes with diameters between 17 and 220 mm for the construction and manufacture of bearings.

(iv) **Unit no. 5 - ACH pipes for hydraulic cylinders**: is the newest and most modern department within the company, with processing machines the newest available on the market, with a capacity of 32,300 tons/ year. Unit is the first investment in further processing operations for part of the pipes produced by other departments in order to increase value added and / or approach of some new market segments. The first product assimilated in this section consists of tubular pieces obtained by precision cutting of pipes. These products are mainly for the automotive industry. The second equipment put in function is a grinding machine outside pipes, in order to produce finished pipes ready for final operation of polishing before chrome plating. The latest investment made in this unit during 2015 was the commissioning of the two boring and rolling pipes for hydraulic cylinders. In 2017 were put into operation two CNC machining centres for processing drilling and tapping pipes automotive industry.
During to 2018 was purchased in commissioned a measuring CNC machine for check the processed pipes dedicated for automotive industry.

(v) **Unit no. 6- HTP Heat Treatment Plant**: is the newest and most modern unit of the company. In the first trimester of 2018, was finished with success the performance tests for the Heat Treatment Plant, followed by normal production with optimization and tuning.
For a better technological flow, was installed a new cradle for supply the pipes of the Heat Treatment Plant.
The annual capacity projected for this section is 160,000 tons per year and will perform heat-tempering, normalization, recoating and other thermal treatment combinations including heat straightening of thermally treated pipes covering the dimensional range of pipes produced in TMK-ARTROM, including for hardening of pipes with extra thick walls up to 60 mm.

The location of these capabilities is on the land in the ownership of TMK-ARTROM Slatina, Street Draganesti km. 30, Olt County.

The company also has in Slatina, street Ec. Teodoroiu, two secondary offices at the ground floor of blocks V22 and V23.

2.2. Description and analysis of the wear degree of properties of the issuer

The theoretical wear is generally low because useful life was extended for older machines the term of which would have expired on 31.12.2004 if the physical term of functioning and production of future income could be extended by 20-30 years. Also are new assets bought from outside the country.

On capacities situation is as follows:

(i) The hot rolling line is in good technical condition. There have made investments modernization and automation of control systems and automatic operation of rolling mills in the line hot rolling, modernization of the transport system, adding in flow sheet of a heating by induction, modernization systems connection of rolling stands in rolling mills and finishing flow of investments in the finished product (marking, coating, packaging) and quality control equipment (magnetic powder) which led to the improvement of the quality of the finished product.

(ii) The capacity rolling and cold drawing is in good condition, mills and benches operating at design capacity in terms of finite dimensional pipes according to technical documentation. The capacity is composed of both machines produced in Romania before 1989, and imported equipment commissioned in 1992, 2001 and 2007.

(iii) The new production capacity, respectively the CPE mill German manufacturer (SMS-MEER) is the youngest of the new generation of economical rolling mill. Has been installed a rolling mill mandrels necessary to improve the quality of finished products and to reduce costs.

During 2019 current repairs were made for conducting the technological flow on designed parameters, and capital repairs for equipment and buildings which were recognized in the carrying value of tangible non-current assets in the amount of 19,752,809 lei (2018: 14,541,039 lei).

2.3. Specifying potential problems related to ownership of tangible assets of the Company

There are no problems related to ownership of tangible assets of the company.

3. MARKET SECURITIES ISSUED BY THE ISSUER

3.1. Presentation of markets in Romania and other countries where the issued securities are negotiated

TMK-ARTROM SA is an open company. Regulated market where the issued securities are traded is the Bucharest Stock Exchange Regulated Market - Market Category Standard - market symbol **ART.**

a) Capital structure, including securities not traded on a regulated market, indicating the different classes of shares and, if applicable, for each class of shares, the rights and obligations attached to that class and percentage of total share capital they represent.

The share capital as at 31.12.2019 is of 291,587,538.34 lei, divided in 116,170,334 shares, in nominal value of 2,51 lei each.

The structure of the shareholders at the date of the last extract from the Central Depository (17.10.2019) was as follows:

	%	Number of shares	Value subscribed and paid capital lei
TMK EUROPE GmbH	**92.7282**	**107,722,706**	**270,383,992.06**
Shareholders companies	**5.8199**	**6,761,020**	**16,559,554.32**
Shareholders individuals	**1.4518**	**1,686,608**	**4,643,991.96**
Total	**100**	**116,170,334**	**291,587,538.34**

The structure of the shareholders at the date of the last extract from the Central Depository (11.02.2020) was as follows:

	%	Number of shares	Value subscribed and paid capital lei
TMK EUROPE GmbH	**98.8283**	**114,809,203**	**270,383,992.06**
Shareholders individuals	**1.1169**	**1,297,478**	**16,559,554.32**
Shareholders companies	**0.0548**	**63,653**	**4,643,991.96**
Total	**100**	**116,170,334**	**291,587,538.34**

The company's obligations are guaranteed by the social patrimony, the shareholders responding only to the subscribed share capital.

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

Shares are registered, embodied, numbered.

b) any restrictions relating to the transfer of securities, such as limitations on the ownership of securities or the need to obtain approval of the entity or other holders of securities

Not applicable.

c) significant direct and indirect holdings of shares (including indirect holdings through pyramid structures and cross holdings of shares, as they are defined in regulations on the capital market)

No significant indirect holdings, the direct ones being presented at a)

d) holders of any securities with special control rights and a description of these rights.

Not applicable

e) the control system of any employee share award scheme, if control rights are not exercised directly by employees;

Not applicable

f) any restrictions on voting rights, such as limiting the voting rights of holders of a fixed percentage or number of votes, deadlines for exercising voting rights or systems by which, cooperating with the entity, financial rights attached to securities are separated from the ownership of securities.

Not applicable

g) any agreements between shareholders which are known to such entity and can lead to restrictions on transfer of securities and / or voting rights;

Not applicable

h) rules that provide the appointment or replacement of the Board members and modification of the entity's articles of incorporation;

The Ordinary General Meeting:

(i) Elects the members of the Board of Directors, establishes their remuneration, discharges them from their duties and revokes them;
(ii) Establishes the powers and responsibilities of the Board of Directors

The Extraordinary General Meeting decides any other amendment to the articles of incorporation or any other decision which requires the approval of the Extraordinary General Meeting.

i) Powers of Board members and, in particular those relating to the issuance or redemption of shares;

Not applicable

j) any significant agreements to which the entity is a party and which take effect, are modified or terminated based on a change in control of the entity, following a takeover public offering, and effects from it, unless the disclosure of such information would seriously prejudice the entity.

This exception does not apply if the entity is specifically obliged to disclose such information under other legal requirements.

Not applicable

k) any agreements between the entity and members of its Board of Directors or employees, by which there are provided compensations if they resign or are dismissed without reasonable cause or if the employment relationship ends because of a takeover public offering.

Under individual labour contracts for employees or mandate contracts for managers and administrators.

3.2. Description of company policy on dividends. Dividends due paid/accrued in the last 3 years and, if applicable, reasons for any decrease in dividends over the last 3 years.

In 2016 and 2017, the company did not distribute nor pay dividends. On April 5, 2019, the Ordinary General Shareholders Meeting of TMK-Artrom SA decided to approve the distribution, from the profit of the Company for the year 2018, of the sum 14,280,000 lei as dividends.

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

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

Until December 31, 2019 TMK-ARTROM has paid to the shareholders the amount of 14,133,144 lei.

As at 31.12.2019 the balance of the dividends to be paid for the year 2018 due to the shareholders was 146,856 lei. We mention that the company paid the full tax on dividends.

In 2019, from the profit of 2018 of the subsidiary TMK INDUSTRIAL SOLUTIONS LLC, was approved the distribution of dividends to TMK-ARTROM (the parent company) in the gross amount of 4,701,333 lei (USD 1,111,111). The amount was paid in full during 2019.

In 2019, from the profit of the year 2018 as well as from the retained earnings from the previous years of the subsidiary TMK ITALIA srl, it was approved the distribution of dividends to TMK-ARTROM (the parent company) in the gross amount 5,440,437 lei (EUR 1,142,712). The amount was paid in full during 2019.

3.3. Description of any activities of the issuer to purchase its own shares.

Not applicable.

3.4. If the issuer has subsidiaries, including number and nominal value of shares issued by the parent company held by subsidiary.

Subsidiaries do not own shares of the parent company

3.5. If the issuer has issued bonds and / or other debt securities, the presentation of how the issuer pays its obligations towards the holders of such securities.

Not applicable.

4. BUSINESS LEADERSHIP

4.1. Presentation of the list of company administrators and the following information for each administrator:

a) CV (name, surname, age, qualification, professional experience, position and seniority);

b) any agreement, understanding or family connection between that director and another person due to who that person was appointed director;

c) Participation of the director to the capital of the company;

d) list of persons affiliated to the company.

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

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

1. <u>Andrei Zimin</u>

a) CV

NAME: Zimin
SURNAME: Andrey
Nationality: Russian
Citizenship: Russian
Languages: English

Education:

- In 2003 graduated from State University of Foreign Affairs in Moscow having diploma in law.

Professional activity:

- 2003-2004- attorney in the law firm of Yust.
- 2004-2012- chief of the corporate Department of OAO TMK.
- Since 2012- present - Deputy General Manager of Legal Issues to PAO TMK.

b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;
Not applicable
c) Participation of the director to the capital of the company;
Not applicable
d) list of affiliated trading company.
Mr. Andrei Zimin is Deputy General Manager of Legal Issues of PAO TMK (affiliate company).

3. Adrian Popescu- Chief Executive Officer

a) CV

NAME: Popescu
SURNAME: Adrian
Nationality: Romanian
Citizenship: Romanian
Languages: English, French

Education:

- In 1985 he graduated from the Polytechnic Institute "Traian Vuia" of Timisoara, Faculty of Mechanics, Department of Machines Manufacturing Technologies, specialization of Technological Processes Automation / Machine Tools with Numerical Commands

Professional activity:

- 1985-1988 - trainee engineer at Slatina Pipe Company (currently TMK-ARTROM)
- 1989-1990 - Chief Engineer Maintenance Department – Trainee Chief Mechanical Engineer at Slatina Pipe Company (currently TMK-ARTROM)
- 1991 - Chief Engineer Refurbishment- Investment Service at ARTROM
- February 1992 - September 1992 - Technical Manager at ARTROM
- September 1992 - June 1998 – CEO and Chairman of the Board of Directors of ARTROM
- June 1998-April 1999 - CEO l SC L&IS Galati-Group AUSA
- April 1999-2009 - President of TMK-ARTROM

- 2004-2009 - President of TMK-RESITA
- Starting May 2009 – CEO TMK-ARTROM and TMK-RESITA. Also owns positions of Vorsitzender der Geschaftsfuhrung (Chairman of BoD) in TMK-Europe and Chairman BoD in TMK-Italia Chairman BoD in TMK INDUSTRIAL SOLUTION

b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;

Not applicable

c) Participation of the director to the capital of the company;

Mr. Popescu Adrian held a number of 4981 shares.

d) list of affiliated trading company.

Mr. Popescu Adrian is the Chief Executive Officer of TMK-RESITA SA, Vorsitzender der Geschaftsfuhrung (Chairman of BoD) in TMK-Europe and Chairman BoD in TMK-Italia Chairman BoD in TMK INDUSTRIAL SOLUTION, all affiliated companies.

4. **Surif Mikhail**

a) CV

NAME: SURIF
SURNAME: MIKHAIL
Nationality: Russian
Citizenship: Russian
Languages: English

Education:

- 2001-2007- Ural State Technical University-UP1, Faculty of Physics and Technology, Standardization and Certification Program
- 2004-2007- Humanities Studies University, Faculty Business and Management, Finance and Banking Program
- 2009-2011- State University-School of High Economic Studies, Faculty of Economics, Corporate Finance Master Program

Professional activity

- 04.2007 – 08.2009- Sinara Group- Specialist Department of Planning and Investment Control
- 09.2009 – 08.2013- **OAO TMK-** Head of Budgeting Enterprises - Key and Consolidation
- 08.2013 – present - **PAO TMK-** Director of Economical and Planning Directorate

b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;

Not applicable

c) Participation of the director to the capital of the company;

Not applicable

d) list of affiliated trading company

Mr. Surif Mikhail Director of Economical and Planning Directorate of PAO TMK (affiliate company).

5. Parkhomchuk Andrey Vladimirovich

a) CV

NAME: PARKHOMCHUK
SURNAME: ANDREY VLADIMIROVICH
Nationality: Russian
Citizenship: Russian
Languages: English, French, Ukrainian

Education:

- In 1985 graduated Chelyabinsk State Technological University, specialization Metallurgical Machinery and Equipment

Professional activity:

- 07.08.1989 – 22.03.1991- "Teplopribor" Chelyabinsk Factory (7.08.1989 - Milling Machine Operator Trainee; 2.01.1990 - 3rd Category Milling Machine Operator)
- 17.07.1995 – 17.12.2001 - "Mechel" Chelyabinsk Metallurgical Factory OJSC (17.07.1995- Design Engineer in Milling Department, design and estimate Department; 29.04.1997- III Category Engineer of Market Forecast Office in Marketing Department , Sales and Marketing Service; 07.07.1997- I II Category Engineer of Assortment in Marketing Department, Sales and Marketing Service; 25.01.1999- Director of Opportunity Analysis, marketing Segmentation; 26.12.2000- Deputy Director of Quality Metal Sales Department of Sales Direction)
- 18.12.2001 – 31.05.2004 - " " Uglemet – M" LLC / " Mechel Trade House" LLC (18.12.2001- Director of Beloretsky subsidiary; 01.10.2002- Director of Metal Goods Department; 01.06.2003- Deputy Sales Director)
- 01.06.2004 – 31.01.2006- "Mechel Steel Group" OJSC / "MECHEL" OJSC (01.06.2004- Director of Metal Production Sales Department; 16.01.2006- Senior Vice President of Sales and Procurement)
- 01.02.2006 – 30.06.2006- "Mechel UK" LLC- Senior Vice President of Sales and Procurement
- 10.08.2006 – 23.03.2010 - TOV " METINVEST HOLDING" Sales Director of Steel and Milling Division
- 02.07.2012 – until present - Trade House TMK Closed Joint Stock Company, First Deputy Director General, Management

b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;

Not applicable

c) Participation of the director to the capital of the company;

Not applicable

d) list of affiliated trading company.

Mr. Parkhomchuk Andrey is First Deputy Director General of „Trade House TMK" (affiliated company).

6. Olga Nikolaeva

a) CV

NAME: NIKOLAEVA
SURNAME: OLGA
Nationality: Russian
Citizenship: Russian

Education:

- In 2001 graduated from State University for Industry in Moscow having diploma in law.

Professional activity:

- Between 2008-2012, Ms Olga Nikolaeva was Head of the Departments of maintaining the corporative processes management of corporative relationship and ownership in Evraz Holding LLC
- Since 2012, Ms Olga Nikolaeva Head of Corporative Department PAO TMK.

b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;

Not applicable

c) Participation of the director to the capital of the company;

Not applicable

d) list of affiliated trading company.

Ms Olga Nikolaeva Head of Corporative Department PAO TMK (affiliated company).

Florin-Tudor Tat

a) CV

NAME: Tat
SURNAME: Florin-Tudor
Nationality: Romanian
Citizenship: Romanian
Languages: English

Education:

• 1989-1993 - Theoretical High School “Octavian Goga” Huedin, Cluj country
• 1993-1997 - Faculty of Economics within the University “Babes Bolyai Cluj-Napoca (Diploma in “Banks and Stock Exchange Markets”)
• 2007-2008 - EMBA program at Sheffield University (UK)

Professional activity:

02.2015 – to date Tudor Financial Trust- Owner, CEO
07.2010 – 02.2015, CEC Bank HQ- Project Manager
10.2009-07.2010- TFT Finance, Managing Partner
11.2007-10 .2009- Consilium Advisors, Financial Advisory
05.2006-10.2007, Alpha Bank Romania-Headquarter
10.2003-05.2006-Alpha Bank Romania-Dorobanti Branch-Branch Manager
02.2003-10.2003-Alpha Bank Romania-Otopeni Branch-Branch Manager
05.2002-02.2003-Alpha Bank Romania-Cluj Branch-Deputy Branch Manager
12.1999-05.2002- Alpha Bank Romania-Cluj Branch-Head of Credit Department
10.1998-12.1999-Alpha Bank Romania-Cluj Branch-Assistant Head of Import-Export Department

05.1996-10.1998- Alpha Bank Romania-Cluj Branch- Credit Analyst

b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;

Not applicable

c) Participation of the director to the capital of the company;

Not applicable

d) list of affiliated trading company.

Not applicable

Vlad Nastase

a) CV

NAME: Nastase
SURNAME: Vlad
Nationality: Romanian
Citizenship: Romanian
Languages: English

Education:
• 2012-2014- Executive MBA, Wien University Bucharest/Vienna
• 2000-2004- Law Faculty, Titu Maiorescu University

Professional activity:
2015 – to date Concilium Consulting-CEO
2012-2015-BCR- Head of regional Corporate Recovery
2012-2015- Board Member in the Board of Administrators of the Credit Guarantee Found for Private Investors
2012-2013- Chief Risk Officer/Executive Board member, Suport Collet (part of BCR Group)
2011-2012- Adviser to BCR's Risk Vice president, BCR
2009-2011- Deputy Legal Director-reporting directly to BCR's CEO, BCR
2008-2009- Head of Non-banking Legal Department, BCR
2007-2008- managing Partner, Concilium Consulting
2005-2008-legal Director, Ipsos Interactive Services

b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;

Not applicable

c) Participation of the director to the capital of the company;

Not applicable

d) list of affiliated trading company.

Not applicable

4.2. The list members of the executive management of the issuer. For each, the following information is presented:

a) The period for which the person is part of the executive management;

b) any agreement, understanding or family relationship between that person and another person by virtue of which that person has been appointed as a member of the executive management;

c) participation of the respective person in the issuer's capital.

The Company's powers of management are delegated by the Company's shareholders through the Incorporation Act to the Chief Executive Officer and six executive officers, namely:

1) Adrian Popescu – Chief Executive Officer (CEO)- President of the Management Board
2) Vaduva Cristiana – Chief Economical and Accountancy Officer
3) Drînciu Cristian – Chief Operational Officer
4) Mustata Valeru – Chief Commercial Logistic and Administrative Officer
5) Chernyy Evgeny – Chief Financial Officer
6) Pavlov Alexandru – Chief Procurement Officer
7) Constantin Neacsu – Executive Mill Officer

Directors are appointed exclusively outside the Board of Directors except for the Chief Executive Officer who is also 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:

1. by the Chief Executive Officer acting individually; or
2. 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, or
3. 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,
4. 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
5. 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.
6. by Executive Mill 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.

a) the period for which the person is part of the executive management

Members of Management Board:

1) Adrian Popescu – mandate from 25.04.2018 to 25.04.2022 (GSM decision;
2) Vaduva Cristiana – mandate from 25.04.2018 to 25.04.2022;
3) Drînciu Cristian – mandate from 25.04.2018 to 25.04.2022;
4) Mustata Valeru – mandate from 25.04.2018 to 25.04.2022;
5) Evgeny Chernyy- mandate from 25.04.2018 to 25.04.2022;
6) Pavlov Alexander - mandate from 25.04.2018 to 25.04.2022;
7) Neacsu Constantin - mandate from 25.04.2018 to 25.04.2022;

The mandates were prolonged successively, with the last extension being in 25.04.2018.

b) any agreement, understanding or family connection between that manager and another person due to whom that person was appointed as member of the executive management;

For the members of executive management there are no agreements, understandings or family ties or other persons due to who that person was appointed member of executive management.

c) participation of the respective person in the issuer's capital.

The following directors owned shares in capital at 31.12.2019. Currently, they don't own any shares in capital.

Name surname	Number of shares held
Popescu Adrian	**4,981**
Vaduva Cristiana	**27,710**
Mustata Valeru	**1,275**

4.3. For all persons listed under 4.1. and 4.2. the disclosure of possible litigation or administrative proceedings in which they have been involved in the past 5 years regarding their activity within the issuer and those relating to that person's ability to perform his duties within the issuer.

On the date of this report, the Company does not have any information that would indicate the existence of any litigation or administrative proceedings against members of the Board of Directors or executive management of the Company, litigation / administrative procedures directly related to their work within the Group and / or the Company; and which could have had an impact on the price of the Company's shares or their ability to hold a membership in the above-mentioned management structures.

5. FINANCIAL-ACCOUNTING STATEMENTS

Presenting an analysis of the current financial and economic situation compared to the past 3 years, referring at least:
a) balance sheet items: assets that are at least 10% of total assets, cash and other liquidities available, reinvested earnings, total current assets, total current liabilities;
b) profit and loss account: net sales, net income or gross income; risk provisions for various expenses; referring to any sale or closure of an activity segment performed last year or to be made next year; declared and paid dividends;
c) cash flow: all the changes in the cash in the core business, investments and financial activities, the cash at the beginning and at the end of the period.

a) balance sheet items: assets that are at least 10% of total assets, cash and other liquidities available, reinvested earnings, total current assets, total current liabilities;

B**ALANCE SHEET ITEMS, in simplified form:**

	2019 separate	2018 separate	2017 separate	2019 consolidat	2018 consolidat	2017 consolidat
	thousand RON	thousand RON	thousand RON	thousand RON	thousand RON	thousand RON
Intangible assets	1,310	1,694	1,965	2,010	2,755	3,360
Goodwill	0			22,837	22,286	22,266
Property, plant and equipment	644,441	621,466	606,665	1,145,394	1,134,549	1,127,207
Right of use assets	2,188			3,641	0	0
Investments in subsidiaries	298,566	290,263	4	0	0	0
Financial assets	7,384	4,820	1,131	7,342	4,858	1,307
Deferred tax asset	0	0	0	3,632	3,587	3,524
Other non-current assets	8,643	3,639	4,226	16,490	1,889	1,083
Total Non-current assets	**962,532**	**921,882**	**613,991**	**1,201,346**	**1,169,924**	**1,158,747**
Cash and cash equivalents	6,716	16,925	10,825	10,955	31,331	16,907
Trade and other receivables	244,736	304,919	238,496	244,258	300,865	276,456
Inventories	256,982	205,017	238,084	336,834	308,095	313,076
Prepayments	64,462	45,914	66,350	10,578	6,966	3,944
Other current assets	1,416	1,047	1,068	1,416	1,047	1,068
Total Current assets	**574,312**	**573,822**	**554,823**	**604,041**	**648,304**	**611,451**
Total assets	**1,536,844**	**1,495,704**	**1,168,814**	**1,805,387**	**1,818,228**	**1,770,198**
Total current liabilities	433,017	417,760	439,408	546,256	559,057	596,425
Total Non-current liabilities	524,087	485,957	208,988	591,899	556,622	277,416
Total equity	**579,740**	**591,987**	**520,418**	**667,232**	**702,549**	**896,357**
Total liabilities and equity	**1,536,844**	**1,495,704**	**1,168,814**	**1,805,387**	**1,818,228**	**1,770,198**

Total assets reported by the Group at 31 December 2019 were of RON 1,805,387 thousand, compared to RON 1,818,228 thousand as at 31 December 2018, of which the fixed assets represented RON 1,201,346 thousand (31 December 2018: RON 1,169,924 thousand, 31 December 2017: RON 1,158,747 thousand). Regarding TMK-ARTROM, The Company reported as at 31 December 2019 a total asset level of RON 1,536,844 thousand, increasing with 2.8% compared to 31 December 2018 mainly due to the increase in fixed assets, of the decrease of receivables, increase in inventories as well as the acquisition of the subsidiary TMK-Italia with **acquisition value 8,303,252 RON.**

Fixed Assets reported by the Group experienced a 1% decrease on 31.12.2019 compared to 31.12.2018, due to the increase of non-current assets, of the decrease of the receivables, decrease of cash and increase of inventories.

According to the pooling of interests method, the assets and liabilities of subsidiaries transferred under joint control are recorded at the historical cost that they were recorded in the predecessor's consolidated financial statements in the consolidated financial statements of TMK-ARTROM for the reference period (2018, 2017, 2016).Considering that, at the level of TMK Europe (the predecessor's actual financial statements) have not been historically consolidated, the consolidated financial statements at the level immediately above the shareholder, ie at the PAO TMK Russia.

As at 31 December 2019, the Group's property, plant and equipment are stated at cost, net of accumulated depreciation and / or accrued impairment losses, if any. The method of accounting depreciation of tangible assets within the group is the straight line method.

For separate TMK-ARTROM, as at 31 December 2019, property, plant equipment is presented at cost, net of accumulated depreciation and / or accrued impairment losses, if any.

As at 1 January 2011, for the preparation of the first set of IFRS Financial Statements, for all property, plant, equipment (including land, buildings, plant and equipment), the Company has selected as a deemed cost the revalued cost from 31 December 2010 (using a recalculation for 1 year, from 31 December 2011). Property, plant, equipment is evaluated at cost less cumulated depreciation and losses from impairment recognised on the evaluation date.

TMK-ARTROM SA has used for accounting depreciation of property, plants, equipment, the linear depreciation regime. The lifetimes used for the calculation of fixed asset accounting depreciation are determined by the best estimate of management of the asset's economic life and taking into account the technical characteristics and conditions of use.

For the calculation of the tax depreciation, the lifetime established according to GD 2139/2004 for the approval of the Catalogue on the classification and normal durations of fixed assets was used. For technological equipment, machines, tools and installations as well as for their computers and peripheral equipment, which were recorded during 2017, the accelerated depreciation regime was used, according to art. 28 alin. (6) (b) of Law no. 227/2015. For the means of transport registered during 2017, the degressive depreciation regime was used, according to art. 28 alin. (6) (c) of Law no. 227/2015. For the purpose of calculating the tax depreciation of other fixed assets, the linear depreciation regime was used.

In 2015, the company entered into a contract to acquire a new Informatic program "Integrated Microsoft Dynamics AX 2012". Starting November 2016, the IT program was put into operation. At 31.12.2018, the INFORMATIC AX program had an inventory value of RON 2.440.379.

The Group's **current assets** have decreased to RON 604,041 thousand, as at 31 Dcember 2019, from RON 648,304 thousand as at 31 December 2018 (31 December 2017: RON 611,451 thousand), mainly due to the decrease of receivables, cash and cash equivalent, prepayments and other current assets. At the level of TMK-ARTROM the level of the current assets has a slight increase of 0.1% reaching the level of RON 574,312 thousand as at 31 December 2019.

Group **receivables** registered a decrease in the year 2019 by 18.8% due to the decrease of the turnover compared to the same period of the previous year, the receivables reported by TMK-ARTROM separate have an decrease by 19.7% due to the increase of the turnover.

As at 31 December 2019, The Group register doubtful customers in amount of RON 19,592 thousand for which were made value adjustments in amount of RON 16,539 thousand compared to 31 December 2018 when the Group registered doubtful customers in amount of RON 18,641 thousand for which were made value adjustments in amount of RON 15,940 thousand.

TMK-ARTROM individually as at 31 December 2019 register doubtful customers in amount of RON 2,387 thousand(31 December 2018: RON 1,866 thousand) for which were made value adjustments in amount of RON 1,930 thousand (31 December 2018: RON 1,566 thousand).

As at 31 December 2019, The Group TMK-ARTROM SA (consolidated) had to collect from the companies within the group TMK trade receivables in amount of RON 0 thousand (31 December 2018: RON 770 thousand), as far as TMK_ARTROM SA is concerned, has received from the TMK group companies trade receivables in the amount of RON 6,450 thousand RON (31 December 2018: RON 8,542 thousand).

TMK-ARTROM has to recover from the state budget the value added tax in the amount of RON 11,972 thousand, representing VAT to be reimbursed related to the October and November 2019 statements of the fiscal group and RON 9,042 thousand representing VAT to be reimbursed related to December 2019 statement of TMK-ARTROM SA as member of the fiscal group. Under the Decision no 2/30.04.2008 issued by N.A.F.A.- D.G.A.M.C. starting with June 2008, TMK ARTROM SA is representative of the fiscal group, consisting of TMK- ARTROM SA and TMK REŞIŢA SA. Through the Decision N.A.F.A no.22/28.05.2010 it was approved the maintaining of the fiscal group for a period of 5 years and was extended through the Decision no. 6026/SRC dated 6.05.2015 for a period of minimum 2 years. The monthly payment obligation of TMK REŞIŢA SA is offset by the VAT to be reimbursed by TMK-ARTROM SA through the consolidated VAT statement of the fiscal group.

As at 31 December 2019, **the Group' s inventories register** an increase of 9.3 % due to the increase of the inventories at the level of the parent company TMK-ARTROM by 25.3% mainly determined by the increase of the purchased goods purchased from the PAO TMK Group.

The cash and cash equivalents of both the Group and its parent decreased with 65% and 60% respectively, mainly as a result of the decrease of the collections in the last days of 2019.

The payments in advance of the Group increased as at 31 December 2019 compared to 31 December 2018 from RON 6,965 thousand to RON 10,578 thousand.

As for TMK-ARTROM, advance payments have increased on 31 December 2019 compared to 31 December 2018 from RON 45,914 thousand to RON 64,462 thousand due to the increase of the prepayment granted to TMK REŞIŢA for financing the production activity of billets for TMK-ARTROM.

TMK-ARTROM SA ensured the financing of the production activity of TMK REŞIŢA SA through trade prepayments granted for deliveries of billets to TMK-ARTROM which were in amount of RON 55,970,702 (without VAT) as at 31 December 2019 (as at 31 December 2018: RON 39,335,965 (without VAT)).

Total liabilities of the Group, current and long term, increased from RON 1,115,679 thousand as at 31 December 2018 to RON 1,138,154 thousand as at 31.12.2019 mainly due to the increase of trade payables.

Total liabilities of TMK-ARTROM, current and long term, increased with 5,9% from RON 903,717 thousand as at 31.12.2018 to RON 957,103 thousand as at 31.12.2019 mainly due to the increase of trade payables as well as of the increase of the Lease liability as a consequence of recording the assets related to the rights of use according to IFRS 16.

Bank loans

All loans in foreign currency were evaluated according to available exchange rates as at 31.12.2019.

TMK INDUSTRIAL Solutions LLC , TMK-Italia–and TMK-RESITA the subsidiaries of the group have no loans contracted at 31 December 2018, so all liabilities regarding loans are of the company TMK-ARTROM.

The bank loans situation at 31 December 2019 is as follows:

Bank loans	Contract Nominal Value	Currency	Interest rate	Maturity	Balance Sheet exposure		Balance Sheet exposure	
					Balance Total (long-term)	Balance (short-term)	Available unused	SG/Letter of credit (other than in cash)
Loan agreement BCR, 2011	20,000,000	EUR	Variable	03.10.2021	12,501,598	-	2,584,829	4,312,073
VTB BANK(EUROPE) SE	40,000,000	EUR	Variable	16.04.2022		38,858,235	1,141,765	
Loan agreement BCR, 2016	25,000,000	EUR	Fix	07.11.2023	15,476,190	4,761,905	-	-

Short-term bank loans:

The bank loans situation at 31 December 2019 compared with last year is as follows:

Banking company name	Currency	31 December 2019		31 December 2018	
		Balance lei	Balance foreign currency	Balance lei	Balance foreign currency
Overdraft VTB (europe) Bank SE	EUR	185,715,160	38,858,235	-	-
Line for financing general needs in UNICREDIT BANK	EUR			65,294,595	13.999.999
Overdraft unengaged BANCA TRANSILVANIA	EUR			92,501,203	19.833.445
Total short-term bank loans		185.715.160	38,858,235	157,795,799	33,833,444

Long term bank loans

Banking company name	Currency	Balance as at 31 December 2019					
		Amount due		Maturity over one year		Maturity less than one year	
		LEI	valută	LEI	valută	LEI	valută
Overdraft credit line BCR ERSTE	EUR	59,748,888	12,501,598	59,748,888	12,501,598		
Loan investment BCR ERSTE-7 years	EUR	96,723,929	20,238,095	73,965,357	15,476,190	22,758,571	4,761,905
TOTAL		156,478,817	32,739,693	133,714,245	27,977,788	22,758,571	4,761,905

- the amount of RON 185.715.160 (equivalent of EUR 38.858.235) is related to an uncommitted credit in initial amount of EUR 20,000,000 - contracted with VTB BANK (EUROPE) SA employed for 12 months, valid until 16.04.2022, with a EURIBOR interest 3M plus 2.0%.
  The first use of a facility was for refinancing in the data of 23.04.2019 the balance of 13,999,999 Euro of the initial loan of 27,000,000 Euro - contracted by TMK-ARTROM with UNICREDIT BANK on 15.10.2013. As a result of this reimbursement, the facility with UNICREDIT BANK was closed.

  On October 1, 2019, the company concluded an additional act with VTB BANK (EUROPE) SA, through which the credit credit increased to 40 million euros, and the interest rate was modified, passing to a fixed interest rate of 2%. The purpose of this increase was the reimbursement of the credit balance related to the loan granted by BANCA TRANSILVANIA with the scope to close this credit agreement, and the reimbursement was made on November 1, 2019, in the amount of 19,051,732 euros.

  For this loan, the company offers guarantees, as follows:

  - Company guarantee issued by PAO TMK, in guaranteeing the integral and irrevocable reimbursement of any and all amounts The Borrower owes to the Bank under this contract.

❖ the amount of RON 59,748,888 representing EUR 12,501,598 , is related to the operating loan - multiproduct credit facility within a EUR 20,000,000- contracted by TMK-ARTROM as borrower and TMK-RESITA as co-borrower with BCR in 03.10.2011, with interest EURIBOR 3M plus 1,9%. Final maturity date is 03.10.2021.

For this credit, the company provided guarantees, as follows:

- Pledge without disposal of credit balance accounts / sub-accounts opened at BCR SA, owner TMK ARTROM;
- Pledge without disposal of credit balance accounts / sub-accounts opened at BCR SA, owner TMK Resita SA;
- Corporate warranty issued by PAO TMK, to guarantee full and final repayment of any and all amounts that the Borrower and / or the co-borrower are owing to the Bank under this Contract;

In February 2012 an amendment was concluded through which this loan was converted to a loan contracted by BCR SA, and for this reason at the end of 2012 the loan is considered to be long term, and not short term, as it was deemed at the end of 2011. In September 2013 a new amendment was signed with BCR and overdraft credit facility was transformed into a multi-product that 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 EURIBOR 3M from 3.5% to 1.9%. In 25.09.2014 was signed a new amendment with BCR through which the final validity of the facility was extended until 03.10.2017 with the annual approval of the users. In October 2017, a new amendment was signed which prolonged validity up to 03.10.2018. In November 2018, a new addendum prolonged the validity up to 03.10.2020.

In September 2019, a new amendment was signed by which the validity was extended until 03.10.2021.

On December 31, 2019, from the multi-product facility in the amount of 20 million euros granted by BANCA COMERCIALĂ ROMÂNĂ, 2 letters of credit were issued according to the table below and a letter of guarantee of participation in favor of S.N.T.G.N. TRANSGAZ S.A. amounting to 13,627,551.86 lei valid until April 30, 2020.

Letter of credit opened from BCR multiproduct facility

n/o	Issuing bank	Letter of credit beneficiary	Number of letter of credit	The amount of the contract concerning the opening of L/C	Currency	Balance amount of the unused L/C	Date of opening	Expiration date of the L/C term
1	2	3	4	5	6	7	9	10
1	BCR	REIKA GMBH	I098332	1,203,000	EUR	601,500	28.08.2019	28.02.2020
2	BCR	COPIER BEVELMACHINES	I098492	700,457	EUR	700,457	10.10.2019	30.06.2020

❖ the amount of RON 96,723,929 lei (respectively the equivalent of a EUR 20,238,,095) is related to a 7-year investment loan in the amount contracted by EUR 25,000,000- concluded by TMK-ARTROM as borrower and TMK-RESITA as guarantor with BCR in 07.11.2016 with an interest EURIBOR 3M plus 3.35% to finance HEAT TREATMENT PLANT. The final maturity is 07.11.2023.

In April 2018 was concluded an amendment through which the interest was changed in fixed interest of 3.4%.

The reimbursement of the loan start from January 2019 in 21 quarterly equal instalments of 1,190,476.19 Euro.

For this loan the company constituted warranties, as follows:

- Pledge without dispossession having as titular TMK-ARTROM;
- Pledge without disposal of credit balance accounts / sub-accounts opened at BCR SA, owner TMK Resita SA;
- Corporate warranty issued by PAO TMK, to guarantee full and final repayment of any and all amounts that the Borrower and / or the co-debtor are owing to the Bank under this Contract.
- The mortgage on the land having the category of use yards of construction in an area of 69,339 sqm (sixtyninethousandthreehundredthirtynine sqm) identified with cadastral number 58253, together with C1 - industrial and urban construction with the surface built on the ground and deployed 66,346 sqm, identified with cadastral no. 58253-C1, located in the Municipality of Slatina, Str.Drăgăneşti Str.30, Olt county, tabled in the Land Book of Slatina, Olt County with no. 58253

❖ The company has contracted with BCR a ceiling of discount for promissory notes amounting to RON 10,000,000 with an interest of ROBOR 3M +3% which can be transformed into a loan if customers do not settle the promissory notes that reached their due date. In July 2015 the value of this ceiling was reduced to RON 4,000,000 RON, and in August 2016 to RON 2,000,000 RON.
As at 31.12.2019 there were no outstanding promissory notes and discounted un-matured.
At the receiving of loans, TMK-ARTROM paid up-front fees for the entire period of the loans, unamortised cost of these fees at the end of each period is decreasing the value of the loans closing balance.
At 24.07.2014 TMK-ARTROM and TMK-RESITA 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 an 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 21.11.2018 a new amendment which increase the ceiling value up to 70,000,000 lei was signed with the bank. At 31.12.2019 from this limit RON 2,500,000 were allocated for TMK-ARTROM's suppliers and from this the amount of RON 1,592,861 was used. The difference of 67,5000,000 lei was allocated to TMK-RESITA S.A. and from it 36,882,855 lei were used.

Under the terms of the existing loan agreements, the Group is subject to certain restrictive obligations and other requirements. These obligations require the Group, among other, to refrain from paying dividends to shareholders, unless the specific conditions are met and to maintain a minimum or maximum level for certain financial indicators, including the debt service index, the interest rate respectively debt, net financial debt (with and without intra-group loans) reported to EBITDA, the equity ratio.

Capitalization and indebtedness

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

The following table sets out the indebtedness and capitalization of the Group at 31 December 2019.

Capitalisation and indebtedness **RON**

	Neauditate
Total current debt	**218,704,070**
Interest bearing loans and borrowings	208,591,528
Un-amortized short-term cost	494,729
Lease liability	9,617,813
Total non-current debt	**238,866,497**
Interest bearing loans and borrowings	206,129,198
Un-amortized cost of debt origination fees	178,597
Lease liability	32,558,702
Total indebtedness	**457,570,567**
from which:	
Interest-bearing loans and borrowings guaranteed and secured	342,127,175
Added Un-amortized cost of debt	673,326
Interest-bearing loan agreement with TMK-EUROPE GmbH unguaranteed and unsecured,in amount 17,037,540 USD at 31.12.2019	72,593,551
Finance lease liability guaranteed and secured	42,176,515
Capital and reserves	
Share capital, from which:	**291,587,538**
- Subscribed and paid share capital	291,587,538
Other items of equity	1,215,530
Legal and other reserves	78,561,674
Retained earnings	316,013,922
Foreign currency translation reserve	3,268,869
Profit/ (loss) of the year	(23,415,132)
Total equity	**667,232,401**
Total capitalization	**1,124,802,968**

Other long-term and short term liabilities to affiliated entities

As at 3.12.2019 the company TMK EUROPE GmbH Germany (former TMK SINARA HANDEL GMBH) is the lender with the amount of USD 72,593,551 lei representing 17,037,540 USD, related to the loan agreement w/n/01.12.2008, respectively the assignment of receivables no, 054/20.02.2002 from AVAS (AVAB) in initial amount of USD 22,837,540 USD and RON 38,425In 2015 have been reimbursed USD 4,800,000 and RON 38,425 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 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.

In EGSM dated17.11.2008 it was approved changes in the nature and deferred payment of the debt owed by the company TMK EUROPE GmbH worth USD 22,837,540 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 USD 400.000 and the 57th will be worth USD 437,540. The payment of debt amounting to RON 38,425RON of the Company to TMK Europe GmbH from 25 January 2014 will be paid in USD at the official RON/USD exchange rate of the National Bank of Romania on the last working day of the year 2013. The debt has an interest rate of LIBOR + 0.5% per year starting on 1 January 2009. Interest is calculated and paid on the 15th of each month for the previous month.

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

In 3.12.2015 was concluded Addendum no .2 on which repayment of loan shall be suspended for a period of three years and will be resumed starting in January 2019 in 44 instalments in the amount of USD 400,000 and a last instalment of USD 437,540 as a result on 31.12.2016 the full amount of the loan was long-term.

In 08.08.2016 by Addendum no. was expressly renounced to all movable and immovable guarantees aforementioned.

In 18.12.2018 was concluded Addendum no.4 on which parties agree about repayment of USD 1,000,000 in second half of the year 2019, and starting with January 2020, Borrower will continue the reimbursement if remaining outstanding amount of USD 17,037,540.03 as following: 42 instalments in amount of USD 400,000.00 and the last one in amount of USD 237,540.03 on the 25th day of each month.

On December 3, 2019, after the company reimbursed $ 1 million, the Additional Act no.5 was concluded, though which was agreed that in 2020-2021 the company will not reimburse any amount and the reimbursement will continue with January 2022, in 42 monthly installments of $ 400,000 and a final installment of $ 237,540.03.

The interest due by TMK-Artrom S.A. as of 31.12.2019, it is 33,193.62 USD, respectively 141,431 RON.

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

Debt for investments in subsidiaries / subsidiaries

- As at 31.12.2019 TMK-ARTROM register a debt in amount of RON 297,224,667 equivalent EUR 62,190,000, to TMK EUROPE GmbH representing payments to be performed for acquisition of a number of 131,010,874 shares, representing 99.99237% of the share capital of TMK-REŞIŢA owned by TMK Europe GmbH.

The price of shares that will be paid by TMK-Artrom for a number of 131,010,874 shares, representing 99.99237% of the share capital of TMK-REŞIŢA, is of EUR 62,290,000, meaning 0.475 EUR / share.

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

1. EUR 100,000 was paid within thirty (30) days from the execution of the sale-purchase agreement of the shares concluded between TMK-Europe GmbH and TMK-Artrom and the transfer of the ownership

over the shares following the signing of TMK Resita's Shareholders (Shares) Registry by TMK Europe GmbH and TMK-Artrom; TMK-Artrom paid the sum of 100,000 Euro in the first quarter of 2019.

2. The remaining price of EUR 62,190,000 shall be paid during a five (5) years period, starting with 2019, in equal instalments of EUR 12,438,000 each, no later than 31 December for every year. TMK-Artrom may pay such instalments in full or partially in advance, as well as to extend the payment term for such instalments (implicitly reducing the value of the instalments) for another period of maximum five (5) years, depending on the available financial resources.
Through the Addendum concluded on December 10, 2019, the parties agreed that the reimbursement of the 62,190,000 Euros will start from 2021 over a period of five (5) years, in equal rates of 12,438,000 Euros each, at the latest until 31 December for each year. TMK-Artrom may pay such installments in full or in part in advance, and extend the payment term for such installments (default reduction of the installment value) for a further period of up to three (3) years, depending on available resources. financial.

As this agreement provides for interest-free payment, according to IFRS 9, the debt to TMK Europe is presented at fair value. The initial amount was reduced at 31 December 2018 using the interest rate for a similar loan - the last received from BCR - using the interest rate of 1.9% and the value of EUR 3,148,224 (RON 14,683,001).
As of December 31, 2019, the fair value of future cash flows was modified as a result of debt restructuring by closing the Addendum on December 10, 2019 with the amount of Euro 2,021,302 (RON 9,658,791). This amount is updated quarterly.
As for an amount due from the relationship with the shareholder, the difference between the fair value and the nominal value is transferred as an element of equity.
Thus the debt balance for investments in subsidiaries / subsidiaries to TMK EUROPE as at 31.12.2019 is in the amount of RON 277,306,095 equivalent to EUR 58,022,324 (from which the sum of 1,001,850 Euro represents the interest calculated and recorded in the current result of the financial year).

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

In the consolidated financial statements of the TMK-ARTROM Group, the mutual receivables and payables between the group companies are eliminated as part of the consolidation process.

Liabilities – Leasing contracts:

As of December 31, 2019, the group and parent company TMK-ARTROM SA has concluded leasing contracts for the purchase of production equipment as well as leasing contracts for the use of office spaces, vehicles and production equipment for which assets related to the right of use have been recognized in accordance with IFRS 16.

Agreement, contract signed by TMK-RESITA with gas supplier Messer,

Through which TMK-RESITA purchases from Messer, oxygen, gas, during the supply period of 15 years (2012-2023) with the possibility to extend the term of the agreement was recorded in accordance with IFRS, as analysed in accordance with IAS 7 and IFRIC 4 as finance leases. The amount of 6,769,067 euro as at 31.12.2019 is recorded in accordance with IFRS liability for financial lease. The industrial equipment is the property of MESSER, as a result of the individual financial statements of TMK RESITA (not applying IFRS) drawn up by ORDIN MFP no. 1802/2014, for consolidation purposes in the consolidated financial statements of TMK ARTROM was applied this financial lease treatment. As a result, if the statutory reporting of gas consumption is an operating expense, in the consolidated reporting of both TMK-ARTROM and PAO-TMK, we have recordings of equipment depreciation expense, lease expense, exchange rate differences related to the liability financial leasing, asset and lease liability.

Other liabilities:

Regarding the company's obligations to the state budget, as at 31.12.2019 the company has to pay the amount of 9,728 thousand RON compared to 10,430 thousand RON as at 31.12.2018 which represents current liabilities to tax and social obligations for salaries, income tax non-resident legal entities that were required to offset the VAT refunded from the state budget.

The company has calculated deferred tax with a net debt as at 31.12.2019 of 33,206 thousand RON (31.12.2019: 37,184 thousand RON) for temporary differences mainly resulting from non-current assets, for the fiscal loss to be recovered in the following years as well as for exceeding the deductible ceiling related to the interest and other costs equivalent to the interest to be recovered in the following years.

The Group calculated a deferred tax with a net debt as at 31.12.2019 of 67,790 thousand RON (31.12.2018: 71,238 thousand RON) as well as a receivable for deferred tax as at 31.12.2019 in amount of 3.631 thousand RON (31.12.2018: 3,587 thousand RON).

The obligation of the group to the state budget as at 31.12.2019, are in amount of 12,530 thousand RON compared to 11,325 thousand RON as at 31.12.2018 which represent current liabilities to tax and social obligations for salaries, income tax non-resident legal entities

As at 31 December 2019 the Group TMK - ARTROM SA has consolidated trade payables to the companies within the PAO TMK group in amount 121,189 thousand RON of which mainly to PAO TMK 111,110 thousand RON representing mainly metallurgical profiles pipes, billets, blooms for sale compared to 31 December 2018 consolidated trade payables to the companies within PAO TMK Group were of 85,119 thousand RON.

As at 31 December 2018 TMK - ARTROM SA has current trade liabilities to companies within the PAO TMK group in the amount of 116,140 thousand RON of which mainly to PAO TMK 108,751 thousand RON representing mainly metallurgical profiles pipes, billets, blooms for sale.

Dividends:

In 2019, dividends for 2018 were approved to be distributed by the company in the amount of 14,280,000 lei. Until December 31, 2019 TMK-ARTROM has paid to the shareholders the amount of 14,133,144 lei.

As at 31.12.2019 the balance of the payment dividends for the year 2018 due to the shareholders was 146,856 lei. We mention that the company paid the full tax on dividends.

The subsidiaries of the company distributed in 2019 to the parent company dividends in a total value of 10,141,770.52 lei as follows:

• In 2019, from the profit of 2018 of the subsidiary TMK INDUSTRIAL SOLUTIONS LLC, it was approved the distribution of dividends to TMK-ARTROM (the parent company) in the gross amount of 4,701,333 lei (USD 1,111,111). The amount was fully paid during the year 2019, withholding tax in the USA amounting to 470,316.67 RON (111,111 USD).

• In 2019, from the profit of 2018 as well as from the result reported from the previous years of the subsidiary TMK ITALIA srl, the distribution of dividends to TMK-ARTROM (the parent company) was approved in the gross amount 5,440,437 lei (EUR 1,142,712). The amount was fully paid during 2019, was withheld in Italy in the amount of RON 65,274.33 (EUR 13,712.55).

Reinvested profits:

In 2019, the company did not use the tax exemption facility for the reinvestment of tax on reinvested earnings. Reserves formed under the regulations for reinvested profits for which the income tax exemption was applied for the period 2014-2018 are in amount of 34.880.107 RON representing a related tax of 5.580.817 RON.

b) income statement: net sales; gross income; cost and expense items with a weight of at least 20% in net sales or gross incomes; risk provisions and for various expenses; reference to any sale or closure of a segment of activity performed in the last year or to be carried out in the following year; dividends declared and paid;

The Separate and Consolidated Income Statement of the Group is included in the Statement of Comprehensive Income, under IFRS, is presented as follows:

	2019 separate	**2018 separate**	**2017 separate**	**2019 consolidated**	**2018 consolidated**	**2017 consolidated**
	thousands RON	thousands RON	thousands RON	thousands RON	thousands RON	thousands RON
Revenue from contracts with customers	**1,196,927**	**1,385,787**	**1,065,446**	**1,164,600**	**1,430,788**	**1,207,076**
Sales of goods	1,196,335	1,385,329	1,064,853	1,161,484	1,427,083	1,199,905
Rendering of services	592	458	594	3,116	3,705	7,171
Cost of Sales	(1,019,468)	(1,122,693)	(894,405)	(970,104)	(1,110,506)	(1,015,728)
Gross profit	**177,459**	**263,094**	**171,041**	**194,496**	**320,282**	**191,347**
Selling and distribution expenses	(119,934)	(137,422)	(90,804)	(114,607)	(130,427)	(88,652)
Advertising and promotion expenses	(433)	(306)	(266)	(445)	(334)	(361)
General and administrative expenses	(43,572)	(40,169)	(35,041)	(70,163)	(65,634)	(56,381)
Research and development expenses	(131)	(247)	(118)	(131)	(247)	(118)
Other operating expenses	(3,182)	(2,963)	(4,398)	(3,463)	(5,505)	(5,952)
Other operating income	1,068	441	1,456	4,476	156	2,230
Income from operations	**11,275**	**82,428**	**41,871**	**10,163**	**118,291**	**42,113**
Foreign exchange (loss) / gain, net from which:	(16,380)	(2,873)	(2,034)	(17,581)	(3,070)	(1,607)
Foreign exchange incomes	92,785	94,018	46,997	93,892	95,234	47,984
Foreign exchange expences	(109,165)	(96,891)	(49,031)	(111,473)	(98,304)	(49,592)
Finance Income	10,148	3	2	240	8	23
Finance Costs	(16,758)	(11,777)	(6,737)	(18,865)	(15,290)	(10,677)
Profit (loss) before tax	**(11,715)**	**67,781**	**33,102**	**(26,043)**	**99,939**	**29,852**
Current income tax	-	(8,567)	(1,952)	(772)	(11,098)	(4,462)
Deferred income tax - revenues	8,249	1,507	2,182	10,656	4,045	9,786
Deferred income taxes - expenses	(4,271)	(4,150)	(277)	(7,255)	(11,676)	(8,238)
PROFIT, LOSS (+/-) NET	**(7,737)**	**56,571**	**33,055**	**(23,414)**	**81,210**	**26,938**
Total operating income	1,197,995	1,386,228	1,066,903	1,169,076	1,430,944	1,209,306
Total operating costs	(1,186,720)	(1,303,800)	(1,025,032)	(1,158,913)	(1,312,653)	(1,167,192)
Income from operations	**11,275**	**82,428**	**41,871**	**10,163**	**118,291**	**42,114**
TOTAL COMPREHENSIVE INCOME	**1,300,928**	**1,480,249**	**1,113,901**	**1,263,208**	**1,526,186**	**1,257,313**

TOTAL COMPREHENSIVE COSTS	**(1,312,643)**	**(1,412,468)**	**(1,080,799)**	**(1,289,251)**	**(1,426,247)**	**(1,227,461)**
Profit (loss) before tax	**(11,715)**	**67,781**	**33,102**	**(26,043)**	**99,939**	**29,852**
Dividends calculated	14,280	-	-	14,280	-	-
Dividends paid	14,133	-	-	14,133	-	-

1. Analysis of revenues from the customer contracts

1.1. Analysis of revenues from the customer contracts of TMK-ARTROM (separate)

Total revenues from customer contracts of TMK-ARTROM decreased by 13.6% in the year ended 31 December 2019 as compared to the year ended 31 December 2018 as a result of the revenue decrease from contracts with customers by 14.6% for TMK-Artrom's sold production(influence of RON 165 million), but also due to the decrease of sales of other goods and services (by 9.3%% or RON 24 million) out of which the sales of metallurgical goods from third parties outside TMK-Artrom group decreased by 10.2%, respectively RON 21.7 million.

The total separate revenues obtained by TMK-Artrom from its own sold production decreased due to the physical volume reduction of pipes from 200,565 tonnes to 187,496 tonnes(a decrease by 6.5%), but also to a decrease in the average selling price by 8.6%, due to a decreased evolution of demand on the steel pipes market as compared to the previous year.

TMK-Artom's sales of externally purchased goods (trading activity) mainly consisting of metallurgical products (pipes, billets and other steel products) purchased from companies within the TMK group decreased by 10.2% in the year ended at 31 December 2019. Sales of merchandise on internal market and for export destination decreased to 73,085 tonnes in the year 2019 as compared to 78,358 tonnes in the year 2018.

1.2. Analysis of revenues from the customer contracts of TMK-ARTROM group

The Group generates revenue primarily by selling seamless industrial steel pipes to end-users and distributors through its sales and marketing network that is engaged in the sale of pipe production in markets throughout Europe and the Americas. IFRS 15 – *Revenue from Contracts with Customers* requires qualitative and quantitative disclosures in respect of revenue, contract balances, performance obligations, significant judgements and assets recognised from costs to obtain or fulfill a contract. Consequently, these revenues are referred to as "Revenue from contracts with customers" for periods commencing on or after 1 January 2018, following the adoption of IFRS 15. The adoption of IFRS 15 did not have a significant impact on the Unaudited Consolidated and Separate Financial Statements because the Group does not have long-term sales contracts with clients. All other revenues are described as rendering of services referring mainly to agency services which are performed by the Company's subsidiaries in the US, respectively Italy for other parties but also other services executed by the Group to other parties.

The Group's total consolidated revenues decreased by 18.6% in the year ended at 31 December 2019 compared to the year ended at 31 December 2018 as a result of revenue decrease from contracts with customers from the sold production by 14.8% (RON 167 mil), which was off-set by the decrease of TMK-Resita sales of blooms and billets to third parties (by 90.5% or RON 41,4 mil) and also due to the decrease of other sales (with 22.6% or RON 57,6 million) out of which the sales of metallurgical products from companies within the TMK group decreased by 23.5%, respectively RON 58.8 million.

The decrease in revenue from the pipes production sold by RON 167 million is due to several factors, namely:

(i) decrease of the physical volume of pipes sold from 200,446 tonnes to 187,106 tonnes (representing a decrease of 6.7%), mainly due to the decrease of the volume of orders due to the low demand of industrial pipes mainly on the American market (RON 136 million influence);

(ii) the structure of the pipes sold has a negative influence in the conditions of the decrease of the revenues obtained from the sales of premium pipes by 26.4% (representing RON 111 million), due to the decrease of the volume of sales of premium pipes by 14,099 tonnes (decrease by 555 tonnes in Europe and decrease by 13,544 tonnes in America) in the year ended 31 December 2019 compared to 54,436 tonnes in the period ended 31 December 2018 and the quantitative growth of commodities by 759 tonnes but with a decrease of the average sale price by 8.4% (total influence RON 56 million);

(iii) the decrease of the sale prices on average by 8.7% which represents a value decrease of RON 115.8 million;

(iv) price value increase in the amount of RON 23.8 million from exchange rate differences for sales in different currencies.

Due to the low demand for billets at competitive prices, the volume of billets sales produced by TMK RESIȚA to other parties other than TMK-Artrom decreased by 16,281 tonnes from 17,848 tonnes in the period ended December 31, 2018 to 1,567 tonnes in the period ended December 31 2019 (a quantitative decrease by 91.2%).

The volume of sales of goods (billets, blooms, pipes) produced by other parties other than TMK-Artrom (purchased from other companies within the TMK group) decreased by 20.9% from 92,843 tonnes recorded in the year ended 31 December 2018 to 73,195 tonnes registered in the year ended 30 December 2019 due to the reduced demand for pipes and billets manifested globally.

As a result of the decrease in the sales volumes of the company and its subsidiaries, the decrease of the sale prices at a greater rate than the decrease of the prices of raw materials and materials, the increase of the prices for energy and gas, during the year ended 31 December 2019, the main indicators, (net) profit for the period and Adjusted EBITDA decreased compared to the period ended 31 December 2018.

2. Expenses analysis

2.1 The analysis of TMK-ARTROM expenses (separate)

2.1.1.The separate TMK-ARTROM's cost of goods sold (separate)

In terms of cost of goods sold of TMK-ARTROM, they are as follows:

The company's main cost of production is the cost of raw material, accounting for 73% of total sales costs. Expenses with employees in the productive sector (salaries, compensations and social contribution expenses) represent 11.5% of the cost of selling pipes. Expenses on consumables (auxiliary materials, technological tools, spare parts, etc.) represents 3.7%; energy expenses (natural gas, electricity, water) represent 8.2%; depreciation costs represent 6%. The other individual expenses are less than 1% of the total cost of selling pipes.

Cost of sales of the Group	2019	2018	2017	Variation 2019 vs 2018	Variation 2018 vs 2017	% in Cost of sales (of sold production)		
	thousands RON	*thousands RON*	*thousands RON*	*%*	*%*	2019	2018	2017
Raw materials	616,820	661,768	506,499	-7%	31%	73.2%	71.6%	74.4%

Expenses with salaries, salary compensations and social con tribution (note 11.5)	96,817	87,877	73,962	10%	19%	11.5%	9.5%	10.9%
Consumables	55,548	58,945	44,882	-6%	31%	3.7%	4.6%	4.1%
Energy and utilities	69,229	58,469	52,795	18%	11%	8.2%	6.3%	7.8%
Depreciation and amortisation	50,253	44,878	40,316	12%	11%	6.0%	4.9%	5.9%
Professional fees and services	2,704	2,796	2,824	-3%	-1%	0.3%	0.3%	0.4%
Freight	2,277	2,464	1,993	-8%	24%	0.3%	0.3%	0.3%
Taxes	2,713	2,527	1,298	7%	95%	0.3%	0.3%	0.2%
Repairs and maintenance	3,158	2,588	2,263	22%	14%	0.4%	0.3%	0.3%
Insurance	1,694	1,571	129	8%	1118%	0.2%	0.2%	0.0%
Rent	191	622	472	-69%	32%	0.0%	0.1%	0.1%
Travel	560	680	490	-18%	39%	0.1%	0.1%	0.1%
Communications	74	75	89	-1%	-16%	0.0%	0.0%	0.0%
Other expenses	12	14	9	-14%	56%	0.0%	0.0%	0.0%
Total production cost	902,049	925,273	728,021	-3%	27%	107.1%	100.1%	107.0%
Change in own finished goods and work in progress	(41,594)	11,652	(29,396)	-457%	-140%	-4.9%	1.3%	-4.3%
Cost of sales of externally purchased goods	177,081	198,615	213,775	-11%	-7%	21.0%	21.5%	31.4%
Capitalized production costs	(24,627)	(16,538)	(17,189)	49%	-4%	-2.9%	-1.8%	-2.5%
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	6,559	3,690	(805)	78%	-558%	0.8%	0.4%	-0.1%
Write-off materials	-	-	-			0.0%	0.0%	0.0%
Cost of sales from which:	1,019,468	1,122,693	894,405	-9%	26%			
Cost of sales of externally purchased goods	177,081	198,615	213,775	-11%	-7%	17.4%	17.7%	23.9%
Cost of sold production	842,386	924,078	680,630	-9%	36%	82.6%	82.3%	76.1%

Compared to 2018, the cost of the goods sold decreased in 2019 with 9% and in 2018 compared to 2017, the cost of the goods sold increased by 26%.

Compared to 2018, based on the decrease of physical volume of production by 6% and of the volume of sale of pipe by 6.5%, as well as the increase of the volume of premium pipes produced in the total of production of pipes, the cost of sales of pipes production TMK-ARtrom decreased in 2019 by 9% (compared to 2017 based on the increase of production by 4% and of the volume of sale of pipes by 8%, the cost of sale of pipe production TMK-ARtrom increased in 2018 by 36%).

a. Expenses with raw material decreased in 2019 compared to 2018 with 7% mainly due to the change in structure of raw material used in production but also of the variation of the price in the market of steel and scrap.
b. Expenses with energy, gas and water increased in 2019 compared to 2018 by 18%.
   The costs of energy and utilities (natural gas, electricity, water) total 69 million RON, representing 8.2% of the total cost of production sold during the period ended December 31, 2019 (RON 58 million, representing 6.3% during the period ended 31 December 2018).
   Energy and utilities expenses increased by 26% in the period ended December 31, 2019 compared to the same period of 2018, mainly due to the combined influence of two factors:
   (i) changes in the purchase prices of energy and natural gas compared to the same period of the previous year;
   (ii) the decrease of the physical consumption of natural gas and electricity as a result of the decrease of the pipe production at TMK-Artrom;

The average price to energy increased in 2019 compared to 2018 by 30.8%, respectively, from 287.4 lei / Mwh in 2018 to 375.9 lei / Mwh in 2019, and the average price of natural gas increased by 17.3% respectively, from 109.24 lei / Mwh in 2018 to 128.09 she / Mwh in 2019.

c. Environmental protection costs. In 2019 TMK Artrom made a provision for greenhouse gas emission certificate in the amount of 550 thousand RON for the deficit of certificates required for the production of 2019. TMK Artrom registered in 2019 environmental protection costs in amount of 668 thousand RON representing certificates handed over to the European Greenhouse Gas Register (RUEGES) for greenhouse gas emissions related to the production of 2018 and canceled the provisions previously recorded for the 2018 production in the amount of 668 thousand RON. At 3.06.2015 TMK-ARTROM obtained exemption from payment of 60% of the mandatory quota of green certificates corresponding exemption under the Agreement No 3 of 03.06.2015 issued by the Ministry of Economy, Trade and Tourism. According to GD 495/2014 in conjunction with the European Commission Decision no. C (2014) 7287 final of 15 October 2014, the State aid scheme, ie the exemption, will remain valid until 2024.
Also, TMK ARTROM benefits from exemption from excise duty for electricity and natural gas consumed for metallurgical activities, provided for in Article 355 (3) and (358) of the Fiscal Code, in accordance with art. 394, Section 13 of the Fiscal Code. Annually, notifications to NAFA are submitted to maintain the exemptions.

d) expenses for the goods sold (commercial activity) decreased in 2019 by 11% as a result of the decrease of the sales of goods (billets, blooms, pipes) purchased from companies within the TMK group and sold by TMK Artrom both locally and for export, but also with the products marketed by TMK Industrial Solutions LLC on the North American market (recall that TMK Industrial Solutions LLC was established by TMK Artrom in 2016).

e) staff costs. In the cost of sold production the staff costs have increased in relation to the year 2018 with 10% as a result of the new employees as well as the indexation of wages with the inflation rate as a result of the negotiations with the unions (and according to the collective labor contracts). The average number of employees of TMK Artrom in 2019 was 1498 persons as compared to 2018 when it was 1,457 persons and 1,324 persons in 2017. The actual number of employees of TMK Artrom as of 31.12.2019 was 1,511 persons as against of 1486 persons on 31.12.2018 and of 1,365 persons on 31.12.2017.

f) Value adjustments for stocks of raw materials, finished products and current production were made taking into account the net realizable value at 31 December 2019. The value of value adjustments for stocks existing at 31.12.2019 are in amount of 15.634 thousand RON (31.12.2018: 9.075 thousand RON).

2.1.2 Selling and distribution costs of the TMK-ARTROM (separate)

Selling and distribution expenses decreased with RON 17 million or 51% to RON 120 million for the year ended December 31, 2019 compared to RON 137 million for the year ended December 31, 2018. The decrease is mainly due to the decrease of the sales volume of TMK-ARTOM production pipes and of the sales of goods with metallurgical products from companies within the TMK group

but also to their structure. The sales volume of TMK-Artrom production pipes to the American market decreased by 19,496 tons, but to the European market it increased by 6,150 tons.

2.1.3 Financial costs and exchange rate differences of TMK-ARTROM (separate)

TMK-Artrom registered in 2019 financial loss in amount of 22.990 thousand RON (in 2018 those were of 14.647 thousand RON) due to the increase of interest costs and unfavourable exchange rate differences. Compared to 2018 the financial loss of the year 2019 increased by 57%. Interest costs increased with 42% due to mainly as a result of the interest rate calculation related to the debt to TMK-EUROPE for the acquisition of the subsidiary TMK RESITA and the increase of the net losses from exchange rate differences with 470%.

In accordance with the provisions of OMFP 2844/2016 with subsequent amendments and completions, the balances of the available accounts, receivables and liabilities in foreign currency (monetary items) were assessed on a monthly basis according to the NBR reference rates.
Currency instability and pronounced depreciation of the exchange rate RON/EUR and RON/USD which evolved from 4.5245 RON/EUR to 31.12.2015 to 4.5411 RON/EUR to 31.12.2016 to 4.6597 RON/EUR to 31.12.2017 to 4.6639 RON/EUR to 31.12.2018 to 4.7793 RON/EUR at 31.12.2019, respectively from 4.1477 RON/USD (31.12.2015) to 4.3033 RON/USD (31.12.2016) at 3.8915 RON/USD (31.12.2017) at 4.0736 RON/USD (31.12.2018) at 4.2608 RON/USD at 31.12.2019 led to the recording of foreign exchange losses in the amount of 2,034 thousand RON in 2017, 2,873 thousand RON in 2018 and 16,380 thousand RON in 2019.

2.2.The analysis of TMK-ARTROM expenses

2.2.1.Cost of goods sold by the TMK-ARTROM Group

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

Cost of sales of the Group	2019	2018	2017	Variation 2019 vs 2018	Variation 2018 vs 2017	% in Cost of sales (of sold production)		
	thousands RON	*thousands RON*	*thousands RON*	*%*	*%*	2019	2018	2017
Raw materials	327,201	392,316	414,397	-17%	-5%	41.3%	44.6%	53.5%
Expenses with salaries, salary compensations and social con tribution (note 11.5)	143,629	129,854	113,664	10.6%	14%	18.1%	14.8%	14.7%
Consumables	151,049	156,396	120,718	-3%	30%	15.20%	15.49%	12.72%
Energy and utilities	141,970	112,289	110,873	26%	1%	17.9%	12.8%	14.3%
Depreciation and amortisation	81,032	73,661	69,434	10%	6%	10.2%	8.4%	9.0%
Professional fees and services	7,936	3,930	3,918	102%	0%	1.0%	0.4%	0.5%
Freight	2,277	2,465	1,993	-8%	24%	0.3%	0.3%	0.3%
Taxes	4,292	4,332	2,754	-1%	57%	0.5%	0.5%	0.4%
Repairs and maintenance	5,516	3,933	3,277	40%	20%	0.7%	0.4%	0.4%
Insurance	2,785	2,500	267	11%	836%	0.4%	0.3%	0.0%
Rent	632	1,374	796	-54%	73%	0.1%	0.2%	0.1%
Travel	723	1,015	646	-29%	57%	0.1%	0.1%	0.1%
Communications	100	103	118	-3%	-13%	0.0%	0.0%	0.0%
Other expenses	12	14	9	-14%	56%	0.0%	0.0%	0.0%
Total production cost	869,153	884,183	842,864	**-2%**	5%	109.7%	100.6%	108.8%
Change in own finished goods and work in progress	(52,861)	10,844	(45,052)	-587%	-124%	-6.7%	1.2%	-5.8%

Cost of sales of externally purchased goods	177,812	231,503	241,262	-23%	-4%	22.4%	26.3%	31.2%
Capitalized production costs	(30,644)	(20,257)	(22,191)	51%	-9%	-3.9%	-2.3%	-2.9%
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	6,625	3,803	(1,206)	74%	-415%	0.8%	0.4%	-0.2%
Write-off materials	19	429	52	-96%	725%	0.0%	0.0%	0.0%
Cost of sales from which:	970,104	1,110,506	1,015,728	**-13%**	9%			
Cost of sales of externally purchased goods	177,812	231,503	241,262	**-23%**	-4%	**18.3%**	**20.8%**	**23.8%**
Cost of sold production	792,292	879,003	774,466	**-10%**	13%	**81.7%**	**79.2%**	**76.2%**

The main cost of production of the Group in 2019 is represented by the cost of the raw material consisting of scrap, ferro-alloys and casting powders used by TMK RESITA in the production process, representing 41% of the total sales costs of the group production sold (45%, in 2018 and 54% in 2017). Expenses with employees in the productive sector (salaries, compensations, and social contribution expenses) represent 18.1% the cost of sale of production group (14.8%, in 2018 and namely 14.7% in 2017). Expenses with consumables (auxiliary materials, technological tools, spare parts,etc.) represent 15.2% (conmpared to 15.5% in 2018 and namely 12.7% in 2017). Energy costs (natural gas, electricity, water) represent 17.9% (compared to 12.8% in 2018 and namely 14.3% in 2017). Expesenses related to depreciation represent 10% (compared to 8% in 2018 and namely 9 % in 2017). The other separate expenses are less than 1% of the total sale cost of the production of group.

During 2019-2018, the following variations in the cost of goods sold by the Group were registered:

Raw material costs

The main component of the cost of the Group's cost of production is the cost of its raw material, such as metal scrap and ferro-alloys used in TMK-Resita for the production of steel billet and blooms, representing 41.7% from the total cost of sold production of the Group during the year ended 31 December 2019(44.6% in the year ended 31 December 2018).

The Group's raw material costs decreased by 17% in the year ended at 31 December 2019 as compared to the year ended 31 December 2018, mainly due to the decrease in the production of liquid steel at TMK-Resita. The decrease in raw material costs was also influenced by the 7.6% decrease in the average purchase price of scrap metal.

The average purchase price of scrap metal decreased by 87 lei/tonne from 1,280 RON/ tonne in the year ended 31 December 2019 as compared to 1,193 RON/ tonne in the year ended 31 December 2019.

Energy and utilities costs

Energy and utilities costs (natural gas, electricity, water) amount to RON 142 million, for the year ended at 31 December 2019 representing 18% of the total cost of sold production in the year ended at 31 December 2019 (RON 112 million, representing 13% in the year ended at 31 December 2018).
Expenses with energy and utilities increased by 26% for the year ended at 31 December 2019 compared to the same period of 2018, mainly due to the combined influence of three factors:

(i) the change in energy and gas purchase prices compared to the same period of the previous year;

(ii) the decrease in the actual consumption of natural gas and utilities due to a reduction in TMK-Artrom production of pipes and

(iii) the decrease in the actual consumption of TMK-Resita due to a reduction of the production of liquid steel by 9%.

For TMK-Artrom, the average price of electricity increased by 30.8% during the year ended at 31 December 2019 as compared to the same period of 2018, respectively from 287.4 RON/Mwh in 2018 to 375.9 RON/Mwh in 2019, and the average price of natural gas increased by 17.3%, respectively from 109.24 RON/Mwh in 2018 to 128.09 RON/Mwh in 2019.
For TMK-Resita, the average electricity price increased by 33.8% during the year ended at 31 December 2019 as compared to the same period of 2018, respectively from 258 RON/Mwh in 2018 to 345.3 RON/Mwh in 2019(the average price for electricity of 220 V and 110 V) and the average price of natural gas increased by 18% for the same periods, respectively from 123 RON/Mwh in 2018 to 145 RON/Mwh in 2019.

Regarding the factors affecting the local market in Romania, especially the energy prices, at the end of December 2019, the Government of Romania issued in December 2019 Emergency Ordinance no 81/2019 amending the GEO no. 115/2011 by which the Government of Romania undertakes to implement a state aid scheme to offset large energy consumers in respect of part of their indirect emission costs, a state aid scheme which is a transposition of the provisions resulting from the EU ETS Guide 2012 / C 158/04 . The European guide defines the list of the industrial sectors that qualify for the direct subsidy, as well as the implementation formula, in the smallest details and GEO 81/2019 has fully taken over the provisions of this European regulation.

Such European schemes have been in place since 2012 and have already being implemented in 12 European states including Germany, France, Spain where TMK-ARTROM has strong competitors. This system offers direct subsidies to offset the costs related to the emissions of greenhouse gases passed in the price of electricity, for the economic agents from different fields of activity, in order to maintain their competitiveness. As our competitors in Western Europe, especially in Germany, France and Spain have benefited from these subsidies for years and the companies in Romania have not, this unequal application in the European Union has created an imbalance in terms of equal opportunities in the competition between the producers of steel and pipes from Romania and those from the countries that have applied this European regulation since 2012. The new OUG81 / 2019 is meant to repair part of this imbalance and to bring the Romanian companies in a situation of competition equal to those of the countries that have applied this scheme for years.

For TMK-ARTROM and TMK-RESITA, as well as for companies from 15 other Romanian industrial sectors, and eight sub-sectors (as regulated by the EU ETS Guide 2012 / C 158/04), these compensations have the role of counteracting the very high price of energy in total costs. Moreover, the funds for the effective compensation come from the revenues obtained from the auctioning of the greenhouse gas emission certificates awarded free of charge by the EU to Romania. Thus, the scheme is directly supported by this mechanism implemented in the European Union and does not affect the rest of the Romanian consumers.

Environmental protection expenses. In 2019 TMK Artrom made provisions for greenhouse gas emission allowances in the amount of 550 thousand RON for the for the deficit of certificates for the production of 2018. TMK Artrom registered in 2019 environmental protection costs in amount of 668 thousand RON representing certificates handed over to the European Greenhouse Gas Register (RUEGES) for greenhouse gas emissions related to the production of 2017 and canceled the provisions previously recorded for the 2018 production in the amount of 668 thousand RON. At 3.06.2015 TMK-ARTROM obtained exemption from payment of 60% of the mandatory quota of green certificates corresponding exemption under the Agreement No 3 of 03.06.2015 issued by the Ministry of Economy, Trade and Tourism. According to GD 495/2014 in conjunction with the European Commission Decision no. C (2014) 7287 final of 15 October 2014, the State aid scheme, ie the exemption, will remain valid until 2024 for both companies.

On 3 June 2015, TMK Artrom obtained the 60% exemption from payment of green certificates related to TMK Artrom's mandatory quota under the Exemption Agreement no. 3 of 3.06.2015 issued by the Ministry of Economy, Commerce and Tourism. According to GD 495/2014 in conjunction with the European Commission Decision no. C (2014) 7287 final of 15 October 2014, the State aid scheme, ie the exemption, will remain valid until 2024.

TMK Artrom also benefits from the exemption from excise duty for electricity and natural gas consumed for metallurgical activities, provided for in Article 355 (3) and (358) of the Fiscal Code, in accordance with Art. 394, Section 13 of the Fiscal Code. Notificatiosn are submitted to ANAF each year to maintain exemptions.

On 3 June 2015, TMK Resita obtained the 85% exemption from payment of green certificates related to TMK Resita's mandatory quota under the Exemption Agreement no. 4 of 3.06.2015 issued by the Ministry of Economy, Commerce and Tourism. According to GD 495/2014 in conjunction with the European Commission Decision no. C (2014) 7287 final of 15 October 2014, the State aid scheme, ie the exemption, will remain valid until 2024.

Employment costs, remuneration expenses and social security contributions

Expenses with employees in the production sector (staff costs, other compensation and social security contributions) amount to RON 143.6 million, meaning 18.1% of the total cost of production sold as at 31 December 2019 (RON 129.8 million, 14.8% in the year ended 31 December 2018).
The employment costs increased by 10.6% or RON 13.8 million for the year ended 31 December 2019 as compared to year ended 31 December 2018 as a result of the new staff employed as well as of the indexation of salaries with the inflation rate(and also, according to trade unions negociations).

Materials (consumables)

Expenses with materials (auxiliary materials, technological tools, spare parts, etc.) amount to RON 120.4 million, representing 15.4 % of the total cost of sold production for the year ended at 31 December 2019.
The expenses decreased by 3.4% as compared to the year ended at 31 December 2018 (in total amount of RON 136.1 millions representing 15.5% of the total cost of sold production). Considering that at the moment, the Group operates a repair and maintenance programme for its facilities, these costs are expected to remain relatively the same year-on-year.
Expenses for materials (consumables) taken into consideration are the materials (consumables) (RON 151 millions RON for the year ended at 31 December 2019) less the capitalized production costs (RON 30.6 millions for the year ended at 31 December 2019).
From the total costs with the materials (consumables) of the Group, we outline the costs incurred with the graphite electrodes used in the technological process of TMK-Resita, as some of the main materials used in TMK-Resita's production, which represented 24.4% of the total costs for the materials (consumables) of the Group for the year ended at 31 December 2019 as compared to 21.2% for the year ended at 31 December 2018.

Selling and distribution expenses

Selling and distribution expenses consist of expenses related the sale of the Group's products, including freight of finished products and merchandise, agents commission, taxes (the major part represented by the US import duties), insurance, materials, and associated salaries.
Selling and distribution expenses decreased by RON 15.8 million or by 12.2% to RON 115 million for the year ended at 31 December 2019, from RON 130.8 million as at 31 December 2018.
The decrease was mainly driven by the decrease in the sales of TMK-Artrom's own production but also due to decrease in sales of metallurgical goods purchased from companies within TMK-Artrom group.
The sales of TMK-Artrom own production sold to American market decreased by 19,496 tonnes, but to the European market increased by 6,150 tonnes:

- taxes and duties paid at the destination of the exported goods decreased during the period ended 31 December 2019 as compared to year ended 31 December 2018 due to decrease in sales for USA clients. From May 2018, the import duty on some steel products in the US (section 232) was 25%, the

duty on the steel products TMK-Artrom acquired from the TMK group companies sold in the US. For similar steel products of European origin, the 25% duty was introduced as of 1 June 2018.

Expenses with these taxes in the year ended at 31 December 2019 amounted to RON 23.4 million as compared to RON 25.7 million, which were generally recovered by increasing sales prices to customers;

- expenses related to external services representing transport costs, port expenses, agent agency commissions, decreased by RON 12.7 million or 15.7% to RON 68.2 million in the year ended 31 December 2019, from RON 80.9 million in the year ended 31 December 2018, mainly due to decrease in sales.

Adjusted EBITDA

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

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

- The Group's management subtracts depreciation of stock of finished goods and unfinished products from the Group's EBITDA, so that Adjusted EBITDA reflects solely the depreciation related to sold production and therefore reflects only realised earnings. The Group believes that this adjustment results in a measure more representative of the Group's underlying financial performance in the relevant period. Depreciation of stock of finished goods and unfinished products is calculated by (A) calculation a percentage represented by depreciation in the total cost of production of the Group for the period and (B) multiplying such percentage by the amount of the stock of finished goods and unfinished production (which is in turn calculated as the sum of value of finished goods in transit and the value of work in progress and semi-finished goods at the end of the reporting period), and (C) calculating the net change in the amount calculated in (B) from the prior period.

- Gain/loss on disposal of property, plant and equipment and impairment/(reversal of impairment) of non-current assets, as well as changes in provisions and allowances are added back to EBITDA in calculating Adjusted EBITDA as these items represent non-cash charges which the Group's management believes are not representative of underlying operating performance**.** The changes in provisions and allowances include allowances for stocks and short term provision from which it were excluded the provisions for managers bonuses.

- Social expenses are added back to EBITDA in calculating Adjusted EBITDA because it is considered them not related to operational activity and part of them, such as sponsorship and charitable expenses are non cash items because they are deducted from the payable income tax according to the Fiscal Code.

Social expenses are calculated as the sum of:

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

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

Consolidated	**31 December 2019** ***RON***	**31 December 2018** ***RON***	**31 December 2017** ***RON***
Consolidated Adjusted EBITDA	96,610,893	205,664,113	122,467,317
Consolidated Adjusted EBITDA margin	8.3%	14.4%	10.1%

Consolidated Adjusted EBITDA decreased by RON 109.1 million as compared to the same period ended 31 December 2018 (a decrease representing 53.02% from RON 205.6 million to RON 96,6 million).

Consolidated Adjusted EBITDA margin for the year ended 31 December 2019 is 8.3% as compared to 14.4% corresponding to the year ended 31 December 2018.

Separate	**31 December 2019** ***RON***	**31 December 2018** ***RON***	**31 December 2017** ***RON***
Adjusted EBITDA	70,839,933	135,885,402	88,854,930
Adjusted EBITDA margin	5.9%	9.8%	8.3%

Adjusted EBITDA decreased by RON 65,04 million as compared to the same period ended 31 December 2018 (a decrease representing 47.9% from RON 135.9 million to RON 70.8 million) due to the decrease in sales especially in American market, selling prices and an increase for energy costs.

Adjusted EBITDA margin for the year ended 31 December 2019 is 5.9% as compared to 9.8% corresponding to the year ended 31 December 2018.

Consolidated Indicators	**31 December 2019** ***RON***	**31 December 2018** ***RON***	**31 December 2017** ***RON***
Profit (loss) for the year	-23,415,132	81,210,083	26,938,211
Depreciation	86,601,199	77,769,930	72,695,431
Finance costs	18,865,107	15,290,361	10,676,878
Finance income	-240,004	-8,654	-22,706
Exchange rate differences	17,581,283	3,069,789	1,606,753
Income Tax	-2,628,749	18,729,031	2,914,209
EBITDA	**96,763,704**	**196,060,540**	**114,808,776**
Adjustments	-152,811	9,603,572	7,658,541
- Depreciation in stock of finish goods and unfinished production	-6,668,741	759,902	913,365

Consolidated Indicators	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
- Gain(-)/Loss (+) on disposal of property, plant and equipment and impairment (+)/reversal of impairment (-) of non-current assets	-4,276,415	1,128,345	1,655,048
- Changes in provisions and allowances	7,489,490	5,139,989	3,138,797
- Social expenses	3,302,855	2,575,337	1,948,394
Adjusted EBITDA	**96,610,893**	**205,664,113**	**122,467,317**

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

Descriere	31 December 2019	31 December 2018	31 December 2017
Depreciation expense included in the cost of production in the reporting period	81,032,334	73,661,221	69,434,320
Production cost in the reported period	869,153,423	884,182,946	842,864,176
% of depreciation in total production cost (A)	**9,32%**	**8.33%**	**8.24%**
Value of finished goods and goods in transit at the end of the reporting period	89,060,733	74,102,208	82,907,606
Value of WIP and semi-finished goods at the end of the reporting period	142,555,314	105,049,692	107,493,242
Value of inventory at the end of the reporting period	**231,616,047**	**179,151,900**	**190,400,848**
Total stocks x % of depreciation in total production cost -=depreciation in stocks (B)	**21,593,873**	**14,925,133**	**15,685,034**
Variance in depreciation in stocks included in Adjusted EBITDA (C)	**6,668,741**	**(759,902)**	**(916,302)**

(2) Reconciliation of social expenses is presented below:

Consolidated	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Social actions expenses	1,815,369	1,527,988	1,265,223
Sponsorship and charitable donations	703,244	348,870	175,390
Professional fees and services	248,291	230,464	200,339
Total expenses with personnel medical dispensary from which:	***535,951***	***468,015***	***307,442***
Staff costs - medical dispensary	479,759	428,029	234,377
Social security costs - medical dispensary	19,494	14,310	58,521
Other compensations for employees - medical dispensary	36,698	25,675	14,543
Total	**3,302,855**	**2,575,337**	**1,948,394**

General and administrative expenses of the group

General and administrative expenses increased by RON 4.5 million or 6.9 % to RON 70 million for the year ended December 31, 2019 against RON 65.6 million for the year ended December 31, 2018.
General and administrative expenses as a percentage of total revenue increased for the year ended 31 December 2019 to 6%, compared to 4.5% for the year ended 31 December 2018.

Financial costs and exchange rate differences of the group

The TMK-Artrom group registered in 2019 a fianncial loss in amount of 36,206 thousand RON(2018: 18,351 thousand RON; 2017: 12,261 thousand RON) due to the increaseof interest costs and unfavorable exchange rate differences. Compared to 2018 the financial loss of the group in 2019 increased by97%. Interest costs increased by 23% due to the increase of the volume of loans and interest rates and increases of net losses from exchange rate differences by 473%.

c) cash flow: all the changes in the cash in the core business, investments and financial activities, the cash at the beginning and at the end of the period.

According to IFRS financial statements are presented cash flows using the indirect method as follows:

	2019 separate	2018 separate	2017 separate	2019 consolidat	2018 consolidat	2017 consolidat
	thousands RON	thousands RON	thousands RON	thousands RON	thousands RON	thousands RON
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit / (Loss) before tax	**(11,715)**	**67,781**	**33,102**	**(26,044)**	**99,939**	**29,852**
Plus / minus adjustments for:	**0**	**0**	**0**	**0**	**0**	**0**
Depreciation and amortisation	53,305	46,975	42,050	86,601	77,770	72,695
Increase / (reversal) of provisions	(687)	1,559	4,040	(1,009)	3,924	4,438
Increase / (reversal) of allowances for current assets	6,922	3,014	(574)	7,224	4,446	308
Exchange rate differences for financing activities	12,333	3,822	489	13,180	3,846	1,552
Variation of retirement benefits	335	340	284	723	656	565
Result from disposal of non-current assets	368	877	1,521	(4,276)	1,128	1,655
Interest and related expenses	15,537	11,026	8,387	17,176	13,746	11,019
Other non-monetary elements from hedge	0	0	0	0	0	0
Other income	0	0	0	0	0	-448
Dividends income	(10,142)	0	0	0	0	0
Exchange rate differences for cash and cash equivalents	0	0	0	368	366	126
Plus / minus adjustments for changes in working capital related to operating activities:						
Decrease / (increase) in inventories	(58,523)	29,377	(82,314)	(35,364)	1,178	(93,770)
Decrease / (increase) in trade and other receivables and prepayments	37,187	(54,756)	10,674	48,893	(39,767)	(66,869)
(Decrease) / increase in payables (except banks)	47,126	(45,570)	27,449	19,042	(62,171)	147,329

less:	-	-	-	-	-	-
Interest paid	(13,643)	(10,902)	(8,027)	(15,516)	(13,628)	(10,679)
Income tax paid	-	(1,104)	(3,537)	(122)	(2,953)	(5,761)
Dividends tax paid	(54)	-	-	(54)	-	-
Total inflows / (outflows) from operating activities (a)	**78,350**	**52,439**	**33,545**	**110,822**	**88,480**	**92,012**
CASH FLOWS FROM INVESTING ACTIVITIES						
Amount received from disposal of non-current assets	233	4,028	559	11,094	5,173	2,514
Purchase of tangible and intangible assets	(77,412)	(74,624)	(125,984)	(115,661)	(98,110)	(180,821)
Purchase of investment properties	-	-	-	-	-	-
Repayment of given loans	-	-	314	-	-	-
Dividends received	9,606	-	-	-	-	-
Interest received	6	3	2	240	9	23
Payments of Liabilities for investments in subsidiaries	(8,872)	3	2	(8,872)	-	-
Total inflows / (outflows) from investing activities (b)	**(76,439)**	**(70,592)**	**(125,110)**	**(113,198)**	**(92,929)**	**(178,284)**
CASH FLOWS FROM FINANCING ACTIVITIES	-	-	-	-	-	-
Proceeds from capital increase	-	-	-	-	-	-
Paid dividends	(14,080)	-	-	(14,080)	-	-
Loans received	184,919	49,674	154,196	184,919	49,674	154,196
Repayment of loans	(181,005)	(24,762)	(68,206)	(181,005)	(24,762)	(68,206)
Repayment of leases	(1,955)	(660)	(372)	(7,835)	(6,040)	(5,325)
Total inflows / (outflows) from financing activities (c)	**(12,121)**	**24,253**	**85,618**	**(18,000)**	**18,873**	**80,664**
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)	**(10,209)**	**6,100**	**(5,947)**	**(20,377)**	**14,424**	**(5,608)**
Cash and cash equivalents at beginning of period	**16,925**	**10,825**	**16,772**	**31,331**	**16,907**	**22,515**
Cash and cash equivalents at end of period	**6,716**	**16,925**	**10,825**	**10,955**	**31,331**	**16,907**

The cash flow from operating activities increased in 2019 compared to the previous period as a consequence of the increase of trade payables, inventories and decrease of trade receivables.
The cash flow from operating activities increased in 2018 compared to the previous period as a result of the increase of revenues and profit before tax.
The cash flow from investing activities decreased in 2019 compared to 2018 on one hand due to the payments made for the acquisitions of the subsidiaries TMK ITALIA Srl in the amount of Eur 1,730,800 and for TMK RESITA in the amount of Eur 100,000 as well as payments made for the acquisition of tangible non-current assets and increased on the other hand with the dividends collected from the subsidiaries TMK INDUSTRIAL SOLUTIONS and TMK ITALIA.
The cash flow from investing activities increased in 2018 as compared to 2017 due to the decrease in the volume of payments for acquisitions of tangible assets mainly as a result of the commissioning of the investment project "Heat Treatment Plant"
The cash flow from investing activities decreased in 2017 as compared to 2016 as a result of the increase in the volume of payments for acquisitions of tangible assets mainly for the realization of the investment project "Heat treatment plant".

The cash flow from financing activities decreased in 2019 compared to 2018 especially due to the fact that reimbursements of loans and borrowings took place.
In 2019, for the loans for the financing of the working capital, the withdrawals exceeded the reimbursements with the net amount of 4.7 million euros (unlike 2018 when the net amount with which the withdrawals exceeded the reimbursements was 4.9 million euros); in exchange for the investment loan from BCR ERSTE - 7 years, in 2019 4.76 million euros were reimbursed as compared to 2018 when there were no repayments but on the contrary there were withdrawals in the amount of 3.68 million euros.
As for the loans in 2019, the company repaid also $ 1 million from the long-term intra-group loan contracted from TMKE (formerly AVAS), while in 2018 the company repaid 3.3 million euros to TMK EUROPE, representing loans. contracted in the years 2016-2017.
The cash flow from financing activities declined in 2018 as compared to 2017, mainly as a result of the fact that most of the withdrawals of the BCR ERSTE-7 investment loan which took place in 2017.
The cash flow from financing activities increased in 2017 compared to 2016 due to the withdrawals of the BCR ERSTE-7 investment loan and also to the short-term credits for finaning the current activity.

Regarding the evolution of cash flows from the Group's operating activity during the period 2016-2019, we can say that the main influences are due:

Cash flows from operations increased in 2019 compared to 2018 mainly due to the decrease of the profit for the period on one side and of the increase of trade payables, as well as the decrease of trade receivables. Cash flows from operations in the period 2016-2018 increased mainly because of the increase of the sales volumes and prices. In May 2016 it was created TMK Industrial solutions LLC (the US trading company) which led to an increase in Americas from 5% in 2016 to 25% in 2018 in revenues from sales of pipes produced by TMK Artrom. Also the focus on premiumization (the increase of the percentage of the high value added products in the sales structure), possible because of the last few years investments (in February 2018 it was commissioned the Heat Treatment Plant, a 36 mil Euro investment) are reflected in the increase of EBITDA from 81 mil lei in 2016 (10.6% EBITDA margin) to 203 mil Lei in 2018 (14.6% EBITDA margin).

In 2017 Accounts receivables (AR) in US market increased with 27 mil lei and in European market with 17 mil lei, also in 2018 the Accounts receivables (AR) from us and European market increased , as a consequence of the quantity and business volume increase and in addition to 2017 the debt for trading were paid.

Cash flows from investing activity was very high in the period 2016-2019 due to the investments form that period.

The cash flow from investing activities decreased in 2019 compared to 2018 due to the payments made for the acquisitions of the subsidiaries TMK ITALIA Srl in the amount of Eur 1,730,800 and for TMK RESITA in the amount of Eur 100,000 as well as payments made for the acquisition of tangible non-current assets.

In February 2018 it was commissioned the Heat Treatment Plant, a 36 mil EUR investment. We utilized the loans for investments in 2016 and 2017 when the operational Cash Flow was not enough, that's why we see an increase in 2017 Cash flow from financing activities (increase in BCR credit).
In 2019, the cash flow from financing activities decreased compared to 2018, mainly due to the fact that reimbursements of loans and borrowings took place.

Financial indicators:

Financial indicators	2019 separate	2018 separate	2017 separate	2019 consolidated	2018 consolidated	2017 consolidated
Current ratio (capital)	1.33	1.37	1.26	1.11	1.16	1.03
Quick Ratio (acid test)	0.73	0.88	0.72	0.49	0.61	0.50
Gearing indicator	47.5%	45.1%	28.7%	47%	44.2%	23.6%

Interest cover indicator	0.25	7.40	6.49		-0.50	8.50	4.45
Rotation speed stock (inventory turnover)	4.41	5.07	4.51		3.01	3.58	3.73
Number of days of storage (Inventory holding days)	83	72	81		121	102	98
Turnover of debtors, clients (Receivables Collection Period)	77	66	72		84	73	73
Speed of-vendor payables (Payables Period)	57	52	69		99	95	95
Rotation speed of fixed assets (Fixed Asset turnover)	1.86	2.23	1.76		1.02	1.26	1.07
Rotation speed of total assets (Assets Turnover)	0.78	0.93	0.91		0.65	0.79	0.68
Return on equity (ROCE)	0.003	0.07	0.05		-0.01	0.09	0.03
Gross margin on sales (Gross Profit Margin)	15%	19%	16%		0.17	0.22	0.16

1. Liquidity indicators

Current ratio (capital) and **Quick Ratio (acid test)** express how many times current liabilities are included in current assets, respectively in current assets less inventories.
The recommended values are around 2, reflecting the company's capacity to cover the current liabilities from current assets, and mainly from receivables and cash. The values obtained in 2018 are higher than in the previous period as a result of the increase in current assets to a greater extent than the increase in current debts. Current debts decreased with PAO TMK payment amounts for metallurgical products for sale as well as short-term loans.
Consolidated values of this indicator register a decrease in 2019 compared to previous periods as a result of the decrease in current assets to a higher extent than the increase in current debts.

2. Risk indicators

Gearing indicator of equity express whenever they include borrowed capital (long term liabilities) in equity and reflect the financing structure of the company at the end of the financial year. This indicator has grown as a result of the increase in long-term bank loans following the rescheduling of their short term.
Interest cover indicator determine how many times the company may pay interest expense.
Compared to the previous year, this indicator decreased as a result of the decrease of gross profits.

3. Activity indicators

Number of days of storage indicates the number of days in which goods are stored in the unit This indicator increased in 2019 compared to the previous year in line with the decrease in the stock turnover rate.

Turnover of debtors, clients (Receivables Collection Period) express the number of days until the debtors pay their debts to the company and show the efficacy of the company in collecting its receivables. This indicator increased in 2019 as compared to 2018 as a result of the decrease in turnover.

Speed of-vendor payables (Payables Period) expresses the number of days of credit which the company obtains from its suppliers.

This indicator is lower than the speed of rotation of customers, due to the share of purchases of raw material (billets) from the sole supplier TMK RESITA for which the payments are made in advance. This indicator increased in 2019 to 57 days compared to 52 days in 2018.

Rotation speed of fixed assets evaluates the effectiveness of fixed assets management by examining the value of turnover generated by their operation. This indicator decreased in 2019 as compared to 2018 as a result of the decrease in turnover.

Rotation speed of total assets (Assets Turnover) evaluates the effectiveness of the total assets management by examining the turnover generated by the assets of the company. In 2019 this indicator decreased as a result of the decrease in turnover.

4. Profitability indicators

Return on equity (ROCE) represents the profit which the company obtain on a unit of resources invested. This indicator decreased compared to 2018 due to decreased gross profit.

The gross margin is lower in 2019 than in previous years as a result of the decrease in sales volumes as well as the decrease in the average sales price.

Key non-financial performance indicators - relevant for specific activities – separate

Indicators	2019	2018	2017
Production of pipes (to)	187,667	199,878	192,685
Pipe Sales (to)	187,496	200,565	185,614
Production of pipes / Employee (to/employee)	125,28	137,18	145,53
Selling pipes / Employee (to/employee)	125.16	137.66	140.19

Key non-financial performance indicators - relevant for specific activities -consolidated

Indicators	2019	2018	2017
Production of pipes (to)	187,667	199,878	192,685
Pipe Sales (to)	187,106	200,446	185,416
Production of pipes / Employee (to/employee)	81.70	88.87	93.17
Selling pipes / Employee (to/employee)	81.46	89.13	89.66

Other information

It has been complied the obligations provided by law on the organization and the correct management of the accountancy and accounting principles.

It has been respected the rules for drawing up the balance sheet and in accordance with the inventory results.

Balance sheet, profit and loss account and the accompanying financial statements were prepared by taking proper synthetic and analytical accounts in the trial balance.

The accounting records are organized on double entry by the Master-Chess method by automatic processing of data, quantity and value.

In early 2008, the information system and applications based on FoxPro 2.6 have been fully migrated to SQL Server platform, and the connections between the management and the manufacturing / billing module was performed during 2008.

The Financial-Accounting subsystem, part of the Management Information System of SC TMK-ARTROM, consists of programs and procedures specific to this activity, forming the applications prepared for the current operation. Applications are written in a client-server configuration with database managed by a Microsoft SQL 2000 server. Client applications are written in Microsoft Access or C # and are managed and distributed centrally from a file server.

The Accounting and Finance departments operated these applications based on personal access accounts to each user. Modules have been merged, meaning that many existing programs in FoxPro have been included in a single SQL mode. For this reason, users access information is more quickly, requiring fewer trips from the application to start a new application.

The access rights to databases are set at the server level and are organized into groups (roles) that include individual users. In this way, moving a user from one group to another means automatically the re-allocation of access rights. The maintenance and development of databases and client programs are performed by the company's IT department. The database is archived automatically every 6 hours, thus backing up or creating comparative elements if necessary Relationships between database entities are set at the server level, applying the concept of referential integrity. In this way there are insured both data consistency, and the impossibility of accidental deletion of information, if any records remained uncorrelated.

The database type is OLAP (online analytical processing), providing real-time data to all departments. The system has an architecture that does not require data transfer or archiving by eliminating records, which provide faster access to historical data.

The IT system supports an unlimited number of users and is accessible to authorized users via the Internet, based on the access way to server via TCP / IP

The security and integrity of the database is done from the convenience of SQL Server (roles, users, triggers).

In 2009 we migrated from SQL Server 2000 to SQL Server 2005 and workstations were integrated into Active Directory, allowing the centralized management of access to accounts. The automatic reporting module of production and delivery was developed.

In 2011 the IT department team developed several new applications in accordance with the requirements of top management:

- The external application Car Ramp was replaced by the software Car Tickets, written by the programmers of IT department. It is integrated into the computer system of TMK and takes the amount directly from the truck scales, thus avoiding typing mistakes.

- The automated reporting module was completed with the report of irregularities and the report of orders.

- The labelling of products changed, showing on the label the bar code that identifies each package.

- The application 'package' was upgraded and allows taking amounts automatically from electronic scales from producing departments and allocating these amounts to the bar codes on packages.

- There was installed a SharePoint type collaborative platform for secure sharing of documents and information between authorized users.

- The company intranet was completed with sections containing documentation applications, AQ working procedures, technical standards, practical Excel courses, etc.

In 2013 it was implemented Payables module (payments to suppliers) as a report automatically sent by the date base server to users. Also, it was implemented an application in order to manage the suppliers from the Approved Suppliers List (LFA).

The IT Department was aligned to the dynamic evolution of programming environments and to top network equipment, cutting edge software and hardware.

The existing software has been modified at request in accordance with the requirements of services involved in their use to serve more efficiently their purpose.

Regarding systems, there was continued the acquisition of new computers so as to replace old ones at the moment there being a computer network capable of running without problem existing applications as well as the company ERP.

Starting October 2007, TMK-ARTROM has been using for the calculation of salaries and personnel records the application WIZSALARY contracted from the company WIZSALARY SOFTWARE SRL Bucharest.

Starting January 2011, TMK-ARTROM has been using for general accountancy the application WIZCOUNT contracted from the company WIZROM SOFTWARE SRL Bucharest for the preparation of trial balance, the log register, the chess sheets and account records.

Starting with November 2016 it was implemented with the company CGS Bucharest the IT program "Integrated Microsoft Dynamics AX 2012". For 2016 the general accountancy was closed with WIZCOUNT application. Starting 1st January 2017 will be used for financial accounting and operational activity only Microsoft Dynamics AX 2012.

MS Dynamics AX is a business solution that supports both operational and administrative processes of organizations, this single solution comes with localization for Romania. The Dynamics AX 2012 R3 solution contains: The Microsoft Dynamics AX 2012 R3 and the localization package for Romania developed by CGS Europe. The standard package was completed with additional software developments in order to meet the specific functional requirements of TMK-Artrom SA and TMK Resita SA and to integrate informational technical and production modules. The project management follows the Sure Step methodology specially designed by Microsoft for Dynamics solutions implementations.

The implementation of the software MS Dynamics AX 2012 followed the phases: design, configuration, key user training, 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 and TMK REŞIŢA on 1 November 2016 (Go live) and manages the entire TMK-ARTROM and TMK RESITA activity, except for WizSalary and the quantitative and qualitative tracking of production through the modules of the internally developed system. Data collected by the internal system is transferred to Dynamics AX through an integration module specifically designed for this purpose.

Corporate Governance Statement

TMK Artrom's management, in the Corporate Governance Code voluntarily applied by the Company, ensures compliance with the principles contained in the **Corporate Governance Code of Bucharest Stock Exchange**.

The corporate governance principles applied by the Company are available to the public and can be accessed on the company's website: www.tmk-artrom.eu.

TMK Artrom is a company related to the companies of TMK group being controlled by TMK-EUROPE (which has as sole shareholder the Russian company PAO TMK). However, TMK Artrom is managed and

operated as an independent company complying with the legislation relating to the local capital markets and with the equally protection of interest to each shareholder.

TMK Artrom constantly strives to ensure that its activities are consistent with global standards of openness and financial transparency. This approach improves the Company's credibility in the eyes of investors, partners and state authorities.

The corporate governance of TMK Artrom evolved positively over time and it is in a continuous process of modernization in compliance with international standards.

TMK Artrom 's policy is to promote professional and moral standards specific to the business. In this regard, a set of internal regulations (procedures, policies and regulations) have been developed within the Company that regulate how the Company's management understands to manage these topics

1. The Code of Conduct - it is published on TMK Artrom website, which sets out ethical and professional conduct (standards) to be respected by employees, regardless of their function (including members of the Board of Directors, managers and Management Board) as well as TMK Artrom collaborators;
2. The Procedure regarding Prevention and Reporting the Corruption Acts and Transparency Policy in Staff Recruitment- through which were established the basic anticorruption principles and the reporting system of possible violations;
3. The Regulation on Conflict of Interests- aiming to limit the influence of private and personal interests of the employees on the positions held by them, on the business decisions taken and guarantee compliance with high standards of corporate management principles of openness, transparency and predictability.

Regarding the **internal control and risk management systems in relation to the financial reporting process**, TMK Artrom ensures that they are always up to the highest standards. Thus, the internal control it is the process conducted by the Board of Directors, management and staff of the entity, intended to ensure the achievement of the Companies' objectives, taking into consideration: (i) effectiveness and efficiency of operations; (ii) reality of financial reports; (iii) compliance with laws and regulations applicable within the Company.

The Company's management is controlled by shareholders and the financial auditor, according to legal regulations valid in Romania.

The internal Audit is performed under the provisions of GEO 75/1999 regarding the financial audit activity, modified and amended by Law no. 162 of 6 July 2017 on statutory audit of annual financial statements and annual consolidated financial statements and amendments to normative acts to provide assurance on the effectiveness of risk management, control and governance systems, contributing to additional value and providing recommendations for improvement.

The internal audit function is an integral part of the Company's internal control system reports to the General Manager of TMK Artrom. The Internal Audit and Risk Analysis Department assists the management of TMK Artrom achieve the objectives set by it and provide objective and detailed assessments of the legality, regularity, economy, efficiency and effectiveness of the activities and operations carried out.

The objectives of the Internal Audit and Risk Analysis Department agreed with the management of the Company, are as follows:

(i) providing an independent assessment of the effectiveness and efficiency of the internal control system/framework implemented by the management;
(ii) assessing the proper fund management and conservation of assets;
(iii) assessing the reliability of accounting and IT systems;
(iv) ensuring that the entity's policies and processes are respected in all activities and structures implemented;

(v) ensuring that the policies, processes and control mechanisms are reviewed so that they remain sufficient and appropriate to the entity's business;
(vi) making recommendations for the continuous improvement of an internal control system so that they operate with optimal efficiency and cost-effective, reflecting appropriate control practices;
(vii) providing consultancy and advisory services regarding the development of new programs or procedures or on the operational risk assessment that may result in the event of significant changes;
(viii) promoting an effective coordination with the work of the external auditor in order to reduce any duplication of activities.

Since 2014, TMK Artrom has implemented a formalized risk management process that identifies, evaluates and controls risks that could affect the achievement of overall goals and sub-goals at each of the company's levels.

Risk management is an element of internal control system, with which significant risks for activities within TMK Artrom are identified, the ultimate goal being to maintain these risks at an acceptable level. The main objectives of risk management are: (i) maintain threats within acceptable limits; (ii) to take appropriate decisions to explore opportunities; (iii) contribute to the improving the performance of TMK Artrom.

The Decision no. 325 dated 8.11.2011 has been updated with the Decision no.226 dated 10.07.2018 in accordance with the Accounting Law no 82/1991, by which the organization and exercise the preventive financial control in the company was regulated.

In the field of Environmental Quality Management there are internal audit procedures that verify compliance at the company level with requirements of reference standards ISO 9001, API Q1 and ISO 14001and its documents, the way in which they are implemented and effectively maintained.

The control of the assets is also performed annually by conducting an annual inventory based on the decision of the Company's management and by establishing a program of annual inventory.

The financial reports prepared by TMK Artrom and TMK-RESITA are drafted in accordance with the national legislation and are audited by Ernst & Young as well as annual reports prepared to consolidate financial statements at the level of the TMK group.

The General Meeting of Shareholders is the governing body of the Company that decides on its activity and ensures the economic and trade policy. The General Shareholders' Meetings are ordinary and extraordinary.

The Ordinary General Meeting meets at least once a year within 4 months from the end of the financial year and has the following attributions:

(i) discusses, approves or modifies the annual financial statements, based on the reports presented by the Board of Directors, the financial auditor and establishes the dividends;
(ii) elects or dismisses members of the Board of Directors, establishes their remuneration and decides on the discharge of the directors;
(iii) sets the duties and powers of the Board of Directors;
(iv) approves the income and expenditure budget and the business program;
(v) decides to pledge, lease or dissolve one or more units of the Society;
(vi) appoints or revokes the financial auditor and sets the minimum term of the audit agreement.

The Extraordinary General Meeting meets whenever necessary and decides on:

(i) changing the legal form of Company;

(ii) relocation of the Company's registered headquarters;
(iii) changing the Company's object of activity;
(iv) prolongation of the duration of the Company;
(v) increasing the registered capital;
(vi) diminishing the registered capital or its update by way of issuing shares;
(vii) merger with another company or the Company's spin off;
(viii) early dissolution of the Company;
(ix) issuance of bonds;
(x) conversion of shares from one category to another;
(xi) conversion of a class of bonds or shares in another category or in shares;
(xii) any other change in the Articles of Association or any other resolution for which approval is required from the Extraordinary General Meeting;
(xiii) the following powers are delegated to the Board of Directors through the Articles of Association:

- relocation of the company registered headquarters;
- changing of the Company's objects of activity except for the main object of activity;
- establishing or dissolving the secondary offices, branches, agencies, offices or other such units without legal personality.

The general meetings shall be convened whenever necessary by the Board of Directors and the extraordinary general meeting may be summoned by a number of shareholders who individually or cumulatively represent at least 5% of the value of the share capital. The convening will be made in accordance with the provisions of the Articles of Incorporation, Law 31/1990 and the regulations applicable to companies whose securities are admitted to trading.

The shareholders' rights and the ways of exercising these rights are those provided by the relevant legislation.

The Company is administrated by a Board of Directors consisting of 7 members elected by the general shareholders' meeting having a renewable 4-year mandate. The current Board of Directors' mandate is between 25 April 2018 and 25 April 2022.

On 31 December 2019 the Board of Directors had the following members:

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

The CVs of the members of the TMK Artrom' Board of Directors are available on the Company's website at http://www.tmk-artrom.eu/tmkartrom_bordofdirector. Furthermore, additional information can be found under section 4.1 of this report.

The Board of Directors has mandate to perform all the necessary and appropriate actions so as to achieve the object of activity of the Company, except for the powers reserved exclusively to the General Meeting of Shareholders or the powers delegated to the appointed managers of the Company.

The Board of Directors has the following duties that cannot be delegated to managers:

a) establishing the main directions of activity and development of the Company;

b) establishing the accounting and financial control system and the approval of financial planning;

c) appointment and dismissal of the appointed managers and determining their remuneration;

d) supervising the activity performed by the appointed managers;

e) preparing the annual report, organizing the General Meeting of Shareholders and implementing its decisions;

f) requesting the opening of the insolvency proceedings.

The Board of Directors meets at least once every 3 months and also meets upon the justified request of any two members or of the General Manager of the Company. The Board of Directors represents the Company only in relation to the General Manager and to the other managers.

In the implementation of its attributions, the Board of Directors created on 25 April 2018 the audit committee whose duties are to decide on all issues intended for the committee in accordance with the relevant laws and regulations. Without interfering with/ prejudice to the responsibility of the members of the Board of Directors, managers or other members who are appointed by the General Meeting of Shareholders or by the Board of Directors, the committee has the following duties: (i) monitors the financial reporting process and submits recommendations or proposal to ensure its integrity; (ii) informs the Board of Directors of the outcome of the statutory audit and explains how the statutory audit contributed to the integrity of financial reporting and what the role of the committee was in the process; (iii) monitors the effectiveness of the Company's internal quality control, risk management systems and internal audit regarding the financial reporting of the Company, without breaching its independence; (iv) analyzes the internal audit's reports and submits recommendations or proposal regarding the effectiveness and performance of the internal audit; (v) monitors the statutory audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions of any controls and/or inspections of the statutory auditor performed under legal provisions by the competent authority; (vi) reviews and monitors the independence of the statutory auditors or the audit firms in accordance with legal provisions, and in particular the appropriateness of the provision of non-audit services to the Company in accordance with article 71 paragraph (1) of Law 162/2017 and article 5 of Regulation 537/2014; (vii) shall immediately notify the Board of Directors and the General-Director/Chief Executive Officer whenever the Committee considers that the independence or objectivity of the statutory auditors or the audit firms might be affected; (viii) is responsible for the selection process of statutory auditors or audit firms and recommends to the Board of Directors the statutory auditors or the audit firm to be appointed in accordance with article 16 of Regulation 537/2014; (ix) ensures effective cooperation between the internal audit service and external auditors of the Company.
In 2019, the audit committee had seven sessions having a presence of 100% of its members.

The management of the Company is delegated by the Company's shareholders through the Articles of Association to the General Manager and to six deputy managers:

1. Adrian Popescu – General Manager (CEO) -President of the Management Board
2. Vaduva Cristiana – Deputy Chief Economical and Accountancy Officer
3. Drinciu Cristian – Deputy Chief Operational Officer
4. Mustata Valeru – Deputy Chief Commercial, Logistics and Administrative Officer
5. Chernyy Evgeny – Deputy Chief Financial Officer CFO
6. Pavlov Alexandru – Deputy Chief Procurement Officer

7. Constantin Neacsu - Executive Officer of the Factory.

The CVs of the managers of the TMK Artrom are available on the Company's website at http://www.tmk-artrom.eu/tmkartrom_managementboard. Furthermore, additional information can be found under section 4.2 of this report.

In 2019 there were 13 meetings of the Board of Directors having the following agenda:

Date	Topics
15/02/2019	1.Aproval of Quarterly economic reports & analysis for Q4 2018. 2.Aproval of the preliminary annually separate and consolidated financial statements of the Company as at and for the period of 12 months ended 31 December 2018 and preliminary consolidated re-stated for 2016 and 2017 including the main preliminary financial and operational indicators, according to art. 248 of the FSA Regulation 5/2018. 3. Approval of the pooling of interest method for statutory consolidated financial statements. 4. Approval of the regulation of the Board of Directors. 5.Approval of the remuneration of the members of the Director Committee, the performance bonus for 2018 and the target performance bonus for 2019. Present: Zimin Andrey , Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase
01/03/2019	The approval of the amendments to the Accounting Policy Manual prepared as per IFRS as detailed in Annex 1 to this agenda; The approval of the separate and consolidated management report of the Board of Directors with respect to years 2016, 2017 and 2018, including the Sustainability Report-the consolidated non-financial reporting, to be submitted to the Ordinary Meeting of Shareholders together with and for the discussion and approval by the Ordinary Meeting of Shareholders of the separate and consolidated financial statements for the financial year 2018 and the restated consolidated financial reports for the financial years 2016 and 2017; The approval of the separate and consolidated financial statements for the financial year 2018 and the restated consolidated financial reports for the financial years 2016 and 2017, to be submitted to the Ordinary Meeting of Shareholders for discussion and approval; Approving the proposal to distribute the profit for the financial year 2018 as detailed in Annex 5 hereto; To acknowledge the independent financial auditor's report for the financial year

Date	Topics
	2018 and of the independent financial auditor's report restated for the financial years 2016 and 2017, to be submitted to the Ordinary Meeting of Shareholders for the purpose of discussing and approving the financial statements; The approval of the proposal to discharge the members of the Board of Directors for their activity during financial year 2018, to be submitted to the Company's Ordinary Meeting of Shareholders for discussion and approval; The approval of the proposal for the income and expenses budget and for the activity program for year 2019, separate and consolidated to be submitted to the Company's Ordinary Meeting of Shareholders for discussion and approval; The approval of the proposal for the Company's investment program for 2019, to be submitted to the Company's Ordinary Meeting of Shareholders for discussion and approval; The approval of the proposal for the credit ceiling for the financial year 2019, including for the prolongation of the credit agreements which expire during 2019, and of the proposal of new financing sources necessary in 2019 for the working capital, to be submitted to the Company's Extraordinary Meeting of Shareholders for discussion and approval; To acknowledge the Audit Committee's report with regard to the control, audit and risk management system; The approval of the proposal for the dividends distribution policy attached hereto as Annex 2, to be submitted to the Company's Extraordinary Meeting of Shareholders for discussion and approval; The approval of the policy with respect to forecasts attached hereto as Annex 6; The approval of the proposal for the rules of the general meetings of shareholders attached hereto as Annex 7, to be submitted to the Company's Extraordinary Meeting of Shareholders for discussion and approval; To approve the convening of the Ordinary Meeting of Shareholders to take place on 5 April 2019, at 11:00 hours, at the Company's headquarters located at 30 Draganesti Street, Slatina, Olt County, Romania, with the agenda listed in Annex 3 hereto. Approving for the Ordinary Meeting of Shareholders to be convened on 8 April 2019 at the same place, at the same time and with the same agenda mentioned in Annex 3 in case on 5 April 2019 the Ordinary Meeting of Shareholders is not validly met in order to take decisions.

Date	Topics
	To approve the convening of the Extraordinary Meeting of Shareholders to take place on 5 April 2019, at 13:30 hours, at the Company's headquarters located at 30 Draganesti Street, Slatina, Olt county, Romania, with the agenda listed in Annex 4 hereto. Approving for the Extraordinary Meeting of Shareholders to be convened on 8 April 2019 at the same place, at the same time and with the same agenda mentioned in Annex 4 in case on 5 April 2019 the Extraordinary Meeting of Shareholders is not validly met in order to take decisions. To set, in compliance with the legal provisions, the reference date for the Ordinary and Extraordinary Meetings of Shareholders to be convened as per points 14 and 15 above. Present Zimin Andrey , Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase
21/03/2019	1.Following the request received from TMK Europe GmbH, a shareholder of the Company holding more than 5% of the share capital of the Company ("TMK Europe"), to supplement the agenda of the Ordinary Meeting of Shareholders convened for 5 April 2019, at 11:00 hours, at the Company's headquarters located at 30 Draganesti Street, Slatina, Olt County, Romania (or for 8 April 2019 at the same place, at 11:00 hours, and with the same agenda, in case the quorum conditions required by the law and by the Articles of Incorporation are not fulfilled in the first meeting). The agenda thus supplemented is the agenda attached hereto as Annex 1. 2.To acknowledge the proposal by TMK Europe of the following draft resolution for item 2 on the agenda of the Ordinary General Shareholders Meeting scheduled for 5 April 2019: "To approve the distribution of the Company's profit for 2018 amounting to 56,569,986.13 lei as follows: (i) 3,389,036 lei to the legal reserves according to Law 31/1990, respectively at least 5% of the annual gross profit (but no more than 20% of the share capital), (ii) 14,280,000 lei as dividends and (ii) 38,900,950.13 lei will be carried over in the next year. With respect to the decision to approve the distribution of dividends, to establish the date of registration, ex-date and date of payment for the payment of dividends in accordance with the provisions of the Capital Market Law and FSA Regulation 5/2018 as follows: • 13 September 2019 shall be the record date set in accordance with Article 86(1) of the Capital Market Law (the "Record Date") and • 12 September 2019 shall be the ex-date set in accordance with ASF Regulation 5/2018 (the "Ex-date"); and

Date	Topics
	• 4 October 2019 shall be the payment date of the dividends, set in accordance with Article 178(2) of ASF Regulation 5/2018 (the "Payment Date")." 3.To acknowledge TMK's Europe's proposal of draft resolution with respect to item 4 on the agenda of the Extraordinary General Shareholders Meeting scheduled for 5 April 2019 and consisting of the approval of the Dividend Distribution Policy attached hereto as Annex 2. 2.To publicize, in accordance with the applicable legal provisions, the supplemented agenda, as well as TMK Europe's proposals for the draft resolutions as mentioned under points 2 and 3 above. Present Zimin Andrey , Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase
05/04/2019	1.To approve the execution and performance of the facility agreement (the "Facility Agreement") to be concluded by and between the Company, as borrower, VTB BANK (EUROPE) SE ("VTB"), as arranger and facility agent and the financial institutions listed in Schedule 1 to the Facility Agreement as original lenders (the "Original Lenders"), according to which the Original Lenders will make available to the Company a revolving credit facility in aggregate amount of EUR 20,000,000 with an initial maturity date of 12 months from the execution date of the Facility Agreement and subject to maximum two extensions (with the aggregate maturity date, following the second extension, of 36 months from the execution date of the Facility Agreement), with an interest rate of EURIBOR 1M plus 2 per cent per annum for: a. general corporate purposes of the Borrower; b. financing of working capital needs of the Borrower; c. refinancing of existing indebtedness of the Borrower; d. trade finance operations of the Borrower; 2.In relation to the Facility Agreement, to acknowledge the corporate guarantee to be issued by PAO "TMK", a public joint stock company organized and existing under the laws of the Russian Federation (main state registration number: 1027739217758, tax identification number: 7710373095), located at: 40, bld. 2A, Pokrovka str., Moscow, 105062 the Russian Federation, in favor of VTB, for the purpose of securing the performance by the Company of any and all of its obligations under the Facility Agreement, until the satisfaction in full of the Company's obligations under the Facility Agreement and attached hereto as Schedule 2 (*The Guarantee*); 3.In relation to the Facility Agreement, to approve the fee letter ("Fee Letter") referred to in Clause 15 (*Fees*) of the Facility Agreement, with respect to the payment by the Company of a structuring fee in amount of 0.2% of the aggregate amount of the facility of EUR 20,000,000, to VTB, within 5 calendar days from the execution date of the Facility Agreement but in any case prior to the first Utilisation Date (as such term is defined in the Facility Agreement);

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	4.The Facility Agreement, the Fee Letter and any and all documents related to the Facility Agreement and the Fee Letter shall be executed by members of the Company's Management Board in accordance with their relevant powers, as granted through the Articles of Incorporation of the Company, in, substantially (i.e. without any material changes), the form approved by the Board of Directors and attached hereto as Schedule 1 (*The Facility Agreement*) and Schedule 3 (*The Fee Letter*), respectively. Present: Zimin Andrey, Adrian Popescu, Tat Florin-Tudor, Vlad Nastase
22/04/2019	1. Aproval of the unaudited and restated separate and consolidated condensed financial statements of the Company as at and for the period of three months ended 31 March 2019 which includes comparative information for the period of three months ended 31 March 2019, prepared in accordance with IAS 34 Interim financial reporting as adopted by the European Union. The accounting policies are in accordance with the Romanian Ministry of Public Finance Order no. 2844/2016, as amended, which is in accordance with the International Financial Reporting Standards, adopted by the European Union, except for the provisions of IAS 21 – The effects of changes in foreign exchange rates regarding functional currency, with subsequent amendments and additions., published by the Company on [22] April 2019 2. Approval of the publication in accordance with the legal provisions of the unaudited and restated separate and consolidated condensed financial statements of the Company as at and for the period of three months ended 31 March 2019 3. Aproval of Quarterly economic reports & analysis for Q1 2019. Presen:t Zimin Andrey , Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase
24/04/2019	**1.** Approval of the prospectus prepared by the Company together with the Company's majority shareholder, TMK Europe GmbH, with respect to the offering for sale, within a secondary public sale offering (the "Offering"), initiated by TMK Europe GmbH, of part of the existing shares held by TMK Europe GmbH within the Company (the "Prospectus"), substantially in the form, in Romanian and English, made available to the members of the Board of Directors together with this calling notice. **2.** Approving the negotiation, drafting and finalization by the Company of any and all agreements and/ or documents necessary and/ or useful in connection with the implementation of the Prospectus and the Offering, as per the terms and conditions to be agreed, including but not limited to: • a placement agreement (the "Placement Agreement") and any and all documents as referred to in or related or ancillary to the Placement

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	Agreement; • a pricing agreement with respect to the price at which the shares will be offered for sale through the Offering (the "Pricing Agreement"); • the statement with respect to the maximum price of the shares offered in the Offering which is to be submitted to the Financial Supervisory Authority according to the legal provisions; • any certificates confirming the representations and warranties set out in the Placement Agreement; • any certificates, documents, agreements, forms, bring down representation letters, as well as any other documents which are related to the Offering, the Placement Agreement or the Pricing Agreement and which may submitted to various authorities, including without limitation the Financial Supervisory Authority, Bucharest Stock Exchange, Central Depository etc.; • any other declarations (including without limitation waivers of any kind). **3.** Approving the empowering of Mr. Cristian Drinciu, Chief Operational Officer, and of Ms. Cristiana Vaduva, Chief Economical and Accountancy Officer, to jointly represent the Company with respect to the completion, signing and submission of the Prospectus to the competent authorities for the purpose of its approval and of the Offering, including without limitation: • the negotiation and drafting of the Prospectus made available to the members of the Board of Directors together with this calling notice; • the signing of the Prospectus (both in Romanian and English language), substantially in the form made available to the members of the Board of Directors together with this calling notice; • negotiating, drafting, finalizing and signing the Placement Agreement and all documents ancillary to this agreement; • negotiating, drafting, finalizing and signing the Pricing Agreement and all documents ancillary to this agreement; • negotiating, drafting, finalizing and signing any certificates confirming the representations and warranties set out in the Placement Agreement; • negotiating, drafting, finalizing and signing any certificates, documents, agreements, forms, bring down representation letters, as well as any other documents which are related to the Offering, the Placement Agreement or the Pricing Agreement and which may submitted to various authorities, including without limitation the Financial Supervisory Authority, Bucharest Stock Exchange, Central Depository etc.; • negotiating, drafting, finalizing and signing any other declarations (including without limitation waivers of any kind); • negotiating, drafting, finalizing and signing the statement with respect to the maximum price of the shares offered in the Offering which is to be

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	submitted to the Financial Supervisory Authority according to the legal provisions; • making and receiving all declarations (including approvals and waivers of any kind) and taking any and all measures and actions deemed, in their respective sole discretion, necessary or appropriate (including signing the submission forms, certifying copies of documents for conformity with the original and so on) in relation with the submission to and the approval of the Prospectus by the relevant authorities (including without limitation to Financial Supervisory Authority), as required by the law. Considering the above, as well as the provisions of the articles of association of the Company, the general manager of the Company, Mr Adrian Popescu, will issue a special power of attorney to Mr Cristian Drinciu, Deputy General Manager Operations, and to Ms Cristiana Vaduva, Deputy General Manager Economic & Accounting, to jointly represent the Company in relation with the above. **4.** To acknowledge, confirm and ratify any and all actions, measures and documents taken, performed and concluded by the representatives of the Company (including without limitation Mr Cristian Drinciu, Deputy General Manager Operations, and Ms. Cristiana Vaduva, Deputy General Manager Economic & Accounting), up to the date of this decision with respect to the Offering, including without limitation to the following: • the contracting of various advisors and providers providing any and all types of assistance and services needed, required and/or advisable in relation to the initiation, performance and completion of the Offering, including without limitation to: (a) the legal services agreement concluded with CMS Cameron McKenna Nabarro Olswang LLP SCP on 8 January 2019 as further supplemented; (b) the mandate agreement concluded on 17 February 2019 with Raiffeisen Centrobank AG, Raiffeisen Bank S.A. and Wood & Company Financial Services a.s. as Joint Global Coordinators and Joint Bookrunners; (c) the engagement letter concluded on 5 April 2019 between Ernst & Young Assurance Services SRL, TMK Europe GmbH and the Company; (d) the intention to sell (ITS) of the shares by TMK Europe GmbH through the Offering; (e) the escrow agreement concluded between the Company, TMK Europe GmbH and Raiffeisen Bank S.A.; (f) the mandate agreement concluded on 18 April 2019 between the Company, TMK Europe GmbH and Renaissance Securities (Cyprus) Limited; (g) the engagement letter concluded on 17 April 2019 between the

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	Company, TMK Europe GmbH and BT Capital Partners S.A. • any and all actions taken up to date with respect to or related to the Offering. **5.** The price under the share capital increase operation approved by the extraordinary general meeting of shareholders dated 5 April 2019 will have the same value with the price of the shares to be sold within the Offering. Present Zimin Andrey , Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase
07/05/2019	1.Approval of the prospectus prepared by the Company together with the Company's majority shareholder, TMK Europe GmbH, with respect to the offering for sale, within a secondary public sale offering (the "Offering"), initiated by TMK Europe GmbH, of part of the existing shares held by TMK Europe GmbH within the Company (the "Prospectus"), in the form, in Romanian and English, made available to the members of the Board of Directors as Annex 1 to this calling notice. 2.Approval of the international offering memorandum prepared by the Company together with the Company's majority shareholder, TMK Europe GmbH, with respect to the private placement of shares within the Offering (the "IOM"), in the form in English made available to the members of the Board of Directors as Annex 2 to this calling notice. 3.Approval of the execution by the Company, together with the Company's majority shareholder, TMK Europe GmbH, on one side, and Raiffeisen Centrobank AG, Raiffeisen Bank S.A. and Wood & Company Financial Services, a.s., on the other side, in relation to the Offering, of the Placement Agreement in the form made available to the members of the Board of Directors as Annex 3 to this calling notice (the "Placement Agreement") 4.Approval of the prospectus prepared by the Company (the "Share Capital Increase Prospectus") for the increase of the share capital of the Company approved by the decision of the extraordinary general meeting of the Company's shareholders no. 1 of 5 April 2019 (the "Share Capital Increase"), substantially in the form, in Romanian and English, made available to the members of the Board of Directors as Annex 4 to this calling notice. 5.To approve the negotiation, drafting and finalization by the Company of any and all contracts and/or useful and/or necessary documents in connection with the implementation of the Offering, Prospectus, IOM, Placement Agreement, Share Capital Increase and the Share Capital Increase Prospectus, including but not limited to: • any types of certificates, acts, contracts, forms, as well as any documents related to the Offering, Prospectus, IOM, Placement Agreement, Share Capital Increase and the Share Capital Increase Prospectus and which must be filed with various authorities including, but not limited to, the Financial Supervisory Authority, the Bucharest Stock Exchange, Depozitarul Central etc.; • any other kind of statements (including, but not limited to, waivers of any kind)

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	and taking all necessary measures and performing all necessary or advisable actions in order to finalize, submit, register with and obtain the approval of the relevant authorities (including but not limited to the Financial Supervisory Authority, the Bucharest Stock Exchange and Depozitarul Central) of the Prospectus and/or the Share Capital Increase Prospectus and initiate and finalize the Share Capital Increase operation. **6.** To approve the empowering of Mr. Cristian Drinciu, Chief Operational Officer, jointly with Ms. Cristiana Vaduva, Chief Economical and Accountancy Officer, to represent the Company with respect to: • signing the Prospectus in the form attached to the Board of Directors' decision; • signing the IOM in the form attached to the Board of Directors' decision; • signing the Placement Agreement in the form attached to the Board of Directors' decision and all ancillary documents related to this agreement; • drafting the Share Capital Increase Prospectus and signing such document, substantially in the form attached to the Board of Directors' decision; • negotiating, drafting, finalizing and signing any representations and warranties certificates set out in the Placement Agreement; • negotiating, drafting, finalizing and signing any certificates, documents, agreements, forms, bring down representation letters, statements as well as any other documents which are related to the Offering and/or the Prospectus and/or the IOM and/or the Placement Agreement and/or the Share Capital Increase and/or the Share Capital Increase Prospectus and which must be submitted to various authorities, including without limitation the Financial Supervisory Authority, Bucharest Stock Exchange, Depozitarul Central etc.; • negotiating, drafting, finalizing and signing any other declarations (including without limitation waivers of any kind) related to the Offering and/or the Prospectus and/or the IOM and/or the Placement Agreement and/or the Share Capital Increase and/or the Share Capital Increase Prospectus; • making and receiving all declarations (including approvals and waivers of any kind) and taking any and all measures and actions deemed, in their respective sole discretion, necessary or appropriate (including signing the submission forms, certifying copies of documents for conformity with the original and so on) in relation with the submission with and the approval of the Prospectus and/or Share Capital Increase Prospectus by the relevant authorities (including without limitation the Financial Supervisory Authority), as required by the law. Considering the above, as well as the provisions of the Articles of Incorporation of the Company, the Chief Executive Officer of the Company, Mr. Adrian Popescu, will issue a special power of attorney to Mr. Cristian

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	Drinciu, Chief Operational Officer, and to Ms. Cristiana Vaduva, Chief Economical and Accountancy Officer, to jointly represent the Company in relation with the above. **7.** Confirming the fact that the decisions mentioned above do not revoke, withdraw or otherwise cancel the decisions taken and/or the powers granted by the Board of Directors through the decision of the Board of Directors dated Present: Adrian Popescu – it was not fullfilled the quorum conditions
29/05/2019	1. To approve the convening of the Extraordinary General Meeting of Shareholders to take place on 4 July 2019, at 11:00 hours, at the Company's headquarters located at 30 Draganesti Street, Slatina, Olt county, Romania, with the agenda listed in Annex 1 hereto. Approving for the Extraordinary General Meeting of Shareholders to be convened on 5 July 2019 at the same place, at the same time and with the same agenda mentioned in Annex 1 in case on 4 July 2019 the Extraordinary General Meeting of Shareholders is not validly met in order to take decisions. 2. To set, in compliance with the legal provisions, the reference date for the Extraordinary General Meeting of Shareholders to be convened as per point 1 above. 3. Present Zimin Andrey , Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase
07/08/2019	1. Aproval of the Report of the Board Directors and the interim and unaudited separate and consolidated financial statements of the Company as at and for the period of six months ended 30 June 2019. The accounting policies are in accordance with the Romanian Ministry of Public Finance Order no. 2844/2016, as amended, which is in accordance with the International Financial Reporting Standards, adopted by the European Union, except for the provisions of IAS 21 – The effects of changes in foreign exchange rates regarding functional currency, with subsequent amendments and additions. 2. Approval of the publication in accordance with the legal provisions of the interim and restated separate and consolidated financial statements of the Company as at and for the period of six months ended 30 June 2019 . 3. Aproval of Quarterly economic reports & analysis for Q2 2019. Present: Zimin Andrey , Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-

Date	Topics
	Tudor, Vlad Nastase
17/09/2019	**1.** Approval of the convening of the Extraordinary General Meeting of Shareholders on 24 October 2019, at 11:00 am, at the headquarters of the Company at 30 Draganesti Street, Slatina, Olt County, Romania, with the agenda indicated in Annex 1 of this calling notice. If, on the aforementioned date, the Extraordinary General Meeting of Shareholders is not validly convened to take decisions, the approval of 25 October 2019 as date to hold the meeting, at the same time, at the same place and with the same agenda **2.** Establishing, in accordance with the legal provisions, the reference date for the Extraordinary Genral Meeting of Shareholders convened according to point 1 above. Present Zimin Andrey , Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase
30/09/2019	1.To approve the amendment and restatement of the Facility Agreement as per the terms and conditions of the First Amendment and Restatement Agreement (in substantially the terms and conditions attached hereto as Schedule 3) in the form and substance provided under the Amended and Restated Facility Agreement (in substantially the terms and conditions attached hereto as Schedule 1) as per the following main terms: i. the increase of the aggregate maximum amount available under the facility from 20,000,000 EUR to 40,000,000 EUR; ii. the amendment of the interest rate from EURIBOR 1M plus 2 per cent per annum to a fixed 2 per cent per annum. 2.To have the Company acknowledge the amendment of the Guarantee through a Guarantee Confirmation Letter (as attached hereto under Schedule 2) issued for the purpose of securing the performance by the Company of any and all of its obligations under the Facility Agreement, until the satisfaction in full of the Company's obligations under the Facility Agreement; 3.In relation to the amendment of the Facility Agreement, to approve the fee letter ("Fee Letter") referred to in Clause 3 ("Structuring *Fee"*) of the First Amendment and Restatement Agreement, with respect to the payment by the Company of a structuring fee in amount of 0.2% on the increased amount of the Facility Agreement to VTB not later than the Effective Date; 4.To appoint the individuals listed below to negotiate and execute on behlaf of the Company, the Fee Letter and any and all documents related to the Facility Agreement and the Facility Agreement in, substantially (i.e. without any material changes), the form approved by the Board of Directors and attached hereto as Schedule 1

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	("Amended and Restated Facility Agreement") Schedule3 ("Amendment and Restatement Agreement") and Schedule 4 ("The Fee Letter"): (i) Mr. Adrian Popescu, the Company's General Manager, who shall have an individual signing right, being empowered through the Articles of Incorporation to individually negotiate and execute any and all of the documents mentioned above; or (ii) Mr. Evgeny Chernyy, the Company's Financial Deputy General Manager, who will have the signature right only together with Mrs. Cristiana Vaduva, the Company's Economic-Accountancy Deputy General Manager, being empowered by the General Manager to negotiate and by the Articles of Incorporation to execute only together any and all of the documents mentioned above. Present: Zimin Andrey , Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase
29/10/2019	**3.** Approval of the participation of the Company in a tender (the "Tender") for the design, delivery and construction of the works project "Execution of natural gas transport pipeline Black Sea Shore-Podişor (including electric power connection, cathodic protection and optic fiber)" (the "Project"), and, in case of being awarded the contract for the implementation of the Project, concluding the contract for the implementation of the Project (the "Contract") with the Romanian National Gas Transmission Company "TRANSGAZ" S.A. and performing the works related to the Project in accordance with the Contract and in exchange for the price as detailed in the Contract and the Tender documentation which are available at the following link: http://sicap-prod.e-licitatie.ro, participation announcement no. CN1007189. **4.** Approval of the conclusion of a consortium agreement with «ZNGS-PROMETEY» - a limited liability company, incorporated and existing under the laws of the Russian Federation, having its registered office at 6/2, Zuzinskaya Street, 117418 Moscow, Russia (the "Consortium Agreement"), in the form attached hereto as Annex 1, in accordance with article 66 of the Law 99/2016 regarding sectorial acquisitions, with the purpose of carrying out the activities provided at point 1 above. **5.** Approval of the conclusion of an agreement with PAO "TMK", a public joint-

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	stock company organized and existing under the laws of the Russian Federation, state registration number 1027739217758, having its registered address at 40/2A Pokrovka Street, Moscow, 105062, Russia, for the acquisition of the necessary pipes for the implementation of the Project. **6.** The empowerment of Mr. Adrian Popescu, as General Manager of the Company, to take all measures in order to fulfill the above, including, but not limited to, issuing, signing and concluding any documents necessary to participate in the Tender, concluding and implementing the Contract, the Consortium Agreement, the contract mentioned at point 3 above and any other documents, agreements and/or contracts in order to participate to the Tender and to implement the Project. Mr. Popescu will have the right to delegate these powers to another person or other persons at his discretion. Present: Zimin Andrey , Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase
08/11/2019	1. Aproval of Quarterly economic reports & analysis for Q3 2019. 2. Aproval of the report of Board of Directors and the unaudited separate and consolidated simplified interim financial statements of the Company as at and for the period of nine months ended 30 September 2019. The accounting policies are in accordance with the Romanian Ministry of Public Finance Order no. 2844/2016, as amended, which is in accordance with the International Financial Reporting Standards, adopted by the European Union, except for the provisions of IAS 21 – The effects of changes in foreign exchange rates regarding functional currency, with subsequent amendments and additions. 3. Approval of the publication in accordance with the legal provisions of the report of Board Directors and the unaudited separate and consolidated simplified interim financial statement of the Company as at and for the period of nine months ended 30 September 2019 . Present: Zimin Andrey , Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase

Regarding the diversity policy, TMK Artrom together with TMK Group encourage the diversity, not only within the Company but also, within the companies from the Group. Since the diversity policy takes into consideration age, gender, education and professional background, the diversity policy applies both to the management and to the entire Company.

The Company' diversity policy applies also to the Board of Directors. As a consequence, the Board of Directors includes both women and men, with different professional background (legal, economic, technical) and different nationalities.

Relating to the status of the Company's compliance with the provisions of the Corporate Governance Code of BVB, please see the chart attached to the present report.

Code compliance statement

Status of compliance with the Bucharest Stock Exchange's Corporate Governance Code until 31 December 2019:

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
A1	**All companies should have an internal regulation of the Board which includes terms of reference/responsibilities of the Board and key management functions of the company, applying, among others, the General Principles of Section A.**	The Articles of Association of the Company provides detailed rules regarding the organization and functioning of the Executive management/Board of Directors /General Shareholders Meeting. Moreover, in February 2019, TMK Artrom approved the Board of Directors' Regulation, which includes relevant provisions on the composition, appointment and functioning of the Board of Directors, including the management of the conflict of interests. The Company also has a Code of Conduct and Corporate Governance which contains the terms of reference, the responsibilities of the executive management, the Board of Directors			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
		and the General Shareholders Meeting, and key management functions. These terms of reference / responsibilities are made public through the Annual Report published on the Company's Investor Relations Section. These reports, the Board of Directors' Regulation, the Articles of Association, the Code of Conduct and the Corporate Governance Code, are published on the Company's website under Section*: INVESTORS RELATIONS - CORPORATE GOVERNANCE*			
A2	**Provisions for the management of conflict of interests should be included in Board regulation. In any event, the members of the Board should notify the Board of any conflicts of interests which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interests.**	With regard to the management of conflicts of interest, each member of the Board of Directors shall ensure that a conflict of interests directly or indirectly with the Company is avoided and, in the event of such a conflict, shall immediately notify the Board and shall not take part in any Board deliberations or vote relating to the operations in connection to which such conflict of interests exists, in accordance with the legal provisions in force. The provisions for			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
		the management of conflicts of interest are published on the Company's website in the Board of Directors' Regulation, the Code of Conduct, under - *INVESTORS RELATIONS - CORPORATE GOVERNANCE* Section. Moreover, in February 2019, TMK Artrom approved the Board of Directors' Regulation, which includes relevant provisions on the management of the conflict of interests.			
A3	**The Board of Directors or the Supervisory Board should have at least five members.**	The Board of Directors of TMK Artrom consists of 7 members (of which 2 independent members) with a current mandate until 25 April 2022. More information can be found in the Annual Report and on the Company's website under the: *INVESTORS RELATIONS - CORPORATE GOVERNANCE* Section.			
A4	**The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of**	The Board of Directors of TMK Artrom consists of 7 members. The information on this provision is published in the Annual Report under the *INVESTORS RELATIONS - REPORTS* Section			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
	Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. **Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice**	and on the Company's website in the Section: *INVESTORS RELATIONS - CORPORATE GOVERNANCE.* The Chairman of the Management Board is the General Manager and member of the Board of Directors. The other members of the Board of Directors do not have executive positions. TMK Artrom has 2 independent Board members.			
A5	**Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.**	This information is available in the Annual Report as well as in the CVs presented for each member of the Board of Directors on the company's website under *INVESTORS RELATIONS - CORPORATE GOVERNMENT - Board of Directors* Section.			
A6	**Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board**	The information is presented in the Annual Report.			
A7	**The company should appoint a Board secretary**	TMK Artrom appointed a			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
	responsible for supporting the work of the Board.	Secretary for the Board of Directors through a Board of Directors' Decision.			
A8	**The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.**	The activity of the Board of Directors foe 2018 was evaluated based on the report issued by the Chairman of Board of Directors. The activity of Board of Directors is annually evaluated based on the economic and financial indicators. The degree of fulfilment of the economic – financial indicators is presented in the Annual Report. After approval of the Annual Report, the General Shareholders Meeting approve the discharge of the directors. The General Shareholders Meeting decision is published on the Company's website under *„INVESTORS RELATIONS"* Section.			
A9	**The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.**	The Annual Report contains information regarding the activity of Board of Directors and the Audit Committee (number of meetings, activities carried out).			
A10	**The corporate governance statement**	The corporate governance			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
	should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	statement and the Annual Report contain information regarding the number of members of the Board of Directors that are independent (2) and not independent (5) and their distribution based on the criteria executive/ non-executives.			
A11	**The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the Nomination Committee should be independent**	Not applicable.			
B1	**The Board should set up an audit committee, and at least one member should be an independent nonexecutive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience.** **In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be**	In the Extraordinary General Meeting of Shareholders of 25 April 2018 it was approved the modification of the number and structure of the Board of Directors from 5 members to 7 members by electing 2 new independent members. It was approved that the two independent members be part of an Audit Committee consisting of three members: two independent members and one non-independent.			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
	independent.	Through this, the Company has also complied with the provisions of Law 162/2017. The Chairman of the Audit Committee is an independent member of the Board of Directors. One of the members of the Audit Committee, Mr. Surif Mikhail, has the appropriate relevant experience. The Regulation of the Audit Committee was also approved by the Board of Directors upon the establishment of the Audit Committee.			
B2	**The audit committee should be chaired by an independent nonexecutive member.**	Yes, starting with 25 April 2018.			
B3	**Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.**	Yes, on a yearly basis. The Audit Committee made the annual assessment of the system of internal control.			
B4	**The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.**	The Annual Report contains information about the audit activity, risk control and management.			
B5	**The audit committee should review conflicts of interests in transactions**		This activity is carried out on the basis of the	The Audit Committee was	Conflict of interests in relation to the company and

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
	of the company and its subsidiaries with related parties.		Company's obligation to monitor the compliance with the provisions of the Article of Association/Code of Conduct and the applicable normative documents regarding transactions with affiliated parties. Taking into consideration that the Audit Committee was established on 25 April 2018, it shall perform the relevant reviews. Also the financial auditor, ERNST & YOUNG, prepares quarterly audit reports regarding the reports of the Company with respect to the transactions over 50.000 EUR with related parties, according to article 82 of Law no. 24/2017 and ASF Regulation no. 5/2018. All these materials are published on the Company's website under: *INVESTORS RELATIONS – REPORTS* Section.	established o 25 April 2018 and performs the relevant reviews during.	subsidiaries transactions with affiliated companies and related parties were evaluated and presented in this administration report.
	Information regarding the number and the value of transactions with affiliated parties	The Annual Report, current reports and quarterly reports of financial auditors regarding the agreements with affiliated parties with values over 50.000 EUR contain information of the transactions with affiliated parties from the relevant year. Those are published on the			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
		website under *„INVESTORS RELATIONS - REPORTS"* Section.			
B6	**The audit committee should evaluate the efficiency of the internal control system and risk management system.**	The Company, has an Audit Committee which performed the evaluations. The outcome of the assessment of the effectiveness of the internal control system and of the risk management system is contained in the Annual Report.			
B7	**The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.**	The Company, has an Audit Committee which monitors the application of the legal standards and internal audit standard as such are generally accepted. The Audit Committee receives and evaluates the reports of internal audit team.			
B8	**Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.**	Yes, on a quarterly basis or ad-hoc.			
B9	**No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.**	All shareholders are treated in accordance with the provisions of the law.			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
B10	**The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.**	The specific procedure SYSTEM ISO related to transfer price in relation with affiliated parties and procedures regarding preparing, tracking income expense budget, financial statements, economic financial indicators – that are approved quarterly / half yearly by Board of Directors have been adopted. During the quarterly meetings for revising the public quarterly budget results, quarterly/half yearly reports, the Audit Committee analyses, the Company's transactions with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the Company and it presents its opinion to the Board of Directors.			
B11	**The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third party entity.**	TMK Artrom has an Internal Audit Department and own Risk Analysis.			
	Descriptive Report of the Chairman of the Audit Committee (on the assessment of internal audit reports and the reporting of the	For 2019, the Descriptive Report of the Chairman of the Audit Committee regarding the			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
	Chairman of the Internal Audit Department)	assessment of internal audit reports and the reporting of the Chairman of the Internal Audit has been prepared. The Annual Report contains a section dedicated to the evaluation of the audit activity in which provides information regarding the internal audit activity and the risk management.			
B12	**To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer**	The reporting lines are strictly observed. The Audit Department reports to the Audit Committee, the General Manager and the Board of Directors.			
C1	**The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration**		The Company does not have a formal remuneration policy. The directors' remuneration is done in accordance with the law. For more information, please see „*INVESTORS RELATIONS – CORPORATIVE GOVERNANCE*" Section.	In 2018, the Company has started revising and, where applicable, updating its documents /policies. As a result, certain documents have been enacted. The process is still in progress with respect to other documents.	Until the end of 2019, the Company finalized the revision and, where applicable, the updating of the remaining documents.

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
	governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stocklinked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. **The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review.** **Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.**				

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
D1	**The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:**	TMK Artrom has a structure specifically designed for investor relations. All materials published on the TMK Artrom website under the *INVESTORS RELATIONS* Section, are also translated into English.			
D.1.1	**Principal corporate regulations: the articles of association, general shareholders' meeting procedures;**	The main corporate documents are published bilingually on the Company's website *INVESTORS RELATIONS* Section.			
	Terms of reference of the Council and the Committees of the Council	The Terms of Reference of the Board of Directors and the Management Board are contained in the Articles of Association and, starting with February 2019, in the Board of Directors Regulation, Audit Committee regulation and the relevant documents which can be found on the Company's website under *INVESTORS RELATIONS,– CORPORATE GOVERNANCE* Section.			
	GSM rules and procedures	In accordance with the Articles of Association. All materials are			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
		published on the Company's website both under *Investors Relations – - Shareholders Information* Section and in CORPORATE GOVERNANCE information about General Shareholders Meeting Calling Notices, Current Reports GSM (*INVESTORS RELATIONS,* REPORTS).			
D.1.2	**Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and nonexecutive Board positions in companies and not-for-profit institutions**	The CVs of the members of the governing bodies / the Board of Directors are published in the Annual Report on the company's website in *Section INVESTORS RELATIONS,* CORPORATE GOVERNANCE Board of Directors.			
D.1.3	**Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;**	Current reports including periodic ones (quarterly, semiannual and annual) are published on TMK Artrom website, under *Investor Relations (in REPORTS and in Corporate Governance – documents)* Section. These contain information related to this provision.			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
D.1.4	**Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;**	All these information are published on the webpage under *INVESTORS RELATIONS*- Section.			
D.1.5	**Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;**	All these information are published on company's website under *INVESTORS RELATIONS* Section.			
D.1.6	**The name and contact data of a person who should be able to provide knowledgeable information on request;**	The information is available on website under *INVESTORS RELATIONS- Contact Details for the Investors*- Section.			
D.1.7	**Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.**	Presentations made upon the publication of quarterly and half yearly financial results and / or upon meetings with investors / analysts are published on website, under *INVESTOR RELATIONS* Section. The annual			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
		financial statements are accompanied by the audit report.			
D.2	**A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.**		The annual dividend or other benefits distribution policy towards the shareholders is on the agenda of the Board of Directors meeting called for 1 March 2019 and it is submitted for the approval of the shareholders meeting convened for 5 April 2019.		It was published on the website on the Corporate Governance section -Documents on April 5, 2019
D.3	**A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature, such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semiannual or quarterly reports. The forecast policy should be published on the corporate website.**		The policy with respect to forecasts is on the agenda of the Board of Directors meeting called for 1 March 2019 and it is submitted for the approval of the shareholders meeting convened for 5 April 2019.		It was published on the website on the Corporate Governance section -Documents on April 5, 2019
D.4	**The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the**	The rules for the organization and conduct of the General Shareholders Meeting of TMK			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
	exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	Artrom guarantee the shareholders' rights under the law and ensure equal treatment of shareholders. Those are provided by the Article of Association on website under *INVESTORS RELATIONS – Corporate Governance Documents* Section and *also in current reports/ annual reports* under *Section INVESTORS RELATIONS REPORTS* Section.			
D.5	**The external auditors should attend the shareholders' meetings when their reports are presented there.**	The external auditors are notified of the date of the Shareholders General Meeting in order for them to be present at the general shareholders' meeting when their reports are presented at these meetings.			
D.6	**The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.**	During the General Meeting, the Board of Directors, starting with 2018, presents a report regarding the performance of internal controls and risk management systems. This information is contained in the chapters referring to the activity regarding the risk management, internal control and risk management in the Annual Report of the Board of Directors to be			

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
		submitted for the approval of the General Shareholders Meeting.			
D.7	**Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.**	The President of the Board of Directors shall be informed of any request for participation in the General Meeting of the Shareholders.			
D.8	**The quarterly and semiannual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.**	The quarterly and half yearly annual financial reports include both Romanian and English information on key factors that affect changes in sales, operating profit, net profit and other relevant financial indicators, from quarter to quarter, as well as from one year to another.			
D.9	**A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/ conference calls.**		During 2018, the investors has been offered the occasion to participate, upon their request, to meetings/conferences with the Company. For 2019, according to the Financial calendar presented on the site under the *INVESTOR RELATIONS – SHAREHOLDERS* Section, the meeting/conference took place on 8 April 2019 and the one	No investors requested any meetings.	For 2019, according to the Financial calendar presented on the site under the *INVESTOR RELATIONS – SHAREHOLDERS* Section, the meeting/conference took place on 8 April 2019 and the one initially planned on 12 August 2019 was cancelled and organized only at request

	Code provisions	Compliance	Non-compliance or partial compliance	Reason of non-compliance	Deadline
			initially planned on 12 August 2019 was cancelled and organized only at request		
D.10	**If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.**	According to the CODE OF CONDUCT the provisions for donations and sponsorships are presented on the site under *INVESTORS RELATIONS - CORPORATE GOVERNANCE* Section.			

Consolidated non-financial statement - Sustainability report according to GRI

In 2014, the European Parliament and the European Council adopted the 95th Directive by which public-interest entities with over 500 employees are required, in addition to the administrators' report, to submit a non-financial statement that includes information on the economic, social, and the environment. The Directive was transposed into Romanian legislation by the Order of the Minister of Public Finance 1938/2016 and the Order of the Minister of Public Finance 3456/2018, by Law 111/2016 for the approval of GEO 109/2011, but also by a series of norms adopted by the National Bank of Romania, respectively by the Financial Supervisory Authority.

In accordance with Order no. 470/2018 of 11 January 2018 on the main aspects related to the preparation and submission of the annual financial statements and annual accounting reports of the economic operators to the territorial units of the Ministry of Public Finance, as well as for the modification and completion of some accounting regulations and Order no. 2844/2016 of 12 December 2016 approving the Accounting regulations International Financial Reporting issued by the Finance Ministry , TMK ARTROM prepared consolidated non-financial statement as a separate report Sustainability Report, prepared in accordance with standards Global Reporting Initiative (GRI).

The consolidated non-financial statement - SUSTAINABILITY REPORT for the year 2019 - is part of this consolidated report of administration and will be published together under the general disclosure obligation.

According to the Order of the Minister of Public Finance 3456/2018 regarding the modification and completion of some accounting regulations regarding the individual annual financial statements and the consolidated annual financial statements approved by the Order of the Minister of Public Finance no. 1.802 / 2014, published in the Official Gazette of Romania, Part I, no. 963 of 30 December 2014, as amended and completed, TMK-RESITA has prepared the first individual non-financial statement as a separate report SUSTAINABILITY REPORT, prepared in accordance with the Global Reporting Initiatives (GRI) standards.

Important events occurring after the end of the financial year

January

On **January 31, 2020** TMK-Artrom S.A. informed the investors that it had been notified by TMK Steel Holding Ltd., which used to hold 6,672,352 voting rights in TMK-Artrom SA, representing 5.7436% of the share capital of TMK-Artrom SA, about the transaction made on 27.01.2020 subsequent which TMK Steel Holding Ltd. reached the threshold of 0% of the share capital of the issuer TMK-Artrom S.A. On the same day TMK-Artrom published the notification of transactions made by persons discharging managerial responsibilities (PDMR) and individuals which are closely associated with the PDMR.

The stake of TMK-Artrom share capital owned by TMK-Europe GmbH as a result of running and closing the public offer that took place in the period is 03.01.2020-23.01.2020 is 98.83%.

February

On **February 17, 2020** TMK-Artrom S.A. informed the investors that it has been notified by TMK Europe GmbH (the majority shareholder of TMK-Artrom S.A., holding 114,809,203 shares representing 98.8283% of TMK-Artrom S.A.'s share capital) of its intention to initiate the procedure for the withdrawal of the minority shareholders from TMK-Artrom S.A.

March

Currently, the company operates at an acceptable level, but there are difficulties because of the impact of the COVID 19 pandemic, in regard with the shipment of the production for export due to the restrictions on truck traffic in Europe. We remind that most of our production is intended for sale in the main markets of Italy, Germany and other strongly industrialized countries from Western Europe, the transport of goods being exclusively by truck until the destination due the specificity of our products designated for users from industries as automotive, machining, hydraulic, etc. Being a metallurgical unit with continuous fire, we make efforts in order to maintain the activity at a reasonable level.

Internally, TMK-Artrom makes all the efforts necessary to diminish the effects of the pandemic at the level of the economic activity and to reduce to the minimum the risk of employees getting sick in the company as well as in its subsidiaries from Romania, Italy and the United States.

Depending on the evolution, in what regards the regulations of the authorities and the economical evolution of our market, the company's management is taking into consideration the implementation of all the measures which will be imposed for the health of the employees and the integrity of the production equipment.

Statement of responsible persons

In accordance with the legal provisions in force of Law no. 24/2017 on Issuers of Financial Instruments and Market Operations and of Regulation no. 5/2018 issued by the Financial Supervision Authority (ASF) - Financial Instruments and Investments Sector regarding issuers and transactions with securities, the management of the company declares the following:

1. To our knowledge, we confirm that the consolidated financial statements of TMK-ARTROM SA and separate TMK-ARTROM SA, prepared in accordance with the applicable accounting standards, provide a true and fair view of the assets, liabilities, financial position, income statement for the year ended 31 December 2019 and the group for the years 2017, 2018 and 2019.

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

The consolidated financial statements of TMK-ARTROM SA together with its subsidiary for 2019 and restated for 2017 and 2018, as well as separate financial statement of TMK-ARTROM SA for the financial year ended as at 31 December 2019 are audited.

Members of the administrative and management bodies ensure that the annual separate financial statements and consolidated and the administrators report have been prepared and published in accordance with national legislation.

Legal basis:

1. Company Law no. 31/1990, republished, as subsequently amended and supplemented;
2. Accounting Law no. 82/1991, republished, as subsequently amended and supplemented;
3. Ministry of Finance Order no. 881/2012 on the application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards, published in the Official Gazette, Part I, no. 424 of 26/06/2012;
4. Ministry of Finance Order no. 907/2005 regarding the approval of the categories of legal entities that apply accounting regulations in line with the International Financial Reporting Standards, respectively accounting regulations compliant with the European directives, published in the Official Gazette, Part I no. 597 of 11/07/2005;
5.. Ministry of Finance Order no 2844 / 12.12.2016, as amended and supplemented, on Accounting Regulations in Accordance with International Financial Reporting Standards**;**
6. Council Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards
7. Order no. 3456/2018 regarding the modification and completion of some accounting regulations
8. Law no. 24/2017 on issuers of financial instruments and market operations
9. Regulation FSA. no. 5/2018 on issuers of financial instruments and market operations

Date 13 March 2020

Chief Executive Officer,

Eng. Popescu Adrian

Chief Economical and Accountancy Officer,

Ec. Vaduva Cristiana

TMK-ARTROM S.A.

Consolidated and separate financial statements prepared in accordance with regulations of OMFP no. 2.844/2016, with subsequent changes and ammendments

31 DECEMBER 2019

and restated consolidated financial statements for 2017 and 2018

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		Consolidated		
		31.12.2019	31.12.2018 *Restated* Note 2.2.d	31.12.2017 *Restated* Note 2.2.d
		RON	*RON*	*RON*
	2.2.d			
Revenue from contracts with customers		**1,164,600,291**	**1,430,787,785**	**1,207,075,807**
Sales of goods	6	1,161,484,445	1,427,082,831	1,199,904,816
Rendering of services	6	3,115,846	3,704,954	7,170,991
Cost of sales	7	(970,104,018)	(1,110,505,639)	(1,015,728,370)
Gross profit		**194,496,273**	**320,282,146**	**191,347,437**
Selling and distribution expenses	8	(114,606,722)	(130,427,417)	(88,652,382)
Advertising and promotion expenses	9	(445,266)	(333,646)	(360,502)
General and administrative expenses	10	(70,163,211)	(65,634,449)	(56,380,976)
Research and development expenses	11	(130,966)	(247,178)	(117,956)
Other operating expenses	12.2	(3,463,223)	(5,505,234)	(5,952,277)
Other operating income	12.1	4,475,620	156,388	2,230,001
Income from operations		**10,162,505**	**118,290,610**	**42,113,345**
Foreign exchange (loss) / gain, net		(17,581,283)	(3,069,789)	(1,606,753)
Finance income	12.4	240,004	8,654	22,706
Finance costs	12.3	(18,865,107)	(15,290,361)	(10,676,878)
Gains / (losses) on financial instruments		-	-	-
Profit / (loss) before tax		**(26,043,881)**	**99,939,114**	**29,852,420**
Income tax expense/credit	13	2,628,749	(18,729,031)	(2,914,209)
Profit / (loss) of the year		**(23,415,132)**	**81,210,083**	**26,938,211**
Other comprehensive income - that may be reclassified in profit or loss				
Foreign currency translation		1,010,692	360,533	748,816
Other comprehensive income - that may not be reclassified in profit or loss				
Actuarial gains / (losses)		11,954	216,543	(46,172)
Other comprehensive income (loss) for the year, net of tax		**1,022,646**	**577,076**	**702,644**
Total comprehensive income for the year, net of tax		**(22,392,486)**	**81,787,159**	**27,640,855**
Average number of shares		116,170,334	116,170,334	116,170,334
Earnings per share		**(0.20)**	**0.70**	**0.23**

	Note	Separate 31.12.2019 *RON*	31.12.2018 *RON*	31.12.2017 *RON*
Revenue from contracts with customers		**1,196,926,713**	**1,385,787,328**	**1,065,446,401**
Sales of goods	6	1,196,334,865	1,385,329,402	1,064,852,707
Rendering of services	6	591,848	457,926	593,694
Cost of sales	7	(1,019,467,861)	(1,122,693,101)	(894,405,234)
Gross profit		**177,458,852**	**263,094,227**	**171,041,167**
Selling and distribution expenses	8	(119,933,684)	(137,421,427)	(90,803,563)
Advertising and promotion expenses	9	(433,016)	(306,285)	(265,529)
General and administrative expenses	110	(43,571,502)	(40,168,772)	(35,041,214)
Research and development expenses	11	(130,966)	(247,178)	(117,956)
Other operating expenses	12.2	(3,181,878)	(2,963,275)	(4,398,071)
Other operating income	12.1	1,067,490	440,751	1,456,496
Income from operations		**11,275,296**	**82,428,041**	**41,871,330**
Foreign exchange (loss) / gain, net		(16,379,952)	(2,873,347)	(2,034,053)
Finance income	12.4	10,147,700	3,494	1,714
Finance costs	12.3	(16,758,229)	(11,777,468)	(6,736,790)
Profit / (loss) before tax		**(11,715,185)**	**67,780,720**	**33,102,201**
Income tax expense/credit	13	3,978,114	(11,210,734)	(46,835)
Profit / (loss) of the year		**(7,737,071)**	**56,569,986**	**33,055,366**
Other comprehensive income - that may not be reclassified in profit or loss				
Actuarial gains / (losses)		111,494	316,208	36,040
Other comprehensive income (loss) for the year, net of tax		**111,494**	**316,208**	**36,040**
Total comprehensive income for the year, net of tax		**(7,625,577)**	**56,886,194**	**33,091,406**
Average number of shares		116,170,334	116,170,334	116,170,335
Earnings per share		**(0.07)**	**0.49**	**0.28**

		Consolidated		
		31.12.2019	31.12.2018 *Restated* Note 2.2.d	31.12.2017 *Restated* Note 2.2.d
		RON	*RON*	*RON*
ASSETS	**2.2.d**			
Current assets				
Cash and cash equivalents	22	10,954,770	31,331,361	16,907,034
Trade and other receivables	20	241,741,932	300,310,785	270,325,318
Income tax receivable	20	2,515,907	554,714	6,131,136
Inventories	19	336,834,067	308,095,295	313,076,260
Prepayments	21	10,577,561	6,965,489	3,944,126
Other current assets	22	1,416,379	1,046,698	1,067,612
		604,040,616	**648,304,342**	**611,451,486**
Non-current assets				
Intangible assets	16	2,009,647	2,755,268	3,360,398
Goodwill	16	22,836,991	22,285,574	22,265,505
Property, plant and equipment	15	1,113,252,827	1,134,549,418	1,127,206,986
Right of use assets	15	35,782,175	-	-
Financial assets	17.1	7,342,068	4,857,610	1,307,132
Deferred tax asset	13	3,631,931	3,587,289	3,524,416
Other non-current assets	18	16,490,261	1,888,895	1,082,660
		1,201,345,900	**1,169,924,054**	**1,158,747,097**
Total assets		**1,805,386,516**	**1,818,228,396**	**1,770,198,583**
LIABILITIES				
Current liabilities				
Trade and other payables	25	312,763,178	295,468,728	366,076,143
Advances from customers	25	3,950,340	997,116	4,526,587
Liabilities for investments in subsidiaries	17.5	-	57,474,348	-
Provisions and accruals	27	11,332,681	12,254,894	8,693,355
Interest-bearing loans and borrowings	17.2	208,591,528	185,019,444	210,483,727
Lease liability	17.2	9,617,813	7,842,368	6,645,164
Total current liabilities		**546,255,540**	**559,056,898**	**596,424,976**
Non-current liabilities				
Liabilities for investments in subsidiaries	17.5	277,306,095	218,356,982	-
Interest-bearing loans and borrowings	17.2	206,129,198	223,499,549	169,444,772
Lease liability	.17.2	32,558,702	35,468,590	37,986,109
Deferred tax liability	13	67,790,286	71,237,855	63,552,001
Provisions and accruals	27	535,855	622,184	227,281
Employee benefits liability	24	5,361,160	5,212,693	5,408,559
Other long-term liabilities	17.2	2,217,279	2,224,298	797,634
Total Non-current liabilities		**591,898,575**	**556,622,151**	**277,416,356**
Total liabilities		**1,138,154,115**	**1,115,679,049**	**873,841,332**
EQUITY				
Capital and reserves				
Share capital, from which:		**291,587,538**	**291,587,538**	**291,587,538**
- Subscribed and paid share capital		291,587,538	291,587,538	291,587,538
Other items of equity		1,215,530	1,203,575	987,033
Legal and other reserves		78,561,674	68,902,883	50,830,846
Retained earnings		316,013,922	257,387,091	524,115,979
Foreign currency translation reserve		3,268,869	2,258,177	1,897,644
Profit/ (loss) of the year		(23,415,132)	81,210,083	26,938,211
Total equity		**667,232,401**	**702,549,347**	**896,357,251**
Total liabilities and equity		**1,805,386,516**	**1,818,228,396**	**1,770,198,583**

		Separate		
		31.12.2019 *RON*	31.12.2018 *RON*	31.12.2017 *RON*
ASSETS				
Current assets				
Cash and cash equivalents	22	6,715,663	16,925,079	10,825,193
Trade and other receivables	20	244,188,283	304,919,488	238,496,231
Income tax receivable	20	547,921	-	-
Inventories	19	256,981,572	205,016,788	238,083,714
Prepayments	21	64,461,659	45,914,200	66,350,475
Other current assets	22	1,416,379	1,046,698	1,067,612
		574,311,477	**573,822,253**	**554,823,225**
Non-current assets	16			
Intangible assets	15	1,309,620	1,693,962	1,965,398
Property, plant and equipment	15	638,849,025	621,465,695	606,665,435
Right of use assets	17.1.	7,779,421	-	-
Investments in subsidiaries	17.1.	298,566,221	290,262,969	4,027
Financial assets	18	7,384,361	4,819,724	1,130,659
Other non-current assets	22	8,643,170	3,639,099	4,225,686
		962,531,818	**921,881,449**	**613,991,205**
Total assets		**1,536,843,295**	**1,495,703,702**	**1,168,814,430**
LIABILITIES				
Current liabilities				
Trade and other payables	25	211,371,533	163,574,097	217,413,772
Advances from customers	25	3,587,632	679,297	4,211,020
Liabilities for investments in subsidiaries	17.5.	-	57,474,348	-
Provisions and accruals	27	7,551,091	8,169,816	6,939,141
Interest-bearing loans and borrowings	17.2.	208,591,528	185,019,444	210,483,727
Lease liability	17.2.	1,914,839	1,156,675	360,797
Income tax payable	25	-	1,686,487	-
Total current liabilities		**437,804,765**	**417,760,164**	**439,408,457**
Non-current liabilities				
Liabilities for investments in subsidiaries	17.5.	277,306,095	218,356,982	-
Interest-bearing loans and borrowings	17.2.	206,129,198	223,499,549	169,444,772
Lease liability	17.2.	3,853,028	3,303,317	1,012,594
Deferred tax liability	13	33,205,968	37,184,083	34,540,322
Provisions and accruals	27	487,490	555,549	227,281
Employee benefits liability	24	2,908,795	2,900,934	3,034,324
Other long-term liabilities	17.2.	196,089	156,329	729,080
Total Non-current liabilities		**524,086,663**	**485,956,743**	**208,988,373**
Total liabilities		**957,103,286**	**903,716,907**	**648,396,830**
EQUITY				
Capital and reserves				
Share capital, from which:		**291,587,538**	**291,587,538**	**291,587,538**
- Subscribed and paid share capital		291,587,538	291,587,538	291,587,538
Other items of equity		(376,372)	(487,866)	(804,074)
Legal and other reserves		78,561,674	68,902,883	50,830,846
Retained earnings		217,704,240	175,414,254	145,747,924
Profit/ (loss) of the year		(7,737,071)	56,569,986	33,055,366
Total equity		**579,740,009**	**591,986,795**	**520,417,600**
Total liabilities and equity		**1,536,843,295**	**1,495,703,702**	**1,168,814,430**

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 year ended as at 31 December 2019							
As at 1 January 2019	**291,587,538**	**20,228,568**	**2,258,177**	**48,674,315**	**338,597,173**	**1,203,576**	**702,549,347**
Profit/ (loss) of the year	-	-	-	-	(23,415,132)	-	(23,415,132)
Other comprehensive income / (loss)	-	-	1,010,692	-	-	11,954	1,022,646
Total comprehensive income	**-**	**-**	**1,010,692**	**-**	**(23,415,132)**	**11,954**	**(22,392,486)**
Capital contribution reserve	-	-	-	9,658,792	-	-	9,658,792
TMK-Italia's shares bought according to "pooling of interests" method	-	-	-	-	(8,303,252)	-	(8,303,252)
Dividends distribution from 2018 profit	-	-	-	-	(14,280,000)	-	(14,280,000)
At 31 December 2019	**291,587,538**	**20,228,568**	**3,268,869**	**58,333,107**	**292,598,789**	**1,215,530**	**667,232,401**
For year ended as at 31 December 2018 - *restated*							
As at 1 January 2018	**291,587,538**	**16,839,532**	**1,897,644**	**33,991,314**	**551,054,190**	**987,033**	**896,357,251**
Profit of the period	-	-	-	-	81,210,083	-	81,210,083
Other comprehensive income / (loss)	-	-	360,533	-	-	216,543	577,076
Total comprehensive income	**-**	**-**	**360,533**	**-**	**81,210,083**	**216,543**	**81,787,159**
Set-up of legal reserves from profit of the year	-	3,389,036	-	-	(3,389,036)		-
Capital contribution reserve	-	-	-	14,683,001	-	-	14,683,001
TMK-Reşiţa's shares bought according to "pooling of interests" method	-	-	-	-	(290,278,064)		(290,278,064)
At 31 December 2018	**291,587,538**	**20,228,568**	**2,258,177**	**48,674,315**	**338,597,173**	**1,203,576**	**702,549,347**
For year ended as at 31 December 2017-*restated*							
As at 1 January 2017 – pre acquisition	**291,587,538**	**15,184,422**	**31,987**	**2,591,058**	**529,245,876**	**1,033,205**	**839,674,086**
Net assets of TMK Italia (note 17.1)	-	-	1,116,841	-	6,226,671	-	7,343,512
Goodwill from TMK Italia's acquisition	-	-	-		21,698,797		21,698,797
As at 1 January 2017	**291,587,538**	**15,184,422**	**1,148,828**	**2,591,058**	**557,171,345**	**1,033,205**	**868,716,396**
Profit of the period	-	-	-	-	26,938,211	-	26,938,211
Other comprehensive income / (loss)	-	-	748,816		-	(46,172)	702,644
Total comprehensive income							**27,640,855**
Set-up of reserves for reinvested profit	-	1,655,110	-	31,400,256	(33,055,366)	-	-
At 31 December 2017	**291,587,538**	**16,839,532**	**1,148,828**	**33,991,314**	**524,115,979**	**1,033,205**	**896,357,251**

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

Separate	Share capital	Legal reserves	Other reserves	Retained earnings	Other elements of equity - from applying IAS 19	Total equity
	RON	*RON*	*RON*	*RON*	*RON*	*RON*
For year ended as at 31 December 2019						
As at 1 January 2019	**291,587,538**	**20,228,568**	**48,674,315**	**231,984,239**	**(487,865)**	**591,986,795**
Profit/ (loss) of the year	-	-	-	(7,737,071)	-	(7,737,071)
Other comprehensive income / (loss)	-	-	-	-	111,493	111,493
Total comprehensive income	**-**	**-**	**-**	**(7,737,071)**	**111,493**	**(7,625,578)**
Capital contribution reserve	-	-	9,658,792	-	-	9,658,792
Dividends distribution from 2018 profit	-	-	-	(14,280,000)	-	(14,280,000)
At 31 December 2019	**291,587,538**	**20,228,568**	**58,333,107**	**209,967,168**	**(376,372)**	**579,740,009**
For year ended as at 31 December 2018						
As at 1 January 2018	**291,587,538**	**16,839,532**	**33,991,314**	**178,803,289**	**(804,073)**	**520,417,600**
Profit of the period	-	-	-	56,569,986	-	56,569,986
Other comprehensive income / (loss)	-	-	-	-	316,208	316,208
Total comprehensive income	**-**	**-**	**-**	**56,569,986**	**316,208**	**56,886,194**
Set-up of legal reserves from profit of the year	-	3,389,036	-	(3,389,036)	-	-
Set-up of reserves for reinvested profit	-	-	14,683,001	-	-	14,683,001
At 31 December 2018	**291,587,538**	**20,228,568**	**48,674,315**	**231,984,239**	**(487,865)**	**591,986,795**
For year ended as at 31 December 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 year	-	-	-	33,055,366	-	33,055,366
Other comprehensive income / (loss)	-	-	-	-	36,041	36,041
Total comprehensive income						**-**
Set-up of reserves for reinvested profit	-	1,655,110	31,400,256	(33,055,366)	-	**-**
At 31 December 2017	**-**	**1,655,110**	**31,400,256**	**(33,055,366)**	**36,041**	**36,041**

Indirect method	Note	1 January - 31 December 2019	Consolidated 1 January - 31 December 2018 - *Restated*	1 January - 31 December 2017- *Restated*
		RON	*RON*	*RON*
CASH FLOWS FROM OPERATING ACTIVITIES	**2.2.d**			
Profit / (Loss) before tax		**(26,043,881)**	**99,939,114**	**29,852,420**
Plus / minus adjustments for:			-	-
Depreciation and amortisation	15, 16	86,601,197	77,769,930	72,695,431
Increase / (reversal) of provisions	27	(1,008,542)	3,923,716	4,438,135
Increase / (reversal) of allowances for current assets	19, 20	7,223,914	4,445,699	307,566
Exchange rate differences for financing activities		13,180,032	3,845,710	1,551,873
Variation of retirement benefits		723,162	655,658	564,693
Result from disposal of non-current assets	12	(4,276,415)	1,128,345	1,655,048
Interest and related expenses	12	17,175,680	13,746,476	11,018,626
Other income		-	-	(448,060)
Exchange rate differences for cash and cash equivalents		368,034	366,098	126,136
Plus / minus adjustments for changes in working capital related to operating activities:				
Decrease / (increase) in inventories	19	(35,363,911)	1,177,710	(93,769,501)
Decrease / (increase) in trade and other receivables and prepayments	20, 21, 22, 17.1	49,729,752	(39,766,745)	(66,869,207)
(Decrease) / increase in payables (except banks)	25, 17.2	19,041,886	(62,171,179)	147,328,860
less:				
Interest paid		(15,515,672)	(13,627,602)	(10,679,299)
Income tax paid		(122,249)	(2,952,674)	(5,761,192)
Dividends tax paid		(53,596)	-	-
Total inflows / (outflows) from operating activities (a)		**111,659,391**	**88,480,256**	**92,011,529**
CASH FLOWS FROM INVESTING ACTIVITIES				
Amount received from disposal of non-current assets		1,324,088	5,172,694	2,514,047
Purchase of tangible and intangible assets	15, 16	(106,690,520)	(98,110,347)	(180,820,785)
Interest received	12	240,004	8,654	22,706
Payments of liabilities for investments in subsidiaries		(8,871,552)	-	-
Total inflows / (outflows) from investing activities (b)		**(113,997,980)**	**(92,928,999)**	**(178,284,032)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Paid dividends		(14,079,548)	-	-
Loans received	17.3	184,918,891	49,674,334	154,195,539
Repayment of loans	17.3	(181,004,907)	(24,761,603)	(68,205,687)
Repayment of leases	17.3	(7,872,438)	(6,039,661)	(5,325,496)
Total inflows / (outflows) from financing activities (c)		**(18,038,002)**	**18,873,070**	**80,664,356**
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)		**(20,376,591)**	**14,424,327**	**(5,608,147)**
Cash and cash equivalents at beginning of period	23	**31,331,361**	**16,907,034**	**22,515,181**
Cash and cash equivalents at end of period	23	**10,954,770**	**31,331,361**	**16,907,034**

Indirect method	Note	1 January - 31 December 2019	Separate 1 January - 31 December 2018	1 January - 31 December 2017
		RON	*RON*	*RON*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit / (Loss) before tax		**(11,715,185)**	**67,780,720**	**33,102,201**
Plus / minus adjustments for:				
Depreciation and amortisation	15, 16	53,305,297	46,974,937	42,050,091
Increase / (reversal) of provisions	27	(686,784)	1,558,943	4,040,099
Increase / (reversal) of allowances for current assets	19, 20	6,922,178	3,014,121	(573,741)
Exchange rate differences for financing activities		12,330,711	3,822,264	488,993
Variation of retirement benefits		334,971	339,887	284,375
Result from disposal of non-current assets	12	368,346	877,352	1,521,355
Interest and related expenses	12	15,536,982	11,026,360	8,386,955
Dividends income		(10,141,771)	-	-
Plus / minus adjustments for changes in working capital related to operating activities:				
Decrease / (increase) in inventories	19	(58,523,422)	29,376,750	(82,314,460)
Decrease / (increase) in trade and other receivables and prepayments	20, 21, 22, 17.1	37,187,071	(54,756,043)	10,673,818
(Decrease) / increase in payables (except banks)	25, 17.2	47,125,682	(45,570,116)	27,448,618
less:				
Interest paid		(13,642,983)	(10,902,326)	(8,026,636)
Income tax paid		-	(1,103,521)	(3,537,083)
Dividends tax paid		(53,596)	-	-
Total inflows / (outflows) from operating activities (a)		**78,347,497**	**52,439,328**	**33,544,585**
CASH FLOWS FROM INVESTING ACTIVITIES				
Amount received from disposal of non-current assets		232,577	4,028,169	559,256
Purchase of tangible and intangible assets	15, 16	(77,411,858)	(74,624,141)	(125,984,154)
Repayment of given loans		-	-	313,671
Dividends received		9,606,180	-	-
Interest received	12	5,927	3,494	1,714
Payments of liabilities for investments in subsidiaries		(8,871,552)	-	-
Total inflows / (outflows) from investing activities (b)		**(76,438,726)**	**(70,592,478)**	**(125,109,513)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Paid dividends		(14,079,549)	-	-
Loans received	17.3	184,918,891	49,674,334	154,195,539
Repayment of loans	17.3	(181,004,824)	(24,761,603)	(68,205,687)
Repayment of leases	17.3	(1,952,705)	(659,695)	(371,527)
Total inflows / (outflows) from financing activities (c)		**(12,118,187)**	**24,253,036**	**85,618,325**
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)		**(10,209,416)**	**6,099,886**	**(5,946,603)**
Cash and cash equivalents at beginning of period	23	**16,925,079**	**10,825,193**	**16,771,796**
Cash and cash equivalents at end of period	23	**6,715,663**	**16,925,079**	**10,825,193**

1. ORGANISATION AND NATURE OF BUSINESS

1.1. CORPORATE AND GROUP INFORMATION

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

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

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

- **TMK-Artrom S.A.**– status at 31 December 2019: Active;
- **TMK Industrial Solutions LLC** – status at 31 December 2019: Active;
- **TMK-Reșița S.A.**– status at 31 December 2019: Active;
  - ✓ **TMK Assets S.R.L.** – status at 31 December 2019: Active;
- **TMK Italia** - status at 31 December 2019: Active.

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

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

On 28 November 2018 Board of Directors of TMK-Artrom, decided to approve the acquisition by TMK-Artrom of all shares held by TMK Global SA as sole shareholder in TMK Italia SRL. The price for the acquisiton of 50,000 shares, with a nominal value of 1 EUR each, totalling 50,000 EUR, representing 100% of the share capital of TMK Italia, is of 1,730,800 EUR, with a value of 34.61 EUR each share, value determined through the Evaluation Report issued by Darian DRS SA as at 27 November 2018; the price was paid by TMK-Artrom from its own financial resources within 90 days from the date of the signing by TMK Global SA and TMK-Artrom of the sale-purchase contract of the shares. The corresponding contract for this transaction was not signed until 31 December 2018.

The transaction was finalized on 5 February 2019 at the price approved by the Board of Directors.

1.1. CORPORATE AND GROUP INFORMATION (continued)

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

The Group reorganisation by acquisition of TMK-Reșița by TMK-Artrom from the common parent TMK Europe GmbH on December 21, 2018 and the acquisition of TMK Italia from TMK Global on February 5, 2019 was deemed to be a business combination under common control, by precise a business combination in which all of the combining entities or businesses are ultimately controlled by the same party, the common parent PAO TMK, both before and after the business combination.

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

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

- The assets and liabilities of the combining entities were reflected at their carrying amounts; the only adjustments made to align the accounting policies;
- No adjustments were made to reflect fair values, or recognize any new assets and liabilities;
- No "new" result from acquisition was recognized as a result of the consolidation; the only result from acquisition that was recognized was the existing one related to the acquisition of TMK-Reșița by TMK Europe in 2004 and the acquisition of TMK Italia by TMK Global in 2003;
- The income statement reflects the results of the combining entities for the full year, irrespective of when the date of the legal merger was;
- Comparatives are presented as if the entities have always been combined, since the date of the acquisition of TMK-Reșița and TMK Italia by the PAO TMK Group.

1.2. PRESENTATION OF THE GROUP

Company name	Parent company/ Shareholder	Shareholding (%)
TMK-Artrom S.A.	TMK Europe GmbH	92.7282*****
TMK Industrial Solutions LLC	TMK-Artrom S.A.	100
TMK Reșița S.A.	TMK-Artrom S.A.	99.99237
TMK Reșița S.A.	TMK Italia S.r.l	0.00763
TMK Assets S.R.L.	TMK Reșița S.A.	100
TMK Italia S.r.l	TMK-Artrom S.A.	100

***On August 29, 2019 TMK Steel Holding Ltd. acquired 6,672,352 voting rights, representing 5.7436% of the share capital of TMK-Artrom S.A. and controls more than 65% of the share capital of PAO TMK, which in turn controls 100% of the share capital of TMK Europe GmbH (the majority shareholder of TMK-Artrom SA holding 92.7282% of the share capital of TMK-Artrom SA)*
***starting with January 29, 2020 TMK Europe owns 98.83% from the share capital of TMK-Artrom*

1.2. PRESENTATION OF THE GROUP (continued)

TMK-Artrom S.A. ("the parent company"), founded in 1982, is a privately owned company whose major shareholder TMK Europe GmbH gained control in 2002.
TMK-Artrom is a listed company. The regulated market on which the issued securities are traded is the Bucharest Stock Exchange - Regulated Market - STANDARD category - ART market symbol.

Subsidiaries of TMK-Artrom:

TMK Industrial Solutions LLC, is a limited liability company, seated in Houston, 10940 West Sam Houston Pkwy North, Suite 325, Texas, USA. It was registered on 26 April 2016 and operates according to US laws, Delaware. The subsidiary has TMK-ARTROM as sole-shareholder.
The financial investment of TMK-Artrom in the subsidiary is of USD 1,000 (exchange rate 4.0271 RON/USD). The Company presents the investment in TMK Industrial Solutions LLC at acquisition cost.

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

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

TMK-RESITA's subsidiaries:

- **TMK ASSETS S.R.L.** is a limited liability company which has as main activity "*Rental and sublease of own or rented real estate",* NACE code 6820. It was founded in year 2006 and has the headquarters in Bucharest, District 1, Daniel Danielopolu street, no. 2, room 2. The subsidiary is a company which operates according to Romanian laws. As at 31 December 2019, TMK-Resita owns 100% of TMK Assets's share capital (2018: 100%; 2017 and 2016: 99.9995% and 0.0005% Land Properties Investments). TMK Assets was acquired by the TMK Group in 2012.

TMK Italia s.r.l. is a limited liability company, seated in Lecco, Piazza Degli Affari, no. 12, Italy. The subsidiary was founded in 2000 and operates according to Italian laws.
TMK Italia owns 0.00763% from TMK-Reșița's shares.
TMK Italia is a comany which is focused on sales and marketing of TMK's pipes in South and West Europe areas.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

Statement of Compliance

Consolidated and separate financial statements of the Company and the Group's 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.

The Group's consolidated financial statements are presented in Romanian Leu (RON), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The financial statements of the subsidiaries, TMK Industrial Solutions and TMK Italia, included in the consolidated financial statements are assessed using USD and EUR as functional currency and translated to the Group's and Company's presentation currency namely RON.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Going concern

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

As at 31 December 2019, the Group's net current assets are RON 57,785,076 (2018: RON 89,247,444; 2017: RON 15,026,510) and has recorded a loss of RON 23,415,132. The Group has generated positive cash flows from operations (before changes in working capital) in 2019 and 2018.
The Group has complied with the covenants set at 31 December 2019.
As at 31 December 2019, the Company's net current assets are RON 141,294,854 (2018: RON 156,062,089; 2017: RON 115,414,768) and has recorded a loss of RON 7,737,071. The Company has generated positive cash flows from operations (before changes in working capital) in 2019 and 2018 and has budgeted a further increase in its operating cash flow for entire year 2020.
The Company has complied with the covenants set at 31 December 2019.For the going concern assessment, the management has considered all the events and circumstances up to the issuance date, as described in Note 31 – Events after reporting period.

Based on the above factors, management is confident that the Company will continue its 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.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Transactions in foreign currencies

For the purposes of the preparation of separate financial statements, the functional currency of the Company and TMK-Reșita is deemed to be the Romanian Leu (RON). Functional currency of TMK Industrial Solutions is American Dollar (USD) and functional currency of TMK Italia is European Currency (EUR).
Transactions in foreign currencies are initially recorded by the Group 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.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into RON at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Exchange rate for 1 unit of foreign currency:

	31 December 2019	31 December 2018	31 December 2017
1 EUR	4.7793	4.6639	4.6597
1 USD	4.2608	4.0736	3.8915

Average exchange rate for 1 unit of foreign currency:

	31 December 2019	31 December 2018	31 December 2017
1 EUR	4.7452	4.6535	4.5681
1 USD	4.2379	3.9416	4.0525

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.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Significant accounting judgments, estimates and assumptions

The preparation of Group's and Company'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) Basis for Consolidation and assumptions employed by the Group

TMK-Artrom employed for preparing the Consolidated Financial Statements the *"pooling of interests"* method as the newly purchased (direct and indirect) subsidiaries have been acquired from entities under the common control of the TMK group (acquisition of shares of TMK-Reșița from TMK Europe GmbH and the shares of TMK-Italia S.r.l from TMK-Global which are 100% owned by PAO TMK) and, therefore, no change in control occurred with respect to the party controlling the TMK group. According to the pooling of interests' method, the assets and liabilities of the subsidiaries transferred under common control are presented at the carrying value reflected by the predecessor's books.

Consequently, since the TMK group's financial statements are not consolidated at the level of TMK Europe GmbH for TMK-Reșița but directly at the level of PAO TMK, the values reflected in the consolidated financial statements of the TMK group for TMK-Reșița, and the other indirect subsidiaries transferred on 21 December 2018 have been reflected as such in the restated Consolidated Financial Statements of the Group for 2017.
At the same time, since the TMK group's financial statements are not consolidated at the level of TMK Global for TMK Italia but directly at the level of PAO TMK, the value reflected by the consolidated financial statements of the TMK group for TMK Italia transferred on 5th of February 2019 has been reflected as such in the restated Consolidated Financial Statements of the Group for 2017 and 2018.

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

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

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

The assets and liabilities of subsidiaries included in the Consolidated Financial Statements for 2018, 2017 and 2016 of TMK-Artrom are, therefore, based on the same value reflected at the moment of the acquisition by the financial consolidated statements of TMK group in accordance with IFRS which are based on the fair values at the date of the initial acquisition by the TMK group (through TMK Europe GmbH).

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

The acquisition of the shares issued by TMK-Reșița occurred on 21 December 2018 but, respectively of TMK Italia on 5th of February 2019, by applying the pooling of interests' method, the Group's Consolidated Financial Statements, including the comparatives for 2017 and 2018, reflect the acquisition of the subsidiaries by TMK-Artrom as though such acquisition had acquired them at the same date as they had been acquired by its predecessor – the TMK group (at the level of the consolidated financial statements of PAO TMK). Thus, the Group restates the periods prior to the combination in order to reflect that no change occurred with respect to the ultimate control.

The information provided by the Consolidated Financial Statements for financial year 2018 have been restated for the periods prior to the business combination of the entities under common control, in order to reflect the combination as if it had occurred from the beginning of the earliest period presented, irrespective of the actual combination date.

The pooling of interests method for business combinations under common control, requires the financial statements of the combining entities to be combined as if they had been always combined. The Consolidated Financial Statements were prepared according to usual consolidation procedures to reflect the combined results of the Group corresponding to all items of assets, liabilities, income, expenses.

All intragroup balances, transactions and unrealized gains on transactions between Group companies are eliminated.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

By applying the "pooling of interests" method, TMK-Artrom's Consolidated Financial Statements, including the comparatives of 2017 and 2018, are presented as if TMK-Artrom had acquired the TMK Italia, TMK-Reșița and TMK Assets at the same date as they were initially acquired by the predecessor (TMK Italia in 2003, TMK-Reșița in 2004 and TMK Assets in 2012).

The Group finalized the transaction regarding the acquisition of TMK Italia's all shares in 5 february 2019 and due to the pooling of interest method it restated the comparatives of the consolidated financial statements for the years ended 31 december 2018 and 2017.
The following tabel presents the differences between the initial consolidated statement of financial position and the restated consolidated statement of financial position as at 31 december 2018 and 2017:

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

	Consolidated (Previously reported) 2017 *RON*	Consolidated Restated 2017 *RON*	Diffrences 2017 *RON*
ASSETS			
Current assets			
Cash and cash equivalents	12,864,527	16,907,034	(4,042,507)
Trade and other receivables	255,374,534	276,456,454	(21,081,920)
Inventories	313,076,260	313,076,260	-
Prepayments	3,768,116	3,944,126	(176,010)
Other current assets	1,067,612	1,067,612	-
	586,151,049	**611,451,486**	**(25,300,437)**
Non-current assets			
Intangible assets	3,360,398	3,360,398	-
Goodwill	-	22,265,505	(22,265,505)
Property, plant and equipment	1,127,166,493	1,127,206,986	(40,493)
Investment properties	-	-	-
Financial assets	1,274,265	1,307,132	(32,867)
Deferred tax asset	68,780	3,524,416	(3,455,636)
Other non-current assets	1,082,660	1,082,660	-
	1,132,952,596	**1,158,747,097**	**(25,794,501)**
Total assets	**1,719,103,645**	**1,770,198,583**	**(51,094,938)**
LIABILITIES			
Current liabilities			
Trade and other payables	347,224,733	366,076,143	(18,851,410)
Advances from customers	4,526,587	4,526,587	-
Provisions and accruals	7,898,510	8,693,355	(794,845)
Interest-bearing loans and borrowings	210,483,727	210,483,727	-
Finance lease liability	6,645,164	6,645,164	-
Total current liabilities	**576,778,721**	**596,424,976**	**(19,646,255)**
Non-current liabilities			
Interest-bearing loans and borrowings	169,444,772	169,444,772	-
Finance lease liability	37,986,109	37,986,109	-
Deferred tax liability	63,552,001	63,552,001	-
Provisions and accruals	227,281	227,281	-
Employee benefits liability	4,077,382	5,408,559	(1,331,177)
Other long-term liabilities	797,634	797,634	-
Total Non-current liabilities	**276,085,179**	**277,416,356**	**(1,331,177)**
Total liabilities	**852,863,900**	**873,841,332**	**(20,977,432)**
EQUITY			
Capital and reserves			
Share capital, from which:	**291,587,538**	**291,587,538**	-
- Subscribed and paid share capital	291,587,538	291,587,538	-
Other items of equity	987,033	987,033	-
Legal and other reserves	50,830,846	50,830,846	-
Retained earnings	496,190,510	524,115,979	(27,925,469)
Foreign currency translation reserve	24,123	1,897,644	(1,873,521)
Profit of the year	26,619,695	26,938,211	(318,516)
Total equity	**866,239,745**	**896,357,251**	**(30,117,506)**
Total liabilities and equity	**1,719,103,645**	**1,770,198,583**	**(51,094,938)**

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Fair value measurement

The Group and the Company measure financial instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group and the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable IFRS 13.95

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.
Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Notes 15
- Quantitative disclosures of fair value measurement hierarchy Note 15, Note 17
- Financial instruments (including those carried at amortised cost) Note 17

f) Current versus non-current classification

The Group and the Company presents assets and liabilities in the statement of financial position based on current/non-current classification.
An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group and the Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current.

g) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);

- Financial assets at fair value through profit or loss.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Groups's and Company's financial assets at amortised cost include trade receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Groups's and Company's consolidated statement of financial position) when:
• The rights to receive cash flows from the asset have expired
• The Group and the Company have transferred their 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 Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) The Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

h) Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the the Group and th Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Property, plant and equipment

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

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 profit or loss 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.

j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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.

Intangible assets have the following useful lives:

Software and licenses	1-5 years
Technical certificates and licenses	20 years
Other intangible assets (development costs)	3 years

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

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.

l) 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.

m) Impairment of non-financial assets

At each reporting date the Group and the Company review the carrying amounts of their 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 Group and the Company 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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

n) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged 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 an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

o) Leases

Under IAS 17, applicable for the reporting periods up to 31 December 2018, 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 Group and the Company, 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 Group and the Company 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.

Starting from 1st January 2019, under IFRS 16, the Group and the Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Leases are recognised as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the Group (the commencement date). Payments associated with short-term leases and leases of low-value assets are recognised on a straightline basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise, for instance, IT equipment and small items of office furniture.

Lease liabilities include the net present value of the following lease payments: fixed payments less any lease incentives receivable, variable lease payment that are based on an index or a rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option if it is reasonably certain that the option will be exercised, and payments of penalties for terminating the lease, if the lease term reflects that the option will be exercised.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the rightof- use asset in a similar economic environment with similar terms, security and conditions. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments. The right-of-use asset is initially measured at cost comprising the following: the amount of the initial measurement of the lease liability, any lease payments made in advance, any initial direct costs, and an estimate of dismantling and restoration costs.

The right-of-use assets are subsequently measured at cost less accumulated depreciation, accumulated impairment losses (if any) and adjusted for remeasurement of the lease liability (if any). Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, for a period between 2 and 13 years. If the Group and the Company are reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

p) Provisions

Provisions are recognized when the Group and the Company 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 Group and the Company 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.

q) Subsidies / government grants

The subsidies are recognized when there is a reasonable assurance that the amount will be received 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.

When the Group and the Company receive grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

r) 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.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

s) 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.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above. The overdrafts are assimilated to short term loans and working capital financing facilities.

t) Revenue recognition

Revenue Recognition
Revenue is income arising in the course of ordinary activities of the Group and the Company. Revenue is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. In determining the revenue amount, the Group and the Company consider the effects of variable consideration, the existence of significant financing components and consideration payable to the customer, if any. Revenue is recognised net of discounts, sales rebates, value-added taxes, other similar items.

Sales of Goods
The Group's and the Company's performance obligation generally consists of the promise to sell pipe to the customers.
Revenue is recognised at a point in time when control of the products has transferred, being when the products are delivered, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group and the Company have objective evidence that all criteria for acceptance have been satisfied. The Group and the Company have generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. The Group and the Company deliver goods (mainly seamless steel pipes) under contract conditions based on internationally accepted delivery conditions (INCOTERMS). The moment when the customer obtains control of the goods is considered to be substantially the same for most Group and Company contracts according to IFRS 15.
For product sales where the customer requests a bill-andhold arrangement, revenue is recognized when the product is ready for the physical transfer to the customer. Products are specific to each customer's order, are separately identified and the Group does not have the ability to use or direct the product to another customer. The Group's and the Company's sales terms generally do not allow for a right of return except for matters related to any manufacturing defects on its part.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transportation Services
When the contract with a customer contains a promise to deliver the goods to the customer the Group and the Company usually engage a third party contractor to provide transportation services. These services are rendered to the customers before or after they obtain control over the goods. The accounting for these services depends on when control over the goods is passed to the customer. Transportation services rendered by the Group and the Company before control over the goods is transferred to the customers do not represent a separate performance obligation. The Group and the Company act as a principal in such arrangements and revenue is recognised when the goods are delivered.

Contract Costs
Incremental costs of obtaining a contract, such as sales commissions, are capitalised if they are expected to be recovered. Incremental costs include only those costs that would not have been incurred if the contract had not been obtained. Costs to fulfill a contract that are not covered by another standard are capitalised if they relate directly to a contract and to future performance, and they are expected to be recovered.

Under legacy IFRS, revenues were 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.
Revenue was recognized to the extent that it is probable that economic benefits will flow to the Group and the and Company the amount of revenue can be measured reliably.
Under legacy IFRS, revenues arising from rendering of services were recognized in the same period when the services are provided.

Variable consideration
If the consideration in a contract includes a variable amount, the Group and the Company estimate the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of products provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration. During the period, no such sales were incurred.

Rights of return
The contracts provide a customer with the right to return the goods within a specified period. For goods that are expected to be returned the Group and the Company recognises a decrease of revenue representing the difference between the initial sale price and the realisable value of the goods. During the period, no such sales were incurred.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group and the Company perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. No contract assets were recognized during the period.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group and the Company have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group and the Company transfer goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

earlier). Contract liabilities are recognised as revenue when the Group and the Company perform under the contract. No contract assets were recognized during the period.

Trade receivables
A receivable represents the Group's and the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets section.
The normal credit term is 30 to 120 days upon delivery.

Revenues from services
The Group recognises revenue from services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

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

Short-term employee benefits

Short-term employee benefits paid by the Group and the Company 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 Group and the Company.

Defined benefit pension plans

The Group and the Company 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.

v) 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, United States and Italy.
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.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **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.
- 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.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **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.

w) Dividends payable

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

x) 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.

y) Reportable segments

An operating segment is a component of the Group and Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Group's and Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which distinctive financial information is available.
Segment information is presented in respect of the Group's snd Company's business and geographical segments and is determined based on the Group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Group's and Company's headquarters) and head office expenses, and income tax assets
and liabilities.
Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

The Company 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.

z) Gas emission certificates with greenhouse effect

The Company recognizes emission CO2 rights in its separate financial statements based on the net liability method. Under this method only those liabilities that are expected to result from exceeding the emission credit quotas, granted to the Company under Government decision no. 204/2013 by the Romanian National Environmental Authority, are recognized.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company estimates its annual emission volumes at each balance sheet date and recognizes the total estimated additional liability for the expected excess of emission volumes at the fair value of additional units to be purchased or penalties to be incurred under the national legislation. The additional net liability is recognized in profit or loss when actual emissions exceed emissions rights held.

In case the Company estimates utilization of less than the allocated emission certificates any potential income from the sale of unused emission certificates is recognized in profit or loss only on actual sale of those certificates.

2.3. 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 Group and the Company as of 1 January 2019. The Group applies, for the first time, IFRS 16 *Leases*. Some other amendments and interpretations apply for the first time in 2019, but have no impact on the Group's financial statements.

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

- **IFRS 16: Leases**

IFRS 16 replaces existing IFRS lease requirements. For lessees the new standard marks a significant change from current IFRS requirements. Under the new standard, the distinction between operating and finance leases is removed: asset and liability are recognised for almost all leases, with limited exemptions. The new standard affected the accounting of the Group's and the Company's operating lease. A company assesses at inception of the contract whether that contract is lease or contains lease component.

A contract is lease contract or contains lease component under IFRS 16 if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Initial recognition of lease contract under IFRS 16

The Group and the Company adopted the standard on 1 January 2019 (the date of initial application) using the modified retrospective approach which means that the cumulative effect of the adoption is recognised in retained earnings as at 1 January 2019 and that comparatives are not restated.
The impact of IFRS 16 at the date of initial application:

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

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

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

Initial measurement of the lease liability

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

Subsequent measurement of the lease liability

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

After the commencement date lessee:

- increase the carrying amount to reflect interest on the lease liability;

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

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

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4%. The effect of the implementation of the standard is presented in the tables bellow.
The associated right-of-use assets were measured at the amount equal to the lease liability amounted to RON 662,757 (TMK-Artrom separate: RON 2,390,621). The recognised right-of-use assets mostly related to the motor vehicles rent.

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

	Consolidated	Separated
	RON	***RON***
Assets		
Right-of -use the assets	35,782,175	7,779,421
Property, plant and equipment	-	-
Prepayments	-	-
Total assets	**35,782,175**	**7,779,421**
Liabilities		
Interest-bearing loans and borrowings	-	-
Lease liability	42,176,515	5,767,867
Deferred tax liabilities	-	-
Trade and other payables	-	-
Total Liabilities	**42,176,515**	**5,767,867**

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

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

Lease liability	Consolidated	Separated
	Lei	***Lei***
As at 31 December 2018	**43,310,958**	**4,459,992**
Additions	5,721,544	3,093,454
Interest expense	(2,094,963)	(222,192)
Payments	(5,777,475)	(1,730,513)
Exchange difference	1,016,451	167,126
As at 31 December 2019	**42,176,515**	**5,767,867**

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

	Consolidated	Separated
	31 December 2019	**31 December 2019**
	RON	***RON***
Depreciation expense of right-of-use assets	6,620,197	1,347,964
Interes expense on lease liabilities	2,094,963	222,192
Rent expense-short-term leases	890,066	79,467
Rent expense-leases of low-value assets	210,508	129,385
Rent expenses-variable lease payments	-	-
Total amounts recognised in profit or loss	**9,815,734**	**1,779,008**

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

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

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

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

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

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

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

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

- **The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. This improvements have no impact on the Group's and Company's financial statements.
  - ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:*** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

- ***IAS 12 Income Taxes:*** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- ***IAS 23 Borrowing Costs:*** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and the Company'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.

Goodwill

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

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

Impairment of Goodwill

Tests for impairment of goodwill are made at least annually. The recoverable amount of cash-generating unit to which goodwill allocated is determined based on the value in use calculations. These calculations require the use of estimates. Revisions to the estimates may significantly affect the recoverable amount of the cash-generating unit (Note 16).

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

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

For the purpose of impairment testing in TMK Artrom Group, goodwill was allocated to the group of CGUS's being the 2 segments of TMK Artrom Group, being the lowest level within the entity at which the goodwill is monitored for internal management purporses as it is expected to benefit from the synergies of the combination, as a unitary integrated structure.
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 16.

- **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.

Sensitivity analysis of the Company for each significant actuarial assumption:

	2019	PBO 31.12.2019 Retirement	2018	PBO 31.12.2018 Retirement	2017	PBO 31.12.2017 Retirement
Turnover	1%	2,287,716	1%	2,146,419	1%	2,264,866
	-1%	2,664,443	-1%	2,564,821	-1%	2,769,899
Discount rate	1%	2,306,274	1%	2,166,383	1%	2,285,371
	-1%	2,644,909	-1%	2,543,608	-1%	2,748,445
Mortality	10%	2,437,536	10%	2,310,113	10%	2,462,585
	-10%	2,493,446	-10%	2,375,821	-10%	2,539,128
Salary increase / inflation	1%	2,645,809	1%	2,546,074	1%	2,722,820
	-1%	2,302,743	-1%	2,161,282	-1%	2,303,247

	2019	PBO 31.12.2019 Death	2018	PBO 31.12.2018 Death	2017	PBO 31.12.2017 Death
Turnover	1%	414,327	1%	522,605	1%	494,853
	-1%	475,734	-1%	597,960	-1%	577,726
Discount rate	1%	417,311	1%	526,138	1%	497,484
	-1%	472,705	-1%	594,365	-1%	575,480
Mortality	10%	484,994	10%	609,263	10%	582,145
	-10%	401,554	-10%	506,440	-10%	484,653
Salary increase / inflation	1%	472,800	1%	589,674	1%	569,426
	-1%	416,765	-1%	529,734	-1%	501,853

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

- **Inventories**

The finished goods, semi-finished goods and work in progress are valued considering the net realizable value. The management analyses the ageing of the inventories and considers 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, resulting from orders received for future periods validated with future sales prices evolution.
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.

The main assumptions used in evaluating the level of the allowance for finished goods, semi-finished goods and work in progress include ageing of inventories, determining the net realizable value by reference to future sales, market prices of pipes and steel and market trends whose volatility is affecting the cost of raw material and the selling price of the finished goods.

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

- **Impairment for trade receivable**

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.
For details regarding how the adjustments for impairment related to customers are set within the Company, please refer to Note 28.

- **Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from budgets prepared by the Group and Company and do not include restructuring activities that the Group and Company are not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for
the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. For further details please see Note 15.

- **Deferred tax for tax losses carried forward**

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

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

- **Useful life of non-current assets**

The Group and the Company assess the remaining useful lifes of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

- **Non current assets held for sale**

The management has used professional judgements for assessing whether certain assets (dislosed in Note 15) should be classified as assets held for sale under IFRS 5 or property plant and equipment. Management concluded that the criteria for classifying the asset as held for sale were not met, in particular in relation to the asset not being available for immediate sale in its present condition (due to the fact that the Group has to perform demolition workings, as well as modifying the urban indicators, etc.). In addition, Management concluded that terms of the sale are not usual or customary for sales of such assets, given the conditions imposed by the buyer on the Group for the sale to happen.

- **Reverse factoring – classification of liability as trade payable vs debt**

The Group has entered into supply chain finance agreements as disclosed din Note 17, under which the bank will accept for financing invoices issued by the suppliers for Group Companies. The Group management has concluded that the liability for the financed supplier invoices are of trade payable nature and not finance debt. To support this conclusion, the management has made significant judgements related to elements of purchaser release of its original obligation or any substantial modification of the terms of the obligations.

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

The following new or amended (revised) IFRSs have been issued but are not yet effective and not applied by the Group and the Company. These standards and amendments are those that potentially may have an impact on disclosures, financial position and performance when applied at a future date. The Group and the Company intend to adopt these standards when they become effective.

- **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 Group is in the process of assessing the impact of the new standard on the financial statements.

- **Conceptual Framework in IFRS standards**

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. It's objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020. The changes to the Conceptual Framework are not expected to have a significant impact on the financial position or performance of the Group.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments) (effective for financial years beginning on or after January 1, 2020)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved.
The amendments clarify the definition of material and make IFRSs more consistent by:

i) using a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
ii) clarifying the explanation of the definition of material; and
iii) incorporating some of the guidance in IAS 1 about immaterial information. The amendments are not expected to have a significant impact on the Group's financial position or performance.

The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU. Management of the Group and Company is in the process of assessing the impact of the new standard on the financial statements.

- **IFRS 3 Business Combinations (amendments) – Definition of a Business (effective for financial years beginning on or after January 1, 2020)**

These amendments revise the definition of a business. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

- **IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (amendments) – Interest Rate Benchmark Reform (effective for financial years beginning on or after January 1, 2020)**

These amendments provide certain reliefs in connection with interest rate benchmark IBOR reform.
IBOR reform assumes the replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates (IBORs). The IASB has a two-phase project to consider what, if any, reliefs to give from the effects of IBOR reform. Phase 1, which considers reliefs to hedge accounting in the period before the reform, has led to these amendments. Phase 2 of the IASB's project will address issues that arise once the existing interest rate is replaced with an alternative interest rate. The Phase 1 amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly

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

affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.
The amendments are not expected to have a significant impact on the Group's and Company's financial position or performance.

5. SEGMENT INFORMATION

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

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

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

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

5. SEGMENT INFORMATION (continued)

Group's revenues and results for the year ended 31 December 2019 by segment were as follows:

	Pipes	Billets	Other	Inter-segment operations	Total
	RON	*RON*	*RON*	*RON*	*RON*
31 December 2019					
Sales to external customers	962,802,606	4,368,583	197,429,102	-	**1,164,600,291**
Inter-segment sales	693,540	601,475,803	-	(602,169,343)	**-**
Total sales	963,496,146	605,844,386	197,429,102	(602,169,343)	**1,164,600,291**
Segments result (gross profit)	179,218,659	338,298	14,939,316	-	**194,496,273**
Other operating expenses, net					(184,333,768)
Interest and other finance costs, net					(18,625,103)
Net foreign exchange gains / (losses)					(17,581,283)
Result before income tax					**(26,043,881)**
31 December 2018 *Restated*					
Sales to external customers	1,129,957,026	45,812,478	255,018,281	-	**1,430,787,785**
Inter-segment sales	673,447	650,193,608	372,201	(651,239,256)	**-**
Total sales	1,130,630,473	696,006,086	255,390,482	(651,239,256)	**1,430,787,785**
Segments result (gross profit)	295,500,319	4,627,158	20,154,669	-	**320,282,146**
Other operating expenses, net					(201,991,536)
Interest and other finance costs, net					(15,281,707)
Net foreign exchange gains / (losses)					(3,069,789)
Result before income tax					**99,939,114**
31 December 2017 *Restated*					
Sales to external customers	798,971,480	133,976,150	274,128,177	-	**1,207,075,807**
Inter-segment sales	860,942	512,851,689	9,061	(513,721,692)	**-**
Total sales	799,832,422	646,827,839	274,137,238	(513,721,692)	**1,207,075,807**
Segments result (gross profit)	165,503,822	2,005,422	23,838,193	-	**191,347,437**
Other operating expenses, net					(149,234,092)
Interest and other finance costs, net					(10,654,172)
Net foreign exchange gains / (losses)					(1,606,753)
Result before income tax					**29,852,420**

5. SEGMENT INFORMATION (continued)

Group's segment assets and liabilities at 31 December 2019 were as follows:

	Pipes	Billets	Other	Inter-segment operations	Total
	RON	*RON*	*RON*	*RON*	*RON*
31 December 2019					
Total assets	1,110,492,894	565,801,076	129,092,546	-	**1,805,386,516**
Total liabilities	104,604,256	101,018,162	932,531,697	-	**1,138,154,115**
Capital expenditure	75,752,337	26,649,100	6,834	-	**102,408,271**
Depreciation expenses	(52,482,790)	(32,569,592)	(381,561)	-	**(85,433,943)**
31 December 2018 *Restated*					
Total assets	1,128,301,744	587,841,272	102,085,380	-	**1,818,228,396**
Total liabilities	370,833,184	169,512,238	575,333,627	-	**1,115,679,049**
Capital expenditure	66,447,255	24,192,341	35,568		**90,675,164**
Depreciation expenses	(47,048,509)	(30,335,938)	(385,484)	-	**(77,769,931)**
31 December 2017 *Restated*					
Total assets	979,980,402	599,942,437	190,275,744	-	**1,770,198,583**
Total liabilities	99,485,356	132,892,723	641,463,253	-	**873,841,332**
Capital expenditure	151,911,353	22,856,485	56,553	-	**174,824,391**
Depreciation expenses	(42,118,526)	(30,201,676)	(375,229)	-	**(72,695,431)**

Geographical information

Consolidated

Revenue	Romania	Europe	North and South America	Other countries	Total
	RON	*RON*	*RON*	*RON*	*RON*
2019	290,128,681	705,038,930	164,377,768	5,054,912	**1,164,600,291**
2018 *Restated*	380,034,763	748,814,914	299,306,099	2,632,009	**1,430,787,785**
2017 *Restated*	369,645,684	588,730,610	222,672,352	26,027,161	**1,207,075,807**

Separate

Revenue	Romania	Europe	North and South America	Other countries	Total
	RON	*RON*	*RON*	*RON*	*RON*
2019	326,244,195	704,718,790	164,179,519	1,784,209	**1,196,926,713**
2018	373,835,470	712,939,465	296,380,384	2,632,009	**1,385,787,328**
2017	264,547,222	563,200,389	211,671,629	26,027,161	**1,065,446,401**

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Consolidated					
	31 December 2019	%	31 December 2018 *Restated*	%	31 December 2017 *Restated*	%
	RON		*RON*		*RON*	
Domestic sales	290,128,680	24.91	380,034,763	26.56	369,646,135	30.62
Sales abroad	874,471,611	75.09	1,050,753,022	73.44	837,429,672	69.38
Total	**1,164,600,291**	**100**	**1,430,787,785**	**100**	**1,207,075,807**	**100**

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Sales of pipes produced by TMK-Artrom from which:			
Domestic	135,856,060	160,505,333	115,657,758
Europe*	681,815,100	687,935,396	529,791,805
North and South America**	143,347,238	278,884,288	127,495,207
Other areas	1,784,209	2,632,009	26,026,710
Total sales of TMK-Artrom pipes	**962,802,607**	**1,129,957,026**	**798,971,480**
Sales of other goods and services from which:			
Sales of other goods on domestic market	152,722,950	217,753,604	250,664,626
Sales of other goods on external market	45,958,888	79,302,256	150,268,710
Rendering of services on domestic market	1,549,670	1,775,826	3,323,300
Rendering of services on external market	1,566,176	1,999,073	3,847,691
Total sales of other goods and services	**201,797,684**	**300,830,759**	**408,104,327**
Total revenue from contracts with customers	**1,164,600,291**	**1,430,787,785**	**1,207,075,807**

**Middle East, Turkey and North Africa - sales allocated to the European market*
*** Canada, Brazil, USA and Mexico - sales allocated to the Americas market*

The Group's total consolidated revenues decreased by 18.6% in the year ended 31 December 2019 compared to the year ended 31 December 2018 as a result of revenue decrease from contracts with customers from the sold production by 14.8% (RON 167 mil), and the decrease of TMK-Resita sales of blooms and billets to third parties (by 90.5% or RON 41,4 mil) and also due to the decrease of other sales (by 22.6% or RON 57,6 million) out of which the sales of metallurgical products from companies within the TMK group decreased by 23.5%, respectively RON 58.8 million.

	Separate					
	31 December 2019	%	31 December 2018	%	31 December 2017	%
	RON		*RON*		*RON*	
Domestic sales	326,244,195	27.26	373,835,470	26.98	264,547,673	24.83
Sales abroad	870,682,518	72.74	1,011,951,858	73.02	800,898,728	75.17
Total	**1,196,926,713**	**100**	**1,385,787,328**	**100**	**1,065,446,401**	**100**

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Sales of pipes produced by TMK-Artrom from which:			
Domestic	136,549,599	161,178,780	116,518,700
Europe*	681,815,100	687,935,396	529,791,805
North and South America**	144,412,984	277,713,837	127,194,418
Other areas	1,784,209	2,632,009	26,026,710
Total sales of TMK-Artrom pipes	**964,561,892**	**1,129,460,022**	**799,531,633**
Sales of other goods and services from which:			
Sales of other goods on domestic market	189,428,738	212,281,122	147,498,929
Sales of other goods on external market	42,344,235	43,588,258	117,822,145
Rendering of services on domestic market	265,858	375,568	529,593
Rendering of services on external market	325,990	82,358	64,101
Total sales of other goods and services	**232,364,821**	**256,327,306**	**265,914,768**
Total revenue from contracts with customers	**1,196,926,713**	**1,385,787,328**	**1,065,446,401**

**Middle East, Turkey and North Africa - sales allocated to the European market*
*** Canada, Brazil, USA and Mexico - sales allocated to the Americas market*

Total separate revenues from TMK-Artrom's contracts with customers decreased by 13.6% in the year ended 31 December 2019 as compared to the year ended 31 December 2018 as a result of the revenue decrease from contracts with customers by 14.6% for TMK-Artrom's sold production(influence of RON 165 million), but also due to the decrease of sales of other goods and services (by 9.3% or RON 24 million) out of which the sales of metallurgical goods from third parties outside TMK-Artrom group decreased by 10.2%, respectively RON 21.7 million.

The total separate revenues obtained by TMK-Artrom from its own sold production decreased due to the physical volume reduction of pipes from 200,565 tonnes to 187,496 tonnes(a decrease by 6.5%), but also to a decrease in the average selling price by 8.6%, due to a decreased evolution of demand on the steel pipes market as compared to the previous year.

TMK-Artom's sales of externally purchased goods (trading activity) mainly consisting of metallurgical products (pipes, billets and other steel products) purchased from companies within the TMK group decreased by 10.2% in the year ended at 31 December 2019. Sales of merchandise on internal market and for export destination decreased to 73,085 tonnes in the year 2019 as compared to 78,358 tonnes in the year 2018.

TMK-Artrom sells on European market and on American market metallurgical products (billets, blooms, pipes) purchased from PAO TMK Group companies. Resold products are outside the dimensional range or type of the products made by TMK-Artrom and TMK-Resita.

7. COST OF SALES

Cost of sales for the financial year ended as at 31 December 2019, comprise the following:

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Raw materials	327,200,501	392,316,308	414,396,564
Staff cost (note 12.5)	121,211,697	109,622,857	81,164,924
Consumables	151,049,367	156,395,702	120,717,758
Energy and utilities	141,970,429	112,288,624	110,872,853
Depreciation and amortisation	81,032,334	73,661,221	69,434,320
Other compensations for employees	14,871,373	13,530,301	10,013,475
Social security expenses (note 12.5)	7,545,470	6,701,050	22,485,257
Professional fees and services	7,936,131	3,930,300	3,918,079
Freight	2,276,691	2,465,439	1,993,392
Taxes	4,291,815	4,331,526	2,754,223
Repairs and maintenance	5,515,803	3,933,417	3,276,870
Insurance	2,785,487	2,500,310	266,828
Rent	632,170	1,374,152	796,073
Travel	722,706	1,015,066	646,241
Communications	99,720	102,540	117,855
Other expenses	11,729	14,133	9,464
Total production cost	**869,153,423**	**884,182,946**	**842,864,176**
Change in own finished goods and work in progress	(52,860,819)	10,844,420	(45,052,296)
Cost of sales of externally purchased goods	177,811,816	231,503,030	241,262,001
Capitalized production costs	(30,644,337)	(20,257,155)	(22,190,872)
Obsolete stock, write-offs / (reversal of write-offs) (note 19)	6,625,139	3,803,255	(1,206,146)
Write-off materials	18,796	429,143	51,507
Cost of sales	**970,104,018**	**1,110,505,639**	**1,015,728,370**

	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	*RON*
Raw materials	616,820,271	661,767,929	506,499,063
Staff cost (note 12.5)	82,808,371	74,955,072	53,562,998
Consumables	55,547,870	58,944,520	44,882,449
Energy and utilities	69,229,207	58,468,529	52,794,563
Depreciation and amortisation	50,252,652	44,877,682	40,315,615
Other compensations for employees	10,678,675	10,021,030	7,076,568
Social security expenses (note 12.5)	3,329,597	2,901,082	13,322,733
Professional fees and services	2,703,837	2,795,662	2,824,004
Freight	2,276,691	2,464,389	1,993,392
Taxes	2,712,934	2,527,041	1,297,965
Repairs and maintenance	3,157,824	2,587,817	2,262,703
Insurance	1,694,357	1,571,261	128,821
Rent	191,039	621,753	471,745
Travel	559,704	680,390	490,202
Communications	74,021	75,019	89,457
Other expenses	11,729	14,131	9,216
Total production cost	**902,048,779**	**925,273,307**	**728,021,494**
Change in own finished goods and work in progress	(41,594,362)	11,651,874	(29,396,439)
Cost of sales of externally purchased goods	177,081,474	198,615,331	213,775,052
Capitalized production costs	(24,626,668)	(16,537,587)	(17,189,461)
Obsolete stock, write-offs / (reversal of write-offs) (note 19)	6,558,638	3,690,176	(805,412)
Cost of sales	**1,019,467,861**	**1,122,693,101**	**894,405,234**

8. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the financial year ended as at 31 December 2019, comprise the following:

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Freight	55,456,206	66,662,308	59,285,157
Professional fees and services	12,744,517	14,217,341	9,270,218
Taxes and import duties	23,549,576	25,883,024	61,819
Staff cost (note 12.5)	11,339,435	10,581,796	9,097,467
Consumables	4,049,971	3,998,643	3,249,237
Insurance	1,730,806	1,884,263	1,346,740
Utilities and maintenance	254,290	453,528	281,029
Other compensations for employees	1,333,238	1,389,122	778,392
Travel	324,615	562,397	314,074
Depreciation and amortisation	827,183	355,792	385,317
Social security expenses (note 12.5)	1,786,498	1,811,091	2,564,733
Communications	192,148	211,802	237,025
Other expenses	380,806	375,503	338,328
Rent	365,146	692,863	686,970
Bad debt expense (note 20)	272,287	1,347,944	755,876
Selling and distribution expenses	**114,606,722**	**130,427,417**	**88,652,382**

	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	*RON*
Freight	55,039,102	65,412,747	56,500,007
Professional fees and services	30,568,681	35,882,540	25,598,688
Taxes and import duties	22,988,693	25,269,669	21,719
Staff cost (note 12.5)	5,542,108	4,831,041	3,555,414
Consumables	1,975,245	2,109,802	1,385,683
Insurance	1,600,011	1,590,642	1,228,587
Utilities and maintenance	222,397	421,306	260,351
Other compensations for employees	729,510	856,743	524,808
Travel	79,728	306,706	87,878
Depreciation and amortisation	394,172	287,974	302,346
Social security expenses (note 12.5)	249,754	178,944	898,295
Communications	105,317	114,117	122,656
Other expenses	70,890	63,002	49,502
Rent	2,745	67,939	30,398
Bad debt expense (note 20)	365,331	28,255	237,231
Selling and distribution expenses	**119,933,684**	**137,421,427**	**90,803,563**

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

9. PROMOTION AND ADVERTISING EXPENSES

Promotion and advertising expenses for the financial year ended as at 31 December 2019, comprise the following:

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Marketing expenses	255,239	274,820	357,141
Media expenses	190,027	58,826	3,361
Promotion and advertising expenses	**445,266**	**333,646**	**360,502**

	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	*RON*
Marketing expenses	242,989	247,459	262,168
Media expenses	190,027	58,826	3,361
Promotion and advertising expenses	**433,016**	**306,285**	**265,529**

10. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the financial year ended as at 31 December 2019, comprise the following:

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Staff cost (note 12.5)	31,443,931	28,930,596	22,942,754
Professional fees and services	18,551,175	16,026,404	14,938,815
Other compensations for employees	5,373,843	6,384,759	3,577,321
Rent	103,259	1,422,861	1,334,660
Taxes	2,730,167	1,803,950	875,870
Depreciation and amortisation	4,371,801	3,380,699	2,875,794
Communications	1,065,247	1,040,658	983,161
Consumables	1,677,564	1,850,013	1,463,095
Utilities and maintenance	1,618,095	1,321,927	839,256
Travel	1,033,901	1,126,615	779,259
Social security expenses (note 12.5)	1,642,710	1,620,641	5,239,572
Other expenses	368,594	432,606	321,462
Freight	-	252	-
Insurance	182,924	292,468	209,957
General and administrative expenses	**70,163,211**	**65,634,449**	**56,380,976**

10. GENERAL AND ADMINISTRATIVE EXPENSES (continued)

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Staff cost (note 12.5)	20,488,584	18,056,713	14,423,340
Professional fees and services	9,337,427	7,356,370	7,375,664
Other compensations for employees	4,133,690	4,782,632	2,925,589
Rent	198,370	1,591,646	1,391,966
Taxes	1,862,523	1,679,408	768,882
Depreciation and amortisation	2,658,474	1,809,281	1,432,131
Communications	889,790	869,565	814,104
Consumables	1,042,155	1,095,125	830,822
Utilities and maintenance	1,258,067	1,116,483	699,203
Travel	834,595	824,209	624,619
Social security expenses (note 12.5)	571,906	479,476	3,468,858
Other expenses	239,382	333,558	214,155
Freight	-	252	-
Insurance	56,539	174,054	71,881
General and administrative expenses	**43,571,502**	**40,168,772**	**35,041,214**

11. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the financial year ended as at 31 December 2019, comprise the following:

	Consolidated		
	31 December 2019 *RON*	31 December 2018 *Restated* *RON*	31 December 2017 *Restated* *RON*
Professional fees and services	16,321	144,442	78,046
Staff cost (note 12.5)	105,865	95,933	18,908
Other compensations for employees	5,299	3,677	16,515
Social security expenses (note 12.5)	3,481	3,126	4,267
Travel	-	-	220
Research and development expenses	**130,966**	**247,178**	**117,956**

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Professional fees and services	16,321	144,442	78,047
Staff cost (note 12.5)	105,865	95,933	18,908
Other compensations for employees	5,299	3,677	16,515
Social security expenses (note 12.5)	3,481	3,126	4,266
Travel	-	-	220
Research and development expenses	**130,966**	**247,178**	**117,956**

12. OTHER INCOME/EXPENSES AND ADJUSTMENTS

12.1 Other operating income

Other operating income for the financial year ended as at 31 December 2019, comprise the following:

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Gains on sales of property, plant and equipment	4,276,415	-	-
Investment subsidies	48,131	28,667	6,820
Damages, trial expenses	51,064	10,448	1,277,344
Other income	84,454	110,989	735,294
Income from recovered materials	-	-	177,783
Materials free of charge	15,556	6,284	32,760
Total	**4,475,620**	**156,388**	**2,230,001**

	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	*RON*
Income from sale of emission certificates	951,574	384,885	-
Investment subsidies	48,131	28,667	6,820
Rent income	17,110	16,751	-
Damages, trial expenses	50,675	10,448	1,271,323
Other income	-	-	570
Income from recovered materials	-	-	177,783
Total	**1,067,490**	**440,751**	**1,456,496**

12.2 Other operating expenses

Other operating expenses for the financial year ended as at 31 December 2019, comprise the following:

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Social actions expenses	1,804,108	1,497,150	1,251,750
Loss on disposal of property, plant and equipment	-	1,128,345	1,655,048
Sponsorship and charitable donations	777,067	397,517	222,400
Staff costs - medical dispensary	479,759	428,029	234,377
Professional fees and services	118,691	100,864	70,139
Rent expense	13,846	115,838	-
Other expenses	150,014	238,697	1,035,772
Social security costs - medical dispensary	19,494	14,310	58,519
Penalties - legal entities	7,012	399	74,884
Fines and penalties	58,314	20,169	175,970
Other compensations for employees - medical dispensary	33,151	24,776	14,543
Taxes	-	-	123
Expenses with provisions for taxes (note 27)	-	-	1,158,752
Expenses with provisions for risks and expenses (note 27)	1,767	1,539,140	-
Total	**3,463,223**	**5,505,234**	**5,952,277**

12. OTHER INCOME/EXPENSES AND ADJUSTMENTS (continued)

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Social actions expenses	1,804,108	1,497,150	1,251,750
Loss on disposal of property, plant and equipment	368,346	877,353	1,521,355
Sponsorship and charitable donations	690,244	344,178	175,390
Staff costs - medical dispensary	155,705	123,594	100,969
Professional fees and services	118,691	100,864	70,139
Other expenses	3,086	15,763	14,342
Social security costs - medical dispensary	3,982	3,349	25,342
Penalties - legal entities	5,867	399	74,884
Fines and penalties	31,849	625	5,148
Expenses with provisions for risks and expenses (note 27)	-	-	1,158,752
Total	**3,181,878**	**2,963,275**	**4,398,071**

12.3 Financial costs

Financial costs for the financial year ended as at 31 December 2019, comprise the following:

	Consolidated		
	31 December 2019 *RON*	31 December 2018 *Restated* *RON*	31 December 2017 *Restated* *RON*
Interest on short-term loans and borrowings (note 17.2)	3,471,490	5,356,476	4,790,919
Interest on long-term loans and borrowings (note 17.2)	7,084,592	5,165,226	1,204,639
Interest on amounts owed to entities in the group (nota 17.5)	4,764,638	-	-
Amortisation of issuance fee	515,977	716,706	433,443
Other financial expenses	933,447	1,247,935	1,563,351
Interest on leasing	2,094,963	2,804,018	2,684,526
Total	**18,865,107**	**15,290,361**	**10,676,878**

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Interest on short-term loans and borrowings (note 17.2)	3,471,490	5,356,476	4,790,919
Interest on long-term loans and borrowings (note 17.2)	7,084,592	5,165,226	1,204,639
Interest on amounts owed to entities in the group (nota 17.5)	4,764,638	-	-
Amortisation of issuance fee	608,703	716,706	433,443
Other financial expenses	606,614	460,318	275,925
Interest on leasing	222,192	78,742	31,864
Total	**16,758,229**	**11,777,468**	**6,736,790**

12. OTHER INCOME/EXPENSES AND ADJUSTMENTS (continued)

12.4 Financial income

Financial income for the financial year ended as at 31 December 2019, comprise the following:

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Interest on deposits	5,873	3,390	20,207
Interest from granted borrowing	43	43	50
Other financial income	234,088	5,221	2,449
Total	**240,004**	**8,654**	**22,706**

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Income from shares of subsidiaries	10,141,771	-	-
Interest on deposits	5,873	3,390	731
Interest from granted borrowing	-	-	757
Other financial income	56	104	226
Total	**10,147,700**	**3,494**	**1,714**

12.5 Employee benefits expenses

Employee benefits expenses for the financial year ended as at 31 December 2019, comprise the following:

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Wages and salaries (Notes 7,8,10,11,12.2)	164,596,515	149,703,285	113,517,568
Social security costs (Notes 7,8,10,11,12.2), out of which:	10,998,014	10,151,210	30,366,989
- Company's contributions to social security (pensions)	4,366,954	4,364,864	21,338,581
Other compensations for employees - meal tickets	7,353,611	7,071,846	6,354,396
Other compensations for employees - holiday vouchers	3,071,466	1,656,029	872,698
Other compensations for employees - other	11,191,826	12,611,262	7,160,904
Total employee benefits expense	**197,211,432**	**181,193,632**	**158,272,555**

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
Average number of employees	2,296	2,260	2,079
Actual number of employees at the end of reporting period	2,307	2,293	2,172

12.5 Employee benefits expenses (continued)

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Wages and salaries (Notes 7,8,10,11,12.2)	109,100,633	98,062,353	71,720,768
Social security costs (Notes 7,8,10,11,12.2), out of which:	4,158,720	3,565,977	17,734,135
- Company's contributions to social security (pensions)	-	-	12,028,765
Other compensations for employees - meal tickets	4,913,249	4,688,101	4,027,801
Other compensations for employees - holiday vouchers	1,263,996	734,707	162,000
Other compensations for employees - other	9,369,929	10,241,274	6,341,431
Total employee benefits expense	**128,806,527**	**117,292,412**	**99,986,135**

	Separate		
	31 December 2019	31 December 2018	31 December 2017
Average number of employees	1,498	1,457	1,324
Actual number of employees at the end of reporting period	1,511	1,486	1,365

The category other wage compensations - other include expenses with the performance bonuses granted to the employees, material aids granted to the employees for child birth, death of the family members, aids in case of illness and other expenses with social actions granted according to the Collective Labor Agreement.

13. INCOME TAX

For financial year ended as at 31 December 2019, the Group and the Company calculated income tax as follows:

	Consolidated		
	31 December 2019 *RON*	31 December 2018 *Restated* *RON*	31 December 2017 *Restated* *RON*
Current income tax	(718,939)	(11,082,265)	(4,418,668)
Small companies income tax	(53,281)	(15,616)	(42,881)
Deferred income tax:	3,400,969	(7,631,150)	1,547,340
- Deferred income tax credit	10,655,888	4,044,584	9,785,726
- Deferred income tax charge	(7,254,919)	(11,675,734)	(8,238,386)
Income tax	**2,628,749**	**(18,729,031)**	**(2,914,209)**

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Current income tax	-	(8,566,974)	(1,951,595)
Deferred income tax:	3,978,114	(2,643,760)	1,904,760
- Deferred income tax credit	8,249,184	1,506,695	2,181,589
- Deferred income tax charge	(4,271,070)	(4,150,455)	(276,829)
Income tax	**3,978,114**	**(11,210,734)**	**(46,835)**

The Group and the Company computed deferred tax from different temporary differences for fixed assets and other items.

13. INCOME TAX (continued)

The Group operates in 3 fiscal jurisdictions (Romania, United states and Italy) with statutory tax rate between 16% in Romania and 24% in Italy.

Reconciliation between income tax expense and the accounting profit multiplied by Romanian domestic tax rate for the year ended as at 31 December 2019 is as follows:

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Profit/ (loss) before income tax	**(26,043,881)**	**99,939,114**	**29,852,420**
Income taxes calculated at the nominal applicable tax rate (16%)	(4,167,021)	15,990,258	4,776,387
Tax effect of deductible / non-taxable elements, out of which:	(27,000,879)	(22,960,504)	(19,716,930)
- Fiscal depreciation	(19,072,980)	(19,517,069)	(17,043,169)
- Legal reserve	-	(668,045)	-
- Dividends income	(1,622,683)	-	-
- Income from reversal of allowances	(6,305,216)	(2,775,390)	(2,673,761)
Tax effect of taxable / non-deductible elements, out of which:	27,199,422	21,510,391	20,932,787
- Realization of revaluation reserve	4,254,616	4,874,437	6,049,880
- Accounting depreciation	13,759,028	12,383,005	11,591,241
- Allowances expenses	7,023,143	4,664,357	4,163,611
- Other items	2,162,635	(411,408)	(871,945)
Tax loss to be recovered	4,578,014	(3,774,310)	2,730,535
Deferred tax expenses arising from deferred tax assets	-	4,762,784	(821,796)
Deferred tax expenses arising from deferred tax liabilities	(5,705,417)	2,868,366	(725,544)
Tax credit, out of which:	2,304,448	(344,178)	(5,472,153)
- sponsoring expense	-	(344,178)	(175,390)
- reinvested profit in equipment	-	-	(5,296,352)
- 10% withholding tax in USA	-	-	(411)
Effect of other tax rates	-	676,224	1,210,923
Computed income tax / (tax loss)	162,683	**18,729,031**	**2,914,209**
Income tax reported in the statement of income	**(2,628,749)**	**18,729,031**	**2,914,209**

	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	*RON*
Profit/ (loss) before income tax	**(11,715,185)**	**67,780,720**	33,102,201
Income taxes calculated at the nominal applicable tax rate (16%)	(1,874,430)	10,844,915	5,296,352
Tax effect of deductible / non-taxable elements, out of which:	(19,922,324)	(16,163,688)	(9,521,106)
- Fiscal depreciation	(12,935,708)	(13,038,593)	(8,028,833)
- Legal reserve	-	(542,246)	-
- Dividends income	(1,622,683)	-	-
- Income from reversal of allowances	(5,363,933)	(2,582,849)	(1,492,273)
Tax effect of taxable / non-deductible elements, out of which:	19,586,345	14,229,925	11,648,502
- Realization of revaluation reserve	2,438,132	2,705,013	2,721,247
- Accounting depreciation	8,528,848	7,515,990	6,728,015
- Allowances expenses	6,380,693	3,416,510	2,071,679
- Other items	2,238,672	592,412	127,561
Tax loss to be recovered	2,210,409	-	-
Deferred tax expenses arising from deferred tax assets	(6,093,649)	(797,254)	-
Deferred tax expenses arising from deferred tax liabilities	2,115,535	3,441,014	-
Tax credit, out of which:	-	(344,178)	(5,472,153)
- sponsoring expense	-	(344,178)	(175,390)
- reinvested profit in equipment	-	-	(5,296,352)
- 10% withholding tax in USA	-	-	(411)
Computed income tax / (tax loss)	**(3,978,114)**	**11,210,734**	**1,951,595**
Income tax reported in the statement of income	**(3,978,114)**	**11,210,734**	**1,951,595**

13. INCOME TAX (continued)

In 15 February 2016 the comprehensive fiscal control in TMK-Artrom for period 2005-2009 was finished. Through that was established the additional debts for income tax and VAT in amount of RON 1,332,027 and interest and penalties in amount of RON 2,889,444 which were appealed by the Company. The file is registered with the High Court of Justice and Cassation. The first hearing is set on 18 June 2020.

Deferred tax relates to the following:

Statement of financial position	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Deferred income tax assets			
Allowance for doubtful accounts receivable	269,622	300,534	361,210
Employee benefits	876,962	889,196	875,677
Provisions for management bonuses	1,002,279	1,191,854	683,494
Provisions for quality complaints	44,231	46,692	54,734
Adjustments of inventories	3,844,838	2,757,813	2,136,912
Provisions for unused vacations	32,517	8,923	10,008
Provisions for emission certificates	498,732	106,895	234,697
Tax losses carried forward	5,118,137	3,425,346	8,909,183
Provisions for risks and charges	246,262	523,217	-
Provisions for decommissioning property, plant and equipment	35,096	35,096	35,096
Dividends	870,470	-	-
Other (liabilities - deferred income)	(86,751)	(342,882)	(372,457)
Leasing liabilities	5,222,997	5,862,265	6,629,174
Interests, forex exchange gain/loss and sponsorships	2,628,114	-	-
Total (a)	**20,603,506**	**14,804,949**	**19,557,728**
Deferred income tax liabilities			
Difference between carrying amount and fiscal amount of property, plant and equipment and intangible assets	84,761,861	82,455,515	79,585,313
Total (b)	**84,761,861**	**82,455,515**	**79,585,313**
Net deferred tax income (a) - (b)	**(64,158,355)**	**(67,650,566)**	**(60,027,585)**

Statement of profit or loss	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Deferred income tax assets			
Allowance for doubtful accounts receivable	(31,737)	(60,710)	(577,469)
Employee benefits	(12,234)	13,519	(12,687)
Provisions for management bonuses	(196,756)	501,665	328,034
Provisions for quality complaints	(2,462)	(8,042)	5,901
Adjustments of inventories	1,087,025	620,902	(676,685)
Provisions for unused vacations	23,422	(1,275)	5,021
Provisions for emission certificates	(131,380)	(127,802)	234,697
Tax losses carried forward	1,608,037	(5,486,924)	2,730,535
Provisions for risks and charges	246,262	523,217	-
Dividends	870,470	-	-
Interests, forex exchange gain/loss and sponsorships	2,628,114	-	-
Other (liabilities - deferred income)	256,122	29,575	(667,134)
Leasing liabilities	(639,466)	(766,909)	(548,417)
Total (a)	**5,705,417**	**(4,762,784)**	**821,796**
Deferred income tax liabilities			
Difference between carrying amount and fiscal amount of property, plant and equipment and intangible assets	2,304,448	2,868,366	(725,544)
Total (b)	**2,304,448**	**2,868,366**	**(725,544)**
Net deferred tax income (a) - (b)	**3,400,969**	**(7,631,150)**	**1,547,340**

13. INCOME TAX (continued)

Statement of financial position	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Deferred income tax assets			
Allowance for doubtful accounts receivable	208,156	179,721	251,577
Employee benefits	470,559	451,462	422,211
Provisions for management bonuses	796,128	891,608	514,361
Provisions for quality complaints	44,231	46,692	46,982
Adjustments of inventories	2,501,373	1,451,991	861,563
Provisions for unused vacations	12,047	5,114	4,839
Provisions for emission certificates	88,019	106,895	234,697
Tax losses carried forward	1,608,037	-	-
Provisions for decommissioning property, plant and equipment	35,096	35,096	35,096
Dividends	870,470	-	-
Interests, forex exchange gain/loss and sponsorships	2,628,114	-	-
Total (a)	**9,262,230**	**3,168,579**	**2,371,326**
Deferred income tax liabilities			
Difference between carrying amount and fiscal amount of property, plant and equipment and intangible assets	42,468,198	40,352,662	36,911,648
Total (b)	**42,468,198**	**40,352,662**	**36,911,648**
Net deferred tax income (a) - (b)	**(33,205,968)**	**(37,184,083)**	**(34,540,322)**

Statement of profit or loss	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Deferred income tax assets			
Allowance for doubtful accounts receivable	28,435	(71,857)	51,185
Employee benefits	19,097	29,251	25,729
Provisions for management bonuses	(95,481)	377,248	228,530
Provisions for quality complaints	(2,462)	(290)	(1,851)
Adjustments of inventories	1,049,382	590,428	(128,866)
Provisions for unused vacations	6,933	276	(361)
Provisions for emission certificates	(18,876)	(127,802)	234,697
Tax losses carried forward	1,608,037	-	-
Dividends	870,470	-	-
Interests, forex exchange gain/loss and sponsorships	2,628,114	-	-
Total (a)	**6,093,649**	**797,254**	**409,063**
Deferred income tax liabilities			
Difference between carrying amount and fiscal amount of property, plant and equipment and intangible assets	2,115,535	3,441,014	(1,495,697)
Total (b)	**2,115,535**	**3,441,014**	**(1,495,697)**
Net deferred tax income (a) - (b)	**3,978,114**	**(2,643,760)**	**1,904,760**

At December 31,2019 the parent-company, TMK-Artrom registered a tax loss in the amount of RON 13,815,058 with a recoverable term in 7 years from taxable profits according to the provisions of the Fiscal Code. A deferred tax asset of RON 1,608,037 was recognized in relation to the carried forward fiscal loss.Under interests, foreign exchange gain/loss, the company has recorded deferred tax related to the exceeding borrowing costs, representing interest expenses and items related to interest, treated as being non-deductible for tax purposes, carried forward undefinetly until the deductibility criterias are met.

At December 31,2019 TMK Italia has a fiscal loss to be recovered in the amount of EUR 3,060,157 (RON: 14,625,408) which consists part of 2011 (EUR 391,247) and part of 2016 (EUR 2,668,910). According to the law of Italy in force, it will be recoverable only after all the tax withheld at the source related to the commission of agent that TMK Italia receives from Artrom and Resita will be compensated, and this, according to the estimates, will happen starting with the year 2023. The fiscal loss does not expire under

13. INCOME TAX (continued)

Italian jurisdiction. A deferred tax assets of RON 3,510,010 was recognized in relation to the carried forward fiscal loss.

At December 31,2019 TMK-Reșița registers, according to the fiscal declaration, a fiscal loss of RON 25,628,068. This is composed of RON 10,830,534 fiscal loss from 2017 that can be recovered according to the Fiscal Code in the next 7 years, that is until 2024 and the fiscal loss related to 2019, which will be recoverable until 2026. These losses relate to a subsidiary which has history of losses, and therefore due to uncertainties the recoverability of any deferred tax assets cannot be supported.

14. 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*	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
Earnings			
Net profit / (Net loss)	(23,415,132)	81,210,083	26,938,211
Average number of shares	116,170,334	116,170,334	116,170,334
Earnings per average number of shares	**(0.20)**	**0.70**	**0.23**

During 2019 there were no transactions involving ordinary shares or potential ordinary shares.

Earnings per share *amounts in RON*	Separate		
	31 December 2019	31 December 2018	31 December 2017
Earnings			
Net profit / (Net loss)	(7,737,071)	56,569,986	33,055,366
Average number of shares	116,170,334	116,170,334	116,170,334
Earnings per average number of shares	**(0.07)**	**0.49**	**0.28**

15. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the financial year ended as at December 31st, were as follows:

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	**381,607,603**	**898,701,138**	**70,114,408**	**3,948,626**	**61,257,454**	**1,415,629,229**
Additions	1,612	18,537	-	38,131	174,040,254	**174,098,534**
Disposals	(378,339)	(5,222,117)	(3,169,407)	(160,225)	-	**(8,930,088)**
Transfers	3,364,927	78,834,010	16,521,669	302,524	(98,917,981)	**105,149**
Transfers from inventories					3,473,711	**3,473,711**
Translation differences	(6,685)	(16,254)	-	3,265		**(19,674)**
At 1 January 2018	**384,589,118**	**972,315,314**	**83,466,670**	**4,132,321**	**139,853,438**	**1,584,356,861**
Additions	-	24,077	-	5,071	90,079,049	**90,108,197**
Disposals	(1,783,814)	(10,438,414)	(527,342)	(156,571)	-	**(12,906,141)**
Transfers	57,440,959	132,703,117	4,696,970	1,317,042	(196,148,820)	**9,268**
Translation differences	2,956	8,055	-	2,415	-	**13,426**
At 31 December 2018	**440,249,219**	**1,094,612,149**	**87,636,298**	**5,300,278**	**33,783,667**	**1,661,581,611**
Additions	-	44,082	-	128,752	100,718,586	**100,891,420**
Disposals	(8,720,632)	(6,535,536)	(399,492)	(103,418)	-	**(15,759,078)**
Transfers*	14,464,903	14,549,831	3,364,273	824,685	(102,506,367)	**(69,302,675)**
Translation differences	3,038	9,226	-	8,677	-	**20,941**
At 31 December 2019	**445,996,528**	**1,102,679,752**	**90,601,079**	**6,158,974**	**31,995,886**	**1,677,432,219**
Depreciation and impairment						
At 1 January 2017	**(98,031,310)**	**(261,597,169)**	**(30,185,732)**	**(2,040,053)**		**(391,854,264)**
Depreciation charge for the year	(11,157,847)	(56,536,380)	(3,516,756)	(409,131)		**(71,620,114)**
Disposals	127,500	3,386,440	2,651,604	159,436		**6,324,980**
Translation differences	2,042	3,150	-	(5,669)		**(477)**
At 1 January 2018	**(109,059,615)**	**(314,743,959)**	**(31,050,884)**	**(2,295,417)**	**-**	**(457,149,875)**
Depreciation charge for the period	(12,188,973)	(59,813,153)	(4,162,645)	(430,368)	-	**(76,595,139)**
Disposals	1,055,347	5,115,938	404,483	155,595	-	**6,731,363**
Translation differences	-	997	-	(12,796)	-	**(11,799)**
Transfers	(2,255)	(3,535)	-	(953)	-	**(6,743)**
At 31 December 2018	**(120,195,496)**	**(369,443,712)**	**(34,809,046)**	**(2,583,939)**	**-**	**(527,032,193)**

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Construction in progress	Total
	RON	*RON*	*RON*	*RON*	*RON*	*RON*
Depreciation charge for the period	(14,143,093)	(59,820,877)	(4,385,599)	(589,561)	-	**(78,939,130)**
Disposals	3,237,478	5,159,950	376,051	101,580	-	**8,875,059**
Transfers*	(5,969)	32,851,652	86,104	(1,657)	-	**32,930,130**
Translation differences	(2,287)	(4,304)	-	(6,666)	-	**(13,257)**
At 31 December 2019	**(131,109,367)**	**(391,257,291)**	**(38,732,490)**	**(3,080,243)**	**-**	**(564,179,391)**
Net book value						
At 31 December 2019	314,887,161	711,422,461	51,868,589	3,078,731	31,995,886	**1,113,252,828**
At 31 December 2018-*Restated*	320,053,723	725,168,437	52,827,252	2,716,339	33,783,667	**1,134,549,418**
At 31 December 2017-*Restated*	275,529,503	657,571,355	52,415,786	1,836,904	139,853,438	**1,127,206,986**

***** *On line Transfers, the transfer of the initial balance related to the property, plants and equipments under addotpion of IFRS 16, were included both for the carrying values and for the accumulated depreciation until 1st of January 2019*

Property, plant and equipment has increased during 2017-2019 due to purchases of fixed assets and as well from commissioning internally developed fixed assets.

During years 2019, 2018 and 2017 the Group made current improvements, but also capital repairs for equipment and buildings which were recognized in the carrying value of property, plant and equipment in amount of RON 25,770,478 (2018 : RON 18,260,606; 2017: RON 4,610,790).

The consolidated disposal of property, plant and equipment in 2019 in amount of RON 15,866,185 (2018: RON 12,906,141; 2017: RON 8,923,802) are represented by:

- undepreciated value of parts replaced during capital repairs made during the year in amount of RON 1,339,757 (2018: RON 1,857,647; 2017: RON 1,904,950) and their depreciated value of RON 4,469,266, (2018: RON 2,455,736; 2017: RON 1,356,018);
- sales of property, plant and equipment of RON 7,300,967 (2018: RON 348,915; 2017: RON 3,311,014);
- disposals of property, plant and equipment in amount of RON 2,649,087(2018: RON 8,243,843; 2017: RON 2,351,820);

The corresponding revenues are in amount of RON 11,093,753 (2018: RON 5,172,694; 2016: RON 0).

The gross value of fully depreciated items of property, plant and equipment in use as at 31st December 2019 is of RON 95,715,686 (2018: RON 73,330,710; 2017: RON 60,516,742).

TMK-Reșița owns a land worth RON 6,661,149 in Bucharest and is subject of a pre-sale contract.
As the execution of this contract depends on obtaining a zonal town planning with indicator limits, the land was not presented in assets held for sale under IFRS 5, as explained in note 3.

15. PROPERTY, PLANT AND EQUIPMENT(continued)

Right-of-use assets

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Investment properties	Construction in progress	Total
	RON	*RON*	*RON*	*RON*	*RON*	*RON*	*RON*
Cost							
At 1 January 2019	**-**	**66,100,919**	**2,129,463**	**-**		**2,325,976**	**70,556,358**
Additions	-	-	-	-	-	4,898,899	**4,898,899**
Disposals	-	-	(117,797)	-	-	-	**(117,797)**
Transfers	2,894,946	2,748,297	1,543,706	37,926	-	(7,224,875)	**-**
At 31 December 2019	**2,894,946**	**68,849,216**	**3,555,372**	**37,926**	**-**	**-**	**75,337,460**
Depreciation and impairment							
At 1 January 2019	**-**	**(32,850,311)**	**(135,193)**	**-**	**-**	**-**	**(32,985,504)**
Depreciation charge for the period	(262,530)	(5,326,805)	(1,028,081)	(2,782)	-	-	**(6,620,197)**
Disposals	-	-	53,194	-	-	-	**53,194**
Translation differences	(1,595)	(122)	(1,045)	(15)	-	-	**(2,777)**
At 31 December 2019	**(264,125)**	**(38,177,238)**	**(1,111,126)**	**(2,797)**	**-**	**-**	**(39,555,285)**
Net book value							
At 31 December 2019	2,630,821	30,671,978	2,444,246	35,129	-	-	**35,782,174**

As of December 31, 2019, the Group had concluded a number of 47 leases with a carrying value of RON 35,782,174.The Group had concluded contracts previously classified as finance leases for the lease of production equipment (9 contracts with a a carrying value of RON 30,329,392) and for the lease of vehicles (1 contract for a tractor with a a carrying value of RON 154,163 and 3 vehicle contracts amounting to RON 1,657,769).
Also, the Group had concluded leasing contracts, for which assets related to the right of use have been recognized according to IFRS 16 for the use of office spaces (2 contracts with a a carrying value of RON 2,630,821), motor vehicles (29 contracts worth RON 632,311), production equipment (1 contract worth RON 194,809), office equipment (1 contract worth RON 35,129) and a telephone system (1 contract worth RON 147,776) (RON 2018: 5,804,795; 2017: RON 2,368,998).

Separate

	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	-	-	-	-	151,582,889	**151,582,889**
Disposals	(261,441)	(2,841,009)	(2,446,816)	(9,369)	-	**(5,558,635)**
Transfers	1,457,475	65,172,407	1,146,849	120,445	(67,897,176)	**-**
Transfers from inventories					3,473,711	**3,473,711**
At 1 January 2018	**123,148,134**	**550,857,781**	**12,075,366**	**2,052,539**	**132,761,539**	**820,895,359**
Additions	-	-	-	-	66,085,248	**66,085,248**
Disposals	(83,518)	(8,359,111)	(352,143)	(42,670)	-	**(8,837,442)**
Transfers	44,380,724	123,410,046	2,598,796	1,066,016	(171,455,582)	**-**
Transfers from inventories					-	**-**
At 31 December 2018	**167,445,340**	**665,908,716**	**-** **14,322,019**	**-** **3,075,885**	**27,391,205**	**878,143,165**
Additions	-	-	-	-	75,075,339	**75,075,339**
Disposals	(47,171)	(3,021,924)	(5,472)	(47,467)	-	**(3,122,034)**
Transfers*	7,698,301	55,997,179	2,124,012	465,019	(72,293,922)	**(6,009,411)**
At 31 December 2019	**175,096,470**	**718,883,971**	**-** **16,440,559**	**-** **3,493,437**	**30,172,622**	**944,087,059**
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	(4,101,021)	(36,225,819)	(1,022,787)	(165,285)		**(41,514,912)**
Disposals	57,503	1,401,583	2,009,637	9,301		**3,478,024**
At 1 January 2018	**(25,099,812)**	**(182,273,177)**	**(5,778,047)**	**(1,078,888)**	**-**	**(214,229,924)**
Depreciation charge for the period	(4,920,098)	(39,860,783)	(1,407,743)	(212,011)	-	**(46,400,635)**
Disposals	28,571	3,619,892	262,875	41,751	-	**3,953,089**
At 31 December 2018	**(29,991,339)**	**(218,514,068)**	**-** **(6,922,915)**	**-** **(1,249,148)**	**-**	**(256,677,470)**
Depreciation charge for the period	(6,105,828)	(43,254,626)	(1,618,216)	(335,085)	-	**(51,313,755)**
Disposals	15,478	2,459,371	5,471	45,628	-	**2,525,948**
Transfers*		171,184	56,059	-		**227,243**
At 31 December 2019	**(36,081,689)**	**(259,138,139)**	**-** **(8,479,601)**	**-** **(1,538,605)**	**-**	**(305,238,034)**

	Land and buildings	Machinery and equipment		Transport and motor vehicles		Furniture and fixtures	Construction in progress	Total
	RON	*RON*		*RON*		*RON*	*RON*	*RON*
Net book value								
At 31 December 2019	139,014,781	459,745,832	-	7,960,958	-	1,954,832	30,172,622	**638,849,025**
At 31 December 2018	137,454,001	447,394,648	-	7,399,104	-	1,826,737	27,391,205	**621,465,695**
At 31 December 2017	100,895,806	341,077,442		6,610,436		1,018,559	45,602,115	**495,204,358**

***** *On line Transfers, the transfer of the initial balance related to the property, plants and equipments under addotpion of IFRS 16, were included both for the carrying values and for the accumulated depreciation until 1st of January 2019*

Property, plant and equipment increases were made in year 2019 by purchases of independent fixed assets and by putting into operation the contracting or self-made investments.

During year 2019 were made current improvements, but also capital repairs for equipment and buildings which were recognized in the carrying value of property, plant and equipment in amount of RON 19,752,809 (2018: RON 14,541,039; 2017: RON 14,844,328).

The disposal of property, plant and equipment in year 2019 in amount of RON 3,122,034 (2018: RON 8,837,442; 2017: RON 5,558,635) are represented by:
- un-depreciated value of parts replaced during capital repairs made in half year 2018 in amount of RON 562,792 (2018: RON 657,169; 2017: RON 1,651,805) and their depreciated value of RON 1,028,372 (2018: RON 1,080,462; 2017: RON 1,141,499),
- sales of property, plant and equipment of RON 0 (2018: RON 262,802; 2017: RON 2,188,137) and
- disposals of property, plant and equipment in amount of RON 1,530,870 (2018: RON 6,837,009; 2017: RON 577,194).

The corresponding revenues are in amount of RON 232,577 as at 31 December 2019 (2018: 4,028,169; 2017: RON 559,256).

The gross value of fully depreciated items of property, plant and equipment in use as at 31 December 2019 is of RON 55,869,541 (2018: RON 39,406,981; 2017: RON 25,894,194).

Out of total property, plant and equipment as of 31 December 2019, properties with a net book value of RON 150,893,910 were pledged in favor of BCR (2018: 27,990,244; 2017: RON 25,751,666).

The company has started an investment program for increasing the added value of its production, with the commissioning of the "Heat Treatment Complex" project, which was officially opened in the first quarter of 2018, followed by a production and optimization period. The project of this production line and most of the equipment were delivered by the SMS Group. In 2018 the commissioning of equipment and constructions carried out within the project "Heat Treatment Complex" was continued.

15. PROPERTY, PLANT AND EQUIPMENT(continued)

In the net carrying amount of „Construction in progress" the Group and the Company included the amount of RON 429,410 which represents borrowing costs capitalized in year 2018 according to IAS 23 Borrowing costs, revised (2018: RON 429,410; 2017: RON 2,692,055 for Company and Group).
Interest expense capitalized in year 2019 by the Group and the Company was in amount of RON 0 (2018: RON 429,410; 2017: RON 2,361,247).

Right-of-use assets

	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 2019	**2,024,613**	**3,701,889**	**979,845**	**-**	**2,325,976**	**9,032,323**
Additions					332,996	**332,996**
Disposals			(10,690)			**(10,690)**
Transfers		2,577,740	81,232		(2,658,972)	**-**
At 31 December 2019	**2,024,613**	**6,279,629**	**1,050,387**	**-**	**-**	**9,354,629**
Depreciation and impairment						
At 1 January 2019	**-**	**(171,184)**	**(56,059)**	**-**	**-**	**(227,243)**
Depreciation charge for the period	(337,435)	(475,954)	(534,575)	-	-	**(1,347,964)**
Disposals	-	-	-	-	-	**-**
At 31 December 2019	**(337,435)**	**(647,138)**	**(590,635)**	**-**	**-**	**(1,575,208)**
Net book value						
At 31 December 2019	1,687,178	5,632,491	459,752	-	-	**7,779,421**

As of December 31, 2019, TMK-Artrom S.A. has concluded a number of 26 leases with a carrying value of RON 7,779,421.
The Group had concluded contracts previously classified as finance leases for the purchase of production equipment (6 contracts with a a carrying value of RON 5,437,681) and for the purchase of a vehicle (tractor) (1 contract with a carrying value of RON 154,163).

15. PROPERTY, PLANT AND EQUIPMENT(continued)

The company also concluded leasing contracts, for which assets related to the right of use were recognized according to IFRS 16 for the use of office spaces (1 contract with a carrying value of RON 1,687,177), vehicles (17 contracts worth RON 305,590) and production equipment (1 contract worth RON 194,809) (2018: RON 5,804,795; 2017: RON 2,368,998).
Assets held in leasing are pledged as collateral for leasing.

Analysis regarding the impairment of property, plant and equipment

The management of the TMK Artrom Group identified several factors, raw material prices increase and high market volatility, indicating that non-current assets may be impaired. As a result, it was performed an impairment test for the property, plant and equipment of TMK Artrom SA and of the Group. Following the analysis, the recoverable value of the property, plant and equipment was higher than their book value and thus no expense was recorded with the impairment of property, plant and equipment. The impairment test is based on an assesment made by the management, covering the non-current assets of the Group and the carrying value of the goodwill.

The recoverable amount of TMK Artrom and the Group was determined on the value in use calculation, using cash flow projection from financial budgets approved by senior management of the Group, covering a five year period. Cash flows after this period were extrapolated using a growth rate of 2.2% per year. The average EBITDA margin was estimated at 13.6% for the next 5 years.

The key variables used for the calculation are:

	2019
Nominal discount rate, after tax	9.5 %
Growth rate, the average of the next 5 years	8 %
EBITDA margin, the average of the next 5 years	13.6 %

The estimated recoverable value of TMK Artrom SA Group has exceeded its book value. The table below shows the value up to which the key variables used should be individually modified so that the estimated recoverable value of the Group is equal to the book value:

Nominal discount rate, after tax	14 %
Growth rate, average of the next 5 years	-2%
EBITDA margin, average of the next 5 years	7.6%

16. INTANGIBLE ASSETS

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

Movements in intangible assets during the year 2019, ended at 31 December, were as follows:

Consolidated

	Licenses and trademarks *RON*	Other intangible assets *RON*	Goodwill *RON*	Intangible assets in progress *RON*	Total *RON*
Cost					
At 1 January 2017	**1,172,854**	**3,662,835**	21,698,797	**-**	**26,534,486**
Additions	112,793	373,577	-	239,487	**725,857**
Disposals	-	(145,982)	-	-	**(145,982)**
Transfers	-	239,487	-	(239,487)	**-**
Translation differences	-	1,200	566,708	-	**567,908**
At 1 January 2018	**1,285,647**	**4,131,117**	**22,265,505**	**-**	**27,682,269**
Additions	297,686	173,486	-	95,795	**566,967**
Disposals	(47,550)	-	-	-	**(47,550)**
Transfers	-	99,323	-	(95,795)	**3,528**
Translation differences	-	566	20,069	-	**20,635**
At 31 December 2018	**1,535,783**	**4,404,492**	**22,285,574**	**-**	**28,225,849**
Additions	268,995	4,079	-	22,041	**295,115**
Transfers	-	6,749	-	(6,749)	**-**
Translation differences	-	1,658	551,417	-	**553,075**
At 31 December 2019	**1,804,778**	**4,416,978**	**22,836,991**	**15,292**	**29,074,039**
Amortisation and impairment					
At 1 January 2017	**(528,118)**	**(536,321)**	**-**	**-**	**(1,064,439)**
Amortisation	(204,895)	(870,422)	-	-	**(1,075,317)**
Disposals	-	83,931	-	-	**83,931**
Translation differences	152,478	410,280	-	-	**562,758**
At 1 January 2018	**(733,013)**	**(1,323,353)**	**-**	**-**	**(2,056,366)**
Amortisation	(233,330)	(941,462)	-	-	**(1,174,792)**
Disposals	47,550	-	-	-	**47,550**
Transfers	-	(997)	-	-	**(997)**
Translation differences	-	(402)	-	-	**(402)**
At 31 December 2018	**(918,793)**	**(2,266,214)**	**-**	**-**	**(3,185,007)**
Amortisation	(313,094)	(728,769)	-	-	**(1,041,863)**
Translation differences	-	(531)	-	-	**(531)**
At 31 December 2019	**(1,231,887)**	**(2,995,514)**	**-**	**-**	**(4,227,401)**
Net book value					
At 31 December 2019	572,891	1,421,464	22,836,991	15,292	**24,846,638**
At 31 December 2018-*Restated*	616,990	2,138,278	22,285,574	-	**25,040,842**
At 31 December 2017-*Restated*	552,634	2,807,764	22,265,505	-	**25,625,903**

The goodwill allocated to the TMK Artrom Group results from acquisitions and transactions under common control and includes on 31 December 2019 an amount of RON 22.837 thousand(as at 2018: RON 22.286 thousand) which represents goodwill at the initial acquisition of TMK Italy by the PAO TMK Group through TMK Global Geneva, allocated to the cash-generating unit of the TMK Artrom Group for the purpose of carrying out the impairment test.

Impairment of goodwill

The recoverable amount of TMK Artrom Group was determined on the value in use calculation, using cash flow projection from financial budgets approved by senior management of the Group, covering a five year period. Cash flows after this period were extrapolated using a growth rate of 2.2% per year. The average EBITDA margin was estimated at 13.6% for the next 5 years.

The key variables used to estimate the recoverable value are mentioned in the table below. The values attributed to the key variables and estimates used to measure the recoverable value of group of CGU's of TMK Artrom Group reflects previous experience, are consistent with external information sources and are based on management's expectations regarding market evolution. The quantities produced were estimated based on previous experience, represent the best estimate of the management regarding the future production and reflect the investment plan of the company. Selling prices are based on various categories of steel price in the long term, derived from specific industry and market sources. Operational costs were designed based on previous experience and were adjusted in correlation with current market structure and inflation.

The key variables used for the calculation are:

	2019
Nominal discount rate, after tax	9.5 %
Growth rate, the average of the next 5 years	8 %
EBITDA margin, the average of the next 5 years	13.6 %

The nominal discount rate is the weighted average of the cost of capital for the cash-generating unit, of 9.45%, (7.02% - in real terms) calculated based on beta coefficients of comparable companies in the industry and a cost of debt after tax of 6%, weighted based on a degree of indebtedness of the cash-generating unit of 47%.

Growth rates over the next 5 years are based on industry-specifics, future management expectations regarding economic and market conditions, capital investment results and anticipated efficiency improvements. For the period after the 5 years was assumed a growth rate of 2.2 %.

EBITDA margin is the average margin calculated as a percentage of revenues over the forecast period of 5 years. This is based on the average levels known from previous years, with adjustments to reflect future quantitative sales and price variations.

The book value of the TMK-Artrom Group's non-current assets at 31 December 2019 is RON 1,138,099 thousand and includes the value of goodwill in the amount of RON 22,837 thousand.

The most sensitive key variables used in the impairment test of the cash generating unit TMK Artrom Group are the discount rate and the EBITDA margin. An increase in the discount rate in nominal terms up to 14% and a reduction in the EBITDA margin up to 7.6% applied separately, would make the estimated recoverable amount equal to the net book value. For the other assumptions, the management considers that there are no reasonably possible changes that would lead to an impairment of the goodwill allocated to the cash generating unit TMK Artrom Group.

16. INTANGIBLE ASSETS (continued)

Separate

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. As at 31 December 2019, AX software had an carrying amount of RON 2,447,128.

	Licenses and trademarks	Other intangible assets	Intangible assets in progress	Total
	RON	*RON*	*RON*	*RON*
Cost				
At 1 January 2017	**552,651**	**2,155,620**	**-**	**2,708,271**
Additions	53,841	7,759	239,487	301,087
Transfers		239,487	(239,487)	-
At 1 January 2018	**606,492**	**2,402,866**	**-**	**3,009,358**
Additions	205,905	1,166	95,795	302,866
Transfers	-	95,795	(95,795)	-
At 31 December 2018	**812,397**	**2,499,827**	**-**	**3,312,224**
Additions	236,007	1,187	22,041	259,235
At 31 December 2019	**1,048,404**	**2,507,763**	**15,292**	**3,571,459**
Amortisation and impairment				
At 1 January 2017	**(425,408)**	**(83,374)**	**-**	**(508,782)**
Amortisation	(87,244)	(447,934)		(535,178)
At 1 January 2018	**(512,652)**	**(531,308)**	**-**	**(1,043,960)**
Amortisation	(79,681)	(494,621)		(574,302)
At 31 December 2018	**(592,333)**	**(1,025,929)**	**-**	**(1,618,262)**
Amortisation	(135,874)	(507,703)		(643,577)
At 31 December 2019	**(728,207)**	**(1,533,632)**	**-**	**(2,261,839)**
Net book value				
At 31 December 2019	320,197	974,131	15,292	**1,309,620**
At 31 December 2018	220,064	1,473,898	-	**1,693,962**
At 31 December 2017	93,840	1,871,558	-	**1,965,398**

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

17.1. Financial assets

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Other financial receivables			
Deposits for letters of guarantee	1,880,949	1,382,180	963,146
Long-term deposits	1,916,499	-	-
Granted guarantees	3,544,620	3,475,430	343,986
Total other financial receivables	**7,342,068**	**4,857,610**	**1,307,132**
Total other financial assets	**7,342,068**	**4,857,610**	**1,307,132**

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.

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Granted guarantees consist mainly of the collateral deposit in amount of USD 800,000 made to AVALON RISK MANAGEMENT INSURANCE AG for guarantee in custom the import custom fees in USA due to the introduction starting with June 2018 (May 2018 for origin Russia) of the custom tariff section 232 for steel goods of 25%.

	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	RON
Other financial receivables			
- Loan to related parties	-	-	4,027
Investments in subsidiaries	298,566,221	290,262,969	-
Deposits for letters of guarantee	1,880,949	1,382,180	963,146
Long-term deposits	1,916,499	-	-
Granted guarantees, from which:	3,586,913	3,437,544	167,513
- Guarantees granted to related parties (note 26)	47,293	46,151	46,109
Total other financial receivables	**305,950,582**	**295,082,693**	**1,134,686**
Total other financial assets	**305,950,582**	**295,082,693**	**1,134,686**

TMK-Artrom holds the following investments in subsidiaries:

Subsidiaries	Headquarters	Shareholding
TMK Industrial Solutions LLC	10713 W.Sam Houston PKWY N., apartment 680 Houston, TX 77 064(starting with August 1,2019)	100%
TMK-RESITA S.A.	36 Traian Lalescu Street, Resita, Caras-Severin, Romania	99.99237%
TMK Italia S.r.l	12 Piazza Degli Affari Street, Lecco Italy	100%

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

In 21 December 2018 TMK-Artrom purchased a number of 131,010,874 shares of TMK-Resita's share capital, representing 99.99237%, held by TMK Europe GmbH.
The price to be paid by TMK-Artrom for the number of 131,010,874 shares is EUR 62,290,000, representing RON 290,258,942 (exchange rate 4.6598 RON/EUR), that is EUR 0.475/share.
The price is paid by TMK-Artrom from its own financial resources as follows (see note 17.5):

1. EUR 100,000 (RON 466,390) was to be paid within thirty (30) days from the execution of the sale-purchase agreement of the shares concluded between TMK-Europe GmbH and TMK-Artrom and the transfer of the ownership over the shares following the signing of TMK-Reșița's Shareholders (Shares) Registry by TMK Europe GmbH and TMK-Artrom; TMK-Artrom paid the amount of EUR 100,000 in the first quarter of 2019.

2. The remaining price of EUR 62,190,000 (RON 277,306,095) will be paid over a period of five (5) years, starting with 2019, in equal installments of EUR 12,438,000 each, at the latest until 31 December for each year. TMK-Artrom may pay such installments in whole or in part in advance, as well as extend the payment term for such installments (implicitly reducing the value of tranches) for another period of up to five (5) years, depending on the available financial resources.

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

By the Addendum concluded on December 10, 2019, the parties have agreed that the reimbursement of the EUR 62,190,000 will start from 2021 over a period of five (5) years, in equal rates of EUR 12,438,000 each, at the latest by December 31 for each year.

TMK-Artrom may pay such installments in full or in part in advance, and extend the payment term for such installments (default reduction of the installment value) for a further period of up to three (3) years, depending on available resources financial.
At initial recognition, the difference between the fair value of the loan and the nominal amount, was recognized as equity (RON 14,683,001).
The liability was discounted as a result of debt restructuring, in December 2019 (EUR 2,021,302 – RON 9,658,791). Being an amount due from the relationship with shareholders, the difference between the discount of revised payment at original effective interest rate and the carrying value was transferred as equity item.

Thus, the balance of the debt for investments in subsidiaries / subsidiaries to TMK EUROPE on December 31, 2019 is in the amount of RON 277,306,095 equivalent to RON 58,022,324 (out of which the amount of EUR 1,001,850 represents the interest calculated and posted in the current result of the year.

The Board of Directors of TMK-Artrom, legally gathered on 28 November 2018, decided to approve the acquisition by TMK-Artrom of all the shares held by TMK Global SA Geneva, Switzerland as sole shareholder in TMK Italia S.r.l. The transaction was finalized on 5 February 2019 at the price approved by the Board of Directors. The price for the purchase of 50,000 shares with a nominal value of EUR 1 each, in total EUR 50,000, representing 100% of the share capital of TMK Italia srl, is EUR 1,730,800 (RON 8,229,262), with a value of EUR 34.61 per share. The price was agreed by TMK-Artrom and TMK Global SA on the basis of the valuation report issued by Darian DRS SA on 27 November 2018 and which evaluated the shares taking into account the value as at 31 October 2018.

In the second quarter of 2019 TMK ARTROM paid the debt to TMK GLOBAL SA for the acquisition of TMK ITALIA in the amount of EUR 1,730,800 (RON 8,229,262).

Investment in TMK- Reșița

As at 31 December 2019, the Company's management performed an analysis of the impairment of the financial investments and, as a result of this analysis, the recoverable value of the investments is greater than their book value, so it was not necessary to register an adjustment for the depreciation of the financial assets held in TMK Resita.

The value of TMK Resita's equity at December 31, 2019 is RON 353,860,840 (2018: RON 362,948,124).
The recoverable amount of the investment in TMK Resita was determined on the basis of value in use, starting from TMK Artrom Group impairment assessmet, calculated using the discounted cash flow method (DCF), using cash flow projection from financial budgets approved by senior management of the Group, covering a five year period. Cash flows after this period were extrapolated using a growth rate of 2.2% per year. The average EBITDA margin was estimated at 13.6% for the next 5 years.

The key variables:

	2019
Nominal discount rate, after-tax	9.4 %
Growth rate,the average of the next 5 years	2.2 %
EBITDA margin, the average of the next 5 years	13.6 %

The value of the use of TMK-Resita exceeds the value of the shareholding (participation held).

Assets acquired and liabilities assumed (continued)

The carrying value of assets and liabilities of TMK Italia as at 1 January 2017, that have adjusted the opening balance of the earlyest period presented under pooling of interest accounting, are summarized bellow:

	Carrying value of TMK Italia in TMK Global – 1 January 2017
Property, plant and equipment	22,862
Other non-current assets	3,704,310
Cash and cash equivalents	3,603,788
Trade receivables	6,827,065
Inventories	-
Goodwill	21,698,797
TOTAL ASSETS	**35,856,822**
Trade payables	4,556,432
Provision for risk and charges	2,258,081
Loans and lease	-
Deferred tax liability	-
TOTAL LIABILTIES	**6,814,513**
Foreign currency translation reserve	(1,116,841)
Net assets transferred	**27,925,468**

17.2. Other financial liabilities

Interest-bearing long-term loans and borrowings

	Consolidated		
	31 December 2019 *RON*	31 December 2018 *Restated* *RON*	31 December 2017 *Restated* *RON*
Long-term interest-bearing bank loans	133,714,245	154,095,426	99,305,999
Long-term interest-bearing borrowing-related parties (note 26)	72,593,551	69,404,123	70,193,087
Un-amortized cost of debt origination fees	(178,598)	-	(54,314)
Balance of long-term loans	**206,129,198**	**223,499,549**	**169,444,772**

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

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Long-term interest-bearing bank loans	133,714,245	154,095,426	99,305,999
Long-term interest-bearing borrowing-related parties (note 26)	72,593,551	69,404,123	70,193,087
Un-amortized cost of debt origination fees	(178,598)	-	(54,314)
Balance of long-term loans	**206,129,198**	**223,499,549**	**169,444,772**

17.2. Other financial liabilities (continued)

Future repayments	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Long- and short-term loans and borrowings, net of future interests	414,781,528	407,577,995	379,123,100
Interest payable at reporting date	612,525	1,166,818	1,039,291
Un-amortized cost of debt origination fees	(673,327)	(225,820)	(233,892)
Total long- and short-term loans and related interest and un-amortized cost	**414,720,726**	**408,518,993**	**379,928,499**
Future interests	14,460,307	20,547,869	16,758,044
Total future repayments for loans and related interest	**429,181,033**	**429,066,862**	**396,686,543**

Future repayments	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	RON
Long- and short-term loans and borrowings, net of future interests	414,781,528	407,577,995	379,123,100
Interest payable at reporting date	612,525	1,166,818	1,039,291
Un-amortized cost of debt origination fees	(673,327)	(225,820)	(233,892)
Total long- and short-term loans and related interest and un-amortized cost	**414,720,726**	**408,518,993**	**379,928,499**
Future interests	14,460,307	20,547,869	16,758,044
Total future repayments for loans and related interest	**429,181,033**	**429,066,862**	**396,686,543**

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Interest-bearing long-term loans and borrowings

Bank	Type of loan	Currency	2019 Contracted amount	Due date *(mm/dd/yyyy)*	Interest rate	Amount repayable *equivalent RON*	Amount repayable *EUR/USD*
BCR ERSTE	Investment loan - 7 years	EUR	25,000,000	11/07/2023	3.40%	73,965,357	15,476,190
BCR ERSTE	Overdraft	EUR	20,000,000	10/03/2021	EURIBOR 3M+margin	59,748,888	12,501,598
Total long-term bank loans						**133,714,245**	
TMK EUROPE GmbH	Long-term borrowing	USD	22,837,540	07/25/2025	Libor+0.5%	72,593,551	17,437,540
Un-amortized long-term cost						**(178,598)**	
Total						**206,129,198**	

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

Bank	Type of loan	Currency	2017 Contracted amount	Due date *(mm/dd/yyyy)*	Interest rate	Amount repayable *equivalent RON*	Amount repayable *EUR/USD*
BCR ERSTE	Investment loan - 7 years	EUR	25,000,000	11/07/2023	EURIBOR 3M+margin	99,305,999	21,311,672
Total long-term bank loans						**99,305,999**	
TMK EUROPE GmbH	Long-term borrowing	USD	22,837,540	09/25/2022	Libor+0.5%	70,193,087	18,037,540
Un-amortized long-term cost						**(54,314)**	
Total						**169,444,772**	

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Interest-bearing short-term loans and borrowings

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Long-term interest-bearing bank loans, current portion	22,758,571	22,209,048	37,554,818
Short-term bank loans	185,715,160	157,795,799	156,692,186
Short-term interest-bearing borrowing - related parties (note 26)	-	4,073,600	15,377,010
Interest related to long-term bank loans	471,094	679,967	579,157
Interest related to short-term bank loans	-	296,862	289,017
Interest related to long-term borrowings - related parties (note 26)	141,431	189,988	124,772
Un-amortized short-term cost	(494,729)	(225,820)	(179,578)
Total	**208,591,528**	**185,019,444**	**210,483,727**

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

	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	*RON*
Long-term interest-bearing bank loans, current portion	22,758,571	22,209,048	37,554,818
Short-term bank loans	185,715,161	157,795,798	156,692,186
Short-term interest-bearing borrowing - related parties (note 26)	-	4,073,600	15,377,010
Interest related to long-term bank loans	471,094	679,968	579,157
Interest related to short-term bank loans	-	296,862	289,017
Interest related to long-term borrowings - related parties (note 26)	141,431	189,988	124,772
Un-amortized short-term cost	(494,729)	(225,820)	(179,578)
Total	**208,591,528**	**185,019,444**	**210,483,727**

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Bank	Type of loan	Currency	2019 Contracted amount	Due date (mm/dd/yyyy)	Interest rate	Amount repayable *RON equivalent*	Amount repayable *EUR*
VTB BANK (EUROPE)	Credit revolving	EUR	20,000,000	04/16/2020	2%	185,715,160	38,858,235
Total short-term bank loans						**185,715,160**	
BCR ERSTE	Investment loan - 7 years current portion	EUR	25,000,000	11/07/2023	3.40%	22,758,572	4,761,905
Total short part of long-term bank loans						**22,758,572**	
Total						**208,473,732**	

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

Bank	Type of loan	Currency	2017 Contracted amount	Due date (mm/dd/yyyy)	Interest rate	Amount repayable *RON equivalent*	Amount repayable *EUR*
UNICREDIT BANK	Credit for funding general needs	EUR	16,000,000	02/17/2019	EURIBOR 1M+margin	65,235,795	13,999,999
BANCPOST	Uncommitted overdraft	EUR	20,000,000	07/11/2019	EURIBOR 3M+margin	91,456,392	19,627,099
Total short-term bank loans						**156,692,187**	
BCR ERSTE	Overdraft - current portion	EUR	20,000,000	10/03/2018	EURIBOR 3M+margin	37,554,817	8,059,493
Total short part of long-term bank loans						**37,554,817**	
TMK EUROPE GmbH	Short-term borrowing	EUR	5,000,000	06/30/2018	3.50%	15,377,010	3,300,000
Total short-term borrowings from related parties						**15,377,010**	
Total						**209,624,014**	

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Bank loans received by TMK-Artrom are guaranteed as follows:

- Loans granted by BCR, as follows:
  Multiproduct relief in amount of EUR 20 million guaranteed with:
  - Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Artrom;
  - Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Reșița;
  - 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 EUR 25 million guaranteed with:
  - Pledge without dispossession TMK-Artrom;
  - Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Reșița;
  - 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;
  - Real estate mortage on land, having courtyard as category of use, with an area of 69.339 square meters plus C1 – industrial and utility building, having the area built on the ground of 66.346 square meters, located in Slatina, Draganesti street, no. 30, Olt County, tabulated in the Land Book of Slatina.

  - The loan granted by VTB EUROPE BANK SE in the initial amount granted of EUR 20 million, which was amended on 1 October 2019 and reached EUR 40 million, guaranteed with:

  - Company guarantee issued by PAO TMK, in guaranteeing the integral and irrevocable repayment of any and all amounts that the Borrower and / or Co-Debtor owes to the Bank under the Contract.

On November 1, 2019 the company used the credit increase from VTB EUROPE BANK SE for the repayment of the loan in the amount of EUR 20 million contracted from BANCA TRANSILVANIA which was closed.

As of December 31, 2019, the company had to pay EUR 921 representing general expenses used with the card, at Banca Comerciala Romana. The amount is part of the Credit Agreement for the issuance of the MASTERCARD Corporate corporate credit card in EUR in a maximum amount of EUR 98,000 contracted to the Romanian Commercial Bank.

As at 31 December 2019, the Company had issued bank letter guarantees in BANCA COMERCIALĂ ROMÂNĂ in favour of customer NIS JSC Novi SAD for the performance of the contractual obligations in amount of EUR 427,014 and a credit in the amount of EUR 401,000 issued in favor of REIKA (guaranteed with collateral deposit).

As of December 31, 2019, from the multi-product facility in the amount of 20 million euros granted by Banca Comerciala Romana, 2 letters of credit were issued according to the table below and a letter of guarantee of participation in favor of S.N.T.G.N. TRANSGAZ S.A. amounting to RON 13,627,552 valid until April 30, 2020.

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

n/o	Issuing bank	Letter of credit beneficiary	Number of letter of credit	The amount of the contract concerning the opening of L/C	Currency	Balance amount of the unused L/C	Date of opening	Expiration date of the L/C term
1	**2**	**3**	**4**	**5**	**6**	**7**	**9**	**10**
1	BCR	REIKA GMBH	I098332	1,203,000	EUR	601,500	28.08.2019	28.02.2020
2	BCR	COPIER BEVELMACHINES	I098492	700,457	EUR	700,457	10.10.2019	30.06.2020

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	2,584,820	10/03/2021
VTB BANK	Overdraft	EUR	40,000,000	1,141,766	16/04/2020
BCR	Investment loan	EUR	25,000,000	-	07/11/2023

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. The limit was decreased at RON 4,000,000 in 24 July 2015 and in August 2016 through addendum a new decrease was made down to RON 2,000,000.

At 31 December 2019, there were no promissory notes discounted and warranted for this limit. This facility is guaranteed with:

- Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Artrom
- Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Reșița

At 24 July 2014 TMK-Artrom and TMK-Reșița signed with Banca Comerciala Romana a Contract of Reverse Factoring - according to which BCR will accept for financing invoices issued by the suppliers of TMK-Artrom and TMK-RESITA an 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 and security mortgage on the creditor balance of the current accounts opened by TMK-Reșița 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 21 November 2018 a new amendment which increase the ceiling value up to RON 70,000,000 was signed with the bank. At December 31, 2019, from this ceiling RON 2,500,000 were allocated for TMK-Artrom suppliers and from which, RON 1,592,861 were used, and at Group level RON 38,475,716 were used.

As at 31 December 2019, all financial ratios agreed through the loan contracts signed with banks were complied.

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The Company has to maintain certain conditions, related to its capital, which are imposed by contracts concluded with BCR and VTB BANK EUROPE SE: consolidated net debt reported to consolidated EBITDA, consolidated EBITDA, consolidated EBITDA reported to Net service of consolidated debt, based on the consolidated financial statements, shareholder's equity in total consolidated assets.

Other long-term liabilities

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Long-term sundry creditors	167,783	151,024	21,954
Long-term advances from customers	1,813,674	1,813,674	-
Investment subsidy	44,331	66,925	33,515
Long-term guarantees	191,489	192,675	742,165
Balance of other long-term liabilities	**2,217,277**	**2,224,298**	**797,634**

	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	*RON*
Long-term sundry creditors	37,407	38,194	21,954
Investment subsidy	44,331	66,925	33,515
Long-term guarantees	114,351	51,210	673,611
Balance of other long-term liabilities	**196,089**	**156,329**	**729,080**

17.3. Changes in liabilities from financing activities

Changes in liabilities arising from financing activities were as follows in financial year ended 31 December 2019:

	Consolidated	
	Interest-bearing loans and borrowings *RON*	Lease liabilities *RON*
Balance at 1 January 2017- *Restated*	**293,116,234**	**45,218,276**
Foreign exchange (gain)/loss	822,413	13,287
Acquisition of assets by means of finance lease	-	3,647,000
Net cash flows (used in)/from financing activities	85,989,852	(4,272,365)
- Loans received	154,195,539	-
- Repayment of loans	(59,409,349)	-
- Finance costs paid	(8,796,338)	-
Other	-	25,075
Balance at 1 January 2018-*Restated*	**379,928,499**	**44,631,273**
Foreign exchange (gain)/loss	3,677,763	40,085
Acquisition of assets by means of finance lease	-	4,679,261
Net cash flows (used in)/from financing activities	24,912,731	(6,039,661)
- Loans received	-	-
- Repayment of loans	(13,441,110)	(3,235,643)
- Finance costs paid	(11,320,493)	(2,804,018)
Balance at 31 December 2018-*Restated*	**408,518,993**	**43,310,958**
Foreign exchange (gain)/loss	2,287,666	1,016,451
Additions under right of use assets	-	5,721,544
Net cash lows (used in)/from financing activities	3,914,067	(7,872,438)
- Loans received	184,918,891	-
- Repayment of loans	(168,828,871)	(5,777,475)
- Finance costs paid	(12,175,953)	(2,094,963)
Balance at 31 December 2019	**414,720,726**	**42,176,515**

	Separate	
	Interest-bearing loans and borrowings *RON*	Lease liabilities *RON*
Balance at 1 January 2017	**293,116,234**	**200,075**
Foreign exchange (gain)/loss	822,413	28,613
Acquisition of assets by means of finance lease	-	1,516,230
Net cash flows (used in)/from financing activities	85,989,852	(371,527)
- Loans received	154,195,539	-
- Repayment of loans	(59,409,349)	-
- Finance costs paid	(8,796,338)	-
Balance at 1 January 2018	**379,928,499**	**1,373,391**
Foreign exchange (gain)/loss	3,677,763	16,640
Acquisition of assets by means of finance lease	-	3,729,656
Net cash flows (used in)/from financing activities	24,912,731	(659,695)
- Loans received		-
- Repayment of loans	(13,441,110)	-
- Finance costs paid	(11,320,493)	-
Balance at 31 December 2018	**408,518,993**	**4,459,992**
Foreign exchange (gain)/loss	2,287,666	167,126
Additions under right of use assets, out of which:	-	3,093,454
-additions under right of use assets from related parties	-	2,024,613
Net cash lows (used in)/from financing activities	3,914,067	(1,952,705)
- Loans received	184,918,891	-
- Repayment of loans	(168,828,871)	(1,730,513)
- Finance costs paid	(12,175,953)	(222,192)
Balance at 31 December 2019	**414,720,726**	**5,767,867**

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

17.4. Fair value of financial instruments which are not accounted for at fair value

For the financial assets and financial liabilities which are liquid or have a short-term maturity (cash and cash equivalents, short-term receivables it was assumed that the carrying value is close to fair value. For borrowings fair value was estimated based on unobservable inputs, using discounted cash-flows technique and is presented in the table below.

The Company also has financial instruments, respectively long-term loans and borrowings the carrying amount of which is different from the fair value.

The fair value of borrowings was estimated by discounting future cash flows using the current rates available for borrowings in similar conditions, the same credit risk and the same due dates.

Financial liability	Hierarchy of fair value	31 December 2019	
		Carrying value *RON*	Fair value *RON*
Long-term bank loans - variable rate	3	59,748,888	59,311,495
Long-term bank loans - fixed rate	3	96,723,928	96,152,104
Long-term intercompany borrowings - variable rate	3	72,593,551	64,471,066

Financial liability	Hierarchy of fair value	31 December 2018	
		Carrying value *RON*	Fair value *RON*
Long-term bank loans - variable rate	3	59,706,974	59,685,559
Long-term bank loans - fixed rate	3	116,597,500	116,008,993
Long-term intercompany borrowings - variable rate	3	73,477,723	68,029,113

Financial liability	Hierarchy of fair value	31 December 2017	
		Carrying value *RON*	Fair value *RON*
Long-term bank loans - variable rate	3	99,305,998	98,942,292
Long-term intercompany borrowings - variable rate	3	70,193,087	63,448,710

The changes in intercompany borrowings from 31 December 2018 to 31 December 2019 is due to the payment of USD 1,000,000 (RON 4.344.205) and changes in exchange rate RON/EUR of RON 884,173 (unfavourable exchange rates differences).

17.5. Liabilities for investments in subsidiaries

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 RON
Amounts owed to entities in the group - short-term	-	57,474,348	-
Amounts owed to entities in the group - long-term	272,517,953	218,356,982	-
Interest on long-term amounts owed to entities in the group	4,788,142	-	-
Total liabilities for investments in subsidiaries	**277,306,095**	**275,831,330**	**-**

In 21 December 2018 TMK-Artrom purchased a number of 131,010,874 shares of TMK-Resita's share capital, representing 99.99237%, held by TMK Europe GmbH.
The price to be paid by TMK-Artrom for the number of 131,010,874 shares is Euro 62,290,000 (exchange rate 4.6598 RON/EUR), that is Euro 0.475/share.

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The price is paid by TMK-Artrom from its own financial resources as follows (see note 17.5):

1. EUR 100,000 (RON 466,390) was to be paid within thirty (30) days from the execution of the sale-purchase agreement of the shares concluded between TMK-Europe GmbH and TMK-Artrom and the transfer of the ownership over the shares following the signing of TMK-Reșița's Shareholders (Shares) Registry by TMK Europe GmbH and TMK-Artrom; TMK-Artrom paid the amount of EUR 100,000 in the first quarter of 2019.

2. The remaining price of EUR 62,190,000 (RON 277,306,095) will be paid over a period of five (5) years, starting with 2019, in equal installments of EUR 12,438,000 each, at the latest until 31 December for each year. TMK-Artrom may pay such installments in whole or in part in advance, as well as extend the payment term for such installments (implicitly reducing the value of tranches) for another period of up to five (5) years, depending on the available financial resources.
By the Addendum concluded on December 10, 2019, the parties have agreed that the reimbursement of the EUR 62,190,000 will start from 2021 over a period of five (5) years, in equal rates of EUR 12,438,000 each, at the latest by December 31 for each year.

TMK-Artrom may pay such installments in full or in part in advance, and extend the payment term for such installments (default reduction of the installment value) for a further period of up to three (3) years, depending on available resources financial.
At initial recognition, the difference between the fair value of the loan and the nominal amount, was recognized as equity (RON 14,683,001).
The liability was discounted as a result of debt restructuring, in December 2019 (EUR 2,021,302 – RON 9,658,791). Being an amount due from the relationship with shareholders, the difference between the discount of revised payment at original effective interest rate and the carrying value was transferred as equity item.

Thus, the balance of the debt for investments in subsidiaries / subsidiaries to TMK EUROPE on December 31, 2019 is in the amount of RON 277,306,095 equivalent to RON 58,022,324(out of which the amount of EUR 1,001,850 represents the interest calculated and posted in the current result of the year.
The Board of Directors of TMK-Artrom, legally gathered on 28 November 2018, decided to approve the acquisition by TMK-Artrom of all the shares held by TMK Global SA Geneva, Switzerland as sole shareholder in TMK Italia S.r.l. The transaction was finalized on 5 February 2019 at the price approved by the Board of Directors. The price for the purchase of 50,000 shares with a nominal value of EUR 1 each, in total EUR 50,000, representing 100% of the share capital of TMK Italia srl, is EUR 1,730,800 (RON 8,229,262), with a value of EUR 34.61 per share. The price was agreed by TMK-Artrom and TMK Global SA on the basis of the valuation report issued by Darian DRS SA on 27 November 2018 and which evaluated the shares taking into account the value as at 31 October 2018.

In the second quarter of 2019 TMK ARTROM paid the debt to TMK GLOBAL SA for the acquisition of TMK ITALIA in the amount of EUR 1,730,800 (RON 8,229,262).

18. OTHER NON-CURRENT ASSETS

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Prepayments for property, plant, and equipment	6,486,189	1,400,986	496,325
Sundry debtors	8,932,016	-	-
Prepaid expenses	1,072,056	456,272	556,112
- Prepaid expenses - related parties	883,711	295,501	471,997
Other non-current assets	-	31,637	30,223
Total	**16,490,261**	**1,888,895**	**1,082,660**

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 RON
Prepayments for property, plant, and equipment	6,446,390	1,087,580	11,519
Sundry debtors	-	-	-
Gas emission certificates with greenhouse effect	1,278,592	2,232,688	3,658,055
Prepaid expenses	918,188	318,831	556,112
- Prepaid expenses - related parties	883,711	295,502	471,997
Total	**8,643,170**	**3,639,099**	**4,225,686**

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

The consolidated amounts registered in sundry debtors represents amounts to be received by TMK Reșița from a disposal of land and buildings to Reșița's City Hall, for a selling price of RON 12,656,994, resulting a gain on disposal of RON 8,750,845.The fair value of the consideration is to be settled in annual instalments, till 31 December 2025, with an outstanding non-current balance of RON 8,932,016.

As of December 31, 2019, the value of the short-term discounted receivable is RON 837,048, and the value of the long-term receivable of RON 8,932,016.

19. INVENTORIES

Inventories consist of the following:

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Raw materials	34,853,437	49,802,332	44,510,369
Finished goods in transit	32,699,697	40,620,391	36,036,770
Work in progress	37,015,074	26,139,295	33,293,909
Finished goods	55,268,457	32,022,485	45,780,774
Consumables	70,276,977	82,664,404	56,106,218
Semi-finished goods	105,540,240	78,910,397	74,199,333
Merchandise at third parties (in transit)	11,222,393	2,930,311	24,659,263
Consigned finished goods	1,092,579	1,459,332	1,090,062
Other materials	11,790,428	8,690,647	9,249,305
Raw materials and consumables at third parties	1,306,120	845,658	1,508,004
Materials in transit	150,195	1,177,720	55
Merchandise and packaging	17,970	446,869	463,929
Raw materials to be purchased	-	159,814	149,374
Total	**361,233,567**	**325,869,655**	**327,047,365**

19. INVENTORIES (continued)

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Raw materials	62,912,963	61,500,287	59,442,496
Finished goods in transit	32,699,697	40,620,392	36,036,770
Work in progress	36,444,489	25,158,689	32,848,066
Finished goods	59,205,589	36,310,870	48,750,178
Consumables	28,918,934	24,104,586	19,287,220
Semi-finished goods	30,664,882	15,759,626	13,269,639
Merchandise at third parties (in transit)	11,222,393	2,930,311	24,659,263
Consigned finished goods	1,092,579	1,459,332	1,090,062
Other materials	8,859,789	5,734,967	6,799,597
Raw materials and consumables at third parties	425,676	495,805	1,251,264
Materials in transit	150,195	-	-
Merchandise and packaging	17,970	16,869	33,929
Total	**272,615,156**	**214,091,734**	**243,468,484**

The finished goods, semi-finished goods and work in progress are valued considering the net realizable value. The management of the Company has analysed the ageing of the inventories and considered the implications in establishing the net realizable value of the old inventories. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution.
For raw materials specific analysis are made considering obsolescence of items in balance.
In 2019, were set up allowances for inventories considering net realizable value – the movement of the adjustments is presented below:

	Consolidated		
	31 December 2019 *RON*	31 December 2018 *Restated RON*	31 December 2017 *Restated RON*
Balance 1 January	**17,774,360**	**13,971,105**	**15,177,252**
Additional allowances set	32,821,091	14,271,058	12,033,284
Resumption / Allowances used	(26,195,951)	(10,467,803)	(13,239,431)
Balance at the end of reporting period	**24,399,500**	**17,774,360**	**13,971,105**

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Balance 1 January	**9,074,946**	**5,384,770**	**6,190,181**
Additional allowances set	32,669,771	13,754,852	5,835,665
Resumption / Allowances used	(26,111,133)	(10,064,676)	(6,641,076)
Balance at the end of reporting period	**15,633,584**	**9,074,946**	**5,384,770**

20. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables consist of the following:

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Trade receivables, from which:	234,907,851	300,285,280	272,603,654
- Receivables from other related parties (note 26)	-	769,915	1,591,912
Other receivables - VAT	20,263,055	12,744,649	9,245,033
Sundry debtors, from which:	4,247,197	3,851,479	5,929,015
- Sundry debtors - related parties (note 26)	4,618	321,599	555,675
Other receivables - penalty and fines	(18)	(26)	22
Employee claims	542,752	492,257	426,462
Recoverable income tax	2,515,907	554,714	6,131,136
Promissory notes	-	-	-
Other social receivables	913,698	1,470,975	-
Less:			-
Expected credit loss	(16,538,769)	(15,939,995)	(15,855,310)
Allowance for sundry debtors	(2,593,834)	(2,593,834)	(2,023,558)
Total	**244,257,839**	**300,865,499**	**276,456,454**

Group's trade receivables are non-interest bearing and generally have an average collection period of 84 days (2018: 73 days; 2017: 73 days).

	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	*RON*
Trade receivables, from which:	222,062,195	285,098,098	218,739,476
- Receivables from other related parties (note 26)	6,450,616	8,542,585	14,048,523
Other receivables - VAT	21,490,774	18,456,168	15,220,171
Sundry debtors, from which:	1,320,353	1,085,226	3,145,748
- Sundry debtors - related parties (note 26)	591,879	360,125	947,901
Employee claims	331,504	375,722	422,285
Recoverable income tax	547,921	-	3,211,307
Other social receivables	913,698	1,470,975	-
Less:			-
Allowance for expected credit loss	(1,930,241)	(1,566,701)	(2,242,756)
Total	**244,736,204**	**304,919,488**	**238,496,231**

Trade receivables are non-interest bearing and generally have an average collection period of 77 days (2018: 66 days; 2017: 72 days).

Under the Decision no 2/30.04.2008 issued by N.A.F.A.- D.G.A.M.C. starting with June 2008, TMK ARTROM SA is representative of the fiscal group, consisting of TMK- ARTROM SA and TMK REȘIȚA SA. Through the Decision N.A.F.A no.22/28.05.2010 it was approved the maintaining of the fiscal group for a period of 5 years and was extended through the Decision no. 6026/SRC dated 6.05.2015 for a period of minimum 2 years.The monthly payment obligation of TMK-Reșița is offset by the VAT refunded by TMK-Artrom through the consolidation of the tax group.

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

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

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
At 1 January	**2,593,834**	**2,023,558**	**2,037,769**
Impairment adjustments expenses	-	556,065	-
Used	-	14,211	(14,211)
At 31 December	**2,593,834**	**2,593,834**	**2,023,558**

	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	*RON*
At 1 January	**-**	**-**	**-**
Impairment adjustments expenses	-	-	-
Used	-	-	-
At 31 December	**-**	**-**	**-**

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

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
At 1 January	**15,939,995**	**15,855,310**	**14,327,386**
Impairment adjustments expenses	794,333	1,372,700	1,493,400
Used/ Reversed	(523,949)	(1,300,532)	(286,252)
Translation differences	328,390	12,517	320,776
At 31 December	**16,538,769**	**15,939,995**	**15,855,310**

	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	*RON*
At 1 January	**1,566,701**	**2,242,756**	**2,011,085**
Impairment adjustments expenses	526,456	301,788	437,409
Used/ Reversed	(162,916)	(977,843)	(205,738)
At 31 December	**1,930,241**	**1,566,701**	**2,242,756**

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

Ageing analysis of trade receivables

Consolidated	Trade receivables						
			Days past due				
	Contract assets	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	RON	*RON*	*RON*	*RON*	*RON*	*RON*	*RON*
31 December 2019							
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	76.02%	
Estimated total gross carrying amount at default	-	181,021,619	27,140,531	3,450,129	1,540,620	21,754,952	**234,907,851**
Expected credit loss						16,538,769	**16,538,769**

Separate	Trade receivables						
			Days past due				
	Contract assets	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	RON	*RON*	*RON*	*RON*	*RON*	*RON*	*RON*
31 December 2019							
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	43.96%	
Estimated total gross carrying amount at default	-	186,019,356	26,927,636	3,302,290	1,422,008	4,390,905	**222,062,195**
Expected credit loss	-	-	-	-	-	1,930,241	**1,930,241**

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

The Group and the Company highlighted in trade receivables these amounts:

Consolidated

Receivables	Currency	31 December 2019		31 December 2018 Restated		31 December Restated	
		RON	*Foreign currency*	*RON*	*Foreign currency*	*RON*	*Foreign currency*
Internal customers	LEI	44,770,458		70,459,945		71,742,326	
	EUR	14,323,525	2,996,992	20,293,033	4,351,087	8,920,618	1,914,419
External customers	EUR	125,027,339	26,160,178	148,272,473	31,791,521	138,911,081	29,811,164
	USD	23,116,877	5,424,204	41,092,310	10,087,368	34,602,281	8,610,968
	CAD	784,363	239,852	204,152	68,221	10,751	3,462
Doubtful customers	LEI	1,877,889		1,943,089		2,075,336	
	EUR	17,713,825	3,706,364	16,657,105	3,571,498	4,691,799	635,492
	USD					10,315,871	2,646,878
Notes issued by customers	LEI	1,375,660		1,363,173		1,333,591	
	EUR	5,917,915					
Total		**234,907,851**		**300,285,280**		**272,603,654**	

As of 31 December 2019, the Group registered doubtful customers receivables in amount of RON 18,244,083 (2018: RON 18,600,194; 2017: RON 17,083,006). For the amounts booked in this category were recorded allowances in amount of RON 16,538,769 (2018: RON 15,939,995; 2017: RON 15,855,310), considering the risk of non-collection.

Separate

Receivables	Currency	31 December 2019		31 December 2018		31 December 2017	
		RON	*Foreign currency*	*RON*	*Foreign currency*	*RON*	*Foreign currency*
Internal customers	LEI	49,847,736		77,162,031		51,511,833	
	EUR	14,323,526	2,996,992	20,293,033	4,351,087	8,920,618	1,914,419
External customers	EUR	125,027,339	26,160,178	147,627,158	31,653,157	119,743,382	25,697,659
	USD	22,398,286	5,256,826	36,582,871	8,980,477	33,944,610	8,722,757
	CAD	784,363	239,852	204,152	68,221	10,751	3,462
Doubtful customers	LEI	1,347,631		1,412,831		1,544,093	
	EUR	1,039,739	217,551	452,849	97,097	1,730,598	
Notes issued by customers	LEI	1,375,660		1,363,173		1,333,591	
	EUR	5,917,915					
Total		**222,062,195**		**285,098,098**		**218,739,476**	

As of 31 December 2019, the Company registered doubtful customer receivables in amount of RON 2,387,370 (2018: RON 1,865,680; 2017: RON 3,274,692). For the amounts recorded in this category RON 1,930,241 allowances were booked, because they are considered to have high risk on collection.

From the amount of RON 186,030,151 separate trade receivables at 31 December 2019 neither past due nor impaired, the amount of RON 127,444,617 is considered without risk, and includes the following categories:

- RON 115.090,460, respectively 61.87% representing receivables insured by COFACE Germany;
- RON 5,903,541, respectively 3.17% receivables covered by export letters;
- RON 6,450,616 respectively 3.47% intercompany receivables.

The difference of RON 58,585,534, respectively 31.49% are considered to have a low risk in aggregate because those customers are in general located in different countries and industries independent markets.

21. PREPAYMENTS

Prepayments consist of the following:

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Prepayments for services, inventories	97	796,970	87,981
Prepaid expenses	5,726,147	2,105,802	1,914,569
- Prepaid expenses - related parties	494,654	24,660	16,041
Selling and distribution expenses registered in advance until the date of transfer of customer control over the goods	2,909,741	2,121,141	-
Income tax, VAT, interest and penalties appealed, computed according to the Fiscal Inspection Report F-MC15/08.02.2016	1,941,576	1,941,576	1,941,576
Total	**10,577,561**	**6,965,489**	**3,944,126**

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Prepayments for services, inventories, from which:	55,970,702	40,107,536	63,022,969
- Prepayments for services, inventories - related parties (note 26)	55,970,702	39,335,965	62,966,821
Prepaid expenses	3,639,640	1,743,947	1,385,930
- Prepaid expenses - related parties	-	-	-
Selling and distribution expenses registered in advance until the date of transfer of customer control over the goods	2,909,741	2,121,141	-
Income tax, VAT, interest and penalties appealed, computed according to the Fiscal Inspection Report F-MC15/08.02.2016	1,941,576	1,941,576	1,941,576
Total	**64,461,659**	**45,914,200**	**66,350,475**

The amount of RON 55,970,702 (without VAT) represents advances given to TMK-Reșița (2018: RON 39,335,965; 2017: RON 62,966,821).

Prepaid expenses consist of insurance policies for up to one year for equipment and discontinuation of activity, product insurance, insurance for the risk of not collecting the receivables, life insurance and health insurance for employees, as well as other services and subscriptions.

22. CASH AND SHORT-TERM DEPOSITS

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

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Cash at banks in foreign currency	9,861,777	27,117,193	14,496,375
Cash at banks in RON	454,641	3,439,418	2,382,501
Short-term deposits	632,262	767,347	4,253
Other cash equivalents	88	481	365
Cash on hand	6,002	6,922	23,540
Total	**10,954,770**	**31,331,361**	**16,907,034**

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).

22. CASH AND SHORT-TERM DEPOSITS (continued)

	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	*RON*
Cash at banks in foreign currency	5,672,288	13,705,719	9,643,776
Cash at banks in RON	411,053	2,451,724	1,168,126
Short-term deposits	632,262	767,347	4,253
Other cash equivalents	61	289	226
Cash on hand	-	-	8,812
Total	**6,715,664**	**16,925,079**	**10,825,193**

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.

	Consolidated		
Short-term deposits	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
in RON	632,262	767,347	4,253
in EURO	-	-	-

There is no restricted cash.

	Separate		
Short-term deposits	31 December 2019	31 December 2018	31 December 2017
in RON	632,262	767,347	4,253
in EURO	-	-	-

Other current assets

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Deposits for letters of guarantee	1,416,379	1,046,698	1,067,612
Total	**1,416,379**	**1,046,698**	**1,067,612**

	Separate		
	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	*RON*
Deposits for letters of guarantee	1,416,379	1,046,698	1,067,612
Total	**1,416,379**	**1,046,698**	**1,067,612**

Deposits for guarantee letters are restricted, they represent collateral pledged by the company for good execution bank letters valid between three months and one year, issued by BCR in favor of the NIS client from Serbia.

23. 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 2019	**(116,170,334)**	**2.51**	**(291,587,538)**	**(291,587,538)**
Balance 31 December 2019	**(116,170,334)**	**2.51**	**(291,587,538)**	**(291,587,538)**

Legal and other reserves

Consolidated

	Legal reserve *RON*	Other reserves *RON*	Conversion reserves *RON*	Total *RON*
Balance at 1 January 2017-*Restated*	15,184,422	2,591,058	1,148,828	**18,924,308**
Increase from the profit of the year	-	-	-	**-**
Increase from reinvested profit	1,655,110	31,400,256	-	**33,055,366**
Set-up of reserves representing foreign exchange differences from the conversion of a foreign operation included in the consolidation	-	-	748,816	**748,816**
Balance at 1 January 2018-*Restated*	**16,839,532**	**33,991,314**	**1,897,644**	**52,728,490**
Increase from the profit of the year	3,389,036	-	-	3,389,036
Increase from reinvested profit	-	-	-	-
Increase in capital contribution reserve	-	14,683,001	-	14,683,001
Set-up of reserves representing foreign exchange differences from the conversion of a foreign operation included in the consolidation	-	-	360,533	360,533
Balance 31 December 2018-*Restated*	**20,228,568**	**48,674,315**	**2,258,177**	**71,161,060**
Increase from the profit of the period	-	-	-	-
Increase in capital contribution reserve	-	9,658,791	-	9,658,791
Set-up of reserves representing foreign exchange differences from the conversion of a foreign operation included in the consolidation	-	-	1,010,693	1,010,693
Balance at 31 December 2019	**20,228,568**	**58,333,106**	**3,268,870**	**81,830,544**

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

Separate

	Legal reserve *RON*	Other reserves *RON*	Total *RON*
Balance at 1 January 2017	15,184,422	2,591,058	**17,775,480**
Increase from the profit of the year	1,655,110	31,400,256	**33,055,366**
Balance at 1 January 2018	**16,839,532**	**33,991,314**	**50,830,846**
Increase from the profit of the year	3,389,036	-	3,389,036
Increase from reinvested profit	-	-	-
Increase in capital contribution reserve	-	14,683,001	14,683,001
Balance 31 December 2018	**20,228,568**	**48,674,315**	**68,902,883**
Increase from the profit of the year	-	-	-
Increase in capital contribution reserve	-	9,658,791	9,658,791
Increase from reinvested profit	-	-	-
Balance at 31 December 2019	**20,228,568**	**58,333,106**	**78,561,674**

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

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.
Reserves representing tax incentives can not be used to raise share capital, distribute or cover losses. If the provisions of this paragraph are not complied with, these amounts are taxed as income items in the fiscal period in which they are used. If they are maintained until liquidation, they are not taken into account in the tax result of the liquidation.

Retained earnings

The structure of consolidated retained earnings

Account name	31 December 2019 *RON*	31 December 2018 *Restated* *RON*	Nature
Retained earnings representing undistributed profit / un-covered loss	(339,881,190)	(376,895,101)	The profit can be distributed / the un-covered loss can be covered - as it appears in the statutory financial statements
Retained earnings from adopting IAS for the first time (OMFP 94/2001)	(24,096,707)	(24,096,707)	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from prior period errors	(7,059,121)	(22,174,952)	It should be nil before distributing dividends
Retained earnings from the changes of accounting policies	-	-	Can be distributed or used to cover losses
Retained earnings representing the surplus realized from revaluation reserves	141,331,386	129,920,080	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from first time application of the accounting Policies Compliant with the EEC Fourth Directive	(4,859,196)	(4,859,196)	Must be covered before distributing dividends
Retained earnings from first time application of the accounting Policies Compliant with the EEC Fourth Directive - tax facilities according to OUG 172/2001	167,569,326	167,569,326	Can be distributed or used to cover losses, but when using the reserve on these amounts, is being recalculated the profit tax and are being established interests and late payment penalties from the application date of the respective facility, according to the law.
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost	86,871,960	91,935,225	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	50,958,121	45,894,856	Can be distributed or used to cover losses
Distribution from profit of the year to legal and other reserves	-	(3,389,036)	
Retained earnings from Grup reorganisation	245,179,343	253,482,596	Cannot be distributed, as only for consolidation
Period result	(23,415,132)	81,210,083	
Total retained earnings	**292,598,790**	**338,597,174**	

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

Retained earnings

The structure of consolidated retained earnings

Account name	31 December 2017 *Restated* *RON*	Nature
Retained earnings representing undistributed profit / un-covered loss	(373,633,727)	The profit can be distributed / the un-covered loss can be covered - as it appears in the statutory financial statements
Retained earnings from adopting IAS for the first time (OMFP 94/2001)	(24,096,707)	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from prior period errors	(12,902,188)	It should be nil before distributing dividends
Retained earnings from the changes of accounting policies	-	Can be distributed or used to cover losses
Retained earnings representing the surplus realized from revaluation reserves	123,483,696	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from first time application of the accounting Policies Compliant with the EEC Fourth Directive	(4,859,196)	Must be covered before distributing dividends
Retained earnings from first time application of the accounting Policies Compliant with the EEC Fourth Directive - tax facilities according to OUG 172/2001	167,569,326	Can be distributed or used to cover losses, but when using the reserve on these amounts, is being recalculated the profit tax and are being established interests and late payment penalties from the application date of the respective facility, according to the law.
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost	99,033,489	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	38,796,592	Can be distributed or used to cover losses
Distribution from profit of the year to legal and other reserves	(33,035,966)	
Retained earnings from Grup reorganisation	543,760,660	
Period result	26,938,211	
Total retained earnings	**551,054,190**	

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

The structure of separate retained earnings

Account name	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*	Nature
Retained earnings representing undistributed profit	68,634,626	29,733,676	29,733,676	Can be distributed or used to cover losses
Retained earnings from adopting IAS for the first time (OMFP 94/2001)	14,455	14,455	14,455	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings representing the surplus realized from revaluation reserves	11,225,078	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	86,871,960	91,935,225	99,033,489	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	50,958,121	45,894,856	38,796,592	Can be distributed or used to cover losses
Distribution from profit of the year to legal and other reserves	-	(3,389,036)	(33,055,366)	
Period result	(7,737,071)	56,569,986	33,055,366	
Total retained earnings	**209,967,169**	**231,984,240**	**178,803,290**	

On April 5, 2019 the Shareholders of TMK-Artrom S.A. approved the distribution of the Company's profit for 2018 amounting to RON 56,569,986 as follows:

(i) RON 3,389,036 to the legal reserves according to Law 31/1990, respectively at least 5% of the annual gross profit (but no more than 20% of the share capital),
(ii) RON 14,280,000 as dividends and
(iii) RON 38,900,950 will be carried over in the next year.

24. PENSIONS PLANS AND OTHER POST-EMPLOYMENT BENEFITS

TMK-Artrom's retirement compensations are given according to the collective labour agreement signed at the level of the Company as presented below.

- **Retirement benefits**: all employees receive two gross monthly salaries in force at retirement date, paid one time;
- **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 salary is computed annually for all employees and is increased in the same way with the base salary.

TMK-Reșița's 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, paid one time;
- **Benefits for death of an employee for any cause**: in case of death of an employee, the families of the employees receive four average monthly salaries per Company. The average salary is computed annually for all employees and is increased in the same way with the base salary.

The actuarial valuation of employee benefits, according to IAS 19, it is made by PricewaterhouseCoopers Audit SRL.

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

Consolidated

	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Net liability at the beginning of the year	**5,212,693**	**5,408,559**	**5,338,219**
Expense recognized in statement of income	690,164	655,658	564,693
Benefits paid	(562,741)	(636,058)	(573,993)
Components of defined benefit costs recorded in OCI	(11,954)	(216,543)	46,172
Translation differences	32,998	1,077	33,468
Net liability at the end of the year	**5,361,160**	**5,212,693**	**5,408,559**

Separate

	31 December 2019	31 December 2018	31 December 2017
	RON	*RON*	*RON*
Net liability at the beginning of the year	**2,900,934**	**3,034,324**	**2,909,557**
Expense recognized in statement of income	334,971	339,887	284,375
Benefits paid	(215,616)	(157,069)	(123,568)
Components of defined benefit costs recorded in OCI	(111,494)	(316,208)	(36,040)
Net liability at the end of the year	**2,908,795**	**2,900,934**	**3,034,324**

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

The management considers that the going concern assumption is applicable for the Company as at 31 Decembrie 2019 and there are no restructuring plans announced as at this date.

Consolidated

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 2019	Total 2018 *Restated*	Total 2017 *Restated*
	RON	*RON*	*RON*	*RON*	*RON*
Opening defined benefit obligation as at 1 January	**4,183,372**	**1,029,322**	**5,212,694**	**5,408,559**	**5,212,567**
Current service cost	372,004	130,803	502,807	476,285	433,498
Interest cost	138,487	48,870	187,357	179,373	131,195
Remeasurement (gains)/losses:	**305,365**	**(317,321)**	**(11,955)**	**(216,542)**	**171,824**
- Remeasurement (gains)/losses arising from experience	720,508	(149,417)	571,091	871,636	116,840
- Remeasurement (gains)/losses arising from changes in financial assumptions	122,981	30,844	153,825	(733,745)	257,706
- Remeasurement (gains)/losses arising from changes in demographic assumptions	(538,123)	(198,748)	(736,871)	(354,433)	(202,722)
Benefits paid	(488,883)	(73,859)	(562,742)	(636,058)	(573,993)
Translation differences	32,999	-	32,999	1,077	33,468
Closing defined benefit obligation as at 31 December	**4,543,344**	**817,815**	**5,361,160**	**5,212,693**	**5,408,559**

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 2019	Total 2018 *Restated*	Total 2017 *Restated*
	RON	*RON*	*RON*	*RON*	*RON*
Current service cost	372,004	130,803	502,807	476,285	433,498
Net interest expense	138,487	48,870	187,357	179,373	131,195
Components of defined benefit costs recorded in profit or loss	**510,491**	**179,673**	**690,164**	**655,658**	**564,693**

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

	PV of Retirement Benefits	PV of Employee Death Benefits	Total 2019	Total 2018 *Restated*	Total 2017 *Restated*
	RON	*RON*	*RON*	*RON*	*RON*
Opening net liability arising from defined benefit obligation	**4,183,372**	**1,029,322**	**5,212,694**	**5,408,559**	**5,212,567**
Components of defined benefit costs recorded in profit or loss	510,491	179,673	690,164	655,658	564,693
Components of defined benefit costs recorded in OCI	305,365	(317,321)	(11,956)	(216,543)	171,824
Benefits paid	(488,883)	(73,859)	(562,742)	(636,058)	(573,993)
Translation differences	32,999	-	32,999	1,077	33,468
Closing net liability arising from defined benefit obligation	**4,543,344**	**817,815**	**5,361,160**	**5,212,693**	**5,408,559**

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

Separate

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 2019	Total 2018	Total 2017
	RON	*RON*	*RON*	*RON*	*RON*
Opening defined benefit obligation as at 1 January	**2,342,669**	**558,265**	**2,900,934**	**3,034,324**	**2,909,557**
Current service cost	139,957	56,860	196,817	206,671	192,842
Interest cost	111,647	26,507	138,154	133,216	91,533
Remeasurement (gains)/losses:	**55,197**	**(166,691)**	**(111,494)**	**(316,208)**	**(36,040)**
- Remeasurement (gains)/losses arising from experience	387,082	(71,886)	315,196	461,594	(84,322)
- Remeasurement (gains)/losses arising from changes in financial assumptions	97,346	16,901	114,247	(452,592)	186,123
- Remeasurement (gains)/losses arising from changes in demographic assumptions	(429,231)	(111,706)	(540,937)	(325,210)	(137,841)
Benefits paid	(183,622)	(31,994)	(215,616)	(157,069)	(123,568)
Closing defined benefit obligation as at 31 December	**2,465,848**	**442,947**	**2,908,795**	**2,900,934**	**3,034,324**

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 2019	Total 2018	Total 2017
	RON	*RON*	*RON*	*RON*	*RON*
Current service cost	139,957	56,860	196,817	206,671	192,842
Net interest expense	111,647	26,507	138,154	133,216	91,533
Components of defined benefit costs recorded in profit or loss	**251,604**	**83,367**	**334,971**	**339,887**	**284,375**

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

	PV of Retirement Benefits	PV of Employee Death Benefits	Total 2019	Total 2018	Total 2017
	RON	*RON*	*RON*	*RON*	*RON*
Opening net liability arising from defined benefit obligation	**2,342,669**	**558,265**	**2,900,934**	**3,034,324**	**2,909,557**
Components of defined benefit costs recorded in profit or loss	251,604	83,367	334,971	339,887	284,375
Components of defined benefit costs recorded in OCI	55,197	(166,691)	(111,494)	(316,208)	(36,040)
Benefits paid	(183,622)	(31,994)	(215,616)	(157,069)	(123,568)
Closing net liability arising from defined benefit obligation	**2,465,848**	**442,947**	**2,908,795**	**2,900,934**	**3,034,324**

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

Other disclosures

Separate TMK-Artrom

	2019	2018	2017
Average benefit duration	7	8	13
Average age of employees	46	45	45
Average discount rate	4.46%	4.7%	4.4%
Average salary increase	2.50%	2.5%	3%

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	2019	2018	2017
Average benefit duration	7	9	11
Average age of employees	46	46	46
Average discount rate	4.46%	4.7%	4.4%
Average salary increase	2.50%	3%	3%

25. TRADE AND OTHER PAYABLES (CURRENT)

Trade and other payables consists of the following:

	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Current trade payables, from which:	270,434,381	257,443,217	319,295,191
- Intercompany trade payables (note 26)	121,189,230	85,119,326	147,420,122
Payables for non-current assets	21,892,174	21,476,994	32,652,094
Dividends payable, from which:	146,855	-	-
Bills of exchange payable	-	387,371	1,155,986
Short-term guarantees	890,320	1,196,008	506,556
Accrued and other liabilities	3,093,135	181,385	237,151
Total financial liability	**296,456,865**	**280,684,975**	**353,846,978**
Accrued and withheld taxes on payroll	12,230,727	11,043,914	8,426,153
Salaries and Wages	3,776,116	3,458,422	3,528,518
Advances from customers	3,950,339	997,116	4,526,587
Liabilities for other taxes	299,471	281,417	274,494
Total non-financial liability	**20,256,653**	**15,780,869**	**16,755,752**
Grand total	**316,713,518**	**296,465,844**	**370,602,730**

Consolidated trade payables are non-interest bearing and are, normally, settled on an average of 99 days term (2018: 95 days; 2017: 95 days).

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

25. TRADE AND OTHER PAYABLES (CURRENT) (continued)

	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Current trade payables, from which:	179,716,023	137,282,485	180,834,028
- Intercompany trade payables (note 25)	116,140,416	71,629,829	124,183,529
Payables for non-current assets, from which:	17,287,546	14,104,158	26,635,259
Dividends payable, from which:	146,855	-	-
Bills of exchange payable	-	387,371	1,143,186
Short-term guarantees	316,710	635,753	187,615
Accrued and other liabilities	1,675,936	20,698	20,611
Total financial liability	**199,143,070**	**152,430,465**	**208,820,699**
Accrued and withheld taxes on payroll	9,488,733	8,583,615	6,074,675
Salaries and Wages	2,498,981	2,332,344	2,288,955
Advances from customers	3,587,632	679,297	4,211,020
Income tax liabilities	-	1,686,487	-
Liabilities for other taxes	240,749	227,673	229,443
Total non-financial liability	**15,816,095**	**13,509,416**	**12,804,093**
Grand total	**214,959,165**	**165,939,881**	**221,624,792**

Separate trade payables are non-interest bearing and are, normally, settled on an average of 57 days term (2018: 52 days; 2017: 69 days).

Concerning the Company's debts to the fiscal authorities, as of 31 December 2018, there is a balance to be paid RON 9,728,052 (2018: RON 10,430,403; 2017: RON 6,304,118), which represents the current debts of taxes and social debts of salaries, personal income tax, income tax of legal and individual non-resident persons which were required for compensation with input VAT from fiscal authorities.
In 15 February 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 February 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 been 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 May 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 21).
The Company has booked a provision for taxes as a result of the fiscal control in amount of RON 1,941,576 (Note 27).

26. TRANSACTIONS WITH RELATED PARTIES

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

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

TMK 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 Middle East, Dubai, United Arab Emirates	United Arab Emirates	Related, under common control
- TMK-REȘIȚA S.A. Reșița	Romania	Related, under common control
- TMK Italia s.r.l. Lecco, Italia	Italy	Related, under common control
- Sinarsky pipe plant RUSIA	Russia	Related, under common control
- OJSC Volzsky Pipe Plant RUSIA	Russia	Related, under common control
- RosNITI JSC RUSIA	Russia	Related, under common control
- TMK-Inox RUSIA	Russia	Related, under common control
- Trade House TMK	Russia	Related, under common control
- TMK Assets SRL	Romania	Related, under common control
- Land Properties Investments	Romania	Related, under common control
- Sarl Prieure Saint Jean de Bebian	France	Related, under common control
- TMK Industrial Solutions LLC, Houston	USA	Related, subsidiary sole control
- ORSKY Machine Building Plant Russia	Russia	Related, under common control
-TMK Steel Holding	Ciprus	Related, under common control

The balances of transactions with related parties

Trade Receivables	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
PAO TMK Russia	-	448,237	388,177
TMK Middle East Dubai	-	-	1,203,735
TMK IPSCO International USA	-	321,678	-
Total	**-**	**769,915**	**1,591,912**

Trade Receivables	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
TMK-REȘIȚA	6,450,259	7,461,476	12,020,870
TMK Industrial Solutions LLC, Houston	-	691,154	435,028
PAO TMK Russia	-	388,527	388,177
TMK Assets Bucharest	357	1,428	714
TMK Middle East Dubai	-	-	1,203,734
Total	**6,450,616**	**8,542,585**	**14,048,523**

26. TRANSACTIONS WITH RELATED PARTIES (continued)

Other Assets	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
TMK Europe GmbH (sundry debtors)	4,618	-	-
PAO TMK (sundry debtors)	-	319,500	553,578
Trade House TMK Russia (sundry debtors)	-	2,099	2,097
Total	**4,618**	**321,599**	**555,675**

Other Assets	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
TMK-REȘIȚA (advances for purchase of goods)	55,970,702	39,335,965	62,966,821
TMK Europe GmbH (sundry debtors)	4,618	-	-
TMK Industrial Solutions LLC, Houston (sundry debtors)	-	407	-
PAO TMK (sundry debtors)	-	319,500	553,578
TMK Assets Bucharest (long-term receivables - guarantees)	47,293	46,151	46,109
TMK RESITA S.A. (sundry debtors)	587,261	36,532	392,226
Trade House TMK Russia (sundry debtors)	-	2,099	2,097
TMK Assets Bucharest (sundry debtors)	-	1,587	-
Total	**56,609,874**	**39,742,241**	**63,960,831**

Trade Payables	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
PAO TMK Russia	111,109,669	72,170,591	138,108,975
TMK Europe GmbH Germany	9,835,554	11,982,957	8,484,001
RosNITI JSC Russia	8,007	31,473	-
TMK Assets Bucharest	-	-	-
TMK-Inox Russia	152,302	934,305	732,288
Sarl Prieure Saint Jean de Bebian France	83,698	-	94,858
Total	**121,189,230**	**85,119,326**	**147,420,122**

Trade Payables	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
PAO TMK Russia	108,751,399	67,323,716	119,820,387
TMK Europe GmbH Germany	3,859,221	1,590,059	866,787
TMK Industrial Solutions LLC, Houston	1,491,553	2,061,880	2,148,496
TMK Italia s.r.l. Italy	1,775,196	622,701	780,710
RosNITI JSC Russia	8,007	31,473	-
TMK Assets Bucharest	19,041	-	921
TMK-Inox Russia	152,302	-	471,370
Sarl Prieure Saint Jean de Bebian France	83,698	-	94,858
Total	**116,140,417**	**71,629,829**	**124,183,529**

26. TRANSACTIONS WITH RELATED PARTIES (continued)

Other liabilities	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
TMK Europe GmbH (borrowing)	72,593,551	73,477,723	85,570,097
TMK Europe GmbH Germany (interest owed at reporting date)	141,431	189,988	171,116
TMK Europe GmbH Germany (amounts owed to group's entities)	277,306,095	275,831,330	-
Total	**350,041,077**	**349,499,041**	**85,741,213**

Other liabilities	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
TMK Europe GmbH (borrowing)	72,593,551	73,477,723	85,570,097
TMK Europe GmbH Germany (interest owed at reporting date)	141,431	189,988	171,116
TMK Europe GmbH Germany (amounts owed to group's entities)	277,306,095	275,831,330	-
Total	**350,041,077**	**349,499,041**	**85,741,213**

Transactions with related parties

Sales (Revenue)	Object of the transaction	Consolidated		
		31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
		RON	*RON*	*RON*
PAO TMK	claim for billets - raw material	(198,383)	1,109,170	382,496
TMK Middle East	pipes	364,422	907,918	2,743,175
Sinarsky pipe plant	pipes	-	1,125,288	1,051,554
TMK IPSCO International	pipes	1,268,185	1,719,567	3,647,869
TMK IPSCO Canada	pipes	-	-	
TMK Europe GmbH Germany	audit services	236,755	23,333	22,770
TMK-Inox Russia (mandrel parts)		-	-	29,615
TMK GLOBAL Switzerland	pipes	-	144,488	101,146
ORSKY Machine Building Plant RUSIA	pipes	-	208,550	-
Total		**1,670,979**	**5,238,314**	**7,978,625**

26. TRANSACTIONS WITH RELATED PARTIES (continued)

Sales (Revenue)		Separate		
		31 December 2019	31 December 2018	31 December 2017
		RON	*RON*	*RON*
TMK-REȘIȚA	waste product, pipes, perceives commission, management services, additional costs for quality claims	42,086,353	43,835,432	32,155,648
TMK Industrial Solutions LLC	pipes for resale	2,455,334	8,521,593	5,242,162
PAO TMK	claim for billets - raw material	(198,383)	1,109,170	2,743,175
TMK Middle East	pipes	364,422	907,918	1,051,554
TMK Italia s.r.l.	audit services	23,811	27,996	382,496
TMK Assets	management services	3,600	3,600	101,146
Sinarsky pipe plant	pipes	-	1,125,288	22,994
TMK IPSCO International	pipes	-	-	22,770
TMK IPSCO Canada	pipes	-	-	4,275
TMK Europe GmbH Germany	audit services	236,755	23,333	800
TMK GLOBAL Switzerland	pipes	-	144,488	-
ORSKY Machine Building Plant RUSIA	pipes	-	208,550	-
Total		**44,971,892**	**55,907,368**	**41,727,020**

Purchases	Object of the transaction	Consolidated		
		31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
		RON	*RON*	*RON*
PAO TMK	pipes and blooms for resale, consulting services, financial costs	186,683,050	178,506,627	238,764,306
TMK Europe GmbH	agent commission for pipes sales, materials for own consumption, spare partes	47,929,923	69,638,449	39,977,846
Taganrog metallurgical Works	sole representative services	-	30,577,022	-
RosNITI JSC	research and development services	46,212	144,442	16,515
Sarl Prieure Saint Jean de Bebian	protocol expenses	83,360	111,742	94,598
TMK INOX Russia	steel pipes for resale	151,770	135,348	497,984
Sinarsky pipe plant Rusia	debit note for claim	-	-	83,954
OJSC Volzsky Pipe Plant Russia	pipes	59,488	2,106,510	-
TMK GLOBAL Switzerland	acquisition of TMK Italia	8,229,262	-	-
Total		**243,183,064**	**281,220,140**	**279,435,203**

26. TRANSACTIONS WITH RELATED PARTIES (continued)

Purchases	Object of the transaction	Separate		
		31 December 2019 *RON*	31 December 2018 *RON*	31 Decembrie 2017 *RON*
TMK-REȘIȚA	billets - raw material, other materials	601,496,803	647,851,003	511,983,820
PAO TMK	pipes and blooms for resale, consulting services, financial costs	186,683,050	178,506,627	238,764,306
TMK Industrial Solutions LLC	agent commission for sales of pipes produced by TMK-Artrom and pipes of Russian origin	8,256,649	13,697,212	8,684,728
TMK Europe GmbH	agent commission for pipes sales, materials for own consumption, spare partes	15,959,937	13,663,588	11,359,572
TMK Italia s.r.l.	agent commission for pipes sales	11,159,165	11,372,890	9,133,514
Taganrog metallurgical Works	sole representative services	-	-	
TMK Assets	rent and apartment maintenance	562,995	552,807	541,865
RosNITI JSC	research and development services	46,212	144,442	16,515
Sarl Prieure Saint Jean de Bebian	protocol expenses	83,360	111,742	94,598
TMK INOX Russia	steel pipes for resale	151,770	-	469,850
Seversky pipe plant Russia		-	-	83,954
TMK GLOBAL Switzerland	acquisition of TMK Italia	8,229,262	-	-
Total		**832,629,202**	**865,900,311**	**781,132,722**

Dividends paid to:	31 December 2019		
	dividends payments, gross: RON	*withheld tax in Romania: RON*	*dividends payments, netto: RON*
TMK STEEL HOLDING Limited Cyprus	820,185	41,009	779,176
TMK Europe GmbH	13,241,593	-	13,241,593
Total	**14,061,778**	**41,009**	**14,020,769**

Dividends received from:	31 December 2019		
	dividends received, gross: RON	*withheld tax : RON*	*dividends received, netto: RON*
TMK Industrial Solutions LLC	4,701,333	470,317	4,231,017
TMK Italia s.r.l.	5,440,437	65,274	5,375,163
Total	**10,141,771**	**535,591**	**9,606,180**

Borrowings within the Group – long-term and short term

TMK EUROPE GmbH Germany (former TMK SINARA HANDEL GMBH) is the lender with the amount of RON 72,593,551 representing USD 17,037,540, related to the loan agreement w/n/01.12.2008, respectively the assignment of receivables no. 054/20.02.2002 from AVAS (AVAB) in initial amount of USD 22,837,540 and RON 38,425. The whole amount is a long-term debt.
In 2019, USD 1,000,000 of the loan was repaid according to the maturity date.

During the EGMS from 17 November 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.

26. TRANSACTIONS WITH RELATED PARTIES (continued)

- 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 USD 400,000 and the 57th will be worth USD 437,540.03.
- The payment of debt amounting to RON 38,425.07 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.

On November 21, 2013 was signed Amendment No. 1 to Contract of 1 December 2008 according to which the loan reimbursement begins with 25 January 2015, maintaining the same number of instalments.

On December 3, 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 USD 400,000 and a last instalment of USD 437,540.03 as a result on 31 Dcemeber 2015 the full amount of the loan was long-term.

On August 8, 2016 according to Addendum no. 3 were expressly dropped all the movable and immovable guarantees mentioned above.

On December 18, 201 the Addendum no. 4 was concluded by which the parties agreed that in the second half of 2019 the borrower will repay USD 10,000,000, and from 2020, the borrower will continue to reimburse the remaining amount of USD 17,037,540.03 in 42 installments in the amount of USD 400,000.00 and the 43rd rate in the amount of USD 237,540.03 on the 25th of each month. On December 3, 2019, after the company reimbursed another USD 1 million, the Additional Act no.5 was concluded, which agreed that in 2020-2021 the company will not reimburse any amount and the reimbursement will continue with January 2022, in 42 monthly installments of USD 400,000 and a final installment of USD 237,540.03. Interest due by TMK-ARTROM S.A. as of 31.12.2019, it is USD 33,193.62, respectively RON 141,431,38. For the interest due, there is no withholding tax on the incomes of the non-resident persons since the interest income is exempted according to art 229 letter.g of the Fiscal Code because the ownership of TMK EUROPE GmbH's holdings in TMK-ARTROM SA is 92.7282% (more than 25%) for a period of more than 2 years uninterrupted.

The remuneration package for managers with mandate and directors (BOD members) comprises cash compensations formed from fixed monthly remuneration granted in net amounts and performance bonuses for achieving the approved KPI performance indicators.

Cash compensations formed from monthly remuneration and paid yearly KPI bonuses, including the correspondent taxes, granted to managers with mandate and members of the Board of Directors from TMK-Artrom and its subsidiaries, in the last 3 years were in gross amounts as follow:

Year	Number of persons	Fixed remuneration	Bonus
2019	13	RON 17,122,687	RON 4,692,146
2018-*Restated*	13	RON 16,720,771	RON 4,051,344
2017-*Restated*	11	RON 15,951,641	RON 1,891,523

These amounts do not include provisions for performance bonuses which will be paid in 2020 and granted for achieving and exceeding the KPI performance indicators for the year 2019.

27. PROVISIONS

Other short-term provisions	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Accruals for managers bonuses	6,533,499	7,560,866	4,668,355
Provisions for taxes	1,941,574	1,941,574	1,941,574
Provisions for emission certificates	550,121	668,096	1,466,859
Provisions for quality complaints material cost	153,404	165,761	296,159
Provisions for quality complaints additional cost	123,036	126,066	38,003
Accruals for unused vacations	339,983	114,533	282,405
Provision for employment compensation	151,924	138,858	-
Provisions for risks and expenses	1,539,140	1,539,140	-
Total	**11,332,681**	**12,254,894**	**8,693,355**

Other short-term provisions	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Accruals for managers bonuses	4,707,659	5,236,353	3,214,756
Provisions for taxes	1,941,576	1,941,576	1,941,576
Provisions for emission certificates	550,121	668,096	1,466,859
Provisions for quality complaints material cost	153,404	165,761	264,437
Provisions for quality complaints additional cost	123,036	126,066	21,272
Accruals for unused vacations	75,295	31,964	30,241
Total	**7,551,091**	**8,169,816**	**6,939,141**

In 2018 the company established a provision for greenhouse gas emission allowances in the amount of RON 550,121 for the deficit of certificates required for the production of year 2019 and reversed the previously established provision in amount of RON 668,096 as a result of the handing over of the greenhouse gas emission certificates related to the production of the year 2018 to the European Unique Register of Gases with Gear (RUEGES) in April 2019.

Other long-term provisions	Consolidated		
	31 December 2019	31 December 2018 *Restated*	31 December 2017 *Restated*
	RON	*RON*	*RON*
Provisions for decommissioning property, plant and equipment	219,350	219,350	219,350
Accruals for managers bonuses	316,505	402,834	7,931
Total	**535,855**	**622,184**	**227,281**

Other long-term provisions	Separate		
	31 December 2019 *RON*	31 December 2018 *RON*	31 December 2017 *RON*
Provisions for decommissioning property, plant and equipment	219,350	219,350	219,350
Accruals for managers bonuses	268,140	336,199	7,931
Total	**487,490**	**555,549**	**227,281**

27. PROVISIONS (continued)

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	Provision for employment compensation	Provisions for taxes	Provisions for emission certificates	Provisions for risks and expenses	Total
	RON	*RON*	*RON*	*RON*	*RON*	*RON*	*RON*	*RON*	*RON*
At 1 January 2017-*Restated*	**240,506**	**56,769**	**2,815,981**	**32,500**	**-**	**888,162**	**-**	**-**	**4,033,918**
Expense with provisions recognized in statement of income	452,031	143,741	4,765,112	66,688	-	1,158,752	1,466,859		8,053,183
Amounts used	(396,378)	(162,507)	(2,534,646)	(32,500)	-	(43,123)			(3,169,154)
Unused amounts reversed			(365,886)			(62,843)			(428,729)
Reclass				212,896					212,896
Translation differences	-	-	(12,206)	2,821		626			(8,759)
At 1 January 2018-*Restated*	**296,159**	**38,003**	**4,668,355**	**282,405**	**-**	**1,941,574**	**1,466,859**	**-**	**8,693,355**
Expense with provisions recognized in statement of income	469,769	442,549	7,534,937	113,714	138,548	-	668,096	1,539,140	10,906,753
Amounts used	(600,167)	(354,486)	(4,587,253)	(139,937)	(142,630)	-	(1,466,859)	-	(7,291,332)
Unused amounts reversed		-	(86,608)	-	-	-		-	(86,608)
Reclass				(142,630)	142,630	-			-
Translation differences	-	-	31,436	980	310	-	-	-	32,726
At 31 December 2018-*Restated*	**165,761**	**126,066**	**7,560,867**	**114,532**	**138,858**	**1,941,574**	**668,096**	**1,539,140**	**12,254,894**
Expense with provisions recognized in statement of income	466,982	323,295	7,246,544	679,589	309,558	-	550,121	-	9,576,089
Amounts used	(479,339)	(326,325)	(7,896,580)	(457,180)	(299,996)	-	(668,096)	-	(10,127,516)
Unused amounts reversed		-	(543,164)	-	-	-	-	-	(543,164)
Reclass from long-term to short-term	-	-	115,000	-	-	-	-	-	115,000
Translation differences	-	-	50,832	3,042	3,504	-	-	-	57,378
At 31 December 2019	**153,404**	**123,036**	**6,533,499**	**339,983**	**151,924**	**1,941,574**	**550,121**	**1,539,140**	**11,332,681**

27. PROVISIONS (continued)

The movement in separate 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 emission certificates	Total
	RON	*RON*	*RON*	*RON*	*RON*	*RON*	*RON*
At 1 January 2017	**240,506**	**56,770**	**1,786,442**	**32,500**	**782,824**	**-**	**2,899,042**
Expense with provisions recognized in statement of income	412,609	113,209	3,214,756	30,241	1,158,752	1,466,859	6,396,426
Amounts used	(388,678)	(148,707)	(1,786,442)	(32,500)			(2,356,327)
Unused amounts reversed							-
At 1 January 2018	**264,437**	**21,272**	**3,214,756**	**30,241**	**1,941,576**	**1,466,859**	**6,939,141**
Expense with provisions recognized in statement of income	462,791	221,260	5,236,353	31,964	-	668,096	6,620,464
Amounts used	(561,467)	(116,466)	(3,214,756)	(30,241)	-	(1,466,859)	(5,389,789)
Unused amounts reversed	-		-	-	-		-
At 31 December 2018	**165,761**	**126,066**	**5,236,353**	**31,964**	**1,941,576**	**668,096**	**8,169,816**
Expense with provisions recognized in statement of income	466,982	323,295	5,000,499	75,295	-	550,121	6,416,192
Amounts used	(479,339)	(326,325)	(5,529,193)	(31,964)	-	(668,096)	(7,034,917)
Unused amounts reversed	-		-	-	-		-
At 31 December 2019	**153,404**	**123,036**	**4,707,659**	**75,295**	**1,941,576**	**550,121**	**7,551,091**

27. PROVISIONS (continued)

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

Long-term provisions	Provisions for quality complaints additional cost *RON*	Accruals for unused vacations	Provisions for decommissioning property, plant and equipment *RON*	Accruals for manager bonuses *RON*	Total *RON*
At 1 January 2017-*Restated*	**7,931**	**221,302**	**219,350**	**-**	**448,583**
Expense with provisions recognized in statement of income					**-**
Recognition in counterparty with fixed assets					**-**
Used					**-**
Unused amounts reversed		(9,721)			**(9,721)**
Reclass		(212,896)			**(212,896)**
Translation differences		1,315			**1,315**
At 1 January 2018-*Restated*	**7,931**	**-**	**219,350**	**-**	**227,281**
Expense with provisions recognized in statement of income	-		-	402,834	402,834
Used	(7,931)		-	-	(7,931)
At 31 December 2018-*Restated*	**-**		**219,350**	**402,834**	**622,184**
Expense with provisions recognized in statement of income	-		-	28,671	**28,671**
Used	-		-		-
Reclass from long-term to short-term	-		-	(115,000)	**(115,000)**
At 31 December 2019	**-**		**219,350**	**316,505**	**535,855**

The movement in separate long-term provisions are as follows:

Long-term provisions	Provisions for quality complaints additional cost *RON*	Provisions for decommissioning property, plant and equipment *RON*	Accruals for manager bonuses *RON*	Total *RON*
At 1 January 2017	**7,931**	**219,350**	**-**	**227,281**
At 1 January 2018	**7,931**	**219,350**	**-**	**227,281**
Expense with provisions recognized in statement of income	-	-	336,199	336,199
Used	(7,931)	-	-	(7,931)
At 31 December 2018	**-**	**219,350**	**336,199**	**555,549**
Expense with provisions recognized in statement of income	-	-	(68,059)	(68,059)
At 31 December 2019	**-**	**219,350**	**268,140**	**487,490**

28. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES

The main financial liabilities of the Group and TMK-Artrom include bank loans, trade payables, loans from Group and lease 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 Group and the Company are 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.

TMK-Artrom borrows mainly on variable interest rates. In 2019, 31.9% of the loans had variable interest rates and the difference, fixed rate. EURIBOR serves as the basis for calculating interest on 14.4% of loans. The loans that had as basis of calculation of the LIBOR interest represented 17.5% of the portfolio as of December 31, 2019 and 18.03% of the portfolio as of December 31, 2018.
At December 31, 2019, 2018 and 2017 the company had no outstanding loans as the basis of ROBOR calculation. The evolution over the last 3 years on the market of EURIBOR and LIBOR has made the Company not consider it necessary to use the risk hedging instruments, but the Company monitors the interest rate level and will consider the use of the risk hedging instruments, if any. We should mention that in 2019, EURIBOR recorded negative values being capped at 0 according to the credit agreements.

On 31 December 2019, the Company did not have financial assets with variable interest rate.

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/(loss) before tax (thousands RON)	Effect on equity profit/(loss) (thousands RON)
31 December 2019			
increase in interest rate	10,00	(170.5)	(143.2)
decrease in interest rate	(10,00)	170.5	143.2
31 December 2018			
increase in interest rate	10,00	(149.4)	(125.5)
decrease in interest rate	(10,00)	149.4	125.5
31 December 2017			
increase in interest rate	10	(83.7)	(70.3)
decrease in interest rate	(10)	83.7	70.3

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

Foreign currency risk

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

The Company in 2019 din not signed 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 28 the paragraph "Financial instruments, cash and deposits" below.

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

Consolidated

	Percentage volatility	Effect on profit/ (losss) before tax (thousands RON)	Effect on equity (profit/loss) (thousands RON)
31 Decembrie 2019			
EUR/RON	10%	(62,369)	(52,390)
EUR/RON	-10%	62,369	52,390
USD/RON	10%	(6,656)	(5,591)
USD/RON	-10%	6,656	5,591
31 Decembrie 2018			
EUR/RON	10%	(44,514)	(37,391)
EUR/RON	-10%	44,514	37,391
USD/RON	10%	(3,486)	(2,928)
USD/RON	-10%	3,486	2,928
31 Decembrie 2017			
EUR/RON	10%	(38,441)	(32,391)
EUR/RON	-10%	38,441	32,391
USD/RON	10%	(2,899)	(2,435)
USD/RON	-10%	2,899	2,435

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

Separate

	Percentage volatility	Effect on profit/ (loss) before tax (thousands RON)	Effect on equity profit/ (loss) (thousands RON)
31 December 2019			
EUR/RON	10%	(58.211)	(48.897)
EUR/RON	-10%	58.211	48.897
USD/RON	10%	(6.498)	(5.458)
USD/RON	-10%	6.498	5.458
31 December 2018			
EUR/RON	10%	(42.552)	(35.744)
EUR/RON	-10%	42.552	35.744
USD/RON	10%	(2.969)	(2.494)
USD/RON	-10%	2.969	2.494
31 December 2017			
EUR/RON	10%	(32.359)	(27.182)
EUR/RON	-10%	32.359	27.182
USD/RON	10%	(3.290)	(2.764)
USD/RON	-10%	3.290	2.764

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 31 December 2019, about 50% 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 Group's financial liabilities, including interest payments:

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

Consolidated

Liquidity risk	Less than 3 months *RON*	3 to 12 months *RON*	1 to 5 years *RON*	>5 years *RON*	Total *RON*
31 December 2019					
Interest bearing loans (including future interest)	7,514,801	207,407,083	214,932,476	-	429,854,360
Leasing	4,506,970	7,266,181	33,923,521	1,190,509.00	46,887,181
Liabilities for investments in subsidiaries	-	-	277,306,095	-	277,306,095
Other non-current liabilities	-	7,458	2,209,821	-	2,217,279
Trade and other payables, from which:	271,037,461	25,272,549	-	-	296,310,010
- Dividends payable	146,855	-	-	-	146,855
Total	**283,206,087**	**244,741,413**	**523,583,769**	**1,190,509**	**1,052,721,780**
31 December 2018-*Restated*					
Interest bearing loans (including future interest)	67,722,605	124,505,679	235,897,580	-	428,125,864
Leasing	319,483	959,919	3,460,360	-	4,739,762
Other non-current liabilities	466,390	57,007,958	218,356,982	-	275,831,330
Trade and other payables			156,329		156,329
Other current liabilities	144,605,479	7,824,986			152,430,465
Total	**213,113,957**	**190,298,542**	**457,871,251**	**-**	**861,283,750**
31 December 2017-*Restated*					
Interest bearing loans (including future interest)	68,312,905	149,213,902	168,776,617	10,652,109	396,955,533
Leasing	2,985,762	5,584,534	29,296,787	14,444,007	52,311,090
Other non-current liabilities	-	-	797,634	-	797,634
Trade and other payables	297,994,782	55,852,196	-	-	353,846,978
Total	**369,293,449**	**210,650,632**	**198,871,038**	**25,096,116**	**803,911,235**

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

Separate

Liquidity risk	Less than 3 months *RON*	3 to 12 months *RON*	1 to 5 years *RON*	>5 years *RON*	Total *RON*
31 December 2019					
Interest bearing loans (including future interest)	7,514,801	207,407,083	214,932,476	-	429,854,360
Leasing	644,650	1,369,571	3,935,288	8,123	5,957,632
Liabilities for investments in subsidiaries	-	-	277,306,095	-	277,306,095
Other non-current liabilities	-	-	196,089	-	196,089
Trade and other payables, from which:	173,723,666	25,272,549	-	-	198,996,215
Dividends payable	146,855	-	-	-	146,855
Total	**182,029,972**	**238,837,345**	**491,581,806**	**8,123**	**912,457,246**
31 December 2018					
Interest bearing loans (including future interest)	67,722,605	124,505,679	235,897,580	-	428,125,864
Leasing	319,483	959,919	3,460,360	-	4,739,762
Liabilities for investments in subsidiaries	466,390	57,007,958	218,356,982	-	275,831,330
Other non-current liabilities	-	-	156,329	-	156,329
Trade and other payables	144,605,479	7,824,986			152,430,465
Total	**213,113,957**	**190,298,542**	**457,871,251**	**-**	**861,283,750**
31 Decembrie 2017					
Interest bearing loans (including future interest)	68,304,544	149,187,166	168,776,617	10,652,109	396,920,436
Leasing	105,511	290,228	1,059,433	-	1,455,172
Other non-current liabilities	-	-	729,080	-	729,080
Trade and other payables	152,982,733	55,837,966	-	-	208,820,699
Other current liabilities	-	-	-	-	-
Total	**221,392,788**	**205,315,360**	**170,565,130**	**10,652,109**	**607,925,387**

As at 31 December 2019, the Group and the Company were in compliance with financial covenants included in the loan covenants.

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.

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:

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

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%.

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.

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

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.

The provisions of this regulation are applied on sales done directly to third parties, on both internal and external parties, on sales for customers with agent TMK Italia, agent TMK EUROPE and agent TMK INDUSTRIAL SOLUTIONS, 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 120 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 November 2017 and later until 28 December 2018. A new prolongation for 2019 was done.
At 31 December 2019 credit limits granted by Coface SA covered 70% of requested limits for external customers and on internal market 43% of requested limits. As at 31 Decemeber 2019, 74% from the insurable receivables were covered by Coface. For 3% from the total of third parties receivables were opened irrevocable letters of credit or guarantee letters received. The customers which are not covered 100% by Coface SA and do not have opened letters of credit are carefully monitored in order to limit the possible losses from non-collection. The customers covered by COFACE are third-party customers from EU, Romania and non-EU markets (including USA and Canada).

As at 31 December 2019, customer Donalam had about 11% from the total turnover of year 2019.

Starting with July 2017 in the insurance policy signed with Coface Germany were also included TMK-Reșița's customers, which has become co-insured.

As at 31 December 2019, credit limits granted by Coface at Group level covered externaly 68% from the requested limits, and on domestic market 39% from the requested limits.

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

Financial instruments, cash and deposits

Credit risk derives from cash and deposits from banks. 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.

29. AUDIT COMPANIES FEES

The total remuneration payable by the Group and the Company, excluding VAT, to our auditors, Ernst & Young Assurance Services SRL for the audit of the separate and consolidated financial statements as of 31 December 2019, are the equivalent in RON of EUR 102,000.

30.COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Company's total commitments for the acquisition of property, plant and equipment as at 31 December 2019 are of RON 35,712,293 (2018: RON 5,621,331).

Group's total commitments for the acquisition of property, plant and equipment as at 31 December 2019 are of RON 39,096,496 (2018: RON 6,335,794).

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:

	Consolidated		
	31 December 2019	31 December 2018 *Restated* *RON*	31 December 2017 *Restated* *RON*
Less than one year	-	1,295,031	1,926,110
Between one and two years	-	880,214	1,735,121
Between two and tree years	-	643,413	1,623,225
	-	**2,818,658**	**5,284,456**

Contingent assets

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

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

There was also an execution file against the Ministry of Culture and National Heritage requesting the enforcement of the Civil Sentence irrevocable by Decision of the High Court of Cassation and Justice, for

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

the purpose of issuing a decision regarding the applicant's request TMK-Reșița TMK-Reșița to declassify the Furnace.
The Ministry of Culture and National Heritage replied again that the documentation is incomplete.

The company will continue to act on all legal ways to obtain a declassification of the furnace which is subject to physical degradation and presents risk of accidents being located within the factory in the railway transport area that serves the production workshops
Litigations against National Fiscal Administration Agency ("ANAF")

1. TMK-Artrom

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

TMK-Artrom challenged the Fiscal report no. F - MC 15 of 8 February 2016, the Decision regarding the supplementary fiscal obligations no. F - MC 4 of 8 February 2016 and the Decision regarding the non-change of the base of taxes no. F - MC5 of 8 February 2016, requesting the court (i) mainly, to annul the fiscal report and all the following deeds, (ii) secondary, the annulment of the Decision no. 42 of 7 October 2016 regarding the decision to reject the contestation filed by the company, the annulment in part of the fiscal report and the supplementary income decision regarding the income taxes in amount of

727,223 RON, interest rate/delay increases in amount of RON 1,392,488 and delay penalties in amount of RON 239,693, the monthly VAT in amount of RON 481,237, interest rate/delay increases in amount of RON 867,632 and delay penalties in amount RON 158,622 and the interest rate/delay increases and delay penalties calculated for the period 20 July 2010 – 15 December 2015; and (iii) the obligation to the payment of the trial expenses. On 13 October 2017, Bucharest Court of Appeal ruled against the claim. TMK-Artrom filed appeal. The first hearing is set with the High Court of Justice and Cassation on 18 June 2020.

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

2. TMK-Reșița

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

TMK-Reșița challenged the Fiscal report no. F-MC 318 of 15 October 2014, the Decision regarding the supplementary fiscal obligations no. F-MC 1538 of 15 October 2014, the Decision regarding the measures set by the fiscal inspectors no. 87050 of 14 October 2014 and the Decision regarding the non-change of the base of taxes no.F-MC 1539 of 15 October 2014, requesting the court (i) mainly, to annul the fiscal report and all the following deeds, (ii) secondary, the annulment of the Decision no. 178 of 16 June 2015 regarding the decision to reject the contestation filed by the company, the annulment in part of the fiscal report and the supplementary income decision regarding the income tax for individuals in amount of RON 11,194, monthly VAT in amount of RON 544,300, interest rate/delay increases in amount of RON 1,161,841 and delay penalties in amount of RON 84,985, monthly VAT in amount of RON 41,037, interest rate/delay increases in amount of RON 76,307 and delay penalties in amount of RON 6,156, monthly VAT in amount of RON 58,928, interest rate/delay increases in amount of RON 131,085 and delay penalties in amount of RON 8,839, the amount of RON 393,453 representing the interest rate/delay increases and delay penalties calculated for the period 28 December 2011 – 25 September 2014; (iii) the modification of the decision

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

regarding the measures of the fiscal authority based on the annulment in part of the fiscal report and the decision regarding the supplementary fiscal obligations for the amounts mentioned above; and (iv) the obligation to the payment of the trial expenses. On 21 April 2016, Bucharest Court of Appeal ruled against the claim. TMK-Reșița filed appeal. The first hearing was set with the High Court of Justice and Cassation on 20 June 2019 when the High Court of Justice and Cassation rejected the appeal. This decision is final.

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

Taxation

The taxation systems in Romania and in the jurisdictions where the Group operates are undergoing continuous developments. Thus, it is subject to various interpretations and constant changes which may sometimes be retroactive. In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant. In Romania, the fiscal year remains open for tax audit for a period of 5 years, all the Romanian companies of the Group having this period open. The management considers that the tax liabilities included in these financial statements are adequate.
In accordance with the requirements issued by the Ministry of Public Finance in Romania, which relate to the fiscal treatment of the items of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts due to their nature, should the Group change the destination of the statutory reserves in the future (to cover losses or to make distributions to the shareholders), this will lead to additional income tax liabilities.

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

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

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

31. EVENTS AFTER THE REPORTING PERIOD

January

On **January 31, 2020** TMK-Artrom S.A. informed the investors that it had been notified by TMK Steel Holding Ltd., which used to hold 6,672,352 voting rights in TMK-Artrom SA, representing 5.7436% of the share capital of TMK-Artrom SA, about the transaction made on 27.01.2020 subsequent which TMK Steel Holding Ltd. reached the threshold of 0% of the share capital of the issuer TMK-Artrom S.A. On the same day TMK-Artrom published the notification of transactions made by persons discharging managerial responsibilities (PDMR) and individuals which are closely associated with the PDMR.

The stake of TMK-Artrom share capital owned by TMK-Europe GmbH as a result of running and closing the public offer that took place in the period is 03.01.2020-23.01.2020 is 98.83%.

February

On **February 17, 2020** TMK-Artrom S.A. informed the investors that it has been notified by TMK Europe GmbH (the majority shareholder of TMK-Artrom S.A., holding 114,809,203 shares representing 98.8283% of TMK-Artrom S.A.'s share capital) of its intention to initiate the procedure for the withdrawal of the minority shareholders from TMK-Artrom S.A.

COVID 19 pandemic impact

The coronavirus outbreak occurred at a time close to reporting date and the condition has continued to evolve throughout the period to the financial statements approval date.

Management assessment is that the measures taken by various authorities in 2020, including in the countries where Group is exporting, represent a non-adjusting event and should not be reflected in the valuation of assets and liabilities of the Group as at 31 December 2019. The high level of uncertainties due to the unpredictable outcome of this disease make it difficult to estimate the financial effects of the outbreak.

Currently, the company operates at an acceptable level, but there are difficulties regarding the shipment of the production for export due to the restrictions on truck traffic in Europe. We remind that most of our production is intended for sale in the main markets of Italy, Germany and other strongly industrialized countries from Western Europe, the transport of goods being exclusively by truck until the destination due the specificity of our products designated for users from industries as automotive, machining, hydraulic, etc. Being a metallurgical unit with continuous fire, we make efforts in order to maintain the activity at a reasonable level.

During March 2020, the Italian, German and other Western Europe governments announced special measures to mitigate the spread of the coronavirus epidemic in the countries. Under the current circumstances, based on the consecutive measures of the governments, the execution of the development plan of 2020 may suffer some delays not being able to guarantee its feasibility in terms of supplies required, human resources mobilization and other logistics or regulatory factors.

The Romanian authorities have also taken a number of measures to combat the spread of the epidemic, including the declaration of a state of emergency, starting on 16 March 2020 and also proposed a government stimulus program as a response to Covid-19.

Internally, TMK-Artrom makes all the efforts necessary to diminish the effects of the pandemic at the level of the economic activity and to reduce to the minimum the risk of employees getting sick in the company as well as in its subsidiaries from Romania, Italy and the United States. Depending on the evolution, in what

31. EVENTS AFTER THE REPORTING PERIOD (continued)

regards the regulations of the authorities and the economical evolution of our market, the company's management is taking into consideration the implementation of all the measures which will be imposed for the health of the employees and the integrity of the production equipment. The level of the orders received until June covers 80% of the first semester production capacity.

The high level of uncertainty caused by the coronavirus outbreak will lead to a highly volatile market environment in the following months and the measures imposed by the various authorities in the countries where Group products are exported will also potentially adversely impact the overall current operations and the Group's results for the next period.

Date: April 9, 2020

Chief Executive Officer, **Chief Economical and Accountancy Officer,**

Ing. Popescu Adrian **Ec. Văduva Cristiana**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TMK Artrom SA

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated and separate financial statements of TMK Atrom SA (the Company) with official head office in Slatina Draganesti, 30, Olt County, identified by sole fiscal registration number 1510210, which comprise the consolidated and separate statement of financial position as at December 31, 2019, December 31, 2018, and the consolidated and separate statement of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017").Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
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We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Inventory allowances TMK Artroms's disclosure about inventories, including the related allowance, are included in Note 3 and 19.	
As at 31 December 2019 the Company had recorded in the consolidated and separate financial statements inventory of RON 336,834 thousand, and RON 256,981 thousand net of allowances of RON 24,399 thousand and RON 15,633 thousand respectively as presented by the Company in Note 19 to the consolidated and separate financial statements. The identification and determination of the inventory allowance requires management to make judgements and assumptions and represents a process with a significant level of uncertainties. The main assumptions used by management in evaluating the level of the allowance for finished goods, semi-finished goods and work in progress include factors such as ageing of inventories, determining the net realizable value by reference to future sales, market prices of pipes and steel and market trends whose volatility is affecting the cost of raw material and the selling price of the finished goods. For raw materials, specific analysis is made, considering the obsolescence and alternative future uses of the elements in the closing balance. Due to the significance of inventory balances and the related estimation uncertainty in determining the allowance, this is considered a key audit matter.	Our audit procedures included, among others, attending the annual stock count and observing the physical condition of inventories, analysis of stock movement during 2019 and review of the forecasts regarding the usage or sale of old inventories, evaluating the analysis made by the management on the assumptions underlying the calculation of the net realizable value, and testing the calculation of inventory allowance. In respect of testing the net realizable value of inventories, our audit procedures focused on analyzing the sales made in 2019 and the first month of 2020, evaluation of the budgets of the Company and the forecasts available regarding the market price evolution for raw materials and products corroborated with the relevant information about the market and business plans of the Company. We also reviewed the adequacy of disclosures included in the consolidated and separate financial statements.

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Key audit matter	How our audit addressed the key audit matter
Recoverability of carrying value of goodwill and property plant and equipment in the consolidated financial statements and of carrying value of investment in subsidiary in the individual financial statements TMK Artrom's Group's disclosures about recoverability of the carrying value of goodwill and property plant and equipment and investment are included in Note 16 , Note 15 and Note 17.1 respectively.	
The carrying value of goodwill and property, plant and equipment included in the consolidated financial statements amounted to RON 22.8 million respectively RON 1,145 million as at 31 December 2019. The carrying amount of the investment in subsidiary TMK Resita included in the individual financial statements amounted to RON 290 million as at 31 December 2019. Under the International Financial Reporting Standards, an entity is required to test, at least annually and when impairment indicators exist, the carrying amount of goodwill and to assess whether triggers for potential impairment exist for property plant and equipment and investment in subsidiary. The assessment of whether there is an indication that an asset may be impaired, and assumptions used in the impairment analysis require significant judgement. The management has carried out an impairment assessment of triggers for potential impairment and an assessment of the recoverability of the carrying value of goodwill and property plant and equipment in the consolidated financial statements and of the carrying value of the investment in subsidiary in the individual financial statements, taking into account the past results incurred in previous years and the cyclical nature of the industry. We focused on this matter because of the significance of carrying value of goodwill and property, plant and equipment in the consolidated financial statements and of the significance of the carrying value of the investment in subsidiary in the individual financial statements and significant judgements	We evaluated and tested management's assessment of the triggers for potential impairment as well as assessment of the recoverability of the carrying value of goodwill and property, plant and equipment in the consolidated financial statements and of the recoverability of the carrying value of investment in subsidiary in the individual financial statements. Our work included, but was not limited to the following procedures: - obtained the business plans and budgets of TMK Artrom Group and reconciled input data to supporting evidence - assessed the historical accuracy of management's budgets and forecasts (in terms of production volumes and operating costs) by comparing them to actual performance - compared the assumptions used within the future cash flow models to approved budgets and business plans - evaluated the key assumptions applied in the estimated future cash flows, such as expected sales prices, production/sales volumes, cost and expenses, by analysing their consistency with the general and industry-specific economic environment and relevant available market information - checked the mathematical accuracy of management's cash flow model and its conformity with the requirements of the International Financial Reporting Standards - reviewed the management's sensitivity analysis over key assumptions in the future cash flow model in order to assess the potential impact of a range of possible outcomes;

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in relation to the assumptions used in the impairment assessment.	- involved of our internal valuation specialist to assist us in the evaluation of key assumptions and methodology used for the determination of the discount rate and review of sensitivity analysis - assessed the adequacy of the disclosures included in the financial statements

Other information

The other information comprises the Stand Alone and Consolidated Report of Administration which includes the Sustainability report - Consolidated Non-Financial Statement but does not include the consolidated and separate financial statements and our auditors' report thereon. Management is responsible for the other information.

Our audit opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Administrators' Report, we have read the Administrators' Report and report that:

a) in the Administrators' Report we have not identified information, which is not consistent, in all material respects, with the information presented in the accompanying consolidated and separate financial statements as at December 31, 2019;
b) the Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 – 19;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated and separate financial statements as at December 31, 2019, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company by the General Meeting of Shareholders on 5 April 2019 to audit the consolidated and separate financial statements for the financial year end December 31, 2019. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 9 years, covering the financial periods end 31 December 2011 till December 31, 2019.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the consolidated and separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 16 March 2020.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

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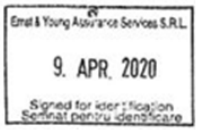
In addition to statutory audit services and services disclosed in the annual report and in the consolidated and separate financial statements, no other services which were provided by us to the Company, and its controlled undertakings.

On behalf of,

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania



Registered in the electronic Public Register under No. 77

Name of the Auditor/ Partner: Sebastian Mocanu
Registered in the electronic Public Register under No. 1603

Bucharest, Romania
09 April 2020

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