



TMK-ARTROM S.A.

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

SEPARATE AND CONSOLIDATED REPORT OF ADMINISTRATION ("Report")

Prepared in accordance with ORDER MFP 881 and 2844/12.12.2016 as amended and supplemented, regarding the Accounting Regulations in compliance with the International Financial Reporting Standards, Law no. 24/2017 on Issuers of Financial Instruments and Market Operations and F.S.A. Regulation no. 5/2018 on Issuers of Financial Instruments and Market Operations regarding the consolidated activity of the TMK-ARTROM SA parent company for the financial year 2018 and the consolidated activity of the TMK-ARTROM Group for the financial years 2016, 2017 and 2018

This report will accompany the separate financial statements and the consolidated financial statements for the year 2018 together with the restated consolidated financial statements for the years 2016 and 2017.

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

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

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

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

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



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For the financial year 2018, prepared in accordance with ORDER MFP 881/25.06.2012 and 2844/12.12.2016 as amended and supplemented, regarding the Accounting Regulations in compliance with the International Financial Reporting Standards, Law no. 24/2017 on Issuers of Financial Instruments and Market Operations and F.S.A. Regulation no. 5/2018 on Issuers of Financial Instruments and Market Operations regarding the consolidated activity of the TMK-ARTROM Group and the TMK-ARTROM parent company for the financial years 2016,2017 and 2018

Informative data:

TMK-ARTROM SA

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

TMK-ARTROM Group - component entities at 31 December 2018

| Company name | Company - parent | Shareholding (%) |
|------------------------------|-----------------------|------------------|
| TMK-ARTROM SA SLATINA | TMK Europe GmbH | 92.7282 |
| TMK INDUSTRIAL SOLUTIONS LLC | TMK-ARTROM SA SLATINA | 100 |
| TMK REȘIȚA SA | TMK-ARTROM SA SLATINA | 99.99237 |
| TMK ASSETS SRL | TMK-REȘIȚA SA REȘIȚA | 100 |



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

INTRODUCTION

Overview

Information about the Group

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

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

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

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

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

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

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

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



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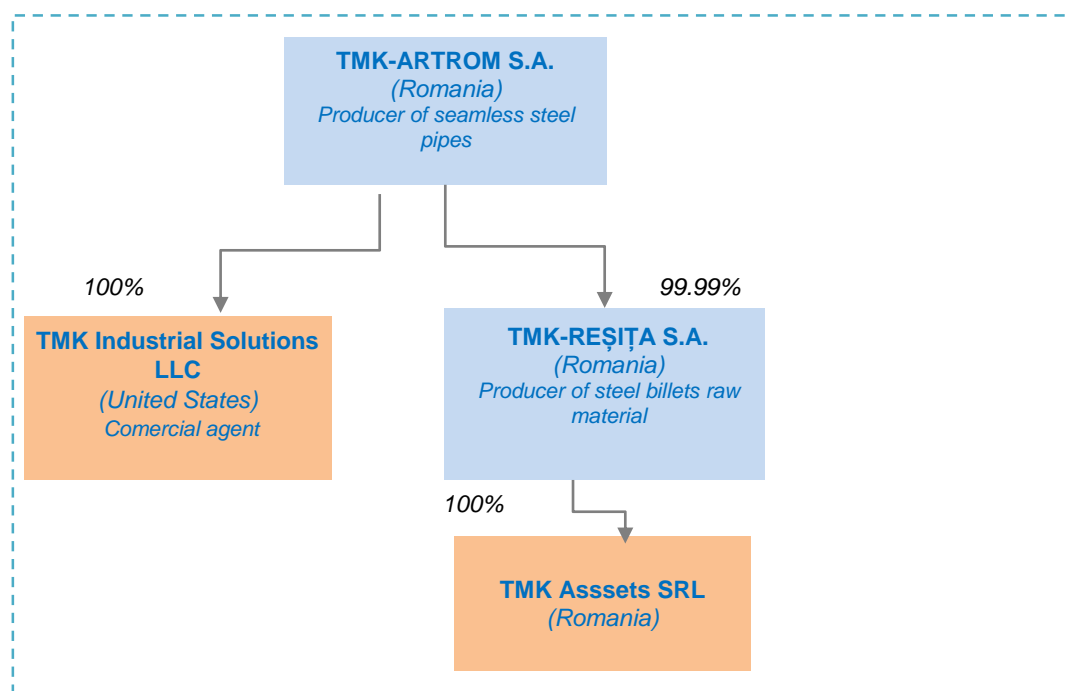
The privatization process resumed in 2003, and in mid-2004 the company was sold by AVAS to Sinara Handel GmbH (now TMK Europe GmbH).

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

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

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

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



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Important Events in the Financial Year 2018

The main events that took place in the financial year 2018

FEBRUARY

On 16 February 2018, took place the official launch of the steel pipe heat treatment plant which ended the second phase of the investment program. Through this TMK-ARTROM strengthens its market presence with superior tubes for mechanical applications and exploration of oil and gas, adding to the investment portfolio another 36 million EUR. Thanks to the new equipment, the company will increase Premium production share in the portfolio of orders. The large-scale investment project allows heat treatment of long pipes rarely encountered in Europe. The annual capacity of the heat treatment plant is over 160.000 tons of pipes. The design and supply of the equipment was carried out by the SMS Group, one of the world leaders in equipment for the metallurgical industry.

APRIL

TMK-ARTROM took part in Tube Dusseldorf 2018, the largest exhibition in the world of pipe industry.

TMK-ARTROM joined the TMK team (one of the largest oil and gas industry pipelines) and has traditionally participated in the Tube 2018 International Specialized Exhibition.

At the TMK exhibition stand, visitors from Europe, the USA, Australia and the Middle East have become familiar with the company's entire range of pipes. TMK-ARTROM presented its entire range of industrial pipe production including new Industrial Pipes Premium as heat treated seamless pipes and deformed and cold-formed pipes for the manufacture of hydraulic cylinders and auto components.

During TUBE 2018 Cristian Drinciu, Chief Operational Officer of TMK-ARTROM made the presentation about the new approach concept ARTROM TMK of Premium Industrial Pipe and relations / close cooperation with customers. The key objective - to ensure the highest quality at every stage of production, from the melting of steel produced in accordance in accordance with specific customer requirements, commercial services Premium and flexible support offered to customers by dedicated sales network of industrial pipes TMK European Division (the informal name given to the group TMK, companies TMK Europe, TMK Artrom, TMK Resita, TMK Italia S.r.l.)

Within the exhibition TMK European Division has hosted a reception in honour of partners and customers, over 200 representatives from around 100 companies worldwide - customers, equipment manufacturers and material suppliers. Adrian Popescu - CEO of TMK-ARTROM, supported the welcome speech, thanking them for their efficient collaboration and expressed their confidence that mutually beneficial mutual cooperation would be further expanded.

The 16th edition of the TUBE 2018 International Specialized Exhibition took place during the period 16 - 20 April 2018 in Dusseldorf (Germany). It is the most important in the pipe industry and takes place every two years. This year, 1240 companies from 57 countries participated in the exhibition.

At a corporate level, on 25 April an extraordinary general meeting of the shareholders approved: (a) the change in the registered address of the Bucharest working point of TMK-Artrom which was moved at No. 2 Daniel Danielopolu street, 1st floor, district 1 Bucharest; (b) the increase in the number of members of the consultation committees of TMK-Artrom from two members to three members, the increase in the number of members of the Board of Directors from 5 members to 7 members by appointing two independent members; (c) reconfirming, for a new 4 years mandate, the members of the Board of Directors that were already members of the Board of Directors and, the appointment for a 4 years mandate of the two new members of the Board of Directors, (all mandates of the members of the Board of Administrators expiring on 25 April 2022) and, reappointing for a 4 years mandate ending on 25 April 2022, the members



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of the Management Board; (d) approving the updated version of the articles of incorporation of TMK-Artrom.

On the same date (25th April 2018) was held the Ordinary General Shareholders Meeting which approved the Management Report of the Board of Directors for 2017, the report of the financial auditor for 2017, separate and consolidated annual financial statements prepared under IFRS for 2017 and the proposal of the Board of Directors regarding the distribution of the accounting profit of the year 2017, in amount of RON 33,055,366, to legal reserve under the Company Law, 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 under the provision of art 22 regarding the tax exemption of the reinvested profit from law 227/2015 regarding Tax Code, the amount of RON 1,655,110; and to „Other reserves related to the reinvested profit” the amount of RON 31,400,256 representing the reinvested profit in technological equipment - machinery, equipment and installations as well as in electronic computers and peripheral equipment according to the provisions of art. 22 regarding the tax exemption of the reinvested profit from Law 227/2015 regarding the Tax Code. It also approved the discharge of the members of the Board of Directors for the financial year 2017, the income and expense budget and the activity program for 2018, the investment program 2018, the credit ceilings for 2018, including the extension of loan agreements expiring in 2017 and the new sources of financing of circulating capital needed in 2018 and the loans needed to finance investment projects, reconfirmation of the financial auditor Ernst & Young Assurance Services SRL as the company's financial auditor for the year 2018 and the costs of statutory audit services for 2018.

By decision of the General Shareholders Meeting, the following changes were approved in the company's management and structure of the board of directors. Thus, the structure of the Board of Directors has changed from 5 members to 7 members. **The Board of Directors** in the new structure was elected for a period of 4 years with the mandate until 25 April 2022, the BoD component being:

Andrey Zimin- Chairman of BoD
 Adrian Popescu- Member/ Chief Executive Officer (CEO)
 Tat Florin-Tudor – Independent Member
 Nastase Vlad – Independent Member
 Surif Mikhail – Member
 Parkhomchuk Andrey- Member
 Olga Nikolaeva – Member

Also it was approved the structure of the **Management Board** with a mandate until 25 April 2022 as follows:

Adrian-Popescu - President & Chief Executive Officer
 Cristian Drinciu –Chief Operational Officer
 Valeru Mustata –Chief Commercial Logistic and Administrative Officer-CCO
 Cristiana Vaduva –Chief Economical & Accounting Officer-CEAO
 Constantin Neacsu –Executive Plant Officer -ExPO
 Evgeny Cernyy –Chief Financial Officer – CFO
 Alexander Pavlov –Chief Procurement Officer

On 25th April 2018 It took place the first meeting (in the new formula) of the Board of Directors which approved the establishment and composition of the Audit Committee of the Board of Directors of TMK-ARTROM SA (in accordance with Article 13 from the Article of Incorporation of the Company) consisting of three members:

DI.Florin-Tudor Tat - Chairman of the Audit Committee



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DI.Mikhail Surif - member of the Audit Committee,

DI Nastase Vlad - member of the Audit Committee.

The Audit Committee acts as an advisory body to the Board of Directors on economic and financial matters.

Sustainability Report according to GRI

TMK-ARTROM S.A. has prepared and published its first sustainability report that has been developed in accordance with the Global Reporting Initiative (GRI) Standards and is primarily intended for employees, shareholders, business partners, the local community, and any interested person, part of the consolidated report of administration on 31.12.2017. This first report wanted to give you unambiguously our commitment to all stakeholders to build a transparent and reliable information on our activities.

NOVEMBER

The Board of Directors of TMK-Artrom SA, legally gathered on 28 November 2018, decided to approve the acquisition by TMK-Artrom of all the shares held by TMK Global SA Geneva, Switzerland as sole shareholder in TMK Italia S.r.l. Until 31.12.2018 the contract was not signed.

DECEMBER

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

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

Also on 21 December 2018, TMK Italia S.r.l. bought the rest of TMK REȘIȚA's shares from the former shareholder TMK Holding Luxembourg. The price of all shares acquired from TMK Holding Luxembourg was equal to 4,100 EUR, which represent 0.41 EUR. The price was calculated based on the company's value determined by the evaluation report issued by Darian DRS S.A. on 30 September 2018.



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Social activities

REGARDING THE SOCIAL ACTIVITIES, IN 2018 TMK-ARTROM PARTICIPATED IN NUMEROUS CULTURAL, EDUCATIONAL AND SOCIAL ACTIONS

Invest in babies - in May 2018 the New Born Section of Slatina Emergency Hospital received from TMJ-Artrom a RON 30,000 donation within the project "Invest in babies". The money was used to buy the latest generation, of medical devices, TMK –ARTROM thus joining medical staff in their effort to provide the necessary materials for the delivery of quality medical services.

Cultural Autumn – in the autumn of 2018 TMK-Artrom has been involved in cultural projects taking place in Romania on the occasion of the celebration of the Russian Culture Days in Romania, marked by piano concerts, exhibitions and fairs, etc. The Russian Cultural and Science Center in Romania and TMK-Artrom presented a series of unique and limited editions. Among them - the Collection of Photographs and Historical Documents devoted to 140 years of diplomatic relations between Russia and Romania, the collection of Russian-written Russian-language poems with Romanian translation and, last but not least, the book of facts, interest and information useful information about Russia in Romanian language.

In October 2018, TMK-Artrom, as a member of the Romania-Russia Chamber of Commerce, offered sponsorship for the great show of the Russian military choir of the Red Army. The concert took place at the Palace Hall in Bucharest.

A hand and a schoolbag - in September 2018, TMK Artrom successfully completed the project "A hand and a school bag" through which 339 children from 11 schools in villages and communes located in Olt county received school bags and school supplies.

Blood for life – at the end of 2018, in partnership with the Blood Transfusion Center Slatina, TMK-Artrom carried out the first edition of the project "Blood for Life!", aiming at ameliorating the existing blood deficit at both local and national level, this project involving more than 50 TMK-Artrom employees.

On Christmas Eve! - in this action a team of carol singers from TMK-ARTROM, played the carols of the elderly people from the Elderly People's Home of the Slatina Adult Services Complex and donated gifts.

Children's Books – within this project TMK-Artrom has donated more than 1100 books in the Osica and Cilieni villages.

Santa is coming! – in this action more than 550 children from schools in Slatina and nearby villages have wandered employees TMK-Artrom and were rewarded with gifts.



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The main financial indicators for 2018

The Group TMK-ARTROM

| Financial Indicators | 2018 | 2017 | 2016 |
|--|-----------|-----------|---------|
| Production of pipes (tons) | 199,878 | 192,685 | 170,980 |
| Sale of pipes production TMK -ARTROM (tons) | 200,446 | 185,416 | 169,806 |
| Income (thousand RON) | 1,396,646 | 1,185,628 | 762,827 |
| Profit of the financial year (thousand RON) | 79,576 | 26,620 | 2,928 |
| Net global result of the period (thousand RON) | 80,124 | 26,566 | 3,135 |
| Adjusted EBITDA * (thousand RON) | 203,233 | 120,843 | 81,057 |
| EBIT (thousand RON) | 116,286 | 41,586 | 14,925 |
| Adjusted EBITDA margin, % | 14.6% | 10.2% | 10.6% |

TMK-ARTROM SA separate

| Financial Indicators | 2018 | 2017 | 2016 |
|--|-----------|-----------|---------|
| Production of pipes (tons) | 199,878 | 192,685 | 170,980 |
| Sale of pipes production TMK -ARTROM (tons) | 200,565 | 185,614 | 169,917 |
| Income (thousand RON) | 1,385,787 | 1,065,446 | 761,911 |
| Profit of the financial year (thousand RON) | 56,570 | 33,055 | 877 |
| Net global result of the period (thousand RON) | 56,886 | 33,091 | 1,139 |
| Adjusted EBITDA * (thousand RON) | 135,885 | 88,855 | 53,282 |
| EBIT (thousand RON) | 82,428 | 41,871 | 11,365 |
| Adjusted EBITDA margin, % | 9.8% | 8.3% | 7% |
| Gain/(Loss) per share (RON) | 0.49 | 0.28 | 0.01 |

*Adjusted EBITDA is determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, impairment and depreciation, foreign exchange (gain)/loss, impairment/(reversal of impairment) of non-current assets, movements in 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. ANALYSIS OF THE ISSUER'S ACTIVITY

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

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

The company is a privately owned company.

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

b) Specifying the date of establishment of the issuer:

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

Combustion efficiency also ensures a reduction of natural gas consumption by 1.5 million cubic meters / year, reflecting accordingly the CO₂ / CO and 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 plant, TMK-ARTROM S.A. is enhancing its presence in the market with pipes for mechanical applications and for oil and gas applications.

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

Other investments made for TMK-ARTROM in 2018 were:

- (i) For energy efficiency, was begun replacing mercury fluorescent lamps in the industrial hall: WS.1-ASSEL and WS.2-CPE, with efficient LED-based lighting lamps, and this goal was completed in 2018.
- (ii) Various equipment has been purchased, of which the most important are: two pipe cutting machines; and a spindle briquetting press to recover and reuse the blasting oil, and to more



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efficiently transport TMK-ARTROM to TMK-RESITA span, now in the form of briquettes, and to increase the efficiency of melting them in the Arc Electric Furnace from TMK RESITA.

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

1.1.1. General evaluation elements:

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

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

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

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

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

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

The basis for consolidation

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

Under the pooling method, the assets and liabilities of the subsidiaries transferred under joint control are presented at the predecessor's accounting data. Consequently, as TMK's financial statements are not consolidated at TMK Europe GmbH level but directly at PAO TMK level, the amount reflected by TMK's consolidated financial statements for TMK Reșița and other indirect subsidiaries transferred on 21 December 2018 is reflected in the same amount in the Group's Restated Consolidated Financial Statements for the years 2018, 2017, 2016. Thus, the subsidiaries' assets included in the Consolidated Financial Statements of the Group for 2018, 2017, 2016 are reflected in the amounts recognized in the financial



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statements of the TMK Group prepared in accordance with IFRSs and are based on the fair values from the original acquisition date by TMK (thorough TMK Europe GmbH). As the financial statements are not consolidated at TMK Europe GmbH level but at the PAO TMK level, whenever the notion of predecessor is used in this Report, it will be understood purely for accounting purposes PAO TMK.

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

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

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

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

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

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

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

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

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

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

According to the separate and consolidated financial statements prepared under the orders OMFP 881/25.06.2012, OMFP 2844/12.12.2016 and OMFP 470/11.01.2018, the company registered the following indicators as at 31.12.2018:



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TMK-ARTROM Group

| | thousand RON | | |
|---|--------------|-----------|-----------|
| | 2018 | 2017 | 2016 |
| Profit before tax | 97,465 | 28,888 | 2,288 |
| Net accounting profit of which: | 79,576 | 26,620 | 2,928 |
| Operating profit | 116,286 | 41,586 | 14,925 |
| Financial loss | (18,821) | (12,698) | (12,637) |
| Exceptional result | - | - | - |
| Current income tax expense | (10,258) | (4,122) | (1,694) |
| Deferred income tax - revenues | 4,045 | 10,092 | 9,933 |
| Deferred income tax - expenses | (11,676) | (8,238) | (7,600) |
| Income | 1,396,646 | 1,185,628 | 762,827 |
| Cost of sales | (1,077,687) | (994,932) | (639,611) |
| Export | 73% | 69% | 70% |
| Market share for seamless steel industrial pipes in Europe | 16.1%% | 17.5% | 17.1% |
| Market share for seamless steel industrial pipes in North America | 4.9% | 3.9% | 1.5% |
| Liquidity | 1.15 | 1.02 | 1.01 |

TMK-ARTROM SA separate

| | Thousand RON | | |
|---|--------------|-----------|-----------|
| | 2018 | 2017 | 2016 |
| Profit before tax | 67,781 | 33,102 | 1,247 |
| Net accounting profit of which: | 56,570 | 33,055 | 877 |
| Operating profit | 82,428 | 41,871 | 11,365 |
| Financial loss | (14,647) | (8,769) | (10,118) |
| Exceptional result | - | - | - |
| Current income tax expense | (8,567) | (1,952) | (1,535) |
| Deferred income tax - revenues | 1,507 | 2,182 | 2,439 |
| Deferred income tax - expenses | (4,151) | (277) | (1,274) |
| Income | 1,385,787 | 1,065,446 | 761,911 |
| Cost of sales | (1,122,693) | (894,405) | (654,216) |
| Export | 73% | 75% | 70% |
| Market share for seamless steel industrial pipes in Europe | 16.1%% | 17.5% | 17.1% |
| Market share for seamless steel industrial pipes in North America | 4.9% | 3.9% | 1.5% |
| Liquidity | 1.37 | 1.26 | 1.29 |

The profit of the year 2018 increased compared to the profit of 2017 due to the increase of turnover from sale of pipes production TMK-ARTROM by 41%, mainly, due to the increase of average sale price by 30% and the quantity of sold pipes by 8%.



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TMK Artrom has a 16% market share on the Economic European Area ("EEA") for the industrial seamless pipes. Also, TMK Artrom has 5% market share in the North American seamless industrial steel pipes market (US & Canada)[2] .

The share in Europe slightly decrease in 2018 compared to the previous years (17.1% in 2016) due to the fact that we have delivered more seamless pipes on the US market, where we generally delivered alloyed steel pipes with heat treatment. Also our share on the North American market increased in 2018 to 4.9 % compared to 2016 when was of 1.5%

During the last year, TMK Artrom's products were sold in over 37 countries, with a focus on Europe and the Americas. From a total of over 640 clients worldwide, almost 400 clients were active during 2018.

1.1.2. Assessment of the issuer's technical level

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

- a) the main markets for each product or service and the distribution methods;**
- b) the share of each category of products or services in the revenues and in the total turnover of the issuer for the last three years;**
- c) new products taken into consideration for which a substantial amount of assets will be affected in the next financial year as well as the stage of development of those products.**

TMK-Artrom has a production capacity of approximately 200,000 tons of seamless steel pipe per year, the company being recognized in Europe as one of the world's leading producers of seamless carbon steel pipes, low alloyed and alloyed with a dimensional range starting with an outer diameter of 15.88 mm to 254 mm and a wall of 1.5 mm to 60 mm. Seamless pipes produced in TMK-Artrom are designed for industrial applications, consisting of mechanical pipes, boiler tubes for high temperature applications and low temperature applications, pipework, pipes for the production of plugs, pipes for the production of hydraulic cylinders, precision pipes, etc.

The main products made by TMK-ARTROM are:

1. Mechanical pipes
2. Seamless steel pipes, for boilers and high temperature
3. Seamless steel pipes, for services at low temperature
4. Plain end pipes for pipelines
5. Pipes for 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.

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

^[2] The calculations of the market share have been computed based on the market report on the seamless steel pipes for industrial application market, issued by Lucintel (a global management consulting and market research firm) for the benefit of TMK Artrom and on the sales volumes registered by TMK Artrom in 2018.



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

The TMK-ARTROM Group is one of the market leaders aimed at increasing the volumes of premium products for mechanical engineering, automotive and energy industry. The pipes for industrial applications produced within the TMK-ARTROM Group include precision pipes, low temperature service pipes, pipe pipes, boiler pipes and high temperature services, mechanical pipes, pipes for plugs, precision pipes cut at fixed lengths, pipes drilled and rolled on the inside, pipes polished to the outside. The TMK-ARTROM Group capitalizes its own production chain from one end to the other that enables it to produce high quality billet for pipe production and then can be transformed into multi-purpose industrial pipes as well as machined steel pipes premium with all the important types of heat treatments. The final primary markets for seamless steel pipes for industrial applications produced by the TMK-ARTROM Group are in Europe and North America, but the TMK Group has expanded its customer base in South America, Asia and Africa. In addition to its production capacities, the TMK-ARTROM Group also has sales and distribution channels for the sale of its own pipes and for the pipes produced by its affiliates within the TMK Group.

Consolidated sales volume and turnover

| Product Type / Sales Destination | 2018 | 2017 | 2016 |
|--|-----------------|----------------|----------------|
| | Quantity (tons) | | |
| Total seamless steel pipes | 200,446 | 185,416 | 169,806 |
| 1.1. Pipes for common use Europe * | 133,044 | 137,649 | 137,853 |
| 1.2. Pipes for common use America ** | 12,965 | 8,477 | 4,073 |
| 1.3. Premium Pipes Europe | 30,185 | 25,454 | 24,900 |
| 1.4. Premium Pipes America | 24,251 | 13,836 | 2,981 |
| Total billets and blooms TMK Reşita sold to third parties outside the Group TMK-Artrom | 17,848 | 63,403 | 9,677 |
| Total billets sold to TMK Artrom produced by TMK Reşita | 239,842 | 236,682 | 200,227 |
| Total sales of goods, of which : | 78,358 | 85,716 | 69,427 |
| 2.1 Sale of goods Europa | 75,452 | 67,077 | 68,979 |
| 2.2 Sale of goods America | 2,906 | 18,640 | 449 |

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

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



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End-markets for TMK-Artrom products



Sales were made in 2018 directly and through related business traders as follows:

- a) In Romania, Eastern Europe and Turkey, sales were made directly;
- b) In North and Central Europe, direct sale using the TMK-EUROPE agent in Dusseldorf, Germany, the majority shareholder;
- c) In South and West Europe, direct sale using TMK-ITALIA agent in Lecco, Italy;
- d) In America through TMK INDUSTRIAL SOLUTIONSS LLC, Houston, USA;
- e) In the Middle East through TMK-Middle East, Dubai, UAE.

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

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

Starting with 2018 it has been considering the increase of the share of high added value products and especially of pipes with heat treatments for quenching and return and not only. It has also been pursued and further pursued the growth of deliveries of products where additional services are provided, for example: fixed and precise length cuts, inside reaming and rolling, external polishing of pipes, etc.

In 2018, following a promotion more intense in the US market of pipes TMK-Artrom by TMK INDUSTRIAL SOLUTIONS LLC, acting as agent of TMK-Artrom in this market, and amid growing consumption at industrial pipes we managed to increase our sales volume by 67% compared to 2017, namely an increase of 14,903 tons. To this good result was 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 an OCTG pipe producer guidance to the production of such pipes thus reducing the pressure on the market of the industrial pipes produced by TMK-Artrom.

The company registered in 2018 the highest pipe production of 199,878 tons of pipes, registering an increase of 4% due to the increase of the volume of orders.

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

| year | Quantity (to) |
|------|---------------|
| 1999 | 24,177 |
| 2000 | 26,174 |
| 2001 | 42,153 |
| 2002 | 49,121 |
| 2003 | 59,315 |



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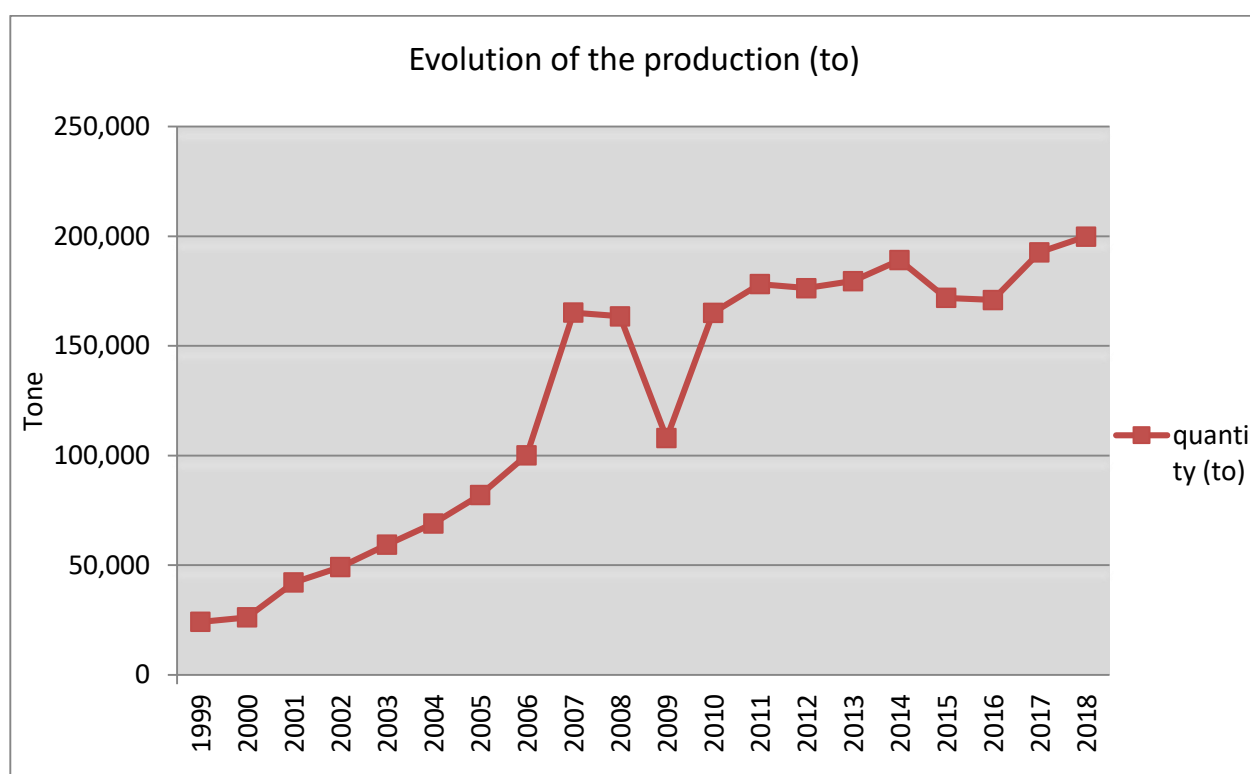
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|------|---------|
| 2004 | 69,079 |
| 2005 | 81,955 |
| 2006 | 100,147 |
| 2007 | 165,196 |
| 2008 | 163,519 |
| 2009 | 107,936 |
| 2010 | 165,095 |
| 2011 | 178,210 |
| 2012 | 176,385 |
| 2013 | 179,553 |
| 2014 | 189,130 |
| 2015 | 171,910 |
| 2016 | 170,980 |
| 2017 | 192,685 |
| 2018 | 199,878 |



For the year 2019 no large investments are planned to involve the development of new products. We have proposed to assimilate in production new pipes with higher mechanical characteristics or TMK-C steel pipes for the oil and gas industry, but these do not involve large volumes or investments in 2019.

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.



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TMK-REȘITA SA is the only supplier of raw materials (billets) of TMK- ARTROM SA.

The raw material inventory as at 31.12.2018 increased compared to 31.12.2017 from 26,113 tons (2017) to 23,681 tons (2018).

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 39,335,965 lei (without VAT) as at 31.12.2018 (as at 31.12.2017: 62,966,821 lei (without VAT)).

1.1.4. Assessment of sale activity

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

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

| Year | Market | Romania thousand RON | Europe thousand RON | North and South America thousand RON | Other countries thousand RON | Total thousand RON |
|------|------------------------------|-------------------------|------------------------|--|------------------------------------|-----------------------|
| 2018 | Revenues | 380,035 | 714,673 | 299,306 | 2,632 | 1,396,646 |
| | Cost of sales | (328,713) | (555,116) | (191,579) | (2,279) | (1,077,687) |
| | Gross profit on sales | 51,322 | 159,557 | 107,727 | 353 | 318,959 |
| 2017 | Revenues | 369,646 | 567,283 | 222,672 | 26,027 | 1,185,628 |
| | Cost of sales | (353,422) | (471,277) | (148,864) | (21,369) | (994,932) |
| | Gross profit on sales | 16,224 | 96,006 | 73,808 | 4,658 | 190,696 |
| 2016 | Revenues | 228,997 | 478,011 | 34,733 | 21,087 | 762,828 |
| | Cost of sales | (212,448) | (386,340) | (21,323) | (19,500) | (639,611) |
| | Gross profit on sales | 16,549 | 91,671 | 13,410 | 1,587 | 123,217 |

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

| Year | Market | Romania thousand RON | Europe thousand RON | North and South America thousand RON | Other countries thousand RON | Total thousand RON |
|------|------------------------------|-------------------------|------------------------|--|------------------------------------|-----------------------|
| 2018 | Revenues | 373,835 | 712,940 | 296,380 | 2,632 | 1,385,787 |
| | Cost of sales | (335,637) | (583,172) | (201,478) | (2,406) | (1,122,693) |
| | Gross profit on sales | 38,198 | 129,768 | 94,902 | 226 | 263,094 |
| 2017 | Revenues | 264,547 | 563,200 | 211,672 | 26,027 | 1,065,446 |
| | Cost of sales | (246,453) | (481,271) | (144,637) | (22,044) | (894,405) |
| | Gross profit on sales | 18,094 | 81,929 | 67,035 | 3,983 | 171,041 |
| 2016 | Revenues | 229,613 | 478,010 | 33,201 | 21,087 | 761,911 |
| | Cost of sales | (214,282) | (397,902) | (21,934) | (20,097) | (654,215) |
| | Gross profit on sales | 15,331 | 80,108 | 11,267 | 990 | 107,696 |

For the first part of the year 2019 we estimate that we will have a stable level of orders that will ensure the capability of our production capacities, our main objective being to provide an improved structure due to heat treatment capacities that allow us to increase the volumes of pipes with heat treatments and implicitly to improve the average price of the pipe produced in TMK-Artrom. From the discussions we have held so far with our customers and observing the market evolution at the international level, we expect prices to grow slightly on hot rolled pipes starting with April and the volume of deliveries. In the case of cold pipes, the market has been and will remain stable at a high level.

We are confident that we will maintain an equally high volume of orders inclusively from the US market and this in spite of the import customs duties imposed as a result of the application of Section 232 as we have managed to convince our clients and to mostly pass the 25% import duty increase in the final selling price of products such as the impact in the profitability of sales in this area will be reduced. Also, the



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quality of our products is highly appreciated by US market customers and this will allow us to maintain a high volume of orders that we will attract from this market.

The understanding of OPEC oil producers to further maintain a lower level of oil production, which should maintain a barrel price level around or above USD 60 / barrel, will certainly lead to a sustained a high level of drilling activity which will help the OCTG pipe consumption in the next period. Maintaining a stable market for OCTG pipes, will reduce the chance to have an increased competition for OCTG producers in industrial pipe segment.

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

TMK Artrom has a market share of 16% in the European Economic Area (SEE) for seamless industrial pipes. TMK Artrom also has a 5% share in the seamless industrial pipe market in North America (USA and Canada). In the last year, TMK Artrom products have been sold in over 37 countries, with a focus on Europe and America.

Local competitors are:

- ArcelorMittal Roman
- Tenaris Silcotub Zalau

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

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

In USA, the main competitors are:

- Timken,
- Michigan Seamless Tube, etc.

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

Not applicable.

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

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

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

The average number of employees in 2018 within the Group was of 2,249 (2017: 2,068), of which 1,457 (2017: 1,324), people works within TMK-ARTROM. The structure of employees of TMK-ARTROM is the following: employees with higher education 16% and with secondary education 84%.



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The effective number of employees, existing at TMK-ARTROM as at 31.12.2018 was of 1,486 employees increased with 121 employees compared to the staff registered at the end of 2017- 1,365 employees.

TMK INDUSTRIAL SOLUTIONS LLC had at the end of the year 2018 a number of 11 employees (2017: 10 employees).

The effective number of employees as at 31.12.2018 of TMK REȘITA was of 783 employees and 2 people at TMK ASSETS.

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

The unionisation of the workforce within TMK-ARTROM is of 91%.

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

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

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

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

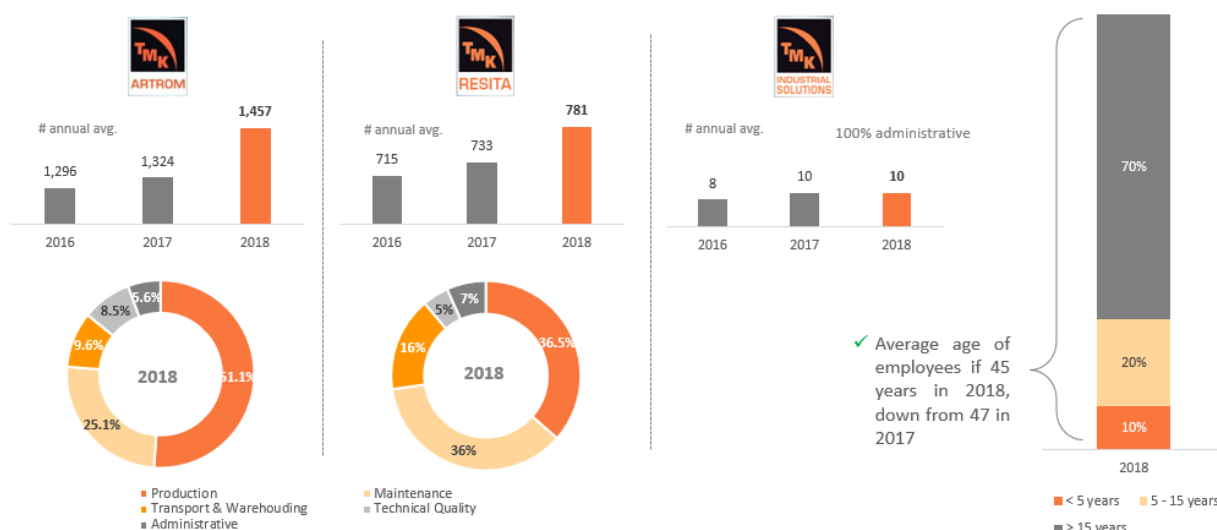
External training is based on an annual plan that sums up the training needs of all departments in terms of the technological needs of the production process, authorizations under the legal regulations in force for certain trades, as well as legislative changes.

TMK ARTROM

STAFF BREAKDOWN & TRAINING



✓ As of 31 December 2018, the group had 2,282 employees (2,249 employees on average for the year)⁽¹⁾



✓ In 2018, the Company has increased the intensity and efficiency of professional training, including in the field of health and safety at work

✓ All TMK Artrom employees had the opportunity to attend to internal training courses and 550 employees benefited from at least one external⁽²⁾ course, i.e. 38% of the average number of employees in 2018

Source: Company information

(1) The Group number of employees also takes into account the employees of TMK Assets namely 1 person as at 31 December 2018. The Group does not include TMK Italia employees as at the end of December, as TMK Italia acquisition by TMK Artrom was finalized on 5 February 2019. TMK Italia had an average of 13 employees in 2018, all administrative

(2) A course with an external lecturer



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

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

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

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

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

- a) - is suitable for the purpose of organization;
- b) - includes the commitment for continuous improvement, prevention of pollution, decrease of the risks and meeting the requirements;
- c) - creates a framework for setting and analysing the objectives in the management of the quality and environmental, health and occupational safety management;
- d) - is communicated and understood at appropriate levels of the organization;
- e) - is systematically analysed for accuracy and continuity.

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

The environmental aspects identified are:

- Low and medium environmental aspects
- Significant environmental aspects.

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

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

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

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

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



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

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

The planning activity of environmental management includes:

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

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

In 2018, the company obtained a new water management permit and revised the integrated environmental permit and the greenhouse gas emission permit following the completion of the investment works "Modernization of Heat Treatment Plant of TMK-ARTROM SA " which by "low nox autorecovery" burner technology can be framed as a minor emission source.

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

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

1.1.7. Assessment of research and development activity

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

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

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

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

1.1.8. Assessment of the issuer activity regarding the risk management

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

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

Through the work of TMK-ARTROM S.A. in 2018, the Company tried to reduce as much as possible the company's exposure to market, credit, liquidity and treasury risk.

The company was not exposed to internal risks:



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

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

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

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

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

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

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

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

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

As at 31.12.2018 the credit limit granted by Coface covered to external market 76% from the required limits, and to domestic market 51% from the required limits. As at 31.12.2018, 62% of insurable receivables were covered by Coface. For 8% of the total receivables from third parties irrevocable letters of credit were opened. Clients not covered by Coface in 100% or has no letter of credit opened are closely monitored to limit possible loss of non-payment. Customers covered by COFACE are third-party customers in the EU, Romania and non-EU markets (including the US and Canada).

TMK- RESITA

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

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

Credit limits granted are approved by the Commercial Credit Committee and are reviewed quarterly, but may be updated during the year when the situation so requires. They are set in such a way as



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to minimize the concentration of risks and thus reduce the financial losses due to the potential failure of the partners to make payments.

In order to limit the credit risk, the Company ended on 1 July 2017 with COFACE S.A. a non-payment risk insurance contract. As at 31 December 2018, Coface's credit limits covered 13% of customer requests in Romania and 24% of external customer requests. As of 31.12.2018 there were no insurable claims on the balance. **TMK-ASSETS** did not enter into the insurance contract having perceived guarantees at the end of lease contracts.

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

In 2018, TMK-ARTROM did not face the risks generated by the human factor (strikes, incompetence) and / or informational risks (the inability to keep up with the new market trends).

The European Pipeline Market posted a rising pipe consumption in 2018 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 EUR 20/ ton (products made also by TMK-Artrom).

According to specialized publications, the price of seamless industrial pipes (mechanical pipes, boiler pipes, precision pipes) increased significantly in 2018 (EUR +70/ ton) after 2017 rose by EUR 235/ (January 2017 - January 2018) and the mechanical pipe is the main product made by TMK-Artrom in 2018, 53% of the deliveries being represented by the mechanical pipes,

In 2018, 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 inventories 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.

In the latter part of the year, on the background of higher stocks and increasing oil market tensions and increasing protectionist measures, customers began to demand price reductions and reduce the quantities ordered, mainly to avoid the end-of-year inventory of too high stocks.

In 2018, TMK-Artrom sold the historical volume of 200,276 tonnes with 8% more compared to last year. The quantity of value-added premium products increased in 2018 by 38.5% compared to 2017.

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

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

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

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

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

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

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

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



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

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

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

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

As at 31 December 2018 TMK-Artrom concluded with BCR a framework agreement "Master Agreement ISDA/17.11.2011" through which it may run forward transactions but also other transactions with BCR up to a limit of EUR 850,000 treasury line.

In 2018 it was not necessary and was not concluded any agreement on derivatives transactions exchange transactions.

1.1.9. Prospective elements regarding the issuer's activity

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

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

- (i) Decrease in sales prices of seamless steel pipes
- (ii) In 2018, the EURIBOR was maintained at negative rates throughout the year, while the LIBOR rate steadily increased and global economic and financial and political developments signaled the EURIBOR and LIBOR rates on the next the fund for maintaining the economic and financial crisis that could affect both the liquidity and the level of financial interest losses
- (iii) Increase the collection period for receivables for sale of pipes as a result of maintaining the economic and financial crisis
- (iv) During 2018, efforts have been made to increase supplier pay-outs (supplier rotation speeds have reached 59 days), the evolution of the commodity market, variations in the oil market can all converge towards shorter supplier pay-outs the conditions imposed on the market by utilities suppliers; the price of raw material - billets is increasing mainly due to the higher purchase price of old iron, graphite electrodes and ferro alloys
- (v) Oscillations of the exchange rates
- (vi) Lowering the price of oil barrel to close to the psychological threshold of USD 50 what would negatively affect the oil extraction investments with direct repercussions on the consumption of the pipe
- (vii) Decreases in volumes and negative changes in the structure of orders for the US market due to the implementation of protectionist policies for steel and aluminium trade, including the introduction of US import duties on 25% steel products. However, we estimate the negative impact to be moderate

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

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

The capital expenses were in 2018 of RON 74,624,141 (2017: RON125,984,154) and had as main destination investment project "Heat Treatment Plant" as well as equipment to ensure the added value of the products.



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Considering the provisions of the Law no. 227/2015 regarding the Fiscal Code, in 2017 the company benefited from the profit tax exemption of reinvested profit in technological equipment purchased and put into operation in 2018 mainly consisting of technological equipment within the Heat Treatment Plant.

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

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

Positive:

- The investment in heat treatments inaugurated in February 2018 will allow the TMK-Artrom plant to increase the share of allied steels with heat treatments that enjoy much higher prices than normal pipes and provide more consistent profit as competition on this sector is lower.
- The investment in heat treatments allows us to accept starting with 2018 a much larger volume of orders from the US market given that customers in this market demand in large quantities steel pipes allied with heat treatment and return and until this investment TMK-Artrom has a limited heat treatment capacity.
- Maintaining the oil barrel price to over USD 55 - 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 antidumping duty on Chinese seamless pipe.
- Measures of commercial protection of the metallurgical market which were adopted in 2018 provisionally (fixed import quotas and import duty of 25% over the free allowances) will be definitively adopted starting with 2 February 2019 including seamless pipes (excluded from the preliminary measures)

Negative:

- Rising the price of raw materials and materials:
 - a) The risk of an increase in the price of scrap on the background of higher demand due to higher consumption of metallurgical products;
 - b) The risk of re-increasing the price of graphite or refractory electrodes as happened in 2017 when, for example, the price of graphite electrodes increased from USD 2,000-3,000/ to the beginning of the year to USD 25,000-30,000/ to in the second part of the year;
- Lower oil prices with direct effects on investment in extraction and implicitly reduced OCTG pipe consumption which could eventually lead to increased competition on the industrial pipe market and higher pressure on the price of the steel pipes.

2. TANGIBLE ASSETS OF THE ISSUER

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

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

- (i) Unit no 1 ASSEL: Hot rolling and finishing line for hot rolled pipe with heavy wall thickness in range of 60-224 mm, ASSEL type (120,000 tons / year) composed by several stands in line.
- (ii) Unit no. 2 CPE: The rolling and finishing CPE (Cross Piercing Elongator) with a capacity of 80,000 tons / year. The line was commissioned on 31 December 2006, at first with only 80% of its capacity. In 2007 we continued the investment process so that the mill's production capacity reached 80,000 tons. It produced pipes in the range of 21.3 -121 mm.
- (iii) Unit no. 3 for cold drawn/rolled pipes is composed mainly of a series of cold rolling mills: LAPIR Pilger mill type 50, 75, SKW 75 automatic Pilger mill and Pilger mill HPT 250 and drawing benches 15 tj, 30 tf, 45 tf, 50 tf, 150 tf. Also, the department is equipped with pipe finishing and delivery machines. It has a production capacity of 28,000 tons / year and can provide cold



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processing of pipes with diameters between 17 and 220 mm for the construction and manufacture of bearings.

- (iv) Unit no. 5 - ACH pipes for hydraulic cylinders: is the newest and most modern department within the company, with processing machines the newest available on the market, with a capacity of 20,000 tons/ year. Unit is the first investment in further processing operations for part of the pipes produced by other departments in order to increase value added and / or approach of some new market segments. The first product assimilated in this section consists of tubular pieces obtained by precision cutting of pipes. These products are mainly for the automotive industry. The second equipment put in function is a grinding machine outside pipes, in order to produce finished pipes ready for final operation of polishing before chrome plating. The latest investment made in this unit during 2015 was the commissioning of the two boring and rolling pipes for hydraulic cylinders. In 2017 were put into operation two CNC machining centres for processing drilling and tapping pipes automotive industry. During to 2018 was purchased in commissioned a measuring CNC machine for check the processed pipes dedicated for automotive industry.
- (v) Unit no. 6- HTP Heat Treatment Plant: is the newest and most modern unit of the company. In the first trimester of 2018, was finished with success the performance tests for the Heat Treatment Plant, followed by normal production with optimization and tuning.
- (vi) For a better technological flow, was installed a new cradle for supply the pipes of the Heat Treatment Plant.
- (vii) The annual capacity projected for this section is 165,000 tons per year and will perform heat-tempering, normalization, recoating and other thermal treatment combinations including heat straightening of thermally treated pipes covering the dimensional range of pipes produced in TMK-ARTROM, including for hardening of pipes with extra thick walls up to 60 mm.

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

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

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

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

On capacities situation is as follows:

- (i) The hot rolling line is in good technical condition. There have made investments modernization and automation of control systems and automatic operation of rolling mills in the line hot rolling, modernization of the transport system, adding in flow sheet of a heating by induction, modernization systems connection of rolling stands in rolling mills and finishing flow of investments in the finished product (marking, coating, packaging) and quality control equipment (magnetic powder) which led to the improvement of the quality of the finished product.
- (ii) The capacity rolling and cold drawing is in good condition, mills and benches operating at design capacity in terms of finite dimensional pipes according to technical documentation. The capacity is composed of both machines produced in Romania before 1989, and imported equipment commissioned in 1992, 2001 and 2007.
- (iii) The new production capacity, respectively the CPE mill German manufacturer (SMS-MEER) is the youngest of the new generation of economical rolling mill. Has been installed a rolling mill mandrels necessary to improve the quality of finished products and to reduce costs.

During 2018 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 14,541,039 lei.



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

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

3. MARKET SECURITIES ISSUED BY THE ISSUER

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

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

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

The share capital as at 31.12.2018 is of 291,587,538.34 lei, divided in 116,170,334 shares, in nominal value of 2,51 lei each.

The structure of the shareholders at the date of the last extract from the Central Depository (7.12.2018) was as follows:

| | % | Number of shares | Value subscribed and paid capital lei |
|--|---------------|--------------------|---------------------------------------|
| TMK EUROPE GmbH | 92.7282 | 107,722,706 | 270,383,992.06 |
| Financial Investment Company OLTENIA SA | 5.68% | 6,597,432 | 16,559,554.32 |
| Other shareholders individuals and companies | 1.5918 | 1,850,196 | 4,643,991.96 |
| Total | 100.00 | 116,170,334 | 291,587,538.34 |

As at 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. As at 7.12.2018 Financial Investment Company OLTENIA SA owned a number of 6,597,432 shares representing 5.68% of the share capital.

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

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

Shares are registered, embodied, numbered.

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

Not applicable.

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

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



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

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable

h) rules that provide the appointment or replacement of the Board members and modification of the entity's articles of incorporation;**The Ordinary General Meeting:**

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

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

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

Not applicable

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

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

Not applicable

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

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

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

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

The Board of Directors propose the distribution of separate accounting profit of TMK-ARTROM SA for 2018, in amount of 56,569,986.13 lei, as follows to:

1. Legal reserve under Law 31/1990, at least 5% from the annual gross profit (but not more than 20% from the share capital) 3,389,036 lei;
2. The carrying of the difference of the undistributed profit in the carried over result of the amount of 53,180,950.13 lei

The profit of the year 2018 of the subsidiary TMK INDUSTRIAL SOLUTIONS LLC was in amount of 5.298.104 lei (1.344.150 USD) and it is proposed to be carried over for the next period.

The profit of the year 2018 of the subsidiary TMK REȘIȚA SA was in amount of 15.724.880,37 lei and it is proposed to be distributed to the legal reserve, under the Law 31/1990, at least 5% of the annual gross profit, in amount of 786,244 lei and to cover the accounting losses from the previous years the amount of 14,938,636.37 lei.

The profit of the year 2018 of the subsidiary TMK ASSETS SRL was in amount of 489,401.98 lei and it is proposed to be distributed to the legal reserve, under the Law 31/1990, at least 5% of the annual gross profit, in amount of 25,251 lei and carried over the difference of profit 464,150.98 lei.

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

Not applicable.

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

Subsidiaries do not own shares of the parent company

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

Not applicable.

4. BUSINESS LEADERSHIP

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

- a) CV (name, surname, age, qualification, professional experience, position and seniority);
- b) any agreement, understanding or family connection between that director and another person due to who that person was appointed director;
- c) Participation of the director to the capital of the company;
- d) list of persons affiliated to the company.

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

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



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6. Florin-Tudor Tat - independent member
7. Vlad Nastase – independent member.

1. **Andrei Zimin**

a) CV

NAME: Zimin

SURNAME: Andrey

Nationality: Russian

Citizenship: Russian

Languages: English

Education:

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

Professional activity:

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

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

Not applicable

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

Not applicable

d) list of affiliated trading company.

Mr. Andrei Zimin is Deputy General Manager of Legal Issues of PAO TMK (affiliate company).

2. **Adrian Popescu- Chief Executive Officer**

a) CV

NAME: Popescu

SURNAME: Adrian

Nationality: Romanian

Citizenship: Romanian

Languages: English, French

Education:

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

Professional activity:

- 1985-1988 - trainee engineer at Slatina Pipe Company (currently TMK-ARTROM)
- 1989-1990 - Chief Engineer Maintenance Department – Trainee Chief Mechanical Engineer at Slatina Pipe Company (currently TMK-ARTROM)
- 1991 - Chief Engineer Refurbishment- Investment Service at ARTROM



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- 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 SOLUTION

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

Not applicable

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

Mr. Popescu Adrian held a number of 4981 shares.

d) list of affiliated trading company.

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

3. **Surif Mikhail**

a) CV

NAME: SURIF

SURNAME: MIKHAIL

Nationality: Russian

Citizenship: Russian

Languages: English

Education:

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

Professional activity

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

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

Not applicable



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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).

4. Parkhomchuk Andrey Vladimirovich**a) CV**

NAME: PARKHOMCHUK

SURNAME: ANDREY VLADIMIROVICH

Nationality: Russian

Citizenship: Russian

Languages: English, French, Ukrainian

Education:

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

Professional activity:

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

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

Not applicable

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

Not applicable

d) list of affiliated trading company.

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

5. Olga Nikolaeva

a) CV

NAME: NIKOLAEVA

SURNAME: OLGA

Nationality: Russian

Citizenship: Russian

Education:

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

Professional activity:

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

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

Not applicable

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

Not applicable

d) list of affiliated trading company.

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

Florin-Tudor Tat

a) CV

NAME: Tat

SURNAME: Florin-Tudor

Nationality: Romanian

Citizenship: Romanian

Languages: English

Education:

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

Professional activity:

02.2015 – to date Tudor Financial Trust- Owner, CEO

07.2010 – 02.2015, CEC Bank HQ- Project Manager

10.2009-07.2010- TFT Finance, Managing Partner

11.2007-10 .2009- Consilium Advisors, Financial Advisory

05.2006-10.2007, Alpha Bank Romania-Headquarter

10.2003-05.2006-Alpha Bank Romania-Dorobanti Branch-Branch Manager

02.2003-10.2003-Alpha Bank Romania-Otopeni Branch-Branch Manager

05.2002-02.2003-Alpha Bank Romania-Cluj Branch-Deputy Branch Manager



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12.1999-05.2002- Alpha Bank Romania-Cluj Branch-Head of Credit Department
 10.1998-12.1999-Alpha Bank Romania-Cluj Branch-Assistant Head of Import-Export Department
 05.1996-10.1998- Alpha Bank Romania-Cluj Branch- Credit Analyst

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

Not applicable

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

Not applicable

d) list of affiliated trading company.

Not applicable

Vlad Nastase

a) CV

NAME: Nastase

SURNAME: Vlad

Nationality: Romanian

Citizenship: Romanian

Languages: English

Education:

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

Professional activity:

2015 – to date Concilium Consulting-CEO

2012-2015-BCR- Head of regional Corporate Recovery

2012-2015- Board Member in the Board of Administrators of the Credit Guarantee Found for Private Investors

2012-2013- Chief Risk Officer/Executive Board member, Suport Collet (part of BCR Group)

2011-2012- Adviser to BCR's Risk Vice president, BCR

2009-2011- Deputy Legal Director-reporting directly to BCR's CEO, BCR

2008-2009- Head of Non-banking Legal Department, BCR

2007-2008- managing Partner, Concilium Consulting

2005-2008-legal Director, Ipsos Interactive Services

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

Not applicable

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

Not applicable

d) list of affiliated trading company.

Not applicable



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

- a) The period for which the person is part of the executive management;
- b) any agreement, understanding or family relationship between that person and another person by virtue of which that person has been appointed as a member of the executive management;
- c) participation of the respective person in the issuer's capital.

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

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

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

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

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

1. by the Chief Executive Officer acting individually; or
2. by Chief Operational Officer (first signature) acting together with the Chief Economical and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer, or
3. by Chief Commercial Logistic and Administrative Officer (first signature) acting together with the Chief Economical and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer,
4. by Chief Financial Officer (first signature) acting together with the chief Economical and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer
5. by Chief Procurement Officer (first signature) acting together with the chief Economical and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer.
6. by Executive Mill Officer (first signature) acting together with the Chief Economical and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer.

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

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

Members of Management Board:

- 1) Adrian Popescu – mandate from 25.04.2018 to 25.04.2022 (GSM decision);
- 2) Vaduva Cristiana – mandate from 25.04.2018 to 25.04.2022;
- 3) Drînciu Cristian – mandate from 25.04.2018 to 25.04.2022;
- 4) Mustata Valeru – mandate from 25.04.2018 to 25.04.2022;



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- 5) Evgeny Chernyy- mandate from 25.04.2018 to 25.04.2022;
- 6) Pavlov Alexander - mandate from 25.04.2018 to 25.04.2022;
- 7) Neacsu Constantin - mandate from 25.04.2018 to 25.04.2022;

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

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

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

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

The following directors own shares in capital:

| Name surname | Number of shares held |
|------------------|-----------------------|
| Popescu Adrian | 4,981 |
| Vaduva Cristiana | 19,356 |
| Mustata Valeru | 1,275 |

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

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

5. FINANCIAL-ACCOUNTING STATEMENTS

Presenting an analysis of the current financial and economic situation compared to the past 3 years, referring at least:

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

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

BALANCE SHEET ITEMS, in simplified form:

| 2018 separate | 2017 separate | 2016 separate | 2018 consolidated | 2017 consolidated | 2016 consolidated | 2015 consolidated |
|------------------|------------------|------------------|----------------------|----------------------|----------------------|----------------------|
|------------------|------------------|------------------|----------------------|----------------------|----------------------|----------------------|



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| NAME OF INDICATORS | thousand RON | thousand RON | thousand RON | thousand RON | thousand RON | thousand RON | thousand RON |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Intangible assets | 1,694 | 1,965 | 2,199 | 2,755 | 3,360 | 3,771 | 2,406 |
| Property, plant, equipment | 621,466 | 606,665 | 495,204 | 1,134,522 | 1,127,167 | 1,023,752 | 1,003,894 |
| Investments in subsidiaries | 290,263 | 4 | 4 | 0 | 0 | 0 | 0 |
| Financial assets | 4,820 | 1,131 | 1,204 | 4,858 | 1,274 | 1,244 | 85 |
| Deferred tax receivable | 0 | 0 | 0 | 129 | 69 | 0 | 0 |
| Other fixed assets | 3,639 | 4,226 | 14,145 | 1,889 | 1,083 | 11,007 | 10,136 |
| TOTAL FIXED ASSETS | 921,882 | 613,991 | 512,756 | 1,144,153 | 1,132,953 | 1,039,774 | 1,016,521 |
| Cash and cash equivalents | 16,925 | 10,825 | 16,772 | 20,929 | 12,865 | 18,911 | 4,183 |
| Trade receivables and other receivables | 304,919 | 238,496 | 213,734 | 297,222 | 255,375 | 204,728 | 221,344 |
| Inventories | 205,017 | 238,084 | 158,438 | 308,095 | 313,076 | 221,574 | 182,974 |
| Payments in advance | 45,914 | 66,350 | 101,741 | 6,810 | 3,768 | 4,002 | 1,600 |
| Other current assets | 1,047 | 1,068 | 0 | 1,047 | 1,068 | 0 | 0 |
| TOTAL CURRENT ASSETS | 573,822 | 554,823 | 490,685 | 634,103 | 586,151 | 449,216 | 410,101 |
| TOTAL ASSETS | 1,495,704 | 1,168,814 | 1,003,441 | 1,778,256 | 1,719,104 | 1,488,990 | 1,426,622 |
| Current liabilities: Amounts to be paid over a period of up to one year | 417,760 | 439,408 | 379,056 | 552,123 | 576,779 | 442,753 | 321,655 |
| Long-term liabilities: Amounts payable in a period exceeding one year | 485,957 | 208,988 | 137,059 | 555,345 | 276,085 | 206,563 | 268,428 |
| Equity | 591,987 | 520,418 | 487,326 | 670,788 | 866,240 | 839,674 | 836,539 |
| Equity attributable to the shareholders of the Company | | | | 670,737 | 866,174 | 839,610 | 836,475 |
| Interest that do not control | | | | 51 | 66 | 64 | 64 |
| TOTAL LIABILITIES | 1,495,704 | 1,168,814 | 1,003,441 | 1,778,256 | 1,719,104 | 1,488,990 | 1,426,622 |

Total assets reported by the Group at 31 December 2018 were of RON 1,778,256 thousand, compared to RON 1,719,104 thousand as at 31 December 2017, of which the fixed assets represented RON 1,144,152 thousand (31 December 2017: RON 1,132,953 thousand, 31 December 2016: RON 1,039,774 thousand). Regarding TMK-ARTROM, The Company reported as at 31 December 2018 a total asset level of RON 1,495,704 thousand, increasing with 28% compared to 31 December 2017 mainly due to the increase in fixed assets, which increased by 50% reaching the level RON 921.882 thousand (31 December 2017: RON 613,991 thousand; 31 December 2016: RON 512,756 thousand) due to the realization of the investment project "Heat Treatment Plant", as well as other equipment that will ensure the increase of the added value of the products as well as the registration of the acquisition of the subsidiary TMK RESITA with **acquisition value 290,258,942 RON.**

Fixed Assets reported by the Group experienced a 1% increase on 31.12.2018 compared to 31.12.2017, due to the realization of the investment project "Heat Treatment Plant", as well as other equipment that will ensure the increase of the added value of the products.

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



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As at 31 December 2018, the Group's property, plant and equipment are stated at cost, net of accumulated depreciation and / or accrued impairment losses, if any. The method of accounting depreciation of tangible assets within the group is the straight line method.

For separate TMK-ARTROM, as at 31 December 2018, property, plant equipment is presented at cost, net of accumulated depreciation and / or accrued impairment losses, if any.

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

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

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

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

The Group's **current assets** have increased to RON 634,103 thousand, as at 31 December 2018, from RON 586,151 thousand as at 31 December 2017 (31 December 2016: RON 449,216 thousand), mainly due to the increase of receivables, cash and cash equivalent, prepayments and other current assets. Also at the level of TMK-ARTROM the increase was maintained and the current assets increased by 4% reaching the level of RON 573,822 thousand as at 31 December 2018.

Group **receivables** registered an increase in the year 2018 by 16% due to the increase of the turnover compared to the same period of the previous year, the receivables reported by TMK-ARTROM individually have an increase by 28% due to the increase of the turnover.

As at 31 December 2018, The Group register doubtful customers in amount of RON 2,944 thousand for which were made value adjustments in amount of RON 2,731 thousand compared to 31 December 2017 when the Group registered doubtful customers in amount of RON 4,353 thousand for which were made value adjustments in amount of RON 3,126 thousand.

TMK-ARTROM individually as at 31 December 2018 register doubtful customers in amount of RON 1,866 thousand (31 December 2017: RON 3,275 thousand) for which were made value adjustments in amount of RON 1,566 thousand (31 December 2017: RON 2,243 thousand).

As at 31 December 2018, The Group TMK-ARTROM SA (consolidated) had to collect from the companies within the group TMK trade receivables in amount of RON 710 thousand (31 December 2017: RON 1,592 thousand), as far as TMK-ARTROM SA is concerned, has received from the TMK group companies trade receivables in the amount of RON 8,542 thousand (31 December 2017: RON 14,049 thousand).

TMK-ARTROM has to recover from the state budget the value added tax in the amount of RON 5,948 thousand, representing VAT to be reimbursed related to the November 2018 statements of the fiscal group and RON 11,888 thousand representing VAT to be reimbursed related to December 2018 statement of TMK-ARTROM SA as member of the fiscal group. Under the Decision no 2/30.04.2008 issued by N.A.F.A.-D.G.A.M.C. starting with June 2008, TMK ARTROM SA is representative of the fiscal group, consisting of TMK-ARTROM SA and TMK REȘITA SA. Through the Decision N.A.F.A no.22/28.05.2010 it was approved



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the maintaining of the fiscal group for a period of 5 years and was extended through the Decision no. 6026/SRC dated 6.05.2015 for a period of minimum 2 years. The monthly payment obligation of TMK REȘIȚA SA is offset by the VAT to be reimbursed by TMK-ARTROM SA through the consolidated VAT statement of the fiscal group.

As at 31 December 2018, **the Group's inventories register** a decrease by 1.6 % due to the decrease of the inventories at the level of the parent company TMK-ARTROM by 13.9% mainly determined by the decrease of the purchased goods purchased from the PAO TMK Group

The cash and cash equivalents of both the Group and its parent increased 63% and 56% respectively, mainly as a result of earnings in the last days of 2018..

The payments in advance of the Group increased as at 31 December 2018 compared to 31 December 2017 from RON 3,768 thousand to RON 6,810 thousand.

As for TMK-ARTROM, advance payments have decreased on 31 December 2018 compared to 31 December 2017 from RON 66,350 thousand to RON 45,914 thousand due to the decrease of the prepayment granted to TMK REȘIȚA for financing the production activity of billets for TMK-ARTROM.

TMK-ARTROM SA ensured the financing of the production activity of TMK REȘIȚA SA through trade prepayments granted for deliveries of billets to TMK-ARTROM which were in amount of RON 39,335,965 (without VAT) as at 31 December 2018 (as at 31 December 2017: RON 62,966,821 (without VAT)).

Total liabilities of the Group, current and long term, increased from RON 852.864 thousand as at 31 December 2017 to RON 1,107,468 thousand as at 31.12.2018 mainly due to the registration of the price which has to be paid to TMK EUROPE for the acquisition of shares of TMK RESITA in total amount of EUR 62,290 thousand (RON 290,514 thousand) presented in financial statements at fair value of RON 275,831,330 equivalent to EUR 59,141,776.

Total liabilities of TMK-ARTROM, current and long term, increased with 42% from RON 648,397 thousand as at 31.12.2017 to RON 903,717 thousand as at 31.12.2018 mainly due to the registration of the price which has to be paid to TMK EUROPE for the acquisition of shares of TMK RESITA in total amount of EUR 62,290 thousand (RON 290,514 thousand) presented in financial statements at fair value of RON 275,831,330 equivalent to EUR 59,141,776.

Bank loans

All loans in foreign currency were evaluated according to available exchange rates as at 31.12.2018. TMK INDUSTRIAL Solutions LLC –and TMK-RESITA the subsidiary of the group has no loans contracted at 31 December 2018, so all liabilities regarding loans are of the company TMK-ARTROM.

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

Short-term bank loans:

| Banking company name | Currency | 31 December 17 | | 31 December 18 | |
|--|----------|--------------------|--------------------------|--------------------|--------------------------|
| | | Balance lei | Balance foreign currency | Balance lei | Balance foreign currency |
| Line for financing general needs in UNICREDIT BANK | EUR | 65,235,795 | 13,999,999 | 65,294,595 | 13.999.999 |
| Overdraft unengaged for 3 years BANCPOST | EUR | 91,456,392 | 19,627,099 | 0 | 0 |
| Overdraft unengaged BANCA TRANSILVANIA | EUR | | | 92,501,203 | 19.833.445 |
| Total short-term bank loans | | 156.692.187 | 33,627,098 | 157,795,799 | 33,833,444 |



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| Banking company name | Currency | 31 December 16 | | 31 December.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 |

Long term bank loans

| Banking company name | Currency | Balance as at 31.12.2018 | | | | | |
|------------------------------------|----------|--------------------------|-------------------------|-------------------------------|-------------------------|------------------------------------|-------------------------|
| | | Amount due | | <u>Maturity over one year</u> | | <u>Maturity less than one 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 | 59,706,974 | 12,801,941 | 59,706,974 | 12,801,941 | | |
| Loan investment BCR ERSTE- 7 years | EUR | 116,597,500 | 25,000,000 | 94,388,452 | 20,238,095 | 22,209,048 | 4,761,905 |
| TOTAL | | 176,304,474 | 37,801,941 | 154,095,426 | 33,040,036 | 22,209,048 | 4,761,905 |

| Banking company name | Currency | Balance as at 31.12.2017 | | | | | |
|------------------------------------|----------|--------------------------|-------------------------|-------------------------------|-------------------------|------------------------------------|-------------------------|
| | | Amount due | | <u>Maturity over one year</u> | | <u>Maturity less than one 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 investment 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 |

| Banking company name | Currency | Balance as at 31.12.2016 | | | | | |
|-------------------------------------|----------|--------------------------|-------------------------|-------------------------------|-------------------------|------------------------------------|-------------------------|
| | | Amount due | | <u>Maturity over one year</u> | | <u>Maturity less than one 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 - 3 | EUR | 76,875,748 | 16,928,883 | | | 76,875,748 | 16,928,883 |



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|--|-----|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| years | | | | | | | |
| Loan investment 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 |

- ❖ the amount of RON 65,255,395.34 (equivalent of EUR 13,999,999) is related to an uncommitted credit in initial amount of EUR 27,000,000 - contracted with UNICREDIT BANK in 15.10.2013, which following the addendum from 23.06.2015 reach EUR 26 million, and following the addendum from 16.03.2017 was decrease up to EUR 16 mil , with final maturity (validity) till 17.02.2019 for cash utilisation and up to 17.07.2019 for letter and credit and bank guarantee utilisation , which can be used in the maximum amount of EUR 15,000,000 to financing general needs / issue of letters of bank guarantee / letters of credit (revolving credit) with interest rate EURIBOR 1M+2.7%, if NFD/EBITDA of TMK Group (the Financial Net Liability/ EBITDA) is smaller or equal with 5.00x. During 2016 the company decided anticipated voluntary repayment of EUR 1,000,000.

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

- 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.
- ❖ the amount of RON 59,706,974, representing EUR 12,801,941, is related to the operating loan - multiproduct credit facility within a EUR 20,000,000- contracted by TMK-ARTROM as borrower and TMK-RESITA as co-borrower with BCR in 03.10.2011, with a 3-year validity period, with interest EURIBOR 3M plus 1,9%. Final maturity date is 03.10.2020.

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

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

In February 2012 an amendment was concluded through which this loan was converted to a loan contracted by BCR SA, and for this reason at the end of 2012 the loan is considered to be long term, and not short term, as it was deemed at the end of 2011. In September 2013 a new amendment was signed with BCR and overdraft credit facility was transformed into a multi-product that can be used both as overdraft and the ceiling for issuing letters of guarantee and letters of credit and has low fixed interest margin applied near EURIBOR 3M from 3.5% to 1.9%. In 25.09.2014 was signed a new amendment with BCR through which the final validity of the facility was extended until 03.10.2017 with the annual approval of the users. In October 2017, a new amendment was signed which prolonged validity up to 03.10.2018, and November 2018, a new addendum prolonged the validity up to 03.10.2020. As at 31.12.2018 the company issued a bank guarantee for good payment in the amount of EUR 100,000 issued in favour of TMK-RESITA supplier INOTAL ALUMINIUM FELDOLGOZO and two letter of credit for TMK-ARTROM providers, one in amount of EUR 234,660 EUR issued in favour of NIDEC ASI and one in amount of EUR 160,000 EUR in favour of S.F.H.



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- ❖ the amount of RON 116,597,500 (respectively the equivalent of a EUR 25,000,000) is related to a 7-year investment loan in the amount contracted by EUR 25,000,000- concluded by TMK-ARTROM as borrower and TMK-RESITA as guarantor with BCR in 07.11.2016 with an interest EURIBOR 3M plus 3.35% to finance HEAT TREATMENT PLANT. The final maturity is 07.11.2023.

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

The reimbursement of the loan start from January 2019 in 21 quarterly equal instalments.

For this loan the company constituted warranties, as follows:

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

- ❖ the amount of RON 92,501,203 (equivalent of EUR 19,833,445) is related to an uncommitted overdraft in amount of EUR 20,000,000- concluded by TMK-ARTROM S.A. as borrower and TMK-RESITA as fidejutor with BANCA TRANSILVANIA in 29.10.2018, with an interest EURIBOR 3M plus 2.0%. 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 BANCA TRANSILVANIA 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.

Given the BANCPOST acquisition by BANCA TRANSILVANIA, the loan granted by BANCPOST to the company in 2016 was refinanced 01.11.2018, under exactly the same conditions by BANCA TRANSILVANIA by the loan presented above.

- ❖ The company has contracted with BCR a ceiling of discount for promissory notes amounting to RON 10,000,000 with an interest of ROBOR 3M +3% which can be transformed into a loan if customers do not settle the promissory notes that reached their due date. In July 2015 the value of this ceiling was reduced to RON 4,000,000 RON, and in August 2016 to RON 2,000,000 RON.

As at 31.12.2018 there were no outstanding promissory notes and discounted un-matured.

At the receiving of loans, TMK-ARTROM paid up-front fees for the entire period of the loans, unamortised cost of these fees at the end of each period is decreasing the value of the loans closing balance.

At 24.07.2014 TMK-ARTROM and TMK-RESITA signed with Banca Comerciala Romana SA a Contract of Reverse Factoring - according to which BCR will accept for financing invoices issued by the suppliers of TMK-ARTROM and TMK-RESITA an overall limit approved of RON 45 million, in order to maintain an efficient supply network with the suppliers of the company. The guarantees granted by this contract are: security mortgage on the creditor balance of the current accounts opened at Banca Comerciala Romana by TMK-ARTROM S.A. and security mortgage on the creditor balance of the current accounts opened by TMK RESITA S.A. at Banca Comerciala Romana. In July 2015 the of the contract was increased to RON 51,000,000 and in September 2016 the value was increased to RON 65,000,000. At 21.11.2018 a new



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amendment which increase the ceiling value up to 70,000,000 lei was signed with the bank. At 31.12.2018 from this limit RON 2,550,000 were allocated for TMK-ARTROM's suppliers and from this the amount of RON 1,228,619 was used

Other long-term and short term liabilities to affiliated entities

The company TMK EUROPE GmbH Germany (former TMK SINARA HANDEL GMBH) is the lender with the amount of USD 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 USD 22,837,540 USD and RON 38,425. RON 4,073,600, equivalent of USD 1,000,000, represent short term liabilities and amount of RON 69,404,123 lei equivalent of USD 17,037,540 USD represent long term liabilities.

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

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

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

2. Pledge without disposal first rank on hot rolling line, rolling HPT 250, ultrasonic NDT facility; AWW250 Assel mill, Planer D 38-90; oven FTT SKW75 Pilger mill, heating installation induction, heat treatment furnace rank normalization and the other assets of the TMK-ARTROM under registration no 2004-1080142242453-QJU/24, 03.2004.

3. First rank mortgage on land in area 211,614.54 sqm and related buildings inside TMK-ARTROM under the contract no. 1869/14.10.2003.

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

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

The first 56 monthly instalments will be worth USD 400.000 and the 57th will be worth USD 437,540. The payment of debt amounting to RON 38,425RON of the Company to TMK Europe GmbH from 25 January 2014 will be paid in USD at the official RON/USD exchange rate of the National Bank of Romania on the last working day of the year 2013. The debt has an interest rate of LIBOR + 0.5% per year starting on 1 January 2009. Interest is calculated and paid on the 15th of each month for the previous month.

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

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

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

In 18.12.2018 was concluded Addendum no.4 on which parties agree about repayment of USD 1,000,000 in second half of the year 2019, and starting with January 2020, Borrower will continue the



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reimbursement if remaining outstanding amount of USD 17,037,540.03 as following: 42 instalments in amount of USD 400,000.00 and the last one in amount of USD 237,540.03 on the 25th day of each month.

The interest due by TMK-ARTROM S.A. on 31.12.2018 is of USD 46,638.76, respectively RON 189,897.65.

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.

- ✚ As at 31.12.2018 TMK-ARTROM register a debt in amount of RON 290,514,331 equivalent EUR 62,290,000, to TMK EUROPE GmbH representing payments to be performed for acquisition of a number of 131,010,874 shares, representing 99.99237% of the share capital of TMK-REȘIȚA owned by TMK Europe GmbH.

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

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

1. EUR 100,000 is to be paid within thirty (30) days from the execution of the sale-purchase agreement of the shares concluded between TMK-Europe GmbH and TMK-Artrom and the transfer of the ownership over the shares following the signing of TMK Resita's Shareholders (Shares) Registry by TMK Europe GmbH and TMK-Artrom;

2. The remaining price of EUR 62,190,000 shall be paid during a five (5) years period, starting with 2019, in equal instalments of EUR 12,438,000 each, no later than 31 December for every year. TMK-Artrom may pay such instalments in full or partially in advance, as well as to extend the payment term for such instalments (implicitly reducing the value of the instalments) for another period of maximum five (5) years, depending on the available financial resources.

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

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

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

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

Liabilities – Leasing contracts:

As at 31 December 2018 TMK-ARTROM SA Slatina has concluded a number of seven financial leasing contracts for purchasing of technical equipment and a vehicle with the leasing term up to 5 years. The net book value of the assets owned under the financial leasing as at 31 December 2018 is of 5.805 thousand RON (31 December 2017: 2.369 thousand RON).

The Group has concluded financial leasing contracts with equipment and vehicles with lease terms of up to 5 years. The net book value of the Group asset - held financial as at 31 December 2018 is 36.708 thousand RON (31 December 2017: 37.255 thousand RON and as at 31 December 2016: 38.339 thousand RON).

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

Through which TMK-RESITA purchases from Messer, oxygen, gas, during the supply period of 15 years (2012-2023) with the possibility to extend the term of the agreement was recorded in accordance with IFRS, as analysed



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in accordance with IAS 7 and IFRIC 4 as finance leases. The amount of 10.035.613 euro as at 31.12.2018 is recorded in accordance with IFRS liability for financial lease. The industrial equipment is the property of MESSER, as a result of the individual financial statements of TMK RESITA (not applying IFRS) drawn up by ORDIN MFP no. 1802/2014, for consolidation purposes in the consolidated financial statements of TMK ARTROM was applied this financial lease treatment. As a result, if the statutory reporting of gas consumption is an operating expense, in the consolidated reporting of both TMK-ARTROM and PAO-TMK, we have recordings of equipment depreciation expense, lease expense, exchange rate differences related to the liability financial leasing, asset and lease liability.

Other liabilities:

Regarding the company's obligations to the state budget, as at 31.12.2018 the company has to pay the amount of 10.498 thousand RON compared to 6.304 thousand RON as at 31.12.2017 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 31.12.2018 of 37.184 thousand RON (31.12.2017: 34.540 thousand RON) for temporary differences mainly resulting from non-current assets

The Group calculated a deferred tax with a net debt as at 31.12.2018 of 71.238 thousand RON (31.12.2017: 63.552 thousand RON) as well as a receivable for deferred tax as at 31.12.2018 in amount of 129 thousand RON (31.12.2017: 69 thousand RON).

The obligation of the group to the state budget as at 31.12.2018, are in amount of 11.521 thousand RON compared to 8.197 thousand RON as at 31.12.2017 which represent current liabilities to tax and social obligations for salaries, income tax non-resident legal entities

As at 31 December 2018 the Group TMK - ARTROM SA has consolidated current trade receivables to the companies within the PAO TMK group in amount 79.961 thousand RON of which mainly to PAO TMK 67.324 thousand RON representing mainly metallurgical profiles pipes, billets, blooms for sale compared to 31 December 2017 consolidated trade receivables to the companies within PAO TMK Group were of 129.651 thousand RON.

As at 31 December 2018 TMK - ARTROM SA has current trade liabilities to companies within the PAO TMK group in the amount of 71.630 thousand RON of which mainly to PAO TMK 67.323 thousand RON representing mainly metallurgical profiles pipes, billets, blooms for sale also to the subsidiary TMK Industrial Solutions LLC 2.062 thousand RON representing agent commission

Dividends:

In 2018, the dividends were not distributed by the company or its subsidiaries for 2017 (as in the last three years).

Reinvested profits:

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

b) income statement: net sales; gross income; cost and expense items with a weight of at least 20% in net sales or gross incomes; risk provisions and for various expenses; reference



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to any sale or closure of a segment of activity performed in the last year or to be carried out in the following year; dividends declared and paid;

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

| | 2018 separate | 2017 separate | 2016 separate | 2018 consolidated | 2017 consolidated | 2016 consolidated |
|--|--------------------|--------------------|------------------|--------------------|--------------------|-------------------|
| | Thousand RON | Thousand RON | Thousand RON | Thousand RON | Thousand RON | Thousand RON |
| Revenues | 1.385.787 | 1.065.446 | 761.911 | 1.396.646 | 1.185.628 | 762.827 |
| <i>Revenue from customer contracts</i> | 1.385.329 | 1.064.853 | 761.308 | 1.392.913 | 1.178.434 | 758.128 |
| <i>Rendering services</i> | 458 | 594 | 603 | 3.733 | 7.194 | 4.700 |
| Cost of sales | (1.122.693) | (894.405) | (654.216) | (1.077.687) | (994.932) | (639.611) |
| Gross profit | 263.094 | 171.041 | 107.696 | 318.959 | 190.696 | 123.217 |
| Expenses on sales | (137.422) | (90.804) | (64.271) | (135.440) | (92.518) | (65.691) |
| Advertising and publicity expenses | (306) | (266) | (105) | (334) | (342) | (151) |
| General and administrative expenses | (40.169) | (35.041) | (29.184) | (61.252) | (52.736) | (43.130) |
| Research and development expenses | (247) | (118) | (140) | (247) | (118) | (140) |
| Other operating expenses | (2.963) | (4.398) | (3.703) | (5.494) | (5.486) | (4.309) |
| Other operating revenues | 441 | 1.456 | 1.072 | 94 | 2.090 | 5.129 |
| Operating profit | 82.428 | 41.871 | 11.365 | 116.286 | 41.586 | 14.925 |
| Net gains / (net loss) from foreign exchange differences of which: | (2.873) | (2.034) | (4.616) | (3.534) | (2.022) | (4.633) |
| revenue from exchange rate differences | 94.018 | 46.997 | 20.149 | 94.462 | 47.569 | 20.214 |
| Expenses from exchange rate differences | (96.891) | (49.031) | (24.765) | (97.996) | (49.591) | (24.847) |
| Financial income | 3 | 2 | 4 | 3 | 1 | 1 |
| Financial costs | (11.777) | (6.737) | (5.506) | (15.290) | (10.677) | (8.005) |
| Gains / (losses) on financial instruments of which: | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue from financial instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| expenses from financial instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 67.781 | 33.102 | 1.247 | 97.465 | 28.888 | 2.288 |
| current income tax | (8.567) | (1.952) | (1.535) | (10.257) | (4.122) | (1.694) |
| Deferred income tax - revenue | 1.507 | 2.182 | 2.439 | 4.044 | 10.092 | 9.933 |
| Deferred income tax - expenses | (4.151) | (277) | (1.274) | (11.676) | (8.238) | (7.600) |
| PROFIT, LOSS (+/-) NET | 56.570 | 33.055 | 877 | 79.576 | 26.620 | 2.928 |
| Total operating revenues | 1.386.228 | 1.066.903 | 762.983 | 1.396.740 | 1.187.718 | 767.956 |
| Total operating costs | (1.303.800) | (1.025.032) | (751.618) | (1.280.454) | (1.146.133) | (753.031) |
| Operating profit | 82.428 | 41.871 | 11.365 | 116.286 | 41.586 | 14.925 |
| TOTAL COMPREHENSIVE REVENUES | 1.480.249 | 1.113.901 | 783.137 | 1.491.205 | 1.235.288 | 788.171 |
| TOTAL COMPREHENSIVE COSTS | (1.412.468) | (1.080.799) | (781.889) | (1.393.740) | (1.206.400) | (785.884) |



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|----------------------|--------|--------|-------|--------|--------|-------|
| Profit before tax | 67.781 | 33.102 | 1.247 | 97.465 | 28.888 | 2.288 |
| Dividends calculated | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | 0 |

1. Analysis of revenues from the customer contracts

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

Total revenues from customer contracts of TMK-ARTROM increased by 30% in 2018 compared to 2017 due to revenue growth in customer contracts for 41% of sold output and 10% lower sales of merchandise.

Revenues from customer contracts for the production of TMK-ARTROM sold increased in 2018 as compared to 2017 as a result of the increase in the physical volume of pipe sales from 185.614 tons to 200.565 tons (8% increase) but also their average sales price of 31% due to the increasing demand on the steel pipe market and as a result of the increase in the value of the premium pipes with the high added value in the total volume of TMK-ARTROM sales compared to the previous period.

Sale of goods decreased in 2018 by 10%, compared to the previous year mainly due to the quantitatively decrease of metallurgical products (billets, blooms, pipes) purchased from the companies within the PAO TMK Group. The sales on domestic market and export decreased to 78.358 tons in 2018 compared to 85.716 tons in 2017.

Volume of sales revenue from seamless steel pipes production TMK-ARTROM in the total revenues separate TMK-ARTROM in 2018 is of 81,5% (in 2017: 75%).

The increase in the volume of Premium products was due to the investment in the new thermal treatment section which allowed the increase in the physical volume of pipes and the sales of premium value products.

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

The Group's consolidated revenues increased by 18% in 2018 as compared to 2017 as a result of revenue growth in contracts with customers in the production sold of TMK-ARTROM with 41%, an increase that was to some extent diminished by the decrease in TMK RESITA sales of billets and blooms to third parties (by 66%) and the decrease of sales of metallurgical goods from companies within the TMK Group (by 10%). The increase in revenues is due to the following factors: the increase of the turnover obtained from the sale of pipes for ordinary uses in the total revenues obtained in 2018 compared to the year 2017 by 13.1%, the increase of Premium sales by 15.146 tonnes in 2018 compared to the year 2017 in the Group's product portfolio, which led to a 14.7% increase, and a 33% increase in the average sale price.

Centralized we can say that from the increase of total revenues in 2018 by 18 % compared to the revenues obtained in 2017, an increase of 8% was determined by the market, and an increase by 10% was determined by the sale of PREMIUM products. The volume of total sales of TMK-ARTROM in the total of consolidated turnover is of 96% (in 2016, this being of 88%),

The volume of sales revenue from seamless steel pipes production TMK-ARTROM in the total revenues of TMK-ARTROM Group in 2018 is of 81% (in 2017: 67%).

The consolidated total revenues increased by 55% in 2017 compared to 2016 due to the increase of sale of pipes production TMK-ARTROM by 27% increase of sales TMK RESITA of billets and blooms to third



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parties by 683% but also to the increase of sales of goods with metallurgical products from the companies within the PAO TMK Group by 122%.

The consolidated turnover regarding the sold production of TMK ARTROM increased in 2017 compared to 2016 due to the increase of physical volume of sales of pipes from 169.806 tons to 185.416 tons (an increase by 9%), but also of the average sale price of those by 16%.

The volume of sales of goods (billets, blooms, pipes) purchased from the companies within the TMK Group increased in 2017 by 122% due to the sale on the domestic market and external of 85.716 tons (compared to the volume registered in 2016 of 69.427 tons).

2. Expenses analysis

2.1 The analysis of TMK-ARTROM expenses (separate)

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

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

The company's main cost of production is the cost of raw material, accounting for 72% of total sales costs. No other individual cost shall exceed 10% of the total cost of sales of pipes. Expenses with employees in the productive sector (salaries, compensations and social contribution expenses) represent 9.5% of the cost of selling pipes. Expenses on consumables (auxiliary materials, technological tools, spare parts, etc.) represents 5%; energy expenses (natural gas, electricity, water) represent 6.3%; depreciation costs represent 4.9%. The other individual expenses are less than 1% of the total cost of selling pipes.

| | 31.12.2018 separate | 31.12.2017 separate | 31.12.2016 separate | Variation 2018/ 2017 | Variation 2017/ 2016 |
|---|------------------------|------------------------|------------------------|----------------------------|----------------------------|
| | Thousand RON | Thousand RON | Thousand RON | % | % |
| Raw materials expenses | 661.768 | 506.499 | 387.843 | 31% | 31% |
| Expenses with salaries, salary compensations and social con tribution | 87.877 | 73.962 | 64.893 | 19% | 14% |
| Consumables | 58.945 | 44.882 | 40.791 | 31% | 10% |
| Energy and utilities expenses | 58.469 | 52.795 | 48.772 | 11% | 8% |
| Depreciation and impairment | 44.878 | 40.316 | 40.178 | 11% | 0% |
| Expenses on other services from third parties | 2.796 | 2.824 | 1.799 | -1% | 57% |
| Transport costs | 2.464 | 1.993 | 1.670 | 24% | 19% |
| Fees | 2.527 | 1.298 | 1.443 | 95% | -10% |
| Repairs and maintenance | 2.588 | 2.263 | 1.885 | 14% | 20% |
| Insurance | 1.571 | 129 | 127 | 1118% | 2% |
| Rental expenses | 622 | 472 | 299 | 32% | 58% |
| Travel expenses | 680 | 490 | 554 | 39% | -12% |
| Telecommunication expenses | 75 | 89 | 77 | -16% | 16% |
| Other expenses | 14 | 9 | 7 | 56% | 29% |



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|--|------------------|----------------|----------------|------------|-------------|
| Total production cost | 925.273 | 728.021 | 590.339 | 27% | 23% |
| Changes in inventories | 11.652 | - 29.396 | -18.987 | -140% | 55% |
| Expenses on goods | 198.615 | 213.775 | 103.031 | -7% | 107% |
| Income from the production of tangible and intangible assets | - 16.538 | -17.189 | -20.951 | -4% | -18% |
| Adjustments for inventory impairment | 3.690 | - 805 | 784 | -558% | -203% |
| Cost of sales of which | 1.122.693 | 894.405 | 654.216 | 26% | 37% |
| Cost of goods | 198.615 | 213.775 | 103.031 | -7% | 107% |
| Cost of sold production | 924.078 | 680.630 | 551.185 | 36% | 23% |

Compared to 2017, the cost of the goods sold increased in 2018 with 26% and in 2017 compared to 2016, the cost of the goods sold increased by 37%.

Compared to 2017, based on the increase of physical volume of production by 4% and of the volume of sale of pipe by 8%, as well as the increase of the volume of premium pipes produced in the total of production of pipes, the cost of sales of pipes production TMK-ARtrom increased in 2018 by 36% (compared to 2016 based on the increase of production by 13% and of the volume of sale of pipes by 9%, the cost of sale of pipe production TMK-ARtrom increased in 2017 by 23%). Between 2016 and 2018, the following variations in the cost of goods sold by TMK Artrom were recorded:

- a. cost on goods sold (trade activity) decreased in 2018 with 7% due to the decrease of sale of goods (billets, blooms, pipes) purchased from the companies within the TMK Group; in 2017 increased by 107 % due to the increase of quantities and chnsge of the structure of goods (billets, blooms, pipes) purchased from the companies within the TMK Group and soldby TMK ARtrom both both locally and for export, as well as with the products marketed by TMK Industrial Solutions LLC on the North American market (TMK Industrial Solutions LLC was founded by TMK Artrom in 2016).
- b. Expenses with raw material increased in 2018 compared to 2017 by 31% mainly due to the change in structure of raw material used in production but also of the increase of the price in the market of steel and scrap. The average cost of raw material used in 2018 increased compared to the previous year by 25% due to the change of the structure of achieved production – type of billet – as well as increase of price to scrap. Expenses with raw material and consumables increased in 2017 compared to 2016 by 31 % 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 scrap.
- c. Expenses with energy, gas and water increased in 2018 compared to 2017 by 11%, mainly due to the increase of the physical consumption and variation of purchase prices for energy and gas compared to the previous year. The average price to energy increased in 2018 compared to 2017 by 11,5%, and gases increased in 2018 compared to 2017 by 14% compared to the previous period. Expenses with energy, gas and water increased in 2017compared to 2016 by 8% mainly due to the increase of physical consumption and variation of purchasing prices of energy and gas compared to previous year. The average price to energy increased in 2017 compared to 2016 by 9,85 % and the natural gas decreased by 8% in the same period.



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d. Environmental protection costs. In 2018 TMK Atytom made a provision for greenhouse gas emission certificate in the amount of 668 thousand RON for the deficit of certificates required for the production of 2018. TMK Artrom registered in 2018 environmental protection costs in amount of 1.008 thousand RON representing certificates handed over to the European Greenhouse Gas Register (RUEGES) for greenhouse gas emissions related to the production of 2017 and canceled the provisions previously recorded for the 2017 production in the amount of 1.466 thousand RON. At 3.06.2015 TMK-ARTROM obtained exemption from payment of 60% of the mandatory quota of green certificates corresponding exemption under the Agreement No 3 of 03.06.2015 issued by the Ministry of Economy, Trade and Tourism. According to GD 495/2014 in conjunction with the European Commission Decision no. C (2014) 7287 final of 15 October 2014, the State aid scheme, ie the exemption, will remain valid until 2024.

Also, TMK ARTROM benefits from exemption from excise duty for electricity and natural gas consumed for metallurgical activities, provided for in Article 355 (3) and (358) of the Fiscal Code, in accordance with art. 394, Section 13 of the Fiscal Code. Annually, notifications to NAFA are submitted to maintain the exemptions.

e) staff costs. In the cost of sold production the staff costs have increased in relation to the year 2017 with 19% as a result of the increase in the number of staff determined by the commissioning of the new production units "Heat Treatment Plant".

The total staff costs of the company increased in 2018 compared to 2017 by 17% (in 2017 compared to 2016 increased by 13%) mainly due to the increased number of employees and wage growth within TMK Artrom. Total staff costs of the company increased in 2018 compared to 2017 by 17% (in 2017 compared to 2016 increased by 13%) mainly due to the increased number of employees and wage growth within TMK Artrom. The average number of employees of TMK Artrom at 31.12.2018 was 1.457 compared to 1.324 persons on 31.12.2017. The actual number of employees at 31.12.2018 was 1.486 compared to 1.365 at 31.12.2017. The average number of employees of TMK Artrom at 31.12.2017 was 1.324 compared to 1.296 at 31.12.2016. The actual number of staff at 31.12.2017 was 1.365 compared to 1.304 persons on 31.12.2016.

f) Value adjustments for stocks of raw materials, finished products and current production were made taking into account the net realizable value at 31 December 2018. The value of value adjustments for stocks existing at 31.12.2018 are in amount of 9.075 thousand RON (31.12.2017: 5.385 thousand RON).

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

Selling and distribution expenses increased by RON 47 million or 51% to RON 137 million for the year ended December 31, 2018 compared to RON 91 million for the year ended December 31, 2017. The increase is mainly due to increases in tax expenses to RON 25 million for the year ended December 31, 2018, compared to RON 0.02 million for the year ended December 31, 2017, and also, an increase in expenses for external services to RON 101 million during the year ended December 31, 2018, compared to an expense of RON 82 million during the year ended December 31, 2017.

- a. taxes and duties increased in 2018 as compared to 2017 due to sales tax in the US for finished TMK Artrom products and goods purchased from TMK group companies following the introduction of the import duty on certain steel products in the US. Starting May 2018, the import duty on some steel products in the US (section 232) was 25%, the duty on the steel products TMK Artrom acquired from the TMK group companies sold in the US. For similar steel



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products of European origin, the 25% duty was introduced as of 1.06.2018. Expenses with these taxes in the year 2018 were of RON 25,172 thousand, which were generally recovered by increasing sales prices to customers.

- b. expenses for external services increased by 23% in 2018 compared to 2017 (in the year 2017 they increased by 46% in 2017), mainly due to the increase in the commercial expenses related to the sales of pipes and goods - expenditures transportation, port charges, agency fees.

2.1.3 General and administrative expenses of TMK-ARTROM (separate)

General and administrative expenses increased by RON 5 million or 14.6% to RON 40 million for the year ended December 31, 2018 against RON 35 million for the year ended December 31, 2017, and the increase was mainly due:

- to salary increases and monetary compensations to RON 23 million for the year ended 31 December 2018 versus RON 21 million for the year ended December 31, 2017;
- an increase in general and administrative fees to RON 1.7 million during the year ended December 31, 2018 an expense of RON 0.8 million during the year ended December 31, 2017;

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

TMK-Artrom registered in 2018 financial loss in amount of 14.647 thousand RON (in 2017 those were of 8.770 thousand RON) due to the increase of interest costs and unfavourable exchange rate differences. Compared to 2017 the financial loss of the year 2018 increased by 67%. Interest costs increased with 75% due to the increase of the volume of loans and interest rates and increase of the net losses from the exchange rate differences with 41%. Compared to 2016 the financial loss of 2017 decreased by 13%. Interest costs increased with 22% due to the increase of the volume of loans and interests rates and decrease of net losses from the exchange rate differences with 56%. In accordance with the provisions of OMFP 2844/2016 with subsequent amendments and completions, the balances of the available accounts, receivables and liabilities in foreign currency (monetary items) were assessed on a monthly basis according to the NBR reference rates.

Currency instability and pronounced depreciation of the exchange rate RON/EUR and RON/USD, which evolved from 4,5245 lei/EUR as at 31.12.2015 to 4,5411 lei/EUR as at 31.12.2016 to 4,6597 lei/EUR as at 31.12.2017 to 4,6639 lei/EUR as at 31.12.2018 namely from 4,1477 lei/USD (31.12.2015) to 4,3033 lei/USD (31.12.2016), to 3,8915 lei/USD (31.12.2017) to 4,0736 lei/ USD led to the recording of foreign exchange losses in the amount of 4.616 thousand RON in 2016, of 2.034 thousand RON in 2017 and of 2.873 thousand RON in 2018.

2.2. The analysis of TMK-ARTROM expenses

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

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

| Cost of goods sold by the Group | 2018 consolidate d | 2017 consolidate d | 2016 consolidate d | Variatio n 2018- 2017 | Variatio n 2017- 2016 |
|---------------------------------|--------------------------|--------------------------|--------------------------|-----------------------------|-----------------------------|
| | Thousand RON | Thousand RON | Thousand RON | % | % |
| Raw materials expenses | 392.316 | 414.397 | 211.327 | -5% | 96% |



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|--|------------------|----------------|----------------|-------------|-------------|
| Expenses with salaries, salary compensations and social contribution (note 11.5) | 129.854 | 113.664 | 99.741 | 14% | 14% |
| Consumables | 156.396 | 120.718 | 97.128 | 30% | 24% |
| Energy and utilities expenses | 112.289 | 110.873 | 92.326 | 1% | 20% |
| Depreciation and impairment | 73.661 | 69.434 | 68.529 | 6% | 1% |
| Expenses on other services from third parties | 3.930 | 3.918 | 2.185 | 0% | 79% |
| Transport costs | 2.465 | 1.993 | 1.670 | 24% | 19% |
| Fees | 4.332 | 2.754 | 3.756 | 57% | -27% |
| Repairs and maintenance | 3.933 | 3.277 | 2.980 | 20% | 10% |
| Insurance | 2.500 | 267 | 321 | 836% | -17% |
| Rental expenses | 1.374 | 796 | 583 | 73% | 37% |
| Travel expenses | 1.015 | 646 | 678 | 57% | -5% |
| Telecommunication expenses | 103 | 118 | 166 | -13% | -29% |
| Other expenses | 14 | 9 | 9 | 56% | 0% |
| Total production cost | 884.183 | 842.864 | 581.398 | 5% | 45% |
| Changes in inventories | 10.844 | -45.052 | -19.150 | -124% | 135% |
| Expenses on goods | 198.684 | 220.466 | 103.255 | -10% | 114% |
| Income from the production of tangible and intangible assets | -20.257 | -22.191 | -25.816 | -9% | -14% |
| Adjustments for inventory impairment (note 18) | 3.803 | -1.206 | -75 | -415% | 1508% |
| Expenses for downgrading materials | 429 | 52 | - | 725% | |
| Cost of total sales of which | 1.077.687 | 994.932 | 639.611 | 8% | 56% |
| Cost of goods | 198.684 | 220.466 | 103.255 | -10% | 114% |
| Cost of sold production | 879.003 | 774.466 | 536.356 | 13% | 44% |

The main cost of production of the Group in 2018 is represented by the cost of the raw material consisting of scrap, ferro-alloys and casting powders used by TMK RESITA in the production process, representing 45% of the total sales costs of the group production sold (54%, in 2017 and 39% in 2016). Expenses with employees in the productive sector (salaries, compensations, and social contribution expenses) represent 14,8% the cost of sale of production group (14,7%, in 2017 and namely 19% in 2016). Expenses with consumables (auxiliary materials, technological tools, spare parts, etc.) represent 15% (compared to 13% in 2017 and namely 13% in 2016). Energy costs (natural gas, electricity, water) represent 13% (compared to 14% in 2017 and namely 17% in 2016). Expenses related to depreciation represent 8% (compared to 9% in 2017 and namely 13% in 2016). The other separate expenses are less than 1% of the total sale cost of the production of group.

During 2016-2018, the following variations in the cost of goods sold by the Group were registered:

- The expenses with raw material of the group decreased in 2018 compared to 2017 by 5% mainly due to the decrease of liquid steel production of TMK-RESITA by 14 %. However, the decrease of the raw materials expenses was diminished by the increase of the average purchase price of the scrap which increased from 1.130 lei / ton in 2017 to 1.280 lei / ton in 2018 (increase by 13%). Also price increases were in 2018 also to auxiliary materials ferro-alloys and electrodes. The expenses with raw material of the group increased in 2017 compared to 2016 by 96%, as a result of the increase of steel production volume obtained (increase by 43%) and increase of the average acquisition price for scrap from 846 lei/to in 2016 to 1142 lei/to in 2017 (increase by 35%).
- Expenses on energy, gas and water increased in 2018 compared to 2017 only with 1%, mainly due to the increase in actual consumption for pipe production but also to a decrease in the actual consumption as a result of the decrease in TMK Resita's liquid steel production and of the change in electricity and natural gas purchase prices compared to the previous year. Data on TMK Artrom was presented in the previous section of the Report (Section 2.3.1). With regard to TMK Resita, the average electricity



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price increased by 10% in 2018 (in 2018 the annual average for energy 220=252.39 lei/MWh :the annual average for energy 110 = 268.62 lei/MWh ; compared to 2017 when the annual average for energy 220 =229.26 lei/MWh; the annual average for energy 110 = 246.06 lei /MWh) Expenses on energy, gas and water increased in 2017 compared to 2016 with 20%, mainly due to the increase in physical consumption for the production of pipes and the increase in physical consumption as a result of the increase in the production of liquid steel of TMK RESITA with 43% and the change in electricity and natural gas purchase prices as compared to the previous year. At TMK RESITA the average price to energy increased with 12% (in 2017 energy 220 =235.68 lei/MWh;energy 110 = 252,48 lei/MWh compared to 2016 when energy 220 = 208.23 lei/MWh and energy 110 = 231,96 lei/MWh) and savings from the consumption norm.

- c. Environmental protection expenses. In 2018 TMK Artrom made provisions for greenhouse gas emission allowances in the amount of 668 thousand RON for the deficit of certificates for the production of 2018. TMK Artrom registered in 2018 environmental protection costs in amount of 1.008 thousand RON representing certificates handed over to the European Greenhouse Gas Register (RUEGES) for greenhouse gas emissions related to the production of 2017 and canceled the provisions previously recorded for the 2017 production in the amount of 1.466 thousand RON. At 3.06.2015 TMK-ARTROM obtained exemption from payment of 60% of the mandatory quota of green certificates corresponding exemption under the Agreement No 3 of 03.06.2015 issued by the Ministry of Economy, Trade and Tourism. According to GD 495/2014 in conjunction with the European Commission Decision no. C (2014) 7287 final of 15 October 2014, the State aid scheme, ie the exemption, will remain valid until 2024 for both companies.

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

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

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

- d. Staff expenses. In the cost of sold production of the group staff costs have increased in relation to the year 2017 with 14.2% as a result of the increase in the number of staff determined by the commissioning of the new production units "Heat Treatment Plant".

The total staff expenses of the Group increased in 2018 compared to 2017 by 14.7% (in 2017 compared to 2016 increased by 15.7%) mainly due to the increase of staff number as well as increase of individual wages. The average number of employees in the Group in 2018 was of 2.249 (201: 2,068; 2016: 2,021). The actual number of employees of the Group as at 31.12.2018 was 2.282 employees with 121 employees compared to the total



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number of employees registered at the end of 2017 – 2.161 employees (compared to 2016 when the number of employees was of 2.030). The actual number of employees at TMK Resita as at 31 December 2018 was 783 (2017: 784; 2016: 715 employees) and 2 persons at TMK Assets for the whole period. The average number of employees in TMK Resita in 2018 was 781 employees (compared to 733 in 2017 and 715 in 2016 respectively) respectively 1 person at TMK ASSETS for the whole period. TMK Industrial Solutions LLC had at the end of 2018 a number of 11 employees (compared to 10 employees at the end of 2017 and 8 employees at the end of 2016). The average number of employees of TMK Industrial Solutions LLC in 2018 was 10 employees (the same as the average number of employees in 2017 and 2 higher than the average number of employees in 2016).

- e. **Depreciation and amortization.** The depreciation and amortization increased by RON 5 million to RON 74 million for the year ended December 31, 2018, compared to RON 69 million for the year ended December 31, 2017. Following the instalment of the new section of heat treatment treatments in 2018, the costs for straight line amortization for new machinery and equipment increased during the year of 2018.

Gross margin related to consolidated sales

Gross margin increased by RON 128 million to RON 319 million for the year ended December 31, 2018 compared to RON 191 million for the year ended December 31, 2017.

Gross profit growth was mainly attributed to market conditions that allowed higher pricing of Group's products, on the one hand, and increased sales of Premium products, on the other.

Gross margin% of total group sales was 23% for 2018 and 16% for 2017

Gross margin% of sales of TMK-ARTROM steel production pipes was 35% for 2018 and 21% for 2017

Higher prices for new types of Premium pipes have increased gross profit both because of the quantitative increase and the average sales price of the products in 2018 compared to the same reporting period of 2017.

Adjusted EBITDA Adjusted EBITDA increased by RON 82.3 million to RON 203.2 million for the year ended December 31, 2018 versus RON 120.8 million for the year ended December 31, 2017. This increase was mainly due to the increase in volumes sales for Premium products and an increase in the average sale price compared to 2017.

Adjustable EBITDA margin. The adjusted EBITDA margin increased by 4.4% to 14.6% for the year ended December 31, 2018 versus 10.2% for the year ended December 31, 2017.

The increase in EBITDA in 2018 compared to 2017 is due mainly to premium product sales that were 31%.

EBITDA margin dynamics is positively influenced by EBITDA growth as a result of higher profits and decreasing as a result of turnover growth ($EBITDA\% = EBITDA / \text{Total Revenues}$).

In 2018, the increase with 68% of total EBITDA compared to 2017 was determined by the increase of the sales volumes, increase of the market prices as well as the PREMIUM products sale.

The EBITDA increase from PREMIUM products sales determined an increase of total EBITDA with 31%.

In total EBITDA of year 2018, EBITDA from PREMIUM products sales represents 39%.

2.2.2. Selling and distribution costs of the group

Selling and distribution expenses increased by RON 43 million or 46% to RON 135 million for the year ended December 31, 2018 compared to RON 93 million for the year ended December 31, 2017. The increase is mainly due to increases in tax expenses to RON 26 million for the year ended December 31, 2018, compared to RON 0.02 million for the year ended December 31, 2017, and also, an increase in expenses for external services to RON 91 million during the year ended December 31, 2018, compared to an expense of RON 77 million during the year ended December 31, 2017.



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- a. taxes and duties increased in 2018 as compared to 2017 due to sales tax in the US for finished TMK Artrom products and goods purchased from TMK group companies following the introduction of the import duty on certain steel products in the US. Starting May 2018, the import duty on some steel products in the US (section 232) was 25%, the duty on the steel products TMK Artrom acquired from the TMK group companies sold in the US. For similar steel products of European origin, the 25% duty was introduced as of 1.06.2018. Expenses with these taxes in the year 2018 were of RON 25.764, which were generally recovered by increasing sales prices to customers.
- b. expenses for external services increased by 18.5% in 2018 compared to 2017 (in the year 2017 they increased by 42% in 2017), mainly due to the increase in the commercial expenses related to the sales of pipes and goods - expenditures transportation, port charges, agency fees.

2.2.3 General and administrative expenses of the group

General and administrative expenses increased by RON 9 million or 16% to RON 61 million for the year ended December 31, 2018 against RON 53 million for the year ended December 31, 2017, and the increase was mainly due:

- to salary increases and monetary compensations to RON 33.1 million for the year ended 31 December 2018 versus RON 28.5 million for the year ended December 31, 2017;
- an increase in general and administrative fees to RON 1.8 million during the year ended December 31, 2018 an expense of RON 0.9 million during the year ended December 31, 2017;
- and also, an increase in professional services expenses to RON 16 million compared to RON 15 million for the year ended December 31, 2018.

General and administrative expenses as a percentage of total revenue remains unchanged for the year ended 31 December 2018, compared to 4% for the year ended 31 December 2017.

2.2.4. Financial costs and exchange rate differences of the group

The TMK-Artrom group registered in 2018 a financial loss in amount of 18.821 thousand RON (2017: 12.698 thousand RON; 2016: 12.637 thousand RON) due to the increase of interest costs and unfavorable exchange rate differences. Compared to 2017 the financial loss of the group in 2018 increased by 48%. Interest costs increased by 43% due to the increase of the volume of loans and interest rates and increases of net losses from exchange rate differences by 75%. Compared to 2016, the financial loss of the group in 2017 increased by 0.5%. Expenses with interests increased by 33% due to the increase of the volume of loans and interest rates and decreases of net losses from exchange rate differences by 56%.

3. Other operating income

Other operating income decreased by RON 2 million to RON 0.09 million for the year ended December 31, 2018, compared to RON 2.1 million for the year ended December 31, 2017. The decrease is mainly due to amounts that were registered in 2017 and consist of contractual penalties calculated in contract for delays in the delivery of equipment in the amount of 1.2 million RON (267,500 euro) and revenues from recovered materials RON 0.177 million lei.

4. Profit tax / (expense).

Profit tax expense increased by RON 15.6 million to RON 17.9 million for the year ended December 31, 2018 versus a profit tax expense of RON 2.3 million for the year ended December 31, 2017. The effective tax rate has increased from 14% to 11% in 2018. The effective tax rate for the year ended December 31, 2018 was lower than the legal rate due to the change in the net asset value of the deferred tax liability



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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 2016 were registered deferred tax income in amount of 2.439 thousand RON and deferred tax expenses in amount of 1.274 thousand RON, in 2017 deferred tax income in amount of 2.182 thousand RON and deferred tax expenses in amount of 277 thousand RON, in 2018 deferred tax income in amount of 1.507 thousand RON and deferred tax expenses in amount of 4.151 thousand RON. In 2016 the Group calculated income from the deferred tax in amount of 9.933 thousand RON and deferred tax expenses in amount of 7.600 thousand RON, in 2017 deferred tax income in amount of 10.092 thousand RON and deferred tax expenses in amount of 8.238 thousand RON and in 2018, deferred tax income in amount of 4.045 thousand RON and deferred tax expenses in amount of 11.676 thousand RON.

The current income tax expense of the parent company in 2018 is 8.567 thousand RON (in 2017: 1.952 thousand RON).

The Group's current income tax expense in the year 2018 is 10.258 thousand RON (in 2017: 4.122 thousand RON).

The effective tax rate (EER) is different from the 16% flat tax rate because in calculating the taxable profit in addition to taking into account non-taxable income / non-deductible expenses, it can benefit from tax incentives for investment activity in new production equipments.

TMK ARTROM benefited for the investment of heat treatment of fiscal facility regarding the exemption from the payment of tax for the reinvested profit (5.296 thousand lei).

As a result, EER per group was in 2017 equal to 14%.

In 2018 for equipment, the fiscal facility was used accelerated depreciation, which implies the deductibility of tax depreciation equal to 50% of the value of the equipment in the first year of operation.

As a result, EER per group was in 2018 equal with 11%.

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 | 2018 separate | 2017 separate | 2016 separate | 2018 consolidat ed | 2017 consolidate d | 2016 consolidat ed |
|---|------------------|------------------|------------------|--------------------------|--------------------------|--------------------------|
| | Thousand RON | Thousand RON | Thousand RON | Thousand RON | Thousand RON | Thousand RON |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Profit / (Loss) before tax | 67.781 | 33.102 | 1.247 | 97.465 | 28.888 | 2.288 |
| Plus / Minus adjustments from: | | | | | | |
| Depreciation | 46.975 | 42.050 | 41.968 | 77.757 | 72.684 | 71.540 |
| Increase / Cancellation of provisions | 1.559 | 4.040 | (850) | 3.828 | 4.674 | (4.391) |
| Increase / cancel current asset value adjustments | 3.014 | (574) | 155 | 3.979 | (559) | (995) |
| Exchange rate differences | 3.822 | 489 | 3.608 | 3.846 | 1.552 | 3.737 |



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| Indirect method | 2018 separate | 2017 separate | 2016 separate | 2018 consolidat ed | 2017 consolidate d | 2016 consolidat ed |
|--|------------------|------------------|------------------|--------------------------|--------------------------|--------------------------|
| | Thousand RON | Thousand RON | Thousand RON | Thousand RON | Thousand RON | Thousand RON |
| Change in retirement benefits | 340 | 284 | 305 | 483 | 395 | 428 |
| Result of disposals of fixed assets | 877 | 1.521 | 1.761 | 1.128 | 1.655 | 2.472 |
| Interest and associated expenses, net | 11.026 | 8.387 | 4.869 | 13.752 | 11.040 | 7.096 |
| The effect of the exchange rate on cash and cash equivalents | | | | - | (448) | - |
| Plus / minus adjustments due to changes in working capital related to operating activity: | | | | 330 | (8) | 34 |
| Decreases / (Increases) in inventories | 29.377 | (82.314) | (29.261) | 1.178 | (93.770) | (40.891) |
| Decreases / (Increases) in trade receivables and other receivables and prepayments | (54.756) | 10.674 | (484) | (55.408) | (50.644) | 12.949 |
| (Decreases) / debt increases (excluding banks) | (45.570) | 27.449 | 48.227 | (49.787) | 132.421 | 55.867 |
| less: | - | - | - | - | - | - |
| Interest and similar expenses | (10.902) | (8.027) | (5.029) | (13.628) | (10.679) | (7.252) |
| Income taxes paid | (1.104) | (3.537) | (421) | (2.797) | (5.636) | (668) |
| Total inputs / outputs from operating activities (a) | 52.439 | 33.544 | 66.095 | 82.126 | 91.565 | 102.214 |
| CASH FLOWS FROM INVESTMENT ACTIVITIES | | | | 0 | 0 | 0 |
| Collections from the disposal of tangible assets | 4.028 | 559 | 20 | 5.172 | 2.514 | 98 |
| Acquisitions of tangible and intangible assets | (74.624) | (125.984) | (69.829) | (98.110) | (180.791) | (99.651) |
| Reimbursement of credits granted | - | 314 | - | - | - | - |
| Interest received | 4 | 2 | 4 | 4 | 1 | 1 |
| Total entries / (outflows) from investing activities (b) | (70.592) | (125.109) | (69.805) | (92.934) | (178.276) | (99.552) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | - | - | - |
| Loans received | 49.674 | 154.196 | 88.231 | 49.674 | 154.196 | 88.231 |
| Repayment of loans | (24.761) | (68.206) | (71.634) | (24.762) | (68.206) | (71.634) |
| Reimbursement of financial leases (depreciation) | (660) | (372) | (194) | (6.040) | (5.325) | (4.531) |
| Total inputs / outputs from financing activities (c) | 24.253 | 85.618 | 16.403 | 18.872 | 80.665 | 12.066 |
| Net increase / (decrease) in cash and cash equivalents (a) + (b) + © | 6.100 | (5.947) | 12.693 | 8.064 | (6.046) | 14.728 |
| Cash and cash equivalents at the beginning of the period | 10.825 | 16.772 | 4.079 | 12.865 | 18.911 | 4.183 |
| Cash and cash equivalents at the end of the period | 16.925 | 10.825 | 16.772 | 20.929 | 12.865 | 18.911 |

The net operating treasury increased in 2018 compared to the previous period as a result of the increase in turnover and profit before tax.

The net operating treasury decreased in 2017 compared to previous period as a result of the increase in inventories.

The net operating treasury decreased 2016 compared to the previous period as a result of the decrease in turnover, stock growth and decrease of profit before tax,



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The Net Treasury of Investment Activity increased in 2018 as compared to 2017 due to the decrease in the volume of payments for acquisitions of tangible assets mainly as a result of the commissioning of the investment project "Heat Treatment Plant"

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 plant".

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 " heat treatment plant".

The net treasury from financing activities declined in 2018 as compared to 2017, mainly as a result of the fact that most of the withdrawals of the BCR ERSTE-7 investment loan which took place in 2017.

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.

Regarding the evolution of cash flows from the Group's operating activity during the period 2016-2018, we can say that the main influences are due:

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

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

Cash flows from investing activity was very high in the period 2016-2018 due to the investments form that period. in February 2018 it was commissioned the Heat Treatment Plant, a 36 mil EUR investment. We utilized the loans for investments in 2016 and 2017 when the operational Cash Flow was not enough, that's why we see an increase in 2017 Cash flow from financing activities (increase in BCR credit).

Financial indicators:

| Financial indicators | Calculation method | 2018 separate | 2017 separate | 2016 separate | 2018 consolidated | 2017 consolidated | 2016 consolidated |
|--------------------------|---|---------------|---------------|---------------|-------------------|-------------------|-------------------|
| Current ratio (capital) | Current Assets / Current Liabilities | 1,37 | 1,26 | 1,29 | 1,15 | 1,02 | 1,01 |
| Quick Ratio (acid test) | (Current Assets - Inventories) / Current Liabilities | 0,88 | 0,72 | 0,88 | 0,59 | 0,47 | 0,51 |
| Gearing indicator | Borrowed capital /Equity (equity + borrowed capital (long term liabilities)) *100 | 45,1% | 28,7% | 22,0% | 45,3% | 23,9% | 19,6% |
| Interest cover indicator | Profit before interest and income tax payment / Interest | 7,40 | 6,49 | 1,26 | 8,32 | 4,33 | 1,32 |



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| | expense | | | | | | |
| Rotation speed stock (inventory turnover) | Cost of sales / The average stock | 5,07 | 4,51 | 4,50 | 3,5 | 3,7 | 3,2 |
| Number of days of storage (Inventory holding days) | Average stock / Cost of sales * 365 | 72 | 81 | 81 | 105 | 98 | 115 |
| Turnover of debtors, clients (Receivables Collection Period) | Clients average balance / Turnover * 365 | 66 | 72 | 98 | 69 | 67 | 96 |
| Speed of-vendor payables (Payables Period) | Average balance vendors / Acquisitions of goods (without services) * 365 | 52 | 69 | 75 | 94 | 94 | 106 |
| Rotation speed of fixed assets | Turnover / Fixed Assets | 2,23 | 1,76 | 1,54 | 1,23 | 1,05 | 0,75 |
| Rotation speed of total assets (Assets Turnover) | Turnover / Total Assets | 0,93 | 0,91 | 0,76 | 0,79 | 0,69 | 0,51 |
| Return on equity (ROCE) | Profit before interest and income tax payment / Equity (equity + borrowed capital (long term liabilities)) *100 | 0,07 | 0,05 | 0,01 | 0,09 | 0,03 | 0,01 |
| Gross margin on sales (Gross Profit Margin) | Gross profit from sales / Turnover *100 | 19% | 16% | 14% | 23% | 16% | 16% |

1. Liquidity indicators

Current ratio (capital) and **Quick Ratio (acid test)** express how many times current liabilities are included in current assets, respectively in current assets less inventories.

The recommended values are around 2, reflecting the company's capacity to cover the current liabilities from current assets, and mainly from receivables and cash. The values obtained in 2018 are higher than in the previous period as a result of the increase in current assets to a greater extent than the increase in current debts. Current debts decreased with PAO TMK payment amounts for metallurgical products for sale as well as short-term loans.

Consolidated values of this indicator register an increase in 2018 compared to previous periods as a result of the increase in current assets to a higher extent than the increase in current debts.

2. Risk indicators

Gearing indicator of equity express whenever they include borrowed capital (long term liabilities) in equity and reflect the financing structure of the company at the end of the financial year. This indicator has grown as a result of the increase in long-term bank loans following the withdrawals for investment credit.

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



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

3. Activity indicators

Number of days of storage indicates the number of days in which goods are stored in the unit. This indicator fell insignificantly in 2018 compared to the previous year in line with the increase in the stock turnover rate.

Turnover of debtors, clients (Receivables Collection Period) express the number of days until the debtors pay their debts to the company and show the efficacy of the company in collecting its receivables. This indicator declined in 2018 as compared to 2017 as a result of the increase in turnover.

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

This indicator is lower than the speed of rotation of customers, due to the share of purchases of raw material (billets) from the sole supplier TMK RESITA for which the payments are made in advance. This indicator decreased in 2018 to 59 days compared to 69 days in 2017.

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 2018 as compared to 2017 as a result of the increase in turnover.

Rotation speed of total assets (Assets Turnover) evaluates the effectiveness of the total assets management by examining the turnover generated by the assets of the company. In 2018 this indicator increased as a result of the increase in turnover.

4. Profitability indicators

Return on equity (ROCE) represents the profit which the company obtain on a unit of resources invested. This indicator increased compared to 2017 due to increased gross profit.

The gross margin is higher in 2018 than in previous years as a result of the increase in sales volumes as well as the increase in the average sales price.

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

| Indicators | 2018 | 2017 | 2016 |
|--|---------|---------|---------|
| Production of pipes (to) | 199.878 | 192.685 | 170.981 |
| Pipe Sales (to) | 200.565 | 185.614 | 169.917 |
| Production of pipes / Employee (to/employee) | 137,18 | 145,53 | 131,93 |
| Selling pipes / Employee (to/employee) | 137,66 | 140,19 | 131,11 |

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

| Indicators | 2018 | 2017 | 2016 |
|--------------------------------|---------|---------|---------|
| Production of pipes (to) | 199.878 | 192.685 | 170.981 |
| Pipe Sales (to) | 200.446 | 185.416 | 169.806 |
| Production of pipes / Employee | 88,87 | 93,17 | 84,60 |



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| (to/employee) | | | |
| Selling pipes / Employee (to/employee) | 89,13 | 89,66 | 84,02 |

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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- The automated reporting module was completed with the report of irregularities and the report of orders.
- The labelling of products changed, showing on the label the bar code that identifies each package.
- The application 'package' was upgraded and allows taking amounts automatically from electronic scales from producing departments and allocating these amounts to the bar codes on packages.
- There was installed a SharePoint type collaborative platform for secure sharing of documents and information between authorized users.
- The company intranet was completed with sections containing documentation applications, AQ working procedures, technical standards, practical Excel courses, etc.

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

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

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

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

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

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

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

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

The implementation of the software MS Dynamics AX 2012 followed the phases: design, configuration, key user training, Testing and acceptance, deployment, go live and go live support, software development and Integration, Customized user manuals, Migration.

Microsoft Dynamics AX is implemented in TMK-ARTROM and TMK REȘIȚA on 1 November 2016 (Go live) and manages the entire TMK-ARTROM and TMK RESITA activity, except for WizSalary and the quantitative and qualitative tracking of production through the modules of the internally developed system. Data collected by the internal system is transferred to Dynamics AX through an integration module specifically designed for this purpose.



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Corporate Governance Statement

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

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

TMK Artrom is a company related to the companies of TMK group being controlled by TMK-EUROPE (which has as sole shareholder the Russian company PAO TMK). However, TMK Artrom is managed and operated as an independent company complying with the legislation relating to the local capital markets and with the equally protection of interest to each shareholder.

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

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

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

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

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

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

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



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

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

- (i) providing an independent assessment of the effectiveness and efficiency of the internal control system/framework implemented by the management;
- (ii) assessing the proper fund management and conservation of assets;
- (iii) assessing the reliability of accounting and IT systems;
- (iv) ensuring that the entity's policies and processes are respected in all activities and structures implemented;
- (v) ensuring that the policies, processes and control mechanisms are reviewed so that they remain sufficient and appropriate to the entity's business;
- (vi) making recommendations for the continuous improvement of an internal control system so that they operate with optimal efficiency and cost-effective, reflecting appropriate control practices;
- (vii) providing consultancy and advisory services regarding the development of new programs or procedures or on the operational risk assessment that may result in the event of significant changes;
- (viii) promoting an effective coordination with the work of the external auditor in order to reduce any duplication of activities.

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

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

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

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

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

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



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

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

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

The Extraordinary General Meeting meets whenever necessary and decides on:

- (i) changing the legal form of Company;
- (ii) relocation of the Company's registered headquarters;
- (iii) changing the Company's object of activity;
- (iv) prolongation of the duration of the Company;
- (v) increasing the registered capital;
- (vi) diminishing the registered capital or its update by way of issuing shares;
- (vii) merger with another company or the Company's spin off;
- (viii) early dissolution of the Company;
- (ix) issuance of bonds;
- (x) conversion of shares from one category to another;
- (xi) conversion of a class of bonds or shares in another category or in shares;
- (xii) any other change in the Articles of Association or any other resolution for which approval is required from the Extraordinary General Meeting;
- (xiii) the following powers are delegated to the Board of Directors through the Articles of Association:
 - relocation of the company registered headquarters;
 - changing of the Company's objects of activity except for the main object of activity;
 - establishing or dissolving the secondary offices, branches, agencies, offices or other such units without legal personality.

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

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

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

On 31 December 2018 the Board of Directors had the following members:



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

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

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

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

- a) establishing the main directions of activity and development of the Company;
- b) establishing the accounting and financial control system and the approval of financial planning;
- c) appointment and dismissal of the appointed managers and determining their remuneration;
- d) supervising the activity performed by the appointed managers;
- e) preparing the annual report, organizing the General Meeting of Shareholders and implementing its decisions;
- f) requesting the opening of the insolvency proceedings.

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

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



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to be appointed in accordance with article 16 of Regulation 537/2014; (ix) ensures effective cooperation between the internal audit service and external auditors of the Company. In 2018, the audit committee had two sessions having a presence of 100% of its members.

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

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

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

In 2018 there were 11 meetings of the Board of Directors having the following agenda:

| Date | Discussed topics |
|------------|--|
| 8/02/2018 | <ol style="list-style-type: none"> 1. Individual and consolidated economic reports of IV quarter 2017. 2. Preliminary yearly individual and consolidated financial results upon 31 December 2017, as per Regulation FSA no.1/2006; 3. Publication in accordance with the legal provisions of the preliminary individual and consolidated financial results upon 31 December 2017, the preliminary key indicators for 2017. <p>Attending: Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Zimin Andrey (through Mr. Surif)</p> |
| 21/02/2018 | <p>PAO TMK proposal made as a consultant, to participate in the global insurance program of TMK, to ensure the entire patrimony and for the insurance against losses resulting from business interruption 2018.</p> <p>Attending: Zimin Andrey, Adrian Popescu, Olga Nikolaeva</p> |
| 05/03/2018 | <p>Convening notice General Meeting of Shareholders.</p> <p>Attending: Zimin Andrey, Adrian Popescu, Mikhail Surif</p> |
| 07/03/2018 | <p>Management performance bonus for 2017.</p> <p>Attending: Zimin Andrey, Adrian Popescu, Olga Nikolaeva</p> |
| 26/03/2018 | <ol style="list-style-type: none"> 1. Management Report of the Board of Directors for the year 2017 and its submission for the General Shareholders Meeting's approval. 2. Annual individual financial statements prepared under IFRS for 2017 in order to send them for the discussion and the approval of the General Shareholders Meeting as well as the proposal of Board of Directors to the General Shareholders Meeting 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 for the members of the Board of Directors for the financial year of 2017. 4. The incomes and expenses budget and the activity program of the Company for the year 2018 and its submission for the approval of the General Shareholders Meeting. |



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| Date | Discussed topics |
|------------|---|
| | <p>5. Analysis of the investment program results for 2017.</p> <p>6. Investment schedule for the year of 2018 and his submission for the approval of the General Shareholders Meeting.</p> <p>7. Approving the proposal for the credit limits for 2018, including the extension of the credit agreements expiring in 2017 and the new sources of circulating capital needed in 2018.</p> <p>8. Amendments to the Manual of Accounting Policies in accordance with International Financial Reporting Standards (IFRS);</p> <p>Attending: Zimin Andrey, Adrian Popescu, Olga Nikolaeva, Mikhail Surif</p> |
| 25/04/2018 | <p>1. Appointing the Audit Committee and determining the remuneration of the independent members.</p> <p>2. Regulation of the Audit Committee.</p> <p>3. Quarterly Economic Reports - analyzing and approving economic results of Quarter I 2018.</p> <p>4. Separate and consolidated financial results for the first 3 months (up to 31 March 2018), according to FSA Regulation No.1/2006.</p> <p>5. Publication in accordance with the legal provisions of the individual and consolidated financial results for the first three months (until 31 March 2018).</p> <p>Attending: Zimin Andrey, Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase</p> |
| 07/08/2018 | <p>1. Quarterly Economic Reports - analyzing and approving economic results of Quarter II 2018.</p> <p>2. Directors' Report and the individual and consolidated financial results upon 6 months ended on 30 June 2018, according to AFS Regulation No.5 / 2018.</p> <p>3. Publication in accordance with the legal provisions of the individual and consolidated financial results for the 6 months ended on 30.06.2018.</p> <p>Attending: Zimin Andrey, Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase</p> |
| 09/10/2018 | <p>1. The Credit Agreement ("BANCA TRANSILVANIA Facility") which will be concluded with TMK Artrom, as a borrower and guarantor and TMK-RESITA as guarantor, with BANCA TRANSILVANIA SA ("BANCA TRANSILVANIA"), as creditor, according to which BANCA TRANSILVANIA will offer to the borrower a credit limit granting access to the following facilities: 1. credit line; 2. Issuing SGBs; 3. Issuing letter of credit up to the maximum amount of the Facility of 20,000,000 EUR (the "BANCA TRANSILVANIA Facility Amount") for the financing of the circulating capital needs, with due date until 7 November 2019, in terms and conditions agreed by the parties.</p> <p>2. In order to ensure the full reimbursement and the fulfilment by the Company of its obligations (throughout their existence) from BANCA TRANSILVANIA Facility, the following guarantees shall be constituted in favor of BANCA TRANSILVANIA:</p> <ul style="list-style-type: none"> i. Corporate guarantee letter issued by PAO TMK Rusia; ii. Security mortgage on the balances of current and future accounts opened by the TMK Artrom with BANCA TRANSILVANIA („Security mortgage on accounts BANCA TRANSILVANIA”); iii. Personal guarantee (fidejusiune) issued by TMK Resita SA; <p>3. Empowering, with full powers and authority to represent the Company for (i) the signing of the BANCA TRANSILVANIA Facility and the mortgage contract on the BANCA TRANSILVANIA accounts (together „BANCA TRANSILVANIA Contracts”) as well as any addendums related to the BANCA TRANSILVANIA Contracts, (ii) the negotiation, in the name and on behalf of the Company, with his/her best abilities, any other terms and conditions of the BANCA TRANSILVANIA Contracts not expressly stated in these resolutions (including, but not limited to: the reimbursing terms and conditions and the repayment dates of the BANCA TRANSILVANIA Facility, extension of its duration, credit</p> |



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| Date | Discussed topics |
|------------|--|
| | <p>conversion in any other currency, the amendment of the guarantee structure, setting the costs related to BANCA TRANSILVANIA Facility (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 BANCA TRANSILVANIA 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 BANCA TRANSILVANIA Contracts, including but not limited to the registration of the Banca BANCA TRANSILVANIA Mortgage Account at the Electronic Archive for Securities, to the following people, according to the Articles of Association, the following individuals:</p> <ul style="list-style-type: none"> (i) Mr. Adrian Popescu – General Manager, (... <i>personal dates</i>), acting individually; or (ii) Mr. Cristian Drinciu – Deputy Chief Operational Officer (...<i>personal dates</i>)– (first signature) acting together with Mrs. Cristiana Vaduva- Deputy Chief Economical and Accountancy Officer, (...<i>personal dates</i>) (second signature), or (iii) Mr. Valeru Mustata- Deputy Chief Commercial Officer (... <i>personale dates</i>) (first signature) acting together with Mrs. Cristiana Vaduva- Deputy Chief Economical and Accountancy Officer, (...<i>personal dates</i>) (second signature), or (iv) Mr. Evgeny Chernyy – Deputy Chief Financial Officer TMK Artrom (... <i>personale dates</i>) (first signature) acting together with Mrs. Cristiana Vaduva- Deputy Chief Economical and Accountancy Officer, (...<i>personal dates</i>) (second signature), or (v) Mr. Alexander Pavlov–Deputy Chief Procurement Officer (... <i>personale dates</i>) (first signature) acting together with Mrs. Cristiana Vaduva- Deputy Chief Economical and Accountancy Officer, (...<i>personal dates</i>) (second signature), or (vi) Mr. Constantin Neacsu Executive Officer of the Factory (... <i>personale dates</i>) (first signature) acting together with Mrs. Cristiana Vaduva- Deputy Chief Economical and Accountancy Officer, (...<i>personal dates</i>) (second signature), (vii) Mr. Adrian Popescu may delegate his powers under paragraph (iii) and (iv) above to any third parties of its choice <p>4. Convening notice of General Meeting of Shareholders.</p> <p>Attending: Zimin Andrey, Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase</p> |
| 12/11/2018 | <ul style="list-style-type: none"> 1. Quarterly economic reports - economic analysis and approval of the results of III quarter of 2018; 2. Separate and consolidated financial results for 9 months ended 30 September 2018, according to FSA Regulation No.5/2018 3. Publication in accordance with the legal provisions of the separate and consolidated financial results for the 9 months ended 30 September 2018. 4. Convening notice of General Meeting of Shareholders. <p>Attending: Zimin Andrey, Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase</p> |



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| Date | Discussed topics |
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| 14/11/2018 | Convening notice of General Meeting of Shareholders. Attending: Zimin Andrey, Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase |
| 28/11/2018 | <ol style="list-style-type: none"> 1. Acquisition by TMK Artrom of 100% shares of TMK Italia from the current shareholder TMK Global. 2. The acquisition price based on the evaluation report made by DARIAN S.A. 3. The full powers and authority empowerment of Mr. Adrian Popescu, as a General Manager, in order to perform all legal formalities which were necessary to conclude the acquisition and to sign any other documents, including, but not limited to power of attorney, declarations, contracts with and in front of any third parties, including but not limited to tax/judicial authorities, public notaries, local and governmental authorities. Attending: Zimin Andrey, Adrian Popescu, Mikhail Surif, Olga Nikolaeva, Tat Florin-Tudor, Vlad Nastase |

For 2018, the activity of the Board of Directors was evaluated based on the report issued by the Chairman of Board of Directors. The activity of Board of Directors is annually evaluated based on the economic and financial indicators. The degree of fulfilment of the economic – financial indicators is presented in the Annual Report

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

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

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

Code compliance statement

Status of compliance with the Bucharest Stock Exchange's Corporate Governance Code until 31 December 2018:

| | Code provisions | Compliance | Non-compliance or partial compliance | Reason of non-compliance | Deadline |
|----|--|---|--------------------------------------|--------------------------|----------|
| A1 | All companies should have an internal regulation of the Board which includes terms of reference/responsibilities of the Board and key | The Articles of Association of the Company provides detailed rules regarding the organization and | | | |



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|--|--|---|--------------------------------------|--------------------------|----------|
| | management functions of the company, applying, among others, the General Principles of Section A. | <p>functioning of the Executive management/Board of Directors /General Shareholders Meeting.</p> <p>Moreover, in February 2019, TMK Artrom approved the Board of Directors' Regulation, which includes relevant provisions on the composition, appointment and functioning of the Board of Directors, including the management of the conflict of interests.</p> <p>The Company also has a Code of Conduct and Corporate Governance which contains the terms of reference, the responsibilities of the executive management, the Board of Directors and the General Shareholders Meeting, and key management functions.</p> <p>These terms of reference / responsibilities are made public through the Annual Report published on the Company's Investor Relations Section. These reports, the Board of Directors' Regulation, the Articles of Association, the Code of Conduct</p> | | | |



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| | | and the Corporate Governance Code, are published on the Company's website under Section: <i>INVESTORS RELATIONS - CORPORATE GOVERNANCE</i> | | | |
| A2 | Provisions for the management of conflict of interests should be included in Board regulation. In any event, the members of the Board should notify the Board of any conflicts of interests which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interests. | <p>With regard to the management of conflicts of interest, each member of the Board of Directors shall ensure that a conflict of interests directly or indirectly with the Company is avoided and, in the event of such a conflict, shall immediately notify the Board and shall not take part in any Board deliberations or vote relating to the operations in connection to which such conflict of interests exists, in accordance with the legal provisions in force.</p> <p>The provisions for the management of conflicts of interest are published on the Company's website in the Board of Directors' Regulation, the Code of Conduct, under <i>INVESTORS RELATIONS - CORPORATE GOVERNANCE</i> Section.</p> | | | |



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| | | Moreover, in February 2019, TMK Artrom approved the Board of Directors' Regulation, which includes relevant provisions on the management of the conflict of interests. | | | |
| A3 | The Board of Directors or the Supervisory Board should have at least five members. | The Board of Directors of TMK Artrom consists of 7 members (of which 2 independent members) with a current mandate until 25 April 2022. More information can be found in the Annual Report and on the Company's website under the: <i>INVESTORS RELATIONS - CORPORATE GOVERNANCE</i> Section. | | | |
| A4 | The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is | The Board of Directors of TMK Artrom consists of 7 members. The information on this provision is published in the Annual Report under the <i>INVESTORS RELATIONS - REPORTS</i> Section and on the Company's website in the Section: <i>INVESTORS RELATIONS - CORPORATE GOVERNANCE</i> . The Chairman of the Management | | | |



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| | 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 | Board is the General Manager and member of the Board of Directors. The other members of the Board of Directors do not have executive positions. TMK Artrom has 2 independent Board members. | | | |
| A5 | Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate. | This information is available in the Annual Report as well as in the CVs presented for each member of the Board of Directors on the company's website under <i>INVESTORS RELATIONS</i> - <i>CORPORATE GOVERNMENT</i> - <i>Board of Directors</i> Section. | | | |
| A6 | Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board | The information is presented in the Annual Report. | | | |
| A7 | The company should appoint a Board secretary responsible for supporting the work of the Board. | TMK Artrom appointed a Secretary for the Board of Directors through a Board of Directors' Decision. | | | |
| A8 | The corporate | The activity of the | | | |



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



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



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| | independent. | Company has also complied with the provisions of Law 162/2017. The Chairman of the Audit Committee is an independent member of the Board of Directors. One of the members of the Audit Committee, Mr. Surif Mikhail, has the appropriate relevant experience. The Regulation of the Audit Committee was also approved by the Board of Directors upon the establishment of the Audit Committee. | | | |
| B2 | The audit committee should be chaired by an independent nonexecutive member. | Yes, starting with 25 April 2018. | | | |
| B3 | Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control. | Yes, yearly and on a quarterly basis. The Audit Committee made the annual assessment of the system of internal control. | | | |
| B4 | The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board. | The Annual Report contains information about the audit activity, risk control and management. | | | |



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| B5 | The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties. | | <p>This activity is carried out on the basis of the Company's obligation to monitor the compliance with the provisions of the Article of Association/Code of Conduct and the applicable normative documents regarding transactions with affiliated parties. Taking into consideration that the Audit Committee was established on 25 April 2018, it shall perform the relevant reviews.</p> <p>Also the financial auditor, ERNST & YOUNG, prepares quarterly audit reports regarding the reports of the Company with respect to the transactions over 50.000 EUR with related parties, according to article 82 of Law no. 24/2017 and ASF Regulation no. 5/2018. All these materials are published on the Company's website under: <i>INVESTORS RELATIONS – REPORTS</i> Section.</p> | The Audit Committee was established on 25 April 2018 and shall perform the relevant reviews during the following period. | Until the end of 2019, the Audit Committee shall perform such review. |
| | Information regarding the number and the value of transactions with affiliated parties | The Annual Report, current reports and quarterly reports of financial auditors regarding the agreements with affiliated parties with values | | | |



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| | | over 50.000 EUR contain information of the transactions with affiliated parties from the relevant year. Those are published on the website under „INVESTORS RELATIONS - REPORTS” Section. | | | |
| B6 | The audit committee should evaluate the efficiency of the internal control system and risk management system. | The Company, has an Audit Committee which performed the evaluations. The outcome of the assessment of the effectiveness of the internal control system and of the risk management system is contained in the Annual Report. | | | |
| B7 | The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team. | The Company, has an Audit Committee which monitors the application of the legal standards and internal audit standard as such are generally accepted. The Audit Committee receives and evaluates the reports of internal audit team. | | | |
| B8 | Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards. | Yes, on a quarterly basis or ad-hoc. | | | |
| B9 | No shareholder may be given undue preference over other shareholders | All shareholders are treated in accordance with | | | |



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



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| | party entity. | | | | |
| | 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) | For 2018, the Descriptive Report of the Chairman of the Audit Committee regarding the assessment of internal audit reports and the reporting of the Chairman of the Internal Audit has been prepared. The Annual Report contains a section dedicated to the evaluation of the audit activity in which provides information regarding the internal audit activity and the risk management. | | | |
| B12 | To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer | The reporting lines are strictly observed. The Audit Department reports to the Audit Committee, the General Manager and the Board of Directors. | | | |
| C1 | The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the | | The Company does not have a formal remuneration policy. The directors' remuneration is done in accordance with the law. For more information, please see „INVESTORS RELATIONS – CORPORATIVE GOVERNANCE” Section. | In 2018, the Company has started revising and, where applicable, updating its documents /policies. As a result, certain documents | Until the end of 2019, the Company will finalize the revision and, where applicable, the updating of the remaining documents. |



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| | <p>principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stocklinked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause.</p> <p>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> | | | <p>have been enacted. The process is still in progress with respect to other documents.</p> | |



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| 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: | <p>TMK Artrom has a structure specifically designed for investor relations.</p> <p>All materials published on the TMK Artrom website under the <i>INVESTORS RELATIONS</i> Section, are also translated into English.</p> | | | |
| D.1.1 | Principal corporate regulations: the articles of association, general shareholders' meeting procedures; | The main corporate documents are published bilingually on the Company's website <i>INVESTORS RELATIONS</i> Section. | | | |
| | <i>Terms of reference of the Council and the Committees of the Council</i> | The Terms of Reference of the Board of Directors and the Management Board are contained in the Articles of Association and, starting with February 2019, in the Board of Directors Regulation, Audit Committee regulation and the relevant documents which can be found on the Company's website under <i>INVESTORS RELATIONS,- CORPORATE</i> | | | |



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



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| | | related to this provision. | | | |
| D.1.4 | Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken; | All these information are published on the webpage under <i>INVESTORS RELATIONS</i> -Section. | | | |
| D.1.5 | Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions; | All these information are published on company's website under <i>INVESTORS RELATIONS</i> Section. | | | |
| D.1.6 | The name and contact data of a person who should be able to provide knowledgeable information on request; | The information is available on website under <i>INVESTORS RELATIONS-Contact Details for the Investors</i> -Section. | | | |



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| | Code provisions | Compliance | Non-compliance or partial compliance | Reason of non-compliance | Deadline |
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| D.1.7 | Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports. | Presentations made upon the publication of quarterly and half yearly financial results and / or upon meetings with investors / analysts are published on website, under <i>INVESTOR RELATIONS</i> Section. The 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. | | The annual dividend or other benefits distribution policy towards the shareholders is on the agenda of the Board of Directors meeting called for 1 March 2019 and it is submitted for the approval of the shareholders meeting convened for 5 April 2019. | | 5 April 2019 |
| D.3 | A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature, such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The | | The policy with respect to forecasts is on the agenda of the Board of Directors meeting called for 1 March 2019 and it is submitted for the approval of the shareholders meeting convened for 5 April 2019. | | 5 April 2019 |



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| | policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semiannual or quarterly reports. The forecast policy should be published on the corporate website. | | | | |
| 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. | The rules for the organization and conduct of the General Shareholders Meeting of TMK Artrom guarantee the shareholders' rights under the law and ensure equal treatment of shareholders. Those are provided by the Article of Association on website under <i>INVESTORS RELATIONS - Corporate Governance Documents</i> Section and also in current reports/ annual reports under <i>Section INVESTORS RELATIONS REPORTS</i> Section. | | | |
| D.5 | The external auditors should attend the shareholders' meetings when their reports are presented there. | The external auditors are notified of the date of the Shareholders General Meeting in order for them to be present at the general shareholders' meeting when their reports are presented at these meetings. | | | |
| D.6 | The Board should present to the annual | During the General Meeting, the Board | | | |



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| | 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. | of Directors, starting with 2018, presents a report regarding the performance of internal controls and risk management systems. This information is contained in the chapters referring to the activity regarding the risk management, internal control and risk management in the Annual Report of the Board of Directors to be submitted for the approval of the General Shareholders Meeting. | | | |
| D.7 | Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise. | The President of the Board of Directors shall be informed of any request for participation in the General Meeting of the Shareholders. | | | |
| D.8 | The quarterly and semiannual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter | The quarterly and half yearly annual financial reports include both Romanian and English information on key factors that affect changes in sales, operating profit, net profit and other relevant | | | |



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| | and year-on-year terms. | financial indicators, from quarter to quarter, as well as from one year to another. | | | |
| D.9 | A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls. | | <p>During 2018, the investors has been offered the occasion to participate, upon their request, to meetings/conferences with the Company.</p> <p>For 2019, according to the Financial calendar presented on the site under the <i>INVESTOR RELATIONS - SHAREHOLDERS</i> Section, the meetings/conferences are planned to take place in 8 April 2019 and 12 August 2019.</p> | No investors requested any meetings. | For 2019, according to the Financial calendar presented on the site under the <i>INVESTOR RELATIONS - SHAREHOLDERS</i> Section, the meetings/conferences are planned to take place in 8 April 2019 and 12 August 2019. |
| D.10 | If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area. | According to the CODE OF CONDUCT the provisions for donations and sponsorships are presented on the site under <i>INVESTORS RELATIONS - CORPORATE GOVERNANCE</i> Section. | | | |



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Consolidated non-financial statement - Sustainability report according to GRI

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

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

The consolidated non-financial statement - SUSTAINABILITY REPORT for the year 2018 - is part of this consolidated report of administration and will be published together under the general disclosure obligation.

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

Important events occurring after the end of the financial year

On 5 February 2019, TM-Artrom SA as completed the purchase of all the shares held by the sole shareholder TMK Global SA in TMK Italia SRL at the price approved by the Board of Directors of TMK-Artrom S.A legally gathered on 28 November 2018.

As part of its plans to fully integrate the entire business flow in its structure, TMK-Artrom is planning to open a new subsidiary in Germany to operate as its Sales Agent in Northern Europe following the successful model developed in North America through TMK Industrial Solutions LLC and in South-Western Europe through TMK Italia s.r.l.



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Statement of responsible persons

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

1. To our knowledge, we confirm that the consolidated financial statements of TMK-ARTROM SA and separate TMK-ARTROM SA, prepared in accordance with the applicable accounting standards, provide a true and fair view of the assets, liabilities, financial position, income statement for the year ended 31 December 2018 and the group for the years 2016, 2017 and 2018.

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

The consolidated financial statements of TMK-ARTROM SA together with its subsidiary for 2018 and restated for 2016 and 2017, as well as separate financial statement of TMK-ARTROM SA for tge financial year ended as at 31 December 2018 are audited .

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

Legal basis:

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

Date 1 March 2019

Chief Executive Officer,

Eng. Popescu Adrian

Chief Economical and Accountancy Officer,

Ec. Vaduva Cristiana



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