

**S.C. T.M.K. - ARTROM S.A.**

Draganesti Street , No. 30, 230119, SLATINA, OLT, ROMANIA

Tel: +40-249-436862,434640,434641; Fax: +40-249-434330; 437288 ; 431144

E-mail: office.slatina@tmk-artrom.ro; www.tmk-artrom.ro

J 28/9/1991; VAT No: RO 1510210/1992;

Subscribed Share Capital: 291.790.747, 94 lei

Paid Share Capital: 291.476.491, 26 lei

ADMINISTRATORS' REPORT

**for the financial exercise of the year 2008, according
to the Order of the Ministry of Finances no. 1752/2005,
to the Order of the Ministry of Finances no. 2001/2006**

and to the Order of the Ministry of the Economy and of the Finances no. 2374/2007

1. Performance and development presentation of the activities at SC T.M.K.-ARTROM S.A. and its financial position

SC T.M.K.-ARTROM SA SLATINA is a trade company with private capital whose main shareholder TMK Europa has acquired the control in the year 2002.

In the year 2008, according to the balance sheet that has been elaborated according to the orders OM 1752/2005, OMF 2001/2006 and OMEF 2374/2007 the company has registered a loss in sum of 64.485.350 lei which represents :

profit from exploitation	36.747.917 lei
loss from the financial activity	101.233.267 lei
extraordinary result	0 lei

The registered loss is mainly determined by the losses from the exchange rate differences that have been registered as a consequence of the evaluation for the debts and for the debits at the end of the financial exercise. The instability of the national currency and the accentuated depreciation of the exchange rate leu/EUR and leu/USD, that has increased from 3,6102 lei/EUR on 31.12.2007 to 3,9852 lei/EUR on 31.12.2008, receptively from 2,4564 lei/USD to 2,8342 lei/USD, has lead to the registration of losses from the exchange rate differences corresponding to the debts and to the debits in foreign exchange at the end of the year in sum of 52.343.285 lei as well as losses from the exchange rate differences corresponding to the cash and payment operations in sum of 10.592.884 lei.

By comparison with the same period of the previous year, we present the following:

<u>THE SITUATION OF THE INCOMES</u>		31.12.2007	31.12.2008	increase with	realization degree
		lei	lei	%	%
1	INCOMES FROM THE COMMERCE ACTIVITATY	45.213.467	51.715.269	14,38	114,38
2	SOLD PRODUCTION	477.359.014	627.160.864	31,38	131,38
3	TURNOVER	522.572.481	678.876.133	29,91	129,91



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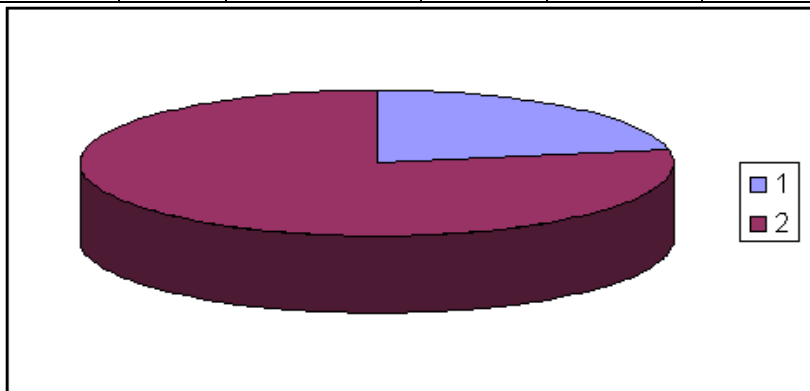
The turnover has increased with 29,91% in the year 2008 compared with the year 2007 as a consequence of the increase of the volume for the sold production from 154977 tons to 165358 tons (an increase of 6,7%) but also as a consequence of the increase of the sale price generated by the significant market increase.

The sold volume of pipes (production T.M.K.-ARTROM) that have been sold in the total of the turnover in the year 2008 is of 87,35%.

The company has registered in the year 2008 a physical production of 163519 tons of pies.

The volume of the physical production has the following structure:

		2007	Percent age %	2008	Percent age %	Realization degree %
Physical production from which :	tone	165.196	100	163.519	100,00	98,98
Internally	tone	45.527	27,6	35.866	21,93	78,78
for the export	tone	119.669	72,4	127.653	78,07	106,67



THE YEAR 2008

1 Internal physical production

2 Physical production for export

The evolution of the production volume of pipes since the privatization of the company :

	Year	Quantity (to)
1	1999	24.177
2	2000	26.174
3	2001	42.153
4	2002	49.121
5	2003	59.315
6	2004	69.079
7	2005	81.955
8	2006	100.147



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9	2007	165.196
10	2008	163.519

THE MAIN SALE MARKETS FOR THE PIPES

			2007	%	2008	%
1	INTERNAL MARKET	Thousand USD	42597	23	46074	20
2	EXPORT	Thousand USD	145028	77	189347	80
	Total	Thousand USD	187625	100	235421	100

**THE STRUCTURE OF THE SALES OF PIPES
in the year 2008**

				%	
1.	the internal market	tons	39022	23,6	in total sales
1.1.	sales in complete execution	tons	38998	99,9	in the total internal market
1.2.	sales in processing	tons	24	0,1	in the total internal market
2.	total export from which:	tons	126336	76,4	in total sales
2.1.	export in complete execution	tons	126336	100,0	in total export
2.2.	export in processing	tons	0	0,0	in total export
3.	total sales	tons	165358	100	total sales

The sales of pipes for the internal market have a percentage of 17,1% in the total of the turnover and a percentage of 23,6 % in the total of quantitative sales of pipes.

The sales of pipes for the export have a percentage of 70,3% in the total turnover and a percentage of 76,4 % in the total of quantitative sales of pipes.

As far as the exploitation costs are concerned, the situation is as it follows:

			31.12.2007	31.12.2008	Increase with %
1	expenses concerning the goods	lei	44.976.242	51.092.697	13,6
2	expenses with raw materials and with consumable materials	lei	346.769.446	453.699.110	30,8
3	expenses with other materials	lei	5.030.274	4.993.127	-0,7
4	expenses with the energy, the gas and the water	lei	35.935.834	41.216.303	14,7

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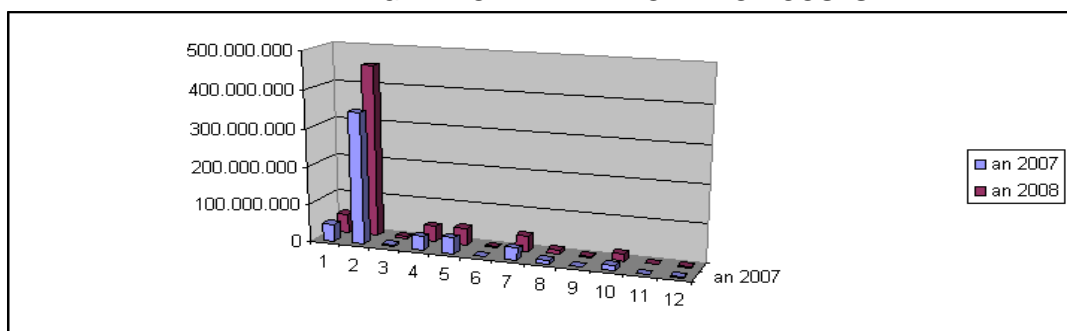
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5	expenses for the works and the services	lei	41.819.810	44.344.969	6,0
6	expenses with the taxes and the payment obligations	lei	1.997.404	2.544.390	27,4
7	expenses with the remunerations for the staff (inclusively the meal coupons)	lei	31.352.635	39.127.789	24,8
8	expenses concerning the insurances and the social protection	lei	8.976.813	10.513.967	17,1
9	expenses for the compensations, donations	lei	2.017.727	1.870.534	-7,3
10	adjustments of value concerning the corporal and non-corporal immobilizations (expenses)	lei	14.359.828	17.470.475	21,7
	Expenses	lei	14.373.469	17.499.178	
	Incomes	lei	-13.641	-28.703	
11	adjustments in the value of circulating assets	lei	565.967	611.604	8,1
	Expenses	lei	1.855.128	5.810.570	
	Incomes	lei	-1.289.161	-5.198.966	
12	Adjustments concerning the provisions	lei	1.421.390	1.997.090	40,5
	Expenses	lei	2.558.251	5.207.938	
	Incomes	lei	-1.136.861	-3.210.848	
	Total exploitation costs		551.570.555	689.561.224	25,0

In the years 2004, 2005, 2006, 2007, 2008 in the expenses with the staff there have also been included the meal coupons according to OMFP 1752/2005

THE DIAGRAM OF THE EXPLOITATION COSTS

, Rev 4/2009



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Compared with the year 2007, the exploitation expenses have increased per total with 25%, by registering increases at costs:

- expenses with the raw materials and the consumable materials with 30,8%. The cost of the raw material has increased compared with the one from 2007 with 31,96%, the main reason being the increase of the price for the raw material – the tile (increase of 31,3%) generated at its turn by the rapid increase of the price for the scrap iron in the first 9 months of the year 2008.
- expenses with the energy, the gas and the water with 14,7% due to the increase of the purchasing prices for the energetic resources. In comparison with the year 2007 the price for the electricity has increased with 17%, and the price for the natural gases with 16,7%.
- the salaries expenses had an increase of 24,8% compared with the year 2007 because of the increase of the staff in the first semester of the year 2008 but also as a consequence of the salaries increase according to the collective labour contract and to their updating according to the inflation index.
- the expenses concerning the sold goods (commercial activity) have increased with 13,6% as a consequence of the increase of the prices on the international market of the goods that are commercialized by TMK RESITA SA (refractory materials, electrodes, ferroalloys, etc.)

The company has registered a loss from the financial activity especially as a consequence of the expenses for the differences of exchange rate as it follows:

	lei	%
I Total financial incomes from which:	47.378.904	100
1 Incomes from differences of exchange rate corresponding to the cashing from the clients	5.944.291	12,5
2 Incomes from differences of exchange rate corresponding to the payment of the suppliers	2.330.169	4,9
3 Incomes from differences of exchange rate corresponding to the payments of credits and loans	1.084.018	2,3
4 Incomes from differences of exchange rate corresponding to the foreign currency auctions	1.105.003	2,3
5 Incomes from differences of exchange rate corresponding to the evaluation of the availabilities in estimates	659.921	1,4
6 Incomes from differences of exchange rate corresponding to the evaluation of the debts and debits in estimates	31.420.609	66,3
7 Incomes from the interests for the availabilities	19.147	0,04
8 Incomes from interests related to the loan given to TMK-RESITA	4.765.224	10,1
9 Other financial incomes	50.522	0,1
II Total financial expenses from which:	148.612.171	100
1 Interests related to the credits BCR in Euro for the investments	4.927.882	3,3



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2	Interests related to the credits for the production activity	6.021.647	4,1
3	Interests related to the loans from related companies	29.893.971	20,1
4	Interests related to the contracts of financial leasing	69.027	0,0
5	Expenses from differences of exchange rate corresponding to the cashing from the clients	4.038.877	2,7
6	Expenses from differences of exchange rate corresponding to the payment of the suppliers	5.176.220	3,5
7	Expenses from differences of exchange rate corresponding to the payments of credits and loans	13.579.989	9,1
8	Expenses from differences of exchange rate corresponding to the foreign currency auctions	3.000.475	2,0
9	Expenses from differences of exchange rate corresponding to the evaluation of the availabilities in estimates	1.886.818	1,3
10	Expenses from differences of exchange rate corresponding to the evaluation of the debts and debits in estimates	77.797.801	52,3
11	Other financial expenses	2.219.464	1,5
III	Financial result (I-II) LOSS	-101.233.267	

THE SITUATION OF THE BANKING**CREDITS AND OF THE LOANS :**

The company registers on the 31st of December 2008 the following credits:

		<u>LEI</u>	<u>EURO</u>
1	Credit Line BCR ERSTE in EURO	72.178.803	18.111.714
2	Credit limit for uncertified instruments in lei at the Bank Transilvania	1.145.004	
3	Credit for the investment in the Rolling Mill CPE at BCR Slatina in EURO	59.198.950	14.854.700
	Total banking credits	132.522.757	32.966.414

* The sum of 72.178.802.91 RON corresponds to the exploitation credit – credit line in the limit of 18.400.000 EURO- contracted with BCR Slatina for one year, with an interest EURIBOR 3M plus 2.75%.
Final due date on 28.07.2009.

• The sum of 1.145.004,18 lei corresponds to the credit limit for uncertified instruments in the limit of 2.359.855 lei, contracted with THE BANK TRANSILVANIA on 28.03.2008 for one year, with an interest of 16% per year. The final due date of the credit: 18.06.2009

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* The sum of 59.198.950,44 lei, representing 14.854.700 euro, corresponds to the credit for the investment in the Rolling Mill CPE (initial sum 23.104.700 EUR) contracted with BCR Slatina, with an interest EURIBOR 6M plus 2,4%. The final due date is on 27.10.2010.

Debts against the companies of TMK:

On the 31st of December 2008 S.C. T.M.K.-ARTROM S.A. has contracted loans from companies within the group TMK in sum of 428.590.209 lei as it follows:

Item	Creditor	Contract no. /date	Interest rate	Given sum	Foreign currency	Final due date	SOLD FINAL	
							Foreign currency	Ron
1	OAo TMK RUSIA	1 /23.10.2007	11%	30.000.000	USD	28.11.2009	25.500.000	72.272.100
2	OJSC Volzsky Pipe Plant RUSIA	110008000461/ 18.02.2008+AM. 1/26.02.2008	9.8%	9.315.000	USD	28.02.2009	9.315.000	26.400.573
3	TMK Trade House RUSIA	w/n/18.03.2008	10%	4.500.000	EUR	18.03.2009	4.500.000	17.933.400
4	OJSC Volzsky Pipe Plant RUSIA	110008000994/ 17.04.2008	10%	6.500.000	EUR	30.04.2009	6.500.000	25.903.800
5	TMK Trade House RUSIA	09/2-2008/ 18.04.2008	10%	2.950.000	EUR	30.04.2009	2.950.000	11.756.340
6	OJSC Volzsky Pipe Plant RUSIA	110008001264/ 15.05.2008	12%	1.880.000	EUR	30.05.2009	1.880.000	7.492.176
7	Taganrog metallurgical Works RUSIA	I-379/ 23.06.2008	11%	5.800.000	EUR	30.06.2009	5.800.000	23.114.160
8	Taganrog metallurgical Works RUSIA	I-393/ 02.07.2008	10,50%	13.500.00 0	USD	01.07.2009	13.500.000	38.261.700
9	Sinarsky pipe plant RUSIA	w/n-02.07.08	10,50%	12.000.00 0	USD	01.07.2009	12.000.000	34.010.400
10	Seversky pipe plant RUSIA	I-275/1000- 07.07.08	10,50%	6.500.000	USD	20.07.2009	6.500.000	18.422.300
11	Trade House TMK RUSIA	DZ-6/08/ 16.09.2008	12%	3.550.000	EUR	30.09.2009	3.550.000	14.147.460
12	IPSCO TUBULARS SUA	w/n/20.11.2008	10%	49.000.00 0	USD	20.11.2011	49.000.000	138.875.800
TOTAL								428.590.209

The payment of the interests for the loan from IPSCO TUBULARS SUA is realized each semester since the 20th May 2009, and for the other loans the payment should be realized every month.

For these credits T.M.K.-ARTROM S.A did not constitute any guarantees.



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On the date of 3.02.2009, from the money assets that have come from the payment of the subscribed shares, there has been reimbursed the equivalent of 50.003.662,07 Euro as loans from the companies within the group.

Other long term debts towards the affiliated entities

The company TMK EUROPE GmbH Germany (ex TMK SINARA HANDEL GMBH) is a creditor with the sum of 64.726.164,37 LEI representing 22.837.540,03 USD and 38.425,07 RON, corresponding to the debit cession contract no. 054/20.02.2002 from AVAS (AVAB).

In 2008 there have been registered some unfavourable exchange rate differences, fact that has lead to an increase of the balance for the debt from 56.136.566 lei to 64.726.164,37 lei.

For this sum the company has constituted guarantees in the favour of the company TMK EUROPE GmbH Germany, in the following way:

1. First lien mortgage upon the lands in surface of 203.651,82 square meters and the built buildings
2. Real movable security without the dispossession of goods of the second level upon : the lamination line in hot conditions, rolling mill HPT 250, non-destructive control installation with ultra-sounds, rolling mill Assel AWW250, levelling machine D 38-90, Furnace TTF, rolling mill Pilger SKW75, heating installation based on induction, thermal treatment furnace for standardization and real movable security without dispossession of goods of the first level upon the other goods of SC TMK ARTROM SA according to the inscription no. 2004-1080142242453-QJU/24,03,2004.
3. First lien mortgage upon the lands in surface of 211.614,54 square meters and the buildings corresponding to SC TMK-ARTROM SA according to the contract no. 1869/14.10.2003
4. Real security without the dispossession of goods of the first level upon the other goods of SC T.M.K.-ARTROM SA according to the registration in the electronic movable achieve no. 2002-1034612284359-IUD/14.10.2003

In AGAE from 17.11.2008 there has been approved the change of the nature and the payment delay for the debit due by the Company towards TMK EUROPE GmbH with a value of 22.837.840,03 usd in the following conditions. The debit will be paid in 57 instalments since the 25th of January 2014 till the 25th of September 2018 inclusively. The first 56 monthly instalments will have a value of de 400.000 USD and the 57th instalment will have a value of 437.540.03 USD. The payment of the debit with a value of 38.425,07 RON of the Company towards TMK Europe GmbH from the 25th of January 2014 will be paid in USD at the official exchange rate RON/USD of the National Bank of Romania from the last working day of the year 2013. The debit will have a interest of LIBOR + 0.5% p.a. since the 1th January 2009.

The interest will be calculated and it will be paid in the 15th day of each month.



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Leasing contracts:

SC T.M.K.-ARTROM SA Slatina has concluded contracts of financial leasing with Raiffeisen Leasing SRL Bucharest for the acquisition of a number of 13 cars.

As far as the obligations of the company towards the state budget, on the 31st of December 2008 the company has to pay the sum of 5.216.044 lei which represents the current debt for the taxes and for the social obligations adequate for the salaries.

The company has to recuperate from the state budget the Value Added Tax in sum of 12.227.636 lei, representing the VAT which has not been reimbursed and which belongs to the months of October, November and December 2008.

According to the Decision no. 2/30.04.2008 issued by A.N.A.F.- D.G.A.M.C. starting with the month June 2008 TMK ARTROM SA is the representative of the fiscal group, made up of TMK ARTROM SA and TMK RESITA SA.

The monthly obligation concerning the VAT to be paid by TMK RESITA SA is indemnified with the non reimbursed VAT of TMK ARTROM SA by the discount of consolidated VAT of the fiscal group.

As far as the resting debts towards the suppliers are concerned, these have decreased compared with the previous year from 35.412.256 lei to 11.434.897 lei.

On the 31st of December 2008 SC T.M.K. - ARTROM SA has current commercial debts towards the companies of the group TMK in the following way:

	LEI
TMK EUROPE GMBH Germany	1.090.324
SINARA Imobiliare SRL Bucharest	1.366.853
TMK GLOBAL AG	5.913
OAQ TMK	42.513
TOTAL	2.505.603

The total debts of the company have increased from 561.145.148 lei to 31.12.2007 la 676.201.794 lei la 31.12.2008 as a consequence of the differences of unfavourable exchange rate that have been registered for the evaluation of the obligations in foreign currency, as well because of the increase of the loans that have been contracted from companies within the group.

The receivables that the company has to cash have increased from 80.810.305 lei on 31.12.2007 to 113.559.885 lei on 31.12.2008 representing:

	lei
1 Commercial debts from which:	97.268.522
Internal clients	17.027.617
External clients (within the group)	77.217.860



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Uncertain clients	135.734
Adjustments of foreign currency for the uncertain clients	-133.498
Other commercial debits	20.809
Debts for the staff and for the social	
2 insurances	592.756
3 Value Added Tax	17.700.685
4 Different debtors	994.922
Total	116.556.885

On the 31st of December 2008 SC T.M.K. - ARTROM SA has to cash from the companies within the group TMK debts as it follows:

	LEI
TMK ITALIA	22.442.506
TMK EUROPE GMBH	35.510.634
TMK GLOBAL AG	19.266.473
SC TMK RESITA SA	2.549.234
TOTAL	79.768.847

T.M.K.-ARTROM has assured the financing of the production activity of TMK RESITA SA by commercial advances given for the deliveries of tiles towards TMK-ARTROM which had been in sum of 138.422.123 lei on 31.12.2008, sum which can be found in the position of stocks (according to the norms of balance) in the asset of the balance.

In the same time the given loan was on 31.12.2008 in sum of 48.194.809 lei and it can be found as a position of the balance sheet in the immobilized assets - financial immobilizations.

SC TMK-RESITA SA is the main supplier of raw materials (tiles) of TMK- ARTROM SA.

According to the legal norms, the balances of the accounts of availabilities, the debts and the obligations in foreign currency have been evaluated according to the differences of exchange rates of BNR both on 31.12.2008 to 2,8342 lei/usd and 3,9852 lei /euro, but also during the year, on trimesters and on semesters.

On the 31st of December 2008 the corporal immobilizations are presented at their exact value. On 31.12.2008 thee have been evaluated again the constructions according to the provisions of OMFP 1752/2005, concerning the approval of the accounting regulations according to the European decisions and to the Governmental Decision 1553/2003, concerning the re-evaluation of the corporal immobilizations.



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The last re-evaluation of the other corporal immobilizations took place on the 31st of December 2005, at their just value. With the occasion of the re-evaluation from the 31.12.2005 the cumulated amortization has been eliminated from the gross accounting value of the asset, the net value being determined after the re-evaluation, being recalculated at the re-evaluated value of the asset, according to the rules of alternative evaluation mentioned by OMFP 1752/2005.

SC TMK-ARTROM SA has used for the accounting amortization of the corporal immobilizations, the linear amortization regime. The useful life duration used for the calculation of the accountant redemption for the fixed means are the ones established according with the policy of the group. For the calculation of the fiscal redemption there have been used the life durations established according to HG 2139/2004 for the approval of the Catalogue concerning the classification and the normal functioning durations for the fixed means. For the technological equipments, respectively machines, devices, and installations (the second group of fixed means), as well as for computers and their peripheral equipments, that have been registered during 2008, there has been used the regime of accelerated amortization, according to the art. 24, paragraph (6), point b) of the Law no. 571/2003. For the transport means that have been registered during 2008 there has been used the regime of digressive amortization, according to the art. 24, paragraph (6), point c) of the Law no. 571/2003. For the calculation of the fiscal amortization of the other existing fixed means from the balance on 31.12.2008, there has been used the regime of linear amortization.

The obligations foreseen by the law were fulfilled regarding the organization and the correct management of the accounting service up to date and the principles of the accountancy.

The rules for the elaboration of the balance sheet were observed and in conformity with the results of the inventory.

The balance sheet, the profit and loss account and the attached financial situations were elaborated through the correct taking of the synthetic and analytical accounts from the verification balance

The book-keeping is organized in double system according to the method Master - Chess by the automatic processing of the dates from the quantitative and value points of view.

At the beginning of the year 2008, the computer system and the applications based on FoxPro 2.6 have been totally moved on the platform SQL Server, and the connections between the administration manner and the fabrication/invoicing one has been realized during the year.

The Financial and Accounting Sub -system, which is a part of the Management Information System of SC T.M.K.-ARTROM SA, is made-up of programs and procedures which are specific for this activity, being the applications prepared for the current exploitation.

The applications are written in a client-server configuration, with the databases administrated by a server Microsoft SQL 2000. The Client applications are written in Microsoft Access or C# and they are administrated and distributed at the central level, from a server of files.

The Accounting and Financial Compartments exploit these applications based on the personal access accounts for each user. The modules have been gathered, in the sense that many programs that exist in FoxPro have been included in a single SQL module. From this reason, the users' access to the information is more rapid, there being necessary a smaller number of exits from the application in order to start a new application.



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The access rights to the databases are agreed at the server level and they are organized on groups (roles) that imply the individual users. In this way, the moving of a user from a group to another automatically leads to the re-allocation of the access rights. The maintenance and the development of the databases and of the client programs are realized by the IT department within the company. The database is automatically archived at every 2 hours, constituting in this way security copies or comparative elements when necessary.

The relations between the entities of the database are agreed at the server level, by applying the concept of referential integrity. In this way there will be assured both the coherence of the data and also the impossibility of accidentally erasing some information.

The database is date OLAP type (on-line analytical processing), providing data for all the compartments in real time. The system has an architecture that does not need to transfer the data or to archive them by eliminating the registrations, fact that assures a bigger access speed to the historical data.

The information system can hold an unlimited number of users and it is accessible for the authorised users by the Internet, being based on the access manner to the server by the protocol TCP/IP.

The security and the integrity of the databases are realized by the facilities that are offered by the SQL Server (roles, users, triggers).

During 2009 there is estimated the migration from SQL Server 2005 and the integration of the modules in Active Directory

Financial indicators

Incomes / Expenses	2007	2008
Incomes	522.572.481	678.876.133
Cost of the sold goods	-420.947.026	-565.855.085
GROSS PROFIT	101.625.455	113.021.048
%	19,4	16,6
Expenses for sale, administration and general expenses	-57.083.367	-73.960.210
Other incomes	20.014.012	15.186.257
EBITDA	64.556.100	54.247.095
%	12,35	7,99
Amortization	-14.373.469	-17.499.178
Operational Profit	50.182.631	36.747.917
Incomes /Expenses from the differences of exchange rate	-13.726.459	-62.936.169
Other financial incomes / financial expenses	4.211.227	-2.168.942
EBIT	40.667.399	-28.357.194
Incomes/Expenses with the interests	-19.266.546	-36.128.156
EBT	21.400.853	-64.485.350
Profit tax	0	0
Net Profit	21.400.853	-64.485.350



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Financial indicators	2007	2008
EBIDTA / CA (%)	12,35	7,99
EBIT / CA (%)	7,78	-4,18
Cost for the sold goods / CA (%)	80,55	83,35
Indicators. Current liquidities	0,82	0,93
Indicators. Immediate liquidities	0,19	0,27
Indicator for the debt degree	34,72%	59,06%
Indicator of the interests covering	1,87	-0,56
Speed of the stocks (stocks circulating capital)	2,04	2,03
Number of stocking days	179	180
Rotation speed of debtors-clients	41,8	43,1
Rotation speed of the supplier-credits	39,88	58,6
Rotation speed of the immobilized assets	1,26	1,44
Rotation speed of the total assets	0,67	0,74
Used capital profitableness	0,14	-0,06
Gross margin from sales	9,6	5,9

Non- financial indicators - performance key- relevant for specific activities

Indicators	2007	2008
Production of pipes(tons)	165.196	163.519
Sales of pipes (to)	154.977	165.358
Production of pipes/Employee (tons/employee)	124,68	118,75
Sales of pipes/Employee (tons/employee)	116,96	120,09

Information regarding the environment

The top management of TMK-ARTROM has established the company's policy in the field of quality management and the environment management and it makes sure that it:

- a) -is suitable for the goals of the organization;
- b) - includes the commitment for the continuous improvement and anticipation of the demands;
- c) -it creates a frame for the establishment and analysis of the objectives in the area of quality management and environment management;
- d) - is transmitted and understood at the appropriate levels of the organization;





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e) - is submitted to systematic analysis for adequacy and continuity.

TMK- ARTROM has established the manner of identifying the environment aspects that are generated by the company's activities or products in order to determine their potentially significant impact on the environmental factors in the area.

The identified environmental aspects are:

- general environmental aspects
- significant environmental aspects

The identification/establishment of the general and specific environmental aspects was done on the basis of the following documents

- * studies made by authorized institutions, regarding the impact of the company's activity on the environmental factors;
- * the legislation in force;
- * recordings of the corrective and preventing measures that were traced as a result of the specialized inspections done by the Environmental Protection Agency from Olt, the System of Water Administration from Olt county, the Territorial Labour Inspectorate, The Public Health Direction;
- * recordings of the measures that were imposed by the authorizations: the water administration authorization and the environmental authorization;
- * Analysis bulletins, following the measurements that were made on the environmental factors (water, air, soil);
- * complains and claims.

In order to determine the activities and products that can have a significant impact on the environment TMK-ARTROM constantly monitors the impact of its activities and products upon the environment.

The compartments and functions that are responsible for these activities are determined in the system procedures, working proceeding/instructions and the job descriptions.

To ensure the access to the normative acts in force (including the ones referring to the environment matters) TMK-ARTROM is a subscriber to the "Official Monitor". Also, a legislative soft is available on the intranet.

At the establishment of the general and specific objectives for the environment, the highest level management has in view the declared environmental policy, the commitment of the management, the legal provisions on the matter and other requests, the environmental aspects that were identified, the technological options and the commercial/financial demands of the company.

By these plans, the responsibilities are established and the necessary resources are estimated for the reach of the environment objectives that have been agreed.

The planning activity for the environmental management sums up:

- * planning of the objectives/targets and of the necessary resources;
- * elaboration of the environmental management programs;



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* implementing of the environmental management programs;

*activities of verifying/monitoring of the environmental management programs.

The Staff Policy

The remunerations of the employees are paid in lei, in the conditions mentioned by the collective labour contract and by the relevant legislation. In this sense the salaries have been updated on semesters depending on the inflation growth factor and they are guaranteed in proportion of 80% no matter what the realized production volume is, which transforms this part of the cost from a variable into a fixed cost

The effective number of employees that exists on 31.12.2008 was of 1232 employees in decrease with 207 employees compared with the number of employees registered at the end of the year 2007 of 1439 employees.

2. Important events that appeared after the end of the financial exercise

On 30.01.2009 there has been ended the operation of subscription for the increase of the social capital, operation that has been approved by the Extraordinary General Meeting of the Shareholders on 17.11.2008

According to the authorisation of AGEA from 17.11.2008, by the decision of the Administration Board of T.M.K.-ARTROM S.A. from the date of 31.01.2009 there has been approved the increase of the social capital with the sum of 76.981.825,5 lei by the incorporation of the reserves of the Company, receptively of the reserves that have been constituted from the net profit net in sum of 73.216.072,41 lei as well as of the issuance bonuses with a value of 3.765.753,09 lei.

There has been approved the increase of the social capital of the Company by a cash contribution with a value of 184.016.192,24 lei, from which 183.563.443,46 lei representing the equivalent of 50.003.662,07 EURO, contribution that has been brought by the main shareholder, TMK Europe GmbH.

The shares that have been issued for the increase of the social capital have been integrally subscribed and totally paid by the main shareholder TMK-EUROPE GmbH and they have been subscribed in a percentage of 1,02194 % of their value by other shareholders.

The integral payment of the shares that have been subscribed by the shareholders in minority can be done in a maximal period of 3 years since the date of 26.11.2008, the publication date in the Official Monitor of Romania, Part IV , of the Decision EGM from the date of 17.11.2008.

After this operation, the structure of the social capital is the following:



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	%	Number of shares	Value of the capital in lei	From which : Social Capital subscribed in lei
TMK EUROPE GmbH Koln Germany	92,6637	107.722.706	270.383.992,06	270.383.992,06
OTHER SHAREHOLDERS – PHYSICAL AND JURIDICAL PERSONS	7,3363	8.528.588	21.406.755,88	21.092.499,20
Total	100	116.251.294	291.790.747,94	291.476.491,26

3. The predictable development at S.C. T.M.K.-ARTROM S.A.

The budget for investments offered for the year 2009 was of 3.000.000 lei and it is for:

- investment measures for the environment protection and for quality
- replacements of equipments or other new fixed means

4. Information about purchasing own shares

It is not the case

5. The existence of subsidiaries of the entity

The company can open subsidiaries, agencies, working points, offices, representatives in every city from the country and abroad but with concern about the laws regarding foundation.

The company has the following secondary offices:

- in Slatina locality, Ec. Teodoroiu street, block V 23, ground floor, Olt county
- in Slatina locality, Ec. Teodoroiu street, block V 22, ground floor, Olt county
- in Bucharest locality, Daniel Danielopolu street, no. 2, district 1 - Representation point

6. Usage by the entity of the financial instruments, in the case when this is significant for the evaluation of its assets, debts, its financial position, and for its profit or loss:

The activity realized by S.C. T.M.K.-ARTROM S.A. in the year 2008 has tried to reduce as much as possible the exposure of the company in front of the market risk, of the credit risk, of liquidity and treasury risk.

The company was not exposed to internal risks:

The risks regarding supplying and selling contracts (which had not been paid by the suppliers, the narrowing of the selling market) were diminished by the fact that the main supplier for the raw material is the company TMK-RESITA within the group, and 80% of the production is designated for the export, which is realized by companies within the group TMK Moscow.





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The technological risks (the impossibility of purchasing modern technology because of the problems mainly concerning the financing of the investments), the company has ended the major investments. For the following period because of the economic and financial crisis at the international level, the company has delayed its projects for investments.

In the year 2008 S.C. T.M.K.-ARTROM was not confronted with the following risk categories:

1. risks generated by the human factor (strikes, non-competencies)
2. informational risks (the impossibility to keep up with the new market tendencies)

Since the forth trimester of the year 2008, SC TMK-ARTROM SA has been confronted with external risks manifested by the business environment, determined by the effects of the economic and financial crisis on the international level, especially on the market of the machine constructions.

In the case of S.C. T.M.K.-ARTROM, the present and future cash flows fare sufficient so as not to modify the reports between the creditors and the shareholder.

The company has assured in the first 9 months of the year 2008 the autonomy for the economic increase. Since the forth trimester of the year 2008 as a consequence of the economic and financial crisis on the international level, the increase rate of the turnover and of the profit has decreased, being being inferior to the cost for the borrowed capitals.

In order to protect itself against the price risk, TMK-ARTROM establishes the product selling price, starting from the price calculation through negotiation with the business partners depending on the prices on the sale market in order to ensure efficiency stage.

At the beginning of the year the frame contracts are concluded for selling the products on export with the Commerce Houses inside the group.

The final clients transmit the orders by means of the distribution channels, the realisation time of the order will be about 45 days for the hot products and 60 days for the cold ones and the price for each order will be established according to the catalogue prices and to the sale markets.

The market of the pipes produced by T.M.K.-ARTROM is not stable, the demand is decreasing, especially as a consequence of the crisis from the industry of car production and industrial equipments.

In the sales analysis there are always followed all the value influences on quantity, structure and price.

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

The currency risk represents the potential effect which could have the change of exchange rates on the profit and losses account and over the balance sheet of TMK ARTROM SA.

The management of the exchange rate had and has as an aim to minimise the losses which could appear when exchanging from a currency to another.

On a short term, the administration of the risk for the currency exchange has proposed and still proposes that the expenses elements which form the cost of the operations realized in order to avoid the losses should be smaller than the loss which could produce without a protection against the currency exchange risk.



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We wanted that the payments in a certain currency should be done in that currency, by eliminating in this way the cost for the exchange rate.

The currency auctions are negotiated with the bank and have here in mind the best exchange rates for the operation with big values.

On a long term, it is followed that the protection expenses for the exchange rate should be as small as possible so as they could represent the smallest part in the total of the losses which have come from the risk of exchange rate.

Corporate governance

a) Structure of the capital, including mobile values that are not admitted for transactions on a regulated market, indicating the different classes of the shares, and, if applicable, for each class of shares, the rights and the obligations attached to that class and the percentage of the total authorized share capital that they represent.

The social capital on 31.12.2008 was of 30.792.730 lei, divided in 12.268.020 shares, with a nominal value of 2.51 lei per share.

The shareholders' contribution on 31.12.2008 was the following:

TMK EUROPE GMBH - 24.805.871 lei = 9.882.817 shares = 80,55756 %

S.I.F."OLTENIA" S.A. - 3.754.782 lei = 1.495.929 shares = 12,19373 %

OTHERS SHAREHOLDERS – 2.232.078 LEI = 927.795 shares = 7,24872%

The social obligations are guaranteed with the social patrimony, the shareholders being responsible only till the concurrence of the subscribed social capital.

The owned shares confer for the shareholders the right to vote and dividends

The shares are nominal, non-materialized, numbered.

They are entered in transactions on the market of share capital at the Stock Exchange Bucharest at the IInd category and they have the market symbol "ART"

b) any restrictions concerning the transfer of mobile values, such as limitations on holding value titles or the need to obtain the approval of the entity or of other mobile values holders.

There are no restrictions regarding the transfer of mobile values.

c) significant holding of shares, direct or indirect (including indirect holding through pyramidal structures and crossed holding of shares, as they are defined in the standing orders regarding the stock exchange)



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There is no significant indirect share holding, the direct ones are presented at point a)

d) holders of any mobile value with special control rights, and a description of those rights

-not applicable

e) control system of any share- distribution diagram, towards the employees, in case the control rights are not exercised directly by the employees

-not applicable

f) any restrictions regarding the voting rights, such as the limitations of the voting rights for the holders of an established percentage or number of votes, the terms of exercising of the voting rights, or the systems through which, by cooperating with the entity, the financial rights that are attached to the mobile values are separated from holding the mobile values

-not applicable

g) any agreements between the shareholders that are known by the entity and that can have as a result restricting the transfer of mobile values and/or voting rights

According to the Law no 31/1990 the members of the Administration Board constitute guarantees from the shares they hold, that cannot be alienated during their function exercise.

h) rules regarding the election or replacing of the members of the administration board and the modification of the incorporation deed of the entity

The Ordinary General Meeting :

elects the members of the Administration Board, sets their remuneration, discharge them from duty and revokes them

sets the competences and the responsibilities of the Administration Board

The Extraordinary General Meeting decides:

any other modification of the incorporation deed or any other decision that requires the approval of the extraordinary general meeting.

i) powers of the members of the administration board and especially those referring to the emission or buyback of the shares

-not applicable





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j) any significant agreements at which the entity is part, that come into effect, modify or cease depending on the modification of the entity's control as a result of a public takeover offer, and the effects that derive from these, except for the case when the presentation of such information would seriously damage the entity.

This exception does not apply to the case when the entity is especially bound to present such information, according to other legal provisions.

-not applicable

k) any agreements between the entity and the members of its administration board or its employees granting compensations in case they resign or are fired without reasonable cause, or if the employment relation ceases because of a public takeover offer.

At the company level, there are individual labour contracts that contain provisions on the compensations that will be granted in case of dismissals that are not due to the fault of the administrators or employees.

Corporate governance.

a) with reference to the corporate governance code that the entity has voluntarily decided to apply

The company management assures, within the Corporate governance Code that is voluntarily applied by the company, the observance of the principles included in the Corporate Governance of the Stock Exchange Bucharest.

Starting with the 1st of March 2006 TMK-ARTROM SA is a related company with the companies of the group TMK, being controlled by the German company TMK – Europe GmbH

Although, TMK-ARTROM is administrated and managed as an independent company by observing the legislation concerning the capital market and the principle of equal protection for the interest of any shareholder.

TMK-RESITA is also a part of the same group of companies, but according to the Order of the Minister of Finances no. 2001/2006 it is not necessary to draw up consolidated situations.

In Romania TMK-ARTROM is related with TMK-RESITA that is controlled by the same shareholder. There are not reported consolidated financial situations for the two companies, these ones not accomplishing the conditions mentioned by the law concerning the obligation for the consolidated financial reports.

T.M.K.-ARTROM also tries to constantly assure the fact that its activities are according to the global standards of financial opening and transparency.

This approach promotes the Company's credibility in the eyes of investors, partners and state authorities.



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Subscribed Share Capital: 291.790.747, 94 lei

Paid Share Capital: 291.476.491, 26 lei

The corporate governance of TMK-ARTROM has been considerably improved in time and it is indeed in a continuous process of modernization according to the international standards.

The corporate governance is based on respect of the rights and legitimate interests of the shareholders.

It encourages effective corporate activities, including increases in the value of the Company's assets, the creation of jobs and the support of the company's financial stability and profitability.

The corporate governance principles applied at the company level are available to the public and they can be obtained on the site of the company www.tmk-artrom.ro

b) if the entity derogates from the corporate governance code that is to be applied or that it has chosen to apply, according to the national law, an explanation regarding the parts of the code that it doesn't apply, and the reason why

-not applicable ;

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

The company's administration shall be controlled by the shareholders and by the financial auditor, according to the legal provisions from Romania.

The internal audit is done according to the provisions of the art.20 of the Emergency Governmental Order no. 75/1999 regarding the auditing acts.

The objectives of the internal audit are commonly agreed with the company's management-The Administration Board, because the main role of the internal auditing according to the legal provisions is that of assisting the company's management in the process of making decisions and that of following the manner in which these decisions are applied.

According to the Accountancy Law no. 82/1991 and to the Order of the Ministry of Finances no. 522 from the 16th of April 2003 (updated) for the approval of the general Methodological Norms concerning the exercise of the preventive financial control, a decision has been issued by the President of the Administration Board, this being the Decision of preventive financial control No.363/13.07.2006, which regulates the organizing and exercise of the preventive financial control on the company's level.

Also, some internal auditing procedure were issued, documenting the way in which the company manages the internal auditing procedures in order to determine if the Quality and Environment System complies with the auditing criteria: the demands of the reference standards, ISO 9001, API Q1 and ISO 14001, as well as self-given documents on the matter.

Asset control is also made, annually, through the annual inventory, by the decision of the company's management and with establishment of an annual inventory-making schedule.

The financial reports which have been elaborated by observing the national legislation are audited by Evcon Expert Audit SRL.

The annual reports were audited by Ernst&Young, with the purpose of consolidating the financial situation on the level of the group TMK Moscow.



ISO 9001
ISO 14001
OHSAS 18001



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TRD 100/102,
Vd TUV



PED 97/23/EC

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GL RULES

DIN 1629
EN 10210





S.C. T.M.K. - ARTROM S.A.

Draganesti Street , No. 30, 230119, SLATINA, OLT, ROMANIA

Tel: +40-249-436862,434640,434641; Fax: +40-249-434330; 437288 ; 431144

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d) the realization manner of the general meeting of shareholders, its key-attributes, as well as a description of the rights of the shareholders and the way the rights can be exercised

The general meeting of shareholders is the company's management body, which decides on its activity and ensures its economic and commercial policy.

General meetings are ordinary and extraordinary.

THE ORDINARY GENERAL MEETING is held at least once a year, within 4 months at most from the end of the financial year, and has the following duties:

a/ - to approve or amend the annual financial statements, on the basis of the reports presented by the Administration Board and by the financial auditor and to set the dividends

b/ - to elect the members of the Administration Board, to set their remuneration, to discharge them from duty and to revoke them;

c/ - to set the powers and the liabilities of the Administration Board;

d/ - to approve and amend the company's business plan and budget;

e/ - to examine, approve or amend the financial statement and the profit and loss account after having analysed the report of the Administration Board, to approve the distribution of profit to the shareholders;

f/ - to decide to set up subsidiaries/ branches or to close them;

g/ - to decide to pledge, rent or close one or more of the company's units;

h/ - other items on the agenda.

i/ to appoint or to revoke the financial auditor and to fix the minimal duration of the contract of financial audit.

THE EXTRAORDINARY GENERAL MEETING shall be held whenever it is necessary and shall adopt resolutions on:

a / the change of the company's legal form;

b / the change of the company's registered office;

c / the change of the company's object of activity;

d / the set up or closure of secondary establishments: branches, agencies, representative offices and other similar units without legal personality;

e / the extension of the company's duration;

f / the increase of the share capital;

g / the decrease of the share capital or its replenishment by an issue of shares;

h / the fusion with other companies or the split-up;

i / the company's anticipated dissolution;

j / the issue of bonds;

k / the conversion of shares from one category to another;

l / the conversion of bonds from one category to another or into shares;

m / any other amendment of the Incorporation Deed or any other resolution requiring the approval of the extraordinary general meeting of shareholders;



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n/ it shall also decide on the acquisition, alienation, exchange or pledge of certain assets in the category of the company's fixed assets, whose value exceeds, individually or jointly, 20% of the total fixed assets during one financial year, less the receivables, by the company's directors or managers.

o/ it can give to the Administration Board, according to the law, the following attributions

- the change of the company's registered office
- the change of the company's object of activity excepting the main object of activity;
- the setting up or the closure of secondary establishments: branches, agencies, representative offices and other similar units without a juridical personality.

e) structure and operating mode of the bodies of administration, management and supervision and of their committees during the reported period

The company is administered by an Administration Board that is made up of the following persons:

- | | |
|------------------------|------------------|
| 1.- POPESCU ADRIAN | - President |
| 2.- MUSTATA VALERU | - Vice-President |
| 3.- DRINCIU CRISTIAN | - Vice-President |
| 4.- ASHIN SERGEI | - member |
| 5.- GRYZUNOV ALEXANDER | - member |
| 6.- KHMELEVSKY IGOR | - member |
| 7.- PETROSYAN TIGRAN | - member |
| 8.- ZIMIN ANDREY | - member |
| 9.-CALITOIU ELENA | - member |

The attributions of the Administration Board:

a/- to employ and dismiss the company's personnel, to set their rights and obligations; the salary rights shall be determined by negotiations at company level and shall be recorded in the collective labour contract, concluded in accordance with the legal provisions; individual salary rights shall be determined in the individual labour contracts within the limits of the provisions of the collective labour contract;

b/- to determine the duties and responsibilities of the company's personnel by departments;

c/- to approve collection and payment operations;

d/- to approve the collection and sale of goods and of current circulating assets;

e/- to approve the conclusion of lease contracts within the limits set forth by the legal provisions in force and this Incorporation Deed;

f/- to develop the marketing tactics and strategy;

g/- to submit to the General Meeting of Shareholders for approval, within 120 days of the end of the financial year, the annual report on the company's activity, based on the financial statement, the profit and loss account for the preceding year as well as the draft business plan and budget plan for the ongoing financial year

h/- solves any other issues determined by the General Meeting of Shareholders;

i/- to approve the sales and purchases of goods, as well as the cancellation of such operations subject to the legal provisions in force and to this Incorporation Deed;

j/- appoints executive directors, sets their attributions and their remuneration, cancels their activity and revokes them.

k/- settles the attributions, the remuneration and the financial rights of the members of the Board of Directors;





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I/ - to approve the conclusion of credit contracts and accessories guarantees which do not exceed 20 % of the total value of the assets of the company, without the debts, from that financial year.

The Board of Directors

The Administration Board derives a part of its powers to a Board of Directors made up of 4 members respectively the president, the vice-presidents of the Administration Board, and the General Deputy Economic – CFO-Manager, by settling their remuneration and their competence limits.

The President of the Administration Board is also the General Manager; in this quality he also administers the Board of Directors

The decisions of the Board of Directors are taken with an absolute majority of its members and they are registered in the Register for Sessions and Deliberations of the Committee.

The members of the bodies of administration and management must assure the fact that the annual financial statements and the administrators' report are drawn up and published according to the national legislation.

President of the Board of Directors

GENERAL MANAGER

Eng. Popescu Adrian

General Manager Deputy CFO

Ec. Cristiana Vaduva



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