



TMK-ARTROM S.A.

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

ADMINISTRATION REPORT

Concerning the financial year 2014, prepared in accordance with ORDER MFP 881 and 1286/2012 with subsequent amendments and completions regarding the Accounting Regulations in accordance with International Financial Standards, Law no. 297/2004 regarding the capital market and NSC Regulation no. 1/2006

1. The Company's activity analysis

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

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

The company is privately owned company.

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

b) Specifying the date of establishment of the company;

TMK - ARTROM SA Slatina was established in 1982 and is registered with the Trade Registry under no. J28/9/1991.

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

The company is administrated by a Board of Directors consisting of five members and is operationally managed by a Management Board composed of 4 members.

The President of the Management Board is the Chief Executive Officer and member in the Board of Directors and represents the company in the relations with third parties. The other three members of the Management Board are Executives Officers and are not members of the Board of Directors. The Management Board drew in the collective leadership three more executives forming a College Management Board which is composed by the members of the Management Board and other three executives officers

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

Not applicable

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

In 2014 there were no significant acquisitions and/or disposal of assets.

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

1.1.1. General assessment items:

In accordance with OMFP no. 881 dated 25 June 2012 on the application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards, starting with financial year 2012, companies whose securities are admitted to trading on a regulated market are required to apply International Financial Reporting Standards (IFRS) in preparing individual annual financial statements, approved by Order of the Deputy Prime Minister, Minister of Public Finance no.

ISO 9001
ISO 14001
OHSAS 18001

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

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

PED 97/23/EC
EN 10297

EN 10210-1,2
EN 10255

DIN 1629
EN 10210

ISO/TS 16949

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

1.286/2012 for approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market .

For all periods up to the year ended 31 December 2011, inclusively, the company prepared the financial statements in accordance with the Romanian accounting standards under the Order of the Ministry of Public Finance no. 3.055/2009. The financial statements for the year ended 31 December 2012, are the first financial statement prepared in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("UE").

Therefore, the company prepared financial statements under IFRS since 1 January 2012, complying the methods from the accounting policies.

For preparing these financial statements , the opening balance sheet has been prepared on 1 January 2011, the date of transition to IFRS, under IFRS 1.

Standalone financial statements of the entity have been prepared in accordance with Order no. 1286/2012 for approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent amendments and clarifications. These provisions are in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), except as provided in IAS 21 The Effects of Changes in Foreign Exchange Rates on functional currency.

For the year 2014, the third year of application of IFRS the statement of the financial position , part of the annual financial statements ended at 31 December 2014, contain relevant information to the end of the reporting financial year, the end of the previous financial year of the reporting one: the statement of the comprehensive income contain two columns of information , corresponding to the financial year (reporting) and financial year previous of the reporting one.

According to the balance sheet prepared under Orders OMFP 881/25.06.2012, OMFP 1286/1.10.2012; OMFP1690/12.12.2012, OMFP 213/15.02.2013, OMFP 2067/24.12.2013 and OMFP 65/22.01.2015 the company registered the following indicators as at 31.12.2014:

lei

	2014	2013
Profit before tax	47.716.270	13.123.730
Net accounting profit of which:	40.617.555	11.821.386
Operating profit	60.418.219	29.030.732
Financial loss	12.701.949	15.907.002
Exceptional result	0	0
Current income tax expense	8.449.600	4.870.741
Deferred income tax - income	1.785.081	4.100.101
Deferred income taxes - expenses	434.196	531.704
Turnover	972.488.567	876.753.359
Export	74%	78%
TOTAL COMPREHENSIVE INCOME	997.754.947	914.812.527
TOTAL COMPREHENSIVE COSTS	950.038.677	901.688.797
Share from domestic market - owned	25,5%	33,5%

Liquidity	2,53	1,87
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The profit of the year 2014 increased compared to the profit of year 2013 due to increase of the turnover and decrease of the financial costs (interests).

1.1.2. Assessment of the technical level of the company

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

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

The main products manufactured:

1. Mechanical pipes
2. Seamless steel pipes, for boilers and high temperature
3. Seamless steel pipes, for services at low temperature
4. Plain end pipes for pipelines
5. Pipes for jacks
6. Precision pipes, seamless
7. Seamless pipes for water and gas installations.

Compared with the same period of the previous year are presented the following:

STATEMENT OF REVENUES		LEI		Increase with	Degree of achievement
		31.12.2013	31.12.2014	%	%
1	Revenues from the trade activity	86.832.606	89.465.093	3	103
2	Sold production	792.841.292	886.387.257	12	112
3	Trade discounts granted	2.920.539	3.363.783	15	115
4	Turnover	876.753.359	972.488.567	11	111

The total turnover increased with 11% in 2014 compared with 2013 due to the increase of the turnover from the sold production with 11,8% and by the increase of sale of goods with 3%.

Turnover of sold production increased due to increased physical volume of sales of pipes from 177.549 tons to 190.158 tons (an increase with 7,1%) also by the average selling price of these with 4,3%.

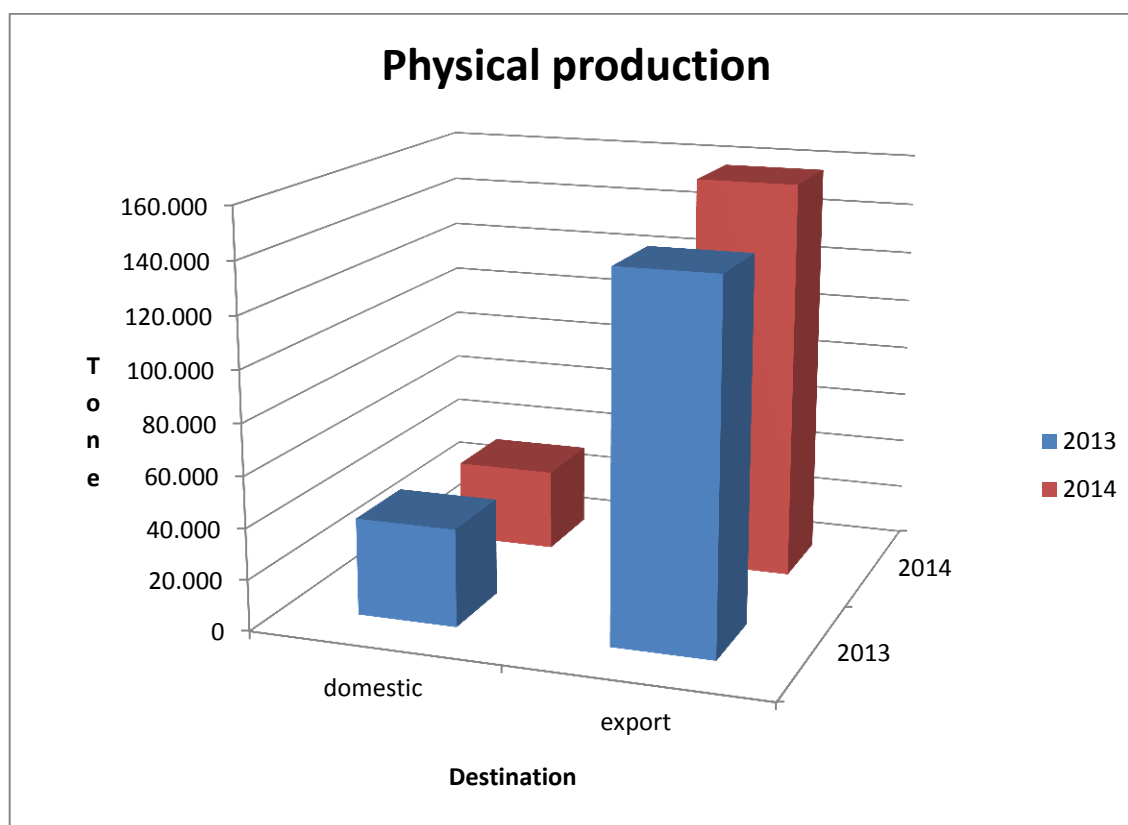
The volume of sale of goods increased in 2014 with 3% due to the domestic sale and export of 43.780 tons (in 2013: 37.380 tons) metallurgic products (billets, rectangular billets, pipes) purchased from the company within the group.

The production volume of tubes (production TMK-ARTROM) sold in the total turnover in 2014 is of 87,17% (in 2013: 86,52%)

The company registered in 2014 a physical production of 189.130 to tubes.

The volume of production has the following structure:

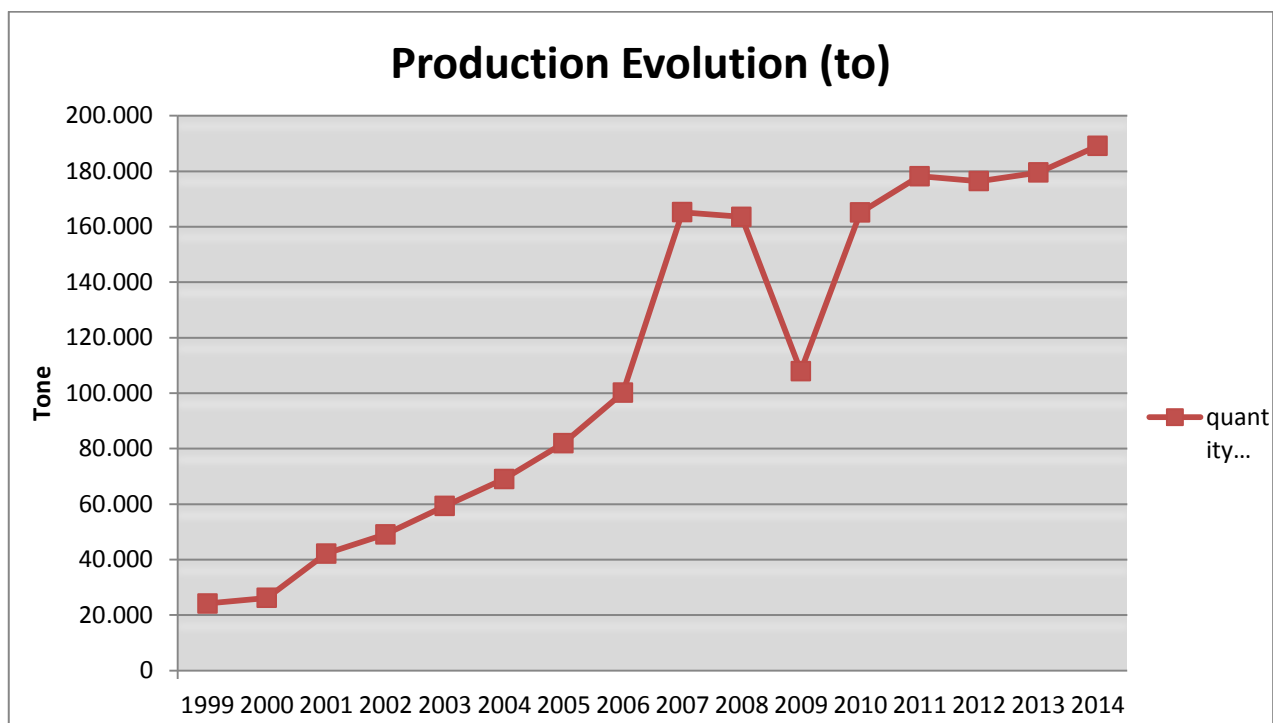
		2013	% total production	2014	% total production	Degree of achievement %
Physical production of which:	tons	179.553	100	189.130	100	105
Domestic	tones	38.200	21	32.188	17	84
Export	tons	141.353	79	156.942	83	111



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

year	quantity (to)
1999	24.177
2000	26.174
2001	42.153
2002	49.121
2003	59.315
2004	69.079
2005	81.955
2006	100.147
2007	165.196
2008	163.519

2009	107.936
2010	165.095
2011	178.210
2012	176.385
2013	179.553
2014	189.130



STRUCTURE OF PIPES SALES IN 2014

Destination	Year 2013		Year 2014		Increase of	
	tons	lei	tons	lei	% tons	% lei
Domestic market	37.414	150.663.950	32.032	130.758.051	-14,4	-13,2
export total (intercommunity deliveries and export)	140.135	607.919.271	158.126	717.008.393	12,8	17,9
total pipe sales	177.549	758.583.221	190.158	847.766.444	7,1	11,8

The pipes sales in the domestic market in 2014 had a total share of 13,4% in total turnover and a share of 16,8% in total quantitative sales of pipes.

The pipe sales on export in 2014 have a total share of 73,7% in total turnover and a share of 83,2% in total quantitative sales of pipes.

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

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

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

The raw material stock as at 31.12.2014 decreased compared to 31.12.2013 from 19.578 tons to 14.536 tons.

TMK-ARTROM SA provided the financing of production of TMK RESITA SA through trade advances granted for delivery of billets to TMK-ARTROM which were in amount of 131.866.156 lei (without VAT) as at 31.12.2014 (as at 31.12.2013: 123.393.647 lei (without VAT)).

1.1.4. Assessment of sale activity

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

depending on the final destination of goods, the turnover of TMK-ARTROM is as follows:

	<u>Year 2013</u>		<u>Year 2014</u>		Increase with
<u>Sale of pipes production TMK-ARTROM of which:</u>	lei	%	lei	%	%
Domestic market	150.663.950	19,9	130.758.051	15,4	-13,2
Europa	490.009.218	64,6	502.381.381	59,3	2,5
North America	109.001.888	14,4	202.560.918	23,9	85,8
Other areas	8.908.165	1,2	12.066.094	1,4	35,4
Total sale of pipes production TMK-ARTROM	758.583.221	100	847.766.444	100,0	11,8
<u>Sales of other goods and services of which:</u>					
Sales of other goods on domestic market	40.043.735	33,9	119.912.786	96,1	199,5
Sales of other goods on external market	77.403.137	65,5	4.162.112	3,3	-94,6
Rendering services on domestic market	566.795	0,5	600.685	0,5	6,0
Rendering services on external market	156.471	0,1	46.540	0,0	-70,3
Total sale of other goods and services	118.170.138	100	124.722.123	100,0	5,5
Total turnover	876.753.359		972.488.567		10,9
Total sale on domestic market	191.274.480	22	251.271.522	26	31
Total sale on external market	685.478.879	78	721.217.045	74	5

Sales were achieved in 2014 directly and through traders related companies as follows:

- In Romania and area East Europe directly ;
- In North Europe through the trader TMK-EUROPE from Dusseldorf, the main shareholder as well through trader TMK-EUROPE for existing orders ongoing at the beginning of the year;

- c) In South and West Europe direct sales but using as agent TMK-ITALIA from Lecco
 d) In USA through TMK-IPSCO from Houston, and in Middle East respectively through TMK-Middle East – Dubai and directly to customers.

Since October 2011 TMK ARTROM gave up selling by traders TMK-ITALIA and TMK-Global. TMK-ARTROM concluded an agent contract with TMK-ITALIA and sell directly to customers from South and West area from Europe which in previous years have been customers of TMK-ITALIA.

Starting with January 2014 the sales were made by TMK-ARTROM directly to customers from Central and North Europe as a result of concluding an agent contract with TMK EUROPE GmbH in November 2013.

Agents does not conclude commercial act in the name and behalf of TMK-ARTROM.
 On medium and long term it is envisaged increasing the share of high value added products.

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

The main sale market of the TMK-ARTROM goods is Europe. TMK-ARTROM's market share in European union (28) is about 6,99% from the seamless pipe market.

The main competitors on the regional market are:

MITTAL PETROTUB ROMAN
 TEANARIS SILCOTUB ZALAU

The market share of TMK-ARTROM on the domestic market decreased in 2014 to 25,5% compared to year 2013 when was 33,5%.

On the external market in the rest of Europe the main competitors are Vallourec Mannesmann, TENARIS Dalmine – Arcore, Vitkovice, Tubos Reunidos, Eschweiller, Interpipe Ukraine.

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

Not applicable.

1.1.5. Assessment of the aspects related to employees / staff of the company

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

The effective number of employees as at 31.12.2014 was of 1269 employees increased with 42 employees compared with the staff registered at the end of 2013 of 1227 employees.

The remuneration of employees is paid in lei under the provisions of the Collective Labour and relevant legislation. Thus wages were updated half early based on the growth of the inflation rate, and are guaranteed in percentage of 90% regardless of the volume of production achieved, which transform this part of the cost from a variable cost in a fixed cost.

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

The staff is part of Trade Unions at 90%.

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

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

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

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

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

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

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

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

The environmental aspects identified are:

- General environmental aspects
- Significant environmental aspects.

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

- The own procedure for identification and determination of the environmental aspects
- Studies conducted by the authorized institutions regarding the impact of the company activity on the environmental factors;
 - Legislation in force;
 - Records of corrective and preventive measures outlines after the special inspections performed by the Environmental Protection Agency Olt, Water Management System Olt, Territorial Labor Inspectorate, Public Health Department;
 - Records of the measures imposed by permits: permit water management and environmental permit;
 - Analysis bulletins resulted after measurements made on environmental factors (water, air, soil);
 - Complaints.

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

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

In order to ensure access to appropriate regulations in force (including those related to environmental issues), TMK-ARTROM is subscribed to the "Official Gazette" in electronic format. There is also available a legal software on Intranet.

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

Through these plans it is ensured that responsibilities are set and resources necessary to achieve the established environmental objectives are estimated.

The planning activity of environmental management includes:

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

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

1.1.7. Assessment of research and development activity

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

The research expenses performed registered an increase of 47% compared to previous year and were performed for the development of hot rolling technology in Workshop no. 2 – CPE for steel type 13 Cr, in cooperation with RosNITI.

For the next financial year is provided a higher volume of research works, for development of new products and in order to improve the technological process in rolling mill reducer in Workshop No. 2 – CPE.

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

1.1.8. Assessment of the company activity regarding the risk management

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

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

The activity of TMK-ARTROM S.A. in 2014 tried to reduce as much possible the company exposure on the market, credit, liquidity and treasury risk.

The company was not exposed to internal risks:

The risks related to supply and trade (agreements which could not be met by suppliers, narrowing the market) were reduced by the fact that the sole supplier of raw material is TMK-RESITA company within the group, and 85% of production is designated to export, 25% performed through companies within the group OAO TMK (related with the main shareholder TMK EUROPE) and the rest directly to the customers which mainly were performed previous through traders which became trade agents TMK ITALIA and TMK EUROPE.

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

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

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

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

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

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

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

In order to limit the credit risk , the company concluded on 1 October 2012 with COFACE S.A. an insurance contract default risk for almost the entire portfolio of sales to third parties by Coface SA. In 2013 the company decided to maintain the insurance contract for the non-payment also with Coface but this time with the German subsidiary which could granted a smaller insurance premium in the same condition with

the previous year. In December 2014 it was decided to extend for another year the insurance contract concluded with Coface GERMANY. The credit limit granted by Coface covered to external 73% from the limits required, and the domestic market 61,5% from the required limits. Thus as at 31.12.2014 68% of insurable receivables were covered by the insurance policy.

The technological risks (unable acquisition of modern technology due to the problems mainly related to financing activities) have not exist because the company did not completed the major investments. For the next period the company has launched a new investment program designed to increase the added value of production and diversification level of service to customers.

In 2014 TMK-ARTROM not faced with these types of risk:

1. risks due to human factors (strikes, incompetent)
2. information risk (inability to keep pace with new market trends)

In 2014 the reduced demand for pipe and global overproduction led to an increasing market competition and increasing pressure on prices.

Since the second half of the year , the situation in the European market has become increasingly difficult. Customers only ordered the necessary of pipes which could deliver in a short time to final users thus trying to maintain their stocks of pipes on a lower level as well the cost of their activity related to stock to be kept as minimum. Consumption on the market has not been one constant and that is why our customers have not been able to work on the basis of system that provides orders in a regular basis.

The European pipe market was affected in a second half of the year also by the crisis from Ukraine, but many European companies which exported goods in Russia on to which manufacturer is used pipe, were affected by these restrictions which have been imposed to Russia following this conflict – one of the markets which was affected by this conflict is the one of the precision pipes which are used for agricultural machinery which were exported in a large number in Russia, for which the demand decreased with 20-25% previous year. Moreover, the Ukrainian pipe manufacturers have turned more and more to the European market because the local market consumption decreased greatly after stopping investments and because they could not export to Russia.

Market pipe globally, respectively the industrial pipe was impacted by the decrease by more than 50% of a barrel of oil in the last months of 2014 which led to a strong reduction of investment in oil and gas extraction. By reducing investments in this area has been affected demand for OCTG pipe and in these conditions OCTG pipe manufacturers have targeted industrial pipe production capacity by creating greater pressure on the prices of these products and a higher competition on market.

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

In order to protect against the risk of price TMK-ARTROM sets the selling price of products, from price calculation through negotiation with business partners according to prices from retail markets in order to ensure breakeven.

At the beginning of the year there are concluded framework agreements for the sale of the export products with trade houses in the group for TMK IPSCO USA, TMK Middle East UAE.

End customers send orders through distribution channels, the order fulfilment time being of approximately 45 days for hot products and 60 days for the cold ones, and the price for each order is determined according to catalogue prices on markets.

The sales analysis is always watching all value influences of quantity, structure and price.

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

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

Foreign exchange risk management has as its object and minimize losses that may arise from variations in exchange rates.

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

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

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

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

TMK-Artrom concluded with BCR a framework contract "Master Agreement ISDA / 17.11.2011" through which runs forward transactions but also other transactions with BCR up to 3.000.000 EURO treasury line.

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

During 2014 TMK-ARTROM had concluded also with UNICREDIT TIRIAC BANK a treasury line up to 2 million euro to carry out FORWARD transaction.

The company concluded in 2014 an agreement on derivatives operations on exchange rate transaction which were treated under IFRS as hedging operations.

The agreement was concluded with UNICREDIT TIRIAC BANK in 5.09.2014 for the sale of 1.000.000 USD in 27.10.2014 on a negotiated exchange rate of 3,4050 USD/RON

1.1.9. Elements of perspective on company business

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

- Growth of the EURIBOR rate, on the fund of the emphasis of the ECONOMIC AND FINANCIAL CRISIS, could affect both liquidity and the level of financial losses from interest
- Increase duration of collection of receivables for the sales of pipes as a result of maintaining the economic and financial crisis.
- Decreased duration of payment of suppliers as a result of market conditions imposed by utility providers;
- Oscillations of the exchange rates.

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

Capital expenditures were in 2014 of 43.276.241 lei and had as main destination equipment to increased value added of products.

Considering the provisions of Government Emergency Ordinance no. 19/2014 amending and supplementing Law no. 571/2003 regarding the Fiscal Code, in 2014 the company benefited from the profit tax exemption for reinvested profit in technological equipment purchased and put into operation in the fourth quarter, amounting to 1.409.361 lei.

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

n/a

2. TANGIBLE ASSETS OF THE COMPANY

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

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

- Workshop no 1 ASSEL: Hot rolling and finishing line for hot rolled pipe with heavy wall thickness in range of 60-224 mm , ASSEL type (120,000 tons / year) composed by several stands in line.

- Workshop no. 2 CPE: The rolling and finishing CPE (Cross Piercing Elongator) with a capacity of 100,000 tons / year. The line was commissioned on December 31, 2006, at first with only 80% of its capacity. In 2007 we continued the investment process so that the mill's production capacity reached 100,000 tons. It produced pipes in the range of 12,5 - 114,3 mm.
- Workshop no. 3 for cold drawn/rolled pipes is composed mainly of a series of cold rolling mills: LAPIR Pilger mill type 50, 75, SKW 75 automatic Pilger mill and Pilger mill HPT 250 and drawing benches 15 tj, 30 tf, 45 tf, 50 tf, 150 tf. Also, the department is equipped with pipe finishing and delivery machines. It has a production capacity of 28,000 tons / year and can provide cold processing of pipes with diameters between 17 and 220 mm for the construction and manufacture of bearings.
- Workshop no. 5 - ACH pipes for hydraulic cylinders: is the newest and most modern department within the company, with processing machine the newest available on the market, with a capacity of 32.300 tons/ year. Workshop is the first investment in further processing operations for part of the pipes produced by other departments in order to increase value added and / or approach of some new market segments. The first product assimilated in this section consists of tubular pieces obtained by precision cutting of pipes. These products are mainly for the automotive industry. In 2014 was put into operation an equipment which debits tubular pieces on a precise length dedicated to the automotive industry. During 2015 the company will complete the equipment of this section.

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

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

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

The theoretical wear is generally low because times of life have changed for older machines the term of which would have expired on 31.12.2004 if the physical term of functioning and production of future income can be extended by 20-30 years.. also are new assets from import .

The capacity situation is as follows:

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

During 2014 the current repairs were made to the technological development of the designed parameters, and repairs to equipment and buildings which have been recognized in the carrying amount of tangible assets amounting to 10.651.654 lei.

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

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

3. MARKET SECURITIES ISSUED BY THE COMPANY

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

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

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

The registered capital as at 31.12.2014 is of 291.587.538,34 lei, split in 116.170.334 shares, in nominal value of 2,51 lei each.

The structure of shareholders as at 31.12.2014 is the following:

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

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

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

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

Shares are registered, embodied, numbered.

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

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

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

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

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

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable

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

The ordinary General Meeting:

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

The Extraordinary General Meeting decides:

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

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

Not applicable

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

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

Not applicable

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

According to individual contracts

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

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

The Board of Directors propose the distribution of accounting profit of year 2014, in amount of 40.617.554,59 lei as follows :

1. legal reserves 2.385.813 lei of which:
 - 2.315.345 lei, under law 31/1990, at least 5% from annual gross profit (but no more than 20% from the share capital);
 - 70.468 lei legal reserve , related to the reinvested profit under the provisions of art. 19⁴ exemption from taxation of reinvested profits (effective since 1 July 2014) of Law 571/2003 "Fiscal Code";
2. " Other reserves for reinvested profit " 1.338.893 lei representing the reinvested profit in technological equipment – machinery, equipment and working installations under the provisions of art.

19⁴ exemption from taxation of reinvested profits (effective since 1 July 2014) of Law 571/2003 "Fiscal Code" ;

3. Coverage of accounting loss from previous years 9.916.468,15 lei;
4. retained earnings of the difference of undistributed profit of 26.976.380,44 lei.

Uncovered accounting losses from the previous years related to the activity in the balance on 31.12.2014 are in amount of 11.470.643,15 lei.

Retained earnings from changes in accounting policies as a result of changes of IAS 19 Revised profit - in amount of 1.554.175 lei , in the balance on 31.12.2014, is proposed to cover the actuarial accounting losses from previous years.

So after the approval of profit allocation in April 2015, uncovered accounting losses from previous years related to the activity are 0 lei (11.470.643,15-9.916.468,15-1.554.175= 0 lei).

Considering the provisions of OMFP 1690/12, 12.2012 supplementing and amending OMPF 1286/2012 and OMFP 213/15, 02.2013 supplementing OMPF 1286/2012 for approving of the Accounting Regulations in accordance with international financial reporting standards applicable to companies whose securities are admitted to trading on a regulated market articles:

"129¹. - Accounting loss earnings from the transition to IFRS implementation, the first adoption of IAS 29 and that resulting from the use of, to date of transition to IFRS implementation, the fair value as deemed cost, cover of equity, according to the General shareholder meeting in accordance with the law."

„129². – In applying of these rules, shareholders' equity that can be used to cover deferred accounting loss include amounts reflected in the credit of the account 1028 "Adjustments to capital."

Retained earnings representing a loss derived from the first time adoption of IAS 29 „ Financial reporting in hyperinflationary economies “, in the balance as at 31.12.2014 is in amount of 6.158.919,42 lei.

The Board of Directors proposes that accounting losses carried forward from the transition to IFRS and application of first adoption of IAS 29 in the balance on 31.12.2014 in total amount of 6.158.919,42 lei from retained earnings representing the surplus achieved from the revaluation reserves performed after 1.01.2004 taxes in the income statement under OUG 34/2009 starting with 1.05.2009, elements as taxable income (2014) enclosed in the deemed cost to the transition to IFRS restatement 1.01.2011.

After approval of their coverage in April 2015 , the retained earnings representing accounting losses from the first time adoption of IAS 29 „ Financial reporting in hyperinflationary economies “ will be 0 lei.

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

Not applicable

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

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

The company has the following secondary offices:

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

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

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

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

Not applicable

4. BUSINESS LEADERSHIP

Corporate governance.

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

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

Since 1 March 2006 TMK-ARTROM S.A. is part of the TMK Group (OAO TMK) and it is controlled by the German company TMK-EUROPE which has itself as sole shareholder the Russian company OAO TMK.

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

Of the same group of companies is part TMK-RESITA as well, but according to the Order of Ministry of Finance no 1286/2012 should not be prepared consolidated financial statements.

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

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

This approach improves the Company's credibility in the eyes of investors, partners and state authorities. The corporate governance of TMK-ARTROM evolved positively over time and it is in a continuous process of modernization in accordance with international standards.

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

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

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

Not applicable

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

Internal control - process conducted by the Board of Directors, management and staff of the entity, intended to ensure the achievement of the Companies' objectives, taking into consideration:

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

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

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

Internal audit is carried out under the provisions of the Article 20 of the Ordinance no.75/1999 on financial audit aimed objective examination of the whole economic activity of the entity in order to provide an independent evaluation of risk management, control and management of its processes.

Internal audit objectives agreed with the company's management and Audit Committee of the Council's administration according to the law in force, are:

- a) verifying the compliance of activities from the entity being audited with policies, programs and its management, in accordance with legal provisions;
- b) assessing the adequacy and application of financial and non-financial controls arranged and conducted by management in order to increase the efficiency of the economic entity;
- c) assessing the appropriateness of the data / information management for financial and non-financial entity knowledge from economic reality;

d) protecting property and off balance sheet items and identifying methods to prevent fraud and losses of any kind..

To ensure an effective system of risk management and compliance (compliance) with the international regulations in force during 2014:

- was developed and implemented a formalized risk management process, which ensures the identification, assessment and control of risks in TMK-Artrom SA.,
- through the Code of Conduct (available on the website of TMK-Artom SA) were based rules (standards) of ethical behavior and professional employees and company employees must observe and apply them:
 - in the activity carried within the Company in accordance with the values and objectives of the Company to maintain a positive organizational climate;
 - in business carried on outside the company, the relationships we develop with all types of partners to develop awareness and maintaining the Company's reputation.

At the end of 2013 it was concluded an agreement (brokerage mandate) with Marsh Insurance Reinsurance Broker, world leader in insurance brokerage and risk consulting, through which will be achieved:

1. Audit risk and build a report through which highlight the major risks facing the company and risk mitigation measures;
2. Identify transferable to insurance risks;
3. Request solutions in the market insurers, negotiating offers, presenting a comparative report options available for TMK ARTROM;
4. Administration insurance program (notifications, terminations, renewals);
5. Assistance in case of damage and assist in the recovery of damages and consultant on every event.
6. Regular reporting and information regarding the insurance market changes from Romania and not only.

In accordance with the Accounting Law no 82/1991 and OMFP no. 522 dated 16 April 2003 (updated) for the approval of the General Methodological Norms regarding the exercise of preventive financial control, the preventive financial control decision no .325 dated 8.11.2011, by which the organization and exercise the preventive financial control in the company was regulated.

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

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

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

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

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

General meetings are ordinary and extraordinary.

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

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

f / appoints or revokes the financial auditor and sets the minimum term of the audit agreement.

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

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

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

As at 31.12.2014 the company is administrated by a Board of Directors composed of:

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

The present Board of Directors have mandate since 28.04.2014 till 28.04.2018.

Responsibilities of the Board of Directors :

Responsibilities of the Board of Directors:

The Board is charged with performing all the necessary and appropriate actions so as to achieve the object of activity of the Company, except for the powers reserved exclusively to the General Meeting of Shareholders or the powers delegated to the mandated officers of the Company.

The Board has the following core competencies that cannot be delegated to managers:

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

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

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

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

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

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

Marous Josef- Chairman of the Board of Directors

a) CV

Name: Josef

Surname: Marous

Born: 29.05.1949 in Louny

Nationality: French

Languages: German, English, Russian, French, Czech, Spanish

Marital Status: married, 1 son

Adress: Schöllerstrasse 1b, 40625 Düsseldorf, Germany

Education: Johann Wolfgang Goethe University, Frankfurt am Main, Germany, 1971-1976

Economic Faculty, University title: Diploma-Kaufmann

Work: Controller at Lurgi GmbH, Frankfurt/Main 1977-1980

Chief of sales dept. for Middle East at BBC AG, Mannheim 1980 – 1984

Head of Representations of Otto Wolff AG, Thyssen AG and ThyssenKrupp AG in Moscow, Russia 1984 – 2009

Member of the Board of OOO ThyssenKrupp Elevator 2003 – 2010

Member of the Board of OOO ThyssenKrupp Materials 2006 – 2009

Member of the Board of OOO Polysius 2007 – 2009

Member of the Board of OAO Pipe Metallurgical Company (TMK) 2005 – 30.06.2011 (chairman of the strategy committee, member of the nomination and remuneration committee)

Chairman of the Engineering and Manufacturing Committee of the European Business Club in the RF 2002 – 2004

Chairman of the Automotive Components Committee of the Association of European Businesses in the RF 2005 -2006

Member of the Independent Directors Association of Russia 2008 – 2011

Deputy General Director of TMK-present

Chairman the Board of Directors TMK-ARTROM-2011-to the present

Chairman of the Board of Directors: 2011 – to the present

b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;
not applicable

c) Participation of the director to the capital of the company;
not applicable

d) list of affiliated persons to the company.

Mr. Josef Marous has also been holding the positions of "Vorsitzender der Geschäftsführung" (Chairman the Board of Directors) in TMK EUROPE GmbH (majority shareholder of TMK ARTROM) and of Chairman of the Board of Directors in TMK-Italia

Adrian Popescu- Chief Executive Officer

a) CV

Last name: POPESCU

First name: ADRIAN

Date and place of birth: April 21, 1961, commune of Nadrag, Timis

Civil status: Married

Nationality: Romanian

Citizenship: Romanian

Languages: English, French

Education:

- In 1985 he graduated from the Polytechnic Institute "Traian Vuia" of Timisoara, Faculty of Mechanics, Department of Machines Manufacturing Technologies, specialization of Technological Processes Automation / CNC machine tools

Professional activity:

- 1985-1988 - trainee engineer at Slatina Pipe Company (currently TMK-ARTROM)
- 1989-1990 - Chief Engineer Maintenance Department – Trainee Chief Mechanical Engineer at Slatina Pipe Company (currently TMK-ARTROM)
- 1991 - Chief Engineer Refurbishment- Investment Service at ARTROM
- February 1992 - September 1992 - Technical Manager at ARTROM
- September 1992 - June 1998 – General Manager and Chairman of the Board of Directors of ARTROM
- June 1998-April 1999 – General Manager SC L& IS Galati, AUSA Group
- April 1999-2009 - President of TMK-ARTROM
- 2004-2009 - president TMK-RESITA
- Starting May 2009 - General Manager of TMK-ARTROM and TMK-RESITA. It has also been holding the positions of Geschäftsführer in TMK Europe and the one of Administrator in TMK-Italia.

b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;
not applicable

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

Mr. Popescu Adrian held a number of 4981 shares from which 457 shares are restricted on the requirement of the company being established as guarantees under the provisions of art. 140 from Law 31/1990.

d) list of affiliated trading company.

Mr. Popescu Adrian is the Chief Executive Officer of TMK-RESITA SA, Geschäftsführer (Managing Director) at TMK-Europe and Administrator at TMK-Italia, all affiliate companies

Andrei Zimin

a) CV

Andrey A. Zimin is employed in TMK since 2004.

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

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

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

Since 2012, Mr. Zimin is Deputy General Manager of Legal Issues to OAO TMK

b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;
not applicable;

c) Participation of the director to the capital of the company;
not applicable

d) list of affiliated trading company.

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

Surif Mikhail

a) CV

NAME: SURIF

SURNAME: MIKHAIL

Date and place of birth: 31.01.1984, Sverdlovsk

Civil status: Married

Nationality: russian

Citizenship: russian

Languages: English

Education :

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

Professional activity:

08.2013 – to date

OAO TMK- is Director of Economical and Planning Directorate

09.2009 – 08.2013

OAO TMK- Head of Budgeting Enterprises - Key and Consolidation

04.2007 – 08.2009

Sinara Group- Specialist
Department of Planning and Investment Control

b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;
not applicable;

c) Participation of the director to the capital of the company;
not applicable

d) list of affiliated trading company..

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

Parkhomchuk Andrey Vladimirovich

a) CV

NAME: PARKHOMCHUK

SURNAME: ANDREY VLADIMIROVICH

Date and place of birth: 21.10.1972, Komi Republic, Pechora district , Kozhva

Civil status: Married

Nationality: russian

Citizenship: russian

Languages: English, Franch, Ukrainian

Education:

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

Professional activity:

07.08.1989 – 22.03.1991	“Teplopribor” Chelyabinsk Factory
7.08.1989	Milling Machine Operator Trainee
2.01.1990	3 rd Category Milling Machine Operator
17.07.1995 – 17.12.2001	“Mechel” Chelyabinsk Metallurgical Factory
	OJSC
17.07.1995	Design Engineer in Milling Department, design and estimate Department
29.04.1997	III Category Engineer of Market Forecast Office in Marketing Department , Sales and Marketing Service
07.07.1997	II Category Engineer of Assortment in Marketing Department, Sales and Marketing Service
25.01.1999	Director of Opportunity Analysis, marketing Segmentation
26.12.2000	Deputy Director of Quality Metal Sales Department of Sales Direction
18.12.2001 – 31.05.2004	“ Uglemet – M” LLC / “ Mechel Trade House” LLC
18.12.2001	Director of Beloretsky subsidiary
1.10.2002	Director of Metal Goods Department
01.06.2003	Deputy Sales Director
01.06.2004 – 31.01.2006	“Mechel Steel Group” OJSC / “MECHEL” OJSC
01.06.2004	Director of Metal Production Sales Department
16.01.2006	Senior Vice President of Sales and Procurement
01.02.2006 – 30.06.2006	“Mechel UK” LLC
	Senior Vice President of Sales and Procurement
10.08.2006 – 23.03.2010	TOV “ METINVEST HOLDING”
	Sales Director of Steel and Milling Division
02.07.2012 – to date	<<Trade House <<TMK>> Closed Joint Stock Company
02.07.2012	First Deputy Director General, Management

b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;
not applicable

c) Participation of the director to the capital of the company;
not applicable

d) list of affiliated trading company.

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

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

- a) the period for which the person is part of the executive management;
- b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;
- c) the person's participation in the company capital.

The management privileges & powers of the Company are delegated by the shareholders through the Inc Deed to the Chief Executive Officer and to three of the CEO's deputys, namely:

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

The Chief Executive Officer following its powers and privileges expanded the powers of the Management Board to the College Executive Board, as advisory body and internal collective decision composed of 7 members as follows:

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

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

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

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

- a) By the Chief Executive Officer acting individually; or
- b) by Chief Operational Officer (first signature) acting together with the Chief Economic and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer,
- c) by Chief Commercial Logistic and Administrative Officer (first signature) acting together with the Chief Economic and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer

also

- d) by Chief Financial Officer (first signature) acting together with the chief Economic and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer or
- e) by Chief Procurement Officer (first signature) acting together with the chief Economic and Accountancy Officer (second signature), under the mandate granted by the Chief Executive Officer.

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

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

a) Members of the Management Board

1. Adrian Popescu – mandate starting 02.09.2011 to 28.04.2018 (GSM decision) ;
2. Vaduva Cristiana – mandate starting 02.09.2011 to 28.04.2018;
3. Drinciu Cristian – mandate starting 02.09.2011 to 28.04.2018;
4. Mustata Valeru – mandate starting 02.09.2011 to 28.04.2018;

The mandates were extended in 28.04.2014.

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

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

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

The following Managers hold shares in the registered capital:

Last name and first name	Number of shares held
Popescu Adrian	4981
Vaduva Cristiana	15005
Mustata Valeru	1275

Mr. Popescu Adrian held a number of 4981 shares from which 457 shares are restricted on the requirement of the company being established as guarantees under the provisions of art. 140 from Law 31/1990.

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

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

5. FINANCIAL STATEMENT

Provision of an analysis of the current financial and economic situation compared to last three years, including at least:

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

b) profit and loss account: net sales, net income or gross income; risk provisions for various expenses; referring to any sale or closure of an activity segment performed last year or to be made next year ; declared and paid dividends;

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

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

BALANCE SHEET ITEMS, in simplified form:

lei			
NAME OF INDICATORS	2014	2013	2012
1. Fixed assets	422.484.440	400.177.895	400.763.962
2. Lands	10.956.921	10.956.921	10.956.921
3. Investments in progress	12.648.245	32.458.920	18.729.789
4. Financial non-current assets	288.350		
5. Other non - current assets	11.371.656	3.505.132	5.035.531
TOTAL FIXED ASSETS	457.890.753	447.285.949	435.636.590

5. Inventories	125.439.860	152.427.445	150.416.733
6. Receivables	203.310.913	208.789.369	184.505.121
7. Advance payments	133.720.091	132.894.909	84.294.462
8. Cash	29.473.937	1.667.297	30.463.476
TOTAL CURRENT ASSETS	491.944.801	495.779.020	450.230.950
TOTAL ASSETS	949.835.554	943.064.969	885.867.540
9. Equity	483.849.390	442.801.175	430.705.644
10. Liabilities: Amounts to be paid within a period of up to one year	194.626.841	264.682.601	112.914.258
11 Liabilities: Amounts to be paid within a period longer than one year	271.359.323	235.581.193	342.247.638
TOTAL LIABILITIES	949.835.554	943.064.969	885.867.540

As at 31 December 2014 tangible fixed assets are stated at cost, net of accumulated depreciation and / or accumulated impairment losses, if any.

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

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

TMK-ARTROM SA used for accounting depreciation of tangible fixed assets the straight-line depreciation method. The estimated useful lives used to calculate accounting depreciation of fixed assets are under the group policy. For the calculation of tax depreciation were used useful lives established under HG 2139/2004 for approving the Catalogue of classification and useful life of the assets. For technological equipment, respectively machinery, tools and equipment (fixed assets group 2), and for computers and their peripherals, which were recorded during 2013 was used accelerated depreciation regime, according to art. 24 Para. (6), point b) of Law no. 571/2003. For transport recorded during 2013 was used digressive depreciation regime, according to art. 24 Para. (6), paragraph c) of Law no. 571/2003. For the calculation of tax depreciation of other fixed assets it was used straight-line depreciation method.

The company's **receivables** have declined in 2014 due to lower duration of collection.

The receivables that the company has to collect decreased from 208.789.369 lei as at 31.12.2013 to 203.310.913 lei as at 31.12.2014, representing:

-lei-	
Trade receivables, from which:	187.749.093
- Amounts to be received from associates	49.837.236
VAT recoverable	16.274.085
Various debtors, of which:	866.957
- Various debtors - related parties	11.041
Receivables towards personnel	480.191
Except for:	
Value adjustments for doubtful receivables	2.059.413
Total	203.310.913

As at 31.12.2014, the company register doubtful debts in amount of 2.540.708 lei for which were made value adjustments amounting 1.396.559 lei.

As at 31 December 2014 TMK-ARTROM SA has to receive from companies within TMK Group trade receivables as follows

Client's name	LEI
TMK IPSCO International SUA	40.963.224
TMK - RESITA S.A.	5.686.786
TMK Middle East UAE	3.182.638
TMK Land SRL Bucuresti	992
TMK Real Estate SRL Bucuresti	2.480
TMK Assets SRL Bucuresti	1.116
Total	49.837.236

The company has to be recovered from the state budget value added tax in the amount of 5.582.422 lei representing refunded VAT returns belonging October and November 2014 of the tax group and 10.255.528 lei representing return of VAT to be reimbursed for December 2014 of TMK-ARTROM SA as a member of the tax group. According to Decision No 2/30.04.2008 issued by NAFA-DGAMC since June 2008, TMK ARTROM tax is representative of the group consisting of TMK- ARTROM SA and TMK RESITA SA. Through decision NAFA nr.22/28.05.2010 was approved maintenance tax group for a period of 5 years. Monthly VAT payment obligation of TMK Resita SA is set-off with VAT refunded through the TMK-ARTROM the VAT tax consolidated group.

Advance payments increased as at 31.12.2014 compared to 31.12.2013 from 132.894.909 lei to 133.720.091 lei.

TMK-ARTROM SA ensured the financing of production activity of TMK Resita SA by trade advances granted for delivery of billets TMK-ARTROM that were in the amount of 131.866.156 lei (without VAT) as at 31.12.2014

TMK-ARTROM SA has to receive from the state budget interest and penalties for unrepayment in term of VAT required for reimburse during period 2009-2010 the amount of 725.881 lei. The amount was definitively gained in court in 2013, it was actually collected in 2014 .

The company updated for inflation of share capital and intangible assets under IAS 29 existing on 31.12.2010 from years before 2003 by applying the inflation index of the period 1990-2003, during which Romania had hyperinflation. Adjustments were recorded through retained earnings account from adopting IAS 29 for the first time.

In April 2013 as approved GMS held on 26.04.2013 was registered covering losses carried forward from the transition to IFRS and first adoption of IAS 29 adjustments of capital (inflation during 1990-2003 and amounts recognized under IFRS), in the amount of 608.093.800,96 lei and from retained earnings reserves representing surplus from revaluation since 1.01.2004 taxed in the tax return according to OUG 34/2009 starting with 1.05.2009, elements as taxable income (8 months 2009+2010+2011) in amount of 8.046.809,36 lei.

The company has applied IAS 19 revised and corrected post-employment benefit liabilities excluding components that were linked to short-term benefits granted to employees and not included in the definition of post-employment benefit. Until 31 December 2012 the Company's policy was to recognize actuarial gains and losses in full in the income statement in the period in which they occurred. After applying this revised IAS 19 these have been reclassified in other comprehensive income and permanently excluded from the income statement. This operation determined registration in the retained earnings of the amount of 1.554.175 lei.

We mention that the registration on the reported result does not influence the financial statements of previous years.

In April 2014, as approved GSM held on 28.04.2014 it was registered covering from the profit of 2013 amounting 11.165.200,08 lei of the accounting losses from the previous years also covering the accounting losses carried forward derived from the transition to IFRS, as well as the adoption of IAS 29 for the first time existing in the balance as at 31.12.2013, in total amount of 23.287.564 lei ($9.592.283 + 13.695.281 = 23.287.564$ lei) from:

- retained earnings representing the surplus performed from revaluation reserves in 2004-2006, which were not recognized for tax purposes (on changing destination are not taxable) in the amount of 5.239.743 lei, included in the deemed costs to transition to IFRS restatement 1.01.2011;
- retained earnings representing the surplus performed from revaluation reserves in after 01.01.2004, taxed in the statement of income tax according to GEO 34/2009 starting with 01.05.2009, elements of nature taxable income (2012 + 2013) in the amount of 11.888.902 lei included in the deemed costs to transition to IFRS restatement 1.01.2011.

The company's total debt decreased from 500.263.794 lei as at 31.12.2013 to 465.986.164 lei as at 31.12.2014 due to the decrease of trade liabilities and bank loans mainly due to reimbursements performed for the long term loans, both according to reimbursement schedule 3.750.000 EURO to BCR, but also in advance 5.000.000 EURO to UNICREDIT TIRIAC BANK.

Bank loans

All loans in foreign currency were evaluated according to available exchange rates as at 31.12.2014. The situation of bank loans at the end of 2014 compared with the previous year is as follows:

Short-term bank loans

Name of the banking company	currency	31.dec.13		31.dec.14	
		balance	balance	balance	balance
		lei	foreign currency	lei	foreign currency
Credit ceiling on instruments -CREDIT EUROPE BANK	LEI	183.480		-	
Credit ceiling on instruments -BANCA TRANSILVANIA	LEI	163.603		-	
Line for financing general needs in n UNICREDIT TIRIAC BANK	EUR	71.157.240	15.866.667	71.115.986	15.866.667
Total short-term bank loans		71.504.323	15.866.667	71.115.986	15.866.667

Long-term bank loans

Name of the banking company	currency	BALANCE as at 31.12.2013					
		amount due		maturity over 1 year		maturity less than 1 year	
		lei	foreign currency	lei	foreign currency	lei	foreign currency
Loan for 5 years BCR ERSTE	EUR	68.671.969	15.312.500	51.854.344	11.562.500	16.817.625	3.750.000

Loan for 5 years VTB BANK AUSTRIA	EUR	0	0	0	0	0	0
Loan for 5 years UNICREDIT TIRIAC BANK	EUR	67.270.500	15.000.000	67.270.500	15.000.000	0	0
Overdraft credit line BCR ERSTE- 3 years	EUR	84.760.006	18.899.816			84.760.006	18.899.816
TOTAL		220.702.475	49.212.316	119.124.844	26.562.500	101.577.631	22.649.816

Name of the banking company	currency	BALANCE AS AT 31.12.2014					
		amount due		maturity over 1 year		maturity less than 1 year	
		lei	foreign currency	lei	foreign currency	lei	valuta
Loan for 5 years BCR ERSTE	EUR	51.824.281	11.562.500	35.016.406	7.812.500	16.807.875	3.750.000
Loan for 5 years UNICREDIT TIRIAC BANK	EUR	44.821.000	10.000.000	44.821.000	10.000.000	0	0
Overdraft credit line BCR ERSTE- 3 years	EUR	84.216.207	18.789.453	84.216.207	18.789.453	0	0
TOTAL		180.861.488	40.351.953	164.053.613	36.601.953	16.807.875	3.750.000

❖ The amount of 71.115.986 lei (equivalent of 15.866.666,62 EURO) is related to an uncommitted credit in total amount of 27.000.000 EURO – contracted with UNICREDIT TIRIAC BANK in 15.10.2013 the contract final maturity is 14.10.2016, which can be used as follows:

- In the maximum amount of 25.000.000 EUR to financing general needs / issue of letters of bank guarantee / letters of credit (revolving credit) with interest rate EURIBOR 1M+1.9%;
- In the maximum amount of 10.000.000 EUR for general expenditure on current account (overdraft) with interest rate EURLIBOR O/N+2.75%;
- In the maximum amount of 2.000.000 EUR for treasury transactions;

The amount of 15.866.666,62 EURO (respectively 71.115.986 lei) used as at 31.12.2014 is composed as follows:

- a tranche of 7.166.666,62 euro drawn on 06.11.2013 with maturity 07.11.2014, but extended for another year for refinancing VTB BANK AUSTRIA loan;
- a tranche of 7.000.000 euro one drawn on 06.11.2013 with maturity 07.11.2014 but extended for another year for refinancing VTB BANK AUSTRIA loan
- two tranches of 850.000 euro each drawn on 03.12.2013 with initial maturity 02.12.2014, extended for another year for financing general expenses

For this loan the company constituted warranties, as follows:

- Pledge without disposal of credit balance accounts / sub-accounts opened at UniCredit, TMK-ARTROM holder;
 - Corporate warranty issued by OAO Volzsky Pipe Plant, in ensuring full and final repayment of any and all amounts that the Borrower and / or the co-debtor are owing to the Bank under this Contract
- This loan is to be repaid within one installment to final maturity.

From this facility TMK-ARTROM S.A. can use as at 31.12.2014 only up to amount of 25.000.000 EURO for financing general needs/ issuance of bank guarantees / letters of credit (revolving credit) for overdraft and treasury line being necessary the approval in GSM in 2015 of the extensions to be used.

- ❖ The amount of 51.824.281 lei (respectively the equivalent of 11.562.500 EURO) is related to loan on 5 years in initial amount of 20.000.000 EURO- contracted with BCR in 03.10.2011, with an interest EURIBOR 3M plus 3,0% used for partial reimbursement of the loan with IPSCO TUBULARS.

Final maturity date is 03.10.2016.

For this loan the company constituted warranties, as follows:

- Pledge without disposal of credit balance accounts / sub-accounts opened at BCR SA , TMK-ARTROM holder;
 - Pledge without disposal of credit balance accounts / sub-accounts opened at BCR SA, owner TMK Resita SA;
 - corporate warranty issued by OAO TMK, to guarantee full and final repayment of any and all amounts that the Borrower and / or the co-debtor are owing to the Bank under this Contract.
- Until 31.12.2014 was reimbursed from this loan the amount of 8.437.500 euro.
In September 2013 interest margin applied near EURIBOR 3M decreased from 3.5% to 3%.

- ❖ The amount of 44.821.000 lei (equivalent of 10.000.000 EURO) is related to an uncommitted credit in total amount of 15.000.000 EURO- contracted with UNICREDIT TIRIAC BANK in 16.11.2011, with an interest EURIBOR 1M plus 3,5% used for the partial reimbursement of the loan with IPSCO TUBULARS.

Final maturity date is 16.11.2016.

For this loan the company constituted warranties, as follows:

- Pledge without disposal of credit balance accounts / sub-accounts opened at UniCredit, TMK-ARTROM holder;
- corporate warranty issued by OAO TMK, in ensuring full and final repayment of any and all amounts that the Borrower and / or the co-debtor are owing to the Bank under this Contract This loan is to be repaid within one installment to final maturity

During 2014 the company decided early voluntary reimbursement of 5.000.000 EURO.

- ❖ The amount of 84.216.207 lei, representing 18.789.453 euro, is related to operating borrowing - credit line multiproduct limited 20.000.000 EURO- contracted with BCR in 03.10.2011, with a validity period of 3 years, with an interest EURIBOR 3M plus 1,9% which is replacing the overdraft of 18.400.000 euro

Final maturity date is 03.10.2017.

For this loan the company constituted warranties, as follows:

Pledge without disposal of credit balance accounts / sub-accounts opened at BCR SA, owner TMK ARTROM;

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

In February 2012 an amendment was concluded through which this loan was converted to a loan contracted by BCR SA, and for this reason at the end of 2012 the loan is considered to be long term, and not short term, as it was deemed at the end of 2011. In September 2013 a new amendment was signed with BCR and overdraft credit facility was transformed into a multi-product that can be used both as overdraft and the ceiling for issuing letters of guarantee and letters of credit and has low fixed interest margin applied near EURIBOR 3M from 3.5% to 1.9% . In 25.09.2014 was signed a new amendment with BCR through which the final validity of the facility was extended until 03.10.2017 with the annual approval of the users. As at 31.12.2014 the company had issued a letter of guarantee in the amount of 500.000 lei in favour of the customs house Slatina.

- ❖ In 17.10.2014 was closed the credit ceiling on uncertified instruments 4.000.000 lei contracted from Credit Europe Bank, with the interest ROBOR 6M+3%.

The final maturity was 17.10.2014.

- ❖ In 17.11.2014 was closed the credit ceiling on uncertified instruments of 2.000.000 lei contractede from Banca Transilvania Slatina, with the interest ROBOR 6M+3 %.
The final maturity was 17.11.2014.
- ❖ The company has contracted with BCR a a ceiling of discount for promissory notes amounting to 10.000.000 lei with an interest of ROBOR 3M +3% which can be transformed into a loan if customers do not settle the promissory notes that reached their due date.
The value of discounted and endorsed promissory notes under this ceiling as at 31.12.2014 in amount of 3.473.469 lei.

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

Other long-term liabilities to affiliated entities

The company TMK EUROPE GmbH Germany (former TMK Sinara Handel GmbH) is borrower with the amount of 84.235.867 lei representing 22.837.540,03 USD and 38.425,07 RON, related to the borrowing agreement w/n/01.12.2008, respectively, the assignment of receivables no. 054/20.02.2002 from AVAS (AVAB).

In there were unfavorable exchange rate differences, which led to an increase in the debt balance from 74.376.902 lei to 84.235.867 lei.

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

The first 56 monthly installments will be worth 400.000 USD and the 57th will be worth 437.540.03 USD. The payment of debt amounting to 38.425,07 RON of the Company to TMK Europe GmbH from 25 January 2014 shall be paid in USD at the official RON/USD exchange rate of the National Bank of Romania on the last working day of the year 2013. The debt has an interest rate of LIBOR + 0.5% per year starting on 1 January 2009

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

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

As at 31.12.2014 the value on short term of the loan was of 17.735.065 RON, and long term of 66.500.802 RON.

The interest due by TMK-ARTROM S.A. as at 31.12.2014 is of 13.167 usd, respectively 48.545 lei.

For the due interest is not withhold income tax on non-residents because interest income is exempt under Article 117 letter j) of the Fiscal Code because holding participations TMK EUROPE GmbH in TMK-ARTROM SA is 92.7282% (exceeding 25%) for a period of more than two years uninterrupted.

Leasing contracts:

As at a 31.12.2014 TMK-ARTROM SA Slatina has concluded with Raiffeisen Leasing SRL Bucuresti a number of 6 agreements respectively 1 financial leasing agreement for the purchase of 7 vehicles.

Other liabilities:

Regarding the company's obligations to the state budget, as at 31.12.2014 the company has to pay the amount of 5.796.848 lei which represent current liabilities to tax and social obligations for salaries, income tax non-resident legal entities that were required to offset the VAT refunded from the state budget. The current income tax as at 31.12.2014 is of 1.386.460 lei with payment term 25.03.2015. The company has calculated deferred tax with a net debt as at 31.12.2014 of 37.882.900 lei.

The overdue payments to suppliers as at 31.12.2014 decreased compared to previous year from 8.968.955 lei to 6.295.810 lei (from which 6.212.262 lei with overdue maturity less than 30 days).

As at 31 December 2014 TMK - ARTROM SA current trade payables to the companies within TMK group amounting 27.232.381 lei from which mainly to Trade House TMK Russia 19.856.276 lei representing metallurgical profiles for commercialization and to TMK EUROPE GmbH Germania 6.376.089 lei representing mainly materiale refractory materials, ferroalloys, graphite electrodes purchased from TMK EUROPE GmbH and re invoiced to TMK RESITA SA.

b) profit and loss account: net sales, net income or gross income; risk provisions for various expenses; referring to any sale or closure of an activity segment performed last year or to be made next year ; declared and paid dividends;

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

	2014	2013	2012
Total turnover	972.488.567	876.753.359	909.412.618
<i>Sales of goods</i>	971.841.342	876.030.093	908.619.493
<i>Rendering of services</i>	647.225	723.266	793.125
Cost of Sales	(814.267.220)	(755.644.521)	(751.962.464)
Gross profit	158.221.347	121.108.838	157.450.154
Selling and distribution expenses	(65.632.705)	(58.963.396)	(56.427.385)
Advertising and promotion expenses	(9.660)	(152.808)	(771.325)
General and administrative expenses	(29.373.185)	(28.491.511)	(24.869.041)
Research and development expenses	(271.805)	(184.654)	(225.488)
Other operating expenses	(2.834.817)	(4.549.565)	(5.835.653)
Other operating income	319.044	263.828	162.770
Income from operations	60.418.219	29.030.732	69.484.032
Foreign exchange (loss) / gain, net from which:	(4.522.224)	(3.866.984)	(6.634.805)
Foreign exchange incomes	24.937.149	37.717.096	43.431.611
Foreign exchange expences	(29.459.373)	(41.584.080)	(50.066.416)
Finance Income	10.187	77.552	1.289.336
Finance Costs	(8.189.912)	(12.055.662)	(13.266.127)
Gains / (losses) on financial instruments from which	0	(61.908)	51.158
Financial instruments incomes		692	51.158
Financial instruments expences		(62.600)	
Profit before tax	47.716.270	13.123.730	50.923.594

Current income tax	8.449.600	4.870.741	4.488.654
Deferred income tax - revenues	1.785.081	4.100.101	4.605.637
Deferred income taxes - expenses	434.196	531.704	8.546.945
PROFIT, LOSS (+/-) NET	40.617.555	11.821.386	42.493.632
Total operating income	972.807.611	877.017.187	909.575.388
Total operating costs	-912.389.392	-847.986.455	-840.091.356
Income from operations	60.418.219	29.030.732	69.484.032
TOTAL COMPREHENSIVE INCOME	997.754.947	914.812.527	954.347.493
TOTAL COMPREHENSIVE COSTS	-950.038.677	-901.688.797	-903.423.899
Profit before tax	47.716.270	13.123.730	50.923.594
Dividends calculated	0	0	0
Dividends paid	0	0	0

Compared to the presentation of prior periods, in the Income Statement under IFRS, respectively the statement of comprehensive income the main changes in the presentation of income and expenses namely: income from production stored and income of tangible production are reflected in the cost of sales, financial income and financial costs from differences in exchange rate are shown in net income or net loss from exchange rate differences, revenue and expenses from financial instruments are disclosed net gains or losses on financial instruments.

The Company has reclassified certain comprehensive income statement items at 31 December 2013, and according to IAS 1 paragraph 41 has reclassified also the comparative amounts, this being presented in the financial statements in chapter "changes in the presentation of revenue and expenses by nature"

The total turnover increased with 11% in 2014 compared to 2013 due to the increase of the turnover from sold production with 11,8% and the increase of sale of goods with 3%.

The turnover from sold production increased due to the increase of physical volume of sales of pipes produced by TMK ARTROM from 177.549 tons to 190.158 tons (an increase with 7,1%) but also to the average selling price with 4,3%.

The volume of sale of goods increased in 2014 with 3% due to the increase of the activity in the free area Constanta with metallurgical products (billets, rectangular billets, pipes) purchased from the company within the group. In 2014 were sold on domestic market and export 43.780 tons (in 2013: 37.380 tons) the metallurgical products (billets, blums, pipes) purchased from the companies within the group TRADE HOUSE TMK Russia and TMK INOX Russia. In 2013 the metallurgical products sold on export were purchased from TMK RESITA and the one sold on domestic market were purchased from TRADE HOUSE TMK Russia.

trade activity	2014	2013	Increase with %
Incomes from resale of goods	89.186.924	86.609.356	3
Sales of metallurgical products purchased from companies within the group on the domestic market	84.768.144	9.867.402	759

Sales of metallurgical products purchased from companies within the group on the external market	3.747.963	76.087.616	-95
sales of other goods on the domestic market	560.282	164.617	240
sales of other goods on the external market	110.535	489.721	-77
Income from the retail sale of goods	278.169	223.250	25
total	89.465.093	86.832.606	3

The total turnover decreased with 3,6% in 2013 compared with 2012 due to lower average selling prices with 11,3%, of the increase in production volumes sold from 176.150 tons to 177.549 tons (a increase with 0,79%), but also due to increased sales of goods. Volume sales of goods increased in 2013 with 207% due to export sales and domestic market of 37.380 tons of profile (billets) purchased from companies within the group (TMK-RESITA and Trade House TMK)

In terms of operating expences situation is as follows:

			31.12.2014	31.12.2013	variation %
1	Cost of sales of externally purchased goods	lei	86.779.268	83.383.446	4,1
2	Raw materials and consumables expenses	lei	566.066.087	561.191.558	0,9
3	Costs of energy, gas and water	lei	57.936.003	54.353.547	6,6
4	Expenditure on external services	lei	76.527.108	68.820.289	11,2
5	Tax and fees costs	lei	1.977.310	1.567.446	26,1
6	Staff remuneration expenses (including vouchers)	lei	66.325.999	62.735.306	5,7
7	Social security expenditure on	lei	19.039.197	18.536.128	2,7
8	Other expenses	lei	2.658.690	4.359.709	-39,0
9	Value adjustments on tangible and intangible fixed assets	lei	29.787.488	27.257.808	9,3
	Expenses	lei	29.787.488	27.257.808	9,3
	Incomes	lei			
10	Value adjustments on current assets	lei	613.145	239.018	156,5
	Expenses	lei	11.765.412	2.612.300	350,4
	Incomes	lei	11.152.267	2.373.282	369,9
11	Adjustments to provisions	lei	-148.161	212.015	-169,9
	Expenses	lei	407.127	369.567	10,2
	Incomes	lei	555.288	157.552	252,4
	total operating expences		907.562.134	882.656.270	2,8

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

		31.12.2014	31.12.2013
Change in own finished goods and work in progress	lei	-15.674.524	20.531.246
Capitalized production costs	lei	10.847.266	14.138.569
Subtotal	lei	-4.827.258	34.669.815
Total operating costs related to production sold	lei	912.389.392	847.986.455

Compared to 2013, due to increase of physical production by 5,3%, operating expenses increased in total by 2,8%, registering these variations in operating cost categories:

- Raw materials and consumables decreased by 0,9% mainly due to decrease in price for raw materials ,billets, with 2,3%, increase in effective consumption of billets with for rolled production with 3,1%.

- Energy costs, natural gas and water increased with 6,6%, these they have evolved differently being influenced by their price, by increasing the volume of production and the production structure of large quantities of pipe with heat treatment (hardening and tempering) that determined the physically higher consumer of natural gas. The expenses with energy decreased with 6% compared to previous year and the natural gas decreased with 13,7%. The average price for electricity decreased with 12,2% and for natural gases increased with 12,7% compared to previous period.

- expenses related to external benefits increased with 11,2% mainly due to the expense with the trade agent commission of I TMK EUROPE GmbH due to the change in the sale scheme. Starting with January 2014 the sales were performed by TMK-ARTROM directly to customers from Central and North Europe, TMK EUROPE GmbH acting as agent on this market. This increase is found in the increase of turnover due to the increase of the selling prices to end users.

- Personnel expenses recorded an increase of 5,7% compared to 2013 due to the increase of the number of personnel and increase of wages. The average wage of the year 2014 compared to 2013 increased by updating the wages on half year basis, with the inflation index under the collective labour agreement concluded at company level, but also due to the increase of wages negotiated under collective labour agreement.. The effective number of employees as at 31.12.2014 was of 1269 people compared to 1227 people as at 31.12.2013. The average number of personnel in 2014 was of 1247 people compared with 1216 in 2013.

Expenses for social protection and insurance increased 2.7% less than the increase of personnel expenses mainly due to lower employer contribution rate for state social insurance by 5 percent.. Starting 10/01/2014 employer contribution to social insurance decreased from 20.8% to 15.8%.

- Cost of sales of externally purchased goods (commercial activity) increased by 4,1% due to higher volumes and changing the structure of steel products sold on the domestic market and export of 43.780 tons (in 2013: 37.380 tons) metalurgical goods (billets, blums, pipes) purchased from companies within group.

- expenses on taxes registered an increase with 26,1% compared to previous year mainly due to introduction since 1.01.2014 of the tax on special buildings, other than buildings (so-called "pillar tax"). In 2014 the value of this tax was of 1,5% on the value of existing constructions in the heritage as at 31 December of the previous year highlighted in accountancy.

The Company recorded losses of financial activity in the amount of 12.701.949 lei due to interest expenses and exchange rate differences.

Compared to 2013, the financial loss of 2014 decreased with 20,15%. Interest expenses decreased by 29,5% due to lower interest rates and loan repayments made under the repayment schedules.

According to the OMPF 1286/2012, with subsequent amendments, the monthly closing balances in foreign currency to cash & bank accounts, receivables and liabilities accounts (monetary items) were revaluated to the reference rates of National Bank of Romania.

The instability of the national currency and a sharp depreciation of the leu / EUR and leu / USD, which has evolved from 4,3197 lei/EUR as at 31.12.2011, to 4,4287 lei/EUR as at 31.12.2012 to 4,4847 lei/EUR as at 31.12.2013 to 4,4821 lei/EUR respectively from 3,3393 lei/USD (31.12.2011), to 3,3575 lei/USD (31.12.2012), to 3,2551 lei/USD (31.12.2013) and to 3,6868 lei/USD (31.12.2014), led to record earnings from exchange rate differences in the amount of 6.634.805 lei in 2012, in 2013 the exchange rate losses in amount of 3.866.984 lei and in 2014 also exchange rate losses in amount of 4.522.224 lei.

The Company calculated deferred tax arising from temporary differences calculated for different assets and other items. During the depreciation and achieving the reserve the obligations with the deferred tax decrease simultaneous with the increase of incomes from deferred tax. Thus in 2012 registered incomes from deferred tax in amount of 4.605.637 lei and expenses with deferred tax in amount of 8.546.945 lei, in 2013 incomes from deferred tax in amount of 4.100.101 lei and expenses with deferred tax in amount of 531.704 lei and in 2014 incomes from deferred tax in amount of 1.785.081 lei and expenses with deferred tax in amount of 434.197 lei. The expense with the current income tax in 2014 is of 8.449.600 lei (in 2013: 4.870.741 lei).

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

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

Indirect method	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before tax	47.716.270	13.123.730	50.923.594
Plus / minus adjustments for:			
Depreciation	29.787.488	27.257.808	27.388.970
Increase / reversal of provisions	178.830	(41.148)	1.332.939
Increase / reversal of allowances for current assets	613.145	239.018	5.430.147
Exchange rate differences	6.462.989	1.039.637	7.429.755
Variation of retirement benefits	245.068	281.717	738.188
Result from disposal of non-current assets	1.784.559	3.716.996	3.354.740
Interest and related expenses	7.468.501	11.978.110	11.070.732
Other non-monetary elements from hedge	-	61.908	(51.157)
Plus / minus adjustments for changes in working capital related to operating activities:			
Decrease / (increase) in inventories	22.538.206	(2.739.386)	(40.866.165)
Decrease / (increase) in trade and other receivables and prepayments	4.154.930	(71.442.714)	24.069.309
(Decrease) / increase in payables (except banks)	3.920.947	10.331.459	(25.147.103)
less:			
Interest and similar expenses	(7.705.443)	(12.129.739)	(12.425.404)

Income tax paid	(5.077.023)	(738.786)	-
Total inflows / (outflows) from operating activities (a)	112.088.467	(19.061.390)	53.248.545
CASH FLOWS FROM INVESTING ACTIVITIES			
Amount received from disposal of non-current assets	86.005	105.445	2.913
Purchase of tangible and intangible assets	(43.276.241)	(38.539.223)	(31.127.764)
Repayment of given loans		-	48.434.445
Interest received	10.187	77.552	1.281.361
Total inflows / (outflows) from investing activities (b)	(43.180.049)	(38.356.226)	18.590.955
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital increase		-	-
Loans received	456.714.620	127.287.799	-
Repayment of loans	(497.304.170)	(97.892.458)	(50.698.327)
Repayment of finance leases (amortization)	(512.228)	(773.904)	(695.779)
Total inflows / (outflows) from financing activities (c)	(41.101.778)	28.621.437	(51.394.106)
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)	27.806.640	(28.796.179)	20.445.394
Cash and cash equivalents at beginning of period	1.667.297	30.463.476	10.018.082
Cash and cash equivalents at end of period	29.473.937	1.667.297	30.463.476

Net cash from operating activities increased in 2014 compared with the previous period due to the increase of the profit before tax, increase of the turnover, decrease of inventories as well as decrease of interest.

Net cash from operating activities decreased in 2013 against the previous period due to increased payments to suppliers and advances to TMK Resita SA as well as increased turnover in the 4th quarter of 2013 compared to the same quarter of 2012.

Net cash from investment activities decreased in 2014 compared to 2013 due to a higher volume of payments compared to previous period for purchasing tangible asset mainly for continuing investments on non-destructive testing of pipes, the pipes capacity cutback in fixed lengths as well as advances for equipment in order to equipment of a new production section "Section no.5 pipes hydraulic cylinders.

Net Cash from investing activities decreased in 2013 compared to 2012 due to increased payments for acquisition of property and equipment primarily for new equipment for non-destructive testing of pipes, the pipes capacity cutback in fixed lengths as well as advances for equipment in order to equipment of a new production section "Section no.5 pipes hydraulic cylinders."

Net Cash from financing activities turned negative in year 2014 due to the reimbursements made for long term loans, EUR 3.750.000 at BCR according to the payments schedule, and also EUR 5.000.000 in advance to UNICREDIT TIRIAC BANK.

Net Cash from financing activities increased in 2013 compared to 2012 due to increased use of overdraft credit line BCR from 5.970.794 euro as at 31.12.2012 to 18.899.816 euro as at 31.12.2013 and of 1,7 mln euro granted by Unicredit Tiriatic Bank to finance current needs.

In November 2013 was early repaid the balance of the loan contracted to VTB Bank Austria of 14,1 mln euro through the refinancing from Unicredit Tiriatic Bank to reduce financing costs (was achieved a reduction of fixed interest margin from 4% to 1,9%).

Financial indicators:

Incomes / Expenses	2014	2013	2012
Turnover	972.488.567	876.753.359	909.412.618
Cost of goods sold	-784.479.732	-728.386.983	-724.573.496
Gross PROFIT	188.008.835	148.366.376	184.839.122
Selling, general and administrative costs	-95.287.355	-87.792.369	-82.293.239
Other incomes/ other expenses	-2.515.773	-4.285.467	-5.672.883
EBITDA	90.205.707	56.288.540	96.873.000
%	9,28	6,42	10,65
Depreciation	-29.787.488	-27.257.808	-27.388.968
Operating Profit	60.418.219	29.030.732	69.484.032
Incomes /Expenses from the exchange rate differences	-4.522.224	-3.866.984	-6.634.805
Other financial incomes/ financial expenses	-751.337	-1.565.695	-594.747
EBIT	55.144.658	23.598.053	62.254.480
Incomes / expense Interest	-7.428.388	-10.474.323	-11.330.886
EBT	47.716.270	13.123.730	50.923.594
Income tax	-7.098.715	-1.302.344	-8.429.962
Net Profit	40.617.555	11.821.386	42.493.632

Compared to previous periods EBITDA increased primarily due to increase of turnover.

financial indicators	mod de calcul	2014	2013	2012
EBIDTA / Turnover (%)	EBIDTA/ Turnover *100	9,28%	6,42%	10,65%
EBIT / Turnover (%)	EBIDT/ Turnover * 100	5,67%	2,69%	6,85%
Cost of goods sold / Turnover (%)	Cost of goods sold / Turnover * 100	80,67%	83,08%	79,67%
Current ratio (capital)	Current Assets / Current Liabilities	2,53	1,87	3,99
Quick Ratio (acid test)	(Current Assets - Inventories) / Current Liabilities	1,88	1,30	2,66
Gearing indicator	Borrowed capital /Equity (equity + borrowed capital (long term liabilities)) *100	35,93%	34,73%	44,28%
Interest cover indicator	Profit before interest and income tax payment / Interest expense	7,42	2,25	5,60
Rotation speed stock (inventory turnover)	Cost of sales / The average stock	5,86	5	5,64
Number of days of storage (Inventory holding days)	Average stock / Cost of sales * 365	62,28	73,1	64,7

Turnover of debtors, clients (Receivables Collection Period)	Clients average balance / Turnover * 365	71,64	73,2	67,24
Speed of-vendor payables (Payables Period)	Average balance vendors / Acquisitions of goods (without services) * 365	31,08	29,4	30,18
Rotation speed of fixed assets	Turnover / Fixed Assets	2,18	1,98	2,11
Rotation speed of total assets (Assets Turnover)	Turnover / Total Assets	1,02	0,93	1,03
Return on equity (ROCE)	Profit before interest and income tax payment / Equity (equity + borrowed capital (long term liabilities)) *100	0,073	0,035	0,08
Gross margin on sales (Gross Profit Margin)	Gross profit from sales / Turnover *100	16,3%	13,8%	17,31%

1. Liquidity indicators

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

The recommended values are around 2, reflecting the company's capacity to cover the current liabilities from current assets, and mainly from receivables and cash. The values obtained in 2014 are higher compared to previous period and are closer by the one recommended due to the decrease of current liabilities determined by transforming the overdraft loan from BCR from short term loan in long term loan due to extension of the agreement.

2. Risk indicators

Gearing indicator of equity express whenever they include borrowed capital (long term liabilities) in equity and reflect the financing structure of the company at the end of the year. This indicator has improved due to lower long-term bank loans by transferring them in the short term and reimbursements made.

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

Compared to previous years, this indicator has decreased due to lower accounting profit and due to lower interest volume.

3. Activity indicators

Number of days of storage Numarul de zile de stocare indicates the number of days in which goods are stored in the unit. This indicator decreased in 2014 compared to previous year consistent with higher rotation speed stock (inventory turnover).

Turnover of debtors, clients (Receivables Collection Period) express the number of days until the debtors pay their debts to the company and show the efficacy of the company in collecting its receivables. This indicator decreased in 2014 compared to 2013 due to the increase of turnover and decrease of the average balance of trade receivables.

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

This indicator is less than the speed of rotation of the customers, due share of purchases of raw material (billets) from the sole supplier TMK-RESITA for which the payments are made in advance.

Rotation speed of fixed assets evaluates the effectiveness of fixed assets management by examining the value of turnover generated by their operation.

This indicator increased in 2014 compared to 2013, due to the increase of turnover, and decreased in 2013 compared to 2012 due to decrease of turnover.

Rotation speed of total assets (Assets Turnover) evaluates the effectiveness of the total assets management by examining the turnover generated by the assets of the company. In 2014 this indicator increased due to the increase of turnover, in 2013 registering a slight decrease compared to previous year.

4. Profitability indicators

Return on equity (ROCE) represent the profit which the company obtain on a unit of resources invested. This indicator increased in 2014, mainly due to the increase in operating profit which covered the financial loss..

Gross margin on sales (Gross Profit Margin) is higher in 2014 compared to previous years due to increase of the volume of sale, increase of average selling prices of the sold goods and decrease of purchasing prices for raw materials and electricity as well as other costs..

Non-financial key performance indicators - relevant to specific activities

Indicators	2014	2013	2012
Production of pipes (to)	189.130	179.553	176.385
Pipe Sales (to)	190.158	177.549	176.150
Production of pipes / Employee (to/employee)	151,67	147,66	154,59
Selling pipes / Employee (to/employee)	152,49	146,01	154,38

The obligations under the law on the organization and management of accurate and up to date accounting and accounting principles have been fulfilled.

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

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

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

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

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

The access rights to databases are set at the server level and are organized into groups (roles) that include individual users. In this way, moving a user from one group to another means automatically the re-allocation of access rights. The maintenance and development of databases and client programs are performed by the company's IT department. The database is archived automatically every 6 hours, thus backing up or creating comparative elements if necessary.

Relationships between database entities are set at the server level, applying the concept of referential integrity. In this way there are insured both data consistency, and the impossibility of accidental deletion of information, if any records remained uncorrelated

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Starting October 2007, TMK-ARTROM has been using for the calculation of salaries and personnel records the application WIZSALARY contracted from the company WIZSALARY SOFTWARE SRL Bucharest. Starting January 2011, TMK-ARTROM has been using for general accountancy the application WIZCOUNT contracted from the company WIZROM SOFTWARE SRL Bucharest for the preparation of trial balance, the log register, the chess sheets and account records.

Important events occurring after the end of financial year

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

**Chief Executive Officer,
Ing. Popescu Adrian**

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