



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

STAND ALONE AND CONSOLIDATED REPORT OF ADMINISTRATION

at the financial year 2017, prepared according to ORDIN MFP 881 and 2844 / 12.12.2016 with subsequent amendments and completions 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 NSC Regulation no. 1/2006



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TUV:
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TUV CPR:
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INDEX

Informative data:.....	4
1.THE COMPANY'S ACTIVITY ANALYSIS.....	6
1.1. a) Description of the company's core business;	6
b) Specifying the date of establishment of the company;	6
c) Description of any merger or significant reorganization of the company, of its subsidiaries of controlled companies, during the financial year;	6
d) Description of the purchases and / or disposal of assets;	6
e) Description of the main results of the assessment of the business activity.....	7
1.1.1. General assessment items:	7
1.1.2. The assessment of the technical level of the company	9
1.1.3 The assessment of the technical-material acquisition activity (indigenous sources, import sources).....	13
1.1.3. The assessment of sale activity	13
1.1.4. The assessment of the aspects related to employees / staff of the company	15
1.1.5. The assessment of the legal aspects related to the impact of core business of the issuer over the environment.....	16
1.1.6. The assessment of research and development activity	18
1.1.7. The assessment of the company activity regarding the risk management	18
1.1.8. Perspective elements on the company's business.....	21
2. TANGIBLE ASSETS OF THE COMPANY	22
2.1. The location and the main production capacity characteristics owned by the company	22
2.2. Description and analysis of the wear degree of properties of the company.....	23
2.3. Specifying potential problems related to ownership of tangible assets of the Company	24
3. MARKET SECURITIES ISSUED BY THE COMPANY	24
3.1. Introducing markets in Romania and other countries that are negotiating securities issued by the company.....	24
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.	26
3.3. Description of any activities of the company to purchase its own shares.....	26
3.4. If the company has subsidiaries, including number and nominal value of shares issued by the parent company held by subsidiaries.	26
3.5. If the company issued bonds and / or other debt securities, indication of the way in which the company pays its obligations to holders of such securities.....	27
4. BUSINESS LEADERSHIP	27
4.1. Presentation of the list of Company's directors and the following information for each director:	33
4.2. The list members of the executive management of the company. For each, the following information is presented:	38



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

TUV:
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TRD 100/102
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TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

4.3. For all the persons presented in 4.1. and 4.2., indication of any litigation or administrative procedures that they have been involved during the past 5 years, for their work in the issuer, as well as those concerning the person's ability to fulfil duties within the issuer.	40
4.4 Remuneration Policy	40
5. FINANCIAL STATEMENTS.....	41
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;	41
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;	49
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.....	55
Financial indicators:	57
1. Liquidity indicators	58
2. Risk indicators	58
4. Activity indicators.....	58
5. Profitability indicators	59
Litigation.....	59
Other information	62
Corporate Governance Statement	65
Declaration of Compliance with the Code	66
Consolidated non-financial statement.....	79
Important events occurring after the end of financial year.....	79
Declaration of responsible persons	80



API:
5CT-0440
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ISO 14001
OHSAS 18001

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TRD 100/102
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Informative data:

TMK-ARTROM SA

Company Headquarters	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	Nominal, non-material, numbered 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 - company-consolidating parent - component entities

Company name	Company - parent	Shareholding (%)
TMK-ARTROM SA SLATINA	TMK Europe GmbH	92,7282
TMK INDUSTRIAL SOLUTIONS LLC	TMK-ARTROM SA SLATINA	100

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



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TUV CPR:
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The main financial indicators for 2017

TMK-ARTROM SA stand alone

	2017	2016	Increase with
Financial indicators			
Production of pipes (tons)	192.685	170.980	13%
Sale of pipes production TMK -ARTROM (tons)	185.614	169.917	9%
Total turnover (thousand RON)	1.065.446	761.911	40%
Profit of the financial year (thousand RON)	33.055	877	3669%
Net global result for the period (thousand RON)	33.091	1.139	2805%
Adjusted EBITDA * (RON)	88.639	53.349	66%
Adjusted EBITDA margin, %	8%	7%	19%
Gain / (Loss) per share (RON)	0,28	0,01	3668%

TMK-ARTROM SA consolidated

	2017	2016	Increase with
Financial indicators			
Production of pipes (tons)	192.685	170.980	13%
Sale of pipes production TMK -ARTROM (tons)	185.600	169.917	9%
Total turnover (thousand RON)	1.076.447	763.443	41%
Profit of the financial year (thousand RON)	36.235	1.165	3010%
Net global result for the period (thousand RON)	36.264	1.428	2439%
Adjusted EBITDA * (RON)	94.057	53.815	75%
Adjusted EBITDA margin, %	9%	7%	24%

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

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.



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1.THE COMPANY'S ACTIVITY ANALYSIS

1.1. a) Description of the company's core business;

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

The company is a privately owned company.

The company headquarters is in Romania, Slatina, 30 Draganesti Street, Ilt County.

b) Specifying the date of establishment of the company;

TMK-ARTROM SA Slatina was established in 1982 and is registered with the Trade Registry under no. 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.

The company was administrated in 2017 by a Board of Directors consisting of five members and operationally managed by a Management Board consisting of 4 members until on 29 September 2017 and after that date the Management Board was extended to 7 members.

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

On 26 April 2016 The Board of Directors of TMK-ARTROM Slatina decided to approve the establishment of a commercial company in the USA, called TMK INDUSTRIAL SOLUTIONS LLC, with the sole member(owner) TMK-ARTROM SA. TMK INDUSTRIAL SOLUTIONS LLC was registered on 26 April 2016 with 1.000 USD share capital and act starting with 1st June 2016 as agent for promoting and sale of industrial pipes produced by the TMK companies for American market. The purpose of this investment is the development of a specialised sale system for industrial pipes in American market which will lead to the increase of turnover of the company in this filed.

TMK INDUSTRIAL SOLUTIONS LLC has social headquarters in 10940 Houston PKWY N., apartment 325 Houston, TX 77 064, USA and which operates according to US laws, Delaware.

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

Not applicable.

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 completed contracting with the company SMS group, one of the largest



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TUV CPR:
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manufacturers of lines and equipment for manufacturing processes of all types of pipes, a line of heat treatment for seamless steel pipes.

Heat treatment line will produce seamless steel pipes for applications in oil and gas but also high-strength pipes for mechanical applications. Annual capacity will be of 165000 tons per year and will be able to treat the TMK-ARTROM fabricated steel pipes, including extra thick wall pipes up to 60 mm.

Heat treatment Complex has a modern know-how, flexibility furnaces for performing a wide range of treatments required in applications industrial pipe, an advanced management of combustion furnaces ensures a uniform high heating pipes and furnaces meet requirements qualification according to API and AMS standards.

The heat treatment line provided by the SMS group allows for various processes, such as calming and recovery treatments; normalization treatments; annealing or other combinations of heat treatments.

Thanks to the high flexibility of the product, the heat treatment line 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 NO_x 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 line, TMK-ARTROM S.A. is enhancing its presence in the market with pipes for mechanical applications and for oil and gas applications.

The contracts concluded with SMS group, are part of the investment project "Heat Treatment Complex" that has a budgeted value of 35,2 million euro, project which will be completed in 2018.

e) Description of the main results of the assessment of the business activity.

1.1.1. General assessment items:

According to Order 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.1.286/2012 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 of the Deputy Prime Minister, Finance Minister, no. no. 1.286/2012 was replaced by Order of the Deputy Prime Minister, Finance Minister, 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 31 December 2011, the company prepared the financial statements in accordance with the Romanian accounting standards according to the Order of the Minister of Public Finance no. 3.055 / 2009. The financial statements for the year ended December 31, 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.



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The stand-alone financial statements of the company have been prepared in accordance with Order no. 2844/12.12.2016 approving the Accounting Regulations compliant with International Financial Reporting Standards with subsequent amendments and clarifications. 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.

For the year 2017, the six year of application of IFRS and is the second year of preparation of the consolidated financial statements IFRS, the statement of financial position, a component part of the annual consolidated financial statements as at 31 December 2017, includes information relevant to the end of the consolidated financial reporting year end of the year prior to the stand alone reporting year; the statement of comprehensive income comprises two columns of information corresponding to the current consolidated financial reporting exercise and the financial year preceding the stand alone reporting.

According to the consolidated financial statements prepared under Orders OMFP 881/25.06.2012, OMFP 2844/12.12.2016 and OMFP 166/25.01.2017 the company registered the following indicators as at 31.12.2017:

TMK-ARTROM SA stand alone

	thousand RON	
	2017	2016
Profit before tax	33.102	1.247
Net accounting profit of which:	33.055	877
Operating profit	41.871	11.365
Financial loss	(8.769)	(10.118)
Exceptional result	-	-
Current income tax expense	(1.952)	(1.535)
Deferred income tax - revenues	2.182	2.439
Deferred income tax - expenses	(277)	(1.274)
Turnover	1.065.446	761.911
Export	75%	70%
Share from domestic market – owned	31%	29%
Liquidity	1.26	1,30

TMK-ARTROM SA consolidated

	thousand RON	
	2017	2016
Profit before tax	38.285	1.665
Net accounting profit of which:	36.235	1.165
Operating profit	47.055	11.786
Financial loss	(8.770)	(10.121)
Exceptional result	-	-
Current income tax expense	(4.067)	(1.624)
Deferred income tax - revenues	2.294	2.439
Deferred income tax - expenses	(277)	(1.315)
Turnover	1.076.447	763.443
Export	75%	70%
Share from domestic market – owned	31%	29%
Liquidity	1.27	1,29



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The profit of the year 2017 increased compared to the profit of the year 2016 due to the increase of the turnover from sale of pipes production TMK-ARTROM mainly due to the increase of the average sell price by 16% as well as the quantity of sold pipe by 9% and increase of the volume of sales of metallurgical goods purchased from the companies within the group with 101%.

1.1.2. The assessment of the technical level of the company

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 company 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.

The main products manufactured:

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 jacks
6. Precision pipes, seamless
7. Seamless pipes for water and gas installations.
8. Boring pipes and rolled 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.

Compared to the same period of the previous year, the following are presented:

STATEMENT OF REVENUES		TMK-ARTROM stand alone		increase with	degree of fulfillment
		thousand RON			
		31.12.2017	31.12.2016		
1	Revenues from the trade activity	234.365	112.870	108	208
2	Sold production	836.228	656.333	27	127
3	Trade discounts granted	5.146	7.292	-29	71
4	Turnover	1.065.447	761.911	40	140

TMK-ARTROM consolidated		increase with	degree of fulfillment
thousand RON			
31.12.2017	31.12.2016		
241.258	112.870	114	214
840.335	657.865	28	128
5.146	7.292	-29	71
1.076.447	763.443	41	141

The total turnover of TMK-ARTROM increased with 40% in 2017 compared to 2016 due to the increase of the turnover from the sold production with 27% and increase of sale of goods with 108%.



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OHSAS 18001

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The turnover from the sold production of TMK-ARTROM increased due to the increase of the physical volume of pipes from 169.917 tons to 185.614 tons (increase of 9%) but also of the average sale price of these with 16%.

The volume of sale of goods increased in 2017 with 107% mainly due to the sale on the domestic market and export of 84.659 tons (in 2016: 64.350 tons) metallurgical products (billets, rectangular billets, pipes) purchased from the companies within the group.

The pipe production volume (production TMK-ARTROM) sold in the total turnover in 2017 is of 75% (in 2016: 82,6%).

The total consolidated turnover increased with 41% in 2017 compared to 2016 due to the increase of the turnover from sold production with 28% and increase of sale of goods with 114%.

The consolidated turnover from the sold production increased due to the increase of physical volume of sales of pipes from 169.917 tons to 185.600 tons (increase with 9%) but also the average price of their sale with 16%.

The company registered in 2017 a physical production of 192.685 to pipes, registering an increase with 13% due to the increase of the volume of orders.

The volume of production has the following structure:

		2017	% total production	2016	% total production	Degree of fulfilment %
Physical production which:	of tons	192.685	100	170.980	100	113
Domestic	tons	46.285	24	30.969	18	149
Export	tons	146.400	76	140.011	82	105



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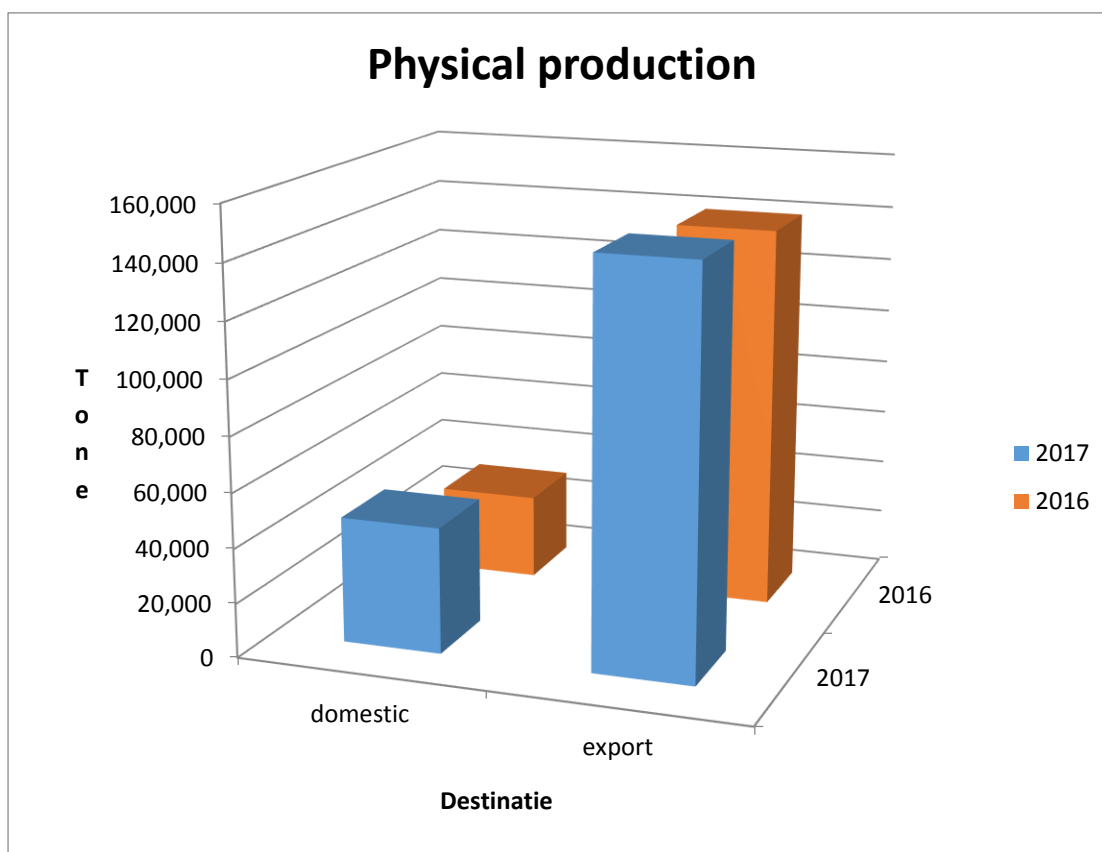
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Evolution of the production volume of pipes as of the privatization of the company:

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



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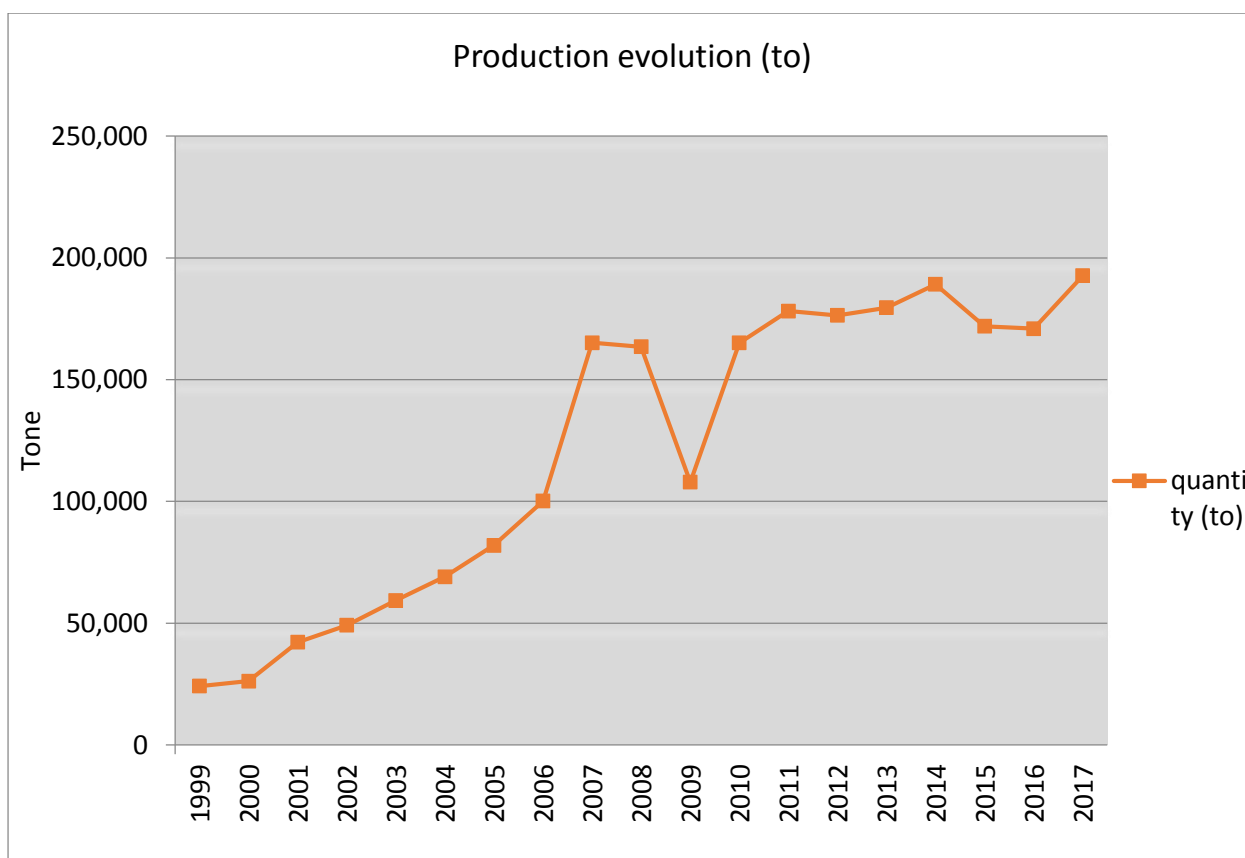
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2009	107.936
2010	165.095
2011	178.210
2012	176.385
2013	179.553
2014	189.130
2015	171.910
2016	170.981
2017	192.685



STRUCTURE OF SALES OF PIPES PRODUCED BY TMK-ARTROM IN 2017

Destination	Year 2017		Year 2016		Increase of	
	tons	thousand RON	tons	thousand RON	% tons	% lei



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TUV CPR:
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Domestic market	27.242	116.519	26.906	108.000	1,2	7,9
export total (intercommunity deliveries and export)	158.372	683.013	143.011	521.644	10,7	30,9
total sales pipe production TMK-ARTROM	185.614	799.532	169.917	629.644	9,2	27,0

The pipes sales production TMK-ARTROM in domestic market in 2017 have a share of 10,9% (in 2016: 14,17%) in total turnover and a share of 14,7% (in 2016: 15,83%) in total quantitative sale of pipes.

The sale pipes production TMK-ARTROM in external market in 2017 have a share of 64,1% (in 2016: 68,46%) in total turnover and a share of 85,3% (in 2016: 84,16%) in total quantitative sale of pipes.

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-RESITA SA is the main supplier of raw materials (billets) of TMK- ARTROM SA.

The raw material inventory as at 31.12.2017 increased compared to 31.12.2016 from 20.430 tons to 26.113 tons.

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 62.966.821 lei (without VAT) as at 31.12.2017 (as at 31.12.2016: 98.019.745 lei (without VAT)).

1.1.3. The 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, the turnover of TMK-ARTROM is as follows:

<u>Sale of pipes production TMK-ARTROM of which:</u>	<u>Year 2017 stand alone</u>		<u>Year 2016 stand alone</u>		<u>incre ase with</u>	<u>Year 2017 consolidated</u>		<u>Year 2016 consolidated</u>		<u>incre ase with</u>
	thousand RON	%	thousan d RON	%	%	thousand RON	%	thousan d RON	%	%
Domestic market	116.519	15	108.000	17	8	116.519	15	108.000	17	8
Europe	529.792	66	469.132	75	13	529.792	66	469.132	75	13
North and South America	127.194	16	31.425	5	305	127.495	16	31.473	5	305
Other areas	26.027	3	21.087	3	23	26.027	3	21.087	3	23
Total sale of pipes production TMK-ARTROM	799.532	100	629.644	100	27	799.832	100	629.692	100	27



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5CT-0440
5L-0352

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ISO 14001
OHSAS 18001

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TRD 100/102
Vd TUV

TUV CPR:
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Sales of other goods and services of which:										
Sales of other goods on domestic market	147.499	55	121.189	92	22	147.499	53	121.189	91	22
Sales of other goods on external market	117.822	44	10.475	8	1025	124.715	45	10.475	8	1091
Rendering services on domestic market	530	0,2	423	0,3	25	530	0,2	423	0,3	25
Rendering services on external market	64	0,02	180	0,1	-64	3.871	1	1.664	1	133
Total sale of other goods and services	265.915	100	132.267	100	101	276.619	100	133.752	100	107
Total turnover	1.065.446		761.911		40	1.076.447		763.443		41
Total sales on the domestic market	264.547	25	229.613	30	15	264.547	25	229.613	30	15
Total sales on the external market	800.899	75	532.298	70	50	811.900	75	533.830	70	52

Sales were achieved in 2017 directly and through traders related companies as follows:

- In Romania and Eastern Europe, sales were made directly;
- In North and Central Europe direct sale using TMK-EUROPE as agent in Dusseldorf, Germany, the majority shareholder;
- In South and West Europe direct sale using as agent TMK-ITALIA from Lecco, Italy;
- In America through agent TMK INDUSTRIAL SOLUTIONS LLC, Houston, USA;
- In the Middle East through TMK-Middle East, Dubai, UAE ;

Since September 2011, sales in South and West Europe have been made by TMK-Artrom directly to customers as a result of the conclusion of an agent contract with TMK Italia srl in September 2011, and as of January 2014 sales have been made by TMK-Artrom directly to clients in Central and Northern Europe following the conclusion of an agent contract with TMK EUROPE GmbH in November 2013.

Starting with June 2016 sales were carried out by TMK-ARTROM directly to customers in North America following the conclusion of a contract agent with TMK INDUSTRIAL SOLUTIONS LLC in June 2016.

Agents does not conclude commercial act in the name and on behalf of TMK-ARTROM .

On the short term (starting with 2018), it is taken into consideration increasing the share of high added value products and especially of heat treatment and return heat pumps, and not only. We also aim to increase the deliveries of products where we provide additional services such as cutting at fixed and precise lengths, bore and internal rolling of pipes, polishing the outside of pipes, etc.

In 2017, as a result of a more intensive promotion on the Us market of TMK-Artrom pipes by the new company TMK Industrial Solutions which act as agent of TMK-Artrom on this market and also based on a slight increase in a consumption of industrial pipes, we managed to increase the volume of deliveries by 10.3% compared with 2016, an increase of 17765 tons. On this good result also contributed the higher oil barrel price that generated a significant increase in extraction activity with direct repercussions on OCTG pipe consumption, which led to the OCTG pipe producers' orientation towards the production of such pipes, thus reducing the pressure on the market for industrial pipes produced by TMK-Artrom.



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

For the year 2018 the prospects are better compared to the previous year in terms of volumes ordered by clients as well as prices. This positive trend is caused by increasing the capacity of the heat treatment of TMK-Artrom following the completion of the investment in heat treatments that will allow an increase in sales of pipes alloy steel heat treatment (products with higher added value) but estimates on maintaining high demand for OCTG pipes in the American market, which will reduce the supply of industrial pipes in the market with positive repercussions on commodity volume and prices for such pipes that are also produced by TMK-Artrom.

Understanding the oil producers of OPEC to still maintain a lower level of oil production which should maintain a level of price for a barrel of oil over 60 USD / barrel, will definitely lead to a remained high drilling activity which will help the OCTG pipe consumption in the next period.

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;

The main market for the sale of TMK-ARTROM products is a European marketplace where approximately 80% of the production is delivered. TMK-ARTROM's market share in the European Union (28) is about 6.5% of the seamless pipe market.

Local competitors are:

- ArcelorMittal Roman
- Tenaris Silcotub Zalau

In the European market, the main external competitors are:

- Vallourec,
- Tenaris Dalmine,
- ArcelorMittal Ostrava,
- Podbrezova,
- Benteler
- Tubos Reunidos,
- Eschweiler,
- Interpipe,
- BMZ, etc,

In USA are:

- Timken,
- Michigan Seamless Tube, etc.

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

Not applicable.

1.1.4. The assessment of the aspects related to employees / staff of the company

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



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

The effective number of employees of TMK-ARTROM as at 31.12.2017 was of 1365 employees increasing with 61 employees compared to the staff registered at the end of the year 2016 of 1304 employees. TMK Industrial Solutions LLC had at the end of 2017 a number of 10 employees.

The effective number of employees of the Consolidating Parent Company as at 31.12.2017 was of 1375 employees increasing with 53 employees compared to the staff registered at the end of the year 2016 of 1312 employees.

The remuneration of employees is paid in lei under the provisions of the Collective Labour Contract and 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 staff of the company is in a continuous improvement process, participating in numerous courses and training programs.

The unionisation of the workforce is of 91%.

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.

1.1.5. 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 implemented and certified an integrated management system efficiently planned under ISO 9001:2008, integrated with an Environmental Management System and certified under ISO 14001:2004 and integrated also with Health and occupational safety Management System under OHSAS 18001:2007.

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



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

- General environmental aspects
- Significant environmental aspects.

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

- The own procedure for identification and establishment of the environmental aspects;
- Studies conducted by the authorized institutions regarding the impact of the company activity on the environmental factors;
- 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);
- Claims.

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.



API:
5CT-0440
5L-0352

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EN 10255

LR
DNV-GL Rules
RINA

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ISO/TS 16949

1.1.6. The 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 performed registered a decrease with 15,6% compared to the previous year and were carried out for the production of own pipe production technology for components used in the automotive industry.

For the next year there is a larger volume of research papers for the development of stainless steel pipe rolling technology and for assimilation in the heat treatment section of alloy steel pipes with extra-walled walls.

The result of the research expenses did not lead to recognition of intangible assets as development expenses.

1.1.7. The assessment of the company activity regarding the risk management

Description of the company exposure to the price, credit, liquidity and cash flow risk.

Description of the company policies and objectives on the risk management.

The activity of TMK-ARTROM S.A. in 2017 attempted to reduce as much as possible the exposure of the company to market, credit, liquidity and treasury risk.

The company was not exposed to internal risks:

The risks related to purchasing and trade (agreements which could not be met by suppliers, narrowing the sale market) were reduced by the fact that the sole supplier of raw material is TMK-RESITA company within the group, and 85% 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.

Since 01.07.2011 was elected a Commercial Credit Committee and came into force the regulation for its functioning, for better coordination of financial discipline and for the safety of the company claims.

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 classifies and monitors the risk for each partner.

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



API:
5CT-0440
5L-0352

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ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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. As at 31.12.2017 the credit limit granted by Coface covered to external market 56% from the required limits, and to domestic market 41% from the required limits. As at 31.12.2017 59% of insurable receivables were covered by Coface. For 5% of the total receivables from third parties irrevocable letters of credit were opened or letters of guarantee were received. Clients not covered by Coface in 100% or has no letter of credit opened are closely monitored to limit possible loss of non-payment.

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 25 million euro contracted with BCR for a period of 7 years.

In 2017 TMK-ARTROM not faced the following types of risk:

1. Risks due to human factors (strikes, incompetent)
- 2.. Informational risks (unable to keep up with new market trends)

The European Pipeline Market posted a rising pipe consumption in 2017 compared to the same period last year as a result of the positive situation in the European markets, USA, etc., which marked this year. The positive situation in the European Pipeline market was mainly driven by the high demand for pipes for the oil and gas industry in the US market, as well as by a rising consumption of pipes in the EU28 market, which allowed a much better coverage of capacities of pipe manufacturers in Europe and an almost monthly increase in seamless pipe prices by an average of 20 Euro / ton (products made also by TMK-Artrom). According to the specialized publications, the price of seamless industrial pipes (mechanical pipes, boiler pipes, pipe pipes, precision pipes) increased substantially in Europe in 2017, with the mechanical pipe increasing by 235 Euro / ton (January 2017 - January 2018), which translates into a monthly average increase of approximately 20 Euro / ton, and the mechanical pipe is the main product made by TMK-Artrom in 2017, 60% of the deliveries being represented by the mechanical pipes. The positive evolution of prices was also recorded for the orders received by TMK-Artrom, but the price increase was caused mainly by the increase in the cost of raw materials and materials and less of a large increase in the consumption of pipe for industrial applications.

In 2017, competition on the industrial pipe segment has diminished as pipe producers in Europe have increasingly focused on the US market where the demand for OCTG pipes has increased as a result of rising OCTG pipe consumption amid growing investment in the exploitation of oil at the price of which exceeded USD 60 / barrel but also due to low stocks of OCTG pipes on this market. Under these conditions, the competition industry was reduced, so manufacturers such as TMK-Artrom, whose production capacities are dedicated to these types of products, recorded a higher volume of orders and rising prices



API:
5CT-0440
5L-0352

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ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

If at the beginning of the year the continuous increase of the prices for the pipes was not accepted by the clients, these refusing to order large quantities of pipes, during the year customers understood that this is the general tendency in the market and that it is not only a speculative action, of the moment, so they began to order larger volumes of pipes in the conditions where their stocks were at low levels.

In 2017 we delivered pipe produced by TMK-Artrom in quantity of 190284 tons, reaching the same volume of historical deliveries registered in 2014, only now the share of value-added products is much higher, in 2014 the ACH workshop was at the beginning of the road, delivering in 2014 only 577 tonnes and in 2017 we delivered 14724 tons of pipes with added value produced in the ACH workshop. When we say added-value pipes produced in ACH, we refer to pipes with additional machining of cuts at fixed and precise lengths, bore and rolled pipes for the production of hydraulic cylinders and polished pipes to the outside for the production of cylinder rods, all of these products being mostly sold directly to end-users.

For 2018, once with the production start at the investment heat treatment from TMK-Artrom, we expecting a substantial increase in high value added product sales as production costs are reduced (lower gas consumption, etc.), which will translate into a higher profitability for TMK-Artrom.

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 with the related companies, TMK-ARTROM uses only market prices and controls the structure of the selling price up to the first unrelated client in the market, market fluctuations being reflected in the sale price to related companies.

Currency risk represents the potential effect that the change in 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.



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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 3.000.000 EURO treasury line.

Given the volume of transactions concluded since 2011, in September 2014 was concluded an addendum with BCR, through which the amount of the agreement was reduced to 850.000 euro.

During 2017 TMK-ARTROM had concluded also with UNICREDIT BANK a treasury line up to one million euro to carry out FORWARD transaction.

In 2017 it was not necessary and was not concluded any agreement on derivatives transactions exchange transactions.

1.1.8. Perspective elements on the company's business

a) Presentation and analysis of trends, items, events or uncertainty factors that affect or could affect the liquidity of the company compared to the same period of the previous year.

- Decreased selling prices of seamless steel pipes.

- In 2017 EURIBOR rate has remained at negative rates throughout the year, while the LIBOR rate has steadily increased and global economic and financial and political developments signal a further rise in the EURIBOR and LIBOR rates, amid the upkeep of the economic and financial crisis, could affect both liquidity as well as the level of financial losses from interest.

- Increasing the collection time of receivables for sales of pipes as a result of maintaining the economic and financial crisis.

- During 2017, efforts have been made to increase supplier payouts (supplier rotation speeds have reached 75 days), the evolution of the commodity market, variations in the oil market can all converge towards shorter supplier payouts the conditions imposed on the market by utilities suppliers; the price of raw material is increasing mainly due to the higher purchase price of old iron, graphite electrodes and ferro alloys.

- Oscillations of the exchange rates.

- Lowering the price of oil barrel to close to the psychological threshold of 50-55 USD / to what would negatively affect the oil extraction investments with direct repercussions on the consumption of the pipe.

- Decline in volumes and negative changes in the structure of orders for the US market due to the implementation of protectionist policies for the steel and aluminium trade, respectively the introduction in March 2018 in the USA of import duties on steel products of 25%.

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

The capital expenses were in 2017 of 125.984.154 lei and had as main destination investment project "Heat Treatment complex" as well as equipment to ensure the added value of the products.

Considering the Law no. 227/2015 regarding the Fiscal Code, in 2016 the company benefited from the profit tax exemption of reinvested profit in technological equipment purchased and put into operation in the amount of 33.102.201 lei mainly for technological equipment within the Heat Treatment Complex.



API:
5CT-0440
5L-0352

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ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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

Elements that may affect earnings from core business are:

Positive:

- New investment in the heat treatment Inaugurated in February 2018 will allow the plant TMK-Artrom to increase the share of orders of alloy steel with heat treatment that enjoys much higher prices than if the pipes common and provides a better return consistent given that and competition on this sector is lower.
- The new investment in heat treatment allows us to accept from 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 the oil barrel price to over USD 60 / barrel which will keep investors' appetite for new drilling pits in the US and not only with positive effects on OCTG pipe consumption and not only.
- Maintaining a high level of OCTG pipe consumption reduces the supply of industrial pipes on the market, which will allow the producers of such pipes (is also the case for TMK-Artrom) to enjoy high demand and maintain high levels of prices.
- Maintaining the anti-dumping duty on the China-free welding pipe.

Negative:

- Rising the price of raw materials and materials:
 - a) the increase of the iron price on the background of the higher demand caused by the higher consumption of metallurgical products scrap price increase due to higher demand driven by higher consumption of steel products;
 - b) the price increase for graphite or refractory electrodes as it happened in 2017 when for example the price of graphite electrodes increased from 2000-3000 USD / year to the beginning of the year to 25000-30000 USD / ton in the second part of the year;
 - c) Lower oil price with direct effects on investment in extraction and implicitly reduced OCTG pipe consumption which will lead to an increase of competition on the industrial pipe market and to a higher pressure on the price of the pipe.
 - d) Applying from March 2018 import duties of 25% on imports of steel products in the USA. However, we estimate the negative impact to be moderate.

2. TANGIBLE ASSETS OF THE COMPANY

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

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

- Workshop no 1 ASSEL: Hot rolling and finishing line for hot rolled pipe with heavy wall thickness in range of 60-224 mm, ASSEL type (120,000 tons / year) composed by several stands in line.
- Workshop no. 2 CPE: The rolling and finishing CPE (Cross Piercing Elongator) with a capacity of 100,000 tons / year. The line was commissioned on December 31, 2006, at first with only 80% of its



API:
5CT-0440
5L-0352

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ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

capacity. In 2007 we continued the investment process so that the mill's production capacity reached 100,000 tons. It produced pipes in the range of 12,5 - 114,3 mm

- Workshop 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.

- Workshop no. 5 - ACH pipes for hydraulic cylinders: is equipped with processing machines the newest available on the market, with a capacity of 32.300 tons/ year. Workshop 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 workshop during 2015 was the commissioning of the two boring and rolling pipes for hydraulic cylinders. In 2017 were put into operation two CNC machining centers for processing drilling and tapping pipes automotive industry.

- Workshop no. 6- HTP Heat Treatment Complex: is the newest and most modern workshop of the company. At the end of 2017 Heat Treatment Complex is in hot tests, a part of the equipments were partially commissioned following that the investment to be fully put into operation and finalised in the first quarter of 2018. The annual capacity projected for this section is 165.000 tons per year and will perform heat-tempering treatments; normalization; recoating and other heat treatment combinations, including hot-dip thermal treatment of pipes, covering the dimensional range of pipes produced in TMK-ARTROM, including for pipe finishing operations 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 company

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, the situation is as follows:

- The hot rolling line is in a good technical condition. There were 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.

- 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



API:
5CT-0440
5L-0352

LRQA:
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ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

composed of both machines produced in Romania before 1989, and imported equipment commissioned in 1992, 2001 and 2007.

- 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 2017 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 assets in the amount of 14.844.328 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 COMPANY

3.1. Introducing markets in Romania and other countries that are negotiating securities issued by the company.

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 - 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 31.12.2017 is of 291.587.538,34 lei, divided in 116.170.334 shares, in nominal value of 2,51 lei each.

The structure of shareholders as at 31.12.2017 is the following:

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

Starting with 24.02.2014 Financial Investment Company OLTENIA SA has become significant shareholder through transaction on secondary market with a number of shares held after transaction of 5.810.951 representing 5,002% from the share capital and the number of votes in GSM of TMK-ARTROM.



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

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DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

On 8.09.2017 Financial Investment Company OLTENIA SA owned a number of 6.388.295 shares representing 5,49% of the share capital.

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

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

Shares are registered, embodied, numbered.

b) any restrictions related 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

Mr. Popescu Adrian has restricted a number of 457 shares because on the requirement of the company in accordance with the provisions of art 140 from law 31/1990 are established guarantees during the period on which is appointed as administrator.

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:

- Elects the members of the Board of Directors, establishes their remuneration, discharges them from their duties and revokes them;
- 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.



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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.

According to individual contracts

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 the last three years the company has not granted or paid dividends.

The Board of Directors propose the distribution of individual accounting profit of TMK-ARTROM SA for 2017, in amount of 33.055.366 lei as follows to:

1. Legal reserves according to the law 31/1990, at least 5% of the annual gross profit (but not more than 20% of the share capital) including the legal reserve, related to the reinvested profit according to the provisions of art. 22 regarding the tax exemption of the reinvested profit from the Law 227/2015 "Fiscal Code" 1.655.110 lei;
2. "Other reserves for reinvested profit" 31.400.256 lei representing the reinvested profit in technological equipment – machinery, equipment and working installations.

The profit of the subsidiary TMK Industrial Solutions LLC was in amount of 3.345.622 lei (825.570 USD) and it is proposed to be carried over to the next period.

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

Not applicable.

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

API:
5CT-0440
5L-0352

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OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

The company may establish subsidiaries, branches, agencies, retail outlets, offices, branches in all regions of the country and abroad under the law of existence.

- subsidiary in HOUSTON –USA -TMK INDUSTRIAL SOLUTIONS LLC, with the only member(owner) TMK-ARTROM. TMK INDUSTRIAL SOLUTIONS LLC was registered on April 26, 2016 with 1000 USD capital.

TMK Industrial Solutions LLC act as an agent for the promotion and sale of industrial pipes produced by TMK companies for the American market.

The company has the following secondary offices:

in Slatina, Ec. Teodoroiu Street, building V 23, ground floor, Olt County

in Slatina, Ec. Teodoroiu Street, building V 22, ground floor, Olt County

in Bucharest, 2 Daniel Danielopolu Street, District 1 – Agency

In 26.09. 2017 The General Shareholders Meeting approved to establish a branch in Bucharest, Daniel Daielopolu street, no 2, district 1 – Agency for which were performed the tax registration operational the General Directorate of Big Taxpayers Bucharest receiving the registration number 38337349.

3.5. If the company issued bonds and / or other debt securities, indication of the way in which the company pays its obligations to holders of such securities.

Not applicable.

4. BUSINESS LEADERSHIP

Corporate governance.

a) on the corporate governance code which the company voluntarily decided to apply

The company management ensures compliance in the Corporate Governance Code voluntarily applied by the company with the principles contained in the Company's Corporate Governance Code of Bucharest Stock Exchange.

Starting with 1 March 2006 TMK-ARTROM S.A. is a company related to the companies of TMK Group being controlled by the German company TMK-EUROPE which has as sole shareholder the Russian company PAO TMK. (Starting with 9.07.2015 OAO TMK changed its name in PAO TMK).

However, TMK-ARTROM is managed and runned as an independent company complying with the legislation relating to the local capital markets and the equally protection of interest to each shareholder .

From the same group of companies is part TMK-RESITA as well, but according to the OMF 2844/2015 should not be prepared consolidated financial statements.

In Romania TMK-ARTROM is related to TMK-RESITA which is controlled by the same shareholder. There are not reported consolidated financial statements for the two companies, since they do not comply with the provisions of the law regarding the consolidated financial reporting requirement.

TMK-ARTROM constantly strives to ensure that its activities are consistent with global standards of openness and financial transparency.



API:
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5L-0352

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ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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 Corporate governance is based on legitimate rights and interests of shareholders. It encourages effectively corporate activities, including increases in the value of company assets; create jobs and support profitability and financial stability of the Company.

Since 2014 in TMK-ARTROM it is developed and implemented the Code of Conduct, including the compliance rules that govern the professional activity of the company and its employees. The Code of Conduct is published on the website TMK-ARTROM.

In addition to the Conduct Code have been developed:

- working procedure PL-DE-DAIAR-02 Ed. 1/Rev. 0/26.01.2015 regarding „The prevention and reporting the corruption acts”, through which were established the basic anticorruption principles that apply within the company;
- Rules on conflicts of interest, aiming to limit the influence of private interests, personal of employee on the positions held by them, business decisions taken and guarantee compliance with high standards of corporate management principles of openness, transparency and predictability.

The corporate governance principles applied in the company are publicly available and can be obtained on the company website www.tmk-artrom.eu.

b) on the extent to which, according to national legislation, the entity does not observe the code of corporate governance that applies to it or that it has chosen to apply, an explanation of it on the parts of code that do not apply to it and the reasons for not applying them;

Not applicable

c) a description of the main characteristics of internal control and risk management systems in relation to the financial reporting process;

Internal control - 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:

- the effectiveness and efficiency of operations;
- the reality of financial reports;
- the compliance with the laws and regulations applicable within the Company.

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

The internal Audit is performed under the provisions of **OUG 75/1999** regarding the financial audit activity, modified and completed by Law no. 162 of 6 July 2017 on statutory audit of annual financial statements and consolidated annual financial statements and amendments to normative acts with the role of increasing and protecting organizational value by offering assurance, advice and deep knowledge based on objective principles based on risk.



API:
5CT-0440
5L-0352

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ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

The internal audit function is an integral part of the company's internal control system. The Internal Audit and Risk Analysis of TMK-Artrom S.A. reports to the Chief Executive Officer and operate in order to assess, through a systematic and methodical approach, the existing processes of internal control, risk management and corporate governance.

Internal audit objectives agreed with the company's management under the law in force, are:

- a) verifying the compliance of activities from the entity being audited with policies, programs and its management, in accordance with legal provisions;
- b) assessing the adequacy and application of financial and non-financial controls arranged and conducted by management in order to increase the efficiency of the economic entity;
- c) assessing the appropriateness of the data / information management for financial and non-financial entity knowledge from economic reality;
- d) protecting property and off balance sheet items and identifying methods to prevent fraud and losses of any kind.

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 company level.

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:

- Maintain threats within acceptable limits;
- To take appropriate decisions to explore opportunities;
- Contribute to the improvement of the performance of TMK-Artrom S.A.

accordance with the Accounting Law no 82/1991 and OMFP no. 522 dated 16 April 2003 (updated) for the approval of the General Methodological Norms regarding the exercise of preventive financial control, the preventive financial control decision no. 325 dated 8.11.2011, 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 14001 and its documents, the way in which they are implemented and effectively maintained.

Annually there is also performed the control of the assets by conducting an annual inventory based on the decision of the company management and the decision to establish a program of annual inventory.

Financial reports prepared in compliance with the national legislation are audited by Ernst & Young as well as annual reports and financial statements prepared in order to consolidate the financial statements at the level of the TMK Moscow group.

d) the conduct of the general shareholders' meeting and its key functions as well as the description of shareholder's rights and how they can be exercised;

The General Meeting of Shareholders is the governing body of the company; it decides on its activity and ensures the economic and trade policy.



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

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ISO/TS 16949

General meetings are ordinary and extraordinary.

THE ORDINARY GENERAL MEETING meets at least once a year within 5 months of the end of the financial year and shall:

- a/ discuss, approve or modify annual financial statements, based on the reports presented by the Board of Directors, the financial auditor and sets dividends;
- b/ elect or dismiss members of the Board of Directors, establishes their remuneration and makes opinions over their administration;
- c/ sets the duties and powers of the Board of Directors;
- d / approves the income and expenditure budget and the business program;
- e / decides to pledge, lease or dissolve one or more units of the Society;
- f / appoints or revokes the financial auditor and sets the minimum term of the audit agreement.

THE EXTRAORDINARY GENERAL MEETING shall meet whenever necessary and decides on:

- a / / change of the Incorporate Deed of the Company;
- b / relocation of the Company's registered location;
- c / alteration of the activity's objects of the Company;
- d / prolongation of the duration of the Company;
- e / increase of the registered capital;
- f / reduction of the registered capital or its unification by issuing shares;
- g / merger with another company or split of the Company;
- h / early dissolution of the Company;
- i / issuance of bonds;
- j / conversion of shares from one class to another;
- k / conversion of a class of bonds or shares in another category or in shares;
- l / any other change in the Articles of Association or any other resolution for which approval is required from the Extraordinary General Meeting;
- m / the following powers are delegated to the Board of Directors by the Articles of Association:
 - relocation of the company registered office;
 - alteration of the activity's objects of the Company except for the main class of activity;
 - establishment or dissolution of secondary offices, branches, agencies, offices or other such units without legal personality.



API:
5CT-0440
5L-0352

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ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

e) the structure and operation way of the administrative, management and supervisory bodies and their committees during the reporting period.

As at 31.12.2017 the company was administrated by a Board of Directors composed of:

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

The present Board of Directors have mandate since 26.09.2017 till 26.09.2021.

The Board of Directors of the Company consists of 5 members who are not independent, mostly non-executive directors with the exception of the Chief Executive Officer.

Responsibilities of the Board of Directors:

The Board is charged with performing 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 mandated officers of the Company.

The Board of Directors has the following basic competences that cannot be delegated to directors:

- ◆ To establish the main directions (ways) of activity and development of the Company;
- ◆ To establish the accounting and financial control system and financial planning approval;
- ◆ appointment and dismissal of the mandated officers and determination of their remuneration;
- ◆ supervision of the activity performed by mandated officers;
- ◆ preparing the annual report, organizing the general meeting of shareholders and implementing its decisions;
- ◆ application of the request on opening insolvency proceedings.

The Board represents the company only in relations with the CEO and other executive officers.

In 2017 there were 9 meetings of the Board of Directors having on agenda the following:

Date	Discussed topics
12/01/2017	Convening notice General Meeting of Shareholders
15/02/2017	<ol style="list-style-type: none"> 1. Quarterly economic reports of IV quarter 2016. 2. Financial preliminary annual results 31.12.2016, under Regulation FSA no.1/2006; 3. Publication in accordance with the legal provisions of annual preliminary financial results at 31.12.2016, the preliminary key indicators for 2016.
02/03/2017	<ol style="list-style-type: none"> 1. Convening notice General Meeting of Shareholders; 2. Management performance bonus for 2016.
24/03/2017	<ol style="list-style-type: none"> 1. Management Report of the Board of Directors for the year 2016 and its submission to the GSM approval; 2. annual individual financial statements prepared under IFRS for 2016 in order to send them to the discussion and approval GSM as well as proposal of AC to GSM regarding the distribution of profit in the reserve fund, other reserves for reinvested profit, for covering the losses of previous years and carrying forward the difference of the undistributed profit; 3. Proposal to General Meeting of the Shareholders regarding the discharge of activity



API:
5CT-0440
5L-0352

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ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

	<p>for the members of the Board of Administration for the financial year of 2016;</p> <p>4. The income and expenses budget and the activity program of the Company for the year 2017 and his submission for approval General Shareholder Meeting;</p> <p>5. Analysis of the investment program results for 2016;</p> <p>6. Investment schedule for the year of 2017 and his submission for approval General Shareholder Meeting;</p> <p>7. Proposal for credit ceilings for 2017, including the extension of credit agreements expiring in 2017 and new sources of circulating capital needed in 2017.</p>
11/05/2017	<p>1. Quarterly economic reports - analysis and approval of the economic results of the first quarter of 2017.</p> <p>2. Financial results 3 months ended 31.03.2017, according to AFS Regulation No.1 / 2006;</p> <p>3 Publication in accordance with the legal provisions of the financial results for 3 months ended 31.03.2017</p>
15/08/2017	<p>1. Quarterly economic reports - economic analysis and approval of the results of the second quarter of 2017.</p> <p>2. Report of the Administrator and financial results 6 months ended 30.06.2017, according to AFS Regulation No.1 / 2006;</p> <p>3. Publication in accordance with the legal provisions of the financial results for 6 months ended la 30.06.2017;</p> <p>4. Consolidated financial statements for the year ended 31 December 2016 prepared in accordance with the provisions of OMFP no. 2844/2016;</p> <p>5. Publishing in accordance with the legal provisions the results of the consolidated financial statements for the financial year ended 31.12.2016 prepared in accordance with the provisions of the OMFP no. 2844/2016;</p> <p>6. Administrator's Report for the Consolidated Financial Statements for the Financial Year ended 31.12.2016;</p> <p>7. Convening notice of General Meeting of Shareholders</p>
03/10/2017	<p>Point (1). Modification of the credit agreement 1624 / 08.11.2016 ("BANCPOST Facility") concluded by TMK-Artrom, as borrower, TMK-RESITA as Fideiutor, with Bancpost SA ("BANCPOST"), of EUR 10,000,000 (the "BANCPOST Facility Amount") for the financing of circulating capital needs, as follows:</p> <ul style="list-style-type: none"> - Modify the type and object of the facility as follows: <ul style="list-style-type: none"> o 1.1. sublimit 1: overdraft; to provide working capital to cover the financial needs of the current Borrower's business; o 1.2. sublimit 2: issuing commitments (i.e. letters of guarantee and / or letters), whose validity does not exceed the final maturity date." - Modify the approved facility limit by increasing it from 10.000.000, EUR to 20.000.000, 00 EUR, the amount of the facility can be used as follows: <ul style="list-style-type: none"> o Sublimit 1- overdraft: maximum 20.000.000,00 EUR; o Sublimit 2 (issuing commitments) up to 20.000.000,00 EUR. <p>In order to ensure the full reimbursement and the fulfilment by the Company of its obligations (throughout their existence) of the BANCPOST Facility, the following guarantees shall be maintained in favour of BANCPOST:</p> <ul style="list-style-type: none"> i. Corporate guarantee letter issued by PAO TMK amended to cover the new facility; ii. Security mortgage on the balances of current and future accounts opened by the Company on BANCPOST („Security mortgage on



	<p>accounts BANCPOST")</p> <p>iii. Fidejussion (personal guarantee) issued by TMK Resita SA</p> <p>Point (3). Empowerment with full powers and authority to represent the Company for (i) the signing of the additional acts related to the Bancpost Facility and the mortgage contract on the Bancpost accounts (together, Bancpost Contracts), (ii) the diligent negotiation, in the name and on behalf of the Company , with its best abilities, any other terms and conditions of the BANCPOST Contracts not expressly stated in these resolutions (including, but not limited to: the refund modalities and repayment dates of the BANCPOST Facility, extension of its duration, credit conversion (iii) signing and / or sending all documents and notifications (including, if applicable, any request for use) to be signed and / or dispatched by the Company in accordance with and / or in connection with the BANCPOST Contracts, and (iv) signing, writing, depositing to send and receive any other documents relating to the performance of any other formalities and actions necessary for the proper implementation and execution of the Bancpost Contracts, including but not limited to the registration of the BANCPOST Mortgage Account at the Electronic Archive for Securities, to the following people, as follows:</p> <ul style="list-style-type: none"> - Mr. Adrian Popescu – Chief Executive Officer TMK-Artrom will lead individual signature alone being empowered to sign the above documents; or - Mr. Evgeny Chernyy - Chief Financial Officer TMK-Artrom, will have signature right only with Mrs Cristiana Vaduva – Chief Economical and Accountancy Officer TMK-Artrom, being empowered to sign only together the documents above mentioned. <p>Mr. Adrian Popescu may delegate his powers under paragraph (iii) and (iv) above to any third parties of its choice.</p>
09/11/2017	<p>1. Quarterly Economic Reports - Analysing and Approving Economic Results of Quarter III 2017;</p> <p>2. Stand alone and consolidated financial results for 9 months ended 30.09.2017, according to FSA Regulation No.1 / 2006;</p> <p>3. Publication in accordance with the legal provisions of the individual and consolidated financial results for the nine months ended 30.09.2017.</p>
22/12/2017	<p>PAO TMK proposal made as a consultant, to participate in the global insurance program TMK, to ensure the entire patrimony and for insurance against losses resulting from business interruption 2018.</p>

4.1. Presentation of the list of Company's directors and the following information for each director:

- a) CV (name, age, qualification, work 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;



API:
5CT-0440
5L-0352

LRQA:
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ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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- Chief Executive Officer
3. Mikhail Albertovich Surif
4. Andrey Parkhomchuk
5. Olga Nikolaeva

Andrei Zimin**a) CV**

Andrey A. Zimin is employed in TMK since 2004.

Mr. Zimin graduated from State University of Foreign Affairs in Moscow in 2003 having diploma in law.

In 2003-2004, Mr. Zimin was employed in the position of attorney in the law firm of Yust.

In 2004-2012, Mr. Zimin was chief of the corporate Department of OAO TMK.

Since 2012, Mr. Zimin is 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).

Adrian Popescu- Chief Executive Officer**a) CV**

Last name: POPESCU

First name: 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



API:
5CT-0440
5L-0352

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ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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 I 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 Geschäftsführung (Chairman of BoD) in TMK-Europe and Chairman BoD in TMK-Italia Chairman BoD in TMK INDUSTRIAL SOLUTIONS LLC

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 from which 457 shares are restricted on the requirement of the company being established as guarantees under the provisions of art. 140 from Law 31/1990.

d) list of affiliated trading company.

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

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 of Business and Management, Finance and Banking Program



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

- 2009-2011- State University-School of High Economic Studies, Faculty of Economics, Corporate Finance Master Program

Professional activity:

08.2013 – to date

PAO TMK- Director of Economical and Planning Directorate

09.2009 – 08.2013

OAO TMK- Head of Budgeting Enterprises - Key and Consolidation

04.2007 – 08.2009

Sinara Group- Specialist

Department of Planning and Investment Control

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).

Parkhomchuk Andrey Vladimirovich

a) CV

NAME: PARKHOMCHUK

SURNAME: ANDREY VLADIMIROVICH

Nationality: Russian

Citizenship: Russian

Languages: English, French, Ukrainian

Education:



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

- 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	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
02.07.2012	First Deputy Director General, Management



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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).

Olga Nikolaeva

a) CV

NAME: NIKOLAEVA

SURNAME: OLGA

Nationality: Russian

Citizenship: Russian

Olga Nikolaeva is employed within PAO TMK since 2012.

Ms. Olga Nikolaeva graduated from State University for Industry in Moscow in 2001 having diploma in law.

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 is Head of the 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).

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

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



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

- b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;
- c) the person's participation in the company capital.

The management privileges and powers of the Company are delegated by the shareholders through the Constitutive Act to the Chief Executive Officer and to three of the CEO's deputies, namely:

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

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

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

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

1. by the Chief Executive Officer acting individually; or
2. by Chief Operational Officer (first signature) acting together with the Chief Economic 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 Economic 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 Economic 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 Economic and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer.
6. by Executive Officer Plant (first signature) acting together with the Chief Economic and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer.

Chief Economic 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 starting 26.09.2017-26.09.2021(GSM decision);
- 2) Vaduva Cristiana – mandate starting 26.09.2017-26.09.2021;
- 3) Drinciu Cristian – mandate starting 26.09.2017-26.09.2021;
- 4) Mustata Valeru – mandate starting 26.09.2017-26.09.2021;



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

- 5) Evgeny Chernyy- mandate starting 26.09.2017-26.09.2021
- 6) Pavlov Alexander- mandate starting 26.09.2017-26.09.2021
- 7) Neacsu Constantin- mandate starting 26.09.2017-26.09.2021
- 8) The mandates were successively prolonged, the last extension being in 26.09.2017.

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) the person's participation in the company's capital.

The following directors own shares in capital:

Last name and first name	Number of shares held
Popescu Adrian	4981
Vaduva Cristiana	19001
Mustata Valeru	1275

Mr. Adrian Popescu holds a total of 4981 shares of which 457 shares are restricted to guarantee request of the company being constituted according to art. 140 of Law 31/1990.

4.3. For all the persons presented in 4.1. and 4.2., indication of any litigation or administrative procedures that they have been involved during the past 5 years, for their work in the issuer, as well as those concerning the person's ability to fulfil duties within the issuer.

There are no litigation or administrative proceedings in which the executive members have been involved in last 5 years.

4.4 Remuneration Policy

The Board members don't receive any remuneration for the activity performed in the Board or any other benefit.

The Executive Management is remunerated in the form of base salary in cash, for the fulfilment of their duties, annual bonus for senior executives based on performance registered and non-monetary benefits such as life and accident insurance, health insurance, medical services.

Within the company is not granted remuneration in the form of shares or share options granted free of charge.



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

5. FINANCIAL 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;**

BALANCE SHEET ITEMS, in simplified form:

	2017 stand- alone	2016 stand- alone	2015 stand- alone	2017 consolidated	2016 consolidated
NAME OF INDICATORS	thousand RON	thousand RON	thousand RON	thousand RON	thousand RON
1 Intangible assets	1.965	2.199	1.519	1.974	2.211
2 Fixed assets	462.947	438.645	437.088	462.947	438.894
3. Lands	10.957	10.957	10.957	10.957	10.957
4. Investments in progress	132.762	45.602	11.498	132.762	45.602
5. Financial non-current assets	1.135	1.208	51	1.131	1.204
6. Deferred tax asset	0	0	0	69	0
7. Other non - current assets	4.226	14.145	9.227	4.256	14.178
TOTAL FIXED ASSETS	613.991	512.757	470.339	614.284	513.047
8. Inventories	238.084	158.438	132.327	238.135	158.438
9. Receivables	238.496	213.734	220.564	239.221	212.586
10. Advance payments	66.350	101.741	100.155	66.453	101.803
11. Cash	10.825	16.772	4.079	11.609	18.077
TOTAL CURRENT ASSETS	554.823	490.684	457.124	556.486	490.903
TOTAL ASSETS	1.168.814	1.003.441	927.463	1.170.769	1.003.950
12. Equity	520.418	487.326	486.187	523.910	487.646



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

13. Liabilities: Amounts to be paid within a period of up to one year	439.408	379.056	248.084	437.871	379.202
14. Liabilities: Amounts to be paid within a period longer than one year	208.988	137.059	193.193	208.988	137.102
TOTAL LIABILITIES	1.168.814	1.003.441	927.463	1.170.769	1.003.950

The fixed assets reported by the Group as well as those reported by TMK-ARTROM experienced a 20% increase on 31.12.2017 as of 31.12.2016 due to the "Heat Treatment Complex" investment project as well as other equipment to ensure the increase of the value added products.

As at 31 December 2017 tangible assets are stated at cost, net of accumulated depreciation and / or accrued impairment losses, if any.

As at 1 January 2011, to prepare the first set of financial statements in accordance with IFRS for all items of tangible fixed assets (including land, buildings, machinery and equipment), the company chose as its deemed cost, the cost revalued at 31 December 2010 (using a recalculated for one year, since 31 December 2011).

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses recognized on the valuation date.

TMK-ARTROM SA used for accounting depreciation of tangible fixed assets the straight-line depreciation method. The estimated useful lives used to calculate accounting depreciation of fixed assets are the management best estimate regarding the useful economic life of the assets considering technical characteristics and utilization conditions.

For tax depreciation were used useful lives established under GD 2139/2004 approving the Catalogue on the classification and normal useful life of fixed assets. For technological equipment, machines, tools and installations as well as for their computers and peripheral equipment, which were registered during 2017, the accelerated depreciation regime was used, according to art. 28 par. (6) (b) of Law no. 227/2015. For the means of transport recorded during 2017 the degressive depreciation regime was used, according to art. 28 par. (6) (c) of Law no. 227/2015. For the calculation of tax depreciation of other fixed assets, it was used straight-line depreciation method.

In 2015 the company concluded an agreement for the acquisition of a new software „Integrated System Microsoft Dynamics AX 2012“. Starting with November 2016 the informatics software was commissioned. As at 31.12.2017 the AX software had the inventory value of 2.344.584 lei.

The Group's **receivables** registered **an** increase in 2017 with 13% due to the increase of the turnover compared to the same period of the previous year, the receivables reported by TMK-ARTROM individually increased by 12% due to the increase in turnover.

As at 31.12.2017, the Group registered doubtful clients on collection in amount of 3.275 thousand RON for which value adjustments were made in the amount of 2.243 thousand RON. As at 31.12.2016, both the Group and the Company register doubtful clients in the amount of 2.817 thousand RON for which value adjustments were made in the amount of 2.011 thousand RON.

As at 31 December 2017 the Group TMK-ARTROM SA (consolidated) has to receive from companies within TMK Group trade receivables in amount of 14.561 thousand RON (31 December 2016: 8.442 thousand RON), As far as TMK-ARTROM SA is concerned, it has to collect from TMK companies trade receivables amounting to 14.049 thousand RON (31 December 2016: 9.671 thousand RON).



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR: LR LRQA:
EN 10210-1,2 DNV-GL Rules ISO/TS 16949
EN 10255 RINA

The company TMK-ARTROM has to recover from the state budget the value added tax in the amount of 4.022 thousand RON, representing the VAT to be reimbursed belonging to the October and November 2017 tax return of the fiscal group and 10.707 thousand RON representing the VAT to be reimbursed belonging to the December 2017 tax return of TMK-ARTROM SA as a member of the fiscal group. According to Decision No 2/30.04.2008 issued by NAFA-DGAMC since June 2008, TMK ARTROM tax is representative of the group consisting of TMK- ARTROM SA and TMK RESITA SA. Through decision NAFA nr.22/28.05.2010 was approved maintenance tax group for a period of 5 years and was extended through the Decision 6026/SRC dated 6.05.2015 for a period of minimum 2 years. Monthly VAT payment obligation of TMK Resita SA is set-off with VAT refunded through the TMK-ARTROM the VAT tax consolidated group.

The inventories registered an increase of both the Group and the parent company increased by 79.697 thousand RON namely with 79.646 thousand RON (with 50%) due to the increase of the activity. The finished goods inventories increased with 91%, finished goods and goods purchased from group in transit mainly to the US market and sale term DDP to customers increased with 425%, the inventory of raw material increased with 52%.

The cash and cash equivalents of both the Group and the parent company decreased by 36% and 35%, respectively, mainly as a result of the use of revenues in the last days of 2017.

The prepayments of the group decreased as at 31.12.2017 compared to 31.12.2016 from 101.803 thousand RON to 66.453 thousand RON. As for TMK-ARTROM, advance payments have fallen as at 31.12.2017 compared to 31.12.2016 from 101.741 thousand RON to 66.350 thousand RON as a result of the decrease in the advance granted to TMK RESITA for the financing of the production activity.

TMK-ARTROM SA ensured the financing of production activity of TMK Resita SA by trade advances granted for delivery of billets to TMK-ARTROM that were in the amount of 62.966.821 lei (without VAT) as at 31.12.2017 (as at 31.12.2016: 98.019.745 lei (without VAT)).

Total liabilities of the group's current and long-term, increased from 516.304 thousand RON as at 31.12.2016 to 646.859 thousand RON lei as at 31.12.2017 due to the increase of financial liabilities (loans and long and short term loans) from 293.116 thousand RON to 379.929 thousand RON, but also to trade liabilities by 37.685 thousand RON due to the increase of the activity. **Total liabilities** of TMK-ARTROM, current and long-term, increased from 516.115 thousand RON as at 31.12.2016 to 648.397 thousand RON lei as at 31.12.2017 due to the increase of financial liabilities (loans and long and short term loans) from 293.116 thousand RON to 379.929 thousand RON, but also to trade liabilities by 39.761 thousand RON due to the increase of the activity.

Bank loans

All loans in foreign currency were evaluated according to available exchange rates as at 31.12.2017.

TMK INDUSTRIAL Solutions LLC – the subsidiary of the group has no loans contracted at 31 December 2017, so all debts in respect of the loans are of TMK-ARTROM.

The bank loans situation at the end of 2017 compared to the previous year is as follows:



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR: LR LRQA:
EN 10210-1,2 DNV-GL Rules ISO/TS 16949
EN 10255 RINA

Short-term bank loans:

Name of the banking company	currency	31.dec.16		31.dec.17	
		<u>balance lei</u>	<u>Balance foreign currency</u>	<u>balance lei</u>	<u>balance foreign currency</u>
Line for financing general needs in UNICREDIT BANK	EUR	49,043,880	10,800,000	65,235,795	13,999,999
Overdraft unengaged for 3 years BANCPOST	EUR	42,545,898	9,369,073	91,456,392	19,627,099
Total short-term bank loans		91,589,778	20,169,073	156,692,187	33,627,098

Name of the banking company	currency	31.dec.15		31.dec.16	
		<u>balance lei</u>	<u>balance foreign currency</u>	<u>balance lei</u>	<u>balance foreign currency</u>
Line for financing general needs in UNICREDIT BANK	EUR	53.389.100	11.800.000	49.043.880	10,800,000
Overdraft unengaged for 3 years BANCPOST	EUR			42.545.898	9,369,073
Total short-term bank loans		53,389,100	11.800.000	91.589.778	20.169.073

Long-term bank loans

Name of the banking company	currency	BALANCE as at 31.12.2017					
		amount due		<u>maturity over 1 year</u>		<u>maturity less than 1 year</u>	
		<u>lei</u>	<u>foreign currency</u>	<u>lei</u>	<u>foreign currency</u>	<u>lei</u>	<u>foreign currency</u>
Overdraft credit line BCR ERSTE	EUR	37.554.818	8.059.493			37.554.818	8.059.493
Loan investments BCR ERSTE 7 years	EUR	99.305.999	21.311.672	99.305.999	21.311.672	0	0
TOTAL		136.860.817	29.371.165	99.305.999	21.311.672	37.554.818	8.059.493

Name of the banking company	currency	BALANCE as at 31.12.2016					
		amount due		<u>maturity over 1 year</u>		<u>maturity less than 1 year</u>	
		<u>lei</u>	<u>foreign currency</u>	<u>lei</u>	<u>foreign currency</u>	<u>lei</u>	<u>foreign currency</u>



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

Overdraft credit line BCR ERSTE- 3 years	EUR	76.875.748	16.928.883			76.875.748	16.928.883
Loan investments BCR ERSTE 7 years	EUR	19.256.218	4.240.430	19.256.218	4.240.430	0	0
TOTAL		96.131.966	21.169.313	19.256.218	4.240.430	76.875.748	16.928.883

Name of the banking company	curren cy	BALANCE as at 31.12.2015					
		amount due		maturity over 1 year		maturity less than 1 year	
		lei	foreign currency	lei	foreign currency	lei	foreign currency
Loan for 5 years BCR ERSTE	EUR	35.347.656	7.812.500	0	0	35.347.656	7.812.500
Loan for 5 years UNICREDIT BANK	EUR	31.671.500	7.000.000	0	0	31.671.500	7.000.000
Overdraft credit line BCR ERSTE- 3 years	EUR	77.490.250	17.126.810	77.490.251	17.126.810	0	0
TOTAL		144.509.406	31.939.310	77.490.251	17.126.810	67.019.156	14.812.500

❖ the amount of 65.235.795 lei (equivalent of 3.999.999 EURO) is related to an uncommitted credit in total amount of 16.000.000 EURO - contracted with UNICREDIT BANK in 15.10.2013 (when the loan was contracted, its value was 27.000.000 EURO), which can be used as follows:

- In the maximum amount of 15.000.000 EURO to financing general needs / issue of letters of bank guarantee / letters of credit (revolving credit) with interest rate EURIBOR 1M+2.7%, with maturity 17.02.2019
- In the maximum amount of 10.000.000 EURO for general expenses on current account (overdraft) with the interest rate EURLIBOR O/N+2.75% with maturity 17.02.2018 and which will be extended for another year
- In the maximum amount of 1.000.000 EURO, to cover the value risk of transactions under the Framework Contract for Treasury Products with maturity 17.02.2018;

In June 2015 was concluded an addendum through which the amount for the coverage of risk value (treasury transactions) was decreased from 2.000.000 EURO to 1.000.000 EURO, which determined the reduction of the total value of the loan from 27.000.000 EURO initial on the concluding the loan, to 26.000.000 EURO.

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

In March 2017, by additional document, the value of the loan was reduced from 26.000.000 EURO to 16.000.000 EURO and the maturities were extended, confirming the above description

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



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

- Non-disposable mortgage security on the current account balance of current account / sub-accounts opened at UNICREDIT SA as TMK-ARTROM SA;
- Company Warranty issued by PAO Volzsky Pipe Plant to guarantee the full and irrevocable repayment of any and all amounts that the Borrower and / or Codebtor owes to the Bank under this Agreement.

According to the initial contract was going to repay this loan in a single instalment at final maturity.

During 2016 the company decided anticipated voluntary repayment of 1.000.000 EURO.

In October 2016 an addendum was signed which extended the maturity until 17.01.2017 for cash and until 17.07.2017 for the purpose of issuance of letters of guarantee and letters of credit opening, and will be completed negotiations with the bank to extend the facility for another two years.

In March 2017, by additional document, the value of the loan was reduced from 26.000.000 EURO to 16.000.000 EURO and the maturities were extended as described in use

- ❖ the amount of 37.554.818 lei, representing 8.059.493 euro, is related to the operating loan - multiproduct credit facility within a 20.000.000 EURO- contracted with BCR in 03.10.2011, with a 3-year validity period, with interest EURIBOR 3M plus 1,9% which is replacing the overdraft of 18.400.000 euro.

Final maturity date is 03.10.2018.

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 codebtor 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. As at 31.12.2017 the company issued a warranty letter of good payment in the amount of 80.000 EURO issued in favour of a supplier TMK INOTAL ALUMINIUMFELDOLGOZO and a participation letter in the amount of 3333015 EURO in favour of TRANSGAZ S.A.

- ❖ the amount of 99.305.999 lei (respectively the equivalent of a 21.311.672 EURO) is related to a 7-year investment loan in the amount contracted by 25.000.000 EURO- concluded with BCR in 07.11.2016 with an interest EURIBOR 3M plus 3,35% to finance the COMPLEX OF HEAT TREATMENT

The final maturity is 07.11.2023.

For this loan the company constituted warranties, as follows:

- Pledge without dispossession having as titular TMK-ARTROM;



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

- 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 codebtor 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 (sixtyninethousand threehundredthirtynine 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.Drăgănești Str.30, Olt county, tabled in the Land Book of Slatina, Olt County with no. 58253
- ❖ the amount of 91.456.392 lei (equivalent of 19.627.099 EURO) is related to an overdraft unengaged for 3 years in the contracted amount of 10.000.000 EURO- concluded with BANCPOST in 07.11.2016, with an interest EURIBOR 3M plus 2,0% used for financing working capital needs, and whose value was increased in October 2017 to 20.000.000 euro
The final maturity is 07.11.2019.

For this loan the company constituted warranties, as follows:

- Pledge without dispossession on credit balance of accounts / sub-accounts opened with Bancpost SA current holder having as TMK-ARTROM;
- Company guarantee issued by PAO TMK in full and irrevocable guarantee repayment of any and all amounts that the Borrower and / or co-debtor owes the Bank under this Contract.
- Personal Guarantee (fideiusiune) TMK-Resita SA.

As at 31.12.2017 the company had issued under these facilities the following letters of credit:

#	Bank	Beneficiary on letter of credit	Number of letter of credit	Contract amount of letter of credit (in currency)	Unused amount of letter credit (in currency)	Letter of credit currency	Date of opening	Date of termination
1	BCR	SMS GROUP s.p.a	IO97531	1.299.000	1.299.000	EUR	19.01.17	15.04.2018
2	BCR	SMS GROUP s.p.a	IO97532	126.900	126.900	EUR	19.01.17	15.04.2018
3	BCR	SMS GMbH	IO97750	1.880.000	62.913	EUR	20.02.2017	31.03.2018
4	BCR	SMS GROUP s.p.a	IO97626	267.500	267.500	EUR	09.06.2017	10.01.2018
5	BCR	SMS GMbH	IO97625	235.000	235.000	EUR	13.06.2017	23.05.2018

- ❖ The company has contracted with BCR a ceiling of discount for promissory notes amounting to 10.000.000 lei 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 4.000.000 RON, and in August 2016 to 2.000.000 RON.
As at 31.12.2017 there were no outstanding promissory notes and discounted unmatured.



API:
5CT-0440
5L-0352

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ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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.

Short term liabilities to affiliated entities

TMK EUROPE GmbH Germany is a creditor for short term with the following loans:

- 15.377.010 lei (equivalent of 3.300.000 EURO) related to the loan agreement 2016/2A dated 24.11.2016, in amount of 5.000.000 euro, with an interest of 3.5% yearly and final maturity in 30.06.2018

The interest due by TMK-ARTROM S.A. as at 31.12.2017 is of 9.945,83 EURO, respectively 46.345 lei.

Other long-term liabilities to affiliated entities

The company TMK EUROPE GmbH Germany (former TMK SINARA HANDEL GMBH) is the lender with the amount of 70.193.087 lei representing 18.037.540 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 22.837.540 USD and 38.425 RON.

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

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

1. First rank mortgage on the land 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 dated 17.11.2008 were approved changes in the nature and deferred payment of the debt owed by the company TMK EUROPE GmbH worth 22.837.540 usd in the following conditions.: the debt shall be paid in 57 instalments starting from 25 January 2014 until 25 September 2018 inclusively.

The first 56 monthly instalments will be worth 400.000 USD and the 57th will be worth 437.540 USD. The payment of debt amounting to 38.425RON 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.



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

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ISO/TS 16949

In 3.12.2015 was concluded Addendum no .2 on which repayment of loan shall be suspended for a period of three years and will be resumed starting in January 2019 in 44 instalments in the amount of 400.000 USD and a last instalment of 437.540 USD as a result on 31.12.2016 the full amount of the loan was long-term.

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

The interest due by TMK-ARTROM S.A. on 31.12.2017 is of 32.062,6 usd, respectively 124.771,61 lei.

Article 229 lit. g of the Fiscal Code because holding participations TMK EUROPE GmbH in TMK-ARTROM SA is 92,7282% (exceeding 25%) for a period of more than two years uninterrupted.

Liabilities – Leasing contracts:

As at 31.12.2017 TMK-ARTROM SA Slatina has concluded with BCR Leasing IFN SA Bucuresti a number of 5 financial leasing contracts for purchasing 2 technical equipments and 3 vehicles. The company has concluded also operational leasing contracts for technological equipments for cars.

Other liabilities:

Regarding the company's obligations to the state budget, as at 31.12.2017 the company has to pay the amount of 6.304 thousand RON compared to 5.797 thousand RON as at 31.12.2016 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 31.12.2017 of 34.540 thousand RON (31.12.2016: 36.445 thousand RON).

As at 31 December 2017 the Group TMK - ARTROM SA has consolidated current trade payables to the companies within the group TMK amounting 122.035 thousand RON of which mainly to PAO TMK 119.820 thousand RON representing mainly metallurgical profiles pipes, billets rectangular billets for sale.

As at 31 December 2017 TMK - ARTROM SA has current trade debts to TMK group companies in the amount of 124.184 thousand RON of which mainly to PAO TMK 119.820 thousand RON representing mainly metallurgical profiles pipes, billets, rectangular billets for sale also to the subsidiary TMK Industrial Solutions LLC 2.148 thousand RON representing agent commission.

Dividends:

In 2017 no **dividends** were distributed for 2016 (as in the last three years).

Reinvested profits:

The Board of Directors proposes to allocate the individual accounting profit of TMK-ARTROM SA of the year 2017, in amount of 33.055.366 lei to the reserve related **to the reinvested profit also benefiting from the tax exemption facility to pay the reinvested profit tax**. This proposal is to be submitted for approval to the Ordinary General Shareholders' Meeting of 25 April 2018.

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;



API:
5CT-0440
5L-0352

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ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

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

	2017 stand alone	2016 stand alone	2015 stand alone	2017 consolidated	2016 consolidated
	thousand RON	thousand RON	thousand RON	thousand RON	thousand RON
Total turnover	1.065.446	761.911	902.936	1.076.447	763.443
<i>Sales of goods</i>	1.064.853	761.308	902.434	1.072.047	761.353
<i>Rendering of services</i>	594	603	503	4.400	2.090
Cost of Sales	(894.405)	(654.216)	(789.832)	(900.907)	(654.216)
Gross profit	171.041	107.696	113.281	175.540	109.228
Selling and distribution expenses	(90.804)	(64.271)	(64.849)	(86.900)	(63.971)
Advertising and promotion expenses	(266)	(105)	(271)	(293)	(125)
General and administrative expenses	(35.041)	(29.184)	(28.166)	(38.224)	(30.574)
Research and development expenses	(118)	(140)	(609)	(118)	(140)
Other operating expenses	(4.398)	(3.703)	(3.695)	(4.407)	(3.703)
Other operating income	1.456	1.072	429	1.456	1.072
Income from operations	41.871	11.365	15.943	47.055	11.786
Foreign exchange (loss) / gain, net from which:	(2.034)	(4.616)	(6.048)	(2.034)	(4.616)
Foreign exchange income	46.997	20.149	34.456	46.997	20.149
Foreign exchange expenses	(49.031)	(24.765)	(40.504)	(49.031)	(24.765)
Finance Income	2	4	4	1	1
Finance Costs	(6.737)	(5.506)	(6.710)	(6.737)	(5.506)
Gains / (losses) on financial instruments from which:	0	0	0	0	0
Financial instruments income	0	0	0	0	0
Financial instruments expenses	0	0	0	0	0
Profit before tax	33.102	1.247	3.188	38.285	1.665
Current income tax					
Deferred income tax - revenues	2.182	2.439	1.327	2.294	2.439



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5CT-0440
5L-0352

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ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

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DNV-GL Rules
RINA

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ISO/TS 16949

Deferred income taxes - expenses	(277)	(1.274)	(953)	(277)	(1.315)
PROFIT, Loss (+/-) NET	33.055	877	2.496	36.235	1.165
Total operating income	1.066.903	762.983	903.365	1.077.904	764.515
Total operating costs	(1.025.032)	(751.618)	(887.423)	(1.030.848)	(752.729)
Operating profit	41.871	11.365	15.943	47.055	11.786
TOTAL COMPREHENSIVE INCOME	1.113.901	783.137	937.825	1.124.901	784.665
TOTAL COMPREHENSIVE COSTS	(1.080.799)	(781.889)	(934.637)	-1.086.616	(783.000)
Profit before tax	33.102	1.247	3.188	38.285	1.665
Dividends calculated	0	0	0	0	0
Dividends paid	0	0	0	0	0

The total turnover of a TMK-ARTROM increased with 40% in 2017 compared to 2016 due to the increase of the turnover from the sold production with 27% and increase of sale of goods with 108%.

The turnover from the sold production of TMK-ARTROM increased due to the increase of physical volume of sale of pipes from 169.917 tons to 185.614 tons (an increase with 9%) but also of the average sale price with 16%.

The consolidated turnover increased with 41% in 2017 compared to 2016 due to the increase of the turnover from the sold production with 28% and increase of the sale of goods with 114%.

The consolidated turnover from the sold production increased due to the increase of the of physical volume of sale of pipes from 169.917 tons to 185.600 tons (an increase with 9%) but also of the average sale price with 16%.

The volume of sale of goods increased in 2017 with 107% due to domestic and export sales an 84.659 tons (in 2016: 64.350 tons) metallurgical products (billets, rectangular billets, pipes) purchased from companies within the Group.

	2017 stand alone	2016 stand alone	Increase with	2017 consolidated	2016 consolidated	Increase with
Trade activity	thousand RON	thousand RON	%	thousand RON	thousand RON	%
Revenue from the sale of wholesale goods	233.354	112.617	107	240.247	112.617	113
Sales of metallurgical products purchased from companies within the group on the domestic market	115.718	102.019	13	115.718	102.019	13
Sales of metallurgical products purchased from companies within the group on the external market	117.440	10.489	1.020	117.440	10.489	1.020



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5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

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DNV-GL Rules
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Sales of other goods on the domestic market	95	109	-13
Sales of other goods on the external market	101	0	
Income from the retail sale of goods	211	252	-16
Total	233.565	112.870	107

95	109	-13
6.995	0	
211	252	-16
240.458	112.870	113

As far as the operating expenses are concerned, the situation is as follows:

		31.12.2017 stand alone	31.12.2016 stand alone	Variation %
		Thousand RON	thousand RON	
1	Cost on goods	213.775	103.031	107
2	Raw materials and consumables expenses	553.598	430.336	28,6
3	Costs of energy, gas and water	53.436	49.415	8,1
4	Costs on external services	103.086	72.065	43
5	Tax and fees costs	2.089	2.066	1,1
6	Staff remuneration expenses (including meal ticket)	77.928	69.171	12,7
7	Social security expenditure on	22.058	18.796	17,4
8	Other expenses	3.048	4.550	-33
9	Value adjustments on tangible and intangible fixed assets	42.050	41.968	0,2
	Expenses	42.050	41.968	0,2
	Income	0	0	
10	Value adjustments on current assets	(574)	156	-467,9
	Expenses	6.273	11.088	-43,4
	Income	6.847	10.932	-37,4
11	Adjustments to provisions	1.123	-953	-217,8
	Expenses	1.272	98	1.198
	Income	149	1.051	-85,8
	total operating expenses	1.071.617	790.601	35,5

31.12.2017 consolidated	31.12.2016 consolidated	Variation %
thousand RON	thousand RON	
220.268	103.031	114
553.938	430.484	29
53.445	49.417	8
96.387	70.452	37
2.093	2.066	1
82.239	70.993	16
23.331	19.516	20
3.057	4.550	-33
42.119	42.000	0
42.119	42.000	0
0	0	
(574)	156	-468
6.273	11.088	-43
6.847	10.932	-37
1.123	-953	-218
1.272	98	1.198
149	1.051	-86
1.077.426	791.712	36,1



The differences between the total operational cost for the production sold and total operating expenses related to the production obtained represent elements of income which adjust the operational expenses and are presented by years as follow:

	31.12.2017 stand alone	31.12.2016 stand alone	Variation	31.12.2017 consolidated	31.12.2016 consolidated	Variation
	thousand RON	thousand RON	%	Thousand RON	thousand RON	%
Changes in inventories of finished goods and work in progress	(17.189)	(20.951)	-18,0	(17.189)	(20.951)	-18
Capitalized production costs	(46.586)	(39.939)	16,6	(46.576)	(39.939)	17
Subtotal	(63.775)	(60.890)	4,7	(63.765)	(60.890)	5
Total operating costs related to production sold	1.007.842	729.711	38,1	1.013.661	730.822	38,7

Compared to 2016, based on the increase with 13% in physical production and the volume of the sales of pipes by 9%, the Group and parent company's operating expenses increased by 38.7% and 38.1%, respectively, with the following variations categories of operating costs determined being those of the parent company:

- Raw materials and consumables expenses increased with 28,6% due to the increase of the physical volume of raw material and material generated by the increase of the physical volume. The average cost of the raw material in 2017 increased compared to the previous year with 17% due to the increase of the price of billets purchased from TMK-RESITA increase determined by the increase of the market price of the scrap.
- Energy, natural gas and water increased with 4,3%, mainly due to the increase of the physical consumption and variation of the purchase prices for electricity and natural gas compared to the previous year.

The company made a provision for greenhouse gas emission certificate in amount of 1.466 thousand RON for the deficit of certificates required for the production of 2017.

Electricity expenses increased with 18% compared to the previous year and those with natural gas decreased by 1%. The average electricity price increased 9.85% and natural gas decreased by 8% compared to the previous period.

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 which was prolonged for 2016 and 2017, the company submits documentation for its extension.

Also, the company 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, ANAF notifications are submitted to maintain the exemptions.

- External supply expenses increased by 43% mainly due to the increase of commercial expenses related to the sales of pipe and goods, freight, port charges, commission agent.



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5CT-0440
5L-0352

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OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

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DNV-GL Rules
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ISO/TS 16949

- The total staff expenses of both the Group and the parent company increased by 17% and 14% respectively, mainly due to the increase in the number of staff both individually and with the subsidiary TMK INDUSTRIAL SOLUTIONS which was set up at the end of the 1 st semester of 2016, of salary increases within the company TMK-ARTROM as at 1.07.2016 with the inflation rate of 1.5%, 1.01.2017 with the inflation index of 1% and 1.07.2017 with the inflation index of 1.7%, as well as the granting of salary increases for specialists and young people up to 35 years.

The average staff number of TMK-ARTROM – stand-alone – as at 31.12.2017 was of 1324 people compared to 1296 people as at 31.12.2016. The effective staff number as at 31.12.2017 was of 1365 people compared to 1304 people as at 31.12.2016.

The average staff number of TMK-ARTROM –consolidated - as at 31.12.2017 was of 1334 people compared to 1304 people as at 31.12.2016. The effective staff number as at 31.12.2017 was of 1375 people compared to 1312 people as at 31.12.2016.

- Expenses related to good sold (trade activity) increased with 107% due to the increase of the quantities and change of the structure of metallurgical products (billets, rectangular billets, pipes) sold to the domestic customers and external purchased from companies within the group but also with the goods trade by the subsidiary on the North American market.

- There were made adjustments of value for inventories of raw materials, finished goods and work in progress taking into account the net realizable value as at 31 December 2017. The amount of value adjustments for existing stocks at 31.12.2017 are in value of 5.385 thousand RON (31.12.2016: 6.190 thousand RON).

The group and the parent company recorded a loss of their financial activity in the amount of 8.770 thousand RON namely 8.769 thousand RON as a result of interest and exchange rate differences.

Compared to 2016, the financial loss of the year 2017 decreased with 13%. Expenses with interest increased with 22% as a result of the increase in loans and interest rates and the decrease in net foreign exchange losses with 56%.

In accordance with the provisions of OMFP 2844/2016 with subsequent modifications 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 4,4821 lei/EUR 31.12.2014 to 4,5245 lei/EUR as at 31.12.2015 to 4,5411 lei/EUR to 4,6597 lei/EUR respectively from 3,6868 lei/USD (31.12.2014) and to 4,1477 lei/USD (31.12.2015) to 4,3033 lei/USD, to 3,8915 lei/USD led to the registration of the exchange rate losses amounting 6045 thousand RON in 2015, in 2016 losses from exchange rate in amount of 4.616 thousand RON and in 2017 also losses in exchange rate in amount of 2.034 thousand RON.

The Parent Company has calculated deferred tax arising from temporary differences resulted from differences between fiscal value and accounting value for fixed assets (derived from revaluations and different useful lives – fiscal versus accounting) and differences between fiscal value and accounting value for other items (inventories / receivables/ provisions, etc.). Following annual depreciation and realization of reserves the deferred tax obligations decrease simultaneous with the increase of income from deferred tax. Thus in 2015 were registered income from deferred tax amounting 1.327 thousand RON lei and expenses with deferred tax amounting 953 thousand RON, in 2016 income from deferred tax amounting 2.439 thousand RON and expenses with deferred tax amounting a 1.274 thousand RON, in annul 2017 income from deferred tax amounting e 2.182 thousand RON and expenses with deferred tax amounting 277 thousand RON.

In 2016 the Group calculated income from the deferred tax amounting 2.439 thousand RON and expenses with deferred tax amounting 1.315 thousand RON and in 2017 income from deferred tax amounting de 2.294 thousand RON and expenses with deferred tax amounting 277 thousand RON.



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5CT-0440
5L-0352

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ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR: LR LRQA:
EN 10210-1,2 DNV-GL Rules ISO/TS 16949
EN 10255 RINA

The current company tax expense tax on the parent company in 2017 is 1.952 thousand RON (in 2016: 1.535 thousand RON).

The current company tax expense tax on the group in 2017 is of 4.067 thousand RON (in 2016: 1.624 thousand RON).

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:

Indirect method	2017 stand alone	2016 stand alone	2015 stand alone	2017 consolidated	2016 consolidated
	thousand RON	thousand RON	thousand RON	thousand RON	thousand RON
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit / (Loss) before tax	33.102	1.247	3.188	38.285	1.665
Plus / minus adjustments for:					
Depreciation	42.050	41.968	35.677	42.119	42.000
Increase / reversal of provisions	4.040	(850)	(929)	4.432	(720)
Increase / reversal of allowances for current assets	(574)	156	1.242	(574)	156
Exchange rate differences for financing activities	489	3.608	11.419	489	3.648
Variation of retirement benefits	284	305	301	284	305
Result from disposal of non-current assets	1.521	1.761	551	1.521	1.761
Interest and related expenses, net	8.387	4.869	5.942	8.388	4.873
The effect of the exchange rate on cash and cash equivalents				-8	0
Plus / minus adjustments for changes in working capital related to operating activities:				-	-
Decrease / (increase) in inventories	(82.314)	(29.261)	(10.854)	(82.366)	(29.261)
Decrease / (increase) in trade and other receivables and prepayments	10.674	(484)	13.517	9.087	667
(Decrease) / increase in payables (except banks)	27.449	48.227	40.748	25.373	48.242
less:	-	-	-	-	-
Interest and similar expenses	(8.027)	(5.029)	(6.186)	(8.027)	(5.029)
Income tax paid	(3.537)	(421)	-	(5.666)	(576)
Total inflows / (outflows) from operating activities (a)	33.545	66.094	94.616	33.339	67.729
CASH FLOWS FROM INVESTING ACTIVITIES				0	0
Cashing from disposal of tangible assets	559	20	967	559	20



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

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ISO/TS 16949

Acquisitions of tangible and intangible assets	(125.984)	(69.829)	(45.878)	(125.986)	(70.154)
Reimbursement of credits granted	314	-	-	-	-
Interest received	2	4	4	1	1
Total inflows / (outflows) from investing activities (b)	(125.110)	(69.805)	(44.907)	(125.426)	(70.134)
CASH FLOWS FROM FINANCING ACTIVITIES				-	-
Loans received	154.196	88.231	-	154.196	88.231
Loans reimbursement	(68.206)	(71.634)	(74.719)	(68.206)	(71.634)
Reimbursement of financial leasing (depreciation)	(372)	(194)	(386)	(372)	(194)
Total inflows / (outflows) from financing activities (c)	85.618	16.403	(75.105)	85.618	16.403
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)	(5.947)	12.693	(25.395)	(6.468)	13.998
Cash and cash equivalents at beginning of period	16.772	4.079	29.474	18.077	4.079
Cash and cash equivalents at end of period	10.825	16.772	4.079	11.609	18.077

Net Treasury from operating activities decreased in 2017 compared to previous period as a result of the increase in inventories.

Net Treasury from operating activities declined in 2016 compared to the previous period as a result of the decrease in turnover, stock growth and decrease of profit before tax.

Net Treasury from investment 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 complex".

Net cash from investment activities decreased in 2016 compared to 2015 due to the decrease of the volume of payments for acquisitions of due to increased volume of payments for purchases of property and equipment mainly for the investment project "Complex heat treatment".

The net treasury from financing activities increased in 2017 as compared to 2016 as a result of the firing of the BCR ERSTE-7 investment loan and 7-year short-term loans for financing the current activity.

Net cash from financing activities increased in 2016 compared to 2015 due to the loans from TMK Europe, credit Overdraft unengaged for 3 years Bancpost, investment loan BCR ERSTE seven years and also reimbursements performed to the existing loans.



API:
5CT-0440
5L-0352

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ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

Financial indicators:

Financial indicators	Calculation method	2017 stand alone	2016 stand alone	2015 stand alone	2017 consolidated	2016 consolidated
Current ratio (capital)	Current Assets / Current Liabilities	1,26	1,29	1,84	1,27	1,29
Quick Ratio (acid test)	(Current Assets - Inventories) / Current Liabilities	0,72	0,88	1,31	0,73	0,88
Gearing indicator	Borrowed capital / Equity (equity + borrowed capital (long term liabilities)) *100	28,65%	21,95%	28,44%	28,52%	21,95%
Interest cover indicator	Profit before interest and income tax payment / Interest expense	5,81	1,11	1,54	6,58	1,19
Rotation speed stock (inventory turnover)	Cost of sales / The average stock	4,51	4,50	6,13	4,54	4,50
Number of days of storage (Inventory holding days)	Average stock / Cost of sales * 365	80,91	81,1	59,56	80,34	81,11
Turnover of debtors, clients (Receivables Collection Period)	Clients average balance / Turnover * 365	72,13	98,26	79,96	71,36	97,86
Speed of-vendor payables (Payables Period)	Average balance vendors / Acquisitions of goods (without services) * 365	69,29	74,84	41,62	68,33	74,79
Rotation speed of fixed assets	Turnover / Fixed Assets	1,76	1,54	1,96	1,77	1,54
Rotation speed of total assets (Assets Turnover)	Turnover / Total Assets	0,91	0,76	0,97	0,92	0,76
Return on equity (ROCE)	Profit before interest and income tax payment / Equity (equity + borrowed capital (long term liabilities)) *100	0,05	0,010	0,013	0,06	0,01
Gross margin on sales (Gross Profit Margin)	Gross profit from sales / Turnover *100	16,1%	14,1%	12,5%	16,31%	14,3%



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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 2017 are lower compared to the previous period due to the increase of current assets in a minor extent than the increase of current liabilities. Current liabilities increased with the amount to be paid to PAO TMK for metallurgical products intended for sale in the balance as at 31.12.2017 as well as by the increase in short - term loans as a result of the increase of the capital needs for carrying business activity

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 withdrawals for investment credit.

Interest cover indicator determine how many times the company may pay interest expense.

Compared to the previous year, this indicator increased as a result of the increase in gross profits.

4. Activity indicators

Number of days of storage indicates the number of days in which goods are stored in the unit This indicator declined insignificantly in 2017 compared to the previous year in line with the increase of 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 decreased in 2017 compared to 2016 as a result and turnover growth.

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 decreased compared to 2016 to 69 days compared to 75 days in 2016.

Rotation speed of fixed assets evaluates the effectiveness of fixed assets management by examining the value of turnover generated by their operation. This indicator increased in 2017 as compared to 2016 as a result of the increase in turnover.



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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 2017 this indicator increased as a result of the increase in turnover.

5. Profitability indicators

Return on equity (ROCE) represents the profit which the company obtain on a unit of resources invested. This indicator has increased since 2016 due to the increase in gross profit.

The gross margin on sales is higher in 2017 than in previous years due to the increase of the sale volume as well as the increase of the average selling price.

Key non-financial performance indicators - relevant for specific activities – stand alone

Indicators	2017	2016	2015
Production of pipes (to)	192.685	170.981	171.910
Pipe Sales (to)	185.614	169.917	172.298
Production of pipes / Employee (to/employee)	145,53	131,12	135,68
Selling pipes / Employee (to/employee)	140,19	130,30	135,99

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

Indicators	2017	2016	2015
Production of pipes (to)	192.685	170.981	171.910
Pipe Sales (to)	185.600	169.917	172.298
Production of pipes / Employee (to/employee)	144,44	131,12	135,68
Selling pipes / Employee (to/employee)	139,13	130,30	135,99

Litigation

(information available on 20 February 2018)

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



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

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ISO/TS 16949

On 15.02.2016 was ended the tax inspection for the period 2005-2009 and were issued the following documents: (i) Tax Inspection Report No. F - MC 15 of 8 February 2016; (ii) The tax decision on additional tax obligations for payment no. F - MC 4 of 8 February 2016; and (iii) The Decision regarding to unchanging the taxable base no. F-MC5/8.02.2016 (registered in TMK-ARTROM under the number 1735 dated 15.02.2016). Through these, additional debits for profit tax were established in the amount of 796.197 lei, delay increases in the amount of 1.524.559 lei and penalties for late payment 262.427 lei.

TMK- ARTROM paid the additional debts set for the profit tax under the fiscal facilities granted on the basis of OUG 44/2015. Thus, TMK-ARTROM paid the amounts set out in the Tax Inspection Report with the application of discounts (i) 77,1% delay increases and (ii) 54,2% interests. Also, delay penalties imposed on the TMK-ARTROM were cancelled.

Thus, in the first quarter of 2016 TMK-ARTROM paid the additional debits established by the fiscal inspection report worth: (i) 1.332.027 lei, representing the difference for income tax and VAT (ii) 787.113 lei representing increases and penalties. Through Decision 202 dated 19.04.2016 have been calculated accessories between the date of the tax inspection report and the effective date of the payment of debts established.

Through cancellation decision no 3687/24.05.2016 have been cancelled accessories in amount of 2.129.582 lei from which 2.102.332 lei amounts established in the Tax inspection report (1.663.294 lei representing increases and delay interests and 439.037 lei delay penalties) the difference representing accessories between the dare of the tax inspection report and the effective date of payment of debts established.

Since paying debts in order to benefit from tax incentives is not a flow recognition, TMK-ARTROM filed an appeal against the documents issued after the tax inspection, which was rejected. As a consequence, TMK - ARTROM filed a petition for legal action (received on October 13, 2016) requesting the court:

A. Mainly:

1. Cancellation of the Tax Inspection Report No. F-MC 15 of 8 February 2016 and all subsequent acts thereof, respectively the Taxation Decision regarding the additional tax obligations for the payment established by the fiscal inspection no. F-MC 4 of 8 February 2016 and the Decision on the non-modification of the tax base no. F-MC 5 of 8 February 2016;

2. Order the defendant National Agency for Fiscal Administration and the General Administration of Large Taxpayers to pay court costs.

B. In subsidiary:

1. Totally cancelation of the Decision no. 42 dated 7 October 2016 regarding the settlement of the complaint filed by TMK - ARTROM, by which ANAF, through DGAMC - the Appeal Settlement Service, dismissed as unreasonable the complaint filed by TMK - ARTROM;

2. The partial annulment of the Tax Inspection Report No. F-MC 15 of 8 February 2016 and the Taxation Decision on the additional tax obligations for payment established by Tax Inspection No. F-MC 4 of 8 February 2016, regarding:

a. Income tax amounting 727.223 LEI, interest/ penalties increases amounting of 1.392.488 LEI and penalties for late payment of 239.693 LEI;



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

b. monthly VAT in value of 481.237 LEI, interest/ penalties increases amounting of 867.632 LEI and delay penalties in value of 158.622 LEI; and

c. interest/ penalties increases and delay penalties calculated for the period 20 July 2010 – 15 December 2015;

3. Obligation of the ANAF and DGAMC parties to pay the sums paid by TMK - ARTROM under the Taxation Decision regarding the additional tax obligations for payment established by the fiscal inspection no. F-MC 4 of 8 February 2016.

On 13 October 2017, Court of Appeal Bucharest, by Civil Sentence no. 3678 rejected the plea of inadmissibility of the main head of claim as unreasonable, admitted the exception of the lack of passive procedural quality of ANAF, rejecting the action against it for lack of procedural passive quality, and dismissed the action against DGAMC as unreasonable.

TMK-ARTROM has appealed against the Bucharest Court of Appeal's decision to reject the action as unintentional. The appeal is filed against the High Court of Cassation and Justice. The file is in the administrative proceedings, since the first term of the trial has not been established.

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

On 2 July 2014, the Romanian authorities have notified an aid as a reduced funding of the support for electricity from renewable sources planned to be granted to major energy consumers. Following to the European Commission Decision C (2014) 7287 dated 15 October 2014 that does not raise objections on the aid, considering that is compatible and justified for the domestic market on 1 December 2014, came into force GD. 495/2014 which was established a State aid scheme exempting certain categories of end users from applying the Law no. 220/2008 on establishing the promotion system for electricity produced from renewable energy sources. Under the provisions of Art. 3 para. (1) of this decision (the version from that date), the exemption shall apply from 1 January of the year in which it was issued exemption agreement.

In 3 December 2014, TMK-Artrom has applied for exemption agreement, demand which was settled on 3 June 2015 by issuing exemption agreement no. 3. As already mentioned in relation to the provisions of Art. 3 para. (1) GD. 495/2014, this exemption would apply starting on 1 January 2015. But since the energy supplier could not apply this exemption to getting its effective during the period 1 January 2015 – 3 June 2015, TMK-Artrom is paying the full price of the green certificates. In relation to the provisions of Law no. 220/2008, following electric power supplier to compensate the price already paid in addition by TMK-Artrom until 1 September 2016. Please note that, value that would be compensated was 516,104.75 lei.

However, previously to the compensation of these amount, in 24 February 2016, Romanian Government approves GD. 113/2016 which modifies Art. 3 par. (1) GD. 495/2014 meaning that the exemption shall apply from the date of issue of exemption agreement obtained state aid beneficiaries. In the Fundamentation Note of this decision says that these changes will be applicable from 2015, so retroactively.

Furthermore, on 26 February 2016, the National Energy Regulatory Authority approve Order no. 5 on the setting of mandatory purchase of green certificates for the year 2015. In calculating the mandatory quota for purchase of green certificates, the authority plans to retrospectively applying GD. 113/2016 and establishes a mandatory quota agreement in relation to the date of obtaining the exemption and not 1 January 2015. As a result, this order has prevented the electricity supplier to compensate the amount of 516104.75 lei already paid by the company.

In this context, TMK-ARTROM asked the court, in contradiction with ANRE:



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

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ISO/TS 16949

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

On 1 March 2017, the Bucharest Court of Appeal dismissed TMK - ARTROM 's action. TMK-ARTROM appealed against the court's decision. The appeal is filed against the High Court of Cassation and Justice. The file is in the administrative proceedings, since the first term of the trial has not been established.

3. Dispute in conflict with the Government of Romania

In the same context previously set out in relation to the dispute with ANRE, TMK - ARTROM also filed an action in contradiction with the Romanian Government, filed before the Bucharest Court of Appeal, requesting the court:

1. cancelling the HG no. 113/2016;
2. Payment of the loss suffered by the company in the impossibility to offset the amount of money paid for the green certificates paid between 1 January 2015 and 3 June 2015, namely the amount of 516.104,75 lei;
3. Order the defendant to pay the costs.

On 21 March 2017 Bucharest Court of Appeal rejected the action. TMK - ARTROM has appealed against this decision. The appeal is filed against the High Court of Cassation and Justice. The file is in the administrative proceedings, since the first term of the trial has not been established.

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.



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

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DNV-GL Rules
RINA

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ISO/TS 16949

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.



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

In 2013 it was implemented Payables module (payments to suppliers) as a report automatically sent by the database 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 SA and TMK Resita from 1 November 2016 (Go live) and manages the activity with the exception of the production line, which is integrated.



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

Corporate Governance Statement

TMK-ARTROM S.A., has adhered to the principles and standards of Corporate Governance since its listing on the capital market 1995. TMK-ARTROM S.A. has developed internal organizational structures, procedures and norms to act as support to corporate governance principles and ensure an optimal level of transparency for shareholders and investors to make informed decisions.

Compliance with corporate governance standards was explained in the annual reports, and the information subject to these rules was brought to the attention of shareholders, investors and third parties interested through the company's website within the Investor Relations section".

Documents relating to the Constitutive Act, Corporate Governance, Code of Conduct are presented in the section: About Us - Corporate Governance

TMK-ARTROM S.A. gives a great importance to the continuous development of its corporate governance standards, so the degree of compliance with the provisions of the new Corporate Governance Code of the Bucharest Stock Exchange, applicable from 4 January 2016, is high.

TMK-ARTROM S.A. will implement the necessary changes resulting from the analysis of the new BVB Code as reflected in the "Code of Conformity Statement" and will submit current compliance reports.

In light of the provisions of Art. 94 of Title II and of Art. 4 of Title VI - Book I of the BVB Code - Market Operator, updated in September 2015, as well as in the provisions of paragraph 18 of OMFP 2844/2016 for the approval of the Accounting Regulations in compliance with the International Financial Reporting Standards with all the subsequent modifications and clarifications, The Group includes in its Annual Report and Corporate Governance Statement.



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

Declaration of Compliance with the Code

State of compliance with the provisions of the Corporate Governance Code of the BVB until 31 December 2017:

	Code provisions	Complies	Does not comply or partially complies	Reason for noncompliance	Rectification term
A1	All companies should have internal regulation of the Board which includes terms of reference / responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	TMK Artrom has provided detailed in the Article of Incorporation of the company rules of organization and functioning of the executive management/ BoD /GSM, have Code of Conduct, Corporate Governance which contain terms of reference, responsibilities of the executive management, BoD and GSM and key management functions. These reference terms / responsibilities are brought to the public attention through the ANNUAL REPORT published on the Company's website on the Section: „Investor Relations“-REPORTS and the Article of Incorporation , The Code of Conduct and Corporate Governance Code published on the Company's website on Section : „Investor Relations – Corporate Governance”			
A2	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest 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 interest.	As regards the management of conflict of interests, 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 conflict, it shall refrain from debating and voting on such matters in accordance with the legal provisions in force. The provisions for managing conflicts of interest are presented on the website in the CODE OF CONDUCT on the Section: „INVESTOR RELATIONS” - CORPORATE GOVERNANCE.			



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

A3	<p>The Board of Directors or the Supervisory Board should have at least five members.</p>	<p>The Board of Directors of TMK-ARTROM consists of 5 members. Information on this provision is published in the Annual Report in the Section: INVESTOR RELATIONS -REPORTS and on the website in Section: INVESTOR RELATIONS – CORPORATE GUVERNANCE.</p> <p>In the calling notice of the Extraordinary General Meeting of Shareholders of 25.04.2018 it was proposed to approve the modification of the structure of the Board of Directors from 5 members to 7 members by electing 2 new independent members for compliance with Law 162/12 July 2017.</p>			
A4	<p>The majority of the members of the Board of Directors should be non-executive.</p> <p>At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies.</p> <p>Not less than two nonexecutive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies.</p> <p>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.</p>	<p>TMK-ARTROM is a company from STANDARD category. From all 5 members of the Board of Directors 4 members nonexecutives are not independents in accordance with the provisions of section A due to the fact that the Article of Incorporation of the Company do not require the obligation that one or more members of Board of Directors to be independent. It is not the case to submit statements.</p> <p>The Board of Directors (BoD) mandated their executive duties to a Steering Committee consisting of 4 members including the Chief Executive Officer.</p> <p>After 26.09.2017 Steering Committee was extended at 7 members.</p> <p>These terms of reference are brought to the attention of the public through the ANNUAL REPORT, Article of Incorporation and Corporate Governance Code, published on the Company's website on Sections: „Investors Relations–CORPORATE GUVERNANCE.</p> <p>In the calling notice of the Extraordinary General Meeting of Shareholders of 25.04.2018 it was proposed to approve the modification of the structure of the Board of</p>			



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

		Directors from 5 members to 7 members by electing 2 new independent members			
A5	A 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 in Section „Investors relation“- REPORTS.			
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 (in the Investors Relations -REPORTS section) according to the CV presented by each member of the board of directors. Administrator CVs are also presented in the section Investors Relations - CORPORATE GOVERNANCE - Board of Directors			
A7	The company should appoint a Board secretary responsible for supporting the work of the Board.	TMK-ARTROM appointed a Secretary for Board of Directors through a BoD 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	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			



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

	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.	report, GSM approve discharge to administrators. The GSM decision is published on the company's website in Section „Investor relations“.			
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 (number of meetings, activities carried out).			
A10	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	The annual report contains information regarding the number of members of BoD, that there are not independents and their repartization based on the criteria executive/nonexecutives.			
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. In the Article of Incorporation of the company at article 11 „The Management of the Company“ is presented the procedure of nominating the administrators. The Article of Incorporation is published on site in Section Investors Relations – CORPORATE GVERNANCE but in the same time information are presented also in the current reports whenever were made changes of the Article of Incorporation, published on site on section Investor relations-REPORTS.			
	The reference terms of the Nomination committee will include a provision under which the Nomination Committee will consist	The company does not have a Nomination Committee but are presented provisions for nominating the members in BoD in the Article of Incorporation published on website in Section			



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

	from non-executive members and will lead the procedure of nominalisation of new members in the committee and will make recommendations for the Committee	Investors Relations – CORPORATE GVERNANCE- Documents			
B1	<p>The Board should set up an audit committee, and at least one member should be an independent non-executive. 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.</p> <p><i>NOTE: in conjunction with the provisions of Law 162/14 July 2017, art. 65 (4) in the case of public interest companies, the majority of the members of the audit committee must be independent, which generates the necessity of having at least two independent members in the Council forming the majority members of the Audit Committee.</i></p>	<p>This is not the case for 2017 because all non-executive managers were not independent.</p> <p>In the calling notice of the Extraordinary General Meeting of Shareholders of 25.04.2018 it was proposed to approve the modification of the structure of the Board of Directors from 5 members to 7 members by electing 2 new independent members. It is proposed that the two independent members be part of an Audit Committee consisting of three independent members and one non-independent.</p> <p>Through this the company will also comply with the provisions of Law 162/12 July 2017 art.65.</p>			
B2	The audit committee should be chaired by an independent non-executive member.	This is not the case in 2017 It will apply after the EGM from 25.04.2018.			
B3	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control	Not applicable.			
	the Audit Committee has assessed the internal control system, taking into account the effectiveness and	The annual report contains information regarding the control activity and risk management. The internal auditors can be			



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

	coverage of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Council Audit Committee and the timeliness and effectiveness with which the executive management solve problems or deficiencies identified in the internal control and relevant reports submitted to the Board	convened at the BoD meeting under the Article of Incorporation, published on the website.			
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 risk control and management activity.			
B5	The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties	This activity is carried out on the basis of the obligation to monitor the compliance of the company with the provisions of the legal framework, Article of Incorporation / CODE OF CONDUCT and the applicable normative documents regarding transactions with affiliated parties.			
	Information regarding the number and the value of transactions with affiliated parties.	The Annual Report, current reports and semestrial reports of financial auditors regarding the agreements with affiliated parties higher than 50.000 Eur contain information of the transactions with affiliated parties from current year. Those are published on the website on section „Investor relations - REPORTS“.			
B6	The audit committee should evaluate the efficiency of the internal control system and risk	The company does not have an audit committee. The outcome of the assessment of the			



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

	management system.	effectiveness of the internal control system and of the risk management system is contained in the Annual Report. It will apply after the EGM from 25.04.2018.			
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 does not have an audit committee, but the organization of the internal audit activity has the obligation to apply the legal standards and internal audit standard as well assessment of the reports of internal audit team. It will apply after the EGM from 25.04.2018.			
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.	Not applicable.			
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.	The Annual Report presents the information certifying that it is not the case for holders of any securities with TMK-ARTROM with special control rights and a description of these rights and any restrictions on voting rights such as limitations on the voting rights of the holders of a fixed percentage or number of votes, the terms for the exercise of the voting rights or the systems by which, in cooperation with the entity, the financial rights attaching to the securities are separated from the ownership of the securities.			
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	In accordance with the Article of incorporation in the attributions of the board of directors there are provisions regarding to the purchase, sale, exchange, setting guarantees on the company's assets with a value higher during the financial year 20% of the total value of the company's assets less the receivables which can be made only with the approval of GSM. Also it was adopted the specific procedure			



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

	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.	SYSTEM ISO regarding the transfer price related to transfer price in relation with affiliated and procedures regarding preparing, tracking income expense budget, financial statements, economic financial indicators – that are approved quarterly / semestrial by BoD.			
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 S.A. 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 Chairman of the Internal Audit Department)	The Annual Report contains a section on auditing activity that provides information on internal audit work and 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 Chief Executive Officer 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	The remuneration policy is published on the website in the section: Investors Relations – CORPORATE GVERNANCE-Documents, in ARTICLE OF INCORPORATION and in the ANNUAL REPORT.			



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

	<p>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 governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked 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</p>				
	<p>Any essential change of the remuneration policy should be published on the corporate website in a timely fashion</p>	No significant changes occurred.			



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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 in the section Investor Relations, are also translated into English.			
D.1.1	Principal corporate regulations: the articles of association, general shareholders' meeting procedures;	All these materials are published bilingually on the company's website in the section: Investors Relations.			
	Terms of reference of the Council and the Committees of the Council	The Terms of Reference of the Board of Directors and the Steering Committee are contained in the corporate documents that can be found on the company's website in the section: Investors Relations – CORPORATE GOVERNANCE.			
	GMS rules and procedures	All materials are published on the company's website both in the section Investors Relations – - Shareholders Information and in CORPORATE GOVERNANCE information about GSM Calling Notices, Current Reports GSM (in Investor Relations-REPORTS).			
D.1.2	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive 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.			



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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, semi-annual and annual) are published on TMK Artrom website, in section Investor Relations (in REPORTS and in Corporate Governance – documents). Those contain information related to this provision. The current report regarding the non conformities but also subsequent current reports regarding compliance will be published on website in section Investors Relations – CORPORATE GOVERNANCE- Documents.			
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 in section Investor Relations.			
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 in sections Investor Relations			
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 in section Investor Relations.			



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

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 at the time of publication of quarterly and semestrial financial results and / or on the occasion of meetings with investors / analysts are published on website, in section Investor relations. The semestrial and annual 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	Dividend payment policy is published on TMK-ARTROM's Investor Relations section. Net profit distribution is published on the company's website in the Investor Relations section.			
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, semi-annual or quarterly reports. The forecast policy should be published on the corporate website	The forecasts are published on the site in the Annual Report in the Investor Relations section.			



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

D.4	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	Rules for the organization and conduct of the General Shareholder Meeting TMK-ARTROM guarantee shareholders' rights under the law and ensure equal treatment of shareholders. Those are provided by the Article of Incorporation on website in section: Investor relations – Corporate Governance- Documents and also in current reports/ annual reports in section Investor Relation- Reports.			
D.5	The external auditors should attend the shareholders' meetings when their reports are presented there.	External auditors are notified of the date of the SHAREHOLDERS 'GENERAL MEETING 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.	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 submitted for the approval of the GMS.			
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 semi-annual 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	The quarterly and semi-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 ratios from quarter to quarter, as well as from one year to another.			



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

	on quarter-on-quarter and year-on-year terms.				
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.	The information presented during the organization of meetings / teleconferences with analysts and investors will be published in the Investor Relations section of the company's website at the dates of the meetings / teleconferences.			
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 in the section: Investor Relations - CORPORATE GOVERNANCE.			

Consolidated non-financial statement

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 was 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 FOR 2017 - is part of this consolidated report of the directors and will be published together under the general disclosure obligation.

Important events occurring after the end of financial year

On 08.03.2018 USA approved the introduction of custom duties on the steel imports introduction of customs duties on steel imports at 25%, a tariff that comes into force from 23.03.2018, 15 days after the approval date.



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949

In the near future some countries that are allies on security issues with the US will be able to call for talks on this topic to eliminate or set lower rates, depending on the arguments put forward by each party. The European Union is leading negotiation with USA at this moment for exclusion of the countries members of the Union from applying import custom duties in USA, in accordance with the statements made by the officials of the European Commission and European Parliament.

In the same time, The European Union has announced that it is launching an investigation into the implementation of safeguards to protect the EU market against the diversion through EU of the exports from the countries touched by US tariffs .The aim is to determine the safeguard measures and their intensity designed to protect the EU market.

The company constantly updates information, negotiations with customers to reduce the impact of this measure.

Declaration of responsible persons

In accordance with the legal provisions in force of Law no. 24/2017 on issuers of financial instruments and market operations and of Regulation no. 1/2006 of the National Securities Commission (CNVM), currently the Financial Supervision Authority (ASF) - the Financial Instruments and Investments Sector regarding issuers and securities operations, the management of the company declares the following:

1. To our knowledge, we confirm that the consolidated financial statements of TMK-ARTROM SA SLATINA together with its subsidiary TMK Industrial Solutions LLC and stand-alone TMK-ARTROM SA SLATINA, prepared in accordance with the applicable accounting standards, provide a correct and consistent picture of the reality of assets, liabilities, financial position, profit and loss account of the Group and the Company for the financial year ended 31.12.2017.

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

The consolidated financial statements of TMK-ARTROM SA SLATINA together with its subsidiary TMK Industrial Solutions LLC and stand-alone TMK-ARTROM SA SLATINA for the financial year ended 31 December 2017 are audited.

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

Chief Executive Officer,
Ing. Popescu Adrian

Chief Economical and Accountancy Officer,
Ec. Vaduva Cristiana



API:
5CT-0440
5L-0352

LRQA:
ISO 9001
ISO 14001
OHSAS 18001

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

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 2/2017

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LRQA:
ISO/TS 16949