

**S.C.TMK - ARTROM S.A.**

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

REPORT OF ADMINISTRATION

to financial year 2012, prepared in accordance ORDER MFP 881 and 1286/2012 on accounting regulations in accordance with International Financial Reporting Standards, Law no. 297/2004 regarding the capital market and NSC Regulation no. 1/2006

1. Analysis of company activity**1.1. a) Description of the company's core business;**

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

The company is a privately owned company.

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

b) Specifying the date of establishment of the company;

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

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

The company is managed by a Board of Directors consisting of five members and is operationally led by a Management Board composed of four members. The President of the Management Board is a General Manager and member of the Board of Directors and represents the company in relations with third parties. The other three members of the Management Board are Executive Officers and are not members of the Board of Directors. The Management Board drew in the collective leadership three more executives forming a Panel of Directors composed of the members of the Management Board and three Executive Officers.

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

not applicable

d) Description of purchase and / or disposal of assets;

In 2012 there were no acquisitions and / or transfer of assets.

e) Description of the main results of the evaluation of the business activity.**1.1.1. General assessment items:**

For all periods up to the year ended December 31, 2011, including, the company prepared the financial statements in accordance with Romanian accounting standards. Financial statements for the year ended December 31, 2012 are the first financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

Therefore, the company has prepared financial statements in accordance with IFRS as of January 1, 2012, following the methods of accounting policies.

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

For financial year 2012, the annual individual financial statements under IFRS were prepared by the restatement of the information from accountancy organized under accounting regulations compliant with Directive IV of the European Economic Communities, approved by Ministry of Public Finance no. 3.055/2009 for the approval of accounting regulations with European Directives, as amended and supplemented.

For the purposes of the financial statements for the year 2012 the company has applied the provisions of IFRS, including IFRS 1 "First-time Adoption of International Financial Reporting Standards".

In this connection, statement of financial position, part of the annual financial statements ended 31 December 2012, contains information relevant for the end of financial year reporting, financial year preceding the beginning and of the previous financial year reporting

Also, the statement of comprehensive income in two columns of information, corresponding current financial year (reporting) and preceding financial year reporting.

According to the balance sheet prepared on orders OMFP 881/25.06.2012, OMFP 1286/1.10.2012, OMFP1690/12.12.2012, OMPF 40/15.01.2013 and OMFP 213/15.02.2013 the company restated in accordance with Accounting International Standards the financial years of years 2011 and 2012 recorded the following indicators:

	lei	
	2012	2011
Accounting Profit of which:	42.493.632	59.542.329
Operating profit	69.484.032	94.284.962
Financial loss	18.560.438	22.374.417
Exceptional results	0	0
Turnover	909.412.618	856.176.168
Export	79%	78%
Total costs	937.555.818	927.322.583
Operating costs	859.958.889	772.711.406
% from the domestic market owned	42%	38%
Liquidity	3,99	2,53

Profit of 2012 was driven primarily by increased turnover due to higher selling prices of tubes but quantity of pipes sold as well as lower financing costs represent interest and unfavorable exchange rate differences.

Changing the accounting profit of the year 2011 from 67,503,261 lei as OMFP 3055/2009 to 59,542,329 lei was driven by operations mainly restated under IFRS deferred tax is determined by the difference calculated for fixed assets and tax losses recoverable existence.

1.1.2. Evaluation of the technical level of the company

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

- a) the main markets for each product or service and distribution methods;**
- b) the share of each category of products or services in revenues and total turnover of the company for the past three years;**
- c) considered new products that will affect a substantial amount of assets in the next financial year as well as the stage of development of these products.**

Main manufactured products:

1. Mechanical pipes
2. Seamless steel pipes, for boilers and high temperature
3. Seamless steel pipes, for services at low temperatures
4. Plain end pipes for pipelines
5. Socket pipes
6. Seamless steel precision pipes
7. Seamless steel pipes for water and gas installations.

Compared with the same period last year shows the following:

STATEMENT OF REVENUES	LEI		Increase with	degree of achievement
	31.12.2011	31.12.2012		
			%	%
1 Revenues from trade activity	6.081.523	28.256.285	365	465
2 Sold production	853.409.632	884.111.411	4	104
3 Trade discounts granted	3.314.987	2.955.078	-11	89
4 Turnover	856.176.168	909.412.618	6	106

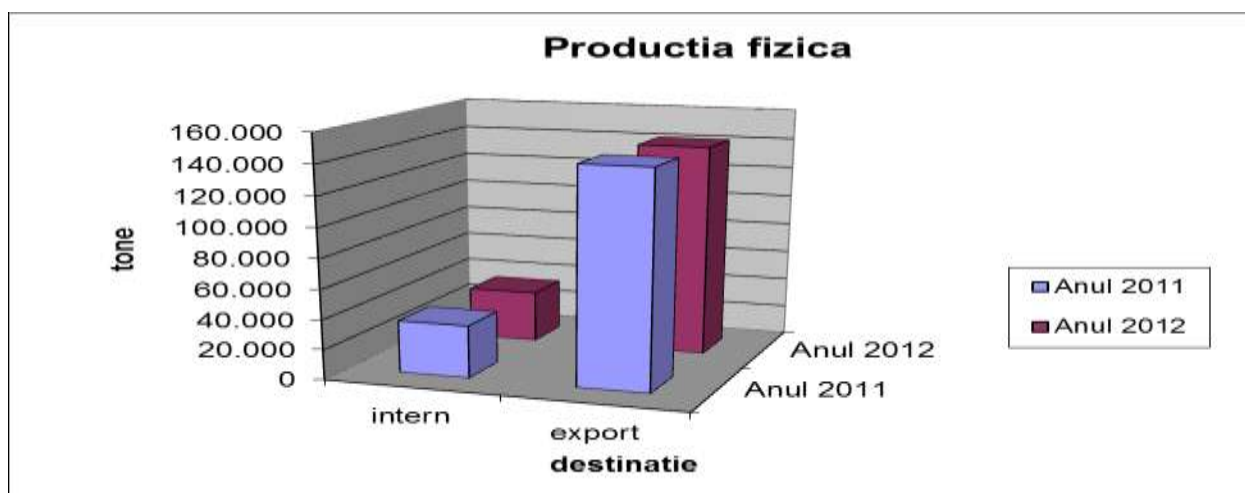
Total turnover was increased with 6% in 2012 compared to 2011 due to the increase of the average selling price with 3%, increasing the sold production volume from 174.440 tons to 176.150 tone (an increase with 1%), but as result of the increase of the sale of good. The sale volume increased in 2012 with 365% because of the export sale of 9955 tons of profile (billets) purchased from TMK-RESITA.

The production volume of tubes (TMK-ARTROM' production) sold in the total turnover in 2012 is of 93,26%.

The company registered in 2012 physical production of 176.385 to tubes.

The physical production volume has the following structure:

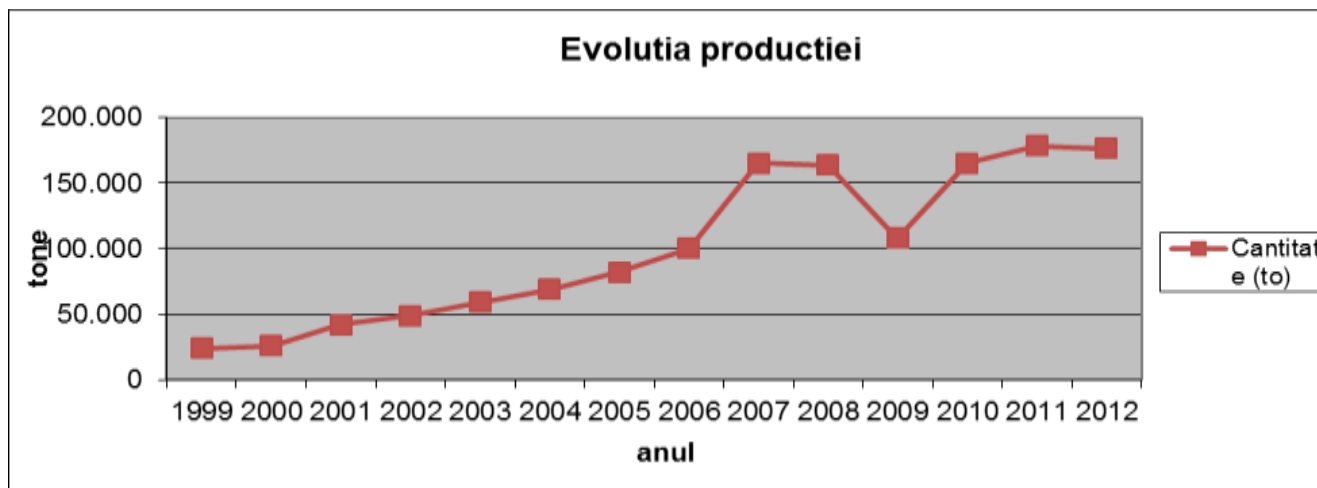
			2011	%	2012	%	%
Physical production which:	pro-	of tons	178.210	100,00	176.385	100,00	98,98
domestic		tons	35.125	19,71	34.854	19,76	99,23
export		tons	143.085	80,29	141.531	80,24	98,91



Evolution of the production volume of pipes as of 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
9	2007	165.196
10	2008	163.519
11	2009	107.936
12	2010	165.095
13	2011	178.210
14	2012	176.385



Pipe sales structure in 2012

Destination	Year 2011		Year 2012		Increase of	
	tons	lei	tons	lei	% tons	% lei
Domestic market	33.389	152.075.096	34.526	158.679.496	3,41	4,34
Total export (supplies and exports)	141.051	666.041.846	141.624	689.372.566	0,41	3,50
Total pipe sales	174.440	818.116.942	176.150	848.052.062	0,98	3,66

Pipe sales for 2012 on the internal market accounted of 17,4% in total turnover and 19,6% share of total quantity sales of pipes.

Pipe export sales in 2012 had a share of 75.8% in total turnover and a share of 80.4% in total sales quantity of pipes.

1.1.3. Evaluation of technical and material supply (indigenous sources, import sources)

Information regarding the safety of supply sources and prices of raw materials and stocks sizes of raw materials.

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

The stock of raw materials as at 31.12.2012 decreased compared to 31.12.2011 from 16507 tons to 15367 tons.

TMK-ARTROM SA provided the financing of the production of TMK RESITA SA through trade advances for billets deliveries to TMK-ARTROM accounted 82.652.053 lei (without VAT) as at 31.12.2012.

1.1.4. Evaluation of sales

a) Description of sequence evolution of internal and / or foreign sales and sales prospects in the medium and long term;

Depending on the final destination of pipes produced by TMK-ARTROM, the geographical segment of sales of pipes is as follows:

	<u>Year 2011</u>		<u>Year 2012</u>		<u>Increase with</u>
	lei	%	lei	%	%
<u>Pipe sales of which:</u>					
Internal market	152.075.096	18,59	158.679.496	18,71	4
Europe	525.934.149	64,29	541.906.711	63,90	3
North America	126.655.704	15,48	140.552.846	16,57	11
Other areas	13.451.993	1,64	6.913.009	0,82	-49
Total pipe sales	818.116.942	100	848.052.062	100	4
<u>Sales of other goods and services of which:</u>					
Sales of other goods_Internal market	36.749.763	96,56	32.254.398	52,57	-12
Export sales of other goods	509.032	1,34	28.313.033	46,14	5462
Rendering of services internal market	715.575	1,88	668.364	1,09	-7
Rendering of services internal market	84.856	0,22	124.761	0,20	47
Total sales of other goods and services	38.059.226	100	61.360.556	100,00	61
Turnover	856.176.168		909.412.618		6

Sales were made in 2012 directly and through related companies such traders

- In Romania and Eastern Europe directly
- In Northern Europe by TMK EUROPE Dusseldorf, main shareholder,
- In the South and West by TMK Lecco Italy - agent.
- In USA and East by TMK IPSCO Chicago, respectively TMK-Middle East-Dubai and directly to customers.

Since October 2011 TMK ARTROM gave up selling by traders TMK and TMK Global ITALY.

ARTROM TMK-agent contract concluded with TMK-ITALY and sell directly to customers in the South and West in Europe in previous years have been customers of TMK-ITALY.

In north America, TMK-ARTROM sale directly to the related company TMK-IPSCO Chicago (through Houston office) and the Middle sell directly to TMK Middle East in Dubai.

In medium and long term there is planned the increase of the added value of goods sold.

b) Description of the competitive situation in the business area of the company, market share for products and services of the company and key competitors;

The main sales market of TMK-ARTROM products is Europe. TMK-ARTROM's market share in EU (27) is about 5,53% from the seamless pipe market.

The main competitors on the regional market are :

MITTAL PETROTUB ROMAN

TEANARIS SILCOTUB ZALAU

In the foreign market in the rest of Europe the main competitors are Vallourec Mannesmann, TENARIS Dalmine - Arcore, Vitkovice, Tubos Reunidos.

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

Not applicable

1.1.5. Evaluation of aspects related to employees / company staff

a) Number and level of training of company employees and the level of unionized labor;

The effective number of employees as at 31.12.2012 was of 1207 employees increased with 41 employees compared with the personnel registered on the end of the year 2011 of 1166 employees.

The earnings are paid in lei as provided by the Collective Labor Agreement and relevant legislation. Thus wages were updated half-yearly based on the growth index of inflation, and are guaranteed 90% regardless of the volume of production, which makes this part of the cost from a variable one to a fixed cost..

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

The degree of unionized labor is of 89%.

b) Description of the relationship between manager and employees and any conflicting elements that characterize these relationship.

The management's relationship with employees is a very good one and there have been no conflicting elements.

1.1.6. Evaluation of aspects related to the impact of core business of the issuer on the environment

Synthetic description of the impact of the issuer's basic activities on the environment and any existing or expected litigation regarding the violation of laws on environmental protection.

TMK-ARTROM implemented and certified an effective integrated management system planned in accordance with ISO 9001, integrated Environmental Management System implemented and certified under ISO 14001 and also integrated with Health Management System and occupational safety under OHSAS 10001:2007.

The top management of TMK-ARTROM established the policy in quality management and environmental management and ensures that it:

- a) - is fit for the purpose of the organization;
- b) - includes a commitment to continuous improvement and meeting requirements;
- c) - creates a framework for setting and analyzing objectives in quality management and environmental management;
- d) - is communicated and understood at appropriate levels of the organization;
- e) - is systematically analyzed for adequacy and continuity.

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

The identified environmental aspects are:

- General environmental aspects
- significant environmental aspects.

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

- Studies conducted by authorized institutions on the impact of business activity on the environment;
- The legislation in force;
- Records of corrective and preventive measures outlined after special inspections performed by the EPA, Olt River Water Management System, the Labor Inspectorate, the Department of Public Health;
- Records of the measures imposed by permits: water management and environmental authorization;
- Analysis bulletins resulted after measurements made on the environment factors (water, air, soil);
- Complaints.

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

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

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

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

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

The planning activity of environmental management includes:

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

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

1.1.7. . Evaluation of research and development

Indication of expenditure in the financial year and those anticipated in the next financial year for research and development.

Expenditure did not reach any significant amounts and it is not expected to increase for the next financial period.

1.1.8. Evaluation the company business regarding risk management

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

Description of the company policies and objectives on risk management.

The activity of TMK-ARTROM S.A. in 2012 tried to reduce as much against our exposure to market risk, credit, liquidity and treasury.

The company was not exposed to internal risks:

Supply and trading risks (agreements that could not be met by suppliers, narrowing of market) were reduced by the fact that sole raw material provider is the company TMK-RESITA within the group, and 80% of the production is destined to exports, which largely takes place through companies in the TMK Moscow group (related to the shareholder TMK EUROPE).

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

Customer credit risk is managed according to established policies, procedures and controls relating to customer credit risk management.

Since 01.07.2011 he was elected a Committee of Commercial Credit and came into force its rules of procedure, to better coordinate financial discipline and corporate debt security.

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

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

The company sell the goods to the external and domestic partners providing them depending on the each creditworthiness credit limits in amount calculated for periods between 30 and 90 days.

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

In order to limit credit risk, the company ended October 1, 2012 by COFACE SA an insurance contract default risk for almost the entire portfolio of sales to third parties by Coface SA Coface credit limits granted to external covered 70% of the required limits and to domestic market 54% of the required limits, so those customers that are not covered by Coface in 100% are monitored closely in order to limit potential losses un collectability.

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

In 2012, TMK-ARTROM not faced with these types of risk:

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

During 2012, TMK-ARTROM external risks faced by the business manifested caused by the financial and economic crisis practicing dumping prices for steel pipes by China, Belarus, Ukraine.

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

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

At the beginning of the year there are concluded framework agreements for the sale of the export products with trade houses in the group.

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

The market of pipes manufactured by TMK-ARTROM has been increasing, sales volume in 2011 exceeding the annual sales volumes from prior periods.

The sales analysis is always watching all value influences of quantity, structure and price. In relations with related companies TMK-ARTROM uses only market prices and controls the structure of the selling price up to the first unrelated client in the market, market fluctuations being reflected in the sale price to related companies.

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

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

Short-term currency risk management aimed and still aims to maintain cost items that make up the cost

of operations performed to avoid losses smaller than the loss that might occur without protection against currency risk.

It has been aimed that payments in a certain currency payments to be made from the revenues in that currency, thus eliminating the cost of foreign exchange.

Currency Auctions are negotiated with banks and here there are considered higher currency exchanges that have better exchange rates.

In the long run, we aimed and still aiming that exchange rate costs to be minimized and represent a share as little as possible in the total losses from currency risk.

The company concluded in 2011 agreements related to derivate operations on exchange rate which were treated under IFRS as hedging operations.

TMK-Artrom concluded a framework agreement with BCR "ISDA Master Agreement / November 31, 2011" which runs forward transactions and other transactions with BCR but up to EUR 3,000,000 line flows.

In the Master Agreement there have been signed 12 (twelve) Agreements for FORWARD transactions of EUR 500,000 each, at a rate of 4,4165 EUR / USD = EUR 500,000 x 4,4165 = 2,208,250 lei.

The 12 agreements cumulate 12 x EUR 500,000 = EUR 6,000,000 and 12 x 2,208,250 = 26,499,000 lei.

The purpose for which the agreement was concluded with BCR was to protect future revenues from sales against currency risk, given that TMK-ARTROM owns about 80% of sales on foreign markets.

In 2012 the company concluded three more sets of agreements for FORWARD transactions, as follows:

- In January 2012 have been signed 12 agreements for 1.000.000 USD each, to a fix exchange rate of 3.3875 USD/RON. The agreements cumulates 12.000.000 USD (12 x 1.000.000 USD), respectively 40.650.000 lei (12 x 3.387.500 lei)
- In February 2012 have been signed another set of 12 monthly transactions in USD, each of 500.000 USD but this time to a monthly variable exchange rate, with value between 3.4232 and 3.4760 USD/RON. The agreements cumulated the amount of 6.000.000 USD, respectively 20.694.950 LEI
- In April 2012 have been signed 12 agreements each of 500.000 EURO, to a fix exchange rate of 4.427 EUR/RON. The agreements cumulate 6.000.000 EURO (12 x 500.000 EUR), respectively 26.562.000 lei (12 x 2.213.500 lei)

1.1.9. Elements of perspective on company business

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

- Growth of the EURIBOR rate, on the fund of the emphasis of the ECONOMIC AND FINANCIAL CRISIS, could affect both liquidity and the level of financial losses from interest
- Increase duration of collection of receivables for the sales of pipes as a result of maintaining the economic and financial crisis.

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

Capital expenditures increased in 2012 compared to last year lei 9,254,097 of which lei 5,035,532 is paid in advance for the purchase of tangible assets. They were as main destination equipment to ensure increase value added products and to ensure positive cash flow to maintain economic and financial crisis conditions.

c) Presentation and analysis of events, transactions involving economic changes significantly affecting revenues from core business.

Not applicable

2. TANGIBLE ASSETS OF THE COMPANY

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

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

- Hot rolling line for hot rolled pipe production (120,000 tons / year) on Caja TPA 20 ASSEL USSR production on Caja AWW 550 Mannesmann, Germany production.
 - The department of pipe drawer is composed mainly of a series of cold rolling mills: LAPIR Pilger mill type 50, 75, SKW 75 automatic Pilger mill and Pilger mill HPT 250 and drawing benches 15 tj, 30 tf, 45 tf, 50 tf, 150 tf. Also, the department is equipped with pipe finishing and delivery machines. It has a production capacity of 28,000 tons / year and can provide cold processing of pipes with diameters between 17 and 220 mm for the construction and manufacture of bearings
 - The rolling and finishing CPE line was installed in the SMTIP department - with a capacity of 100,000 tons / year. The line was commissioned on December 31, 2006, at first with only 80% of its capacity. In 2007 we continued the investment process so that the mill's production capacity reached 100,000 tons.
- The location of these capabilities is on the land in the ownership of SC TMK-ARTROM Slatina, Street Draganesti km. 30, Olt County.

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

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

The theoretical wear is generally low because times of life have changed for older machines the term of which would have expired on December 31, 2004 if the physical term of functioning and production of future income can be extended by 20-30 years. There are also new assets of Mannesman import.

The capacity situation is as follows:

- The hot rolling line is in good technical condition. There have been made investments for the modernization and automation of control systems and automatic operation of the mills in the hot rolling line and investments in the finishing flow of the final product (marking, coating, packaging) that have led to reductions in energy costs and the costs of finishing materials.
- The capacity of cold rolling and drawing has both machines produced in Romania before 1989, and imported equipment commissioned in 1992, 2001 and 2007.
- The new production capacity, respectively the CPE mill is made by a German manufacturer (Mannesmann Demag Meer) and is the youngest of the new generation of economic rolling mills.

In 2012 repairs were made for carrying the technological flow to the designed parameters, but also major repairs for equipment and building that have been recognized in the carrying value of tangible assets amounting to 16.083.740 lei.

2.3. Potential problems related to the ownership of tangible assets of the company

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

3. THE MARKET OF SECURITIES ISSUED BY THE COMPANY

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

SC TMK-ARTROM is an open company. The regulated market where issued securities are traded is BSE Regulated Market - Class II Shares – Market symbol **ART**

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

The registered capital 31.12.2012 is of 291.587.538,34 lei, divided into 116,251,294 shares in nominal value of 2.51 lei each.

In 2012 was ended the capital reduction according to the General Extraordinary Shareholders of 26.04.2012.

The structure of shareholders on December 31, 2012 is as follows:

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

Social obligations are guaranteed with the company's corporate assets, shareholders responding only up to the subscribed registered capital.

Their shares give shareholders voting rights and dividends.

Shares are nominal, embodied, in series.

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

There are no restriction policies on the transfer of securities.

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

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

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

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable

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

The ordinary General Meeting:

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

The Extraordinary General Meeting decides:

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

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

Not applicable

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

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

Not applicable

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

According to individual contracts

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

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

The Board of Directors proposes the distribution of accounting profit of 2012, amounting to 42.493.632 lei, to the reserve fund of the amount of 2.546.180 lei, according to law 31/1990, 5% of annual gross profit (but not less than 20 % of capital) and the difference of 39.947.452 lei to cover accounting losses from previous years.

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

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

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

The Board of Directors proposes deferred losses and losses from the application of IFRS, from:

- Share capital adjustments (inflation period 1990-2003 and amounts recognized under IFRS) account 1208 in the amount of 608.093.800,96 lei and

- Retained earnings representing surplus from revaluation reserves since 1,01,2004 taxed in tax declaration according to OUG 34/2009 as of 01/05/2009, items of taxable income nature (8 months , 2009+ 2 010+ 2011) in the amount of 8.046.809,36 lei.

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

Not applicable

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

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

The company has the following secondary offices:

in Slatina, Ec.Teodoroiu Street, building V 22, ground floor, Olt County
in Slatina, Ec.Teodoroiu Street, building V 22, ground floor, Olt County
in Bucharest, 2 Daniel Danielopolu Street, District 1 – Agency

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

Not applicable

4. BUSINESS LEADERSHIP

Corporate governance.

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

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

Starting March 1, 2006 TMK-ARTROM S.A. is part of the TMK Group companies controlled by the German company TMK-EUROPE which has as sole shareholder the Russian company OAO TMK. .

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

Of the same group of companies is part TMK-RESITA as well, but according to the Order of Ministry of Finance no. 2001/2012 statements should not be consolidated.

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

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

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

The corporate governance of TMK-ARTROM evolved positively over time and it is in a continuous process of modernization in accordance with international standards.

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

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

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

Not applicable

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

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

The internal audit is carried out under the provisions of Article 20 of the Ordinance nr.75/1999 on audit documents.

The objectives of the internal audit are agreed with the company management and the Audit Committee of the Board of Directors – since the main role of internal audit as required by law is to assist company management in making decisions and follow how these decisions are enforced.

In accordance with the Accounting Law no. 82/1991 and Order no. 522 of April 16, 2003 (updated) for the approval of the General Methodological Norms regarding the exercise of preventive financial control, the preventive financial control decision no. 325 of 11.08.2011 has been updated, by which the organization and exercise the preventive financial control in the company was regulated.

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

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

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

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

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

General meetings are ordinary and extraordinary.

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

a / discuss, approve or modify annual financial statements, based on reports presented by the Board of Directors, the financial auditor and sets dividends;

b / elect or dismiss members of the Board of Directors, establishes their remuneration and their management;

c / sets the duties and powers of the Board of Directors;

d / approves the income and expenditure budget and the business program;

e / decides to pledge, lease or dissolve one or more units of the Society;

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

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

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

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

As at 31.12.2012 the company is managed by a Board of Directors composed of:

1. Marous Josef- Chairman of the Board of Directors
2. Adrian Popescu-General Manager
3. Andrey Zimin
4. Marchenko Kirill
5. Evgeny Makarov

The present Board of Directors have mandate since 02.09.2011 until 02.09.2015.

Responsibilities of the Board of Directors:

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

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

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

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

The Board may establish advisory committees composed of at least two members of the Board and charged with conducting investigations and making recommendations to the Board in areas such as audit, remuneration of directors, internal auditors and staff. The organization, operation and powers of any such advisory committees will be established by decision of the Board of Directors in accordance with the applicable law.

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

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

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

1. Marous Josef- Chairman of the Board of Directors
2. Adrian Popescu-Chief Executive Officer
3. Andrey Zimin
4. Marchenko Kirill
5. Evgeny Makarov

Marous Josef- Chairman of the Board of Directors

a) CV

Name: Josef

Surname: Marous

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Address: [REDACTED] Düsseldorf, Germany

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

Economic Faculty, University title: Diplom-Kaufmann

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

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

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

Member of the Board of OOO ThyssenKrupp Elevator 2003 – 2010

Member of the Board of OOO ThyssenKrupp Materials 2006 – 2009

Member of the Board of OOO Polysius 2007 – 2009

Member of the Board of OAO Pipe Metallurgical Company (TMK) 2005 – 30.06.2011

(chairman of the strategy committee, member of the nomination and remuneration committee)

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

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

Member of the Independent Directors Association of Russia 2008 – 2011

Member of the Board of Directors OAO TMK starting from 2005 until 2011

President of the Administrative Board of TMK Artrom- present

President of the Administrative Board of TMK Resita- Present

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

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

d) list of affiliated persons to the company.

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

Adrian Popescu- Chief Executive Officer

a) CV

Last name: POPESCU

First name: ADRIAN



Languages: English, French

Education:

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

Professional activity:

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

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

c) Participation of the director to the capital of the company;
Mr Smith Adrian holds a total number of 4,981 shares.

d) list of affiliated trading company.

Mr. Popescu Adrian is the Chief Executive Officer of TMK-ARTROM SA.

Andrei Zimin

a) CV

Andrey A. Zimin is employed in TMK in 2004.

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

In 2003-2004, Mr. Zimin was employed in the position of attorney in the law firm of Yust.
Since 2012, Mr. Zimin is Deputy General Manager of Legal Issues to OAO TMK.

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

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

d) list of affiliated trading company.

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

Marchenko Kirill

a) CV

[REDACTED]

Education:

Higher education: Ural State Technical University.

State University of Steel and Alloys, Moscow

Professional experience:

10/02/1995-6/30/2002 Sinarsky Pipe plant

7/01/2002-1/31/2005 Volzhsky Pipe plant

2/01/2005-3/02/2009 OAO TMK

3/03/2009-until now ZAO TMK "Trade House"

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

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

d) list of affiliated persons to the company.

Mr. Marchenko Kirill is the Deputy General Manager of Foreign Economic Affairs of ZAO TMK "Trade House" (TMK Trade House – affiliate company).

Evgeny Makarov

a) CV

Evgeny Y. Makarov has been the employee of TMK since 2003.

Mr. Makarov graduated from the Academy of National Economy under the Government of Russian Federation in 1999, having majored in economics. Between 1999-2000, Mr. Makarov worked as an economist in the Volzhsky Pipe Plant. During 2000-2003 he held various positions in the Yukos EP.

In February 2003 he was appointed head of the pricing of the Economic - Planning Department of TMK. Since April 2006, Mr. Makarov was appointed Head of Economic - Planning Department of TMK.

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

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

d) list of affiliated persons to the company.

Mr. Evgeny Makarov is the Manager of Budget Department of OAO TMK (affiliate company).

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

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

The management privileges of the Company are delegated to the General Manager and to three deputy managers, namely:

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

The General Manager expanded the powers of the Management Board to the Panel of Directors, an advisory body and internal collective decision composed of 7 members as follows:

- Members of the Board of Directors
- Three executives as follows:

- 5) Cernyy Evgeny – Chief Financial Officer
- 6) Kolomeets Olga – Chief Public Relations and personal's policy
- 7) Pavlov Alexandru – Chief Procurement Officer

Managers are appointed exclusively outside the Board of Directors except for the General Manager who is a member of the Board of Directors.

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

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

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

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

- a) **the period for which the person is part of the executive management**
- Members of the Board of directors

1. Adrian Popescu – mandate starting 02.09.2011 to 02.09.2015 (AGA decision) ;
2. Vaduva Cristiana – mandate starting 02.09.2011 to 02.09.2015;
3. Drinciu Cristian – mandate starting 02.09.2011 to 02.09.2015;
4. Mustata Valeru – mandate starting 02.09.2011 to 02.09.2015;

Members of the Managing Board

5. Cernyy Evgeny –mandate starting 20.06.2011 to 20.06.2015.
6. Kolomeets Olga – mandate starting 20.06.2011 to 20.06.2015.
7. Pavlov Alexandru– mandate starting 20.06.2011 to 20.06.2015.

b) any agreement, understanding or family connection between that manager and another person due to who that person was appointed director;

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

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

The following Managers hold shares in the registered capital:

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

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

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

5. FINANCIAL STATEMENT

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

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

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

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

a) BALANCE SHEET ITEMS, in simplified form:

lei

NAME OF INDICATORS	2012	2011	2010
1. fixed assets	400.763.962	401.722.141	405.494.352
2. land	10.956.921	10.956.921	10.956.921
3. investments in progress	18.729.789	16.230.085	9.807.753
4. Financial assets		48.434.445	48.609.820
5. Other non - current assets	5.035.531	7.693	316.117
TOTAL FIXED ASSETS	435.636.590	477.465.286	475.323.146
5. inventories	150.416.733	116.185.469	103.609.507
6. receivables	184.505.121	200.145.923	180.708.445
7. advance payments	84.294.462	94.442.756	78.236.208
8. cash	30.463.476	10.018.082	13.065.041
TOTAL CURRENT ASSETS	450.230.950	421.419.980	375.619.201
TOTAL ASSETS	885.867.540	898.885.266	850.942.347
9. equity	430.705.644	388.499.537	328.957.209
10. Debts: Amounts to be paid over a period of up to one year	112.914.258	166.605.403	419.767.245
11. Debts: Amounts to be paid over a period longer than one year	342.247.638	343.780.326	102.217.893
TOTAL LIABILITIES	885.867.540	898.885.266	850.942.347

In 2010 the loan was fully paid for CPE mill investment (initial amount 23,104,700 EUR) contracted with BCR Slatina, its balance of 59,198,950 lei at 31.12.2008 as representing 14,854,700 euros.

In 2011 the loan was fully paid IPSCO Tubulars from the U.S. through its refinancing bank loans and foreign.

Loan granted in 2012 under contract by TMK RESITA 3100 of 25.05.2004 amounted to 48,194,809 lei to 31.12.2011 was returned.

On 31 December 2012 **tangible assets** are stated at cost, net of accumulated depreciation and / or accumulated impairment losses, if any.

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

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

TMK-ARTROM used for accounting depreciation of tangible linear damping regime. The estimated useful lives used to calculate accounting depreciation of fixed assets are under the group policy. For the calculation of tax depreciation were used useful lives established under HG 2139/2004 for approving the Catalogue of classification and useful life of the assets. Technological equipment, or machinery, tools and equipment (fixed assets group 2), and for computers and their peripherals, which were recorded during 2009 was used accelerated depreciation regime, according to art. 24 Para. (6), point b) of Law no. 571/2003. For transport recorded during 2012 was used digressive depreciation regime, according to art. 24 Para. (6), paragraph c) of Law no. 571/2003. For the calculation of tax depreciation of other fixed assets in the balance existing to 31.12.2011, we used linear damping regime.

As at 31.12.2012 registers a stock of goods in transit metal profiles (billets) purchased from TMK Resita SA destination export in amount of lei 26,481,576 (12,641 tons).

Receivables of the company were up both in 2011 as a result of increased turnover and a decrease in 2012 due to shortening of collection.

Receivables that the company has received fell from 200.145.923 lei to 184.505.121 lei 31.12.2011 31.12.2012 representing:

-lei-

Trade receivables, from which	157.826.399
Amounts receivable from related entities	48.438.722
Claims on personnel	484.132
various debtors	663.747
VAT to be recovered	25.356.059
Other receivables - penalties	725.881
Less :	
Provision for doubtful debts	551.096
Total	184.505.121

On December 31, 2012 TMK-ARTROM has received from Group companies TMK trade receivables as follows:

Client's name	LEI
TMK Europe GmbH	28.182.978
TMK - RESITA S.A.	6.864.558
TMK Middle East	384.817
Seversky Pipe Plant	11.259
Taganrog metallurgical Works	3.753
OJSC Volzsky Pipe Plant	3.753
IPSCO International	12.987.604
total	48.438.722

The company has to be recovered from the state budget value added tax in the amount of 13,256,793 lei, representing refunded VAT returns belonging September, October, November 2012 and 12,087,361 lei tax group representing return of VAT to be reimbursed for December 2012 of TMK-ARTROM as a member of the tax group. According to Decision No 2/30.04.2008 issued by NAFA-DGAMC since June 2008, TMK ARTROM tax is representative of the group consisting of TMK- ARTROM SA and TMK RESITA SA. Through decision NAFA nr.22/28.05.2010 was approved maintenance tax group for a period of 5 years. Monthly VAT payment obligation of TMK Resita SA is matched with VAT refunded through the TMK-ARTROM the VAT tax consolidated group.

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

Company's total debt decreased from 510.385.729 lei 31.12.2011 to 455.161.896 lei 31.12.2012 due to lower debt and lower commercial use overdraft credit line from BCR to 5.9 million euros compared to year 2011 to 14.7 million euros.

Bank loans

All credits in foreign currency were evaluated according to available exchange rates as at 31.12.2012.

The situation of bank loans at the end of 2012 compared with the previous year is as follows:

Short-term bank loans

Name of the banking company	currency	31.dec.11		31.dec.12	
		<u>balance</u>	<u>balance</u>	<u>balance</u>	<u>balance</u>
		<u>lei</u>	<u>Currency</u>	<u>lei</u>	<u>Currency</u>
Loan limit on instruments – CREDIT EUROPE BANK	LEI	445.178		250.000	
Loan limit on instruments -BANCA TRANSILVANIA	LEI	712.080		241.265	
Overdraft credit line BCR ERSTE in EUR	EUR	63.652.234	14.735.337		
Total short-term bank loans		64.809.492		491.265	

Long-term bank loans

Name of the banking company	currency	BALANCE AS AT 31.12.2011					
		amount due		<u>maturity over 1 year</u>		<u>maturity less than 1 year</u>	
		<u>lei</u>	<u>currency</u>	<u>lei</u>	<u>currency</u>	<u>lei</u>	<u>currency</u>
Credit over 5 years BCR ERSTE	EUR	86.394.000	20.000.000	82.344.281	19.062.500	4.049.719	937.500
Credit for 5 years VTB BANK AUSTRIA	EUR	86.394.000	20.000.000	79.194.500	18.333.333	7.199.500	1.666.667
Credit over 5 years UNICREDIT TIRIAC BANK	EUR	64.795.500	15.000.000	64.795.500	15.000.000	0	0
Overdraft credit line BCR ERSTE- 3 years	EUR					0	0
TOTAL		237.583.500	55.000.000	226.334.281	52.395.833	11.249.219	2.604.167

Name of the banking company	currency	Balance as at 31.12.2012					
		amount due		<u>maturity over 1 year</u>		<u>maturity less than 1 year</u>	
		<u>lei</u>	<u>currency</u>	<u>lei</u>	<u>currency</u>	<u>lei</u>	<u>currency</u>
Credit over 5 years BCR ERSTE	EUR	84.422.094	19.062.500	67.814.469	15.312.500	16.607.625	3.750.000
Credit for 5 years VTB BANK AUSTRIA	EUR	81.192.833	18.333.333	59.049.333	13.333.333	22.143.500	5.000.000

Credit over 5 years UNICREDIT TIRIAC BANK	EUR	66.430.500	15.000.000	66.430.500	15.000.000	0	0
Overdraft credit line BCR ERSTE- 3 years	EUR	26.442.854	5.970.794	26.442.854	5.970.794	0	0
TOTAL		258.488.281	58.366.627	219.737.156	49.616.627	38.751.125	8.750.000

- ❖ amount of lei 26,442,854 representing 5,970,794 euros is operating borrowing - overdraft credit line within the limit of EUR 20,000,000 10/03/2011 BCR-contracted with a validity period of 3 years, 3M EURIBOR plus a 3.5% interest and overdraft replacing 18,400,000 euros.

Final maturity date is 10/03/2014.

For this credit company constituted such warranties: To the credit guarantee company was as follows:

- Pledge without dispossession of credit balance accounts / sub-accounts opened at BCR SA current with the owner TMK ARTROM;
- Pledge without dispossession of credit balance accounts / sub-accounts opened at BCR SA current with the owner TMK Resita SA;
- Warranty Company issued by OAO TMK, in ensuring full and final repayment of any and all amounts as the Borrower and / or Co debtor Bank owed under this Contract;

In February 2012 an amendment was signed this loan was converted into a loan that BCR SA hired as the end of 2012 for which credit is considered long term and not short term as it was at the end of \

- ❖ amount of 250,000 lei, is related to the credit ceiling of 4,000,000 certified instruments contracted from Credit Europe Bank, with interest of 3% 6M ROBOR 31.12.2012 Credit Europe Bank Slatina, with interest ROBOR 6M +3% 31.12.2011.

Final maturity date is 10/18/2013.

For this credit guarantee company constituted as follows:

- Pledge without dispossession of credit balance accounts / sub-accounts opened in the current CEB Slatina with the owner TMK ARTROM;

- ❖ amount of lei 241,265.13 is related credit ceiling of 5,000,000 certified instruments contracted to BT Slatina, with interest of 3% 6M ROBOR 31.12.2012.

Final maturity date is 19/11/2013

For this credit guarantee company constituted as follows:

- Pledge without dispossession of credit balance accounts / sub current open BT Slatina with the owner TMK ARTROM;
- Two white promissory notes in favor of BT up to a limit of lei 5,644,375.

- ❖ The company has contracted with the discount for a maximum BCR promissory notes in the amount of 10,000,000 with an interest rate of 3% 3M ROBOR which can turn into credit if customers are not settled promissory notes matured.

Expected value and endorsed promissory notes under this roof is 31.12.2012 in the amount of 4,113,370 lei.

- ❖ amount of 84,422,094 lei (the equivalent of 19,062,500 euro) is related to a loan over 5 years initial amount of 20,000,000 euros 03.10.2011 BCR-contracted with 3M EURIBOR plus 3.5% used for partial repayment of the loan with IPSCO Tubulars

Final maturity date is 03/10/2016.

For this credit guarantee company constituted as follows:

- Pledge without dispossession of credit balance accounts / sub-accounts opened at BCR SA current with the TMK-ARTROM holder;

- Pledge without dispossession of credit balance accounts / sub-accounts opened at BCR SA current with the owner TMK Resita SA;
 - Warranty Company issued by OAO TMK, in ensuring full and final repayment of any and all amounts as the Borrower and / or Co debtor Bank owed under this Contract.
- In November 2012 it repaid the first tranche of the loan amounting to 937,500 euros

- ❖ amount of 81,192,833 lei (the equivalent of 18,333,333 euro) is related to a loan over 5 years initial amount of 20,000,000 Euro-contracted with VTB Bank Austria on 29.07.2011, with a 1M EURIBOR plus 4% used for partial repayment of the loan with IPSCO Tubulars.
Final maturity date is 08/08/2016.
For this credit guarantee company constituted as follows:

- Pledge without dispossession of credit balance accounts / sub-accounts opened at VTB BANK SA current with the TMK-ARTROM holder;
 - Warranty Company issued by OAO TMK, in ensuring full and final repayment of any and all amounts as the Borrower and / or Co debtor Bank owed under this Contract.
- Since September 2012 we began repayment of this loan until the end of company repaid four equal installments in the amount of EUR 416,666.67 each read

- ❖ amount of lei 66.430.500 is related to a 5-year loan in the amount of 15,000,000 Euro-contracted with Unicredit Tirioc Bank on 16.11.2011, with an interest 1M EURIBOR plus 3.5% used for partial repayment of the loan with IPSCO Tubulars.
Final maturity date is 16/11/2016.
For this credit company constituted such warranties: To the credit guarantee company constituted as follows:

- Pledge without dispossession of credit balance accounts / sub-accounts opened with UniCredit current with the TMK-ARTROM holder;
 - Warranty Company issued by OAO TMK, in ensuring full and final repayment of any and all amounts as the Borrower and / or Co debtor Bank owed under this Contract
- This loan is to be repaid within one installment to final maturity.

At the receiving of loans, TMK-ARTROM paid up-front fees for the entire period, unamortised cost of these fees at the end of each period comes and decrease the value of the loans balance.

Other long-term liabilities to affiliated entities

The company TMK EUROPE GmbH Germany (former TMK Sinara Handel GmbH) is credited with the amount of LEI 76.715.466 representing 22,837,540.03 USD and RON 38,425.07, for contract claims no 054/20.02.2002 assignment, the AVAS (BARA).

In 2012 there were losses from exchange rate, leading to an increase of the outstanding liability from LEI 76,299,822 to LEI 76.715.466.

Company collateral in favor of the company TMK EUROPE GmbH Germany, as follows:

1. Rank mortgage on the land area of 203,651.82 square meters and buildings constructed
2. Pledge without dispossession of real rank on line hot rolling, rolling HPT 250, ultrasonic NDT facility; AWW250 Assel mill, Planer D 38-90; oven FTT SKW75 Pilger mill, heating installation induction, heat treatment furnace rank normalization and the other assets of the TMK-ARTROM under registration no 2004-1080142242453-QJU/24, 03.2004.
3. Rank mortgage on land and buildings in the Supreme 211,614.54 sqm for inside TMK-ARTROM under contract no. 1869/14.10.2003
4. Deprivation of property without collateral rank the other assets of TMK-ARTROM as enrollment in archive furniture, no 2002-1034612284359-IUD/14.10.2003

During the EGMS from November 17, 2008 there has been approved the change in the nature and the payment postponement of debt owed by the Company to TMK Europe GmbH amounting to USD 22,837,540.03 in the following conditions. The debt shall be paid in 57 installments starting from January 25, 2014 until September 25, 2018 inclusive.

The first 56 monthly installments will be worth 400,000 USD and the 57th will be worth U.S. \$ 437.540,03. The payment of debt amounting to 38,425.07 lei contracted by the Company from TMK Europe GmbH as of January 25, 2014 shall be paid in USD at the official RON/USD exchange rate of the National Bank of Romania on the last working day of the year 2013. The debt has an interest rate of LIBOR + 0.5% per year starting on January 1, 2009.

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

Interest due by TMK-ARTROM S.A. 31.12.2012 is 14.003,06 USD 47.015 lei respectively.

Leasing contracts:

as at 31.12.2012 TMK-ARTROM Slatina has concluded with Raiffeisen Leasing SRL Bucuresti 14 financial leasing contracts for the purchase of a spectral device and 13 vehicles.

Other liabilities:

Regarding the company's obligations to the state budget, 31.12.2012 company has to pay the sum of lei 5,679,638 which represents current liabilities to tax and social obligations for salaries, income tax non-resident legal entities that were required to offset the VAT refunded from the state budget. 31.12.2012 Current tax is lei 2,545,168 for a term payment 25.03.2013. The company has calculated deferred tax with a debt of 42,886,145 lei 31.12.2012.

The overdue payments to suppliers as at 31.12.2012 increased over the previous year from lei 7.101.559 to lei 7.530.392 (from which lei 6.722.869 with maturity under 30 days)

On December 31, 2012 TMK - ARTROM has current trade payables to group companies in the amount of 8,493,478 lei TMK which the TMK Europe GmbH Germany 7.081.173 lei representing materials purchased for own activities and for sale in commission by TMK Resita.

b) INCOME STATEMENT

Lei

NAME OF INDICATORS	2012	2011	2010
1. TOTAL REVENUE	980.049.450	986.864.912	757.419.488
2. Turnover	909.412.618	856.176.168	665.822.119
3. TOTAL EXPENSES of which	937.555.818	927.322.583	768.316.824
- raw materials and materials expenses	594.308.398	564.904.909	428.671.320
- personnel expenses	75.887.545	64.991.999	49.993.745
- energy and water expenses	57.572.956	48.606.358	40.568.098
- Interest expenses	12.620.222	26.423.603	39.919.884
Other financial expenses	50.712.321	87.997.377	122.515.170
Current income tax	4.488.654	0	32.250
deferred income tax - income	4.605.637	39.728.503	
deferred income tax - expenses	8.546.945	27.360.287	
4. PROFIT, LOSS (+/-) NET	42.493.632	59.542.329	-10.897.336
5. dividends calculated			
6. dividends paid			

Total turnover increased by 6% in 2012 compared to 2011 due to higher average selling prices by 3%, to increase production from 174,440 tons sold 176,150 tons (up 1%), and due to increased sales of goods. Volume sales of goods increased by 365% in 2012 due to the sale for export of 9955 tons of shapes (billets) purchased from TMK-Resita.

Turnover grew by 28.61% in 2011 compared to 2010 due to higher average selling price by 22.6%, to increase production from 169,311 tons sold 174,440 tons (up 3%) but also due to increased sales of goods. Volume sales of goods increased in 2011 due to domestic sales of 2045 tons of billets purchased from Russia Taganrog Metallurgical producer, worth lei 4,849,114.

In terms of operating costs situation is as follows:

			31.12.2012	31.12.2011	variation %
1	Cost of goods	lei	26.134.934	5.806.259	350,1
2	Raw materials and consumables	lei	594.308.398	564.904.909	5,2
3	Costs of energy, gas and water	lei	57.572.956	48.606.358	18,4
4	Expenditure on external services	lei	65.732.785	53.650.756	22,5
5	Tax and fees costs	lei	1.745.266	2.598.255	-32,8
6	Staff remuneration expenses (including vouchers)	lei	57.724.833	49.080.961	17,6
7	Social security expenditure on	lei	18.162.712	15.911.038	14,2
8	other expenses	lei	5.656.843	7.217.070	-21,6
9	Value adjustments on tangible and intangible assets	lei	27.388.969	25.005.875	9,5
	Expenses	lei	27.388.969	25.005.875	9,5
	Incomes	lei			
10	Value adjustments on current assets	lei	5.444.053	108.109	4935,7
	Expenses	lei	5.633.018	507.045	1011,0
	Incomes	lei	188.965	398.936	-52,6
11	Adjustments to provisions	lei	87.138	-178.184	-148,9
	Expenses	lei	3.194.211	218.801	1359,9
	Incomes	lei	3.107.073	396.985	682,7
	total operating cost		859.958.889	772.711.406	11,3

Compared to 2011, due to natural production decline by 1.2%, operating expenses increased in total by 11.3%, registering these variations in operating cost categories:

- Raw materials and consumables increased by 5.2% mainly due to higher actual consumption of rolled billets for production. Billets average price grew by 1.9% scrap generated by rising prices.
- Energy costs, gas and water increased by 18.4% due to higher purchase prices for electricity and natural gas as well as the consumption of energy and natural gas. The price of natural gas increased by 18.5% and electricity by 7.3% to comparison with the previous period..
- Staff costs have grown by 17.6% since 2011. Average Salary of 2012 compared to 2011 increased as a result of the upgrade salaries, quarterly, with inflation index according to the collective labor agreement concluded at company level, and to increase wages negotiated under collective bargaining agreement. Actual number of personnel 31.12.2012 was 1207 people compared to 1166 persons 31.12.2011. The average number of personnel in 2012 was 1183 people compared to 1141 in 2011.
- Expenditure on goods sold (commercial activity) increased 350% as a result of external market selling 9955 tons of profiles (billets) purchased from TMK Resita, worth lei 25,599,642
- Value adjustments on current assets were up following the creation of value adjustments for inventories production in progress and finished products slow moving.

The company recorded loss from financial activities amounted to lei 18,560,438 as a result of interest expenses and exchange differences as follows:

Compared with 2011, the financial loss of 2012 decreased by 17%. Interest expenses decreased by 52.2% due to lower interest rates, loan payment from IPSCO Tubulars U.S. through its refinancing bank loans with interest from home and abroad reduced by approximately 50%.

According to the OMPF 1286/2012 with subsequent amendments were evaluated monthly balances of cash, receivables and liabilities in foreign currency (monetary items) according to the central bank reference rates.

Currency instability and sharp depreciation of the exchange rate lei/EUR and lei/USD, which evolved from 3,9852 lei/EUR as 31.12.2008, to 4,2282 lei/EUR as 31.12.2009, to 4,2848 lei/EUR as 31.12.2010 and to 4.3197 lei/EUR as 31.12.2011, to 4,4287 lei/EUR as 31.12.2012 respectively from 2,8342 lei/USD (31.12.2008) to 2,9361 lei/USD (31.12.2009), to 3,2045 lei/USD (31.12.2010), to 3,3393 lei/USD (31.12.2011) and to 3,3575 lei/USD (31.12.2012) Led to record losses from exchange rate differences of 31,626,831 lei in 2010, in 2011 the gains of exchange rate differences amounting to lei 1,035,181 and in 2012 foreign exchange losses in amount of 6,634,805 lei.

Company calculated deferred income tax arising from temporary differences calculated for different assets, tax losses from previous years to be recovered existence and other items. Thus to 01.01.2011 was recognized in earnings a net debt of lei 26,594,500 in 2011 were recorded deferred tax expense amounting to lei 39,728,503 and deferred tax income amounted to 27,360,287 lei and in Deferred tax income in 2012 amounted to lei 4,605,637 and deferred tax expenses in the amount of 8,546,945 lei. Current income tax expense in 2012 is lei 4,488,654 company fully recovering tax losses from previous years.

c) CASH FLOW

	-lei-		
name of item	2012	2011	2010
Cash flows from operating activities:			
receivables from customers	1.149.214.245	954.462.622	682.628.963
Payments to suppliers and employees	-1.083.540.296	-871.799.369	-577.329.619
interest paid	-12.425.404	-29.708.482	-37.171.647
Income tax paid		0	-32.250
Receivables of insurance against earthquakes		0	0
Net cash from operating activities	53.248.545	52.954.771	68.095.447
Cash flows from investing activities			
Payments for acquisition of shares		0	0
Payments for purchase tangible assets	-31.127.764	-25.812.045	-4.809.459
Proceeds from sale of tangible assets	2.913	253.300	491.104
Reimbursement of loans granted	48.434.445	175.375	
interest received	1.281.361	4.218.593	8.268.296
dividends received		0	0
Net cash from investing activities	18.590.955	-21.164.777	3.949.941
Cash flows from financing activities:			
Proceeds from share issue			0
Proceeds from short term borrowings		236.189.500	-24.974.760
Proceeds from long term borrowings	-50.698.327	-270.495.900	-34.374.433
Payment of financial leasing liabilities	-695.779	-530.553	-189.609
dividends paid		0	0
net cash from financing activities	-51.394.106	-34.836.953	-59.538.802
Net increase in cash and cash equivalents	20.445.394	-3.046.959	12.506.586
Cash and cash equivalents at beginning of financial year	10.018.082	13.065.041	558.455
Cash and cash equivalents at end of financial year	30.463.476	10.018.082	13.065.041

Net cash from operating activities increased in 2012 compared to prior period as a result of payments made by TMK RESITA to purchase for resale export profiles.

Net Cash from operating activities decreased in 2011 compared to prior periods as a result of increased of payments to suppliers and prepayments to TMK RESITA SA.

Net cash from investing activities increased in 2012 compared to 2011 due to reimbursement of the loan by TMK Resita.

Net cash from investing activities decreased in 2011 compared to 2010 due to increased payments for purchase of property and equipment primarily for new equipment for nondestructive testing of pipes and extend the storage capacity of finished products and the decline of interest collected from TMK Resita in 2011 compared to 2010. During 2011 were granted loans amounting to 3.000.000 EUR TMK Resita. These loans were repaid in full by TMK Resita until 30.06.2011.

Interest rate applied in 2011 was lower than in 2010.

Net cash from investing activities increased in 2010 compared to prior periods as a result of diminishing investment program due to the international financial and economic crisis which became apparent in 2008-2010 but due to increased volume of interest received from TMK Resita in year 2010 compared to previous periods. In 2010 they contracted loans from TMK EUROPE totaling EUR 17 million, of which EUR 15 million were awarded to TMK Resita. These loans were repaid in full by TMK Resita. TMK ARTROM fully returned to TMK EUROPE loans.

Net cash from financing activities decreased in 2012 compared to 2011 due to the use of overdraft credit line from BCR to 5.9 million euros compared with 14.7 million euros of year 2011.

Net cash from financing activities improved in 2011 compared to 2010 due to the restructuring of the loan portfolio. In 2011 IPSCO Tubulars loan was repaid in the amount of 79 million U.S. dollars by contracting three long-term loans in euros respectively: EUR 20,000,000 from VTB Bank Austria, 20,000,000 Euro from BCR and 15,000,000 euros from Unicredit Tiriatic Bank. Overdraft line of credit from BCR was increased to 20 million euros and valid three years and the balance is used at the end of 14,735,337 euros lower than previous periods.

Financial indicators:

Incomes / Expenses	2012	2011
Turnover	909.412.618	856.176.168
Cost of goods sold	-724.573.495	-661.994.966
Gross PROFIT	184.839.123	194.181.202
%	20,33	22,68
selling, general and administrative costs	(82.668.022)	(68.016.963)
Other expences	(5.298.100)	(6.873.402)
EBITDA	96.873.001	119.290.837
%	10,65	13,93
Depreciation	(27.388.969)	(25.005.875)
Operating Profit	69.484.032	94.284.962
Incomes /Expenses from the exchange rate differences	(6.634.805)	1.035.181
Other financial incomes/ financial expenses	(594.747)	(1.208.667)
EBIT	62.254.480	94.111.476
incomes / expense Interest	(11.330.886)	(22.200.931)
EBT	50.923.594	71.910.545

Income tax	(8.429.962)	(12.368.216)
Net Profit	42.493.632	59.542.329

Financial indicators	2012	2011
EBIDTA / CA (%)	10,65%	13,93%
EBIT / CA (%)	6,85%	10,99%
Cost of goods sold / CA(%)	79,67%	77,32%
Current ratio (capital)	3,99	2,53
Immediate liquidity indicator (acid test)	2,66	1,83
Indebtedness indicator	44,28%	46,95%
Interest coverage indicator	4,84	3,56
Rotation speed stock (inventory turns)	5,64	6,25
Number of days of storage	64,7	58,39
Rotation speed of debtors, clients	67,24	72,94
Speed of-vendor payables	35,4	40,26
Rotation speed of fixed assets	2,09	1,79
Rotation speed of total assets	1,03	0,95
Return on equity	0,08	0,14
Gross margin on sales	17,31%	19,76%

Non-financial key performance indicators - relevant to specific activities

indicators	2012	2011
Production of pipes (to)	176385	178210
Pipe Sales (to)	176150	174440
Production of pipes / Employee (to/employee)	154,59	156,19
Selling pipes / Employee (to/employee)	154,38	152,88

Have been fulfill their obligations under the law on the organization and management of accurate and up to date accounting and accounting principles.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Starting October 2007, SC TMK-ARTROM has been using for the calculation of salaries and personnel records the application WIZSALARY contracted from the company WIZSALARY SOFTWARE SRL Bucharest.

Starting January 2011, SC TMK-ARTROM has been using for the preparation of the trial balance the application WIZCOUNT contracted from the company WIZROM SOFTWARE SRL Bucharest.

Important events occurring after the end of financial year

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

Chief Executive Officer,

Ing. Popescu Adrian

Chief Economical and Accountancy Officer,

Ec.Vaduva Cristiana