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TMK ARTROM S.A.

**preliminary yearly consolidated and separate financial
results as of 31.12.2019 and restated consolidated
financial reports for 2018 and 2017,**

**including the main preliminary financial and
operational indicators according to art.248 from F.S.A
Regulation no.5/2018**

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DISCLAIMER

This preliminary yearly separate and consolidated financial results as of 31.12.2019 and restated preliminary consolidated financial reports for 2018 and 2017, including the main preliminary financial and operational indicators (the “Report”), originates from TMK Artrom SA (“TMK Artrom”/ the “Consolidating Company”) including its subsidiaries. TMK Artrom, TMK Resita SA, TMK Industrial Solutions LLC, TMK Assets SRL and TMK Italia, for the purposes of the restated consolidated financial reports for 2018 and 2017, and Land Properties Investments SRL shall be referred herein together, solely for the purposes of this Report, as the “Group”. For the purposes of this Report only, the Group and TMK Artrom’s majority shareholder, TMK Europe GmbH, deemed under the common control of PAO TMK, along with PAO TMK shall be referred to as the “TMK group”.

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The financial information included in this Report is preliminary, unaudited and subject to revision upon completion of the company’s closing and audit processes and, therefore, it cannot and should not, under any circumstances, be relied upon or construed as TMK Artrom’s final consolidated financial statements for 2017, 2018, 2019 or separate financial statements for 2019, as applicable. Certain information contained herein is based purely on the assumptions or expectations of TMK Artrom and may or shall be amended based on the final consolidated financial statements or individual financial statements, as the case may be.

Certain values or amounts (including monetary amounts), percentages and other figures included in this material are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums. No representation or warranty, express or implied, is provided in relation to the fairness, accuracy, correctness, completeness or reliability of the information, opinions or conclusions expressed herein. This Report should not be considered a comprehensive representation of TMK Artrom’s overall financial performance.

No comment, assumption and/or interpretation given to the tax and accounting rules and/or policies employed by the Group for the drafting of this Report and/or for the drafting of the consolidated or individual financial statements and detailed herein, constitutes or may be construed as tax or accounting advice.

This Report is not, and nothing in it should be construed as, an offer, invitation or recommendation in respect of the company’s shares, or an offer, invitation or recommendation to sell, or a solicitation of an offer to buy, the shares of the company in any jurisdiction. This report is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any investor. All investors (actual or potential) should consider such factors in consultation with a professional advisor of their choosing when deciding if an investment is appropriate.

This English version of the Report represents a translation of the Romanian language original for information purposes only. In case of a discrepancy, the Romanian original will prevail.

1. CORPORATE INFORMATION

1.1 Brief presentation of the Group

TMK-Artrom S.A. is a joint-stock company, listed for trading on a regulated market administered by the Bucharest Stock Exchange SA ("BVB") with the registered office in Slatina, 30 Draganesti Street, Olt County, Romania. TMK Artrom produces seamless pipes for industrial applications, including for the mechanical engineering and automotive industry. The main activity of the company is the production of tubes, pipes, hollow profiles and related fittings, of steel, CAEN code 2420.

TMK-Resita S.A. is a closed joint stock company, having its registered office in Resita, No. 36 Traian Lalescu Street, 36, Caras-Severin County, Romania. The company produces billet for tubes, heavy round profiles and blooms (177 mm up to 350 mm) and is the sole raw material supplier for TMK Artrom. TMK Resita was acquired by TMK Artrom on 21 December 2018.

TMK Industrial Solutions LLC is a limited liability company, seated in Houston, 10713 West Sam Houston Pkwy North, Suite 60, Texas, USA (starting with 1st of August 2019). The company is a sales agent for steel pipes and tubes and acts as sales agent for TMK Artrom's products in North and South America. TMK Industrial Solutions was set up by TMK Artrom in 2016.

TMK Assets S.R.L. is a limited liability company having its registered office in Bucharest, No. 2 Daniel Danielopolu Street, District 1, Romania. The company operates on the real estate market. TMK Assets was acquired by the TMK group in 2012.

Land Properties Investments S.R.L. is a limited liability company having its registered office in Bucharest, No. 2 Daniel Danielopolu Street, chamber 1, District 1, Romania. The company operates on the real estate market, CAEN code 4110. The company was liquidated and dissolved in 2017.

TMK Italia S.r.l. is a limited liability company, seated in Lecco, Piazza Degli Affari, no. 12, Italy. The subsidiary was founded in 2000 and operates according to Italian laws. TMK Italia owns 0.00763% from TMK-Reșița's shares.

TMK Italia is a company which is focused on sales and marketing of TMK's pipes in South and West Europe areas.

1.2 Corporate identification information of TMK Artrom

TMK-ARTROM

Company Headquarters	Street Draganesti, no 30, Slatina, County Olt, Romania, 230119	
Phone number	+40249436862,	+40249434640,
	+40249434641	
Fax number	+40249434330, +40249437288	
Registration number at the Trade Registry Office	J28/9/1991 as at 31.01.1991	
Unique Identifier at European Level (EUID):	ROONRC.J28/9/1991	
LEI Code:	315700M25SMOU44FAN52	

Tax identification Code	RO 1510210
Class, type, number and principal characteristics of the securities issued by the company	Ordinary, dematerialized
Subscribed and paid-up share capital	291.587.538,34 lei
The regulated market on which the issued securities are traded	Bucharest Stock Exchange Regulated Market - STANDARD category (ART market symbol)

1.3 Brief information on the accounting policies employed

The preliminary individual financial statements of TMK-ARTROM S.A. and the preliminary consolidated financial statements of the Group have been prepared in accordance the International Financial Reporting Standards. These provisions are in line with the International Financial Reporting Standards adopted by European Union, except IAS 21 “*The Effects of Changes in Foreign Exchange Rates*”, with subsequent amendments and additions and authorized for issuance in accordance with the Administrators’ decision dated **28 February 2020**.

TMK Artrom has implemented the IFRS “pooling of interests” consolidation method for grouping interests in order to consolidate all the entities under its common controls

- **following the acquisition of the majority of the share capital of TMK Reșița on 21 December 2018, the consolidated financial statements issued under IFRS for the years 2016 and 2017 were restated for the entire Group;**
- **following the acquisition of the majority of the share capital of TMK Italia on 5th of February 2019, the consolidated financial statements issued under IFRS for the years 2017 and 2018 were restated for the entire Group.**

1.3.1 Basis for Consolidation and assumptions employed by the Group

TMK-Artrom employed for drafting the Consolidated Financial Statements the “*pooling of interests*” method as the newly purchased (direct and indirect) subsidiaries have been acquired from entities under the common control of the TMK group (acquisition of shares of TMK-Resita from TMK Europe GmbH and the shares of TMK-Italia S.r.l from TMK-Global which are 100% owned by PAO TMK) and, therefore, no change in control occurred with respect to the party controlling the TMK group. According to the pooling of interests’ method, the assets and liabilities of the subsidiaries transferred under common control are presented at the carrying value reflected by the predecessor’s books.

Consequently, since the TMK group’s financial statements are not consolidated at the level of TMK Europe GmbH for TMK-Reșița but directly at the level of PAO TMK, the value reflected by the consolidated financial statements of the TMK group for TMK-Reșița, and the other indirect subsidiaries transferred on 21 December 2018 has been reflected as such in the restated Consolidated Financial Statements of the Group for 2016 and 2017.

At the same time, since the TMK group’s financial statements are not consolidated at the level of TMK Global for TMK Italia but directly at the level of PAO TMK, the value reflected by the consolidated financial statements of the TMK group for TMK Italia transferred on 5th of February 2019 has been reflected as such in the restated Consolidated Financial Statements of the Group for 2017 and 2018.

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity

transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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

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

The acquisition of the shares issued by TMK-Reșița occurred on 21 December 2018 but, respectively of TMK Italia on 5th of February 2019, by applying the pooling of interests' method, the Group's Consolidated Financial Statements, including the comparatives for 2016, 2017 and

2018, reflect the acquisition of the subsidiaries by TMK-Artrom as though such acquisition had acquired them at the same date as they had been acquired by its predecessor – the TMK group (at the level of the consolidated financial statements of PAO TMK). Thus, the Group restates the periods prior to the combination in order to reflect that no change occurred with respect to the ultimate control.

The information provided by the Consolidated Financial Statements for financial year 2018 have been restated for the periods prior to the business combination of the entities under common control, in order to reflect the combination as if it had occurred from the beginning of the earliest period presented, irrespective of the actual combination date. It was decided that the earliest period presented is 2016 but, comparatives have been also provided for 2015.

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

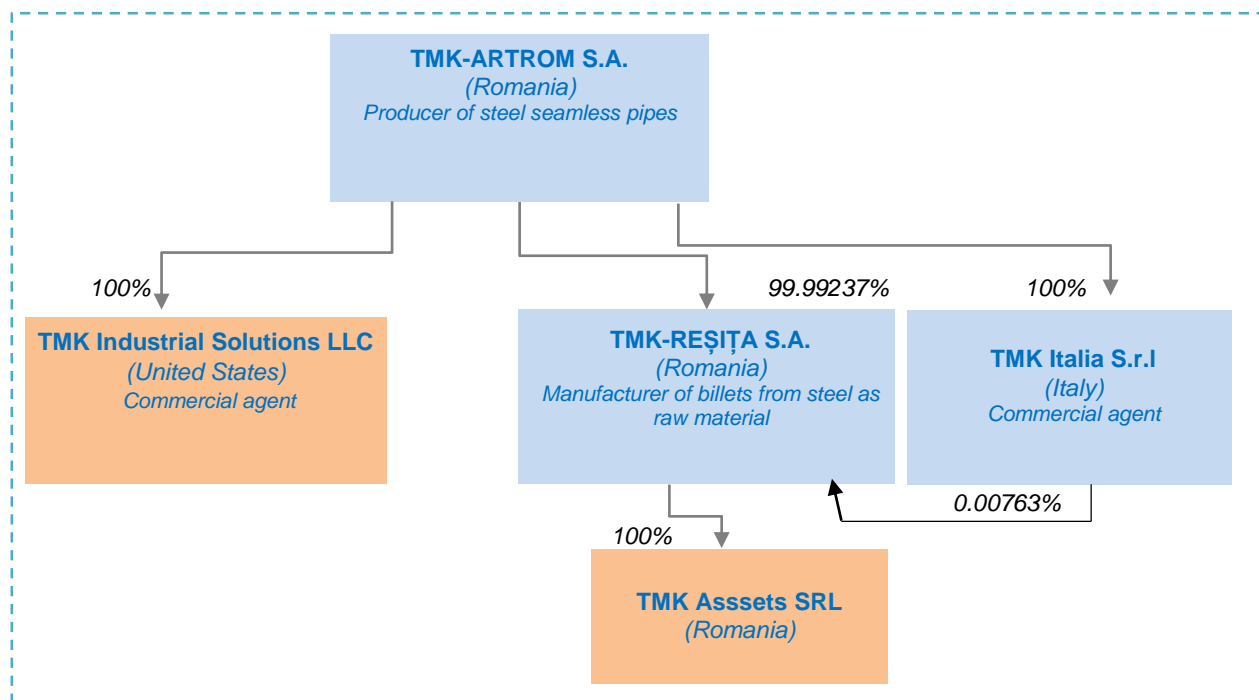
By applying the “pooling of interests” method, TMK-Artrom's Consolidated Financial Statements, including the comparatives of 2016, 2017 and 2018, are presented as if TMK-Artrom had acquired the TMK Italia, TMK-Reșița and TMK Assets at the same date as they were initially acquired by the predecessor (TMK Italia in 2003, TMK-Reșița in 2004 and TMK Assets in 2012).

1.3.2 Consolidation presentation for the Group

Under the Consolidated Financial Statements, the following companies are included:

- **TMK-ARTROM** – status at 31December 2019: Active;
- **TMK Industrial Solutions LLC** – status at 31 December 2019: Active;
- **TMK Reșița** – status at 31 December 2019: Active;
 - ✓ **TMK Assets SRL** – status at 31 December 2019: Active;
 - ✓ **Land Properties Investments S.R.L** – status at 31 December 2018: liquidated and dissolved in 2017;
- **TMK Italia**- status at 31 December 2019: Active.

Group structure at 31.12.2019



Below, we present the consolidated company's share ownership, after acquisition of TMK Resita's and TMK Italia's shares, as follows:

TMK-ARTROM -company –consolidating parent – component entities

Company name	Parent company	Shareholding (%)
TMK ARTROM SA SLATINA	TMK Europe GmbH	92.7282
TMK INDUSTRIAL SOLUTIONS LLC	TMK ARTROM SA	100
TMK Reșița SA	TMK ARTROM SA	99.99237
TMK Italia	TMK ARTROM SA	0.00763
TMK ASSETS SRL	TMK Reșița SA	100

*starting with 29 January 2020, TMK Europe owns 98.83% from the share capital of TMK-Artrom

Important events to be reported during 2019

February

On **February 5, 2019** TMK-Artrom S.A. finalized the purchase of all the shares held by TMK Global SA in its capacity as sole shareholder in TMK Italia SRL, namely 50,000 shares, with a nominal value of EUR 1 each, in total EUR 50,000, representing 100% of the share capital of TMK Italia at the price 1,730,800, EUR approved by the Board of Directors of TMK-Artrom SA, legally gathered on 28 November 2018.

On **February 7, 2019** TMK- Artrom S.A., announced the signing of the new Collective Bargaining Agreement for the period 2019-2020. TMK-Artrom's team lead by Mr. Valeru Mustata, Chief Commercial Officer (CCO) and the leaders of «Oltmet» and «Solidaritatea» Trade Unions reached the agreement to amend the previously negotiated terms and conditions. The document was also updated accordance with the recently amended legislative requirements in Romanian Law.

March

On **March 1st, 2019** the Company published a current report in which mentioned that it had been informed by its majority shareholder, TMK Europe GmbH, that TMK Europe is exploring available financing options, including a potential secondary public offering of shares held in the Company.

April

On **April 5, 2019** the Ordinary General Meeting of the Shareholders of TMK - ARTROM S.A. approved the distribution of the Company's profit for 2018 amounting to 56,569,986.13 lei as follows: (i) 3,389,036 lei to the legal reserves according to Law 31/1990, respectively at least 5% of the annual gross profit (but no more than 20% of the share capital), (ii) 14,280,000 lei as dividends and (iii) 38,900,950.13 lei will be carried over in the next year.

With respect to the decision to approve the distribution of dividends, to establish the date of registration, ex-date and date of payment for the payment of dividends in accordance with the provisions of the Capital Market Law and FSA Regulation 5/2018 as follows:

- 13 September 2019 shall be the record date set in accordance with Article 86(1) of the Capital Market Law (the "Record Date") and
- 12 September 2019 shall be the ex-date set in accordance with ASF Regulation 5/2018 (the "Ex-date"); and
- 4 October 2019 shall be the payment date of the dividends, set in accordance with Article 178(2) of ASF Regulation 5/2018 (the "Payment Date").

On **April 5, 2019** the Extraordinary General Meeting of the Shareholders of TMK - ARTROM S.A. decided to approve the increase of the share capital with maximum RON 188,250,000, through cash contribution, from the current value of RON 291,587,538.34 to the maximum amount of RON 479,837,538.34, by issuance of maximum 75,000,000 new shares with the nominal value of RON 2.51 each, for the purpose of raising cash in order to reduce the debts of the Company, decision revoked on 4 July 2019 (see subsequent events). The EGMS also decided to approve the dividend distribution policy in the form proposed by the shareholder of TMK Europe GmbH made available to the shareholders on the Company's website and to approve the rules of the general meetings of the shareholders in the form made available to the shareholders on the Company's website.

On **April 16, 2019** TMK- Artrom S.A. as borrower, executed the facility agreement with VTB BANK (EUROPE) SE, as arranger, facility agent and original lender, according to which the bank will make available a revolving credit facility in aggregate amount of EUR 20,000,000 with an initial maturity date of 12 months from the contract's execution date and subject to maximum two extension (with the aggregate maturity date, following the second extension, of 36 months from the execution date of the Facility agreement) for:

- general corporate purposes of the borrower;
- financing of working capital needs of the borrower;
- refinancing of existing indebtedness of the borrower;
- trade finance operations of the borrower.

On April 24, 2019 TMK- Artrom S.A. published a current report in which mentioned that it had been informed by its major shareholder, TMK Europe GmbH (the “Selling Shareholder”), of its intention to launch a secondary public offering (the “Offering”) of up to 69,000,000 existing, nominative shares issued by the Company and owned by the Selling Shareholder, representing approximately 59.3955% of the Company’s share capital (the “Offer Shares”).

The Board of Directors of the Company, validly met on April 24, 2019, decided that the price of the shares that were going to be issued by the Company in the share capital increase operation approved by the Company’s extraordinary general meeting of shareholders dated 5 April 2019 would have had the same value as the price of the shares that were going to be sold within the secondary public sale offering TMK Europe GmbH (the majority shareholder of the Company) intended to initiate.

May

On **May 8, 2019** TMK- Artrom S.A. published a current report in which mentioned that it had been informed by its major shareholder, TMK Europe GmbH, of its intention to postpone the launch of the secondary public offering of up to 69,000,000 existing, nominative shares issued by the Company and owned by TMK Europe GmbH, representing approximately 59.3955% of the Company’s share capital.

The Board of Directors of TMK-Artrom SA also reported that, on 8 May 2019, TMK Europe GmbH, holding 107,722,706 shares representing 92.7282% of TMK-ARTROM SA’s share capital, requested the convening of TMK-Artrom SA’s General Meeting of Shareholders, having the following agenda:

To revoke point 3 of decision no. 1 dated 5 April 2019 of the Extraordinary General Meeting of the Shareholders of TMK-Artrom regarding the approval of the increase of the share capital of the Company.

In the period 14-16 May 2019 TMK-Artrom was present to the fair Made in Steel Milan where were discussed market issues, on going and future contracts, evolutions , etc. with numerous clients from Europe and not only, who visited our stand.

July

On July 4, 2019 the Extraordinary General Meeting of TMK Shareholders – Artrom S.A decided to revoke point 3 of the Decision of the Extraordinary General Meeting of TMK-Artrom Shareholders no. 1 of April 5, 2019 regarding the approval of the increase of the share capital of the Company.

August

On August 30, 2019, TMK-Artrom S.A. informed the investors that it had been notified on 30.08.2019 by Societatea de Investitii Financiare OLTENIA S.A., which used to hold 6,672,352 voting rights in TMK-Artrom SA, representing 5.7436% of the share capital of TMK-Artrom SA, about the transaction made on 29.08.2019 subsequent which Societatea de Investitii Financiare OLTENIA S.A. reached the threshold of 0% of the share capital of the issuer TMK-Artrom S.A. TMK Steel Holding Ltd. acquired the 6,672,352 voting rights sold by Societatea de Investitii Financiare OLTENIA S.A., thus exceeding the threshold of 5% of the share capital of the issuer TMK-Artrom S.A.

September

On September 10, 2019 TMK-Artrom S.A. published a notice regarding the payment of the dividends for year 2018 and the availability of the procedure for dividends' payment. The gross dividend is of RON 0.1229229486/share. The payment of the dividends started on October 4, 2019 (Payment Date), through Depozitarul Central S.A., the Participants to the compensation-settlement and register system (Participants) and BCR Bank as Payment Agent.

On October 1, 2019, the company concluded an addendum with VTB BANK (EUROPE) SA, whereby the value of the loan was increased from 20 million euros to 40 million euros, and the interest rate was modified, moving to a fixed interest rate of 2%. The main use of the increase is the payment in the amount of EUR 19,051,727.15 on 1 November 2019 for the full repayment of the loan contracted with BANCA TRANSILVANIA in the amount of EUR 20 million.

TMK-Artrom S.A., on **October 16, 2019** informed the investors that it has been notified by TMK Europe GmbH (TMK-Artrom S.A.'s majority shareholder) of its intention to initiate a public purchase offer in relation to the shares issued by TMK-Artrom S.A.

On October 23, 2019 TMK-Artrom S.A. (the "Debtor") reported the conclusion of addendum no.2 dated 22.10.2019 to the remuneration contract no. 5 from 14.05.2019 (the "Contract") with PAO TMK (the "Guarantor"), a company that controls TMK-ARTROM S.A, concluded as a result of the increase in the value of the credit agreement between Debtor and VTB BANK (EUROPE) SE by EUR 20,000,000, which led to the increase of the guarantee given by the Guarantor to the bank with the same amount.

On October 24, 2019 the Extraordinary General Meeting of the Shareholders of the Company decided to approve the participation of the Company, in the next 5 years from the date of this decision, to any kind of awarding procedures (public tender, direct awarding, etc.) in the country or abroad (especially in Europe and the two Americas) for works in the field of constructions and/or energy infrastructure with a value of up to EUR 500,000,000 (or the equivalent in other currencies), individually or as a member (including leader) of an association without legal personality (e.g. joint venture, consortium etc.) with the execution period not to exceed 5 years.

December

On December 17, 2019 TMK-ARTROM S.A. (the "Borrower") reported the conclusion of addendum no. 5 dated 13.12.2019 to the Loan Agreement , Agreement w\n dated 01.12.2008 with TMK EUROPE GmbH (the "Creditor") , having as object the suspension of the repayment of the Debt from 01.01.2020 until 31.12.2021 and the reimbursement of outstanding amount of USD 17,037,540.03 in 42 instalments in amount of USD 400.000,00, of which the last one will have the value of USD 237,540,03, on the 25th day of each month, starting with January 2022.

Also, **on December 17, 2019** TMK- ARTROM S.A. (the "Buyer") reported the conclusion of an addendum dated 16.12.2019 to the Agreement no.718 dated 21.12.2018 for the purchase of the shares issued by TMK-Resita (the "Agreement") with TMK EUROPE GmbH (the "Seller"), through which clause 2.2 letter b) of the Agreement was modified as following: the remaining price of EUR 62,190,000 shall be paid during a five (5) years period, starting with 2021, in equal installments of EUR 12,438,000 each, no later than 31 December for every year. TMK-Artrom may pay such installments in full or partially in advance, as well as to extend the payment term for such installments (implicitly reducing the value of the installments) for another period of three (3) years, depending on the available financial resources.

Events after the reporting period

January

On **January 31, 2020** TMK-Artrom S.A. informed the investors that it had been notified by TMK Steel Holding Ltd., which used to hold 6,672,352 voting rights in TMK-Artrom SA, representing 5.7436% of the share capital of TMK-Artrom SA, about the transaction made on 27.01.2020 subsequent which TMK Steel Holding Ltd. reached the threshold of 0% of the share capital of the issuer TMK-Artrom S.A. On the same day TMK-Artrom published the notification of transactions made by persons discharging managerial responsibilities (PDMR) and individuals which are closely associated with the PDMR.

The stake of TMK-Artrom share capital owned by TMK-Europe GmbH as a result of running and closing the public offer that took place in the period is 03.01.2020-23.01.2020 is 98.83%.

February

On **February 17, 2020** TMK-Artrom S.A. informed the investors that it has been notified by TMK Europe GmbH (the majority shareholder of TMK-Artrom S.A., holding 114,809,203 shares representing 98.8283% of TMK-Artrom S.A.'s share capital) of its intention to initiate the procedure for the withdrawal of the minority shareholders from TMK-Artrom S.A.

2. PRESENTATION OF THE MAIN ELEMENTS OF THE FINANCIAL POSITION AND FINANCIAL AND OPERATIONAL INDICATORS according to art.248 from F.S.A Regulation no.5/2018

2.1 The main financial and operational indicators

The Group's industrial steel pipe products include high-tech mechanical engineering products and for heavy equipment manufacturers and lifting equipment. The Group capitalizes on its entire production chain, which allows it to produce high quality pipe billets, which can then be converted into universal industrial pipes as well as industrial steel pipes, premium industrial pipes with all essential heat treatment types.

As of 2019, the production capacity of TMK Artrom was of 200,000 tons of pipes, while the total output was of 188,000 tons of seamless pipes, including 41,000 tons premium and 147,000 tons commodity pipes.

TMK Resita, had, in 2019, a production capacity of 450,000 tons steel billets, while the total output was of 233,000 tons including 45,000 tons premium alloy grades. From the total output, 99% was sold to TMK Artrom.

The main financial indicators

The Group TMK-ARTROM

in RON	Consolidated	Consolidated	Consolidated
Financial indicators	31 December 2019	31 December 2018	31 December 2017
	<i>Unaudited</i>	<i>Unaudited and restated</i>	<i>Unaudited and restated</i>
Production of pipes (tons)	187,667	199,878	192,685
Sale of pipes production TMK - ARTROM (tons)	187,106	200,446	185,416
Income (thousands RON)	1,164,600	1,430,788	1,207,076
Profit of the financial year (thousands RON)	(14,089)	81,210	26,938
Net global result of the period (thousand RON)	(13,067)	81,787	27,641
Adjusted EBITDA * (thousands RON)	100,531	205,664	122,467
EBIT (thousands RON)	21,247	118,291	42,113
Adjusted EBITDA margin, %	8.6%	14.4%	10.1%

TMK-ARTROM SA separate

in RON	Separate	Separate	Separate
Financial indicators	31 December 2019	31 December 2018	31 December 2017
	<i>Unaudited</i>	<i>Audited</i>	<i>Audited</i>
Production of pipes (tons)	187,667	199,878	192,685
Sale of pipes production TMK - ARTROM (tons)	187,496	200,565	185,614
Income (thousand RON)	1,196,927	1,385,787	1,065,446
Profit of the financial year (thousands RON)	1,294	56,570	33,055
Net global result of the period (thousand RON)	1,406	56,886	33,091
Adjusted EBITDA * (thousands RON)	73,895	135,885	88,855
EBIT (thousands RON)	21,812	82,428	41,871
Adjusted EBITDA margin, %	6.2%	9.8%	8.3%
Gain/(Loss) per share (RON)	0.01	0.49	0.28

*the economic, financial and operational indicators have been calculated on the basis of preliminary, unaudited consolidated financial statements and may differ from the actual results audited;

**Adjusted EBITDA is determined according to point 2.4 from this report

Note: The above mentioned indicators / figures may be rounded to the nearest whole number, and therefore may result in small differences in summation or comparison with the exact figures mentioned in the financial statements

Consolidated sales and turnover

The consolidated volumes sold of TMK-Artrom Group for financial year ended December 31, 2019 are provided below:

Type of product / Sales destination	31 December 2019	31 December 2018 Quantity(tonnes)	31 December 2017
TOTAL seamless steel pipes, from which:	187,106	200,446	185,416
1.1.Commodities Europe *	139,749	133,044	137,649
1.2 Commodities the Americas **	7,019	12,965	8,477
1.3. Premium Europe	29,630	30,185	25,454
1.4. Premium the Americas	10,708	24,251	13,836
Total billets and blooms sold by TMK Resita towards third parties outside the Group TMK-Artrom	1,567	17,848	63,403
Total billets and blooms produced by TMK-Resita	229,613	239,842	236,682
TOTAL trading Resita, from which:	73,195	92,483	95,280
2.1 Trading Europe	70,243	89,577	76,640
2.2 Trading the Americas	2,952	2,906	18,640

*Middle East, Turkey and Nord Africa sales zone is allocated to European market

**Canada, Brazil, US and Mexico sales zones are allotted to the Americas market

Statement of preliminary consolidated financial position at December 31,2019:
-unaudited-

	31 December 2019	Consolidated 31 December 2018 -audited and restated- RON	31 December 2017 -audited and restated- RON
	RON	RON	RON
ASSETS			
Current assets			
Cash and cash equivalents	10,954,770	31,331,361	16,907,034
Trade and other receivables	244,257,839	300,865,499	276,456,454
Inventories	343,848,242	308,095,295	313,076,260
Prepayments	10,577,561	6,965,489	3,944,126
Other current assets	1,416,379	1,046,698	1,067,612
	611,054,791	648,304,342	611,451,486
Non-current assets			
Intangible assets	2,009,647	2,755,268	3,360,398
Goodwill	22,836,991	22,285,574	22,265,505
Property, plant and equipment	1,145,394,157	1,134,549,418	1,127,206,986
Right of use assets	3,640,845	-	-
Financial assets	7,407,753	4,857,610	1,307,132
Deferred tax asset	3,631,931	3,587,289	3,524,416
Other non-current assets	16,490,262	1,888,895	1,082,660
	1,201,411,586	1,169,924,054	1,158,747,097
Total assets	1,812,466,377	1,818,228,396	1,770,198,583
LIABILITIES			
Current liabilities			
Trade and other payables	312,763,178	295,468,728	366,076,143
Advances from customers	3,950,340	997,116	4,526,587
Liabilities for investments in subsidiaries	4,788,142	57,474,348	-
Provisions and accruals	7,461,138	12,254,894	8,693,355
Interest-bearing loans and borrowings	208,591,528	185,019,444	210,483,727
Lease liability	9,617,813	7,842,368	6,645,164
Total current liabilities	547,172,139	559,056,898	596,424,976
Non-current liabilities			
Liabilities for investments in subsidiaries	272,517,953	218,356,982	-
Interest-bearing loans and borrowings	206,129,198	223,499,549	169,444,772
Lease liability	32,558,702	35,468,590	37,986,109
Deferred tax liability	69,447,272	71,237,855	63,552,001
Provisions and accruals	535,855	622,184	227,281
Employee benefits liability	5,361,160	5,212,693	5,408,559
Other long-term liabilities	2,217,277	2,224,298	797,634
Total Non-current liabilities	588,767,417	556,622,151	277,416,356
Total liabilities	1,135,939,556	1,115,679,049	873,841,332
EQUITY			
Capital and reserves			
Share capital, from which:	291,587,538	291,587,538	291,587,538
- Subscribed and paid share capital	291,587,538	291,587,538	291,587,538
Other items of equity	1,215,530	1,203,575	987,033
Legal and other reserves	78,561,674	68,902,883	50,830,846
Retained earnings	315,982,598	257,387,091	524,115,979
Foreign currency translation reserve	3,268,870	2,258,177	1,897,644
Profit of the year	(14,089,389)	81,210,083	26,938,211
Total equity	676,526,821	702,549,347	896,357,251
Total liabilities and equity	1,812,466,377	1,818,228,396	1,770,198,583

Statement of preliminary separate financial position at December 31, 2019:
-unaudited-

	31 December 2019 RON	Separate 31 December 2018 -audited- RON	31 December 2017 -audited- RON
ASSETS			
Current assets			
Cash and cash equivalents	6,715,663	16,925,079	10,825,193
Trade and other receivables	244,736,204	304,919,488	238,496,231
Inventories	263,995,747	205,016,788	238,083,714
Prepayments	64,461,659	45,914,200	66,350,475
Other current assets	1,416,379	1,046,698	1,067,612
	581,325,652	573,822,253	554,823,225
Non-current assets			
Intangible assets	1,309,620	1,693,962	1,965,398
Property, plant and equipment	644,440,869	621,465,695	606,665,435
Right of use assets	500,399	-	-
Investments in subsidiaries	298,566,221	290,262,969	4,027
Financial assets	7,384,361	4,819,724	1,130,659
Other non-current assets	8,643,170	3,639,099	4,225,686
	960,844,640	921,881,449	613,991,205
Total assets	1,542,170,292	1,495,703,702	1,168,814,430
LIABILITIES			
Current liabilities			
Trade and other payables	211,409,479	163,574,097	217,413,772
Advances from customers	3,587,632	679,297	4,211,020
Liabilities for investments in subsidiaries	4,788,142	57,474,348	-
Provisions and accruals	3,985,943	8,169,816	6,939,141
Interest-bearing loans and borrowings	208,591,528	185,019,444	210,483,727
Lease liability	1,548,830	1,156,675	360,797
Income tax payable	-	1,686,487	-
Total current liabilities	433,911,554	417,760,164	439,408,457
Non-current liabilities			
Liabilities for investments in subsidiaries	272,517,953	218,356,982	-
Interest-bearing loans and borrowings	206,129,198	223,499,549	169,444,772
Lease liability	2,423,496	3,303,317	1,012,594
Deferred tax liability	34,824,440	37,184,083	34,540,322
Provisions and accruals	487,490	555,549	227,281
Employee benefits liability	2,908,795	2,900,934	3,034,324
Other long-term liabilities	196,087	156,329	729,080
Total Non-current liabilities	519,487,459	485,956,743	208,988,373
Total liabilities	953,399,013	903,716,907	648,396,830
EQUITY			
Capital and reserves			
Share capital, from which:	291,587,538	291,587,538	291,587,538
- Subscribed and paid share capital	291,587,538	291,587,538	291,587,538
Other items of equity	(376,372)	(487,866)	(804,074)
Legal and other reserves	78,561,674	68,902,883	50,830,846
Retained earnings	217,704,240	175,414,254	145,747,924
Profit of the year	1,294,199	56,569,986	33,055,366
Total equity	588,771,279	591,986,795	520,417,600
Total liabilities and equity	1,542,170,292	1,495,703,702	1,168,814,430

Statement of preliminary consolidated comprehensive income at December 31, 2019:

-unaudited-

	31 December 2019	Consolidated 31 December 2018 -audited and restated- RON	31 December 2017 -audited and restated- RON
	RON	RON	RON
Revenue from contracts with customers	1,164,600,291	1,430,787,785	1,207,075,807
Sales of goods	1,161,484,445	1,427,082,831	1,199,904,816
Rendering of services	3,115,846	3,704,954	7,170,991
Cost of sales	(961,641,877)	(1,110,505,639)	(1,015,728,370)
Gross profit	202,958,414	320,282,146	191,347,437
Selling and distribution expenses	(114,517,718)	(130,427,417)	(88,652,382)
Advertising and promotion expenses	(445,266)	(333,646)	(360,502)
General and administrative expenses	(67,630,298)	(65,634,449)	(56,380,976)
Research and development expenses	(130,966)	(247,178)	(117,956)
Other operating expenses	(3,463,223)	(5,505,234)	(5,952,277)
Other operating income	4,475,620	156,388	2,230,001
Income from operations	21,246,563	118,290,610	42,113,345
Foreign exchange (loss) / gain, net	(17,581,283)	(3,069,789)	(1,606,753)
Finance income	240,004	8,654	22,706
Finance costs	(18,966,436)	(15,290,361)	(10,676,878)
Gains / (losses) on financial instruments	-	-	-
Profit / (loss) before tax	(15,061,152)	99,939,114	29,852,420
Income tax expense/credit	971,763	(18,729,031)	(2,914,209)
Profit / (loss) for the period	(14,089,389)	81,210,083	26,938,211
Other comprehensive income - that may be reclassified in profit or loss			
Foreign currency translation	1,010,692	360,533	748,816
Other comprehensive income - that may not be reclassified in profit or loss			
Actuarial gains / (losses)	11,954	216,543	(46,172)
Other comprehensive income (loss) for the year, net of tax	1,022,646	577,076	702,644
Total comprehensive income for the year, net of tax	(13,066,743)	81,787,159	27,640,855
Average number of shares	116,170,334	116,170,334	116,170,334
Earnings per share	(0.12)	0.70	0.23

Statement of preliminary separate comprehensive income at December 31, 2019:
-unaudited-

	31 December 2019	Separate 31 December 2018 -audited- RON	31 December 2017 -audited- RON
	RON	RON	RON
Revenue from contracts with customers	1,196,926,713	1,385,787,328	1,065,446,401
Sales of goods	1,196,334,865	1,385,329,402	1,064,852,707
Rendering of services	591,848	457,926	593,694
Cost of sales	(1,011,291,158)	(1,122,693,101)	(894,405,234)
Gross profit	185,635,555	263,094,227	171,041,167
Selling and distribution expenses	(119,844,680)	(137,421,427)	(90,803,563)
Advertising and promotion expenses	(433,016)	(306,285)	(265,529)
General and administrative expenses	(41,300,144)	(40,168,772)	(35,041,214)
Research and development expenses	(130,966)	(247,178)	(117,956)
Other operating expenses	(3,181,877)	(2,963,275)	(4,398,071)
Other operating income	1,067,490	440,751	1,456,496
Income from operations	21,812,362	82,428,041	41,871,330
Foreign exchange (loss) / gain, net	(16,332,382)	(2,873,347)	(2,034,053)
Finance income	10,147,700	3,494	1,714
Finance costs	(16,693,123)	(11,777,468)	(6,736,790)
Profit / (loss) before tax	(1,065,443)	67,780,720	33,102,201
Income tax expense/credit	2,359,642	(11,210,734)	(46,835)
Profit / (loss) for the period	1,294,199	56,569,986	33,055,366
Other comprehensive income - that may not be reclassified in profit or loss			
Actuarial gains / (losses)	111,494	316,208	36,040
Other comprehensive income (loss) for the year, net of tax	111,494	316,208	36,040
Total comprehensive income for the year, net of tax	1,405,693	56,886,194	33,091,406
Average number of shares	116,170,334	116,170,334	116,170,335
Earnings per share	0.01	0.49	0.28

Statement of preliminary consolidated cash-flow at December 31, 2019:
-unaudited-

Indirect method	1 January - 31 December 2019	Consolidated 1 January - 31 December 2018 -unaudited and restated-	1 January - 31 December 2017 -unaudited and restated-
	RON	RON	RON
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before tax	(15,061,152)	99,939,114	29,852,420
Plus / minus adjustments for:		-	-
Depreciation and amortisation	86,601,197	77,769,930	72,695,431
Increase / (reversal) of provisions	(4,880,085)	3,923,716	4,438,135
Increase / (reversal) of allowances for current assets	83,983	4,445,699	307,566
Exchange rate differences for financing activities	69,988,586	3,845,710	1,551,873
Variation of retirement benefits	723,162	655,658	564,693
Result from disposal of non-current assets	(4,276,415)	1,128,345	1,655,048
Interest and related expenses	17,175,680	13,746,476	11,018,626
Other income	-	-	(448,060)
Dividends income	-	-	-
Exchange rate differences for cash and cash equivalents	368,034	366,098	126,136
Plus / minus adjustments for changes in working capital related to operating activities:			
Decrease / (increase) in inventories	(35,238,155)	1,177,710	(93,769,501)
Decrease / (increase) in trade and other receivables and prepayments	48,827,018	(39,766,745)	(66,869,207)
(Decrease) / increase in payables (except banks)	(46,693,049)	(62,171,179)	147,328,860
less:			
Interest paid	(15,515,672)	(13,627,602)	(10,679,299)
Income tax paid	(122,249)	(2,952,674)	(5,761,192)
Dividends tax paid	(53,596)	-	-
Total inflows / (outflows) from operating activities (a)	101,927,287	88,480,256	92,011,529
CASH FLOWS FROM INVESTING ACTIVITIES			
Amount received from disposal of non-current assets	11,093,753	5,172,694	2,514,047
Purchase of tangible and intangible assets	(115,660,691)	(98,110,347)	(180,820,785)
Interest received	240,004	8,654	22,706
Total inflows / (outflows) from investing activities (b)	(104,326,934)	(92,928,999)	(178,284,032)
CASH FLOWS FROM FINANCING ACTIVITIES			
Paid dividends	(14,079,548)	-	-
Loans received	184,918,891	49,674,334	154,195,539
Repayment of loans	(180,981,403)	(24,761,603)	(68,205,687)
Repayment of leases	(7,834,884)	(6,039,661)	(5,325,496)
Total inflows / (outflows) from financing activities (c)	(17,976,944)	18,873,070	80,664,356
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)	(20,376,591)	14,424,327	(5,608,147)
Cash and cash equivalents at beginning of period	31,331,361	16,907,034	22,515,181
Cash and cash equivalents at end of period	10,954,770	31,331,361	16,907,034

Statement of preliminary separate cash-flow at December 31, 2019:
-unaudited-

Indirect method	1 January - 31 December 2019 RON	Separate 1 January - 31 December 2018 -audited- RON	1 January - 31 December 2017 -audited- RON
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before tax	(1,065,443)	67,780,720	33,102,201
Plus / minus adjustments for:		-	-
Depreciation and amortisation	52,967,862	46,974,937	42,050,091
Increase / (reversal) of provisions	(4,251,932)	1,558,943	4,040,099
Increase / (reversal) of allowances for current assets	(217,753)	3,014,121	(573,741)
Exchange rate differences for financing activities	69,091,695	3,822,264	488,993
Variation of retirement benefits	334,971	339,887	284,375
Result from disposal of non-current assets	368,346	877,352	1,521,355
Interest and related expenses	15,471,876	11,026,360	8,386,955
Dividends income	(10,141,771)	-	-
Plus / minus adjustments for changes in working capital related to operating activities:			
Decrease / (increase) in inventories	(58,397,666)	29,376,750	(82,314,460)
Decrease / (increase) in trade and other receivables and prepayments	37,187,071	(54,756,043)	10,673,818
(Decrease) / increase in payables (except banks)	(18,539,984)	(45,570,116)	27,448,618
less:		-	-
Interest paid	(13,577,877)	(10,902,326)	(8,026,636)
Income tax paid	-	(1,103,521)	(3,537,083)
Dividends tax paid	(53,596)	-	-
Total inflows / (outflows) from operating activities (a)	69,175,799	52,439,328	33,544,585
CASH FLOWS FROM INVESTING ACTIVITIES			
Amount received from disposal of non-current assets	232,577	4,028,169	559,256
Purchase of tangible and intangible assets	(77,411,857)	(74,624,141)	(125,984,154)
Repayment of given loans	-	-	313,671
Dividends received	9,606,180	-	-
Interest received	5,928	3,494	1,714
Total inflows / (outflows) from investing activities (b)	(67,567,172)	(70,592,478)	(125,109,513)
CASH FLOWS FROM FINANCING ACTIVITIES			
Paid dividends	(14,079,549)	-	-
Loans received	184,918,891	49,674,334	154,195,539
Repayment of loans	(180,981,320)	(24,761,603)	(68,205,687)
Repayment of leases	(1,676,065)	(659,695)	(371,527)
Total inflows / (outflows) from financing activities (c)	(11,818,043)	24,253,036	85,618,325
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)	(10,209,416)	6,099,886	(5,946,603)
Cash and cash equivalents at beginning of period	16,925,079	10,825,193	16,771,796
Cash and cash equivalents at end of period	6,715,663	16,925,079	10,825,193

Statement of preliminary consolidated changes in equity as December 31, 2019:

-unaudited-

Consolidated	Share capital	Legal reserves	Foreign currency translation reserve	Other reserves	Retained earnings	Other elements of equity - from applying IAS 19	Total equity
	RON	RON	RON	RON	RON	RON	RON
For year ended as at 31 December 2019							
As at 1 January 2019	291,587,538	20,228,568	2,258,177	48,674,315	338,597,173	1,203,576	702,549,347
Profit of the period	-	-	-	-	(14,089,389)	-	(14,089,389)
Other comprehensive income / (loss)	-	-	1,010,692	-	-	11,954	1,022,646
Total comprehensive income	-	-	1,010,692	-	(14,089,389)	11,954	(13,066,743)
Capital contribution reserve	-	-	-	9,658,792	-	-	9,658,792
TMK-Italia's shares bought according to "pooling of interests" method	-	-	-	-	(8,303,252)	-	(8,303,252)
Dividends distribution from 2018 profit	-	-	-	-	(14,280,000)	-	(14,280,000)
Correction of 2018 expenses TMK-Resita	-	-	-	-	(31,323)	-	(31,323)
At 31 December 2019	291,587,538	20,228,568	3,268,869	58,333,107	301,893,209	1,215,530	676,526,821
For year ended as at 31 December 2018 –unaudited and restated-							
As at 1 January 2018	291,587,538	16,839,532	1,897,644	33,991,314	551,054,190	987,033	896,357,251
Profit of the period	-	-	-	-	81,210,083	-	81,210,083
Other comprehensive income / (loss)	-	-	360,533	-	-	216,543	577,076
Total comprehensive income	-	-	360,533	-	81,210,083	216,543	81,787,159
Set-up of legal reserves from profit of the year	-	3,389,036	-	-	(3,389,036)	-	-
Capital contribution reserve	-	-	-	14,683,001	-	-	14,683,001
TMK-Reșița's shares bought according to "pooling of interests" method	-	-	-	-	(290,278,064)	-	(290,278,064)
At 31 December 2018	291,587,538	20,228,568	2,258,177	48,674,315	338,597,173	1,203,576	702,549,347
For year ended as at 31 December 2017-unaudited and restated-							
As at 1 January 2017	291,587,538	15,184,422	1,148,828	2,591,058	557,171,345	1,033,205	868,716,396
Profit of the period	-	-	-	-	26,938,211	-	26,938,211
Other comprehensive income / (loss)	-	-	748,816	-	-	(46,172)	702,644
Total comprehensive income	-	-	748,816	-	-	(46,172)	702,644
Set-up of reserves for reinvested profit	-	1,655,110	-	31,400,256	(33,055,366)	-	-
At 31 December 2017	291,587,538	16,839,532	1,148,828	33,991,314	524,115,979	1,033,205	896,357,251

Statement of preliminary preliminary changes in equity as December 31, 2019:
-unaudited-

Separate	Share capital	Legal reserves	Other reserves	Retained earnings	Other elements of equity - from applying IAS 19	Total equity
	RON	RON	RON	RON	RON	RON
For year ended as at 31 December 2019						
As at 1 January 2019	291,587,538	20,228,568	48,674,315	231,984,239	(487,865)	591,986,795
Profit of the period	-	-	-	1,294,199	-	1,294,199
Other comprehensive income / (loss)	-	-	-	-	111,493	111,493
Total comprehensive income	-	-	-	1,294,199	111,493	1,405,692
Capital contribution reserve	-	-	9,658,792	-	-	9,658,792
Dividends distribution from 2018 profit	-	-	-	(14,280,000)	-	(14,280,000)
At 31 December 2019	291,587,538	20,228,568	58,333,107	218,998,438	(376,372)	588,771,279
For year ended as at 31 December 2018-audited						
As at 1 January 2018	291,587,538	16,839,532	33,991,314	178,803,289	(804,073)	520,417,600
Profit of the period	-	-	-	56,569,986	-	56,569,986
Other comprehensive income / (loss)	-	-	-	-	316,208	316,208
Total comprehensive income	-	-	-	56,569,986	316,208	56,886,194
Set-up of legal reserves from profit of the year	-	3,389,036	-	(3,389,036)	-	-
Set-up of reserves for reinvested profit	-	-	14,683,001	-	-	14,683,001
At 31 December 2018	291,587,538	20,228,568	48,674,315	231,984,239	(487,865)	591,986,795
For year ended as at 31 December 2017-audited						
As at 1 January 2017	291,587,538	15,184,422	2,591,058	178,803,289	(840,114)	487,326,193
Profit of the year	-	-	-	33,055,366	-	33,055,366
Other comprehensive income / (loss)	-	-	-	-	36,041	36,041
Total comprehensive income	-	-	-	-	-	-
Set-up of reserves for reinvested profit	-	1,655,110	31,400,256	(33,055,366)	-	-
At 31 December 2017	-	1,655,110	31,400,256	(33,055,366)	36,041	36,041

2.2 Presentation of the preliminary unaudited consolidated and individual results of the Group

The Group generates revenue primarily by selling seamless industrial steel pipes to end-users and distributors through its sales and marketing network that is engaged in the sale of pipe production in markets throughout Europe and the Americas. IFRS 15 – *Revenue from Contracts with Customers* requires qualitative and quantitative disclosures in respect of revenue, contract balances, performance obligations, significant judgements and assets recognised from costs to obtain or fulfill a contract. Consequently, these revenues are referred to as “Revenue from contracts with customers” for periods commencing on or after 1 January 2018, following the adoption of IFRS 15. The adoption of IFRS 15 did not have a significant impact on the Unaudited Consolidated and Separate Financial Statements because the Group does not have long-term sales contracts with clients. All other revenues are described as rendering of services referring mainly to agency services which are performed by the Company’s subsidiaries in the US, respectively Italy for other parties but also other services executed by the Group to other parties.

The Group’s total consolidated revenues decreased by 18.6% in the year ended at 31 December 2019 compared to the year ended at 31 December 2018 as a result of revenue decrease from contracts with customers from the sold production by 14.8% (RON 167 mil), which was offset by the decrease of TMK-Resita sales of blooms and billets to third parties (by 90.5% or RON 41,4 mil) and also due to the decrease of other sales (with 22.6% or RON 57,6 million) out of which the sales of metallurgical products from companies within the TMK group decreased by 23.5%, respectively RON 58.8 million.

The decrease in revenue from the pipes production sold by RON 167 million is due to several factors, namely:

(i) *decrease of the physical volume of pipes sold from 200,446 tonnes to 187,106 tonnes (representing a decrease of 6.7%), mainly due to the decrease of the volume of orders due to the low demand of industrial pipes mainly on the American market (RON 136 million influence);*

(ii) *the structure of the pipes sold has a negative influence in the conditions of the decrease of the revenues obtained from the sales of premium pipes by 26.4% (representing RON 111 million), due to the decrease of the volume of sales of premium pipes by 14,099 tonnes (decrease by 555 tonnes in Europe and decrease by 13,544 tonnes in America) in the year ended 31 December 2019 compared to 54,436 tonnes in the period ended 31 December 2018 and the quantitative growth of commodities by 759 tonnes but with a decrease of the average sale price by 8.4% (total influence RON 56 million);*

(iii) *the decrease of the sale prices on average by 8.7% which represents a value decrease of RON 115.8 million;*

(iv) *price value increase in the amount of RON 23.8 million from exchange rate differences for sales in different currencies.*

Due to the low demand for billets at competitive prices, the volume of billets sales produced by TMK RESITA to other parties other than TMK-Artrom decreased by 16,281 tonnes from 17,848 tonnes in the period ended December 31, 2018 to 1,567 tonnes in the period ended December 31 2019 (a quantitative decrease by 91.2%).

The volume of sales of goods (billets, blooms, pipes) produced by other parties other than TMK-Artrom (purchased from other companies within the TMK group) decreased by 20.9% from 92,843 tonnes recorded in the year ended 31 December 2018 to 73,195 tonnes registered in the year ended 30 December 2019 due to the reduced demand for pipes and billets manifested globally.

As a result of the decrease in the sales volumes of the company and its subsidiaries, the decrease of the sale prices at a greater rate than the decrease of the prices of raw materials and materials, the increase of the prices for energy and gas, during the year ended 31 December 2019, the main indicators, (net) profit for the period and Adjusted EBITDA decreased compared to the period ended 31 December 2018.

The profit of the year(net) was negatively influenced as a result of the increase of the expenses with unfavorable exchange rate differences due to the depreciation of the national currency against EUR and USD.

The RON/ EURO exchange rate evolved from 4.6639 RON/ EURO as at 31 December 2018 to 4.7793 RON/ EURO as at 31 December 2019, while the RON/ USD exchange rate evolved from 4.0736 RON/ USD as at 31 December 2018 at 4.2608 RON/ USD at 31 December 2019. Currency instability and pronounced depreciation of the RON/ EURO and RON/ USD exchange rates led to a total loss of RON 17.6 million from foreign currencies during the the year ended 31 December 2019.

The (net) consolidated profit for the year ended 31 December 2019 decreased by RON 95.2 million compared to the period ended 30 December 2018 (an 117.3% decrease, from a profit of RON 81.2 million to RON to a loss of RON 14.09 million).

Total separate revenues from TMK-Artrom's contracts with customers decreased by 13.6% in the year ended 31 December 2019 as compared to the year ended 31 December 2018 as a result of the revenue decrease from contracts with customers by 14.6% for TMK-Artrom's sold production(influence of RON 165 million), but also due to the decrease of sales of other goods and services (by 9.3%% or RON 24 million) out of which the sales of metallurgical goods from third parties outside TMK-Artrom group decreased by 10.2%, respectively RON 21.7 million.

The total separate revenues obtained by TMK-Artrom from its own sold production decreased due to the physical volume reduction of pipes from 200,565 tonnes to 187,496 tonnes(a decrease by 6.5%), but also to a decrease in the average selling price by 8.6%, due to a decreased evolution of demand on the steel pipes market as compared to the previous year.

TMK-Artom's sales of externally purchased goods (trading activity) mainly consisting of metallurgical products (pipes, billets and other steel products) purchased from companies within the TMK group decreased by 10.2% in the year ended at 31 December 2019. Sales of merchandise on internal market and for export destination decreased to 73,085 tonnes in the year 2019 as compared to 78,358 tonnes in the year 2018.

The (net) separate profit for the period decreased in the period ended 31 December 2019 by RON 55.3 million as compared to the period ended 31 December 2018 (an 98% decrease from RON 56.6 million to RON 1.3 million).

2.3. Analysis of the main costs of TMK-Artrom Group

The cost of sales consists mainly of the costs of purchasing raw materials, consumables (including rolling instruments, spare parts for production equipment), employee costs, and energy and utilities costs. The cost of sales also includes:

- (i) depreciation and amortization, mainly related to depreciation of plant and equipment operations of the Group;
- (ii) (ii) third party costs incurred in connection with certain IT equipment, leasing of equipment and technical consultants directly linked to production; and
- (iii) (iii) repair and maintenance costs related to the plant and machinery.

Raw material costs

The main component of the cost of the Group's cost of production is the cost of its raw material, such as metal scrap and ferro-alloys used in TMK-Resita for the production of steel billet and blooms, representing 41.7% from the total cost of sold production of the Group during the year ended 31 December 2019(44.6% in the year ended 31 December 2018).

The Group's raw material costs decreased by 17% in the year ended at 31 December 2019 as compared to the year ended 31 December 2018, mainly due to the decrease in the production of liquid steel at TMK-Resita. The decrease in raw material costs was also influenced by the 7.6% decrease in the average purchase price of scrap metal.

The average purchase price of scrap metal decreased by 87 lei/tonne from 1,280 RON/ tonne in the year ended 31 December 2019 as compared to 1,193 RON/ tonne in the year ended 31 December 2019.

Energy and utilities costs

Energy and utilities costs (natural gas, electricity, water) amount to RON 142 million, for the year ended at 31 December 2019 representing 18% of the total cost of sold production in the year ended at 31 December 2019 (RON 112 million, representing 13% in the year ended at 31 December 2018).

Expenses with energy and utilities increased by 26% for the year ended at 31 December 2019 compared to the same period of 2018, mainly due to the combined influence of three factors:

- (i) the change in energy and gas purchase prices compared to the same period of the previous year;
- (ii) (ii) the decrease in the actual consumption of natural gas and utilities due to a reduction in TMK-Artrom production of pipes and
- (iii) (iii) the decrease in the actual consumption of TMK-Resita due to a reduction of the production of liquid steel by 9%.

For TMK-Artrom, the average price of electricity increased by 30.8% during the year ended at 31 December 2019 as compared to the same period of 2018, respectively from 287.4 RON/Mwh in 2018 to 375.9 RON/Mwh in 2019, and the average price of natural gas increased by 17.3%, respectively from 109.24 RON/Mwh in 2018 to 128.09 RON/Mwh in 2019.

For TMK-Resita, the average electricity price increased by 33.8% during the year ended at 31 December 2019 as compared to the same period of 2018, respectively from 258 RON/Mwh in 2018 to 345.3 RON/Mwh in 2019(the average price for electricity of 220 V and 110 V) and the average price of natural gas increased by 18% for the same periods, respectively from 123 RON/Mwh in 2018 to 145 RON/Mwh in 2019.

Regarding the factors affecting the local market in Romania, especially the energy prices, at the end of December 2019, the Government of Romania issued in December 2019 Emergency Ordinance no 81/2019 amending the GEO no. 115/2011 by which the Government of Romania undertakes to implement a state aid scheme to offset large energy consumers in respect of part

of their indirect emission costs, a state aid scheme which is a transposition of the provisions resulting from the EU ETS Guide 2012 / C 158/04 . The European guide defines the list of the industrial sectors that qualify for the direct subsidy, as well as the implementation formula, in the smallest details and GEO 81/2019 has fully taken over the provisions of this European regulation.

Such European schemes have been in place since 2012 and have already being implemented in 12 European states including Germany, France, Spain where TMK-ARTROM has strong competitors. This system offers direct subsidies to offset the costs related to the emissions of greenhouse gases passed in the price of electricity, for the economic agents from different fields of activity, in order to maintain their competitiveness. As our competitors in Western Europe, especially in Germany, France and Spain have benefited from these subsidies for years and the companies in Romania have not, this unequal application in the European Union has created an imbalance in terms of equal opportunities in the competition between the producers of steel and pipes from Romania and those from the countries that have applied this European regulation since 2012. The new OUG81 / 2019 is meant to repair part of this imbalance and to bring the Romanian companies in a situation of competition equal to those of the countries that have applied this scheme for years.

For TMK-ARTROM and TMK-RESITA, as well as for companies from 15 other Romanian industrial sectors, and eight sub-sectors (as regulated by the EU ETS Guide 2012 / C 158/04), these compensations have the role of counteracting the very high price of energy in total costs. Moreover, the funds for the effective compensation come from the revenues obtained from the auctioning of the greenhouse gas emission certificates awarded free of charge by the EU to Romania. Thus, the scheme is directly supported by this mechanism implemented in the European Union and does not affect the rest of the Romanian consumers.

Employment costs, remuneration expenses and social security contributions

Expenses with employees in the production sector (staff costs, other compensation and social security contributions) amount to RON 142.4 million, meaning 18.2% of the total cost of production sold as at 31 December 2019 (RON 129.8 million, 14.8% in the year ended 31 December 2018).

The employment costs increased by 9.6% or RON 12.6 million for the year ended 31 December 2019 as compared to year ended 31 December 2018 as a result of the new staff employed as well as of the indexation of salaries with the inflation rate(and also, according to trade unions negotiations).

Materials (consumables)

Expenses with materials (auxiliary materials, technological tools, spare parts, etc.) amount to RON 120.4 million, representing 15.4 % of the total cost of sold production for the year ended at 31 December 2019.

The expenses decreased by 3.4% as compared to the year ended at 31 December 2018 (in total amount of RON 136.1 millions representing 15.5% of the total cost of sold production). Considering that at the moment, the Group operates a repair and maintenance programme for its facilities, these costs are expected to remain relatively the same year-on-year.

Expenses for materials (consumables) taken into consideration are the materials (consumables) (RON 151 millions RON for the year ended at 31 December 2019) less the capitalized production costs (RON 30.6 millions for the year ended at 31 December 2019).

From the total costs with the materials (consumables) of the Group, we outline the costs incurred with the graphite electrodes used in the technological process of TMK-Resita, as some of the main materials used in TMK-Resita's production, which represented 24.4% of the total costs for the materials (consumables) of the Group for the year ended at 31 December 2019 as compared to 21.2% for the year ended at 31 December 2018.

Selling and distribution expenses

Selling and distribution expenses consist of expenses related the sale of the Group's products, including freight of finished products and merchandise, agents commission, taxes (the major part represented by the US import duties), insurance, materials, and associated salaries.

Selling and distribution expenses decreased by RON 15.8 million or by 12.2% to RON 115 million for the year ended at 31 December 2019, from RON 130.8 million as at 31 December 2018.

The decrease was mainly driven by the decrease in the sales of TMK-Artrom's own production but also due to decrease in sales of metallurgical goods purchased from companies within TMK-Artrom group.

The sales of TMK-Artrom own production sold to American market decreased by 19,496 tonnes, but to the European market increased by 6,150 tonnes:

- *taxes and duties paid at the destination* of the exported goods decreased during the period ended 31 December 2019 as compared to year ended 31 December 2018 due to decrease in sales for USA clients. From May 2018, the import duty on some steel products in the US (section 232) was 25%, the duty on the steel products TMK-Artrom acquired from the TMK group companies sold in the US. For similar steel products of European origin, the 25% duty was introduced as of 1 June 2018.

Expenses with these taxes in the year ended at 31 December 2019 amounted to RON 23.4 million as compared to RON 25.7 million, which were generally recovered by increasing sales prices to customers;

- expenses related to external services representing transport costs, port expenses, agent agency commissions, decreased by RON 12.7 million or 15.7% to RON 68.2 million in the year ended 31 December 2019, from RON 80.9 million in the year ended 31 December 2018, mainly due to decrease in sales.

2.4 Adjusted EBITDA

We define **EBITDA** as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortization foreign exchange (gain)/loss.

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

- The Group's management subtracts depreciation of stock of finished goods and unfinished products from the Group's EBITDA, so that Adjusted EBITDA reflects solely the depreciation related to sold production and therefore reflects only realised earnings. The Group believes that this adjustment results in a measure more representative of the Group's underlying financial performance in the relevant period. Depreciation of stock of finished goods and unfinished products is calculated by (A) calculation a percentage represented by depreciation in the total cost of production of the Group for the period

and (B) multiplying such percentage by the amount of the stock of finished goods and unfinished production (which is in turn calculated as the sum of value of finished goods in transit and the value of work in progress and semi-finished goods at the end of the reporting period), and (C) calculating the net change in the amount calculated in (B) from the prior period.

- Gain/loss on disposal of property, plant and equipment and impairment/(reversal of impairment) of non-current assets, as well as changes in provisions and allowances are added back to EBITDA in calculating Adjusted EBITDA as these items represent non-cash charges which the Group's management believes are not representative of underlying operating performance. The changes in provisions and allowances include allowances for stocks and short term provision from which it were excluded the provisions for managers bonuses.
- Social expenses are added back to EBITDA in calculating Adjusted EBITDA because it is considered them not related to operational activity and part of them, such as sponsorship and charitable expenses are non cash items because they are deducted from the payable income tax according to the Fiscal Code.

Social expenses are calculated as the sum of:

- Social actions expenses representing amounts paid to Trade Unions according to the Collective Bargaining Agreements of the Group companies, amounts paid for social, cultural and sport events organized for the employees and their children ;
- Sponsorship and charitable donations expenses according to the law;
- Professional fees and services for professional associations representing fees and contributions for the professional associations UNITUB and UNIROMSIDER;
- Total expenses with personnel medical dispensary which includes staff costs, social security costs and other compensations for employees from the medical dispensaries of the Group.

We define **EBITDA margin** as a percentage ratio calculated as EBITDA divided by revenues.

Consolidated	31 December 2019 <i>-unaudited-</i> RON	31 December 2018 <i>-unaudited and restated-</i> RON	31 December 2017 <i>-unaudited and restated-</i> RON
Consolidated Adjusted EBITDA	100,530,730	205,664,113	122,467,317
Consolidated Adjusted EBITDA margin	8.6%	14.4%	10.1%

Consolidated Adjusted EBITDA decreased by RON 105.1 million as compared to the same period ended 31 December 2018 (a decrease representing 51.1% from RON 205.6 million to RON 100.5 million).

Consolidated Adjusted EBITDA margin for the year ended 31 December 2019 is 8.6% as compared to 14.4% corresponding to the year ended 31 December 2018.

	31 December 2019	31 December 2018	31 December 2017
Separate	RON	RON	RON
Adjusted EBITDA	73,895,461	135,885,402	88,854,930
Adjusted EBITDA margin	6.2%	9.8%	8.3%

Adjusted EBITDA decreased by RON 62 million as compared to the same period ended 31 December 2018 (a decrease representing 45.6% from RON 135.9 million to RON 73.9 million) due to the decrease in sales especially in American market, selling prices and an increase for energy costs.

Adjusted EBITDA margin for the year ended 31 December 2019 is 6.2% as compared to 9.8% corresponding to the year ended 31 December 2018.

Consolidated Indicators	31 December 2019 -unaudited- RON	31 December 2018 -unaudited and restated- RON	31 December 2017 -unaudited and restated- RON
Profit for the year	-14,089,389	81,210,083	26,938,211
Depreciation	86,601,199	77,769,930	72,695,431
Finance costs	18,966,436	15,290,361	10,676,878
Finance income	-240,004	-8,654	-22,706
Exchange rate differences	17,581,283	3,069,789	1,606,753
Income Tax	-971,763	18,729,031	2,914,209
EBITDA	107,847,762	196,060,540	114,808,776
Adjustments	-7,317,032	9,603,572	7,658,541
- Depreciation in stock of finish goods and unfinished production	-6,693,031	759,902	913,365
- Gain(-)/Loss (+) on disposal of property, plant and equipment and impairment (+)/reversal of impairment (-) of non-current assets	-4,276,415	1,128,345	1,655,048
- Changes in provisions and allowances	349,559	5,139,989	3,138,797
- Social expenses	3,302,855	2,575,337	1,948,394
Adjusted EBITDA	100,530,730	205,664,113	122,467,317

(1) Reconciliation of the depreciation in stock of finish goods and unfinished production is presented below

Descriere	31 Decembrie 2019 -neauditat-	31 Decembrie 2018 -neauditat si retratat-	31 Decembrie 2017 -neauditat si retratat-
Depreciation expense included in the cost of production in the reporting period	81,032,334	73,661,221	69,434,320
Production cost in the reported period	867,705,457	884,182,946	842,864,176
% of depreciation in total production cost (A)	9.34%	8.33%	8.24%

Descriere	31 Decembrie 2019 -neauditat-	31 Decembrie 2018 -neauditat si retratat-	31 Decembrie 2017 -neauditat si retratat-
Value of finished goods and goods in transit at the end of the reporting period			
Value of WIP and semi-finished goods at the end of the reporting period	88,934,977	74,102,208	82,907,606
Stock value at the end of the reporting period	142,555,314	105,049,692	107,493,242
Total stocks x % of depreciation in total production cost - =depreciation in stocks (B)	231,490,291	179,151,900	190,400,848
Variance in depreciation in stocks included in Adjusted EBITDA (C)	21,618,164	14,925,133	15,685,034
Depreciation expense included in the cost of production in the reporting period	6,693,031	(759,902)	(916,302)

(2) Reconciliation of social expenses is presented below:

Consolidat	31 December 2019 -unaudited-	31 December 2018 -unaudited and restated-	31 December 2017 -unaudited and restated-
	RON	RON	RON
Social actions expenses	1,815,369	1,527,988	1,265,223
Sponsorship and charitable donations	703,244	348,870	175,390
Professional fees and services	248,291	230,464	200,339
Total expenses with personnel medical dispensary from which:	535,951	468,015	307,442
Staff costs - medical dispensary	479,759	428,029	234,377
Social security costs - medical dispensary	19,494	14,310	58,521
Other compensations for employees - medical dispensary	36,698	25,675	14,543
Total	3,302,855	2,575,337	1,948,394

2.5 Borrowings

The Group's loans and borrowing are set out below, as of December 31, 2019:

Bank loans	Contractual nominal value	Currency	Interest rate	Final maturity	Balance sheet commitments		Off balance sheet exposures	
					Total outstanding balance (long-term)	Total outstanding balance (short-term)	Undrawn available amounts	LC/LGs (non cash utilisation)
2011 BCR Facilities Agreement	20,000,000	EUR	Floating	03.10.2021	12,501,598	-	2,584,829	4,312,073
VTB BANK(EUROPE) SE	40,000,000	EUR	Floating	16.04.2022	-	38,858,235	1,141,765	-
2016 BCR Facility Agreement	25,000,000	EUR	Fixed	07.11.2023	15,476,190	4,761,905	-	-

The situation of bank loans, at the end of 2019 compared to the previous year is presented as follows:

2.5.1 Short-term bank loans

Name of banking company	Currency	31 December 2019		31 December 2018	
		<u>Balance RON</u>	<u>Currency balance</u>	<u>Balance RON</u>	<u>Currency balance</u>
Overdraft VTB(Europe) Bank SE	EUR	185,715,160	38,858,235	-	-
Line for financing general needs in UNICREDIT BANK	EUR	-	-	65,235,795	13,999,999
Overdraft not employed BANCA TRANSILVANIA	EUR			92,501,203	19,833,445
Total short term bank loans		185,715,160	38,858,235	157,795,799	33,833,444

2.5.2 Long-term bank loans

Name of banking company	Currency	BALANCE AT 31 December 2019					
		Amount due		<u>with a maturity of more than one year</u>		<u>with a maturity of less than one year</u>	
		RON	Currency	RON	Currency	RON	Currency
BCR ERSTE overdraft credit line	EUR	59,748,888	12,501,598	59,748,888	12,501,598		
Investment credit BCR ERSTE - 7 years	EUR	96,723,929	20,238,095	73,965,357	15,476,190	22,758,571	4,761,905
TOTAL		156,478,817	32,739,693	133,714,245	27,977,788	22,758,571	4,761,905

- ❖ The sum of RON 185,715,160 (the equivalent of EUR 38,858,235) is related to an operating loan - credit facility renewable within EUR 20,000,000 limit - contracted with VTB BANK (EUROPE) SA employed for 12 months, valid until 16.04.2022, with 3M EURIBOR interest plus 2.0%.

The first use of this facility was for the refinancing on 23.04.2019 of the balance of EUR 13,999,999 of the loan in the initial amount of EUR 27,000,000 - contracted by TMK-ARTROM with UNICREDIT BANK on 15.10.2013. Following this reimbursement, the facility with UNICREDIT BANK was closed.

On October 1, 2019, the company concluded an additional act with VTB BANK (EUROPE) SA, by which the value of the loan was increased to EUR 40 million, and the interest rate was modified, moving to a fixed interest rate of 2%. The purpose of this increase was the reimbursement of the credit balance related to the loan granted by BANCA TRANSILVANIA in order to close this credit agreement, and the reimbursement was made on November 1, 2019 in the amount of EUR 19,051,732.

For this loan, the company constituted Guarantees, as follows:

- Company Warranty issued by PAO TMK, in guaranteeing the integral and irrevocable repayment of any and all amounts that the Borrower owes to the Bank under this Agreement.
- ❖ The sum of RON 59,748,888 representing EUR 12,501,598, is related to the operating credit - multi-product credit facility within the limit of EUR 20,000,000 - contracted by TMK-ARTROM, as a borrower and TMK-REȘIȚA, as a co-borrowed, with BCR on 03.10.2011, with a EURIBOR 3M interest plus 1.9%.
The final deadline is 03.10.2021.

For this loan, the company has constituted guarantees as follows:

- Pledge without dispossession on the credit balance of the current accounts / sub-accounts of the Company opened at BCR SA;

- Pledge without dispossession on the credit balance of the current accounts / sub-accounts opened at BCR SA having TM-REȘITA holder;
- Company Warranty issued by PAO TMK, guaranteeing the full and irrevocable repayment of any and all amounts that the Borrower and / or the Co-Debtor owes to the Bank under this Agreement;

In February 2012, an amendment was concluded by which this loan was transformed into a loan committed by BCR SA, for which, at the end of 2012, the loan is considered long term and not short term as it was at the end of 2011. In September 2013, a new amendment was concluded with BCR and the overdraft credit was transformed into a multi-product facility that can be used both as overdraft and as a ceiling for issuing the guarantee and credit letter and which reduced the fixed interest margin applied to EURIBOR 3M. from 3.5% to 1.9%. On 25.09.2014, a new amendment was signed with BCR whereby the final validity of the facility was extended until 03.10.2017 with the annual approval of the uses. In October 2017, a new amendment was signed with BCR whereby the final validity of the facility was extended until 03.10.2018. In November 2018, an amendment to the contract was signed by which its validity was extended until 03.10.2020. In September 2019, a new amendment was concluded and the validity was extended until 03.10.2021.

As of December 31, 2019, from the multi-product facility in the amount of 20 million euros granted by BANCA COMERCIALĂ ROMÂNĂ, two letters of credit were issued according to the table below and a letter of guarantee of participation in favor of S.N.T.G.N. TRANSGAZ S.A. amounting to RON 13,627,551.86 valid until April 30, 2020.

Letters of credit issued from the multi-product facility granted by Banca Comerciala Romana

n/o	Issuing bank	Letter of credit beneficiary	Number of letter of credit	The amount of the contract concerning the opening of L/C	Currency	Balance amount of the unused L/C	Date of opening	Expiration date of the L/C term
1	2	3	4	5	6	7	9	10
1	BCR	REIKA GMBH	I098332	1,203,000.00	EUR	601,500.00	28.08.2019	28.02.2020
2	BCR	COPIER BEVELMACHINES	I098492	700,457.00	EUR	700,457.00	10.10.2019	30.06.2020

❖ The sum of RON 96,723,929 (respectively the equivalent of EUR 20,238,095) is related to a 7-year investment loan in the contracted amount of EUR 25,000,000 - concluded by TMK-ARTROM, as a borrower and TMK-RESITA, as guarantor, with BCR on 07.11.2016, with a EURIBOR 3M interest plus 3.35% in order to finance the heat treatment complex.

The final deadline is 07.11.2023.

In April 2018, an additional act was concluded by which the interest rate was modified at a fixed interest rate of 3.4%.

The loan repayment started from January 2019 in 21 equal quarterly installments in the amount of EUR 1,190,476.19.

For this loan, the company constituted Guarantees as follows:

- Pledge without dispossession having as holder TMK-ARTROM;
- Pledge without dispossession on the credit balance of the current accounts / sub-accounts of the Company, opened at BCR SA;

- Company Warranty issued by PAO TMK, in guaranteeing the integral and irrevocable repayment of any and all amounts that the Borrower and / or Co-Debtor owes to the Bank under this Agreement.
- The mortgage on the land having the category of use yards of construction with an area of 69,339 sqm (sixtyninethousandthreehundredthirtynine sq m) identified with cadastral no. 58253, together with C1 - industrial and urban construction having the built surface on the ground and unfolded of 66,346 sq m, identified with no. cadastral 58253-C1, located in the Municipality of Slatina, Drăgănești Street, No. 30, Olt county, listed in the Land Registry of Slatina, Olt county with no. 58 253

The company has contracted with BCR a discount ceiling for promissory notes in the initial amount of RON10,000,000 with an interest of 3M + 3% ROBOR that can be converted into credit if the customers do not settle the promissory notes at the due date. In July 2015 the value of this ceiling was reduced to RON 4,000,000, and in August 2016 to RON 2,000,000. As of 31.12.2019, there were no settled and before due date promissory notes in the balance.

Upon receipt of the loans, TMK-ARTROM paid management fees for the entire duration of the loans, the unamortized part of the management fees at the end of each reporting period diminishes the value of the debt in the balance.

On 24.07.2014 TMK-ARTROM and TMK-REȘIȚA contracted from Banca Comerciala Romana SA a Reverse Factoring Contract - according to which BCR will accept for financing invoices issued by TMK-ARTROM and TMK-REȘIȚA suppliers within the approved global limit of RON 45 million, in order to maintain an efficient supply network with the company's suppliers. The guarantees granted by this contract are: mortgage on the credit balance of the current accounts opened at Banca Comerciala Romana by TMK-ARTROM S.A. and mortgage on the credit balance of the current accounts opened by TMK-REȘIȚA S.A. at Banca Comerciala Romana. In July 2015 the value of the contract was increased to RON 51,000,000, and in September 2016 it was increased to RON 65,000,000. In 21.11.2018 a new additional act was signed with the bank through which the value of the ceiling was increased to RON 70,000,000. On 31.12.2019 from this ceiling, RON 2,550,000 were allocated for the suppliers of TMK-ARTROM S.A. and of these, RON 1,592,861 were used. The difference of RON 67,450,000 was allocated to TMK-RESITA S.A. and from it RON 36,882.855 were used.

Under the terms of the existing borrowing agreements, the Group is subject to certain restrictive covenants and other requirements. These covenants require the Group, among other things, to refrain from paying dividends to its shareholders unless certain conditions are met, and to maintain a minimum or maximum level for certain financial ratios, including: debt service coverage ratio, net debt to EBITDA, current ratio, net financial debt to shareholders' equity and solvency ratio.

2.5.3 Capitalisation and indebtedness

Total capitalization is calculated as the sum of total equity and interest-bearing loans and borrowings.

The following table sets out the indebtedness and capitalisation of the Group at 31 December 2019.

	RON
	<i>Unaudited</i>
Total current debt	218,704,070
Interest bearing loans and borrowings	208,591,528
Un-amortized short-term cost	494,729
Lease liability	9,617,813
Total non-current debt	238,866,497
Interest bearing loans and borrowings	206,129,198
Un-amortized cost of debt origination fees	178,597
Lease liability	32,558,702
Total indebtedness from which:	457,570,567
Interest-bearing loans and borrowings guaranteed and secured	342,127,175
Added Un-amortized cost of debt	673,326
Interest-bearing loan agreement with TMK-EUROPE GmbH unguaranteed and unsecured, in amount 18,037,540 USD at 31.12.2019	72,593,551
Finance lease liability guaranteed and secured	42,176,515
Capital and reserves	
Share capital, from which:	291,587,538
- Subscribed and paid share capital	291,587,538
Other items of equity	1,215,530
Legal and other reserves	78,561,674
Retained earnings	315,982,598
Foreign currency translation reserve	3,268,870
Profit of the year	(14,089,389.00)
Total equity	676,526,821
Total capitalization	1,134,097,388

2.5.4 Other long-term liabilities to affiliated entities

As at December 31, 2019 the company TMK EUROPE GmbH Germany (former TMK SINARA HANDEL GMBH) is creditor with the amount of 72,593,551 RON representing USD 17,037,540, related to the loan agreement w/n/01.12.2008, namely the assignment of receivables no. 054/20.02.2002 from AVAS (AVAB) in initial amount of USD 22,837,540 and RON 38,425.

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

The company has established Guarantees in favor of TMK EUROPE GmbH, as follows:

1. Rank I mortgage on land with an area of 203,651.82 sqm and built buildings;

2. Real furniture guarantee without dispossession of goods of rank I on the hot rolling line, HPT 250 laminator, non-destructive ultrasonic control installation; laminator Assel AWW250, straightener D 38-90; TTF oven, Pilger laminator SKW75; induction heating system; normalization and rank I heat treatment furnace on the other goods of TMK-ARTROM according to registration no. 2004-1080142242453-QJU / 24.03.2004;
3. Rank I mortgage for land with an area of 211,614.54 sqm and related buildings within the TMK-ARTROM premises according to contract no. 1869 / 14.10.2003.
4. Real guarantee without the dispossession of goods of rank I on the other goods of TMK-ARTROM SA according to registration in the electronic furniture archive, no 2002-1034612284359-IUD / 14.10.2003.

In EGSM dated November 17, 2008 it was approved changes in the nature and deferred payment of the debt owed by the company TMK EUROPE GmbH worth USD 22,837,540 in the following conditions: the debt shall be paid in 57 instalments starting from 25 January 2014 until 25 September 2018 inclusively, the first 56 monthly instalments will be worth USD 400.000 and the 57th will be worth USD 437,540. The payment of debt amounting to RON 38,425 of the Company to TMK Europe GmbH from 25 January 2014 will be paid in USD at the official RON/USD exchange rate of the National Bank of Romania on the last working day of the year 2013.

The debt has an interest rate of LIBOR + 0.5% per year starting on 1 January 2009. Interest is calculated and paid on the 15th of each month for the previous month.

On November 21, 2013 was concluded the Addendum no.1 at the Contract dated 01.12.2008 according to which the loan reimbursement begins with 25.01.2015, maintaining the same number of instalments.

On December 3, 2015 was concluded Addendum no .2 on which repayment of loan shall be suspended for a period of three years and will be resumed starting in January 2019 in 44 instalments in the amount of USD 400,000 and a last instalment of USD 437,540 as a result on 31.12.2016 the full amount of the loan was long-term.

On August 8, 2016 by Addendum no.3 was expressly renounced to all pledged aforementioned.

On December 18, was concluded Addendum no. 4 by which the parties agreed that in the second half of 2019 the borrower will repay USD 1,000,000, and from 2020, the borrower will continue to reimburse the remaining amount of USD 17,037,540.03 in 42 installments in the amount of USD 400,000.00 and the 43rd rate in the amount of USD 237,540.03 on the 25th of each month.

On December 3, 2019, after the company reimbursed USD 1 million, the Additional Act No. 5 was concluded, by which it was agreed that during the period 2020-2021 the company will not reimburse any amount and the reimbursement will continue with January 2022, in 42 monthly installments of USD 400,000 and a final installment of USD 237,540.03.

Interest due by TMK-ARTROM S.A. as of 31.12.2019, it is USD 33,193.62, respectively RON 141,431.38.

For the interest due, there is no withholding tax on the incomes of the non-resident persons since the interest income is exempted according to art 229 letter. g of the Fiscal Code because the ownership of TMK EUROPE GmbH's holdings in TMK-ARTROM SA is 92.7282% (more than 25%) for a period of more than 2 years uninterrupted.

2.5.5 Debt for investments in subsidiaries / subsidiaries

❖ On December 31, 2019 TMK-ARTROM registers a debt in the amount of RON 297,224,667 equivalent to EUR 62,190,000, to TMK EUROPE GmbH representing payments to be made for the purchase of a number of 131,010,874 shares, representing 99.99237% of the share capital of TMK-REȘITA owned by TMK Europe GmbH.

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

The price is paid by TMK-Artrom from its own financial resources, as follows:

1. EUR 100,000 within thirty (30) days from the execution of the sale-purchase contract of the shares concluded between TMK-Europe GmbH and TMK-Artrom and the transfer of the ownership right over the shares following the signing of the shareholders register (Shares) TMK - REȘITA from TMK Europe GmbH and TMK-Artrom; TMK-Artrom paid the amount of EUR 100,000 in the first quarter of 2019.

2. The remaining price of EUR 62,190,000 will be paid over a period of five (5) years, starting with 2019, in equal installments of EUR 12,438,000 each, at the latest until 31 December for each year. TMK-Artrom may pay such installments in whole or in part in advance, as well as extend the payment term for such installments (implicitly reducing the value of tranches) for another period of up to five (5) years, depending on the available financial resources. By the Addendum concluded on December 10, 2019, the parties have agreed that the reimbursement of the EUR 62,190,000 will start from 2021 over a period of five (5) years, in equal rates of EUR 12,438,000 each, at the latest by December 31 for each year.

TMK-Artrom may pay such installments in full or in part in advance, and extend the payment term for such installments (default reduction of the installment value) for a further period of up to three (3) years, depending on available resources. financial.

As this contract provides for payment in installments without interest, according to IFRS 9, the debt to TMK Europe is presented at fair value. The initial amount was reduced using the interest rate for a similar loan - using the 1.9% interest rate and the value of EUR 3,148,224 (RON 14,683,00) was obtained. As of December 31, 2019, the fair value of future cash flows was modified as a result of debt restructuring by closing the Addendum of December 10, 2019 with the amount of EUR 2,021,302 (RON 9,658,791). This amount is updated quarterly.

Being a sum due from the relationship with the shareholder, the difference between the fair value and the nominal value is transferred as an element of equity.

Thus, the balance of the debt for investments in subsidiaries / subsidiaries to TMK EUROPE on December 31, 2019 is in the amount of RON 277,306,095 equivalent to RON 58,022,324(out of which the amount of EUR 1,001,850 represents the interest calculated and posted in the current result of the year).

❖ In the second quarter of 2019 TMK ARTROM paid the debt to TMK GLOBAL SA for the acquisition of TMK ITALIA in the amount of EUR 1,730,800.

Management's Statement

The management of TMK Artrom will provide a management statement with respect to the individual financial statements of TMK Artrom and the Consolidated Financial Statements of the Group only upon the finalization of the internal closing procedures and after the finalization of the audit procedure with respect to both the individual financial statements of TMK Artrom and the Consolidated Financial Statements of the Group.

Chief Executive Officer,

Ing. Popescu Adrian

Chief Economical and Accountancy Officer,

Ec. Văduva Cristiana