

TMK ARTROM

2018 FINANCIAL RESULTS

8 April 2019



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PRESENTING TEAM



Adrian Popescu
CEO



- With the Company since 1985
- 33+ years of experience in the steel industry, mainly in various positions at TMK-Artrom S.A., including that of the Chairman of the Board of Directors and/or CEO from 1992⁽¹⁾
- President of the General Pipe Producers Association in Romania
- Member of CDD - European Steel Tube Association

Cristian Drinciu
COO



- With the Company since 1989
- 30+ years of experience, being the COO from 2009 at both TMK-Resita S.A. and TMK-Artrom S.A.
- Previously held the position of Technical Director at a company part of Ausa Group Spain, Technical and Production Director and various other positions in TMK-Artrom S.A.

Cristiana Vaduva
Chief Economic & Accounting
Officer



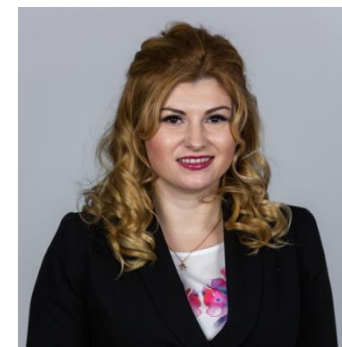
- With the Company since 1985
- Current position since 1991
- 36+ years of experience in accounting, mainly in various positions at TMK Artrom S.A.
- Accounting expert certification (1990)
- International Financial Reports Certificate - ASEBUSS - ATC International (2006)

Evgeny Cernyy
Chief Financial Officer



- In TMK group since 2007, as Head of Economic Analysis Department, and with the Company since 2011, in the current position
- 25+ years of financial experience having previously worked in several top managerial positions in industrial and investment companies as well as in Top-20 Russian banks

Andreea Vaduva
IR Manager

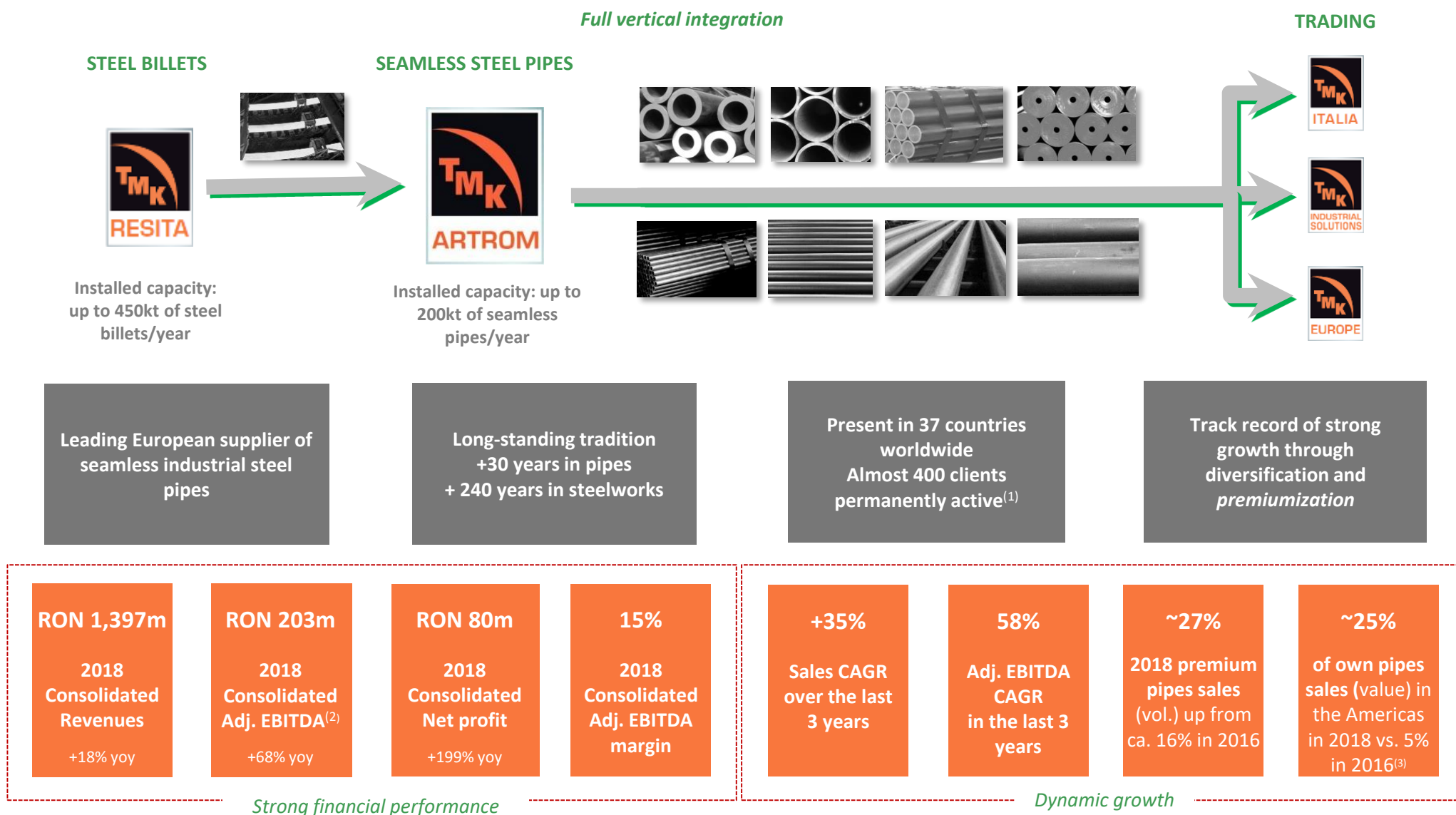


- With the Company since 2014
- 8+ years of experience, previously worked for Nuovo Pignone, a subsidiary of GE Oil & Gas (Italy)
- Diploma in International Financial Reporting, ACCA

(1) except between June 1998 to April 1999



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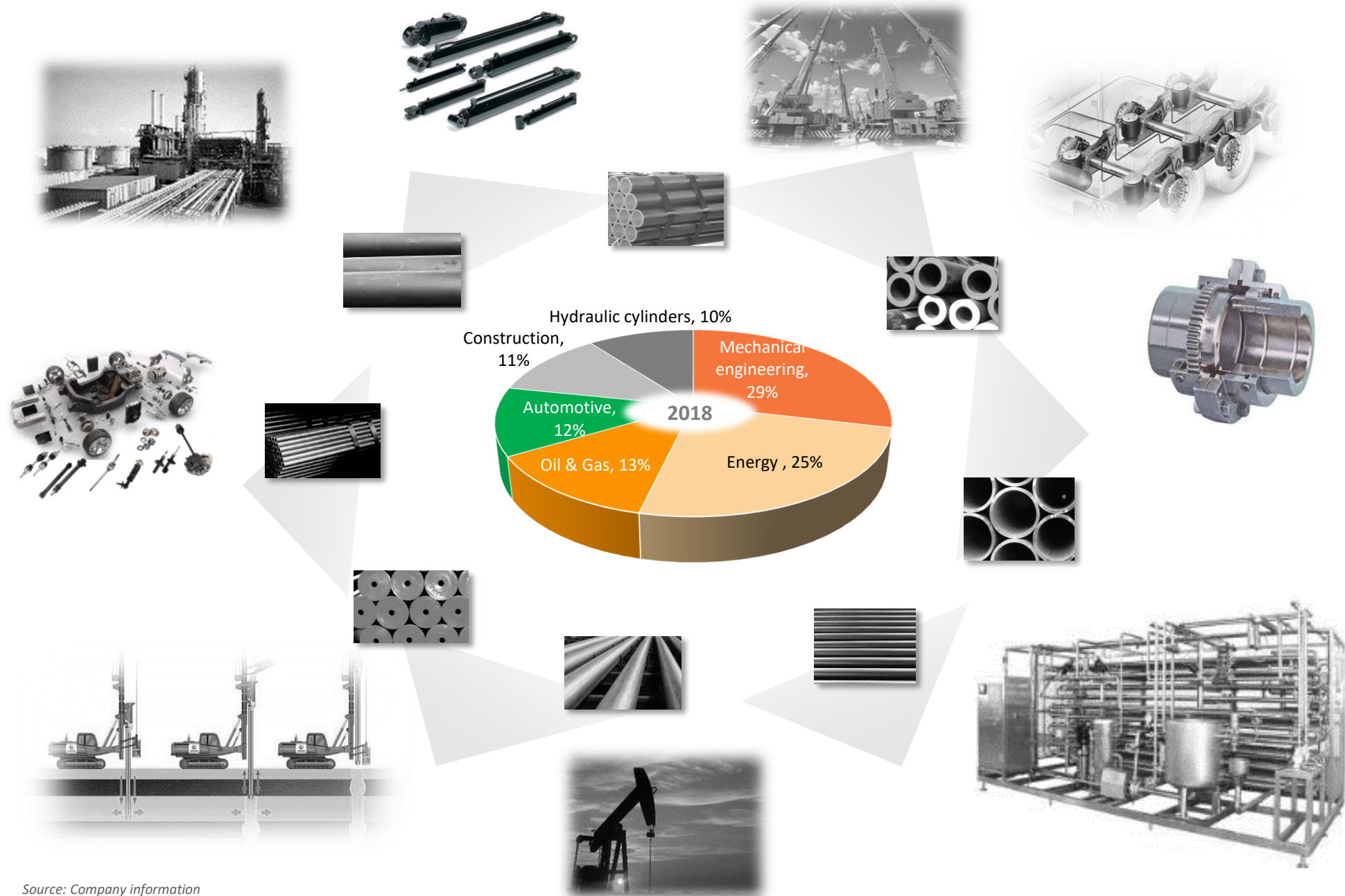


Source: Management accounts, Audited consolidated IFRS financial statements for 2018, Audited restated consolidated financial statements for 2016 and 2017

(1) Active client refers to a customer with an active relationship with TMK-Artrom: open order, delivery, unpaid invoice, etc; 2018 data

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

(3) Due to set-up of subsidiary in April 2016





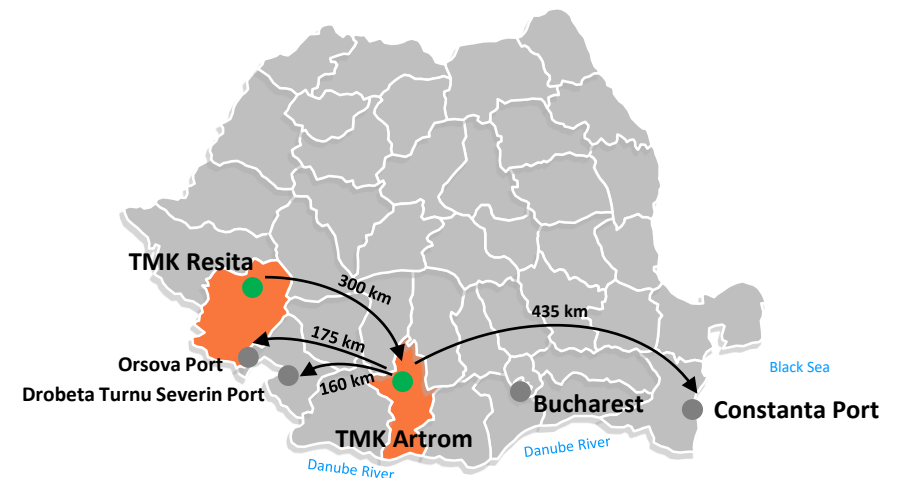
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WELL ESTABLISHED EUROPEAN STEEL PLATFORM...

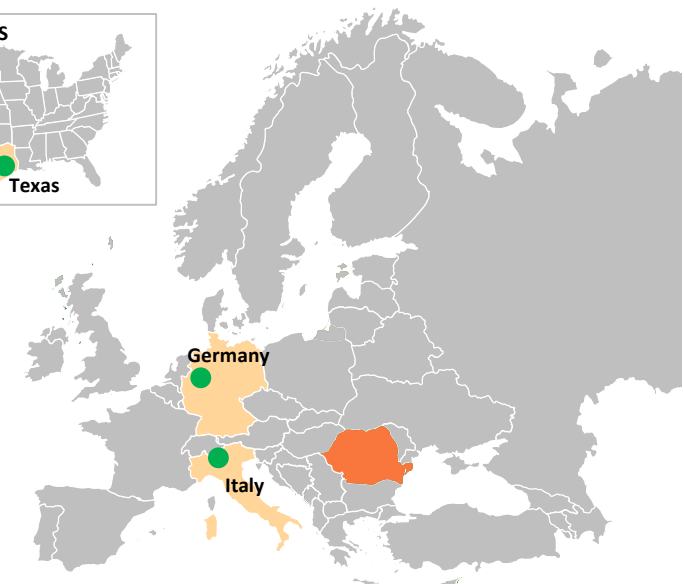
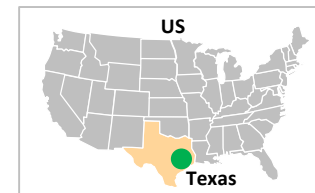
...WITH A STRONG AND RESILIENT BUSINESS MODEL



- ✓ **VERTICALLY INTEGRATED** → Steel and seamless steel pipes platform integrated upstream with a modern mini-mill and downstream with three trading entities well positioned to serve clients in two of the largest markets worldwide, Europe and the Americas
- ✓ **WELL LOCATED** → Fair geographical location and efficient plant-to-plant and plant-to-port interconnections in Romania complemented by trade defense measures for EU producers
- ✓ **MODERN** → Nearly RON 700m (ca. EUR 175m) modernization and efficiency-enhancing investments commissioned over the last 14 years, enabling delivery of high quality, high precision, premium products, in the top tier of the pipe industry globally
- ✓ **COST-COMPETITIVE** → A mix of advantages making TMK-Artrom S.A. a cost-competitive production platform
 - (1) availability of scrap metal in the proximity of production facilities, a key raw material in production, and
 - (2) lower than EU average salaries costs
- ✓ **DIFFERENT** → Focused on midmarket clients, with the whole operation designed to be highly flexible in order to address this client type: volumes per charge of steel of 100 tons and orders as small as 5 tons with just-in-time delivery, plus tailor-made products and prompt post-sale services, including site visits
- ✓ **GLOBAL** → Part of the TMK group, one of the largest steel pipe producers in the world, thus benefiting from global exposure and extensive know-how

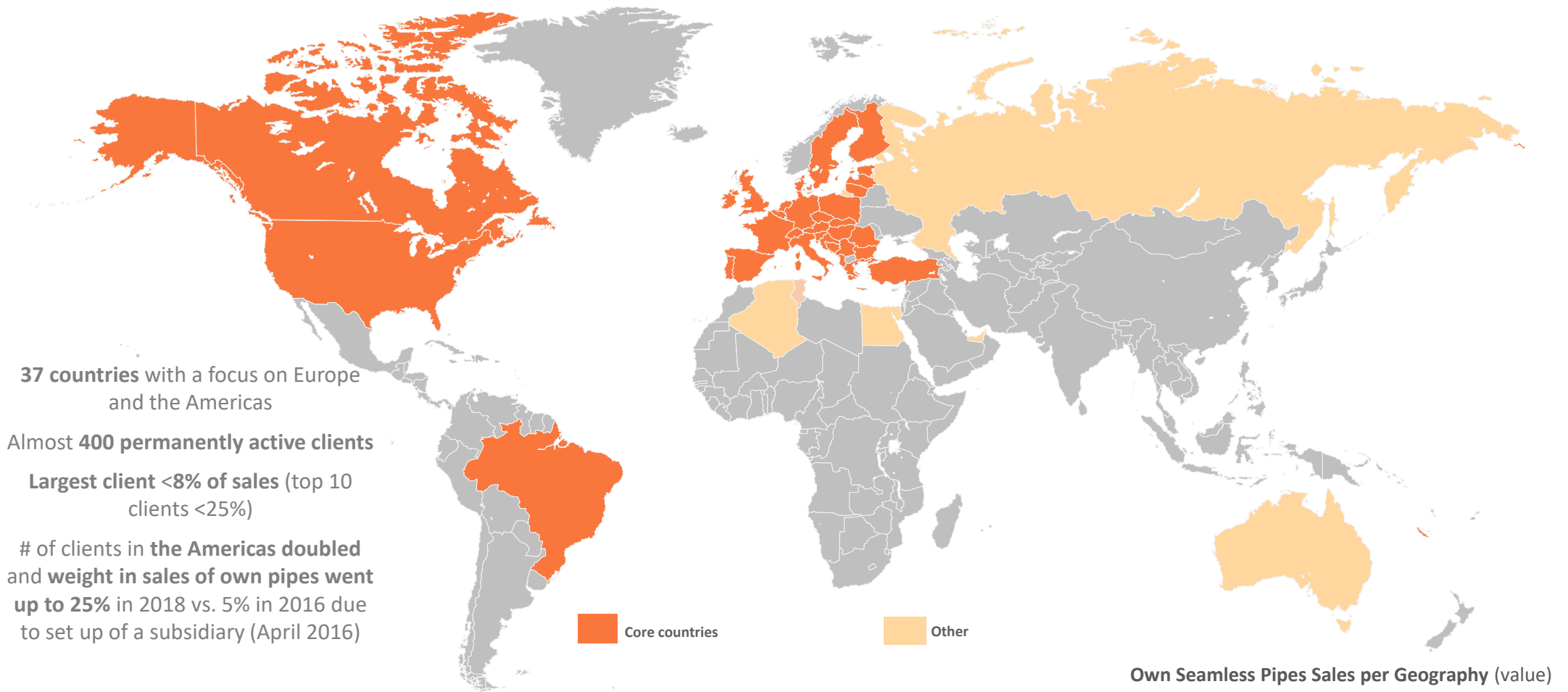


Production Units
Trading Entities

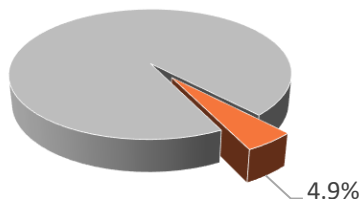


GLOBAL REACH AND CONSTANTLY EXPANDING CUSTOMER BASE...

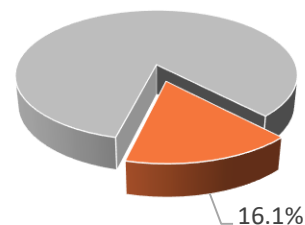
...WITH NEARLY 400 PERMANENTLY ACTIVE CLIENTS ON ALL 5 CONTINENTS



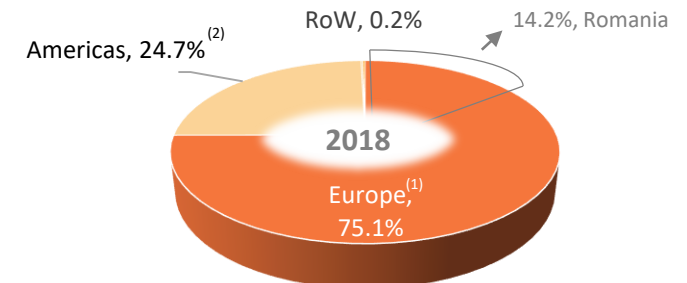
Seamless Industrial Steel Pipes – North America (US & Canada)
TMK-Artrom S.A. Market Share 2018



Seamless Industrial Steel Pipes – EEA
TMK-Artrom S.A. Market Share 2018



Own Seamless Pipes Sales per Geography (value)

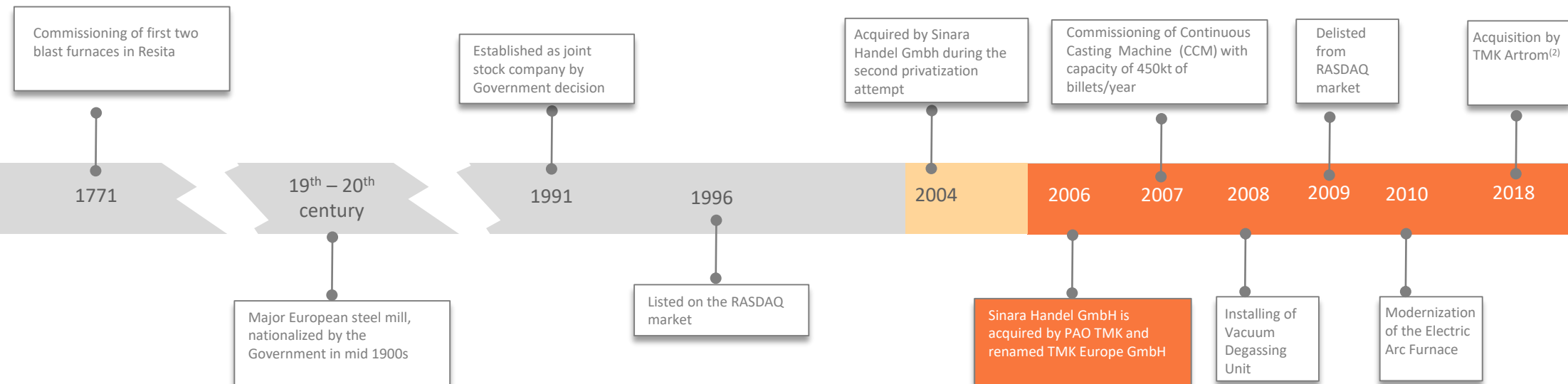


Sources: Company information; Lucintel Independent Market Research Report, February 2019; Company Audited IFRS consolidated financial statements 2016-2018; unless otherwise stated all figures refer to 2018

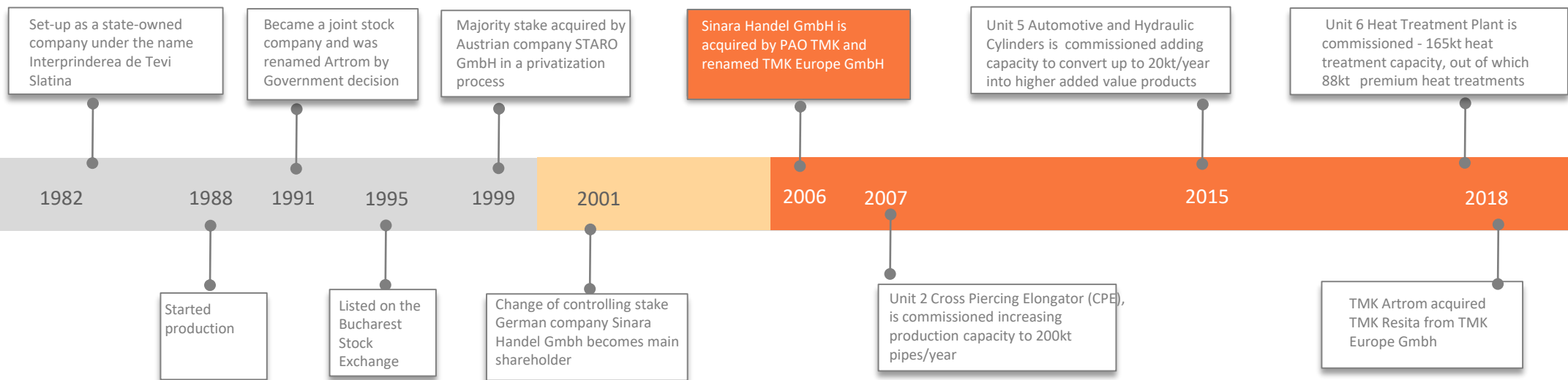
(1) Europe includes also Turkey

(2) Americas includes also Canada, Brazil, US, Mexico

- Long-standing history in Romania, with 245+ years of producing steel and rolled products
- Located in the city of Resita in the South-Western part of the country, ca. 300km from Artrom (city of Slatina)
- Key production input is scrap metal (not iron ore), both regular quality and controlled chemistry, abundantly available in neighbouring areas
- 450kt steel billets production capacity - production line includes tubular billets and blooms ranging from 170mm up to 350mm in diameter
- Transformational investment program of nearly RON 245 million (ca. EUR 62m) starting from 2005, turning TMK Resita into a modern, high quality mini-mill
- 256kt, including 53kt premium alloy grades, total output in 2018, with 93% going to Artrom; available spare capacity of ca. 40%
- 783 employees as of 31 December 2018



- Founded in 1982, TMK-Artrom S.A. is one of Europe's largest producers of seamless steel pipes for industrial application
- Located in the city of Slatina, in the Southern part of Romania, ca. 435 km from Constanta port to the Black Sea
- 200kt of pipes production capacity with 5 production units, using as main raw material steel billets from TMK-Resita S.A.
- 4 main product categories: (i) hot rolled mechanical tubes; (ii) general purpose hot rolled tubes; (iii) cold drawn products; and (iv) value added products
- 200kt of seamless pipes, including 56kt premium and 144kt commodity pipes, total output in 2018
- Extensive 14-year modernization and efficiency-enhancing investment program of over RON 450 million (ca. EUR 113 million)
- 1,486 employees as of 31 December 2018



TMK ARTROM

QUALITY CONTROL & CERTIFICATIONS



- ✓ TMK-Resita S.A. constantly tests for the quality and technical specifications of its raw material, determining chemical composition, humidity level and content of non-metallic particles, using 3 modern spectrometers (2 optical emission and 1 X-ray) manufactured by Thermo Scientific (Switzerland), 1 metallographic microscope manufactured by Carl Zeiss (Germany), Carbon-Sulphur analyzer from ELTRA (Germany), thermal balance from Radwag (Poland) and various lab equipment for sample preparation and weighting
- ✓ All TMK-Artrom S.A. products are carefully inspected by highly qualified personnel, including laboratory testing and non-destructive inspections, while also monitoring environmental impact:
 - *Non-destructive testing* : ultrasonic equipment from Karl Deutsch (Germany) and MAC (US), Eddy Currents from Pruftechnik (Germany) and Dr Foerster (Germany), magnetic testing equipment from Karl Deutsch and AeroPlata Argentina and hydrostatic pressure test machine from Kocks (Germany) and Iprolam (Romania)
 - *Laboratory tests*: (1) mechanical tests (tensile, hardness, impact test) using equipment from Zwick, Instron Wolpert Reicherter , Emco Austria (2) chemical composition using laboratory and mobile optical emission spectrometers , (3) metallographic analysis and (4) environmental monitoring (air, water, soil).
- ✓ TMK-Artrom S.A. and its subsidiaries boast numerous European and US certifications attesting the quality of their management systems, the products and commercial licenses thereof, issued by reputable international entities such as Lloyd's Register, TÜV, American Petroleum Institute, RINA or Det Norske Veritas...

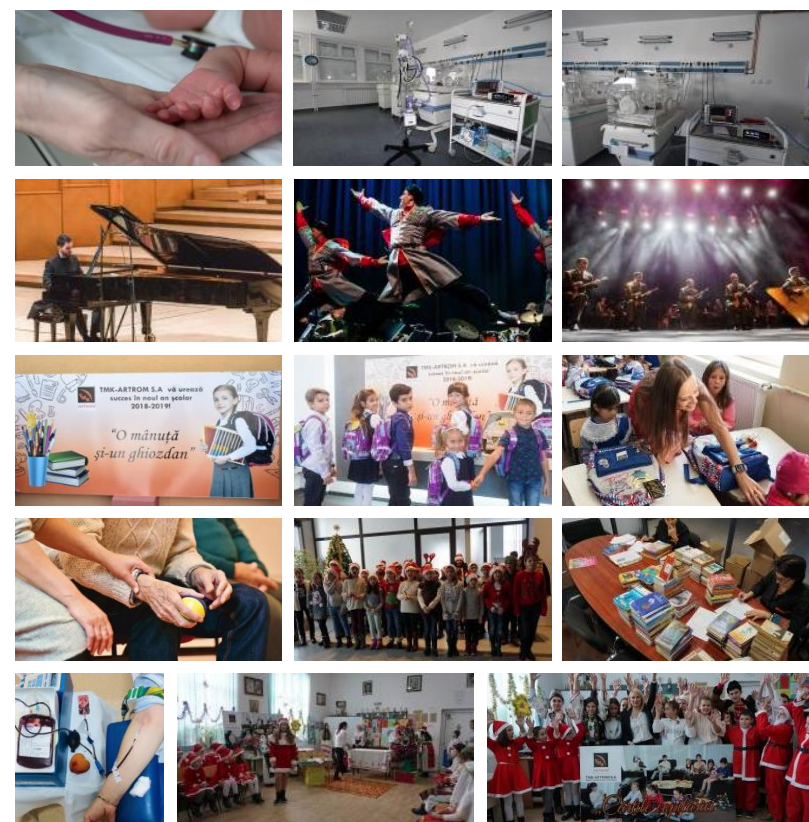


Environmental compliance and more...

- ✓ TMK Artrom and its subsidiaries are compliant with national and European environmental legislation; also, an integrated management system for quality, environment and health and safety has been implemented in the TMK Artrom Group
- ✓ The technology itself that the TMK Artrom Group uses is much more environmentally friendly (based on recycled materials) than the other one available in this industry (based on iron ore): is based on 100% recycling of ferrous scrap including own generating one and with less emission (for example CO₂ which is below 100 kg/1 ton of billets vs. 1,800 kg or more /1 ton of billets in case of iron ore technology)
- ✓ In 2018, the Company issued its first non-financial report for the year 2017 based on national legislation and Global Reporting Initiative Standards (GRI), assessing and communicating the impact of its business on critical sustainability issues such as climate change, human rights, governance and social well being

2018 CSR events...

- ✓ **Invest in babies** (May 2018): donation to the New Born Section of Slatina Emergency Hospital, used to acquire latest generation medical devices
- ✓ **Cultural Autumn** (autumn 2018): involvement in cultural projects taking place in Romania with the occasion of the celebration of the Russian Culture Days in Romania, marked by piano concerts, exhibitions and fairs
- ✓ **A hand and a schoolbag** (September 2018): program through which 339 children from 11 schools in villages and communes located in Ilt county received school bags and school supplies
- ✓ **Blood for life** (end of 2018): first edition, in partnership with the Blood Transfusion Center Slatina, project involving more than 50 TMK-Artrom employees donating blood to the blood transfusion center
- ✓ **On Christmas Eve!** (December 2018): team of carol singers from TMK-Artrom played carols for the elderly people from the Elderly People's Home of the Slatina Adult Services Complex and donated gifts
- ✓ **Children's Books** (December 2018): donated more than 1100 books in the Osica and Cilieni villages
- ✓ **Santa is coming!** (Christmas 2018): more than 550 children from schools in Slatina and nearby villages have wandered employees TMK-Artrom and were rewarded with gifts



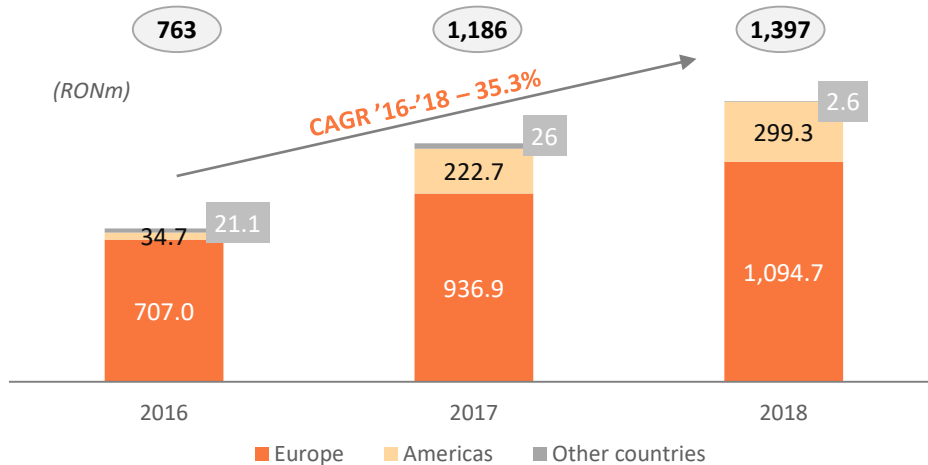
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STRONG REVENUE GROWTH...

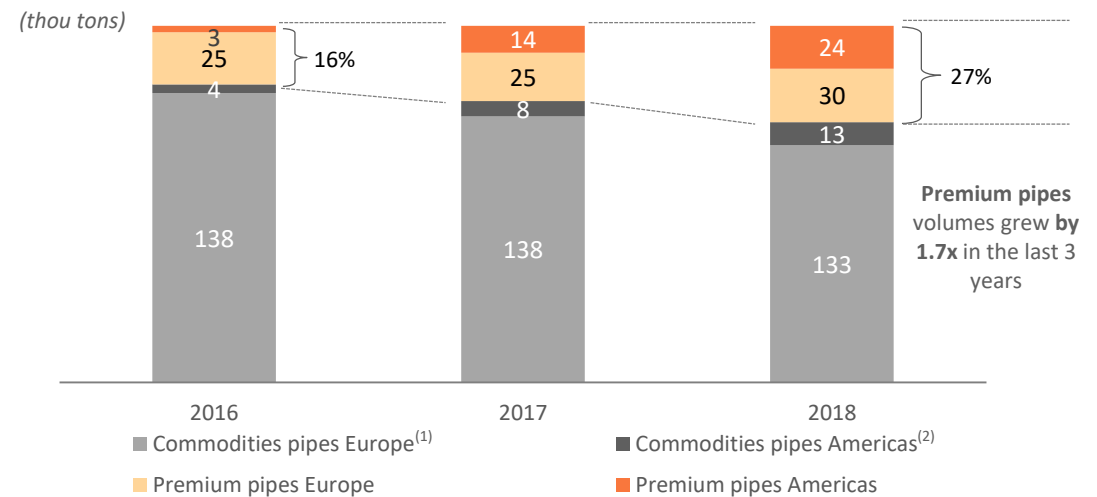
...BACKED BY GROSS MARGIN CONSOLIDATION



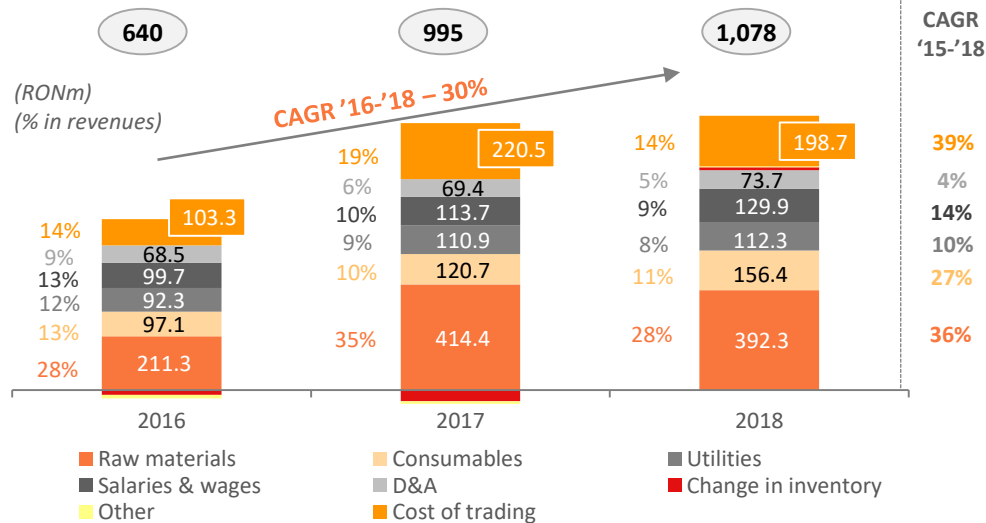
Consolidating Europe and increasing sales in the Americas....



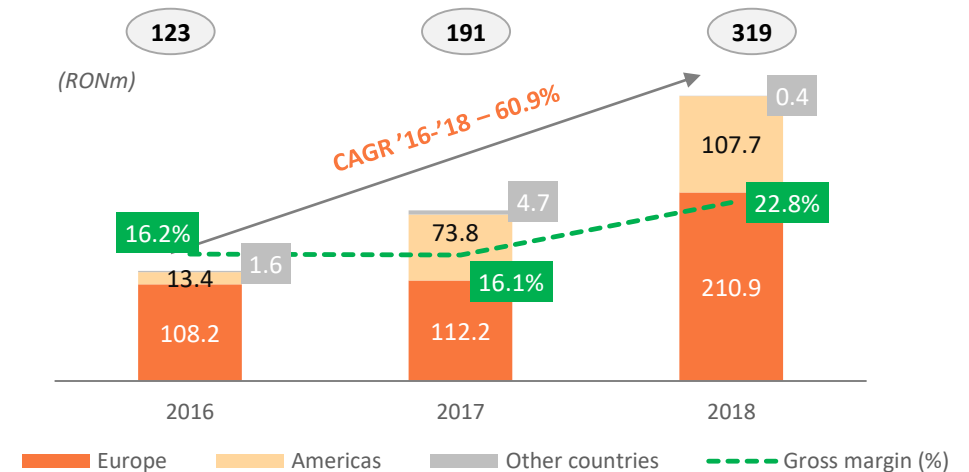
...with a focus on product premiumization....



...all with a fair management of operating costs



...reflected in the consolidation of the gross margin



Source: Audited consolidated IFRS financial statements for 2018, Audited restated consolidated financial statements for 2016 and 2017, Management accounts; Gross profit computed as Revenues minus Cost of sales

(1) Europe also includes Middle East, Turkey and North Africa

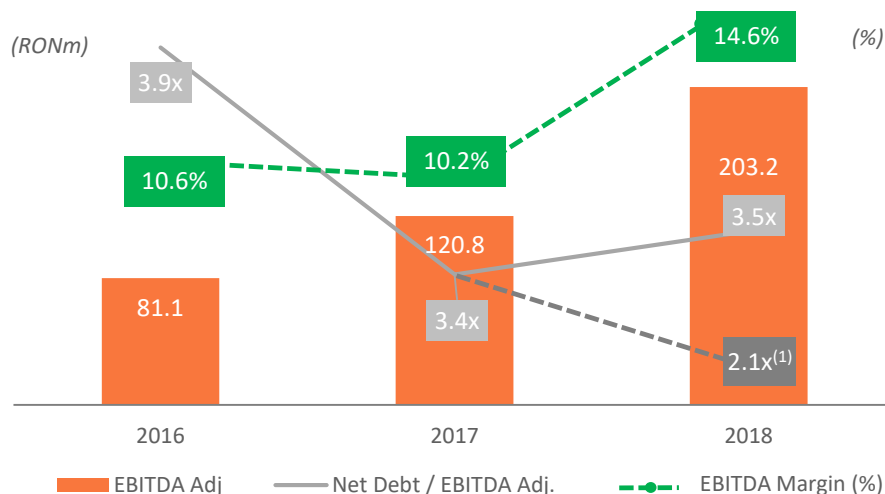
(2) Americas also includes Canada, Brazil, US, Mexico

STRONG GROWTH REFLECTED DOWN TO THE BOTTOM LINE...

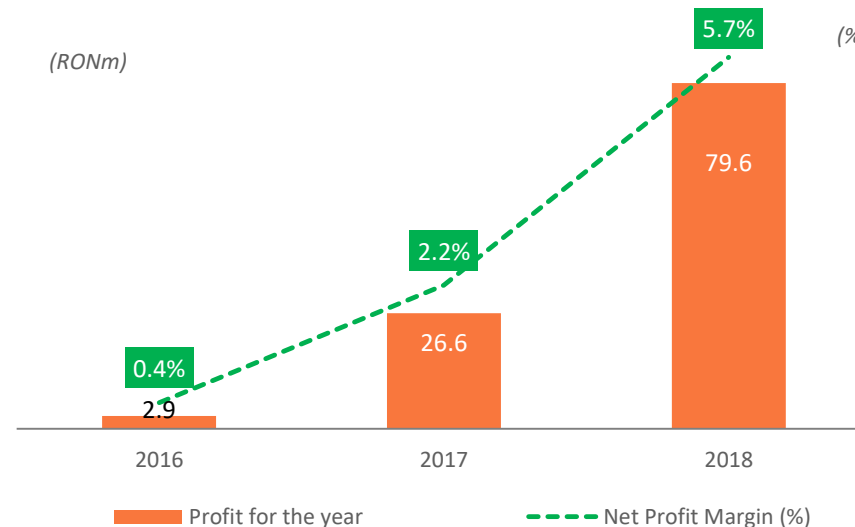
... WITH GOOD MANAGEMENT OF THE NET WORKING CAPITAL POSITION



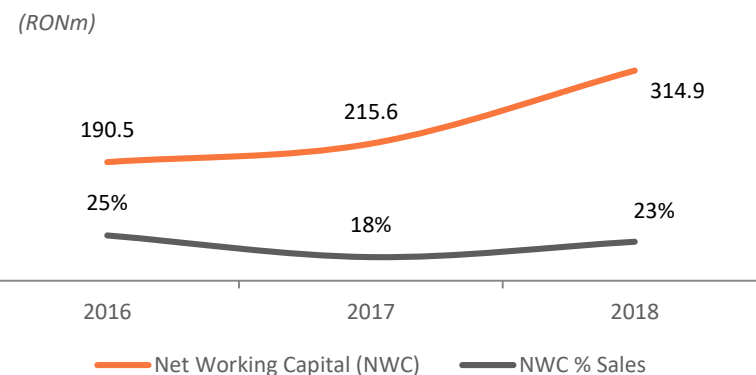
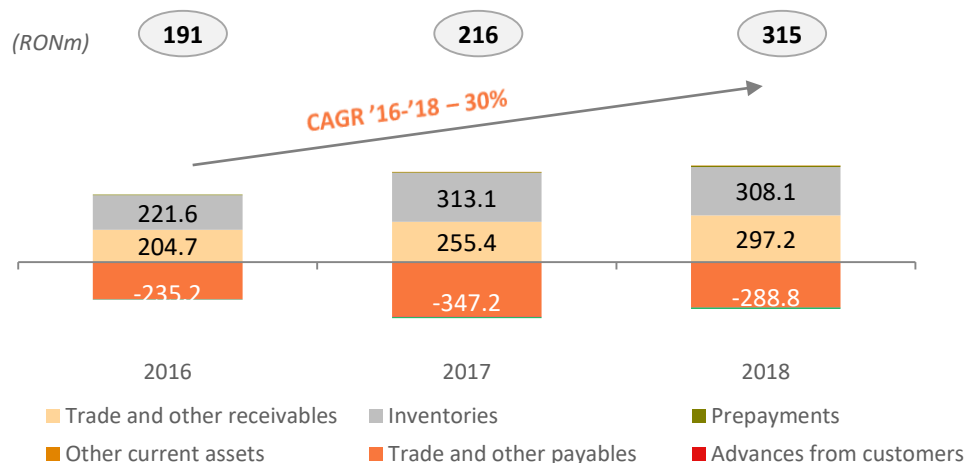
Strong EBITDA consolidation...



...with a net profit accommodating growth and future dividends



Tightly controlled net working capital position...



Source: Audited consolidated IFRS financial statements for 2018, Audited restated consolidated financial statements for 2016 and 2017

Net debt computed as interest bearing loans and borrowings, finance lease liability and liabilities for financial investments minus cash and cash equivalents; Adj EBITDA determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, impairment and depreciation, foreign exchange (gain)/loss, impairment/(reversal of impairment) of non-current assets, movements in provisions (except for provision for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items

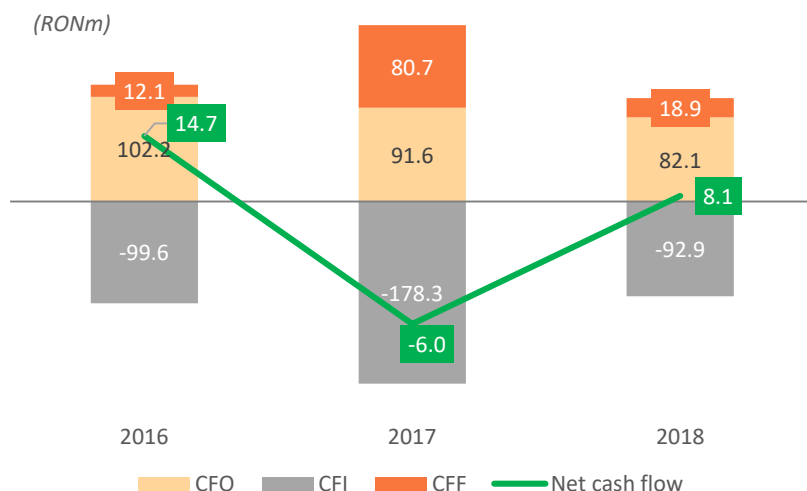
(1) Net debt/EBITDA computed without the debt pertaining to the acquisition of TMK Resita included

CASHFLOW GENERATING...

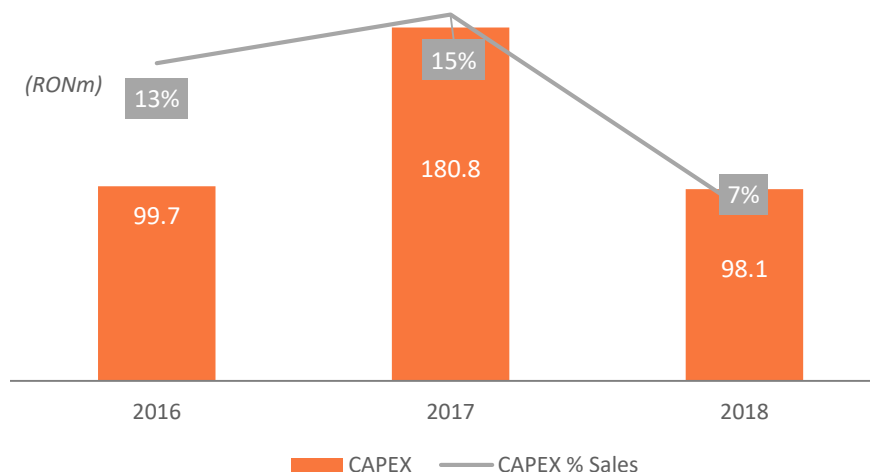
...WITH A CONSERVATIVE BALANCE SHEET FOR AN INDUSTRIAL COMPANY



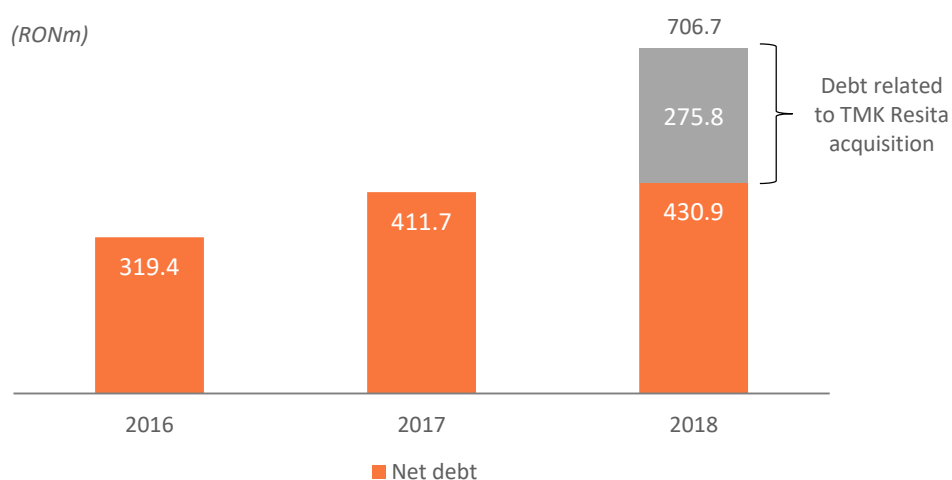
Cashflow generation capabilities...



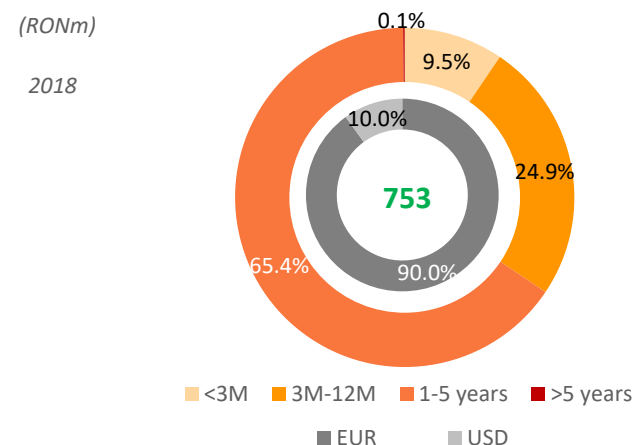
...sustaining the Company's CAPEX plan



...while maintaining a sustainable level of indebtedness...



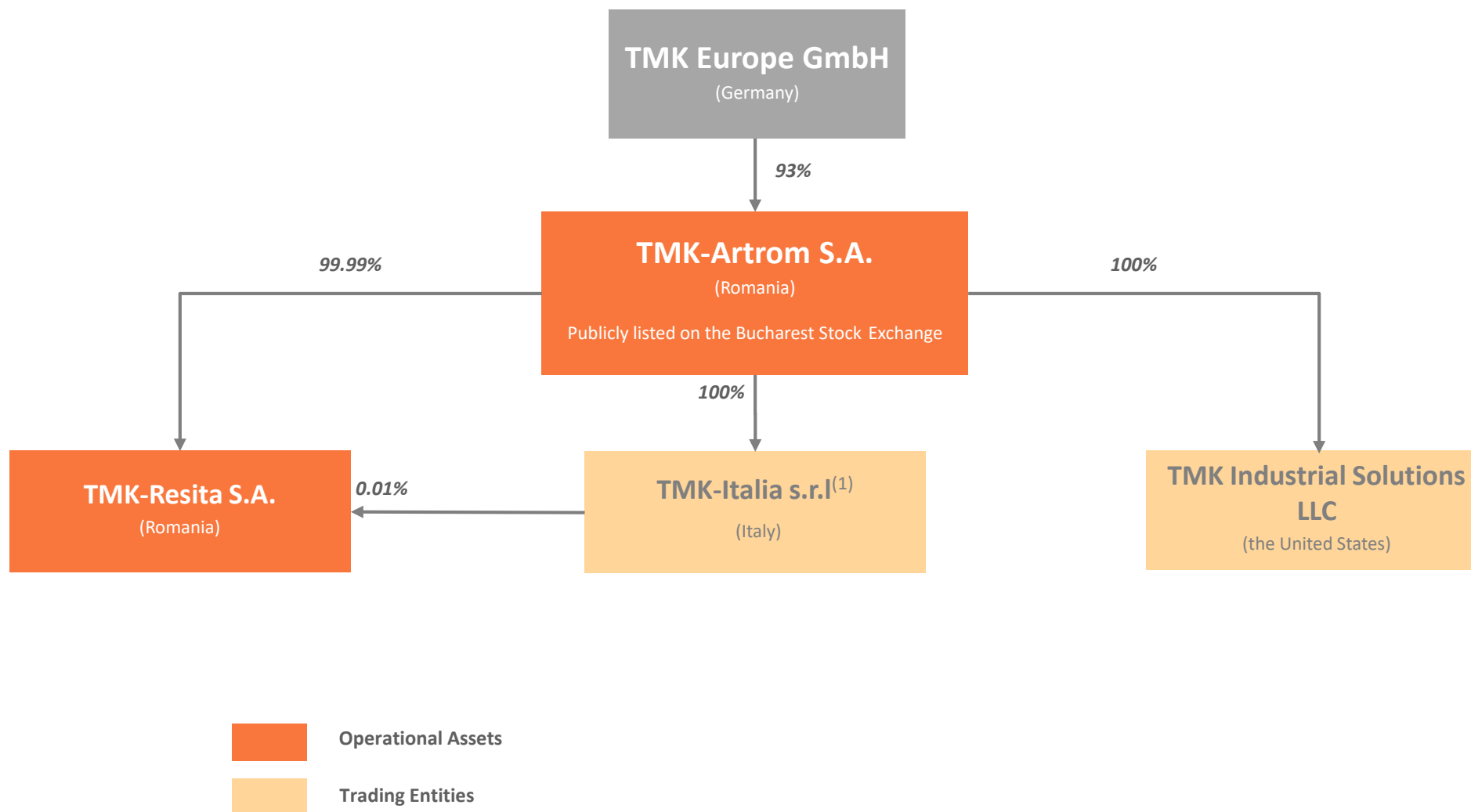
...and an adequate debt maturity profile and currency exposure



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APPENDIX

CORPORATE STRUCTURE



Source: Company information

(1) Acquisition finalized on 5 February 2019

APPENDIX

CONSOLIDATED FINANCIAL STATEMENTS



Consolidated Income Statement

RONm	2016	2017	2018
Turnover	763	1,186	1,397
Cost of sales	(640)	(995)	(1,078)
Gross profit	123	191	319
SG&A	(43)	(53)	(61)
Profit before tax	2	29	97
Net financial result	(13)	(13)	(19)
Profit for the year	3	27	80
Adj. EBITDA	81	121	203
Adj. EBITDA margin (%)	11%	10%	15%

Consolidated Cash Flow Statement

RONm	2016	2017	2018
Cash flow from operations pre working capital items	82	120	203
Cash flow from operations post WC items	102	92	82
Cash flow from investing activities	(100)	(178)	(93)
Cash flow from financing activities	12	81	19

Consolidated Balance Sheet

RONm	2016	2017	2018
Current assets	449	586	634
Cash and cash equivalents	19	13	21
Trade and other receivables	205	255	297
Inventories	222	313	308
Other current assets	4	5	8
Non-current assets	1,040	1,133	1,144
Intangible assets	4	3	3
Property, plant and equipment	1,024	1,127	1,135
Other non-current assets	12	2	7
Total assets	1,489	1,719	1,778
Current liabilities	443	577	552
Trade and other payables	235	347	289
Liabilities for investments in subsidiaries	-	-	57
Interest-bearing loans and borrowings	196	210	185
Finance lease liability	6	7	8
Other current liabilities	5	12	13
Non-current liabilities	207	276	555
Liabilities for investments in subsidiaries	-	-	218
Interest-bearing loans and borrowings	97	169	223
Finance lease liability	39	38	35
Other non-current liabilities	70	69	78
Total liabilities	649	853	1,107
Share capital	292	292	292
Retained earnings	526	496	229
Other items of equity	22	78	150
Total equity	840	866	671
Total liabilities & shareholders equity	1,489	1,719	1,778

Source: Audited consolidated IFRS financial statements for 2018, Audited restated consolidated financial statements for 2016 and 2017

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

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Q&A