

TMK-ARTROM S.A.

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

31 DECEMBER 2018

and restated consolidated financial statements for 2016 and 2017

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TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

as of 31 December 2018

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

	Note	2018 RON	Consolidated 2017 RON	2016 RON
	2.2.d		Restated	Restated
Revenue from contracts with customers	6	1,396,645,640	1,185,628,179	762,827,318
Sales of goods	6	1,392,912,690	1,178,434,195	758,127,662
Rendering of services	6	3,732,950	7,193,984	4,699,656
Cost of sales	7	(1,077,686,759)	(994,932,010)	(639,610,759)
Gross profit		318,958,881	190,696,169	123,216,559
Selling and distribution expenses	8	(135,440,660)	(92,517,799)	(65,690,803)
Advertising and promotion expenses	9	(333,646)	(342,078)	(150,615)
General and administrative expenses	10	(61,251,827)	(52,736,318)	(43,129,892)
Research and development expenses	11	(247,178)	(117,956)	(139,866)
Other operating expenses	12.2	(5,493,798)	(5,486,448)	(4,309,011)
Other operating income	12.1	94,238	2,090,233	5,128,704
Income from operations		116,286,010	41,585,803	14,925,076
Foreign exchange (loss) / gain, net		(3,534,315)	(2,021,813)	(4,633,157)
Finance income	12.4	3,554	1,049	1,229
Finance costs	12.3	(15,290,361)	(10,676,878)	(8,005,398)
Profit before tax		97,464,888	28,888,161	2,287,750
Income tax expense/credit	13	(17,888,692)	(2,268,466)	639,903
Profit for the year		79,576,196	26,619,695	2,927,653
Profit / (loss) attributable to:		79,576,196	26,619,695	2,927,653
Owners of the Company		79,570,124	26,617,664	2,927,430
Non-controlling interests		6,072	2,031	223
Other comprehensive income - that may be reclassified in profit or loss				
Foreign currency translation		331,579	(7,865)	31,987
Other comprehensive income - that may not be reclassified in profit or loss				
Actuarial gains / (losses)		216,543	(46,172)	175,829
Income tax effect		-	-	-
Other comprehensive income (loss) for the year, net of tax		548,122	(54,037)	207,816
Total comprehensive income for the year, net of tax		80,124,318	26,565,658	3,135,469
Total comprehensive income / (loss) attributable to:		80,124,318	26,565,658	3,135,469
Owners of the Company		80,118,205	26,563,631	3,135,230
Non-controlling interests		6,113	2,027	239
Average number of shares		116,170,334	116,170,334	116,170,334
Earnings per share		0.68	0.23	0.03

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

as of 31 December 2018

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

	Nota	2018 RON	Separate 2017 RON	2016 RON
Revenue from contracts with customers	6	1,385,787,328	1,065,446,401	761,911,220
Sales of goods	6	1,385,329,402	1,064,852,707	761,308,139
Rendering of services	6	457,926	593,694	603,081
Cost of sales	7	(1,122,693,101)	(894,405,234)	(654,215,534)
Gross profit		263,094,227	171,041,167	107,695,686
Selling and distribution expenses	8	(137,421,427)	(90,803,563)	(64,271,091)
Advertising and promotion expenses	9	(306,285)	(265,529)	(104,798)
General and administrative expenses	10	(40,168,772)	(35,041,214)	(29,183,676)
Research and development expenses	11	(247,178)	(117,956)	(139,866)
Other operating expenses	12.2	(2,963,275)	(4,398,071)	(3,703,262)
Other operating income	12.1	440,751	1,456,496	1,071,877
Income from operations		82,428,041	41,871,330	11,364,870
Foreign exchange (loss) / gain, net		(2,873,347)	(2,034,053)	(4,615,854)
Finance income	12.4	3,494	1,714	4,426
Finance costs	12.3	(11,777,468)	(6,736,790)	(5,506,374)
Profit before tax		67,780,720	33,102,201	1,247,068
Income tax expense/credit	13	(11,210,734)	(46,835)	(369,878)
Profit for the year		56,569,986	33,055,366	877,190
Other comprehensive income - that may not be reclassified in profit or loss				
Actuarial gains / (losses)		316,208	36,040	262,158
Income tax effect		-	-	-
Other comprehensive income (loss) for the year, net of tax		316,208	36,040	262,158
Total comprehensive income for the year, net of tax		56,886,194	33,091,406	1,139,348
Average number of shares		116,170,334	116,170,334	116,170,334
Earnings per share		0.49	0.28	0.01

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
as of 31 December 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	2018 RON	Consolidated 2017 RON	2016 RON	2015 RON
	2.2.d		<i>Restated</i>	<i>Restated</i>	<i>Restated</i>
ASSETS					
Current assets					
Cash and cash equivalents	22	20,928,927	12,864,527	18,911,393	4,183,260
Trade and other receivables	20	297,222,416	255,374,534	204,728,115	221,343,730
Inventories	19	308,095,295	313,076,260	221,574,323	182,973,789
Prepayments	21	6,810,454	3,768,116	4,002,107	1,600,134
Other current assets	22	1,046,698	1,067,612	-	-
		634,103,790	586,151,049	449,215,938	410,100,913
Non-current assets					
Intangible assets	16	2,755,268	3,360,398	3,771,250	2,406,297
Property, plant and equipment	15	1,134,522,183	1,127,166,493	1,023,752,103	1,003,893,498
Financial assets	17.1.	4,857,610	1,274,265	1,243,449	84,697
Deferred tax asset	13	128,534	68,780	-	-
Other non-current assets	18	1,888,895	1,082,660	11,006,984	10,136,217
		1,144,152,490	1,132,952,596	1,039,773,786	1,016,520,709
Total assets		1,778,256,280	1,719,103,645	1,488,989,724	1,426,621,622
LIABILITIES					
Current liabilities					
Trade and other payables	25	288,774,410	347,224,733	235,190,482	185,061,338
Advances from customers	25	997,116	4,526,587	2,213,635	2,449,003
Liabilities for investments in subsidiaries	17.5	57,474,348	-	-	-
Provisions and accruals	27	11,331,296	7,898,510	3,224,855	7,615,765
Interest-bearing loans and borrowings	17.2.	185,019,444	210,483,727	196,239,070	120,873,604
Finance lease liability	17.2.	7,842,368	6,645,164	5,884,818	5,655,618
Income tax payable	25	684,388	-	-	-
Total current liabilities		552,123,370	576,778,721	442,752,860	321,655,328
Non-current liabilities					
Liabilities for investments in subsidiaries	17.5	218,356,982	-	-	-
Interest-bearing loans and borrowings	17.2.	223,499,549	169,444,772	96,877,164	152,192,229
Finance lease liability	17.2.	35,468,590	37,986,109	39,333,458	43,964,644
Deferred tax liability	13	71,237,855	63,552,001	65,336,645	67,667,813
Provisions and accruals	27	622,184	227,281	227,281	227,281
Employee benefits liability	24	3,935,330	4,077,382	4,110,501	4,170,363
Other long-term liabilities	17.2.	2,224,298	797,634	677,729	205,347
Total Non-current liabilities		555,344,788	276,085,179	206,562,778	268,427,677
Total liabilities		1,107,468,158	852,863,900	649,315,638	590,083,005
EQUITY					
Capital and reserves					
Share capital, from which:		291,587,538	291,587,538	291,587,538	291,587,538
- Subscribed and paid share capital	23	291,587,538	291,587,538	291,587,538	291,587,538
Other items of equity		1,203,575	987,033	1,033,205	857,376
Legal and other reserves	23	68,902,883	50,830,846	17,775,480	17,603,476
Retained earnings	23	229,162,228	496,190,510	526,318,223	518,474,508
Foreign currency translation reserve	23	355,702	24,123	31,987	-
Profit of the year		79,576,196	26,619,695	2,927,653	8,015,719
Total equity		670,788,122	866,239,745	839,674,086	836,538,617
Equity attributable to owners of the Company		670,736,941	866,173,651	839,610,019	836,474,789
Non-controlling interests		51,181	66,094	64,067	63,828
Total liabilities and equity		1,778,256,280	1,719,103,645	1,488,989,724	1,426,621,622

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
as of 31 December 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Nota	2018 RON	Separate 2017 RON	2016 RON
ASSETS				
Current assets				
Cash and cash equivalents	22	16,925,079	10,825,193	16,771,796
Trade and other receivables	20	304,919,488	238,496,231	213,734,145
Inventories	19	205,016,788	238,083,714	158,437,553
Prepayments	21	45,914,200	66,350,475	101,740,816
Other current assets	22	1,046,698	1,067,612	-
		573,822,253	554,823,225	490,684,310
Non-current assets				
Intangible assets	16	1,693,962	1,965,398	2,199,489
Property, plant and equipment	15	621,465,695	606,665,435	495,204,358
Investments in subsidiaries	17.1.	290,262,969	4,027	4,027
Financial assets	17.1.	4,819,724	1,130,659	1,203,688
Other non-current assets	18	3,639,099	4,225,686	14,145,049
		921,881,449	613,991,205	512,756,611
Total assets		1,495,703,702	1,168,814,430	1,003,440,921
LIABILITIES				
Current liabilities				
Trade and other payables	25	163,574,097	217,413,772	177,652,799
Advances from customers	25	679,297	4,211,020	2,096,244
Liabilities for investments in subsidiaries	17.5	57,474,348	-	-
Provisions and accruals	27	8,169,816	6,939,141	2,899,042
Interest-bearing loans and borrowings	17.2.	185,019,444	210,483,727	196,239,070
Finance lease liability	17.2.	1,156,675	360,797	168,979
Income tax payable	25	1,686,487	-	-
Total current liabilities		417,760,164	439,408,457	379,056,134
Non-current liabilities				
Liabilities for investments in subsidiaries	17.5	218,356,982	-	-
Interest-bearing loans and borrowings	17.2.	223,499,549	169,444,772	96,877,164
Finance lease liability	17.2.	3,303,317	1,012,594	31,096
Deferred tax liability	13	37,184,083	34,540,322	36,445,082
Provisions and accruals	27	555,549	227,281	227,281
Employee benefits liability	24	2,900,934	3,034,324	2,909,557
Other long-term liabilities	17.2.	156,329	729,080	568,414
Total Non-current liabilities		485,956,743	208,988,373	137,058,594
Total liabilities		903,716,907	648,396,830	516,114,728
EQUITY				
Capital and reserves				
Share capital, from which:		291,587,538	291,587,538	291,587,538
- Subscribed and paid share capital	23	291,587,538	291,587,538	291,587,538
Other items of equity		(487,866)	(804,074)	(840,114)
Legal and other reserves	23	68,902,883	50,830,846	17,775,480
Retained earnings	23	175,414,254	145,747,924	177,926,099
Profit of the year		56,569,986	33,055,366	877,190
Total equity		591,986,795	520,417,600	487,326,193
Total liabilities and equity		1,495,703,702	1,168,814,430	1,003,440,921

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
as of 31 December 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Consolidated	Share capital	Legal reserves	Foreign currency translation reserve	Other reserves	Retained earnings	Other elements of equity - from applying IAS 19	Atributable to owners of the Company	Non-controlling interests	Total equity
	RON	RON	RON	RON	RON	RON			RON
For year ended as at 31 December 2018									
As at 1 January 2018	291,587,538	16,839,532	24,123	33,991,314	522,810,205	987,033	866,173,651	66,094	866,239,745
Profit of the period	-	-	-	-	79,576,196	-	79,570,124	6,072	79,576,196
Other comprehensive income / (loss) for the period, net of tax	-	-	331,579	-	-	216,543	548,080	42	548,122
Total comprehensive income	-	-	331,579	-	79,576,196	216,543	80,118,205	6,113	80,124,318
Set-up of legal reserves from profit of the year	-	3,389,036	-	-	(3,389,036)	-	-	-	-
Capital contribution reserve	-	-	-	14,683,001	-	-	-	-	14,683,001
TMK-Reșița's shares bought according to "pooling of interests" method	-	-	-	-	(290,258,942)	-	(290,236,795)	(22,147)	(290,258,942)
At 31 December 2018	291,587,538	20,228,568	355,702	48,674,315	308,738,423	1,203,576	670,736,941	51,181	670,788,122
For year ended as at 31 December 2017 - Restated									
As at 1 January 2017	291,587,538	15,184,422	31,987	2,591,058	529,245,876	1,033,205	839,610,019	64,067	839,674,086
Profit of the period	-	-	-	-	26,619,695	-	26,617,664	2,031	26,619,695
Other comprehensive income / (loss) for the period, net of tax	-	-	(7,864)	-	-	(46,172)	(54,032)	(4)	(54,036)
Total comprehensive income	-	-	(7,864)	-	26,619,695	(46,172)	26,563,632	2,027	26,565,659
Set-up of reserves for reinvested profit	-	1,655,110	-	31,400,256	(33,055,366)	-	-	-	-
At 31 December 2017	291,587,538	16,839,532	24,123	33,991,314	522,810,205	987,033	866,173,651	66,094	866,239,745
For year ended as at 31 December 2016 - Restated									
As at 1 January 2016 – pre acquisition	291,587,538	15,122,069	-	2,481,407	173,621,283	857,376	483,605,845	63,828	483,669,673
Net assets of TMK-Reșița (note 17.1)	-	-	-	-	352,868,944	-	-	-	352,868,944
As at 1 January 2016	291,587,538	15,122,069	-	2,481,407	526,490,227	857,376	836,474,789	63,828	836,538,617
Profit of the period	-	-	-	-	2,927,653	-	2,927,430	223	2,927,653
Other comprehensive income / (loss) for the period, net of tax	-	-	31,987	-	-	175,829	207,800	16	207,816
Total comprehensive income	-	-	31,987	-	2,927,653	175,829	3,135,230	239	3,135,469
Set-up of legal reserves from profit of the year	-	56,582	-	-	(56,582)	-	-	-	-
Set-up of reserves for reinvested profit	-	5,771	-	109,651	(115,422)	-	-	-	-
At 31 December 2016	291,587,538	15,184,422	31,987	2,591,058	529,245,876	1,033,205	839,610,019	64,067	839,674,086

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
as of 31 December 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Separate	Share capital	Legal reserves	Other reserves	Retained earnings	Other elements of equity - from applying IAS 19	Total equity
	RON	RON	RON	RON	RON	RON
For year ended as at 31 December 2018						
As at 1 January 2018	291,587,538	16,839,532	33,991,314	178,803,289	(804,073)	520,417,600
Profit of the period	-	-	-	56,569,986	-	56,569,986
Other comprehensive income / (loss) for the period, net of tax	-	-	-	-	316,208	316,208
Total comprehensive income	-	-	-	56,569,986	316,208	56,886,194
Set-up of legal reserves from profit of the year	-	3,389,036	-	(3,389,036)	-	-
Capital contribution reserve	-	-	14,683,001	-	-	14,683,001
At 31 December 2018	291,587,538	20,228,568	48,674,315	231,984,239	(487,865)	591,986,795
For year ended as at 31 December 2017						
As at 1 January 2017	291,587,538	15,184,422	2,591,058	178,803,289	(840,114)	487,326,193
Profit of the period	-	-	-	33,055,366	-	33,055,366
Other comprehensive income / (loss) for the period, net of tax	-	-	-	-	36,041	36,041
Total comprehensive income	-	-	-	33,055,366	36,041	33,091,407
Set-up of reserves for reinvested profit	-	1,655,110	31,400,256	(33,055,366)	-	-
At 31 December 2017	291,587,538	16,839,532	33,991,314	178,803,289	(804,073)	520,417,600
For year ended as at 31 December 2016						
As at 1 January 2016	291,587,538	15,122,069	2,481,407	178,098,103	(1,102,272)	486,186,845
Profit of the year	-	-	-	877,190	-	877,190
Other comprehensive income / (loss) for the year, net of tax	-	-	-	-	262,158	262,158
Total comprehensive income	-	-	-	877,190	262,158	1,139,348
Set-up of legal reserves from profit of the year	-	56,582	-	(56,582)	-	-
Set-up of reserves for reinvested profit	-	5,771	109,651	(115,422)	-	-
At 31 December 2016	291,587,538	15,184,422	2,591,058	178,803,289	(840,114)	487,326,193

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT
as of 31 December 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Indirect method	Note	1 January - 31 December 2018 RON	Consolidated 1 January - 31 December 2017 RON	1 January - 31 December 2016 RON
	2.2.d		<i>Restated</i>	<i>Restated</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit / (Loss) before tax		97,464,888	28,888,161	2,287,750
Plus / minus adjustments for:				
Depreciation and amortisation	15, 16	77,756,665	72,683,418	71,540,202
Increase / (reversal) of provisions	27	3,827,689	4,673,655	(4,390,910)
Increase / (reversal) of allowances for current assets	19, 20	3,979,141	(558,741)	(995,002)
Exchange rate differences for financing activities		3,845,710	1,551,873	3,736,960
Variation of retirement benefits	24	483,239	394,887	428,201
Result from disposal of non-current assets	12	1,128,497	1,655,385	2,471,677
Interest and related expenses	12	13,751,576	11,040,283	7,095,694
Other income		-	(448,060)	-
Exchange rate differences for cash and cash equivalents		330,187	(7,541)	34,445
Plus / minus adjustments for changes in working capital related to operating activities:				
Decrease / (increase) in inventories	19	1,177,710	(93,769,501)	(40,891,164)
Decrease / (increase) in trade and other receivables and prepayments	20,21, 22,17.1	(55,408,644)	(50,644,452)	12,949,208
(Decrease) / increase in payables (except banks)	25, 17.2.	(49,786,777)	132,421,115	55,867,096
less:				
Interest paid		(13,627,602)	(10,679,299)	(7,252,620)
Income tax paid		(2,796,705)	(5,636,023)	(668,290)
Total inflows / (outflows) from operating activities (a)		82,125,574	91,565,160	102,213,247
CASH FLOWS FROM INVESTING ACTIVITIES				
Amount received from disposal of non-current assets		5,172,542	2,513,710	97,886
Purchase of tangible and intangible assets	15,16	(98,110,340)	(180,791,141)	(99,651,383)
Interest received	12	3,554	1,049	1,229
Total inflows / (outflows) from investing activities (b)		(92,934,244)	(178,276,382)	(99,552,268)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans received		49,674,334	154,195,539	88,231,423
Repayment of loans		(24,761,603)	(68,205,687)	(71,633,751)
Repayment of finance leases		(6,039,661)	(5,325,496)	(4,530,518)
Total inflows / (outflows) from financing activities (c)		18,873,070	80,664,356	12,067,154
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)		8,064,400	(6,046,866)	14,728,133
Cash and cash equivalents at beginning of period	22	12,864,527	18,911,393	4,183,260
Cash and cash equivalents at end of period	22	20,928,927	12,864,527	18,911,393

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE CASH FLOW STATEMENT
as of 31 December 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Indirect method	Note	1 January - 31 December 2018 RON	Separate 1 January - 31 December 2017 RON	1 January - 31 December 2016 RON
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit / (Loss) before tax		67,780,720	33,102,201	1,247,068
Plus / minus adjustments for:				
Depreciation and amortisation	15, 16	46,974,937	42,050,091	41,968,148
Increase / (reversal) of provisions	27	1,558,943	4,040,099	(850,233)
Increase / (reversal) of allowances for current assets	19, 20	3,014,121	(573,741)	155,636
Exchange rate differences for financing activities		3,822,264	488,993	3,607,752
Variation of retirement benefits	24	339,887	284,375	304,925
Result from disposal of non-current assets	12	877,352	1,521,355	1,760,592
Interest and related expenses	12	11,026,360	8,386,955	4,869,366
Plus / minus adjustments for changes in working capital related to operating activities:				
Decrease / (increase) in inventories	19	29,376,750	(82,314,460)	(29,260,969)
Decrease / (increase) in trade and other receivables and prepayments	20,21, 22,17.1	(54,756,043)	10,673,818	(484,113)
(Decrease) / increase in payables (except banks)	25,17.2	(45,570,116)	27,448,618	48,226,734
less:				
Interest paid		(10,902,326)	(8,026,636)	(5,029,489)
Income tax paid		(1,103,521)	(3,537,083)	(421,064)
Total inflows / (outflows) from operating activities (a)		52,439,328	33,544,585	66,094,353
CASH FLOWS FROM INVESTING ACTIVITIES				
Amount received from disposal of non-current assets		4,028,169	559,256	19,671
Purchase of tangible and intangible assets	15,16	(74,624,141)	(125,984,154)	(69,828,632)
Repayment of given loans		-	313,671	-
Interest received	12	3,494	1,714	4,425
Total inflows / (outflows) from investing activities (b)		(70,592,478)	(125,109,513)	(69,804,536)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans received		49,674,334	154,195,539	88,231,423
Repayment of loans		(24,761,603)	(68,205,687)	(71,633,751)
Repayment of finance leases		(659,695)	(371,527)	(194,235)
Total inflows / (outflows) from financing activities (c)		24,253,036	85,618,325	16,403,437
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)		6,099,886	(5,946,603)	12,693,254
Cash and cash equivalents at beginning of period	22	10,825,193	16,771,796	4,078,542
Cash and cash equivalents at end of period	22	16,925,079	10,825,193	16,771,796

1. ORGANISATION AND NATURE OF BUSINESS

1.1. CORPORATE AND GROUP INFORMATION

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

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

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

- **TMK-Artrom** – status at 31 December 2018: Active;
- **TMK Industrial Solutions LLC** – status at 31 December 2018: Active;
- **TMK-Reșița** – status at 31 December 2018: Active;
 - ✓ **TMK Assets SRL** – status at 31 December 2018: Active;
 - ✓ **Land Properties Investments S.R.L** – status at 31 December 2018: liquidated and dissolved in 2017;
 - ✓ **TMK Real Estate S.R.L** – status at 31 December 2018: liquidated and dissolved in 2016).

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

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

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

Separate financial statements of TMK-Artrom and consolidated financial statements for year ended at 31 December 2018 have been prepared in accordance with Ministry of Public Finance Order no. 2.844/2016 for approving the Accounting Regulations in accordance with International Financial Reporting Standards, except IAS 21 *The Effects of Changes in Foreign Exchange Rates*, with subsequent amendments and additions and authorised for issue in accordance with the resolution of the Administrators dated 1 March 2019.

1.1. CORPORATE AND GROUP INFORMATION (continued)

The Group reorganisation by acquisition of TMK-Reșița by TMK-Artrom from the common parent TMK Europe GmbH was deemed to be a business combination under common control, by precise a business combination in which all of the combining entities or businesses are ultimately controlled by the same party both before and after the business combination. Both TMK-Artrom and TMK-Reșița were under control of TMK Europe GmbH.

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

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

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

1.2. PRESENTATION OF THE GROUP

Company name	Parent company	Shareholding (%)
TMK-Artrom SA	TMK Europe GmbH	92,7282
TMK Industrial Solutions LLC	TMK-Artrom SA	100
TMK-Reșița SA	TMK-Artrom SA	99,99237
TMK Assets SRL	TMK-Reșița SA	100

TMK-Artrom ("the parent company"), founded in 1982, is a privately owned company whose major shareholder TMK Europe GmbH gained control in 2002.

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

Subsidiaries of TMK-Artrom:

TMK Industrial Solutions LLC, is a limited liability company, seated in Houston, 10940 West Sam Houston Pkwy North, Suite 325, Texas, USA. It was registered on 26 April 2016 and operates according to US laws, Delaware. The subsidiary has TMK-ARTROM as sole partner.

1.2. PRESENTATION OF THE GROUP (continued)

The financial investment of TMK-Artrom in the subsidiary is of USD 1,000 (exchange rate 4.0271 RON/USD). The Company presents the investment in TMK Industrial Solutions LLC at acquisition cost.

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

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

TMK-RESITA's subsidiaries:

- **TMK ASSETS SRL** is a limited liability company which has as main activity "Rental and sublease of own or rented real estate", NACE code 6820. It was founded in year 2006 and has the headquarters in Bucharest, District 1, Daniel Danielopolu street, no. 2, room 2. The subsidiary is a company which operates according to Romanian laws. As at 31 December 2018 TMK-Resita owns 100% of TMK Assets's share capital (2017 and 2016: 99.9995% and 0.0005% Land Properties Investments). TMK Assets was acquired by the TMK Group in 2012.
- **LAND PROPERTIES INVESTMENTS SRL** had as main activity the development (promotion) of real estate, NACE code 4110. It was founded in year 2006 and has the headquarters in Bucharest, District 1, Daniel Danielopolu street, no. 2, floor 1, room 1. The subsidiary was a company which operated according to Romanian laws. According to GSM decision no. 7 from 10 August 2017 the management decided to liquidate and dissolve LAND PROPERTIES INVESTMENTS SRL. Until the de-registration TMK-Resita owned 98.997% and TMK Assets 1,003% of Land Properties Investments's share capital (2016: 98.997%).
- **TMK REAL ESTATE SRL** had as main activity "Rental and sublease of own or rented real estate", NACE code 6820. It was founded in year 2006 and has the headquarters in Bucharest, District 1, Daniel Danielopolu street, no. 2, room 1. The subsidiary was a company which operated according to Romanian laws. As result of the sale in 2016 of the apartments held, the company no longer had assets to support the object of activity and the management decided to liquidate and dissolve the company. On 14 September 2016 the company was cancelled at the Trade Register Bucharest, under the request filled no. 366806 and resolution no. 149141. Until the de-registration TMK-Resita owned 100% of TMK Real Estate's share capital.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

Statement of Compliance

Consolidated and separate financial statements of the Company have been prepared in accordance with Order no. 2.844/2016 for approving the Accounting Regulations in accordance with International Financial Reporting Standards, with subsequent amendments and additions. These provisions are in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), except as provided in IAS 21 *The Effects of Changes in Foreign Exchange Rates* on functional currency.

In order to prepare these financial statements in accordance with the laws of Romania, the functional currency of TMK-Artrom is considered Romanian Leu (RON).

Functional currency of TMK Industrial Solutions is American Dollar (USD). The elements of the subsidiary included in the financial statements are assessed using USD as functional currency and translated to Group's presentation currency namely RON.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Going concern

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

As at 31 December 2018, the Group's net current assets are RON 81,980,420 (2017: RON 9,372,328; 2016: RON 6,463,078) and has recorded a net profit of RON 79,576,196. The Group has generated positive cash flows from operations (before changes in working capital) in 2018 and 2017.

The Group has complied with the covenants set at 31 December 2018.

As at 31 December 2018, the Company's net current assets are RON 156,062,089 (2017: RON 115,414,768; 2016: RON 111,628,176) and has recorded a separate net profit of RON 56,569,986. The Company has generated positive cash flows from operations (before changes in working capital) in 2018 and 2017 and has budgeted a further increase in its operating cash flow for entire year 2019.

The Company has complied with the covenants set at 31 December 2018.

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

b) Transactions in foreign currencies

For the purposes of the preparation of separate financial statements, the functional currency of the Company is deemed to be the Romanian Leu (RON). Functional currency of TMK Industrial Solutions is American Dollar (USD).

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

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

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

Group companies

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

Exchange rate for 1 unit of foreign currency:

	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
1 EUR	4.6639	4.6597	4.5411
1 USD	4.0736	3.8915	4.3033

Average exchange rate for 1 unit of foreign currency:

	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
1 EUR	4.6535	4.5681	4.4908
1 USD	3.9416	4.0525	4.0592

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Significant accounting judgments, estimates and assumptions

The preparation of Group's and Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the assets or liabilities affected in the future periods.

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

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

d) Basis for Consolidation and assumptions employed by the Group

TMK-Artrom employed for drafting the Consolidated Financial Statements the "pooling of interests" method as the newly purchased (direct and indirect) subsidiaries have been acquired from entities under the common control of the TMK group (the acquisition of the shares from TMK Europe GmbH which is owned 100% by PAO TMK) and, therefore, no change in control occurred with respect to the party controlling the TMK group. According to the pooling of interests' method, the assets and liabilities of the subsidiaries transferred under common control are presented at the carrying value reflected by the predecessor's books. Consequently, since the TMK group's financial statements are not consolidated at the level of TMK Europe GmbH but directly at the level of PAO TMK, the value reflected by the consolidated financial statements of the TMK group for TMK-Reșița and the other indirect subsidiaries transferred on 21 December 2018, has been reflected as such in the restated Consolidated Financial Statements of the Group for 2017 and 2016.

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

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

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

The acquisition of the shares issued by TMK-Reșița occurred on 21 December 2018 but, by applying the pooling of interests' method, the Group's Consolidated Financial Statements, including the comparatives for 2015, 2016 and 2017, reflect the acquisition of the subsidiaries by TMK-Artrom as though such acquisition had acquired them at the same date as they had been acquired by its predecessor – the TMK group (at the level of the consolidated financial statements of PAO TMK). Thus, the Group restates the periods prior to the combination in order to reflect that no change occurred with respect to the ultimate control.

The information provided by the Consolidated Financial Statements have been restated for the periods prior to the business combination of the entities under common control, in order to reflect the combination as if it had occurred from the beginning of the earliest period presented, irrespective of the actual combination date. It was decided that the earliest period presented is 2016 but, comparatives have been also provided for 2015.

The pooling of interests method for business combinations under common control, requires the financial statements of the combining entities to be combined as if they had been always combined. The Consolidated Financial Statements were prepared according to usual consolidation procedures to reflect the combined results of the Group corresponding to all items of assets, liabilities, income, expenses. All intragroup balances, transactions and unrealized gains on transactions between Group companies are eliminated.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

By applying the "pooling of interests" method, TMK-Artrom's Consolidated Financial Statements, including the comparatives of 2016 and 2017, are presented as if TMK-Artrom had acquired the TMK-Reșița and TMK Assets at the same date as they were initially acquired by the predecessor (TMK-Reșița in 2004 and TMK Assets in 2012)

e) Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

g) Financial assets

Initial recognition and measurement

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

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

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

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Groups's and Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- The Group and the Company have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) The Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) The Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment of financial assets

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

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

i) Property, plant and equipment

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

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

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

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

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

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

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

j) Borrowing costs

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

k) Intangible assets

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

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

Intangible assets have the following useful lives:

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

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

Research and development costs

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

l) Prepayments

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

m) Impairment of non-financial assets

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

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

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

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

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

n) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- Loans and borrowings

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

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

Derecognition

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

o) Provisions

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

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

Provisions are not recognized for future operating losses.

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Leases

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

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

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

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

q) Subsidies / government grants

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

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

r) Inventories

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

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

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above. The overdrafts are assimilated to short term loans and working capital financing facilities.

t) Revenue recognition

Revenue Recognition

Revenue is income arising in the course of ordinary activities of the Group. Revenue is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. In determining the revenue amount, the Group considers the effects of variable consideration, the existence of significant financing components and consideration payable to the customer, if any. Revenue is recognised net of discounts, sales rebates, value-added taxes, other similar items.

Sales of Goods

The Group's performance obligation generally consists of the promise to sell pipe to the customers.

Revenue is recognised at a point in time when control of the products has transferred, being when the products are delivered, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. The Group and the Company deliver goods (mainly seamless steel pipes) under contract conditions based on internationally accepted delivery conditions (INCOTERMS). The moment when the customer obtains control of the goods is considered to be substantially the same for most Group and Company contracts according to IFRS 15.

For product sales where the customer requests a bill-and-hold arrangement, revenue is recognized when the product is ready for the physical transfer to the customer. Products are specific to each customer's order, are separately identified and the Group does not have the ability to use or direct the product to another customer. The Group's sales terms generally do not allow for a right of return except for matters related to any manufacturing defects on its part.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transportation Services

When the contract with a customer contains a promise to deliver the goods to the customer the Group usually engages a third party contractor to provide transportation services. These services are rendered to the customers before or after they obtain control over the goods. The accounting for these services depends on when control over the goods is passed to the customer. Transportation services rendered by the Group before control over the goods is transferred to the customers do not represent a separate performance obligation. The Group acts as a principal in such arrangements and revenue is recognised when the goods are delivered. Thus, the Group allocates the transaction price to respective performance obligations and recognise revenue from these services and the associated costs on a net basis.

Contract Costs

Incremental costs of obtaining a contract, such as sales commissions, are capitalised if they are expected to be recovered. Incremental costs include only those costs that would not have been incurred if the contract had not been obtained. Costs to fulfill a contract that are not covered by another standard are capitalised if they relate directly to a contract and to future performance, and they are expected to be recovered.

Under legacy IFRS, revenues were measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, revenue is measured at the fair value of goods or services provided.

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

Under legacy IFRS, revenues arising from rendering of services were recognized in the same period when the services are provided.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of products provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration. During the period, no such sales were incurred.

Rights of return

The contracts provide a customer with the right to return the goods within a specified period. For goods that are expected to be returned the Group and the Company recognises a decrease of revenue representing the difference between the initial sale price and the realisable value of the goods. During the period, no such sales were incurred.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. No contract assets were recognized during the period.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. No contract assets were recognized during the period.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets section.

The normal credit term is 30 to 90 days upon delivery.

The Group recognises revenue from services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

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

Short-term employee benefits

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

Defined benefit pension plans

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

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

v) Taxes

► Current income tax

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

► Deferred tax

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

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

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

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

► Sales tax

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

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

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

w) Dividends payable

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

x) Contingencies

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

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

y) Reportable segments

An operating segment is a component of the Group and Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Group's and Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which distinctive financial information is available.

Segment information is presented in respect of the Group's and Company's business and geographical segments and is determined based on the Group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Group's and Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

The Company has identified the Board of Directors as its chief operating decision maker and as the internal reporting reviewed by the Board focuses on the operations of the Company as a whole and does not identify individual operating segments.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z) Gas emission certificates with greenhouse effect

The Company recognizes emission CO₂ rights in its separate financial statements based on the net liability method. Under this method only those liabilities that are expected to result from exceeding the emission credit quotas, granted to the Company under Government decision no. 204/2013 by the Romanian National Environmental Authority, are recognized.

The Company estimates its annual emission volumes at each balance sheet date and recognizes the total estimated additional liability for the expected excess of emission volumes at the fair value of additional units to be purchased or penalties to be incurred under the national legislation. The additional net liability is recognized in profit or loss based on unit of production method.

In case the Company estimates utilization of less than the allocated emission certificates any potential income from the sale of unused emission certificates is recognized in profit or loss only on actual sale of those certificates.

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group and the Company as of 1 January 2018:

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

The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Group and the Company reviewed their financial assets and liabilities and they concluded that the adoption of the new standard on 1 January 2018 has no impact on the Group's and Company's financial statements, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group and the Company does not have any such liabilities. The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39 Financial Instruments: Recognition and Measurement. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group and the Company has no significant impact on the bad debt allowance as a result of the adoption of the new standard.

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

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

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

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The Management of the Group and the Company consider that the new standard did not have a significant impact on the financial statements.

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

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Management of the Group and the Company consider that the amendments of the standard did not have a significant impact on the financial statements.

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

The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Management of the Group and the Company consider that the amendments of the standard did not have a significant impact on the financial statements.

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

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Management of the Group and the Company consider that the interpretation did not have a significant impact on the financial statements.

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle** which is a collection of amendments to IFRSs. The Management of the Group and the Company consider that the amendments did not have a significant impact on the financial statements.
 - **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
 - **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

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

➤ Taxes

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

➤ Pension benefits

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Sensitivity analysis of the Company for each significant actuarial assumption:

	2018	PBO 31.12.2018 Retirement	2017	PBO 31.12.2017 Retirement	2016	PBO 31.12.2016 Retirement
Turnover	1%	2,146,419	1%	2,264,866	1%	2,100,800
	-1%	2,564,821	-1%	2,769,899	-1%	2,622,852
Discount rate	1%	2,166,383	1%	2,285,371	1%	2,118,601
	-1%	2,543,608	-1%	2,748,445	-1%	2,604,880
Mortality	10%	2,310,113	10%	2,462,585	10%	2,305,376
	-10%	2,375,821	-10%	2,539,128	-10%	2,381,698
Salary increase / inflation	1%	2,546,074	1%	2,722,820	1%	2,606,080
	-1%	2,161,282	-1%	2,303,247	-1%	2,113,553

	2018	PBO 31.12.2018 Death	2017	PBO 31.12.2017 Death	2016	PBO 31.12.2016 Death
Turnover	1%	522,605	1%	494,853	1%	522,748
	-1%	597,960	-1%	577,726	-1%	615,944
Discount rate	1%	526,138	1%	497,484	1%	525,812
	-1%	594,365	-1%	575,480	-1%	613,000
Mortality	10%	609,263	10%	582,145	10%	617,542
	-10%	506,440	-10%	484,653	-10%	514,316
Salary increase / inflation	1%	589,674	1%	569,426	1%	608,111
	-1%	529,734	-1%	501,853	-1%	529,213

➤ Inventories

The finished goods, semi-finished goods and work in progress are valued considering the net realizable value. The management analyses the ageing of the inventories and considers the implications in establishing the net realizable value of the old inventories. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution, resulting from orders received for future periods validated with future sales prices evolution.

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

The main assumptions used in evaluating the level of the allowance for finished goods, semi-finished goods and work in progress include ageing of inventories, determining the net realizable value by reference to future sales, market prices of pipes and steel and market trends whose volatility is affecting the cost of raw material and the selling price of the finished goods.

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

➤ Impairment for trade receivable

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

For details regarding how the adjustments for impairment related to customers are set within the Company, please refer to Note 28.

➤ Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from budgets prepared by the Group and Company and do not include restructuring activities that the Group and Company are not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. For further details please see Note 15.

➤ Deferred tax for tax losses carried forward

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

As at 31 December 2018 the Group did not recognise deferred tax assets for tax losses.

➤ Useful life of non-current assets

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

➤ Non current assets held for sale

The management has used professional judgements for assessing whether certain assets (disclosed in Note 15) should be classified as assets held for sale under IFRS 5 or property plant and equipment. Management concluded that the criteria for classifying the asset as held for sale were not met, in particular in relation to the asset not being available for immediate sale in its present condition (due to the fact that the Group has to perform demolition workings, as well as modifying the urban indicators, etc.). In addition, Management concluded that terms of the sale are not usual or customary for sales of such assets, given the conditions imposed by the buyer on the Group for the sale to happen.

➤ Reverse factoring – classification of liability as trade payable vs debt

The Group has entered into supply chain finance agreements as disclosed in Note 17, under which the bank will accept for financing invoices issued by the suppliers for Group Companies. The Group management has concluded that the liability for the financed supplier invoices are of trade payable nature and not finance debt. To support this conclusion, the management has made significant judgements related to elements of purchaser release of its original obligation or any substantial modification of the terms of the obligations.

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

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements. The Management of the Group and the Company assessed the impact of the new standard on the financial statements.

The Group calculated an impact on the increase of the rights of use and the increase of the lease liabilities as of 1 January 2019 amounting to EUR 252,117, representing thousand RON 1,176.

The Company calculated an impact on the increase of the rights of use and the increase of the lease liabilities as of 1 January 2019 amounting to EUR 221,347, representing thousand RON 1,032.

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

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

- **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

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

- **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Management is in the process of assessing the impact of the interpretation on the financial statements.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

- **Conceptual Framework in IFRS standards**

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. It's objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU. Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

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

- **The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. The Management is in the process of assessing the impact of the improvements on the financial statements.
 - **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
 - **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
 - **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

5. SEGMENT INFORMATION

The Board of directors are monitoring overall the operational results of the Company, in the purpose to decide the allocation of the resources and to measure the performance. The performance is measured based on the operational result included in the financial statements.

The pipes segment is located in Slatina. The billets segment is located in Resita. The pipes segment uses billets to produce seamless steel pipes, hot rolled and cold drawn.

Segment revenues and expenses are directly attributable to the segments; common expenses are allocated to the segments on a reasonable basis. The income, expenses and results per segments include the transfers between operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segment assets include all operating assets used by a segment and consist principally of property, plant and equipment, operating cash, receivables, inventories and intangible assets, net of allowances for impairment. The carrying amount of the assets is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of trade payables, wages and taxes payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes, borrowings, financial liabilities and other un-allocatable items.

5. SEGMENT INFORMATION (continued)

Group's revenues and results for the year ended 31 December by segment were as follows:

	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
2018					
Sales to external customers	1,129,957,026	45,812,478	220,876,136	-	1,396,645,640
Inter-segment sales	673,447	650,193,608	372,201	(651,239,256)	-
Total sales	1,130,630,473	696,006,086	221,248,337	(651,239,256)	1,396,645,640
Segments result (gross profit)	295,500,319	4,627,158	18,831,404	-	318,958,881
Other operating expenses, net					(202,672,871)
Interest and other finance costs, net					(15,286,807)
Net foreign exchange gains / (losses)					(3,534,315)
Result before income tax					97,464,888
2017					
Sales to external customers	798,971,480	133,976,151	252,680,548	-	1,185,628,179
Inter-segment sales	860,942	512,851,689	9,061	(513,721,692)	-
Total sales	799,832,422	646,827,840	252,689,609	(513,721,692)	1,185,628,179
Segments result (gross profit)	165,503,822	2,005,422	23,186,925	-	190,696,169
Other operating expenses, net					(149,110,366)
Interest and other finance costs, net					(10,675,829)
Net foreign exchange gains / (losses)					(2,021,813)
Result before income tax					28,888,161
2016					
Sales to external customers	629,258,431	17,101,579	116,467,308	-	762,827,318
Inter-segment sales	430,074	367,747,439	643,764	(368,821,278)	-
Total sales	629,688,505	384,849,018	117,111,072	(368,821,278)	762,827,318
Segments result (gross profit)	111,528,112	1,303,886	10,384,561	-	123,216,559
Other operating expenses, net					(108,291,483)
Interest and other finance costs, net					(8,004,169)
Net foreign exchange gains / (losses)					(4,633,157)
Result before income tax					2,287,750

5. SEGMENT INFORMATION (continued)

Group's segment assets and liabilities at 31 December were as follows:

	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
31 December 2018					
Total assets	1,128,301,744	586,908,727	63,045,809	-	1,778,256,280
Total liabilities	370,833,184	168,579,694	568,055,280	-	1,107,468,158
Capital expenditure	66,447,255	24,192,341	35,568	-	90,675,164
Impairment of property, plant and equipment	-	-	-	-	-
Depreciation expenses	(47,048,510)	(30,335,938)	(372,217)	-	(77,756,665)
31 December 2017					
Total assets	1,026,200,736	597,619,337	95,283,572	-	1,719,103,645
Total liabilities	100,473,662	176,587,568	575,802,670	-	852,863,900
Capital expenditure	151,911,353	22,856,485	27,262	-	174,795,100
Impairment of property, plant and equipment	-	-	-	-	-
Depreciation expenses	(42,118,528)	(30,201,676)	(363,215)	-	(72,683,419)
31 December 2016					
Total assets	831,190,960	562,504,823	95,293,941	-	1,488,989,724
Total liabilities	71,224,671	103,860,245	474,230,722	-	649,315,638
Capital expenditure	78,019,038	14,628,005	336,992	-	92,984,035
Impairment of property, plant and equipment	-	-	-	-	-
Depreciation expenses	(41,999,605)	(29,164,554)	(376,043)	-	(71,540,202)

Geographical information

Consolidated

Revenue	Romania	Europe	North and South America	Other countries	Total
	RON	RON	RON	RON	RON
2018	380,034,762	714,672,768	299,306,101	2,632,009	1,396,645,640
2017 Restated	369,645,684	567,282,982	222,672,352	26,027,161	1,185,628,179
2016 Restated	228,997,079	478,010,638	34,732,629	21,086,972	762,827,318

Separate

Revenue	Romania	Europe	North and South America	Other countries	Total
	RON	RON	RON	RON	RON
2018	373,835,470	712,939,465	296,380,384	2,632,009	1,385,787,328
2017	264,547,222	563,200,389	211,671,629	26,027,161	1,065,446,401
2016	229,612,821	478,010,638	33,200,789	21,086,972	761,911,220

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2018 RON	%	Consolidated 2017 Restated RON	%	2016 Restated RON	%
Domestic sales	380,034,763	27.21	369,646,135	31.19	228,997,080	30.02
Sales abroad	1,016,610,877	72.79	815,982,044	68.81	533,830,238	69.98
Total	1,396,645,640	100	1,185,628,179	100	762,827,318	100

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
Sales of pipes produced by TMK-Artrom from which:			
Domestic	160,505,333	115,657,758	107,570,048
Europe	687,935,396	529,791,805	469,131,713
North and South America	278,884,288	127,495,207	31,469,698
Other areas	2,632,009	26,026,710	21,086,972
Total sales of TMK-Artrom pipes	1,129,957,026	798,971,480	629,258,431
Sales of other goods and services from which:			
Sales of other goods on domestic market	217,753,604	250,664,627	118,394,506
Sales of other goods on external market	45,132,115	128,798,088	10,474,727
Rendering of services on domestic market	1,775,825	3,323,299	3,032,525
Rendering of services on external market	2,027,070	3,870,685	1,667,129
Total sales of other goods and services	266,688,614	386,656,699	133,568,887
Total turnover	1,396,645,640	1,185,628,179	762,827,318

Total consolidated turnover increased by 18% in 2018 compared to 2017 due to the increase in the turnover from TMK-Artrom's pipes production sold by 41%, the decrease of TMK-RESITA's billets and blooms sold to third parties by 66% and the decrease in sales of merchandise representing methalurgical products from PAO TMK Group's companies by 10%.

Total consolidated turnover increased by 55% in 2017 compared to 2016 due to the increase in the turnover from TMK-Artrom's pipes production sold by 27%, the increase of TMK-RESITA's billets and blooms sold to third parties by 685% and the increase in sales of merchandise representing methalurgical products from PAO TMK Group's companies by 122%.

	2018 RON	%	Separate 2017 RON	%	2016 RON	%
Domestic sales	373,835,470	26.98	264,547,673	24.83	229,612,821	30.14
Sales abroad	1,011,951,858	73.02	800,898,728	75.17	532,298,399	69.86
Total	1,385,787,328	100	1,065,446,401	100	761,911,220	100

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

	2018 RON	Separate 2017 RON	2016 RON
Sales of pipes produced by TMK-Artrom from which:			
Domestic	161,178,780	116,518,700	108,000,122
Europe	687,935,396	529,791,805	469,131,713
North and South America	277,713,837	127,194,418	31,425,138
Other areas	2,632,009	26,026,710	21,086,972
Total sales of TMK-Artrom pipes	1,129,460,022	799,531,633	629,643,945
Sales of other goods and services from which:			
Sales of other goods on domestic market	212,281,122	147,498,929	121,189,467
Sales of other goods on external market	43,588,258	117,822,145	10,474,727
Rendering of services on domestic market	375,568	529,593	423,232
Rendering of services on external market	82,358	64,101	179,849
Total sales of other goods and services	256,327,306	265,914,768	132,267,275
Total turnover	1,385,787,328	1,065,446,401	761,911,220

Total turnover of TMK-Artrom increased by 30% in 2018 compared to 2017 as a result of the increase in the turnover from production sold by 41% and the decrease in sales of merchandise by 10%.

The turnover from TMK-Artrom's sold production increased as a result of the increase in the physical volume of pipes sold from 185,614 tons to 200,565 tons (an 8% increase), but also the increase in their average sales price by 31% due to the steel market growth and due to the increase in the percentage of the premium pipes with high value added in total volume of TMK-Artrom's sales compared to the previous period.

TMK-Artrom sells on European market and on American market metallurgical products (billets, blooms, pipes) purchased from PAO TMK Group companies. Resold products are outside the dimensional range sau type of the products made by TMK-Artrom and TMK-Resita.

7. COST OF SALES

Cost of sales for the financial year ended as at 31 December, consisted of the following:

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
Raw materials	392,316,308	414,396,564	211,326,956
Staff cost (note 12.5)	109,622,857	81,164,924	72,915,948
Consumables	156,395,702	120,717,758	97,127,517
Energy and utilities	112,288,624	110,872,853	92,326,014
Depreciation and amortisation	73,661,221	69,434,320	68,529,067
Other compensations for employees	13,530,301	10,013,475	6,674,802
Social security expenses (note 12.5)	6,701,050	22,485,257	20,150,055
Professional fees and services	3,930,300	3,918,079	2,185,339
Freight	2,465,439	1,993,392	1,669,510
Taxes	4,331,526	2,754,223	3,755,996
Repairs and maintenance	3,933,417	3,276,870	2,979,826
Insurance	2,500,310	266,828	320,993
Rent	1,374,152	796,073	583,321
Travel	1,015,066	646,241	677,911
Communications	102,540	117,855	165,684
Other expenses	14,133	9,464	8,629
Total production cost	884,182,946	842,864,176	581,397,568
Change in own finished goods and work in progress	10,844,420	(45,052,296)	(19,149,784)
Cost of sales of externally purchased goods	198,684,150	220,465,641	103,254,534
Capitalized production costs	(20,257,155)	(22,190,872)	(25,816,307)
Obsolete stock, write-offs / (reversal of write-offs) (note 19)	3,803,255	(1,206,146)	(75,252)
Write-off materials	429,143	51,507	-
Cost of sales	1,077,686,759	994,932,010	639,610,759

	2018 RON	Separate 2017 RON	2016 RON
Raw materials	661,767,929	506,499,063	387,843,195
Staff cost (note 12.5)	74,955,072	53,562,998	47,889,925
Consumables	58,944,520	44,882,449	40,790,848
Energy and utilities	58,468,529	52,794,563	48,771,751
Depreciation and amortisation	44,877,682	40,315,615	40,178,353
Other compensations for employees	10,021,030	7,076,568	5,063,586
Social security expenses (note 12.5)	2,901,082	13,322,733	11,939,382
Professional fees and services	2,795,662	2,824,004	1,799,192
Freight	2,464,389	1,993,392	1,669,510
Taxes	2,527,041	1,297,965	1,443,056
Repairs and maintenance	2,587,817	2,262,703	1,885,497
Insurance	1,571,261	128,821	127,487
Rent	621,753	471,745	299,156
Travel	680,390	490,202	553,658
Communications	75,019	89,457	77,307
Other expenses	14,131	9,216	6,855
Total production cost	925,273,307	728,021,494	590,338,758
Change in own finished goods and work in progress	11,651,874	(29,396,439)	(18,987,232)
Cost of sales of externally purchased goods	198,615,331	213,775,052	103,031,250
Capitalized production costs	(16,537,587)	(17,189,461)	(20,951,301)
Obsolete stock, write-offs / (reversal of write-offs) (note 19)	3,690,176	(805,412)	784,059
Cost of sales	1,122,693,101	894,405,234	654,215,534

8. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the financial year ended as at 31 December, consisted of the following:

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
Freight	66,662,308	59,285,157	38,809,280
Professional fees and services	24,241,103	17,403,925	15,273,822
Taxes	25,860,279	21,719	132,677
Staff cost (note 12.5)	7,991,565	6,424,199	4,844,675
Consumables	3,920,961	3,180,553	2,103,639
Insurance	1,795,245	1,324,244	1,177,339
Utilities and maintenance	421,468	261,842	149,856
Other compensations for employees	943,458	563,829	555,481
Travel	505,687	272,548	266,420
Depreciation and amortisation	342,527	373,304	411,259
Social security expenses (note 12.5)	1,009,251	1,754,887	1,270,443
Communications	159,920	179,721	148,102
Other expenses	340,733	321,449	165,751
Rent	364,768	394,546	211,352
Bad debt expense (note 20)	881,387	755,876	170,707
Selling and distribution expenses	135,440,660	92,517,799	65,690,803

	2018 RON	Separate 2017 RON	2016 RON
Freight	65,412,747	56,500,007	38,491,090
Professional fees and services	35,882,540	25,598,688	17,594,539
Taxes	25,269,669	21,719	132,677
Staff cost (note 12.5)	4,831,041	3,555,414	3,409,505
Consumables	2,109,802	1,385,683	919,711
Insurance	1,590,642	1,228,587	1,173,479
Utilities and maintenance	421,306	260,351	148,771
Other compensations for employees	856,743	524,808	411,311
Travel	306,706	87,878	151,700
Depreciation and amortisation	287,974	302,346	377,645
Social security expenses (note 12.5)	178,944	898,295	845,276
Communications	114,117	122,656	111,781
Other expenses	63,002	49,502	48,952
Rent	67,939	30,398	360
Bad debt expense (note 20)	28,255	237,231	454,294
Selling and distribution expenses	137,421,427	90,803,563	64,271,091

The increase in the taxes is due to the introduction of US import duties. These have been applied since May 2018 for Russian products and June 2018 for EU countries. Tax increases have been recovered from the rise of the prices to US customers.

9. PROMOTION AND ADVERTISING EXPENSES

Promotion and advertising expenses for the financial year ended as at 31 December, consisted of the following:

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
Marketing expenses	274,820	338,717	129,689
Media expenses	58,826	3,361	20,926
Promotion and advertising expenses	333,646	342,078	150,615

	2018 RON	Separate 2017 RON	2016 RON
Marketing expenses	247,459	262,168	83,872
Media expenses	58,826	3,361	20,926
Promotion and advertising expenses	306,285	265,529	104,798

10. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the financial year ended as at 31 December, consisted of the following:

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
Staff cost (note 12.5)	25,993,021	20,118,952	17,370,949
Professional fees and services	15,633,181	14,772,931	10,273,790
Other compensations for employees	5,728,555	3,360,052	2,306,817
Rent	1,345,549	1,260,123	785,858
Taxes	1,803,950	875,870	753,417
Depreciation and amortisation	3,380,699	2,875,794	2,599,786
Communications	1,040,658	983,161	902,516
Consumables	1,850,013	1,463,095	1,204,966
Utilities and maintenance	1,321,927	811,873	1,206,364
Travel	1,092,217	751,862	1,001,360
Social security expenses (note 12.5)	1,336,730	4,990,573	4,284,108
Other expenses	432,607	321,460	335,755
Freight	252	-	-
Insurance	292,468	150,572	104,206
General and administrative expenses	61,251,827	52,736,318	43,129,892

10. GENERAL AND ADMINISTRATIVE EXPENSES (continued)

	2018 RON	Separate 2017 RON	2016 RON
Staff cost (note 12.5)	18,056,713	14,423,340	13,105,508
Professional fees and services	7,356,370	7,375,664	4,071,793
Other compensations for employees	4,782,632	2,925,589	1,893,182
Rent	1,591,646	1,391,966	1,234,371
Taxes	1,679,408	768,882	490,426
Depreciation and amortisation	1,809,281	1,432,131	1,412,150
Communications	869,565	814,104	730,514
Consumables	1,095,125	830,822	782,599
Utilities and maintenance	1,116,483	699,203	1,024,909
Travel	824,209	624,619	893,840
Social security expenses (note 12.5)	479,476	3,468,858	3,186,611
Other expenses	333,558	214,155	297,039
Freight	252	-	-
Insurance	174,054	71,881	60,734
General and administrative expenses	40,168,772	35,041,214	29,183,676

11. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the financial year ended as at 31 December, consisted of the following:

	2018 RON	Consolidated 2017 RON	2016 RON
Professional fees and services	144,442	16,515	45,229
Staff cost (note 12.5)	95,933	78,046	72,725
Other compensations for employees	3,677	4,267	3,317
Social security expenses (note 12.5)	3,126	18,908	17,562
Travel	-	220	1,029
Consumables	-	-	4
Research and development expenses	247,178	117,956	139,866

	2018 RON	Separate 2017 RON	2016 RON
Professional fees and services	144,442	16,515	45,229
Staff cost (note 12.5)	95,933	78,047	72,725
Other compensations for employees	3,677	4,266	3,317
Social security expenses (note 12.5)	3,126	18,908	17,562
Travel	-	220	1,029
Consumables	-	-	4
Research and development expenses	247,178	117,956	139,866

12. OTHER INCOME/EXPENSES AND ADJUSTMENTS

12.1 Other operating income

Other operating income for the financial year ended as at 31 December, consisted of the following:

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
Investment subsidies	28,667	6,820	20,076
Damages, trial expenses	10,448	1,277,344	167,303
Income from recovered materials	-	177,783	-
Materials free of charge	6,284	32,760	71,740
Other income	48,839	595,526	255,149
Reversal of provisions for risks and expenses (note 27)	-	-	3,034,304
Reversal of provisions for taxes (note 27)	-	-	1,580,132
Total	94,238	2,090,233	5,128,704

	2018 RON	Separate 2017 RON	2016 RON
Income from sale of emission certificates	384,885	-	-
Investment subsidies	28,667	6,820	127
Rent income	16,751	-	-
Damages, trial expenses	10,448	1,271,323	104,025
Income from recovered materials	-	177,783	-
Other income	-	570	13,260
Reversal of provisions for risks and expenses (note 27)	-	-	843,546
Reversal of provisions for taxes (note 27)	-	-	110,919
Total	440,751	1,456,496	1,071,877

12.2 Other operating expenses

Other operating expenses for the financial year ended as at 31 December, consisted of the following:

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
Social actions expenses	1,497,150	1,251,750	989,000
Loss on disposal of property, plant and equipment	1,128,497	1,655,385	2,471,677
Sponsorship and charitable donations	397,517	222,400	102,110
Staff costs - medical dispensary	428,029	234,377	200,708
Professional fees and services	100,864	70,139	137,810
Rent expense	115,838	-	-
Other expenses	227,238	569,606	180,537
Social security costs - medical dispensary	14,310	58,519	50,804
Penalties - legal entities	399	74,884	6,138
Fines and penalties	20,040	175,970	(349,365)
Other compensations for employees - medical dispensary	24,776	14,543	13,965
Allowance for sundry debtors (note 20)	-	-	504,642
Taxes	-	123	985
Expenses with provisions for taxes (note 27)	-	1,158,752	-
Expenses with provisions for risks and expenses (note 27)	1,539,140	-	-
Total	5,493,798	5,486,448	4,309,011

12. OTHER INCOME/EXPENSES AND ADJUSTMENTS (continued)

	2018 RON	Separate 2017 RON	2016 RON
Social actions expenses	1,497,150	1,251,750	989,000
Loss on disposal of property, plant and equipment	877,353	1,521,355	1,760,592
Sponsorship and charitable donations	344,178	175,390	82,283
Staff costs - medical dispensary	123,594	100,969	103,259
Professional fees and services	100,864	70,139	137,810
Rent expense	-	-	-
Other expenses	15,763	14,342	49,729
Social security costs - medical dispensary	3,349	25,342	25,738
Penalties - legal entities	399	74,884	6,138
Fines and penalties	625	5,148	44,071
Allowance for sundry debtors (note 20)	-	-	504,642
Expenses with provisions for taxes (note 27)	-	1,158,752	-
Total	2,963,275	4,398,071	3,703,262

12.3 Financial costs

Financial costs for the financial year ended as at 31 December, consisted of the following:

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
Interest on short-term loans and borrowings (note 17.2)	5,356,476	4,790,919	2,333,645
Interest on long-term loans and borrowings (note 17.2)	5,165,226	1,204,639	2,530,755
Amortisation of issuance fee	716,706	433,443	421,950
Other financial expenses	1,247,935	1,563,351	484,329
Interest on financial leasing	2,804,018	2,684,526	2,232,523
Discounts granted	-	-	2,196
Total	15,290,361	10,676,878	8,005,398

	2018 RON	Separate 2017 RON	2016 RON
Interest on short-term loans and borrowings (note 17.2)	5,356,476	4,790,919	2,333,645
Interest on long-term loans and borrowings (note 17.2)	5,165,226	1,204,639	2,530,755
Amortisation of issuance fee	716,706	433,443	421,950
Other financial expenses	460,318	275,925	208,436
Interest on financial leasing	78,742	31,864	9,392
Discounts granted	-	-	2,196
Total	11,777,468	6,736,790	5,506,374

12. OTHER INCOME/EXPENSES AND ADJUSTMENTS (continued)

12.4 Financial income

Financial income for the financial year ended as at 31 December, consisted of the following:

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
Interest on deposits	3,390	730	579
Interest from granted borrowing	43	50	25
Other financial income	121	269	625
Total	3,554	1,049	1,229

	2018 RON	Separate 2017 RON	2016 RON
Interest on deposits	3,390	731	579
Interest from granted borrowing	-	757	3,238
Other financial income	104	226	609
Total	3,494	1,714	4,426

12.5 Employee benefits expenses

Employee benefits expenses for the financial year ended as at 31 December, consisted of the following:

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
Wages and salaries (Notes 7,8,10,11,12.2)	144,175,479	108,020,498	95,405,005
Social security costs (Notes 7,8,10,11,12.2), out of which:	9,065,458	29,308,144	25,772,972
- Company's contributions to social security (pensions)	3,289,213	20,289,459	17,643,600
Other compensations for employees - meal tickets	7,071,846	6,354,396	4,017,543
Other compensations for employees - holiday vouchers	1,656,029	872,698	691,517
Other compensations for employees - other	11,509,395	6,729,072	4,845,322
Total employee benefits expense	173,478,207	151,284,808	130,732,359

	2018	Consolidated 2017 Restated	2016 Restated
Average number of employees	2,249	2,068	2,021
Actual number of employees at the end of financial year	2,282	2,161	2,030

	2018 RON	Separate 2017 RON	2016 RON
Wages and salaries (Notes 7,8,10,11,12.2)	98,062,353	71,720,768	64,580,922
Social security costs (Notes 7,8,10,11,12.2), out of which:	3,565,977	17,734,135	16,014,569
- Company's contributions to social security (pensions)	-	12,028,765	10,845,975
Other compensations for employees - meal tickets	4,688,101	4,027,801	2,681,448
Other compensations for employees - holiday vouchers	734,707	162,000	132,480
Other compensations for employees - other	10,241,274	6,341,431	4,557,468
Total employee benefits expense	117,292,412	99,986,135	87,966,887

	2018	Separate 2017	2016
Average number of employees	1,457	1,324	1,296
Actual number of employees at the end of financial year	1,486	1,365	1,304

13. INCOME TAX

For financial year ended as at 31 December, the Company and the Group calculated income tax as follows:

	2018	Consolidated 2017 Restated	2016 Restated
Current income tax	(10,241,926)	(4,079,331)	(1,624,119)
Current income tax computed according to the Fiscal Inspection Report F-MC15/08.02.2016	-	-	(68,974)
Small companies income tax	(15,616)	(42,881)	(630)
Deferred income tax:	(7,631,150)	1,853,746	2,333,626
- Deferred income tax credit	4,044,584	10,092,132	9,933,207
- Deferred income tax charge	(11,675,734)	(8,238,386)	(7,599,581)
Income tax	(17,888,692)	(2,268,466)	639,903

	2018	Separate 2017	2016
Current income tax	(8,566,974)	(1,951,595)	(1,466,429)
Current income tax computed according to the Fiscal Inspection Report F-MC15/08.02.2016	-	-	(68,974)
Deferred income tax:	(2,643,760)	1,904,760	1,165,525
- Deferred income tax credit	1,506,695	2,181,589	2,439,178
- Deferred income tax charge	(4,150,455)	(276,829)	(1,273,653)
Income tax	(11,210,734)	(46,835)	(369,878)

The Group and the Company computed deferred tax from different temporary differences for fixed assets and other items.

Reconciliation between income tax expense and the accounting profit multiplied by Romanian domestic tax rate for the year ended as at 31 December is as follows:

	2018	Consolidated 2017 Restated	2016 Restated
Profit before income tax	97,464,888	28,888,161	2,287,750
Income taxes calculated at the nominal applicable tax rate (16%)	15,594,382	4,622,106	366,040
Adjustments in respect of current income tax of previous years			68,974
Tax effect of deductible / non-taxable elements, out of which:	(22,976,895)	(19,813,303)	(21,999,110)
- Fiscal depreciation	(19,517,069)	(17,043,169)	(17,748,240)
- Legal reserve	(668,045)	-	(13,081)
- Income from reversal of allowances	(2,791,781)	(2,770,134)	(4,237,789)
Tax effect of taxable / non-deductible elements, out of which:	21,280,110	20,920,602	21,379,361
- Realization of revaluation reserve	4,874,437	6,049,880	6,627,932
- Accounting depreciation	12,369,740	11,579,227	11,441,507
- Allowances expenses	4,647,966	4,163,611	3,378,103
- Other items	(612,033)	(872,116)	(68,181)
Tax loss to be recovered	(3,774,310)	2,730,535	1,960,540
Deferred tax expenses arising from deferred tax assets	4,762,784	(1,128,202)	576,291
Deferred tax expenses arising from deferred tax liabilities	2,868,366	(725,544)	(2,909,917)
Tax credit, out of which:	(344,178)	(5,472,153)	(100,750)
- sponsoring expense	(344,178)	(175,390)	(82,283)
- reinvested profit in equipment	-	(5,296,352)	(18,467)
- 10% withholding tax in USA	-	(411)	-
Effect of other tax rates	478,433	1,134,425	18,668
Computed income tax / (tax loss)	17,888,692	2,268,466	(639,903)
Income tax reported in the statement of income	17,888,692	2,268,466	(639,903)

13. INCOME TAX (continued)

	2018	Separate 2017	2016
Profit before income tax	67,780,720	33,102,201	1,247,068
Income taxes calculated at the nominal applicable tax rate (16%)	10,844,915	5,296,352	199,531
Adjustments in respect of current income tax of previous years	-	-	68,974
Tax effect of deductible / non-taxable elements, out of which:	(16,163,688)	(9,521,106)	(10,445,823)
- Fiscal depreciation	(13,038,593)	(8,028,833)	(8,168,553)
- Legal reserve	(542,246)	-	(9,977)
- Income from reversal of allowances	(2,582,849)	(1,492,273)	(2,267,293)
Tax effect of taxable / non-deductible elements, out of which:	14,229,925	11,648,502	11,813,471
- Realization of revaluation reserve	2,705,013	2,721,247	2,799,534
- Accounting depreciation	7,515,990	6,728,015	6,714,904
- Allowances expenses	3,416,510	2,071,679	2,180,782
- Other items	592,412	127,561	118,251
Deferred tax expenses arising from deferred tax assets	(797,254)	(409,063)	182,612
Deferred tax expenses arising from deferred tax liabilities	3,441,014	(1,495,697)	(1,348,137)
Tax credit, out of which:	(344,178)	(5,472,153)	(100,750)
- sponsoring expense	(344,178)	(175,390)	(82,283)
- reinvested profit in equipment	-	(5,296,352)	(18,467)
- 10% withholding tax in USA	-	(411)	-
Computed income tax / (tax loss)	11,210,734	46,835	369,878
Income tax reported in the statement of income	11,210,734	46,835	369,878

In 15 February 2016 the comprehensive fiscal control in TMK-Artrom for period 2005-2009 was finished. Through that was established the additional debts for income tax and VAT in amount of RON 1,332,027 and interest and penalties in amount of RON 2,889,444 which were appealed by the Company.

Deferred tax relates to the following:

Statement of financial position	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
Deferred income tax assets			
Allowance for doubtful accounts receivable	267,125	327,834	598,898
Employee benefits	889,196	875,677	888,364
Provisions for management bonuses	1,191,854	683,494	361,380
Provisions for quality complaints	46,692	54,734	48,833
Adjustments of inventories	2,757,813	2,136,912	2,813,596
Provisions for unused vacations	8,923	10,008	5,200
Provisions for emission certificates	106,895	234,697	-
Tax losses carried forward	-	5,486,923	2,756,390
Provisions for risks and charges	523,217	-	1,153
Provisions for decommissioning property, plant and equipment	35,096	35,096	35,096
Other (liabilities - deferred income)	(342,882)	(372,457)	294,677
Leasing liabilities	5,862,265	6,629,174	7,177,591
Total (a)	11,346,194	16,102,092	14,981,178
Deferred income tax liabilities			
Difference between carrying amount and fiscal amount of property, plant and equipment and intangible assets	82,455,515	79,585,313	80,317,823
Total (b)	82,455,515	79,585,313	80,317,823
Net deferred tax income (a) - (b)	(71,109,321)	(63,483,221)	(65,336,645)

13. INCOME TAX (continued)

Statement of profit or loss	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
Deferred income tax assets			
Allowance for doubtful accounts receivable	(60,710)	(271,063)	(2,596,158)
Employee benefits	13,519	(12,687)	(92,437)
Provisions for management bonuses	501,665	328,034	51,610
Provisions for quality complaints	(8,042)	5,901	765
Adjustments of inventories	620,902	(676,685)	19,557
Provisions for unused vacations	(1,275)	5,021	4,298
Provisions for emission certificates	(127,802)	234,697	-
Tax losses carried forward and utilised	(5,486,924)	2,730,535	1,983,095
Provisions for risks and charges	523,217	-	(133,879)
Other (liabilities - deferred income)	29,575	(667,134)	755,233
Leasing liabilities	(766,909)	(548,417)	(568,375)
Total (a)	(4,762,784)	1,128,202	(576,291)
Deferred income tax liabilities			
Difference between carrying amount and fiscal amount of property, plant and equipment and intangible assets	2,868,366	(725,544)	(2,909,917)
Total (b)	2,868,366	(725,544)	(2,909,917)
Net deferred tax income (a) - (b)	(7,631,150)	1,853,746	2,333,626

Statement of financial position	2018 RON	Separate 2017 RON	2016 RON
Deferred income tax assets			
Allowance for doubtful accounts receivable	179,721	251,577	200,393
Employee benefits	451,462	422,211	396,482
Provisions for management bonuses	891,608	514,361	285,831
Provisions for quality complaints	46,692	46,982	48,833
Adjustments of inventories	1,451,991	861,563	990,429
Provisions for unused vacations	5,114	4,839	5,200
Provisions for emission certificates	106,895	234,697	-
Provisions for decommissioning property, plant and equipment	35,096	35,096	35,096
Total (a)	3,168,579	2,371,326	1,962,264
Deferred income tax liabilities			
Difference between carrying amount and fiscal amount of property, plant and equipment and intangible assets	40,352,662	36,911,648	38,407,346
Total (b)	40,352,662	36,911,648	38,407,346
Net deferred tax income (a) - (b)	(37,184,083)	(34,540,322)	(36,445,082)

13. INCOME TAX (continued)

Statement of profit or loss	2018 RON	Separate 2017 RON	2016 RON
Deferred income tax assets			
Allowance for doubtful accounts receivable	(71,857)	51,185	(117,790)
Employee benefits	29,251	25,729	(71,981)
Provisions for management bonuses	377,248	228,530	10,739
Provisions for quality complaints	(290)	(1,851)	1,640
Adjustments of inventories	590,428	(128,866)	125,449
Provisions for unused vacations	276	(361)	4,298
Provisions for emission certificates	(127,802)	234,697	-
Provisions for risks and charges	-	-	(134,967)
Total (a)	797,254	409,063	(182,612)
Deferred income tax liabilities			
Difference between carrying amount and fiscal amount of property, plant and equipment and intangible assets	3,441,014	(1,495,697)	(1,348,137)
Total (b)	3,441,014	(1,495,697)	(1,348,137)
Net deferred tax income (a) - (b)	(2,643,760)	1,904,760	1,165,525

The Group has RON 10,780,792 (2017: RON 34,293,271; 2016: RON 17,227,431) of tax losses carried forward. The losses were generated in the period 2014 to 2017 and having an expiry profile of 7 years since the date they have been incurred. These losses relate to subsidiaries that have a history of losses, and cannot support the recognition of these losses as deferred tax assets, due to certain uncertainties.

14. EARNINGS PER SHARE

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

Earnings per share amounts in RON	2018	Consolidated 2017 Restated	2016 Restated
Earnings			
Net profit	79,576,196	26,619,695	2,927,653
Average number of shares	116,170,334	116,170,334	116,170,334
Earnings per average number of shares	0.68	0.23	0.03

During 2018 there were no transactions involving ordinary shares or potential ordinary shares.

Earnings per share amounts in RON	2018	Separate 2017	2016
Earnings			
Net profit	56,569,986	33,055,366	877,190
Average number of shares	116,170,334	116,170,334	116,170,334
Earnings per average number of shares	0.49	0.28	0.01

15. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the financial year ended as at December 31st, were as follows:

Consolidated

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Construction in progress	Total
	RON	RON	RON	RON	RON	RON
Cost						
At 1 January 2016	374,407,053	856,268,721	64,731,050	3,508,570	31,319,295	1,330,234,689
Additions	141,952	-	-	-	90,984,553	91,126,505
Disposals	(1,731,520)	(4,279,934)	(2,304,543)	(58,529)	-	(8,374,526)
Transfers	8,790,118	46,712,351	7,687,901	221,905	(63,412,275)	-
Transfers from inventories	-	-	-	-	2,365,881	2,365,881
At 31 December 2016	381,607,603	898,701,138	70,114,408	3,671,946	61,257,454	1,415,352,549
Additions	1,612	18,537	-	8,840	174,040,254	174,069,243
Disposals	(378,339)	(5,222,117)	(3,169,407)	(123,701)	-	(8,893,564)
Transfers	3,364,927	78,834,010	16,521,669	302,524	(98,917,981)	105,149
Transfers from inventories	-	-	-	-	3,473,711	3,473,711
Translation differences	(6,685)	(16,254)	-	(3,961)	-	(26,900)
At 31 December 2017	384,589,118	972,315,314	83,466,670	3,855,648	139,853,438	1,584,080,188
Additions	-	24,077	-	5,071	90,079,049	90,108,197
Disposals	(1,783,814)	(10,438,414)	(527,342)	(130,864)	-	(12,880,434)
Transfers	57,440,959	132,703,117	4,696,970	1,317,042	(196,148,820)	9,268
Translation differences	2,956	8,055	-	2,165	-	13,176
At 31 December 2018	440,249,219	1,094,612,149	87,636,298	5,049,062	33,783,667	1,661,330,395
Depreciation and impairment						
At 1 January 2016	(87,842,573)	(207,981,559)	(29,095,300)	(1,421,759)	-	(326,341,191)
Depreciation charge for the year	(11,215,614)	(56,071,607)	(3,352,274)	(408,211)	-	(71,047,706)
Disposals	1,027,557	2,457,038	2,261,842	43,829	-	5,790,266
Translation differences	(681)	(1,041)	-	(93)	-	(1,815)
At 31 December 2016	(98,031,311)	(261,597,169)	(30,185,732)	(1,786,234)	-	(391,600,446)
Depreciation charge for the period	(11,157,847)	(56,536,380)	(3,516,756)	(397,118)	-	(71,608,101)
Disposals	127,500	3,386,440	2,651,604	123,633	-	6,289,177
Translation differences	2,042	3,150	-	483	-	5,675
Transfers	-	-	-	-	-	-
At 31 December 2017	(109,059,616)	(314,743,959)	(31,050,884)	(2,059,236)	-	(456,913,695)
Depreciation charge for the period	(12,188,973)	(59,813,153)	(4,162,645)	(417,102)	-	(76,581,873)

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS
as of 31 December 2018

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

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Construction in progress	Total
	RON	RON	RON	RON	RON	RON
Disposals	1,055,347	5,115,938	404,483	129,945	-	6,705,713
Transfers	-	997	-	(12,796)	-	(11,799)
Translation differences	(2,255)	(3,535)	-	(768)	-	(6,558)
At 31 December 2018	(120,195,497)	(369,443,712)	(34,809,046)	(2,359,957)	-	(526,808,212)

Net book value

At 31 December 2018	320,053,722	725,168,437	52,827,252	2,689,105	33,783,667	1,134,522,183
At 31 December 2017	275,529,502	657,571,355	52,415,786	1,796,412	139,853,438	1,127,166,493
At 31 December 2016	283,576,292	637,103,969	39,928,676	1,885,712	61,257,454	1,023,752,103

15. PROPERTY, PLANT AND EQUIPMENT(continued)

Property, plant and equipment increases were made in years 2018, 2017 and 2016 by purchases of independent fixed assets and by putting into operation the contracting or self-made investments.

During years 2018, 2017 and 2016 the Group made current repairs for developing the process flow at the designed parameters, but also capital repairs for equipment and buildings which were recognized in the carrying value of property, plant and equipment in amount of RON 18,260,606 (2017: RON 19,845,738; 2016: RON 18,260,606).

The consolidated disposal of property, plant and equipment in 2018 in amount of RON 12,880,434 (2017: RON 8,893,564; 2016: RON 8,374,526) are represented by:

- undepreciated value of parts replaced during capital repairs made during the year in amount of RON 1,857,647 (2017: RON 1,904,950; 2016: RON 1,991,513) and their depreciated value of RON 2,455,736 (2017: RON 1,356,018; 2016: RON 2,361,229);
- sales of property, plant and equipment of RON 323,208 (2017: RON 3,281,965; 2016: RON 128,419);
- disposals of property, plant and equipment in amount of RON 8,243,843 (2017: RON 2,350,631; 2016: RON 3,893,365);

The corresponding revenues are in amount of RON 5,172,542 (2017: RON 2,513,710; 2016: RON 97,886).

The gross value of fully depreciated items of property, plant and equipment in use as at 31st December 2018 is of RON 73,151,656 (2017: RON 56,007,699; 2016: RON 31,440,814).

TMK-RESITA owns a land worth RON 6,661,149 in Bucharest and is subject of a pre-sale contract. As the execution of this contract depends on obtaining a zonal town planning with indicator limits, the land was not presented in assets held for sale under IFRS 5, as explained in note 3.

Financial leasing and assets in progress

The carrying amount of property, plant and equipment held under finance lease represented by equipment and vehicles at 31 December 2018 was of RON 36,707,839 (2017: RON 37,254,993; 2016: RON 38,339,496).

15. PROPERTY, PLANT AND EQUIPMENT(continued)

Separate

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Construction in progress	Total
	RON	RON	RON	RON	RON	RON
Cost						
At 1 January 2016	115,522,787	453,879,622	13,302,463	1,857,674	11,497,561	596,060,107
Additions	-	-	-	-	76,914,450	76,914,450
Disposals	(105,844)	(3,831,191)	(6,009)	-	-	(3,943,044)
Transfers	6,535,157	38,477,952	78,879	83,789	(45,175,777)	-
Transfers from inventories	-	-	-	-	2,365,881	2,365,881
At 31 December 2016	121,952,100	488,526,383	13,375,333	1,941,463	45,602,115	671,397,394
Additions	-	-	-	-	151,582,889	151,582,889
Disposals	(261,441)	(2,841,009)	(2,446,816)	(9,369)	-	(5,558,635)
Transfers	1,457,475	65,172,407	1,146,849	120,445	(67,897,176)	-
Transfers from inventories	-	-	-	-	3,473,711	3,473,711
At 31 December 2017	123,148,134	550,857,781	12,075,366	2,052,539	132,761,539	820,895,359
Additions	-	-	-	-	66,085,248	66,085,248
Disposals	(83,518)	(8,359,111)	(352,143)	(42,670)	-	(8,837,442)
Transfers	44,380,724	123,410,046	2,598,796	1,066,016	(171,455,582)	-
At 31 December 2018	167,445,340	665,908,716	14,322,019	3,075,885	27,391,205	878,143,165
Depreciation and impairment						
At 1 January 2016	(17,258,222)	(112,961,256)	(5,534,820)	(763,385)	-	(136,517,683)
Depreciation charge for the period	(3,829,406)	(36,616,310)	(1,232,899)	(159,519)	-	(41,838,134)
Disposals	31,334	2,128,625	2,822	-	-	2,162,781
At 31 December 2016	(21,056,294)	(147,448,941)	(6,764,897)	(922,904)	-	(176,193,036)
Depreciation charge for the period	(4,101,021)	(36,225,819)	(1,022,787)	(165,285)	-	(41,514,912)
Disposals	57,503	1,401,583	2,009,637	9,301	-	3,478,024
At 31 December 2017	(25,099,812)	(182,273,177)	(5,778,047)	(1,078,888)	-	(214,229,924)
Depreciation charge for the period	(4,920,098)	(39,860,783)	(1,407,743)	(212,011)	-	(46,400,635)
Disposals	28,571	3,619,892	262,875	41,751	-	3,953,089
At 31 December 2018	(29,991,339)	(218,514,068)	(6,922,915)	(1,249,148)	-	(256,677,470)
Net book value						
At 31 December 2018	137,454,001	447,394,648	7,399,104	1,826,737	27,391,205	621,465,695
At 31 December 2017	98,048,322	368,584,604	6,297,319	973,651	132,761,539	606,665,435
At 31 December 2016	100,895,806	341,077,442	6,610,436	1,018,559	45,602,115	495,204,358

15. PROPERTY, PLANT AND EQUIPMENT(continued)

Property, plant and equipment increases were made in year 2018 by purchases of independent fixed assets and by putting into operation the contracting or self-made investments.

During year 2018 were made current repairs for developing the process flow at the designed parameters, but also capital repairs for equipment and buildings which were recognized in the carrying value of property, plant and equipment in amount of RON 14,541,039 (31 December 2017: RON 14,844,328; 2016: RON 16,866,801).

The disposal of property, plant and equipment in year 2018 in amount of RON 8,837,442 (2017: RON 5,558,635; 2016: RON 3,943,044) are represented by:

- un-depreciated value of parts replaced during capital repairs made in half year 2018 in amount of RON 657,169 (2017: RON 1,651,805; 2016 RON 1,777,972) and their depreciated value of RON 1,080,462 (2017: RON 1,141,499; 2016: RON 2,160,841),
- sales of property, plant and equipment of RON 262,802 (2017: RON 2,188,137; 2016: RON 0) and
- disposals of property, plant and equipment in amount of RON 6,837,009 (2017: RON 577,194; 2016: RON 4,231).

The corresponding revenues are in amount of RON 3,986,152 as at 31 December 2018 (2017: RON 559,256; 2016 RON 19,671).

The gross value of fully depreciated items of property, plant and equipment in use as at 31 December 2018 is of RON 39,406,981 (2017: RON 25,894,194; 2016: RON 12,027,449).

Out of total property, plant and equipment as of 31 December 2018, properties with a net book value of RON 27,990,244 were pledged in favor of BCR (2017: RON 25,751,666; 2016: RON 0).

15. PROPERTY, PLANT AND EQUIPMENT(continued)

The company has started an investment program for increasing the added value of its production, with the commissioning of the "Heat Treatment Complex" project, which was officially opened in the first quarter of 2018, followed by a production and optimization period. The project of this production line and most of the equipment were delivered by the SMS Group. In 2018 the commissioning of equipment and constructions carried out within the project "Heat Treatment Complex" was continued.

In the net carrying amount of „Construction in progress” the Group and the Company included the amount of RON 429,410 which represents borrowing costs capitalized in year 2018 according to IAS 23 Borrowing costs, revised (2017: RON 2,692,055; 2016: RON 1,300,713 for Company and Group). Interest expense capitalized in year 2018 by the Group and the Company was in amount of RON 429,410 (2017: RON 2,361,247; 2016: RON 3,584).

Financial leasing and assets in progress

The carrying amount of property, plant and equipment representing vehicles and lathes held under finance lease as of 31 December 2018 was of RON 5,804,795 (2017: RON 2,368,998; 2016: RON 476,351). Assets held under lease are pledged as guarantees for finance lease.

Impairment of non-current assets

Other than for billets cash generating unit (CGU), there were no impairment indications identified for the companies in the Group. The management has carried out an impairment assessment of triggers for potential impairment and an assessment of the impairment of property, plant and equipment. The carrying value of non-current assets of TMK-Reșița as of 31 December 2018 is of RON 484,469 thousand.

The management has carried out an impairment assessment of TMK-Reșița non-current assets taking into account the recurring losses incurred in previous years and the cyclical nature of the industry, which resulted in no impairment adjustment to be recorded as at 31 December 2018. The assessment was performed by comparing the value in use for the cash generating unit (CGU) TMK-Reșița based on future cashflow extracted from the business plan for the next 7 years estimated by the management of the company. The cash flows in perpetuity beyond this period were extrapolated by using a growth rate of 2.5% per annum, in line with forecast inflation. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

The key assumptions used are:

- | | |
|----------------------------|-------|
| • Discount rate, after-tax | 10.4% |
| • Growth rate | 2.5% |
| • EBITDA margin | 10.7% |

The value in use of the CGU TMK-Reșița exceeded its carrying amount by approximately RON 114.170 thousand. The following table shows the amount up to which the key assumptions used would need to change individually for the estimated recoverable amount to be equal to the carrying amount at 31 December 2018:

- | | |
|---------------------------|--------|
| • Discount rate after-tax | 10.86% |
| • Growth rate | 1.6% |
| • EBITDA margin | 8.5% |

16. INTANGIBLE ASSETS

Intangible assets consist of licenses, software, technical certificates valued at cost at reporting date and depreciation. Accounting and fiscal depreciation method used is the straight-line method.

Movements in intangible assets during the years 2018, ended at 31 December, were as follows:

Consolidated

	Licenses and trademarks	Other intangible assets	Intangible assets in progress	Total
	RON	RON	RON	RON
Cost				
At 1 January 2016	644,367	932,827	1,340,501	2,917,695
Additions	554,781	538,152	764,597	1,857,530
Disposals	(26,294)	(7,331)	-	(33,625)
Transfers	-	2,105,098	(2,105,098)	-
At 31 December 2016	1,172,854	3,568,746	-	4,741,600
Additions	112,793	373,577	239,487	725,857
Disposals	-	(60,369)	-	(60,369)
Transfers	-	239,487	(239,487)	-
Translation differences	-	(1,257)	-	(1,257)
At 31 December 2017	1,285,647	4,120,184	-	5,405,831
Additions	297,686	173,486	95,795	566,967
Disposals	(47,550)	-	-	(47,550)
Transfers	-	99,323	(95,795)	3,528
Translation differences	-	556	-	556
At 31 December 2018	1,535,783	4,393,549	-	5,929,332
Amortisation and impairment				
At 1 January 2016	(387,440)	(123,958)	-	(511,398)
Amortisation	(166,972)	(325,524)	-	(492,496)
Disposals	26,294	7,331	-	33,625
Translation differences	-	(81)	-	(81)
At 31 December 2016	(528,118)	(442,232)	-	(970,350)
Amortisation	(204,895)	(870,423)	-	(1,075,318)
Translation differences	-	235	-	235
At 31 December 2017	(733,013)	(1,312,420)	-	(2,045,433)
Amortisation	(233,330)	(941,462)	-	(1,174,792)
Disposals	47,550	-	-	47,550
Transfers	-	(997)	-	(997)
Translation differences	-	(392)	-	(392)
At 31 December 2018	(918,793)	(2,255,271)	-	(3,174,064)
Net book value				
At 31 December 2018	616,990	2,138,278	-	2,755,268
At 31 December 2017	552,634	2,807,764	-	3,360,398
At 31 December 2016	644,736	3,126,514	-	3,771,250

16. INTANGIBLE ASSETS (continued)

Separate

	Licenses and trademarks RON	Other intangible assets RON	Intangible assets in progress RON	Total RON
Cost				
At 1 January 2016	506,905	50,522	1,340,501	1,897,928
Additions	45,746	-	764,597	810,343
Transfers	-	2,105,098	(2,105,098)	-
At 31 December 2016	552,651	2,155,620	-	2,708,271
Additions	53,841	7,759	239,487	301,087
Transfers	-	239,487	(239,487)	-
At 31 December 2017	606,492	2,402,866	-	3,009,358
Additions	205,905	1,166	95,795	302,866
Transfers	-	95,795	(95,795)	-
At 31 December 2018	812,397	2,499,827	-	3,312,224
Amortisation and impairment				
At 1 January 2016	(331,889)	(46,878)	-	(378,767)
Amortisation	(93,519)	(36,496)	-	(130,015)
At 31 December 2016	(425,408)	(83,374)	-	(508,782)
Amortisation	(87,244)	(447,934)	-	(535,178)
At 31 December 2017	(512,652)	(531,308)	-	(1,043,960)
Amortisation	(79,681)	(494,621)	-	(574,302)
At 31 December 2018	(592,333)	(1,025,929)	-	(1,618,262)
Net book value				
At 31 December 2018	220,064	1,473,898	-	1,693,962
At 31 December 2017	93,840	1,871,558	-	1,965,398
At 31 December 2016	127,243	2,072,246	-	2,199,489

In 2015 the Company signed a contract for the purchase of a new IT software „Microsoft Dynamics AX 2012 Integrated System”. The implementation of the software MS Dynamics AX 2012 followed the phases: design, configuration, Testing and acceptance, deployment, go live and go live support, software development and Integration, Customized user manuals, Migration. As at 31 December 2018, AX software had an carrying amount of RON 2,440,379.

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

17.1. Financial assets

	2018 RON	2017 Restated RON	2016 Restated RON	2015 Restated RON
Other financial receivables				
Deposits for letters of guarantee	1,382,180	963,146	1,040,439	-
Granted guarantees	3,475,430	311,119	203,010	84,697
Total other financial receivables	4,857,610	1,274,265	1,243,449	84,697
Total other financial assets	4,857,610	1,274,265	1,243,449	84,697

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

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Granted guarantees consist mainly of the collateral deposit in amount of USD 800,000 made to AVALON RISK MANAGEMENT INSURANCE AG for guarantee in custom the import custom fees in USA due to the introduction starting with June 2018 (May 2018 for origin Russia) of the custom tariff section 232 for steel goods of 25%.

	2018 RON	Separate 2017 RON	2016 RON
Other financial receivables			
Investments in subsidiaries	290,262,969	4,027	4,027
Deposits for letters of guarantee	1,382,180	963,146	1,040,438
Granted guarantees, from which:	3,437,544	167,513	163,250
- Guarantees granted to related parties (note 26)	46,151	46,109	44,936
Total other financial receivables	295,082,693	1,134,686	1,207,715
Total other financial assets	295,082,693	1,134,686	1,207,715

TMK-Artrom holds the following investments in subsidiaries:

Subsidiaries	Headquarters	Shareholding
TMK Industrial Solutions LLC	10940 W.Sam Houston PKWY N., apartment 325 Houston, TX 77 064	100%
TMK-RESITA SA	36 Traian Lalescu Street, Resita, Caras-Severin, Romania	99.99237%

The financial investment of TMK-Artrom in the subsidiary TMK Industrial Solutions LLC is of 1,000 USD (exchange rate 4.0271 RON/USD). The Company presents the investment in TMK Industrial Solutions LLC at acquisition cost.

In 21 December 2018 TMK-Artrom purchased a number of 131,010,874 shares of TMK-Resita's share capital, representing 99.99237%, held by TMK Europe GmbH.

The price to be paid by TMK-Artrom for the number of 131,010,874 shares is EUR 62,290,000, representing RON 290,258,942 (exchange rate 4.6598 RON/EUR), that is EUR 0.475/share.

The price shall be paid by TMK-Artrom from its own financial resources as follows (see note 17.5):

1. EUR 100,000 (RON 466,390) 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-Reșița's Shareholders (Shares) Registry by TMK Europe GmbH and TMK-Artrom;
2. The remaining price of EUR 62,190,000 (RON 290,047,941) shall be paid during a five (5) year period, starting with 2019, in equal installments of EUR 12,438,000 (RON 58,009,588) each, no later than 31 December for every year. TMK-Artrom may pay such installments in full or partially in advance, as well as to extend the payment term for such installments (implicitly reducing the value of the installments) for another period of maximum five (5) years, depending on the available financial resources.

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Assets acquired and liabilities assumed

The carrying value of assets and liabilities of TMK-Reșița as at 1 January 2016, that have adjusted the opening balance of the earliest period presented under pooling of interest accounting, are summarized below:

	Carrying value of TMK-Reșița in TMK Europe – 1 January 2016
Property, plant and equipment	544,351,074
Other non-current assets	1,880,872
Cash and cash equivalents	104,718
Trade receivables	12,214,709
Inventories	53,164,435
TOTAL ASSETS	611,715,808
Trade payables	174,244,533
Provision for risk and charges	5,319,849
Loans and lease	49,225,276
Deferred tax liability	30,057,206
TOTAL LIABILITIES	258,846,864
Net assets transferred	352,868,944

17.2. Other financial liabilities

Interest-bearing long-term loans and borrowings

	2018 RON	Consolidated 2017 RON	2016 RON	2015 RON
Long-term interest-bearing bank loans	154,095,426	99,305,999	19,256,218	77,490,251
Long-term interest-bearing borrowing-related parties (note 26)	69,404,123	70,193,087	77,620,946	74,814,305
Un-amortized cost of debt origination fees	-	(54,314)	-	(112,327)
Balance of long-term loans	223,499,549	169,444,772	96,877,164	152,192,229

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

	2018 RON	Separate 2017 RON	2016 RON
Long-term interest-bearing bank loans	154,095,426	99,305,999	19,256,218
Long-term interest-bearing borrowing-related parties (note 26)	69,404,123	70,193,087	77,620,946
Un-amortized cost of debt origination fees	-	(54,314)	-
Balance of long-term loans	223,499,549	169,444,772	96,877,164

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Future repayments	Consolidated			
	2018 RON	2017 RON	2016 RON	2015 RON
Long- and short-term loans and borrowings, net of future interests	407,577,995	379,123,100	292,589,290	272,712,812
Interest payable at reporting date	1,166,818	1,039,291	677,257	832,954
Un-amortized cost of debt origination fees	(225,820)	(233,892)	(150,313)	(479,933)
Total long- and short-term loans and related interest and un-amortized cost	408,518,993	379,928,499	293,116,234	273,065,833
Future interests	20,547,869	16,758,044	7,842,331	8,546,968
Total future repayments for loans and related interest	429,066,862	396,686,543	300,958,565	281,612,801

Future repayments	Separate		
	2018 RON	2017 RON	2016 RON
Long- and short-term loans and borrowings, net of future interests	407,577,995	379,123,100	292,589,290
Interest payable at reporting date	1,166,818	1,039,291	677,257
Un-amortized cost of debt origination fees	(225,820)	(233,892)	(150,313)
Total long- and short-term loans and related interest and un-amortized cost	408,518,993	379,928,499	293,116,234
Future interests	20,547,869	16,758,044	7,842,331
Total future repayments for loans and related interest	429,066,862	396,686,543	300,958,565

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Interest-bearing long-term loans and borrowings

Bank	Type of loan	Currency	2018	Due date (mm/dd/yyyy)	Interest rate	Amount repayable	Amount repayable
			Contracted amount			equivalent RON	EUR/USD
BCR ERSTE	Investment loan - 7 years	EUR	25,000,000	11/07/2023	EURIBOR 3M+margin	94,388,452	20,238,095
BCR ERSTE	overdraft	EUR	20,000,000	11/03/2020	EURIBOR 3M+margin	59,706,974	12,801,941
Total long-term bank loans						154,095,426	
TMK EUROPE GmbH	Long-term borrowing	USD	22,837,540	09/25/2022	Libor+0.5%	69,404,123	17,067,540
Un-amortized long-term cost						-	
Total						223,499,549	

Bank	Type of loan	Currency	2017	Due date (mm/dd/yyyy)	Interest rate	Amount repayable	Amount repayable
			Contracted amount			equivalent RON	EUR/USD
BCR ERSTE	Investment loan - 7 years	EUR	25,000,000	11/07/2023	EURIBOR 3M+margin	99,305,999	21,311,672
Total long-term bank loans						99,305,999	
TMK EUROPE GmbH	Long-term borrowing	USD	22,837,540	09/25/2022	Libor+0.5%	70,193,087	18,037,540
Un-amortized long-term cost						(54,314)	
Total						169,444,772	

Bank	Type of loan	Currency	2016	Due date (mm/dd/yyyy)	Interest rate	Amount repayable	Amount repayable
			Contracted amount			equivalent RON	EUR/USD
BCR ERSTE	Investment loan - 7 years	EUR	25,000,000	11/07/2023	EURIBOR 3M+margin	19,256,218	4,240,430
Total long-term bank loans						19,256,218	
TMK EUROPE GmbH	Long-term borrowing	USD	22,837,540	09/25/2022	Libor+0.5%	77,620,946	18,037,540
Un-amortized long-term cost						-	
Total						96,877,164	

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Finance lease

	2018	2017	2016	2015
	RON	Restated RON	Restated RON	Restated RON
Lease payments less than 3 months, gross	3,240,550	2,985,763	2,263,261	2,373,582
Lease payments between 3 and 12 months, gross	6,386,880	5,584,534	5,643,727	5,521,922
Lease payments between 1 and 5 years, gross	39,725,980	43,740,794	46,599,264	53,218,588
Total minimum lease payments, gross	49,353,410	52,311,091	54,506,252	61,114,092
Less: future finance charges	6,042,452	7,679,818	9,287,976	11,493,830
Present value of minimum lease payments	43,310,958	44,631,273	45,218,276	49,620,262
Distributed as follows:				
Maturing within 1 year	7,842,370	6,645,164	5,884,817	5,655,616
Maturing between 1 and 2 years	7,019,904	5,749,207	4,741,808	4,771,627
Maturing between 2 and 3 years	7,190,063	6,003,316	4,935,437	4,727,820
Maturing between 3 and 4 years	7,105,266	6,226,144	5,178,989	4,917,394
Maturing between 4 and 5 years	6,598,674	6,319,120	5,434,560	5,160,056
Maturing over 5 years	7,554,681	13,688,322	19,042,665	24,387,749
Total	43,310,958	44,631,273	45,218,276	49,620,262

On 31 December 2018, the Group had ongoing 11 financial lease contracts for the purchase of 2 vehicles and 9 machinery and equipment (2017: 9 financial lease contracts for the purchase of 4 vehicles and 5 machinery and equipment; 2016: 9 financial lease contracts for the purchase of 7 vehicles and 2 machinery and equipment).

	2018	Separate	2016
	RON	2017 RON	RON
Lease payments less than 3 months, gross	319,483	105,511	52,213
Lease payments between 3 and 12 months, gross	959,919	290,228	120,301
Lease payments between 1 and 5 years, gross	3,460,360	1,059,433	31,525
Total minimum lease payments, gross	4,739,762	1,455,172	204,039
Less: future finance charges	279,770	81,781	3,964
Present value of minimum lease payments	4,459,992	1,373,391	200,075
Distributed as follows:			
Maturing within 1 year	1,156,677	360,797	168,978
Maturing between 1 and 2 years	1,180,971	335,006	31,097
Maturing between 2 and 3 years	1,073,007	328,571	-
Maturing between 3 and 4 years	682,771	278,200	-
Maturing between 4 and 5 years	366,566	70,817	-
Total	4,459,992	1,373,391	200,075

On 31 December 2018, TMK-Artrom had on-going 7 financial lease contracts for the purchase of 6 equipments and one vehicle (2017: 5 financial lease contracts for the purchase of 2 equipments and 3 vehicles; 2016: 6 financial lease contracts for the purchase 6 vehicles).

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Interest-bearing short-term loans and borrowings

	2018	Consolidated		2015
	RON	2017	2016	RON
		RON	RON	
Long-term interest-bearing bank loans, current portion	22,209,048	37,554,818	76,875,748	67,019,156
Short-term bank loans	157,795,799	156,692,186	91,589,778	53,389,100
Short-term interest-bearing borrowing - related parties (note 26)	4,073,600	15,377,010	27,246,600	-
Interest related to long-term bank loans	679,967	579,157	383,162	690,329
Interest related to short-term bank loans	296,862	289,017	126,978	81,715
Interest related to long-term borrowings - related parties (note 26)	189,988	124,772	84,999	60,910
Interest related to short-term borrowings - related parties (note 26)	-	46,345	82,118	-
Un-amortized short-term cost	(225,820)	(179,578)	(150,313)	(367,606)
Total	185,019,444	210,483,727	196,239,070	120,873,604

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

	2018	Separate	2016
	RON	2017	RON
		RON	
Long-term interest-bearing bank loans, current portion	22,209,048	37,554,818	76,875,748
Short-term bank loans	157,795,798	156,692,186	91,589,778
Short-term interest-bearing borrowing - related parties (note 26)	4,073,600	15,377,010	27,246,600
Interest related to long-term bank loans	679,968	579,157	383,162
Interest related to short-term bank loans	296,862	289,017	126,978
Interest related to long-term borrowings - related parties (note 26)	189,988	124,772	84,999
Interest related to short-term borrowings - related parties (note 26)	-	46,345	82,118
Un-amortized short-term cost	(225,820)	(179,578)	(150,313)
Total	185,019,444	210,483,727	196,239,070

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Bank	Type of loan	Currency	2018 Contracted amount	Due date (mm/dd/yyyy)	Interest rate	Amount repayable RON equivalent	Amount repayable EUR
UNICREDIT BANK	Credit for funding general needs	EUR	15,000,000	02/17/2019	EURIBOR 1M+margin	65,294,595	13,999,999
BANCA TRANSILVANIA	Uncommitted overdraft	EUR	20,000,000	07/11/2019	EURIBOR 3M+margin	92,501,203	19,833,445
Total short-term bank loans						157,795,798	
BCR ERSTE	Investment loan - 7 years current portion	EUR	25,000,000	11/07/2023	3.40%	22,209,048	4,761,905
Total short part of long-term bank loans						22,209,048	
TMK EUROPE GmbH	Long-term borrowing - current portion	USD	22,837,540	07/25/2023	Libor+0.5%	4,073,600	1,000,000
Total long-term borrowings from related parties - current portion						4,073,600	
Total						184,078,446	

Bank	Type of loan	Currency	2017 Contracted amount	Due date (mm/dd/yyyy)	Interest rate	Amount repayable RON equivalent	Amount repayable EUR
UNICREDIT BANK	Credit for funding general needs	EUR	16,000,000	02/17/2019	EURIBOR 1M+margin	65,235,795	13,999,999
BANCPOST	Uncommitted overdraft	EUR	20,000,000	07/11/2019	EURIBOR 3M+margin	91,456,392	19,627,099
Total short-term bank loans						156,692,187	
BCR ERSTE	Overdraft - current portion	EUR	20,000,000	10/03/2018	EURIBOR 3M+margin	37,554,817	8,059,493
Total short part of long-term bank loans						37,554,817	
TMK EUROPE GmbH	Short-term borrowing	EUR	5,000,000	06/30/2018	3.50%	15,377,010	3,300,000
Total short-term borrowings from related parties						15,377,010	
Total						209,624,014	

Bank	Type of loan	Currency	2016 Contracted amount	Due date (mm/dd/yyyy)	Interest rate	Amount repayable RON equivalent	Amount repayable EUR
UNICREDIT BANK	Credit for funding general needs	EUR	26,000,000	01/17/2017	EURIBOR 1M+margin	49,043,880	10,800,000
BANCPOST	Uncommitted overdraft	EUR	10,000,000	07/11/2019	EURIBOR 3M+margin	42,545,898	9,369,073
Total short-term bank loans						91,589,778	
BCR ERSTE	Overdraft 3 years - current portion	EUR	20,000,000	10/03/2017	EURIBOR 3M+margin	76,875,748	16,928,883
Total short part of long-term bank loans						76,875,748	
TMK EUROPE GmbH	Short-term borrowing	EUR	5,000,000	03/31/2017	3.50%	22,705,500	5,000,000
TMK EUROPE GmbH	Short-term borrowing	EUR	5,000,000	05/29/2017	3.50%	4,541,100	1,000,000
Total short-term borrowings from related parties						27,246,600	
Total						195,712,126	

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Bank loans received by TMK-Artrom are guaranteed as follows:

- Loans granted by BCR, as follows:
Multiproduct relief in amount of EUR 20 million guaranteed with:
 - Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Artrom;
 - Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Reșița;
 - Company warranty issued by PAO TMK, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract.
- Investment loan in amount of EUR 25 million guaranteed with:
 - Pledge without dispossession TMK-Artrom;
 - Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Reșița;
 - Company warranty issued by PAO TMK, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract;
 - Real estate mortgage on land, having courtyard as category of use, with an area of 69.339 square meters plus C1 – industrial and utility building, having the area built on the ground of 66.346 square meters, located in Slatina, Draganesti street, no. 30, Olt County, tabulated in the Land Book of Slatina.
- Loan granted by Unicredit Bank in initial amount of EUR 27 million which according to the addendum from 23 June 2015 decreased to EUR 26 million, and according to the addendum from 16 March 2017 decreased to EUR 16 million and from which at 31 December 2018 the amount used was of EUR 13,999,999 (from the EUR 15 million available for use) guaranteed with:
 - Pledge without dispossession on credit balance of current bank accounts opened at Unicredit Bank by TMK-Artrom;
 - Company warranty issued by Pipe Plant Volzsky Russia, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract.
- Loan granted by BANCA TRANSILVANIA in amount of EUR 20 million, guaranteed with:
 - Pledge without dispossession on credit balance of current bank accounts opened at BANCA TRANSILVANIA by TMK-Artrom;
 - Company warranty issued by PAO TMK, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract;
 - TMK-RESITA personal guarantee.

Considering BANCPOST acquisition by BANCA TRANSILVANIA, the loan granted by BANCPOST in 2016 was refinanced and closed on 01 November 2018 through the loan granted by BANCA TRANSILVANIA in same conditions.

As at 31 December 2018, the company had to pay EUR 338.59 for general expenses used with the card at UNICREDIT BANK. The amount is part of the maximum amount of EUR 100,000 for general business expenses accessed only with the UNICREDIT credit card.

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

As at 31 December 2018, the Company had issued bank letter guarantees in BANCA COMERCIALĂ ROMÂNĂ in favour of customer NIS JSC Novi SAD for the performance of the contractual obligations in amount of EUR 520,782.47.

On 31 December 2018 in the BCR multifacility in amount of EUR 20 millions granted by BCR were issued 2 letter of credit one in NIDEC ASI favour in amount of EUR 234,660 valid till 15 June 2019 and one in S.F.H. favour in amount of EUR 160,000 valid till 28 February 2019 and also, a bank guarantee for payment into INOTAL (TMK-RESITA provider) favour in amount of EUR 100,000 valid till 30 May 2019.

The undrawn credit facilities are as follows:

Lender	Type of facility	Currency	Amount of agreement	Amount available	Expiry date
BCR	Overdraft	EUR	20,000,000	6,638,643	10/03/2020
UNICREDIT	General needs loan	EUR	15,000,000	999,662	02/17/2019
BANCA TRANSILVANIA	Overdraft	EUR	20,000,000	166,555	07/11/2019
BCR	Investment loan	EUR	25,000,000	-	07/11/2023

The Company signed with BCR a limit of discounts for promissory notes in amount of RON 10,000,000 with ROBOR 3M +3% interest which can be changed in loan if customers do not settle the promissory notes which have reached the maturity. The limit was decreased at RON 4,000,000 in 24 July 2015 and in August 2016 through addendum a new decrease was made down to RON 2,000,000.

At 31 December 2018, there were no promissory notes discounted and warranted for this limit. This facility is guaranteed with:

- Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Artrom
- Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Reșița

At 24 July 2014 TMK-Artrom and TMK-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 and security mortgage on the creditor balance of the current accounts opened by TMK-Reșița at Banca Comerciala Romana. In July 2015 the of the contract was increased to RON 51,000,000 and in September 2016 the value was increased to RON 65,000,000. At 21 November 2018 a new amendment which increase the ceiling value up to RON 70,000,000 was signed with the bank. At 31 December 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. At Group level from the limit was used RON 52,378,218.

As at 31 December 2018, all financial ratios agreed through the loan contracts signed with banks were complied.

The Company has to maintain certain conditions, related to its capital, which are imposed by contracts concluded with BCR and BANCPOST: combined net debt reported to combined EBITDA, combined EBITDA, combined EBITDA reported to Net service of combined debt, based on the combined financial statements, shareholder's equity in total combined assets.

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Unicredit Bank analyses the financial indicators such as: net debt outside the Group reported to EBITDA.

On 20 December 2018, prior to the acquisition of the majority shareholding in TMK-Reșița from TMK Europe (the "Acquisition"), TMK-Artrom sent to all its Lenders official notification letters requesting, as the case may be, for acknowledgement, approvals and/or waivers according to the terms and conditions of the relevant facility agreements, as follows:

- A notification letter to BANCA TRANSILVANIA to which the bank responded by email on 17 January 2019, in which bank confirms the receipt of the notification and acknowledges the information with respect to the transaction as per the terms and conditions of the loan agreement (no prior approval/waiver from the bank is required under the terms and conditions of the loan agreement);

- A waiver request to UNICREDIT to which the bank responded on 04 February 2019 by confirming that a waiver is not required under the terms of the facility agreement for the Acquisition and consenting to the Acquisition given that control over TMK-Reșița remains within the group (for the purposes of the facility agreement the bank construed as part of the group not only TMK Europe but also TMK PAO);

- A waiver request to Banca Comerciala Romana to which the bank responded on 11 January 2019 by waiving its rights under the facility agreement with respect to all matters related to the Acquisition.

Other long-term liabilities

	2018 RON	Separate 2017 RON	2016 RON
Long-term sundry creditors	38,194	21,954	4,733
Investment subsidy	66,925	33,515	3,017
Long-term guarantees	51,210	673,611	560,664
Balance of other long-term liabilities	156,329	729,080	568,414

	2018 RON	Consolidated 2017 RON	2016 RON	2015 RON
Long-term sundry creditors	151,024	21,954	4,734	29,460
Long-term advances from customers	1,813,674	-	-	-
Investment subsidy	66,925	33,515	3,017	-
Long-term guarantees	192,675	742,165	669,978	151,412
Other liabilities	-	-	-	24,475
Balance of other long-term liabilities	2,224,298	797,634	677,729	205,347

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

17.3. Changes in liabilities from financing activities

Changes in liabilities arising from financing activities were as follows in financial year ended 31 December 2018:

	Consolidated Interest-bearing loans and borrowings RON	Finance lease liabilities RON
Balance at 1 January 2017	293,116,234	45,218,276
Foreign exchange (gain)/loss	822,413	13,287
Acquisition of assets by means of finance lease	-	3,647,000
Net cash flows (used in)/from financing activities	85,989,852	(4,272,365)
- Loans received	154,195,539	-
- Repayment of loans	(59,409,349)	-
- Finance costs paid	(8,796,338)	-
Other	-	25,075
Balance at 31 December 2017	379,928,499	44,631,273
Foreign exchange (gain)/loss	3,677,763	16,640
Acquisition of assets by means of finance lease	-	4,679,262
Net cash flows (used in)/from financing activities	24,912,731	(6,039,663)
- Loans received	49,674,334	-
- Repayment of loans	(13,441,110)	-
- Finance costs paid	(11,320,493)	-
Other	-	23,446
Balance at 31 December 2018	408,518,993	43,310,958

	Separate Interest-bearing loans and borrowings RON	Finance lease liabilities RON
Balance at 1 January 2017	293,116,234	200,075
Foreign exchange (gain)/loss	822,413	28,613
Acquisition of assets by means of finance lease	-	1,516,230
Net cash flows (used in)/from financing activities	85,989,852	(371,527)
- Loans received	154,195,539	-
- Repayment of loans	(59,409,349)	-
- Finance costs paid	(8,796,338)	-
Other	-	-
Balance at 31 December 2017	379,928,499	1,373,391
Foreign exchange (gain)/loss	3,677,763	16,640
Acquisition of assets by means of finance lease	-	3,729,656
Net cash flows (used in)/from financing activities	24,912,731	(659,695)
- Loans received	49,674,334	-
- Repayment of loans	(13,441,110)	-
- Finance costs paid	(11,320,493)	-
Other	-	-
Balance at 31 December 2018	408,518,993	4,459,992

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

17.4. Fair value of financial instruments which are not accounted for at fair value

For the financial assets and financial liabilities which are liquid or have a short-term maturity (cash and cash equivalents, short-term receivables) it was assumed that the carrying value is close to fair value. For borrowings fair value was estimated based on unobservable inputs, using discounted cash-flows technique and is presented in the table below.

The Company also has financial instruments, respectively long-term loans and borrowings the carrying amount of which is different from the fair value.

The fair value of borrowings was estimated by discounting future cash flows using the current rates available for borrowings in similar conditions, the same credit risk and the same due dates.

Financial liability	Hierarchy of fair value	31 December 2018	
		Carrying value RON	Fair value RON
Long-term bank loans - variable rate	3	59,706,974	59,685,559
Long-term bank loans - fixed rate	3	116,597,500	116,008,993
Long-term intercompany borrowings - variable rate	3	73,477,723	68,029,113

Financial liability	Hierarchy of fair value	31 December 2017	
		Carrying value RON	Fair value RON
Long-term bank loans - variable rate	3	99,305,998	98,942,292
Long-term intercompany borrowings - variable rate	3	70,193,087	63,448,710

Financial liability	Hierarchy of fair value	31 December 2016	
		Carrying value RON	Fair value RON
Long-term bank loans - variable rate	3	19,256,218	18,975,074
Long-term intercompany borrowings - variable rate	3	77,620,946	67,180,577

17.5. Liabilities for investments in subsidiaries

	Separate		
	2018 RON	2017 RON	2016 RON
Amounts owed to entities in the group - short-term	57,474,348	-	-
Amounts owed to entities in the group - long-term	218,356,982	-	-
Total liabilities for investments in subsidiaries	275,831,330	-	-

In 21 December 2018 TMK-Artrom purchased a number of 131,010,874 shares of TMK-Resita's share capital, representing 99.99237%, held by TMK Europe GmbH.

The price to be paid by TMK-Artrom for the number of 131,010,874 shares is Euro 62,290,000 (exchange rate 4.6598 RON/EUR), that is Euro 0.475/share.

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

1. EUR 100,000 (RON 466,390) 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-Reșița's Shareholders (Shares) Registry by TMK Europe GmbH and TMK-Artrom;

2. The remaining price of EUR 62,190,000 (RON 290,047,941) shall be paid during a five (5) year period, starting with 2019, in equal installments of EUR 12,438,000 (RON 58,009,588) each, no later than 31 December for every year. TMK-Artrom may pay such installments in full or partially in advance, as well as to extend the payment term for such installments (implicitly reducing the value of the installments) for another period of maximum five (5) years, depending on the available financial resources.

As a principle, because this contract provides payment in instalments, without interest, in accordance with IFRS 9, the debt to TMK Europe it is presented at fair value.

The initial amount was discounted at the interest rate for a similar loan - the last received from BCR - using the interest rate of 1.9% obtaining the amount of EUR 3,148,224 (RON 14,683,001). Being an amount due from the relationship with shareholders, the difference between the fair value and the nominal value is transferred as equity item.

18. OTHER NON-CURRENT ASSETS

	Consolidated			
	2018 RON	2017 Restated RON	2016 Restated RON	2015 Restated RON
Prepayments for property, plant, and equipment	1,400,986	496,325	10,064,523	9,227,177
Prepaid expenses	456,272	556,112	-	-
- Prepaid expenses - related parties	295,501	471,997	-	-
Other non-current assets	31,637	30,223	942,461	909,040
Total	1,888,895	1,082,660	11,006,984	10,136,217

	2018 RON	Separate 2017 RON	2016 RON
Prepayments for property, plant, and equipment	1,087,580	11,519	10,059,567
Gas emission certificates with greenhouse effect	2,232,688	3,658,055	4,085,482
Prepaid expenses	318,831	556,112	-
- Prepaid expenses - related parties	295,502	471,997	-
Total	3,639,099	4,225,686	14,145,049

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

19. INVENTORIES

Inventories consist of the following:

	2018	2017	2016	2015
	RON	Restated RON	Restated RON	Restated RON
Raw materials	49,802,332	44,510,369	39,737,817	16,082,254
Finished goods in transit	40,620,391	36,036,770	14,277,337	2,224,429
Work in progress	26,139,295	33,293,909	56,625,823	43,565,396
Finished goods	32,022,485	45,780,774	23,073,500	46,066,398
Consumables	82,664,404	56,106,218	44,302,241	48,061,531
Semi-finished goods	78,910,397	74,199,333	45,908,853	33,949,825
Merchandise at third parties (in transit)	2,930,311	24,659,263	-	-
Consigned finished goods	1,459,332	1,090,062	934,567	-
Other materials	8,690,647	9,249,305	8,346,159	7,073,488
Raw materials and consumables at third parties	845,658	1,508,004	111,129	75,107
Materials in transit	1,177,720	55	-	628,234
Merchandise and packaging	446,869	463,929	453,266	482,986
Raw materials to be purchased	159,814	149,374	2,980,883	16,644
Total	325,869,655	327,047,365	236,751,575	198,226,292

	2018	2017	2016
	RON	Restated RON	Restated RON
Raw materials	61,500,287	59,442,496	36,218,736
Finished goods in transit	40,620,392	36,036,770	14,277,337
Work in progress	25,158,689	32,848,066	56,144,998
Finished goods	36,310,870	48,750,178	25,496,727
Consumables	24,104,586	19,287,220	16,346,634
Semi-finished goods	15,759,626	13,269,639	4,515,703
Merchandise at third parties (in transit)	2,930,311	24,659,263	-
Consigned finished goods	1,459,332	1,090,062	934,567
Other materials	5,734,967	6,799,597	6,137,991
Raw materials and consumables at third parties	495,805	1,251,264	1,588,322
Merchandise and packaging	16,869	33,929	23,266
Raw materials to be purchased	-	-	2,943,453
Total	214,091,734	243,468,484	164,627,734

The finished goods, semi-finished goods and work in progress are valued considering the net realizable value. The management of the Company has analysed the ageing of the inventories and considered the implications in establishing the net realizable value of the old inventories. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. For raw materials specific analysis are made considering obsolescence of items in balance.

In 2018, were set up allowances for inventories considering net realizable value – the movement of the adjustments is presented below:

	2018	2017	2016
	RON	Restated RON	Restated RON
Balance 1 January	13,971,105	15,177,252	15,252,503
Additional allowances set	14,271,058	12,033,284	17,097,626
Resumption / Allowances used	(10,467,803)	(13,239,431)	(17,172,877)
Balance at the end of reporting period	17,774,360	13,971,105	15,177,252

19. INVENTORIES (continued)

	2018 RON	Separate 2017 RON	2016 RON
Balance 1 January	5,384,770	6,190,181	5,406,122
Additional allowances set	13,754,852	5,835,665	10,122,636
Resumption / Allowances used	(10,064,676)	(6,641,076)	(9,338,577)
Balance at the end of reporting period	9,074,946	5,384,770	6,190,181

20. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables consist of the following:

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON	2015 Restated RON
Trade receivables, from which:	284,089,921	240,812,506	196,723,813	205,918,928
- Receivables from other related parties (note 26)	710,206	1,591,912	658,453	15,769,970
Other receivables - VAT	12,642,850	9,148,159	6,237,007	13,662,816
Sundry debtors, from which:	3,851,479	5,929,016	4,580,307	5,638,247
- Sundry debtors - related parties (note 26)	321,599	555,675	461,924	2,036
Other receivables - penalty and fines	(26)	22	38	46
Employee claims	492,257	426,462	449,626	492,599
Recoverable income tax	-	4,207,521	1,239,068	928,820
Promissory notes	-	-	-	123,769
Other social receivables	1,470,975	-	-	-
Less:				
Allowance for doubtful accounts receivable	(2,731,206)	(3,125,594)	(2,463,975)	(2,897,330)
Allowance for sundry debtors	(2,593,834)	(2,023,558)	(2,037,769)	(2,524,165)
Total	297,222,416	255,374,534	204,728,115	221,343,730

Group's trade receivables are non-interest bearing and generally have an average collection period of 69 days (2017: 67 days).

	2018 RON	Separate 2017 RON	2016 RON
Trade receivables, from which:	285,098,098	218,739,476	202,385,458
- Receivables from other related parties (note 26)	8,542,585	14,048,523	9,670,563
Other receivables - VAT	18,456,168	15,220,171	10,419,588
Sundry debtors, from which:	1,085,226	3,145,748	1,924,033
- Sundry debtors - related parties (note 26)	360,125	947,901	573,606
Employee claims	375,722	422,285	445,199
Settlements between affiliates	-	-	321,551
Recoverable income tax	-	3,211,307	249,401
Other social receivables	1,470,975	-	-
Less:			
Allowance for doubtful accounts receivable	(1,566,701)	(2,242,756)	(2,011,085)
Total	304,919,488	238,496,231	213,734,145

Trade receivables are non-interest bearing and generally have an average collection period of 66 days (2017: 72 days).

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

Starting with May 2015 TMK-Artrom and TMK-Reșița form a single fiscal group only for the purpose of VAT operations. TMK-Artrom is the representative of the fiscal group. The monthly payment obligation of TMK-Reșița is offset by the VAT refunded by TMK-Artrom through the consolidation of the tax group.

The following summarises the changes in the allowance for doubtful sundry debtors:

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
At 1 January	2,023,559	2,037,769	2,524,165
Impairment adjustments expenses	556,064	-	18,246
Used	14,211	(14,211)	(504,642)
At 31 December	2,593,834	2,023,558	2,037,769

	2018 RON	Separate 2017 RON	2016 RON
At 1 January	-	-	-
Impairment adjustments expenses	-	-	504,642
Used	-	-	(504,642)
At 31 December	-	-	-

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

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
At 1 January	3,125,595	2,463,977	2,897,330
Impairment adjustments expenses	583,750	919,021	655,637
Used	(978,139)	(257,404)	(1,088,992)
At 31 December	2,731,206	3,125,594	2,463,975

	2018 RON	Separate 2017 RON	2016 RON
At 1 January	2,242,756	2,011,085	2,639,509
Impairment adjustments expenses	301,788	437,409	460,568
Used	(977,843)	(205,738)	(1,088,992)
At 31 December	1,566,701	2,242,756	2,011,085

Ageing analysis of trade receivables

Consolidated	Trade receivables Days past due					Total
	Current	<30 days	30-60 days	61-90 days	>91 days	
	RON	RON	RON	RON	RON	RON
31 December 2018						
ECL rate	0.00%	0.00%	0.72%	0.00%	61.27%	
Estimated total gross carrying amount at default	208,469,992	58,735,634	11,954,495	613,122	4,316,678	284,089,921
Expected credit loss	-	-	86,399,00	-	2,644,807	2,731,206

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

Separate	Trade receivables					Total
	Current	<30 days	30-60 days	61-90 days	>91 days	
	RON	RON	RON	RON	RON	RON
31 December 2018						
ECL rate	0.00%	0.00%	0.00%	0.00%	49.47%	
Estimated total gross carrying amount at default	213,872,841	56,995,388	10,988,591	74,543	3,166,735	285,098,098
Expected credit loss	-	-	-	-	1,566,701	1,566,701

The Group and the Company highlighted in trade receivables these amounts:

Consolidated

Receivables	Currency	2018		2017 Restated	
		RON	Foreign currency	RON	Foreign currency
Internal customers	LEI	70,459,945		71,742,326	
	EUR	20,293,033	4,351,087	8,920,618	1,914,419
External customers	EUR	147,733,522	31,653,157	119,849,650	25,720,465
	USD	41,092,310	10,087,368	34,602,281	8,610,968
	CAD	204,152	68,221	10,751	3,462
Doubtful customers	LEI	1,943,089		2,075,336	
	EUR	1,000,697		2,277,953	117,466
Notes issued by customers	LEI	1,363,173		1,333,591	
Total		284,089,921		240,812,506	

Receivables	Currency	2016 Restated		2015 Restated	
		RON	Foreign currency	RON	Foreign currency
Internal customers	LEI	33,826,016		38,258,115	
	EUR	44,102,229	9,711,794	47,062,052	10,401,603
External customers	EUR	107,405,786	23,651,901	98,568,611	21,785,526
	USD	6,853,040	1,640,602	15,838,840	3,818,704
Doubtful customers	LEI	1,851,589		2,710,536	-
	EUR	1,533,263	337,635	1,681,560	371,657
Notes issued by customers	LEI	1,151,890		1,799,214	
Total		196,723,813		205,918,928	

As of 31 December 2018 the Group registered doubtful customers receivables in amount of RON 2,943,786 (2017: RON 4,353,289; 2016: RON 3,384,852). For the amounts booked in this category were recorded allowances in amount of RON 2,731,206 (2017: RON 3,125,594; 2016: RON 2,463,975), considering the risk of non-collection.

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

Separate

Currency		2018		2017		2016	
		RON	Foreign currency	RON	Foreign currency	RON	Foreign currency
Internal customers	LEI	77,162,030		51,511,833		39,830,527	
	EUR	20,293,033	4,351,087	8,920,618	1,914,419	44,102,229	9,711,794
External customers	EUR	147,627,158	31,653,157	119,743,382	25,697,659	107,381,970	23,646,687
	USD	36,582,871	8,980,477	33,944,610	8,722,757	7,701,558	1,789,686
	CAD	204,152	68,221	10,751	3,462	-	-
Doubtful customers	LEI	1,412,831		1,544,093		1,217,474	
	EUR	452,849	97,097	1,730,598		999,810	220,169
Notes issued by customers	LEI	1,363,173		1,333,591		1,151,890	
Total		285,098,097		218,739,476		202,385,458	

As of 31 December 2018, the Company registered doubtful customer receivables in amount of RON 1,865,680 (2017: RON 3,274,692). For the amounts recorded in this category RON 1,566,701 allowances were booked, because they are considered to have high risk on collection.

From the amount of RON 213,872,841 separate trade receivables at 31 December 2018 neither past due nor impaired, the amount of RON 126,586,609 is considered without risk, and includes the following categories:

- RON 98,433,774, respectively 46.02% representing receivables insured by COFACE Germany;
- RON 20,477,392, respectively 9.57% receivables covered by export letters;
- RON 7,675,443, respectively 3.59% intercompany receivables.

The difference of RON 87,286,232, respectively 40.79% are considered to have a low risk in aggregate because those customers are in general located in different countries and industries independent markets.

21. PREPAYMENTS

Prepayments consist of the following:

	2018	Consolidated		2015
	RON	2017 Restated RON	2016 Restated RON	Restated RON
Prepayments for services, inventories	796,970	72,477	117,073	36,384
Prepaid expenses	1,950,767	1,754,063	1,943,458	1,563,750
- Prepaid expenses - related parties	24,660	16,041	286,108	5,967
Selling and distribution expenses registered in advance until the date of transfer of customer control over the goods	2,121,141	-	-	-
Income tax, VAT, interest and penalties appealed, computed according to the Fiscal Inspection Report F-MC15/08.02.2016	1,941,576	1,941,576	1,941,576	-
Total	6,810,454	3,768,116	4,002,107	1,600,134

20. PREPAYMENTS (continued)

	2018 RON	Separate 2017 RON	2016 RON
Prepayments for services, inventories, from which:	40,107,536	63,022,969	98,100,197
- Prepayments for services, inventories - related parties (note 26)	39,335,965	62,966,821	98,019,745
Prepaid expenses	1,743,947	1,385,930	1,699,043
- Prepaid expenses - related parties	-	-	286,108
Selling and distribution expenses registered in advance until the date of transfer of customer control over the goods	2,121,141	-	-
Income tax, VAT, interest and penalties appealed, computed according to the Fiscal Inspection Report F-MC15/08.02.2016	1,941,576	1,941,576	1,941,576
Total	45,914,200	66,350,475	101,740,816

The amount of RON 39,335,965 (without VAT) represents advances given to TMK-Reșița (2017: RON 62,966,821; 2016: RON 98,019,745).

Prepaid expenses consist of insurance policies for up to one year for equipment and discontinuation of activity, product insurance, insurance for the risk of not collecting the receivables, life insurance and health insurance for employees, as well as other services and subscriptions.

22. CASH AND SHORT-TERM DEPOSITS

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

	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON	2015 Restated RON
Cash at banks in foreign currency	16,720,506	10,465,203	17,666,789	1,699,160
Cash at banks in RON	3,439,418	2,382,501	1,215,027	617,246
Short-term deposits	767,347	4,253	9,957	1,839,800
Other cash equivalents	481	366	142	1,410
Cash on hand	1,175	12,204	19,478	25,644
Total	20,928,927	12,864,527	18,911,393	4,183,260

The cash includes cash on hand and cash at banks, in RON and in foreign currency (EUR, USD, GBP) and also other cash equivalents (treatment vouchers).

	2018 RON	Separate 2017 RON	2016 RON
Cash at banks in foreign currency	13,705,719	9,643,776	16,360,174
Cash at banks in RON	2,451,724	1,168,126	385,660
Short-term deposits	767,347	4,253	9,957
Other cash equivalents	289	226	-
Cash on hand	-	8,812	16,005
Total	16,925,079	10,825,193	16,771,796

TMK-Artrom constituted interest-bearing overnight deposits at Banca Comerciala Romana, depending on the availability of cash in bank account at the end of the day.

22. CASH AND SHORT-TERM DEPOSITS (continued)

Short-term deposits	Consolidated			
	2018	2017	2016	2015
in RON	767,347	4,253	9,957	1,839,800

There is no restricted cash.

Short-term deposits	Separate		
	2018	2017	2016
in RON	767,347	4,253	9,957

Other current assets

	Consolidated			
	2018 RON	2017 RON	2016 RON	2015 RON
Deposits for letters of guarantee	1,046,698	1,067,612	-	-
Total	1,046,698	1,067,612	-	-

	Separate		
	2018 RON	2017 RON	2016 RON
Deposits for letters of guarantee	1,046,698	1,067,612	-
Total	1,046,698	1,067,612	-

23. SHARE CAPITAL, RESERVES AND RETAINED EARNINGS

Share capital

Subscribed and paid share capital	Number of shares	Nominal Value RON / share	Subscribed share capital RON	Total RON
Balance 1 January 2018	(116,170,334)	2.51	(291,587,538)	(291,587,538)
Balance 31 December 2018	(116,170,334)	2.51	(291,587,538)	(291,587,538)

Legal and other reserves

Consolidated

	Legal reserve RON	Other reserves RON	Conversion reserves RON	Total RON
Balance at 1 January 2017	15,184,422	2,591,058	31,987	17,807,467
Increase from the profit of the year	-	-	-	-
Increase from reinvested profit	1,655,110	31,400,256	-	33,055,366
Set-up of reserves representing foreign exchange differences from the conversion of a foreign operation included in the consolidation	-	-	(7,864)	(7,864)
Balance at 31 December 2017	16,839,532	33,991,314	24,123	50,854,969
Increase from the profit of the period	3,389,036	-	-	3,389,036
Increase in capital contribution reserve	-	14,683,001	-	14,683,001
Set-off reserves representing foreign exchange differences from the conversion of a foreign operation included in the consolidation	-	-	331,579	331,579
Balance 31 December 2018	20,228,568	48,674,315	355,702	69,258,585

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

Separate

	Legal reserve RON	Other reserves RON	Total RON
Balance at 1 January 2017	15,184,422	2,591,058	17,775,480
Increase from the profit of the year	-	-	-
Increase from reinvested profit	1,655,110	31,400,256	33,055,366
Balance at 31 December 2017	16,839,532	33,991,314	50,830,846
Increase from the profit of the year	3,389,036	-	3,389,036
Increase in capital contribution reserve	-	14,683,001	14,683,001
Balance 31 December 2018	20,228,568	48,674,315	68,902,883

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

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

Reserves representing tax incentives can not be used to raise share capital, distribute or cover losses. If the provisions of this paragraph are not complied with, these amounts are taxed as income items in the fiscal period in which they are used. If they are maintained until liquidation, they are not taken into account in the tax result of the liquidation.

Retained earnings

The structure of consolidated retained earnings

Account name	Balance at 31 December 2018	Balance at 31 December 2017 <i>Restated</i>	Nature
Retained earnings representing undistributed profit / un-covered loss	(364,681,460)	(361,101,570)	The profit can be distributed / the un-covered loss can be covered - as it appears in the statutory financial statements
Retained earnings from adopting IAS for the first time (OMFP 94/2001)	(24,096,707)	(24,096,707)	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from prior period errors	(22,174,952)	(12,902,188)	It should be nil before distributing dividends
Retained earnings representing the surplus realized from revaluation reserves	129,920,080	123,483,696	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from first time application of the accounting Policies Compliant with the EEC Fourth Directive	(4,859,196)	(4,859,196)	Must be covered before distributing dividends
Retained earnings from first time application of the accounting Policies Compliant with the EEC Fourth Directive - tax facilities according to OUG 172/2001	167,569,326	167,569,326	Can be distributed or used to cover losses, but when using the reserve on these amounts, is being recalculated the profit tax and are being established interests and late payment penalties from the application date of the respective facility, according to the law.
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost	91,935,225	99,033,489	It has to be realized (through sale and/ or depreciation) before distributing dividends
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost, surplus made from fair value as deemed cost	45,894,856	38,796,592	Can be distributed or used to cover losses
Distribution from profit of the year to legal and other reserves	(3,389,036)	(33,035,966)	
Retained earnings from Grup reorganisation	213,044,092	503,303,034	
Period result	79,576,196	26,619,695	
Total retained earnings	308,738,424	522,810,205	

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

Retained earnings

The structure of consolidated retained earnings

Account name	Balance at 31 December 2016 <i>Restated</i>	Balance at 31 December 2015 <i>Restated</i>	Nature
Retained earnings representing undistributed profit / un-covered loss	(362,041,868)	(358,067,035)	The profit can be distributed / the un-covered loss can be covered - as it appears in the statutory financial statements
Retained earnings from adopting IAS for the first time (OMFP 94/2001)	(24,096,707)	(24,096,707)	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from prior period errors	(7,605,716)	(8,807,495)	It should be nil before distributing dividends
Retained earnings representing the surplus realized from revaluation reserves	116,391,273	106,046,877	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from first time application of the accounting Policies Compliant with the EEC Fourth Directive	(4,859,196)	(4,859,196)	Must be covered before distributing dividends
Retained earnings from first time application of the accounting Policies Compliant with the EEC Fourth Directive - tax facilities according to OUG 172/2001	167,569,326	167,569,326	Can be distributed or used to cover losses, but when using the reserve on these amounts, is being recalculated the profit tax and are being established interests and late payment penalties from the application date of the respective facility, according to the law.
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost	105,544,558	112,843,918	It has to be realized (through sale and/ or depreciation) before distributing dividends
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost, surplus made from fair value as deemed cost	32,285,523	24,986,163	Can be distributed or used to cover losses
Distribution from profit of the year to legal and other reserves	(172,004)	(444,377)	
Retained earnings from Grup reorganisation	503,303,034	503,303,034	
Period result	2,927,653	8,015,719	
Total retained earnings	529,245,876	526,490,227	

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

The structure of separate retained earnings

Account name	Balance at 31 December 2018	Balance at 31 December 2017	Balance at 31 December 2016	Nature
Retained earnings representing undistributed profit	29,733,676	29,733,676	29,028,489	Can be distributed or used to cover losses
Retained earnings from adopting IAS for the first time (OMFP 94/2001)	14,455	14,455	14,455	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings representing the surplus realized from revaluation reserves	11,225,078	11,225,078	11,225,078	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost	91,935,225	99,033,489	105,544,558	It has to be realized (through sale and/ or depreciation) before distributing dividends
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost, surplus made from fair value as deemed cost	45,894,856	38,796,592	32,285,523	Can be distributed or used to cover losses
Distribution from profit of the year to legal and other reserves	(3,389,036)	(33,055,366)	(172,004)	
Period result	56,569,986	33,055,366	877,190	
Total retained earnings	231,984,240	178,803,290	178,803,289	

In April 2018, under the approval of GSM dated 25 April 2018 the Company recorded the allocation of the net accounting profit of year 2017, in amount of RON 33,055,366, as follows:

- To legal reserves according to Law 31/1990, at least 5% from gross annual profit (but no more than 20% from share capital) including reserve of reinvested profit according to provisions of article 22 regarding the exemption of income tax of the reinvested profit from Law 227/2015 "Fiscal Code", the amount of RON 1,655,110;
- To other reserves of the reinvested profit RON 31,400,256 representing reinvested profit in technological equipment – machinery, equipment and electronic computers and accesories according to provisions of article 22 regarding the exemption of income tax of the reinvested profit from Law 227/2015 "Fiscal Code".

24. PENSIONS PLANS AND OTHER POST-EMPLOYMENT BENEFITS

TMK-Artrom's retirement compensations are given according to the collective labour contract signed at the level of the Company as presented below.

- **Retirement benefits:** all employees receive two gross monthly salaries in force at retirement date, paid one time;
- **Benefits for death of an employee for any cause:** in case of death of an employee, the families of the employees receive two average monthly salaries per Company. The average salary is computed annually for all employees and is increased in the same way with the base salary.

TMK-Reșița's retirement compensations are given according to the collective labour contract signed at the level of the Company as presented below.

- **Retirement benefits:** all employees receive two gross monthly salaries in force at retirement date, paid one time;
- **Benefits for death of an employee for any cause:** in case of death of an employee, the families of the employees receive four average monthly salaries per Company. The average salary is computed annually for all employees and is increased in the same way with the base salary.

The actuarial valuation of employee benefits, according to IAS 19, it is made by PricewaterhouseCoopers Audit SRL.

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

Consolidated

	2018 RON	2017 Restated RON	2016 Restated RON	2015 Restated RON
Net liability at the beginning of the year	4,077,382	4,110,501	4,170,363	4,060,396
Expense recognized in statement of income	483,239	394,887	428,201	425,566
Benefits paid	(408,748)	(474,178)	(312,234)	(393,609)
Components of defined benefit costs recorded in OCI	(216,543)	46,172	(175,829)	78,010
Net liability at the end of the year	3,935,330	4,077,382	4,110,501	4,170,363

Separate

	2018 RON	2017 RON	2016 RON
Net liability at the beginning of the year	3,034,324	2,909,557	2,927,896
Expense recognized in statement of income	339,887	284,375	304,925
Benefits paid	(157,069)	(123,568)	(61,106)
Components of defined benefit costs recorded in OCI	(316,208)	(36,040)	(262,158)
Net liability at the end of the year	2,900,934	3,034,324	2,909,557

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

The management considers that the going concern assumption is applicable for the Company as at 31 Decembrie 2018 and there are no restructuring plans announced as at this date.

Consolidated

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

	PV of Retirement Benefits	PV of Employee Death Benefits	Total 2018	Total 2017 Restated	Total 2016 Restated	Total 2015 Restated
	RON	RON	RON	RON	RON	RON
Opening defined benefit obligation as at 1 January	3,073,324	1,004,058	4,077,382	3,984,849	4,170,363	4,060,396
Current service cost	190,626	113,240	303,866	263,692	296,829	296,286
Interest cost	135,353	44,020	179,373	131,195	131,372	129,280
Remeasurement (gains)/losses:	(140,187)	(76,356)	(216,542)	171,824	(175,829)	78,010
- Remeasurement (gains)/losses arising from experience	749,206	122,430	871,636	116,840	296,149	262,121
- Remeasurement (gains)/losses arising from changes in financial assumptions	(589,649)	(144,096)	(733,745)	257,706	(247,902)	(43,173)
- Remeasurement (gains)/losses arising from changes in demographic assumptions	(299,743)	(54,690)	(354,433)	(202,722)	(224,076)	(140,938)
Benefits paid	(353,108)	(55,640)	(408,748)	(474,178)	(312,234)	(393,609)
Closing defined benefit obligation as at 31 December	2,906,008	1,029,322	3,935,330	4,077,382	4,110,501	4,170,363

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

	PV of Retirement Benefits	PV of Employee Death Benefits	Total 2018	Total 2017 Restated	Total 2016 Restated	Total 2015 Restated
	RON	RON	RON	RON	RON	RON
Current service cost	190,626	113,240	303,866	263,692	296,829	296,286
Net interest expense	135,353	44,020	179,373	131,195	131,372	129,280
Components of defined benefit costs recorded in profit or loss	325,979	157,260	483,239	394,887	428,201	425,566

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

	PV of Retirement Benefits	PV of Employee Death Benefits	Total 2018	Total 2017 Restated	Total 2016 Restated	Total 2015 Restated
	RON	RON	RON	RON	RON	RON
Opening net liability arising from defined benefit obligation	3,073,324	1,004,058	4,077,382	3,984,849	4,170,363	4,060,396
Components of defined benefit costs recorded in profit or loss	325,979	157,260	483,239	394,887	428,201	425,567
Components of defined benefit costs recorded in OCI	(140,187)	(76,356)	(216,543)	171,824	(175,829)	78,009
Benefits paid	(353,108)	(55,640)	(408,748)	(474,178)	(312,234)	(393,609)
Closing net liability arising from defined benefit obligation	2,906,008	1,029,322	3,935,330	4,077,382	4,110,501	4,170,363

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

Separate

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

	PV of Retirement Benefits	PV of Employee Death Benefits	Total 2018	Total 2017	Total 2016
	RON	RON	RON	RON	RON
Opening defined benefit obligation as at 1 January	2,500,493	533,831	3,034,324	2,909,557	2,927,896
Current service cost	148,888	57,783	206,671	192,842	217,499
Interest cost	110,004	23,212	133,216	91,533	87,426
Remeasurement (gains)/losses:	(265,841)	(50,367)	(316,208)	(36,040)	(262,158)
- Remeasurement (gains)/losses arising from experience	429,980	31,614	461,594	(84,322)	126,618
- Remeasurement (gains)/losses arising from changes in financial assumptions	(416,009)	(36,583)	(452,592)	186,123	(213,900)
- Remeasurement (gains)/losses arising from changes in demographic assumptions	(279,812)	(45,398)	(325,210)	(137,841)	(174,876)
Benefits paid	(150,875)	(6,194)	(157,069)	(123,568)	(61,106)
Closing defined benefit obligation as at 31 December	2,342,669	558,265	2,900,934	3,034,324	2,909,557

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

	PV of Retirement Benefits	PV of Employee Death Benefits	Total 2018	Total 2017	Total 2016
	RON	RON	RON	RON	RON
Current service cost	148,888	57,783	206,671	192,842	217,499
Net interest expense	110,004	23,212	133,216	91,533	87,426
Components of defined benefit costs recorded in profit or loss	258,892	80,995	339,887	284,375	304,925

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

	PV of Retirement Benefits	PV of Employee Death Benefits	Total 2018	Total 2017	Total 2016
	RON	RON	RON	RON	RON
Opening net liability arising from defined benefit obligation	2,500,493	533,831	3,034,324	2,909,557	2,927,896
Components of defined benefit costs recorded in profit or loss	258,892	80,995	339,887	284,375	304,925
Components of defined benefit costs recorded in OCI	(265,841)	(50,367)	(316,208)	(36,040)	(262,158)
Benefits paid	(150,875)	(6,194)	(157,069)	(123,568)	(61,106)
Closing net liability arising from defined benefit obligation	2,342,669	558,265	2,900,934	3,034,324	2,909,557

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

Other disclosures

Separate TMK-Artrom

	2018	2017	2016
Average benefit duration	8	13	11
Average age of employees	45	45	47
Average discount rate	4.7%	4.4%	3.23%
Average salary increase	2.5%	3%	2%

TMK-Reșița

	2018	2017	2016
Average benefit duration	9	11	14
Average age of employees	46	46	47
Average discount rate	4.7%	4.4%	3.3%
Average salary increase	3%	3%	2%

25. TRADE AND OTHER PAYABLES (CURRENT)

Trade and other payables consists of the following:

	2018 RON	2017 Restated RON	2016 Restated RON	2015 Restated RON
Current trade payables, from which:	251,444,946	301,194,406	206,416,805	156,060,584
- Intercompany trade payables (note 25)	79,960,848	129,651,326	114,941,218	66,381,285
Payables for non-current assets, from which:	21,476,994	32,652,095	14,223,910	8,410,735
- Intercompany payables for non-current assets (note 25)	-	-	192,562	-
Bills of exchange payable	387,371	1,155,986	3,692,171	3,866,820
Short-term guarantees	1,196,008	506,556	226,530	46,729
Accrued and other liabilities	181,346	237,151	266,289	395,699
Total financial liability	274,686,665	335,746,194	224,825,705	168,780,567
Accrued and withheld taxes on payroll	10,556,270	7,922,408	7,305,974	7,410,858
Other liabilities - VAT	-	-	-	5,291,513
Salaries and Wages	3,250,058	3,281,637	2,893,148	2,392,855
Advances from customers	997,116	4,526,587	2,213,635	2,449,003
Income tax liabilities	684,388	-	-	-
Liabilities for other taxes	281,417	274,494	165,655	1,185,545
Total non-financial liability	15,769,249	16,005,126	12,578,412	18,729,774
Grand total	290,455,914	351,751,320	237,404,117	187,510,341

Consolidated trade payables are non-interest bearing and are, normally, settled on an average of 94 days term (2017: 94 days).

Advances from customers consist of amounts received in advance according to the contracts signed with customers.

25. TRADE AND OTHER PAYABLES (CURRENT) (continued)

	2018 RON	Separate 2017 RON	2016 RON
Current trade payables, from which:	137,282,485	180,834,028	153,901,779
- Intercompany trade payables (note 25)	71,629,829	124,183,529	115,188,187
Payables for non-current assets, from which:	14,104,158	26,635,259	12,171,029
- Intercompany payables for non-current assets (note 25)	-	-	192,562
Bills of exchange payable	387,371	1,143,186	3,692,171
Short-term guarantees	635,753	187,615	135,796
Accrued and other liabilities	20,698	20,611	89,377
Total financial liability	152,430,465	208,820,699	169,990,152
Accrued and withheld taxes on payroll	8,583,615	6,074,675	5,635,927
Salaries and Wages	2,332,344	2,288,955	1,865,509
Advances from customers	679,297	4,211,020	2,096,244
Income tax liabilities	1,686,487	-	-
Liabilities for other taxes	227,673	229,443	161,211
Total non-financial liability	13,509,416	12,804,093	9,758,891
Grand total	165,939,881	221,624,792	179,749,043

Separate trade payables are non-interest bearing and are, normally, settled on an average of 52 days term (2017: 69 days).

Concerning the Company's debts to the fiscal authorities, as of 31 December 2018, there is a balance to be paid RON 10,430,403 (2017: RON 6,304,118), which represents the current debts of taxes and social debts of salaries, income tax, income tax of legal and individual non-resident persons which were required for compensation with input VAT from fiscal authorities.

In 15 February 2016 the comprehensive fiscal control for period 2005-2009 was finished with Report of tax inspection no. F-MC 15/08.02.2016, the Decision regarding additional tax payment obligations no. F-MC 4/08.02.2016 and Decision regarding non modifying tax base no. F-MC5/8.02.2016 (registered in TMK-Artrom under no. 1735 from 15 February 2016). Through that was established the additional debts for income tax and VAT in total amount of RON 4,221,471 (from which additional debits of RON 1,332,027 and interest and penalties in amount of RON 2,889,444).

To benefit of the annulment of a part of interest and penalties requested by the tax authorities, the Company paid the debit and the part of the interest and penalties which could not be annulled according to the law. As a result of this approach, in the first semester of year 2016 it was obtained the annulment of a part of accessories calculated in amount of RON 2,129,582 according to Decision 3687 from 24 May 2016 issued by ANAF, amounts that the company asked to be annulled according to stipulations of OUG 44/2015 regarding granting some tax facilities.

Making the payment does not mean that the Company accepted the result of the fiscal contro, TMK-Artrom contested the result of the fiscal control following a possible dispute with ANAF on this subject.

Therefore the amount paid is not reflected in the result of the period but it can be find in prepaid expenses (Note 21).

The Company has constituted a provision for taxes as a result of the fiscal control in amount of RON 1,941,576 (Note 27).

26. TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

Society	Country home	Relationship
- PAO TMK Russia	Russia	final parent
- TMK Europe GmbH Koln, Germania	Germany	parent (major shareholder)
- TMK IPSCO INTERNATIONAL, L.L.C., USA	USA	Related, under common control
- TMK Middle East, Dubai, United Arab Emirates	United Arab Emirates	Related, under common control
- TMK-REȘIȚA S.A. Reșița	Romania	Related, under common control
- TMK Italia s.r.l. Lecco, Italia	Italy	Related, under common control
- Sinarsky pipe plant RUSIA	Russia	Related, under common control
- OJSC Volzsky Pipe Plant RUSIA	Russia	Related, under common control
- RosNITI JSC RUSIA	Russia	Related, under common control
- TMK-Inox RUSIA	Russia	Related, under common control
- Trade House TMK	Russia	Related, under common control
- TMK Assets SRL	Romania	Related, under common control
- Land Properties Investments	Romania	Related, under common control
- Sarl Priure Saint Jean de Bebian	France	Related, under common control
- TMK Industrial Solutions LLC, Houston	USA	Related, subsidiary sole control
- ORSKY Machine Building Plant Russia	Russia	Related, under common control

The balances of transactions with related parties

Trade Receivables	Consolidated			
	2018 RON	2017 Restated RON	2016 Restated RON	2015 Restated RON
PAO TMK Russia	388,527	388,177	-	-
TMK Middle East Dubai	-	1,203,735	333,703	-
TMK IPSCO International USA	321,679	-	324,750	15,769,970
Total	710,206	1,591,912	658,453	15,769,970

Trade Receivables	Separate		
	2018 RON	2017 RON	2016 RON
TMK RESITA S.A.	7,461,476	12,020,870	7,778,750
TMK Industrial Solutions LLC, Houston	691,154	435,028	1,526,619
PAO TMK Russia	388,527	388,177	-
TMK Assets Bucharest	1,428	714	3,600
TMK Middle East Dubai	-	1,203,734	333,703
TMK IPSCO International USA	-	-	27,171
Land Properties Investments Bucharest	-	-	720
Total	8,542,585	14,048,523	9,670,563

26. TRANSACTIONS WITH RELATED PARTIES (continued)

Other Assets	2018 RON	2017 Restated RON	2016 Restated RON	2015 Restated RON
PAO TMK (sundry debtors)	319,500	553,578	459,880	-
Trade House TMK Russia (sundry debtors)	2,099	2,097	2,044	2,036
Total	321,599	555,675	461,924	2,036

Other Assets	2018 RON	2017 RON	2016 RON
TMK RESITA S.A. (advances for purchase of goods)	39,335,965	62,966,821	98,019,745
TMK Industrial Solutions LLC, Houston (sundry debtors)	407	-	39,137
PAO TMK (sundry debtors)	319,500	553,578	459,880
TMK Assets Bucharest (long-term receivables - guarantees)	46,151	46,109	44,936
TMK RESITA S.A. (sundry debtors)	36,532	392,226	72,545
Trade House TMK Russia (sundry debtors)	2,099	2,097	2,044
TMK Assets Bucharest (sundry debtors)	1,587	-	-
TMK Industrial Solutions LLC, Houston (settlements between affiliates)	-	-	318,159
TMK Industrial Solutions LLC, Houston (interest for settlements between affiliates)	-	-	3,392
Total	39,742,241	63,960,831	98,959,838

Trade Payables	2018 RON	2017 Restated RON	2016 Restated RON	2015 Restated RON
PAO TMK Russia	67,323,717	119,820,387	109,108,523	58,418,812
TMK Europe GmbH Germany	11,982,957	8,484,001	5,194,568	7,835,499
TMK Italia s.r.l. Italy	622,701	780,710	712,579	-
RosNITI JSC Russia	31,473	-	27,247	49,772
TMK-Inox Russia	-	471,370	55	-
Sarl Prieure Saint Jean de Bebian France	-	94,858	90,808	-
SCEA Domaine de Bebian France	-	-	-	77,202
Total	79,960,848	129,651,326	115,133,780	66,381,285

Trade Payables	2018 RON	2017 RON	2016 RON
PAO TMK Russia	67,323,716	119,820,387	109,108,523
TMK Europe GmbH Germany	1,590,059	866,787	5,194,568
TMK Industrial Solutions LLC, Houston	2,061,880	2,148,496	246,102
TMK Italia s.r.l. Italy	622,701	780,710	712,579
RosNITI JSC Russia	31,473	-	27,247
TMK Assets Bucharest	-	921	867
TMK-Inox Russia	-	471,370	55
Sarl Prieure Saint Jean de Bebian France	-	94,858	90,808
Total	71,629,829	124,183,529	115,380,749

Other liabilities	2018 RON	2017 Restated RON	2016 Restated RON	2015 Restated RON
TMK Europe GmbH (borrowing)	73,477,723	85,570,097	104,867,546	74,814,305
TMK Europe GmbH Germany (interest owed at reporting date)	189,988	171,116	167,117	60,910
TMK Europe GmbH Germany (amounts owed to group's entities)	275,831,330	-	-	-
Total	349,499,041	85,741,213	105,034,663	74,875,215

26. TRANSACTIONS WITH RELATED PARTIES (continued)

Other liabilities	2018 RON	Separate 2017 RON	2016 RON
TMK Europe GmbH (borrowing)	73,477,723	85,570,097	104,867,546
TMK Europe GmbH Germany (interest owed at reporting date)	189,988	171,116	167,117
TMK Europe GmbH Germany (amounts owed to group's entities)	275,831,330	-	-
Total	349,499,041	85,741,213	105,034,663

Transactions with related parties

Sales (Turnover)	Object of the transaction	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
PAO TMK	claim for billets - raw material	1,109,170	382,496	-
TMK Middle East	pipes	907,918	2,743,175	1,504,825
TMK Italia s.r.l.	audit services	27,996	22,994	24,829
Sinarsky pipe plant	pipes	1,125,288	1,051,554	551,879
TMK IPSCO International	pipes	1,719,567	3,647,869	10,325,152
TMK IPSCO Canada	pipes	-	-	89,370
TMK Europe GmbH Germany	audit services	23,333	22,770	20,634
TMK GLOBAL Switzerland	pipes	144,488	101,146	110,410
ORSKY Machine Building Plant	pipes	208,550		
Total		5,266,310	7,972,004	12,627,099

Sales (Turnover)	Object of the transaction	2018 RON	Separate 2017 RON	2016 RON
TMK RESITA SA	waste product, pipes, re-invoiced fero materials from domestic market, perceives commission, management services	43,835,432	32,155,648	23,318,327
TMK Industrial Solutions LLC	pipes for resale	8,521,593	5,242,162	1,486,508
PAO TMK	claim for billets - raw material	1,109,170	382,496	-
TMK Middle East	pipes	907,918	2,743,175	1,504,825
TMK Italia s.r.l.	audit services	27,996	22,994	24,829
TMK Assets	management services	3,600	4,275	6,750
Sinarsky pipe plant	pipes	1,125,288	1,051,554	551,879
Land Properties Investments	management services	-	800	2,400
TMK IPSCO International	pipes	-	-	8,840,913
TMK IPSCO Canada	pipes	-	-	89,370
TMK Europe GmbH Germany	audit services	23,333	22,770	20,634
TMK GLOBAL Switzerland	pipes	144,488	101,146	110,410
ORSKY Machine Building Plant RUSIA	pipes	208,550		
TMK Real Estate Bucharest	management services, sale of property, plant and equipment and other materials	-	-	5,250
Total		55,907,368	41,727,020	35,962,095

26. TRANSACTIONS WITH RELATED PARTIES (continued)

Purchases	Object of the transaction	2018 RON	Consolidated 2017 Restated RON	2016 Restated RON
PAO TMK	pipes and blooms for resale, consulting services, financial costs	178,506,627	238,764,306	123,631,991
TMK Europe GmbH	agent commission for pipes sales, materials for own consumption, spare partes	69,638,449	39,977,846	27,925,183
TMK Italia s.r.l.	agent commission for pipes sales	11,403,761	9,133,514	8,395,022
RosNITI JSC	research and development services	144,442	16,515	45,229
Sarl Priure Saint Jean de Bebian	protocol expenses	111,742	94,598	90,302
TMK INOX Russia	steel pipes for resale	-	469,850	124,855
Sinarsky pipe plant Rusia	debit note for claim	-	83,954	-
TMK Ipsco International USA	debit notes for quality claims	-	-	144,559
Total		259,805,021	288,540,583	160,357,141

Purchases	Object of the transaction	2018 RON	Separate 2017 RON	2016 RON
TMK RESITA SA	billets - raw material, other materials	647,851,003	511,983,820	371,502,648
PAO TMK	pipes and blooms for resale, consulting services, financial costs	178,506,627	238,764,306	123,631,991
TMK Industrial Solutions LLC	agent commission for sales of pipes produced by TMK-Artrom and pipes of Russian origin	13,697,212	8,684,728	2,356,078
TMK Europe GmbH	agent commission for pipes sales, materials for own consumption, spare partes	13,663,588	11,359,572	27,925,183
TMK Italia s.r.l.	agent commission for pipes sales	11,372,890	9,133,514	8,395,022
TMK Assets	rent and apartment maintenance	552,807	541,865	315,172
RosNITI JSC	research and development services	144,442	16,515	90,302
Sarl Priure Saint Jean de Bebian	protocol expenses	111,742	94,598	144,559
TMK INOX Russia	steel pipes for resale	-	469,850	228,626
Sinarsky pipe plant Rusia	debit note for claim	-	83,954	124,855
TMK Real Estate Bucharest	rent and apartment maintenance, car rent	-	-	45,229
Total		865,900,311	781,132,722	534,759,665

Borrowings within the Group – long-term and short term

The company TMK EUROPE GmbH Germany (former TMK SINARA HANDEL GMBH) is the lender with the amount of RON 70,193,087 representing USD 18,037,540, related to the loan agreement w/n/01.12.2008, respectively the assignment of receivables no. 054/20.02.2002 from AVAS (AVAB) in initial amount of USD 22,837,540 and RON 38,425. RON 4,073,600, equivalent of USD 1,000,000, represent short term liabilities and amount of RON 69,404,123 equivalent of USD 17,037,540 represent long term liabilities.

In 2015 have been reimbursed USD 4,800,000 and RON 38,425.07 from the loan in accordance with the payment schedule.

26. TRANSACTIONS WITH RELATED PARTIES (continued)

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

1. First rank mortgage on the land with an area of 203,651.82 square meters and the buildings constructed;
2. Pledge without disposal first rank on hot rolling line, rolling HPT 250, ultrasonic NDT facility; AWW250 Assel mill, Planer D 38-90; oven FTT SKW75 Pilger mill, heating installation induction, heat treatment furnace rank normalization and the other assets of the TMK-Artrom under registration no 2004-1080142242453-QJU/24.03.2004.
3. First rank mortgage on land in area 211,614.54 sqm and related buildings inside TMK-Artrom under the contract no. 1869/14.10.2003.
4. Real guarantee without disposal of goods first rank over the other assets of TMK-Artrom as enrolment in movable electronic archive, no 2002-1034612284359-IUD/14.10.2003.

During the EGMS from 17 November 2008 there has been approved the change in the nature and the payment postponement of debt owed by the Company to TMK Europe GmbH in amount of USD 22,837,540.03 in the following conditions.

- The debt shall be paid in 57 instalments starting from 25 January 2014 until 25 September 2018 inclusively.
- The first 56 monthly instalments will be worth USD 400,000 and the 57th will be worth USD 437,540.03.
- The payment of debt amounting to RON 38,425.07 of the Company to TMK Europe GmbH from 25 January 2014 will be paid in USD at the official RON/USD exchange rate of the National Bank of Romania on the last working day of year 2013. The debt has an interest rate of LIBOR + 0.5% per year starting on 1 January 2009.
- The interest is calculated and paid on the 15th of each month for the previous month.

In 21 November 2013 was signed Amendment No. 1 to Contract of 1 December 2008 according to which the loan reimbursement begins with 25 January 2015, maintaining the same number of instalments.

In 3 Decemebr 2015 was concluded Addendum no .2 on which repayment of loan shall be suspended for a period of three years and will be resumed starting in January 2019 in 44 instalments in the amount of USD 400,000 and a last instalment of USD 437,540.03 as a result on 31 Dcemeber 2015 the full amount of the loan was long-term.

On 8 August 2016 according to Addendum no. 3 were expressly dropped all the movable and immovable guarantees mentioned above.

In 18 December 2018 was concluded Addendum no.4 on which parties agree about repayment of USD 1,000,000 in second half of the year 2019, and starting with January 2020, Borrower will continue the reimbursement if remaining outstanding amount of USD 17,037,540.03 as following: 42 installments in amount of USD 400,000 and the last one in amount of USD 237,540.03 on the 25th day of each month.

The interest due by TMK-Artrom on 31 Decemeber 2018 is of USD 46,638.76, respectively RON 189,897.65.

The remuneration package for managers with mandate and directors (BOD members) comprises cash compensations formed from fixed monthly remuneration granted in net amounts and performance bonuses for achieving the approved KPI performance indicators.

Cash compensations formed from monthly remuneration and paid yearly KPI bonuses, including the correspondent taxes, granted to managers with mandate and members of the Board of Directors from

26. TRANSACTIONS WITH RELATED PARTIES (continued)

TMK-Artrom and its subsidiaries, in the last 3 years were in gross amounts as follow:

Year	Number of persons	Fixed remuneration	Bonus
2018	11	RON 14,015,803	RON 3,479,269
2017	9	RON 13,328,286	RON 1,654,325
2016	9	RON 11,356,325	RON 1,497,399

These amounts do not include provisions for performance bonuses which will be paid in 2019 and granted for achieving and exceeding the KPI performance indicators for the year 2018.

27. PROVISIONS

Other short-term provisions	2018	Consolidated		2015
	RON	2017 Restated RON	2016 Restated RON	Restated RON
Accruals for managers bonuses	6,837,663	4,090,673	2,112,256	1,719,322
Provisions for taxes	1,941,576	1,941,576	782,824	2,362,956
Provisions for emission certificates	668,096	1,466,859	-	-
Provisions for quality complaints material cost	165,761	296,159	240,506	231,652
Provisions for quality complaints additional cost	126,066	38,003	56,769	55,374
Accruals for unused vacations	52,994	65,240	32,500	5,638
Provisions for risks and expenses	1,539,140	-	-	3,240,823
Total	11,331,296	7,898,510	3,224,855	7,615,765

Other short-term provisions	2018	Separate	
	RON	2017 RON	2016 RON
Accruals for managers bonuses	5,236,353	3,214,756	1,786,442
Provisions for taxes	1,941,576	1,941,576	782,824
Provisions for emission certificates	668,096	1,466,859	-
Provisions for quality complaints material cost	165,761	264,437	240,506
Provisions for quality complaints additional cost	126,066	21,272	56,770
Accruals for unused vacations	31,964	30,241	32,500
Total	8,169,816	6,939,141	2,899,042

In 2018 the company established a provision for greenhouse gas emission allowances in the amount of RON 668,096 for the deficit of certificates required for the production of year 2018 and reversed the previously established provision in amount of RON 1,466,859 as a result of the handing over of the greenhouse gas emission certificates related to the production of the year 2017 to the European Unique Register of Gases with Gear (RUEGES) in April 2018.

27. PROVISIONS (continued)

Other long-term provisions	2018	Consolidated 2017 Restated	2016 Restated	2015 Restated
	RON	RON	RON	RON
Provisions for decommissioning property, plant and equipment	219,350	219,350	219,350	219,350
Accruals for managers bonuses	402,834	-	-	-
Provisions for quality complaints additional cost	-	7,931	7,931	7,931
Total	622,184	227,281	227,281	227,281

Other long-term provisions	2018	Separate 2017	2016
	RON	RON	RON
Provisions for decommissioning property, plant and equipment	219,350	219,350	219,350
Accruals for managers bonuses	336,199	-	-
Provisions for quality complaints additional cost	-	7,931	7,931
Total	555,549	227,281	227,281

27. PROVISIONS (continued)

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

Short-term provisions	Provisions for quality complaints material cost	Provisions for quality complaints additional cost	Accruals for manager bonuses	Accruals for unused vacations	Provisions for taxes	Provisions for emission certificates	Provisions for risks and expenses	Total
At 1 January 2016	234,812	57,684	1,920,371	5,638	2,362,956	-	3,034,304	7,615,765
Expense with provisions recognized in statement of income	581,550	337,178	2,104,876	26,862	-	-	(2,190,758)	859,708
Amounts used	(575,856)	(338,093)	(1,920,370)	-	(1,580,132)	-	(338,904)	(4,753,355)
Unused amounts reversed	-	-	-	-	-	-	(504,642)	(504,642)
Translation differences			7,379	-	-	-		7,379
At 31 December 2016	240,506	56,769	2,112,256	32,500	782,824	-	-	3,224,855
Expense with provisions recognized in statement of income	452,031	143,741	4,198,786	66,688	1,158,752	1,466,859	-	7,486,857
Amounts used	(396,378)	(162,507)	(2,192,623)	(32,500)	-	-	-	(2,784,008)
Translation differences	-	-	(27,746)	(1,448)	-	-	-	(29,194)
At 31 December 2017	296,159	38,003	4,090,673	65,240	1,941,576	1,466,859	-	7,898,510
Expense with provisions recognized in statement of income	469,769	442,549	6,813,347	52,312	-	668,096	1,539,140	9,985,213
Amounts used	(600,167)	(354,486)	(4,010,340)	(65,690)	-	(1,466,859)	-	(6,497,542)
Translation differences	-	-	30,591	1,132	-	-	-	31,723
Unused amounts reversed		-	(86,608)	-	-		-	(86,608)
At 31 December 2018	165,761	126,066	6,837,663	52,994	1,941,576	668,096	1,539,140	11,331,296

27. PROVISIONS (continued)

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

Short-term provisions	Provisions for quality complaints material cost	Provisions for quality complaints additional cost	Accruals for manager bonuses	Accruals for unused vacations	Provisions for taxes	Provisions for emission certificates	Provisions for risks and expenses	Total
At 1 January 2016	231,652	55,374	1,719,322	5,638	893,743	-	843,546	3,749,275
Expense with provisions recognized in statement of income	415,309	98,418	1,786,442	26,862	-	-	-	2,327,031
Amounts used	(406,455)	(97,022)	(1,719,322)	-	(110,919)	-	(338,904)	(2,672,622)
Unused amounts reversed	-	-	-	-	-	-	(504,642)	(504,642)
At 31 December 2016	240,506	56,770	1,786,442	32,500	782,824	-	-	2,899,042
Expense with provisions recognized in statement of income	412,609	113,209	3,214,756	30,241	1,158,752	1,466,859	-	6,396,426
Amounts used	(388,678)	(148,707)	(1,786,442)	(32,500)	-	-	-	(2,356,327)
At 31 December 2017	264,437	21,272	3,214,756	30,241	1,941,576	1,466,859	-	6,939,141
Expense with provisions recognized in statement of income	462,791	221,260	5,236,353	31,964	-	668,096	-	6,620,464
Amounts used	(561,467)	(116,466)	(3,214,756)	(30,241)	-	(1,466,859)	-	(5,389,789)
At 31 December 2018	165,761	126,066	5,236,353	31,964	1,941,576	668,096	-	8,169,816

27. PROVISIONS (continued)

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

Long-term provisions	Provisions for quality complaints additional cost	Provisions for decommissioning property, plant and equipment	Accruals for manager bonuses	Total
At 1 January 2016	7,931	219,350	-	227,281
At 31 December 2016	7,931	219,350	-	227,281
At 31 December 2017	7,931	219,350	-	227,281
Expense with provisions recognized in statement of income	-	-	402,834	402,834
Used	(7,931)	-	-	(7,931)
At 31 December 2018	-	219,350	402,834	622,184

The movement in separate long-term provisions are as follows:

Long-term provisions	Provisions for quality complaints additional cost	Provisions for decommissioning property, plant and equipment	Accruals for manager bonuses	Total
At 1 January 2016	7,931	219,350	-	227,281
At 31 December 2016	7,931	219,350	-	227,281
At 31 December 2017	7,931	219,350	-	227,281
Expense with provisions recognized in statement of income	-	-	336,199	336,199
Used	(7,931)	-	-	(7,931)
At 31 December 2018	-	219,350	336,199	555,549

28. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES

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

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

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value of cash flows of financial instruments will fluctuate because of changes in the market of interest rates.

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

TMK-Artrom borrows mainly on variable interest rates. In 2018, 71.4% from loans had variable interest rates, the rest fixed rate, EURIBOR serves mainly as the basis for the calculation of interest rate. Loans which had LIBOR as calculation basis for the interest rate represented 18.03% of portfolio at 31 December 2018 and 18.5% at 31 December 2017. At 31 December 2018 and 31 December 2017 the Company did not have in balance loans with ROBOR calculation basis. The market evolution in the last 3 years of EURIBOR and LIBOR made the Company not to consider necessary to use hedge instruments, but the Company monitors interest rates level and it is disposed to use hedging instruments if it considers that it is necessary. In year 2018 EURIBOR registered negative values being levelled at 0 according to credit contracts.

On 31 December 2018, the Company did not have financial assets with variable interest rate.

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

	Variation in margin	Effect on profit before tax (thousands RON)	Effect on equity (thousands RON)
31 December 2018			
increase in LIBOR	10,00	(149.4)	(125.5)
decrease in LIBOR	(10,00)	149.4	125.5
31 December 2017			
increase in LIBOR	10,00	(83.7)	(70.3)
decrease in LIBOR	(10,00)	83.7	70.3
31 December 2016			
increase in LIBOR	10	(38.4)	(32.2)
decrease in LIBOR	(10)	38.4	32.2

Foreign currency risk

The Company's exposure to foreign currency risk relates to sales, purchases and borrowings denominated in a currency other than the functional currency of the Company. The currencies in which these transactions and balances are denominated are EUR and USD.

The Company in 2018 did not signed EUR/RON and USD/RON forward contracts in order to cover the exposure to foreign currency risk, because the management considers that the evolution of exchange rate cannot bring variations that will produce significant losses to the Company.

The exposure to the risk of exchange rate is detailed in Note 28 the paragraph "Financial instruments, cash and deposits" below.

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

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

Consolidated

	Percentage volatility	Effect on profit before tax (thousands RON)	Effect on equity (thousands RON)
31 Decembrie 2018			
EUR/RON	10%	(44,514)	(37,391)
EUR/RON	-10%	44,514	37,391
USD/RON	10%	(3,486)	(2,928)
USD/RON	-10%	3,486	2,928
31 Decembrie 2017			
EUR/RON	10%	(38,441)	(32,391)
EUR/RON	-10%	38,441	32,391
USD/RON	10%	(2,899)	(2,435)
USD/RON	-10%	2,899	2,435
31 Decembrie 2016			
EUR/RON	10%	(22,571)	(18,960)
EUR/RON	-10%	22,571	18,960
USD/RON	10%	(7,196)	(6,044)
USD/RON	-10%	7,196	6,044

Separate

	Percentage volatility	Effect on profit before tax (thousands RON)	Effect on equity (thousands RON)
31 December 2018			
EUR/RON	10%	(42,552)	(35,744)
EUR/RON	-10%	42,552	35,744
USD/RON	10%	(2,969)	(2,494)
USD/RON	-10%	2,969	2,494
31 December 2017			
EUR/RON	10%	(32,359)	(27,182)
EUR/RON	-10%	32,359	27,182
USD/RON	10%	(3,290)	(2,764)
USD/RON	-10%	3,290	2,764
31 December 2016			
EUR/RON	10%	(17,953)	(15,081)
EUR/RON	-10%	17,953	15,081
USD/RON	10%	(7,018)	(5,895)
USD/RON	-10%	7,018	5,895

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

Liquidity risk

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

The Company tries to target an optimal ration between equity and total debt and to maintain an appropriate level of liquidity and financial capacity as to minimize interest expenses and to have an optimal profile of composition and duration of liabilities. As at 31 December 2018, about 45% from the total of loans and borrowings are due in the following 12 months, because the indebtedness rate is monitored in the way it do not exceed the limit established by the management. We also mention that the access to the financing sources it is available, and the bank loans due in 12 months can be extended with the existing creditors according to the contracts in force.

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

Consolidated

Liquidity risk	Less than 3 months RON	3 to 12 months RON	1 to 5 years RON	>5 years RON	Total RON
2018					
Interest bearing loans (including future interest)	67,722,605	124,505,679	235,897,580	-	428,125,864
Leasing	3,240,550	6,386,879	38,613,902	1,112,079	49,353,410
Liabilities for investments in subsidiaries	466,390	57,007,958	218,356,982	-	275,831,330
Other non-current liabilities	-	-	2,224,298	-	2,224,298
Trade and other payables	266,861,679	7,824,986	-	-	274,686,665
Total	338,291,224	195,725,502	495,092,762	1,112,079	1,030,221,567
2017					
Interest bearing loans (including future interest)	68,312,905	149,213,902	168,776,617	10,652,109	396,955,533
Leasing	2,985,762	5,584,534	29,296,787	14,444,007	52,311,090
Other non-current liabilities	-	-	797,634	-	797,634
Trade and other payables	279,893,998	55,852,196	-	-	335,746,194
Total	351,192,665	210,650,632	198,871,038	25,096,116	785,810,451
2016					
Interest bearing loans (including future interest)	54,893,353	145,352,739	83,384,762	17,478,024	301,108,878
Leasing	2,263,261	5,643,727	32,522,887	14,076,377	54,506,252
Other non-current liabilities	-	-	677,729	-	677,729
Trade and other payables	205,507,459	19,318,246	-	-	224,825,705
Total	262,664,073	170,314,712	116,585,378	31,554,401	581,118,564
2015					
Interest bearing loans (including future interest)	5,552,218	119,982,521	121,245,037	35,312,959	282,092,735
Leasing	2,369,642	5,525,866	27,305,939	25,912,649	61,114,096
Other non-current liabilities	24,475	-	180,872	-	205,347
Trade and other payables	146,955,651	21,823,466	1,450	-	168,780,567
Total	301,882,112	169,155,319	148,915,620	61,225,608	681,047,122

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

Separate

Liquidity risk	Less than 3 months RON	3 to 12 months RON	1 to 5 years RON	>5 years RON	Total RON
2018					
Interest bearing loans (including future interest)	67,722,605	124,505,679	235,897,580	-	428,125,864
Leasing	319,483	959,919	3,460,360	-	4,739,762
Liabilities for investments in subsidiaries	466,390	57,007,958	218,356,982	-	275,831,330
Other non-current liabilities			156,329		156,329
Trade and other payables	144,605,479	7,824,986			152,430,465
Total	213,113,957	190,298,542	457,871,251	-	861,283,750
2017					
Interest bearing loans (including future interest)	68,304,544	149,187,166	168,776,617	10,652,109	396,920,436
Leasing	105,511	290,228	1,059,433	-	1,455,172
Other non-current liabilities	-	-	729,080	-	729,080
Trade and other payables	152,982,733	55,837,966	-	-	208,820,699
Total	221,392,788	205,315,360	170,565,130	10,652,109	607,925,387
2016					
Interest bearing loans (including future interest)	54,893,353	145,352,739	83,384,762	17,478,024	301,108,878
Leasing	52,213	120,301	31,525	-	204,039
Other non-current liabilities	-	-	568,414	-	568,414
Trade and other payables	150,691,513	19,298,639	-	-	169,990,152
Total	205,637,079	164,771,679	83,984,701	17,478,024	471,871,483

Financial indicators of the loan contracts were respected as at 31 December 2018.

Credit risk

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

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

Trade receivables

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

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

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

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

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

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

A = Companies with temporary problems 0%;

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

B = Steady companies 15%

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

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

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

C = Unsteady companies 30%

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

D = Companies in a pre-bankruptcy stage 50%

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

E = Bankrupt companies 100%

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

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

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

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

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

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

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

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

In order to limit the credit risk, the Company signed with COFACE S.A. on 1 October 2012 a contract to secure the non-payment risk for almost the entire portfolio of sales to third parties. In 2013, the Company decided to maintain the contract of securing the non-payment risk with Coface, but this time with the subsidiary from Germany which offered an insurance premium significantly lower under the same conditions as those from the previous year. In December 2014 and in December 2015 the Company decided to extend the insurance contract signed with COFACE Germany with one more year. In 28 November 2016 the agreement was extended until 28 November 2017 and later until 28 December 2018. A new prolongation for 2019 was done. At 31 December 2018 credit limits granted by Coface SA covered 75% of requested limits for external customers and on internal market 51% of requested limits. As at 31 December 2018, 62% from the insurable receivables were covered by Coface. For 8% from the total of third parties receivables were opened irrevocable letters of credit or guarantee letters received. The customers which are not covered 100% by Coface SA and do not have opened letters of credit are carefully monitored in order to limit the possible losses from non-collection. The customers covered by COFACE are third-party customers from EU, Romania and non-EU markets (including USA and Canada).

As at 31 December 2018, customer Donalam had about 10% from the total turnover of year 2018.

Starting with July 2017 in the insurance policy signed with Coface Germany were also included TMK-Reșița's customers, which has become co-insured.

As at 31 December 2018, credit limits granted by Coface at Group level covered externally 74% from the requested limits, and on domestic market 35% from the requested limits.

Financial instruments, cash and deposits

Credit risk derives from cash and deposits from banks. A part from the cash and deposit from banks are pledged in favour of banks for securing loans.

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

29. AUDIT COMPANIES FEES

The total remuneration payable by the Group and the Company, excluding VAT, to our auditors, Ernst & Young Assurance Services SRL for the audit of the separate and consolidated financial statements as of 31 December 2016, 31 December 2017 and 31 December 2018, are the equivalent in RON of 252,800 EUR.

30.COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Company's total commitments for the acquisition of property, plant and equipment as at 31 December 2018 are of RON 5,621,331 (2017: RON 21,755,240).

Group's total commitments for the acquisition of property, plant and equipment as at 31 December 2018 are of RON 6,335,794 (2017: RON 21,755,240).

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Future rent expenses:

	2018 RON	Consolidated 2017 RON	2016 RON
Less than one year	1,122,851	1,559,150	915,384
Between one and two years	703,381	1,362,684	1,110,265
Between two and tree years	461,926	1,248,230	733,607
	2,288,158	4,170,064	2,759,256

	2018 RON	Separate 2017 RON	2016 RON
Less than one year	1,180,764	1,088,634	755,890
Between one and two years	808,929	1,409,632	236,750
Between two and tree years	474,880	1,401,772	229,200
	2,464,573	3,900,038	1,221,840

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

Future payments for operating lease:

	Consolidated EUR	Consolidated RON	Separate EUR	Separate RON
Assets				
Property, plant and equipment (right-of-use assets)	252.117	1.175.847	221.347	1.032.339
Prepayments	-	-	-	-
Liabilities				
Lease liabilities	252.117	1.175.847	221.347	1.032.339
Deferred tax liabilities	-	-	-	-
Trade and other payables	-	-	-	-
Net impact on equity	-	-	-	-
Impact on the statement of profit or loss (increase/(decrease)) for 2019:				
Depreciation expense (included in cost of sales)	9.232	43.055	9.232	43.055
Depreciation expense (included in administrative expenses)	126.554	590.238	108.092	504.133
Operating lease expense (included in cost of sales)	(10.200)	(47.572)	(10.200)	(47.572)
Operating lease expense (included in administrative expenses)	(130.712)	(609.627)	(111.597)	(520.476)
Operating profit	5.126	23.906	4.473	20.860
Finance costs	7.254	33.831	6.354	29.637
Income tax expense	(341)	(1.588)	(301)	(1.404)
Profit for the year	(1.788)	(8.337)	(1.581)	(7.372)

Contingent assets

TMK-Reșița owns an old equipment, which was removed from service in 1993 due to the abandonment of the production of liquid-based steel, called Furnace no. 2. This equipment can not be disposed because it is included in the List of Historical Monuments, so that approximately 9,000 tonnes of scrap can not be valued from its demolition.

TMK-Reșița started an action to downgrade the Furnace no.2 from the Historical Monuments list, action that was rejected by the Ministry of Culture and National Heritage, which justified that the documentation submitted by TMK-Reșița is incomplete and it is necessary to carry out a historical study by an expert certified by the Ministry of Culture and technical expertise elaborated by certified technical experts.

There was also an execution file against the Ministry of Culture and National Heritage requesting the enforcement of the Civil Sentence irrevocable by Decision of the High Court of Cassation and Justice, for the purpose of issuing a decision regarding the applicant's request TMK-Reșița TMK-Reșița to declassify the Furnace.

The Ministry of Culture and National Heritage replied again that the documentation is incomplete.

The company will continue to act on all legal ways to obtain a declassification of the furnace which is subject to physical degradation and presents risk of accidents being located within the factory in the railway transport area that serves the production workshops

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

Litigations against National Fiscal Administration Agency ("ANAF")

1. TMK-Artrom

Litigation against National Fiscal Administration Agency ("ANAF") and General Department for the Administration of Big Contributors ("DGAMG")

TMK-Artrom challenged the Fiscal report no. F - MC 15 of 8 February 2016, the Decision regarding the supplementary fiscal obligations no. F - MC 4 of 8 February 2016 and the Decision regarding the non-change of the base of taxes no. F - MC5 of 8 February 2016, requesting the court (i) mainly, to annul the fiscal report and all the following deeds, (ii) secondary, the annulment of the Decision no. 42 of 7 October 2016 regarding the decision to reject the contestation filed by the company, the annulment in part of the fiscal report and the supplementary income decision regarding the income taxes in amount of 727,223 RON, interest rate/delay increases in amount of RON 1,392,488 and delay penalties in amount of RON 239,693, the monthly VAT in amount of RON 481,237, interest rate/delay increases in amount of RON 867,632 and delay penalties in amount RON 158,622 and the interest rate/delay increases and delay penalties calculated for the period 20 July 2010 – 15 December 2015; and (iii) the obligation to the payment of the trial expenses. On 13 October 2017, Bucharest Court of Appeal ruled against the claim. TMK-Artrom filed appeal. The first hearing is set with the High Court of Justice and Cassation on 18 June 2020.

TMK-Artrom paid the supplementary debts for the income taxes under the terms and conditions set by the Emergency Ordinance 44/2015. Therefore, TMK-Artrom paid the amounts set in the fiscal report after the decrease of such taxes by (i) 77.1% for the delay increases and (ii) 54.2% of the interest rate. Furthermore, the delay penalties set for TMK-Artrom had been canceled.

2. TMK-Reșița

Litigation against National Fiscal Administration Agency ("ANAF") and General Department for the Administration of Big Contributors ("DGAMG")

TMK-Reșița challenged the Fiscal report no. F-MC 318 of 15 October 2014, the Decision regarding the supplementary fiscal obligations no. F-MC 1538 of 15 October 2014, the Decision regarding the measures set by the fiscal inspectors no. 87050 of 14 October 2014 and the Decision regarding the non-change of the base of taxes no.F-MC 1539 of 15 October 2014, requesting the court (i) mainly, to annul the fiscal report and all the following deeds, (ii) secondary, the annulment of the Decision no. 178 of 16 June 2015 regarding the decision to reject the contestation filed by the company, the annulment in part of the fiscal report and the supplementary income decision regarding the income tax for individuals in amount of RON 11,194, monthly VAT in amount of RON 544,300, interest rate/delay increases in amount of RON 1,161,841 and delay penalties in amount of RON 84,985, monthly VAT in amount of RON 41,037, interest rate/delay increases in amount of RON 76,307 and delay penalties in amount of RON 6,156, monthly VAT in amount of RON 58,928, interest rate/delay increases in amount of RON 131,085 and delay penalties in amount of RON 8,839, the amount of RON 393,453 representing the interest rate/delay increases and delay penalties calculated for the period 28 December 2011 – 25 September 2014; (iii) the modification of the decision regarding the measures of the fiscal authority based on the annulment in part of the fiscal report and the decision regarding the supplementary fiscal obligations for the amounts mentioned above; and (iv) the obligation to the payment of the trial expenses. On 21 April 2016, Bucharest Court of Appeal ruled against the claim. TMK-Reșița filed appeal. The first hearing is set with the High Court of Justice and Cassation on 20 June 2019.

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

TMK-Reșița paid the supplementary debts for the income taxes under the terms and conditions set by the Emergency Ordinance 44/2015. Therefore, TMK-Reșița paid the amounts set in the fiscal report after the decrease of such taxes and the annulment of the delay penalties.

Taxation

The taxation systems in Romania and in the jurisdictions where the Group operates are undergoing continuous developments. Thus, it is subject to various interpretations and constant changes which may sometimes be retroactive. In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant. In Romania, the fiscal year remains open for tax audit for a period of 5 years, all the Romanian companies of the Group having this period open. The management considers that the tax liabilities included in these financial statements are adequate.

In accordance with the requirements issued by the Ministry of Public Finance in Romania, which relate to the fiscal treatment of the items of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts due to their nature, should the Group change the destination of the statutory reserves in the future (to cover losses or to make distributions to the shareholders), this will lead to additional income tax liabilities.

Seamless steel tubes originating in Romania with outside diameter less than or equal to 114.3 mm and intended for use as pipe, standard or high pressure applications are subject to anti-dumping duty, applicable to imports into the United States. This fee is applicable since 2000, differentiated by each manufacturer – TMK-Artrom with a percentage of 13.06%. TMK-Artrom supply of such products are minor and not a target product for the US market, TMK-Artrom SA, not taking part in the previous administrative review investigations.

On 7 August 2018, the Commerce Department of the United States published a notice regarding the opportunity to review the fees stated above. Being the end of a new period allowing the revision administrativa at the request of interested parties, in October 8, 2018, was initiated the review of the fees outlined above, including TMK Artrom SA.

TMK-Artrom decided to participate voluntarily and seek reduction/elimination of the fee even if the amount of such pipes delivered on US market is small during the investigated period. During the period 01 August 2017 - 31 July 2018 the deliveries do not exceed 500 tons, a small volume compared to the total volume of pipes shipped in the US. Following this investigation, the American Commerce Department may decide to reduce anti-dumping duty, the elimination or maintaining it up to date 01 September 2021, the expiration date of the current antidumping decision. Non-participation in this request from the Department of Commerce of the United States would impact in the increase of the tax if in the dumping investigation procedure an equivalent country with higher costs would be selected.

31. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of TMK-Artrom decided on 28 November 2018 to approve the acquisition by TMK-Artrom of all the shares held by TMK Global SA as sole shareholder in TMK Italia s.r.l. The transaction was not completed in 2018. The shares purchase agreement was executed on 5 February 2019 at the price approved by the Board of Directors.

The price for the acquisition of 50.000 shares, with a nominal value of EUR 1 each, representing 100% of share capital of TMK Italia s.r.l., is of EUR 1,730,800, meaning EUR 34.61 each share. The price was agreed by TMK-Artrom and TMK Global SA based on the valuation report issued by DARIAN DRS SA on 27 November 2018 which valued the shares taking into consideration the value of the shares at 31 October 2018.

The price is to be paid by TMK-Artrom from its own resources within 90 days from the date of the execution of the relevant shares purchase agreement by TMK-Artrom and TMK Global SA.

Date: 1st March 2019

Chief Executive Officer,
Ing. Popescu Adrian

Chief Economical and Accountancy Officer,
Ec. Văduva Cristiana