



**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

**PRESENTATION NOTE**  
**ON THE INCOME AND EXPENSES BUDGET**  
**TMK ARTROM SA FOR THE YEAR 2015**

The planning of the economic and financial activity for 2015 is based on the production capacity as well as on the current market conditions for the products that will be sold in the next period.

For the year 2015 it is expected to achieve a turnover of 1.125.379.537 lei based on the revenues that will be obtained from the sale of the basic production, namely 198.000 tons of seamless steel pipes in the amount of 913.973.130 lei.

In the year 2015 the production program is 198.000tons in full execution, of which: workshop no. 1 ASSEL -103.000 tons, workshop no. 2 CPE – 69.000 tons, workshop no.3 Cold – 17.000 tons and workshop no.5 ACH - 9.000 tons.

The gross profit to be achieved in 2015 is of 188.719.037 lei, and the profit before tax is 69.691.214 lei. For the year 2015 was calculated an income tax of 10.109.253 lei, and the net profit was at the level of 59.581.961 lei.

EBITDA planned for the year 2015 is of 110.885.290 lei, and the ratio EBITDA/Turnover stands at the level of 9.9%.

For the year 2015 it is planned to make investments in value of 29.081.611 lei with VAT.

CHIEF EXECUTIVE OFFICER,  
Ing.POPESCU ADRIAN

CHIEF ECONOMICAL AND ACCOUNTANCY OFFICER,  
Ec.VADUVA CRISTIANA

ISO 9001  
ISO 14001  
OHSAS 18001

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

LRS  
DNV  
GL-RULES

5CT-0440  
5L-0352

PED 97/23/EC  
EN 10297

EN 10210-1,2  
EN 10255

DIN 1629  
EN 10210

ISO/TS 16949

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

Anexa №1

## Profit and Loss Budget TMK ARTROM for 2015

(lei)

№ n/n	Activities	Co d/K od (Ф. 2)	PLAN
1	2		3
<b>1.0</b>	<b>Goods, products, work and services sales proceeds</b>	<b>010</b>	<b>1,125,379,537</b>
1.1	Sales of main self-produced products		913,973,130
1.1.1	for domestic market		138,669,211
	1 seamless pipes		138,669,211
	2 welded pipes		
1.1.2	for export		775,303,920
	1 seamless pipes		775,303,920
	2 welded pipes		
1.2	Proceeds from the goods for resale		175,494,451
1.2.1	proceeds from sales of the main products of the Group		174,894,451
	1 VTZ		
	2 STZ		
	3 TAGMET		157,438,357
	4 SinTZ		
	5 TMK ARTROM		
	6 TMK Resita		17,456,094
1.2.2	proceeds from sales of raw material for the enterprises of the Group		
	1 VTZ		
	2 STZ		
	3 TAGMET		
	4 SinTZ		
	5 TMK ARTROM		
	6 TMK Resita		
1.2.3	proceeds from the goods from foreign counteragents		600,000
1.3	Proceeds from sales of other products, services		35,911,956
	1 pipe products		
	2 billets		
	3 commission for sales of the main products		
	4 commission for sales of raw material		
	5 commission for organisation of exhibition		
	6 management services		
	7 other products		35,456,300
	8 other services		455,656
<b>2.0</b>	<b>Cost of goods, products, work and services sold</b>	<b>020</b>	<b>936,660,499</b>
2.1	Direct expenses for main manufacturing		634,362,523
2.1.1	Main raw and materials		536,620,878
	1 coil / strip		
	2 steel plate		
	3 processed pipe		
	4 pipe billet		536,620,878
	5 scrap metals		
	6 cast iron		
	7 drilling lock		
	8 ferroalloys, alloys and deoxidizers		
	9 coating materials		
	10 other main manufacturing materials		
2.1.2	Utilities		55,040,886
	energy		11,233,523
	natural gas		43,483,990
	heating		
	water		
	other		323,373
2.1.3	Payroll expenses		29,186,952
	Salary and wages		21,852,381
	benefits / compensation		1,194,051
	social tax		6,140,519
2.1.4	Manufacturing services of outside companies		13,513,808
	pipe coating services		
	transportation		13,163,808
	other manufacturing services		350,000
2.1.5	Other direct expenses for main manufacturing		
	other direct expenses		
2.2	Production overheads		129,158,923
2.2.1	Repair and maintenance services		5,481,561
	capital repairs services		
	repair and maintenance		4,647,811
	other services		833,750
2.2.2	Supplies		11,346,346
	supplies for capital repairs		
	supplies for maintenance and other repairs		
	adjuncts		
	electrodes		
	refractory products		
	flux		
	metal-roll		
	masut (black oil)		
	other fuel and oil products		2,019,550
	other supplies		9,326,796
2.2.3	Utilities		6,148,225
	energy		3,672,393
	natural gas		2,104,487
	heating		
	water		369,825
	other		1,520
2.2.4	Repair & maintenance supplies, special instruments		34,479,119
	hardmetal process tool		
	special instruments and integral implements		23,202,701

			spare parts		8,971,518
			special rigging		
			other		2,304,900
2.2.5			Rent, leasing		140,000
			leasing (equipment)		
			leasing (transport)		
			leasing (property)		
			rent (equipment)		140,000
			rent (transport)		
			rent (property)		
2.2.6			Insurance		136,448
			life insurance		77,261
			auto insurance		59,187
			property insurance		
			liability insurance		
			other		
2.2.7			Transportation		111,935
					111,935
2.2.8			Payroll expenses		36,310,544
			Salary and wages		27,418,688
			benefits / compensation		1,187,205
			social tax		7,704,651
2.2.9			Other overheads		3,416,728
			travel		572,000
			entertainment		17,200
			communication		67,000
			insurance		
			taxes and fees		1,366,790
			other		1,393,738
2.2.10			Depreciation		31,588,020
2.3			Cost of goods / services for resale		172,547,915
2.3.1			Cost of products of the Group for resale		172,047,915
			1 VTZ		
			2 STZ		
			3 TAGMET		154,676,301
			4 SinTZ		
			5 TMK ARTROM		
			6 TMK Resita		17,371,614
2.3.2			cost of raw materials for resale to the companies of the Group		
			1 VTZ		
			2 STZ		
			3 TAGMET		
			4 SinTZ		
			5 TMK ARTROM		
			6 TMK Resita		
2.3.3			cost of goods for resale to third parties		500,000
2.4			Inventory adjustments		591,138
			deviation of reserves on repair fund (capital and operational)		
			change in work in progress (semi-finished pipe)		1,041,139
			change in finished goods		-
			goods delivered		
			change in stock of main products		
			change in stock of auxiliary products		
			change in stock of semi-finished goods		
			revaluation of inventory		
			unused waste		-450,000
			services and products transferred to related parties		
			inventory revaluation reserves		
			shutdown		
			other factors		
			For reference: depreciation and amortization		33,232,429
3.0			<b>Gross profit</b>	<b>029</b>	<b>188,719,037</b>
4.0			Selling expenses	030	74,014,555
4.1			Delivery expenses		47,488,880
			transportation, freight		47,488,880
			customs duty		
			reserve on doubtful accounts receivable charge		
4.2			Professional services of outside companies		16,810,666
			third party commission / agent's fee		16,769,733
			agent's charges		
			insurance		5,280
			other services		35,653
4.3			Product demonstration, exhibitions, mass media		98,800
			conferences, mass media		
			advertising arrangements and materials		98,800
4.4			Payroll expenses		4,836,705
			Salary		3,655,717
			benefits / compensation costs		153,731
			social tax		1,027,256
4.5			Other commercial expenses		4,779,505
			travel expenses		200,000
			entertainment expenses		110,000
			communication costs		
			leasing and rent		
			energy supply and public expenses		134,784
			transport facilities maintenance		43,871
			repair and maintenance services		
			consumables		145,000
			taxes and fees		187,912
			depreciation		537,903
			other costs		3,420,035
5.0			Advertising and product promotion expenses		
5.1			Product demonstration, exhibitions, mass media		
			conferences and mass media communication		
			advertising arrangements and materials		
5.2			Payroll expenses		
			salary		
			benefits / compensation costs		

			social tax		
5.3			Other advertising and product promotion expenses		
			travel expenses		
			entertainment expenses		
			communication costs		
			leasing and rent		
			energy supply and public expenses		
			transport facilities maintenance		
			insurance		
			repair and maintenance services		
			consumables		
			taxes and fees		
			depreciation		
			other costs		
6.0			General and administration costs / management costs	040	33,717,741
6.1			Communication services		983,968
			mail, cellular communications and other		79,500
			communication channels, network, Internet		596,129
			long distance, international calls		308,339
6.2			Professional services of outside companies		3,989,126
			subscription (mass media, literature)		72,000
			information resources access		
			data base maintenance		
			survey and guides		
			legal consultations and notary services		759,700
			management services on behalf of TMK		211,200
			auditing services		331,320
			consulting services in behalf of TMK		
			bank fees for calculating and cash operations		600,000
			borrowed funds organization expenses		
			security services		764,500
			consulting services		641,256
			appraiser's services		13,640
			rights registration services rendered by state structures		
			other services rendered by third-party companies		595,510
6.3			Leasing and rent		3,471,812
			equipment leasing		
			transport facilities leasing		
			property leasing		2,257,129
			equipment rent		
			transport facilities rent		
			building and accommodation rent		1,214,682
6.4			Insurance		806,413
			personnel insurance		10,635
			transport insurance		134,290
			property insurance		57,917
			liability insurance		188,571
			other insurance		415,000
6.5			Debt issue costs		572,267
			organization costs		
			notarial fees		
			other		572,267
6.6			Payroll expenses		18,485,477
			salary		14,238,362
			benefits / compensation costs		246,223
			social tax		4,000,892
6.7			Other administration costs		5,408,680
			presentation charges		210,000
			travelling allowance		975,000
			chartered flights expenses		
			personnel training and preparation, staff recruitment		237,912
			transport facilities maintenance		210,968
			office equipment repair and maintenance		728,235
			repair and maintenance of buildings, constructions and quarters		123,703
			stationery, household goods, pure water		685,000
			public utility, power supply		532,340
			taxes and tax collections		364,014
			depreciation		1,106,506
			other administration costs		235,000
7.0			Research and development expenses		2,192,074
7.1			Research activities		233,024
			materials		
			research studies		
			professional services of outside companies		233,024
7.2			Development and engineering		1,861,853
			materials		1,861,853
			research studies		
			professional services of outside companies		
7.3			Payroll expenses		97,125
			salary		74,192
			benefits / compensation costs		2,160
			social tax		20,774
7.4			Other research and development expenses		72
			travel expenses		
			entertainment expenses		
			communication costs		
			leasing and rent		
			energy supply and public expenses		
			insurance		72
			repair and maintenance services		
			consumables		
			taxes and fees		
			depreciation		
			other costs		
8.0			<b>Sales profit (loss)</b>	<b>050</b>	<b>78,794,667</b>
9.0			Operating / non-operating profit and expense balance		-2,787,771
9.1			Other non-operating income		
			results from replacement /sales of current assets		
			incomes from replacement /sales of current assets		
			expenses from replacement /sales of current assets		

		Income from interest in joint activity		
		Other non-operating income		
		penalties receivable from counteragents		
		prior years gain/profit recognized in reporting period		
		acceptance of inventory holdings acc. to inventory report		
		insurance recovery receivable/provisions		
		other non-operating income		
9.2		Other non-operating expenses		2,787,771
		Results from replacement /sales of capital assets		-490,333
		incomes from replacement /sales of capital assets		
		expenses from replacement /sales of capital assets		490,333
		Social expenditures and maintenance of social infrastructure		2,297,438
		social service profit (loss)		
		gifts for employees		
		goods and medical supplies		
		compensatory expenses		1,096,326
		social and sports activities		1,201,111
		Sponsorship, charitable donations		
		sponsorship		
		membership fees		
		charity		
		Distributions to partners of joint activities		
		Other operational expenses		
		penalties for non-compliance of commercial agreements		
		penalties to government authorities		
		remuneration to members of the board of directors		
		prior year losses		
		inventories write-off as per the inventory report		
		taxes and fees		
		provision for tax fines		
		other operational expenses		
9.3		Exchange rate income (loss)		
		exchange Unrealized Profit / Loss		
	1	exchange Profit Unrealized		
	2	exchange Loss Unrealized		
		exchange Realized Profit / Loss		
	1	exchange Profit Realized		
	2	exchange Loss Realized		
		<b>Operating profit (loss)</b>		<b>76,006,896</b>
9.4		Financial income		
		investment profit		
	1	income from interest in other institutions		
	2	long-term investment sales / operating profit		
		interest profit		
	1	interest receivable on loans		
	2	interest receivable on bonded debts		
	3	interest receivable on government stocks		
	4	interest receivable on loans issue		
9.5		Interest costs		6,315,682
		interest costs on raised credits and loans		6,286,114
	1	interest payable on rouble credits		131,733
	2	interest payable on currency credits		5,566,433
	3	interest payable on loans		587,948
	4	cost of guarantees and L/C		
		Leasing transactions interest costs		29,568
	1	interest costs on tangible assets leasing		29,568
	2	interest costs on intangible assets leasing		
<b>10.0</b>		<b>Income (loss) before taxation</b>	<b>140</b>	<b>69,691,214</b>
11.0		Income tax expenses	150	10,109,253
		income tax conditional cost		
		permanent tax liability	200	10,109,253
		other compulsory payments	151	
<b>12.0</b>		<b>Income (loss) after taxation</b>	<b>190</b>	<b>59,581,961</b>

	36,939
EBITDA ADJ	110,885,290
EBITDA/NET TURNOVER	9.9%
lei/usd	3.52000
usd/eur	1.25000
lei/eur	4.40000

## CASH FLOW budget of TMK Artrom for 2015

(lei)

No	Name of the indicator	Plan / План
1		3
	<b>Cash balance at the beginning of the period</b>	<b>10,933,919</b>
	<b>Total cash received</b>	<b>1,336,431,546</b>
<b>A1</b>	<b>Cash receipt from day-to-day operation</b>	<b>1,336,431,546</b>
1.0	Cash receipts from main product sales	940,815,919
1.1	cash receipt from sale on domestic market	171,405,607
1.2	cash receipt from sale on export	769,410,312
2.0	Cash receipt from sale of goods	228,139,618
2.1	from the sale of Group's basic production	157,786,771
2.2	from the sale of raw material for companies within the Group	69,608,847
2.3	from the sale of other goods	744,000
3.0	Cash receipt from sale of other production and services	33,005,150
4.0	Other cash receipt from day-to-day operation	134,470,859
<b>B1</b>	<b>Cash receipt from investment activities</b>	
<b>C1</b>	<b>Cash receipt from financial activities</b>	
	<b>TOTAL PAYMENT</b>	<b>1,312,396,106</b>
<b>A2</b>	<b>Payments related to current activity</b>	<b>1,225,243,061</b>
1.0	Raw materials and materials	799,979,846
1.1	<i>Billets</i>	637,262,542
1.2	<i>Rough</i>	
1.3	Auxiliary materials for production	38,495,192
1.4	Production services provided by third parties	23,740,843
1.5	Ensuring energy	76,263,684
1.6	Other auxiliary materials purchased	24,217,584
2.0	Other non-production (commercial) expenses	68,638,516
2.1	Costs with delivery of finished goods	68,516,004
2.3	Product presentation, exhibitions, media	122,512
3.0	Other general expenses	18,112,273
3.1	Communications services	1,303,200
3.2	Professional services of third parties	4,751,828
3.3	Leasing and renting	4,725,526
3.4	Insurance	942,933
3.5	Expenses for attracting borrowed sources	372,800
3.6	Other administrative expenses	6,015,986
4.0	Research and development expenses	233,024
5.0	Staff expenses ( salaries + related taxes)	88,916,802
6.0	Interest on loans and borrowings (current activity)	6,425,098
7.0	Payment of taxes	12,027,969
8.0	Other payments for current activity	1,751,012
8.1	Social expenses	1,751,012
8.2	Other current expenses	
9.0	Payments for goods purchase for sale	229,158,522
9.1	Of the Group's core production	161,923,132
9.2	Raw material for the Group's companies	66,615,390
9.3	Other goods for sale	620,000
<b>B2</b>	<b>Payments for investments</b>	<b>29,081,611</b>
1.0	Purchase of fixed assets and intangible assets	
2.0	Financial investments	
3.0	Capital constructions	
4.0	Reconstruction (modernization) and upgrading of production	
5.0	Capital expenses for research, scientific investigations and experimental works	
6.0	Interest on loans and borrowings (for investments)	
7.0	Other investment expenses, facilities, mini-projects	29,081,611
<b>C2</b>	<b>Payments related to financial activity</b>	<b>58,071,434</b>
	<b>Total income - expenses</b>	<b>24,035,440</b>
	<b>Final cash balance</b>	<b>34,969,359</b>

## Fulfilled of planned sales for TMK-ARTROM 2015

Curs lei / usd  
Curs lei / eur

3.52000  
4.40000

Destination, customer				Selling 2015 plan			
				Q-ty (to)	Price (lei/to)	Price (\$/€/to)	Value (lei)
				2	4	6	8
TOTAL EXPORT(EU+Non -EU)	Workshop 1 -ASSEL HOT	Hot mechanical tubes	89,650	4,998			448,086,650
		Hot line tubes	2,650	4,045			10,717,994
		OCTG	0	0			0
	Workshop 2 - CPE HOT	Hot mech. tubes	40,780	4,005			163,305,432
		OCTG	0	0			0
		Hot line tubes	15,020	3,889			58,409,956
	Workshop 3 - COLD	Cold drawn tubes	550	5,761			3,168,400
		Precision tubes	9,415	5,666			53,347,220
	WS 5	Automotive	0	0			0
		Cylinder&pistons	5,200	6,491			33,755,231
Over rolling			1,600	2,821			4,513,038
	TOTAL EXPORT(EU+Non-EU)			164,865			775,303,920
TMK Artrom sales team Domestic market (Romania)	Workshop 1 -ASSEL HOT	Hot mechanical tubes	7,680	3,895	€ 885		29,916,524
		Hot line tubes	920	4,007	€ 911		3,686,543
		OCTG	0		€ 0		0
	Workshop 2 - CPE HOT	Hot mech. tubes	6,290	3,761	€ 855		23,654,467
		OCTG	0		€ 0		0
		Hot line tubes	3,900	3,940	€ 895		15,364,870
	Workshop 3 - COLD	Cold drawn tubes	600	5,708	€ 1,297		3,425,073
		Precision tubes	6,435	5,056	€ 1,149		32,533,387
	WS 5	Automotive	1,800	4,612	€ 1,048		8,300,766
		Cylinder&pistons	2,000	6,891	€ 1,566		13,782,720
	Over rolling		2,000	2,407	\$684		4,813,907
	Second Choice		1,510	2,113	\$600		3,190,953
SUBTOTAL DOMESTIC				33,135	4,185	€ 951	138,669,211
Subtotal WS1 hot	Hot mechanical tubes	97,330	4,911			478,003,175	
	Hot line tubes	3,570	4,035			14,404,537	
	OCTG	0	0			0	
Subtotal WS2 hot	Hot mech. tubes	47,070	3,972			186,959,898	
	OCTG	0	0			0	
	Hot line tubes	18,920	3,899			73,774,826	
Subtotal WS3 cold	Cold drawn tubes	1,150	5,733			6,593,473	
	Precision tubes	15,850	5,418			85,880,607	
Subtotal WS 5	Automotive	1,800	4,612			8,300,766	
	Cylinder&pistons	7,200	6,602			47,537,951	
Subtotal second choice			1,510	2,113			3,190,953
Over rolling			3,600	2,591			9,326,945
GRAND TOTAL				198,000	4,616	€ 1,049	913,973,130
Domestic market				33,135			138,669,211
Total Export, incl:				164,865			775,303,920
Export EU market				124,350			521,992,842
Export Non EU market				40,515			253,311,078

**PRODUCTION PROGRAM FOR 2015 TMK - ARTROM**

<b>Workshop</b>	<b>Q-ty (to)</b>
<b>WORKSHOP 1-ASSEL</b>	<b>103000</b>
<b>WORKSHOP 2 - CPE</b>	<b>69000</b>
<b>WORKSHOP 3 - COLD</b>	<b>17000</b>
<b>WORKSHOP 5</b>	<b>9000</b>
<b>TOTAL</b>	<b>198000</b>



## Investment program for 2015

Company	TMK ARTROM SA
Planned year	2015
Currency	LEI

№	Workshop	Project (Measure), Stage	Effect of Investment	Financing for the current year										
				PLAN 2015 [without VAT]	Total VAT 2015	Q 1 2015	VAT Q1 2015	Q 2 2015	VAT Q 2 2015	Q 3 2015	VAT Q3 2015	Q 4 2015	VAT Q4 2015	PLAN 2015 [with VAT]
1. Strategic investment projects and measures				25,953,714	3,127,897	6,115,804	1,276,353	6,885,290	949,139	8,708,869	602,129	4,243,751	300,276	29,081,611
1.1.Transitional investment projects				17,602,880	1,537,120	4,000,000	768,560	5,682,880	768,560	6,200,000	0	1,720,000	0	19,140,000
	P.2. Modernization, reconstruction, technical re-engineering of the current production process			17,602,880	1,537,120	4,000,000	768,560	5,682,880	768,560	6,200,000	0	1,720,000	0	19,140,000
1.1.1	WS.5	Sector finishing CH pipes	Increase value added products	9,682,880	1,537,120	4,000,000	768,560	5,682,880	768,560	0	0	0	0	11,220,000
1.1.2	ASSEL	Heat treatment complex	Increase production capacity	7,920,000	0	0	0	0	0	6,200,000	0	1,720,000	0	7,920,000
1.2. Transitional investment measures				0		0		0		0		0		0
	M 2. Creation / acquisition of social assets, ecological measures, measures to protect labor and to meet the requirements of the supervisory bodies			0		0		0		0		0		0
				0										0
1.3. New Investments				8,350,835	1,590,776	2,115,804	507,793	1,202,410	180,578	2,508,869	602,129	2,523,751	300,276	9,941,611
	M 1.Replacement of used physical equipment, modernization, reconstruction, technical re-engineering of the production process			8,350,835	1,590,776	2,115,804	507,793	1,202,410	180,578	2,508,869	602,129	2,523,751	300,276	9,941,611
1.3.1	ASSEL	Modernization of the US installation /	Safety in exploitation	2,382,600	158,400	0	0	500,000	12,000	0	0	1,882,600	146,400	2,541,000
1.3.2	General services	IT projects	Safety in exploitation	1,021,119	245,069	509,999	122,400	200,001	48,000	174,999	42,000	136,120	32,669	1,266,188
1.3.3	General services	Facilities	Safety in exploitation	1,282,742	307,858	425,806	102,194	301,613	72,387	283,871	68,129	271,452	65,148	1,590,600
1.3.4	General services	capitalization	Safety in exploitation	3,664,373	879,450	1,179,998	283,200	200,796	48,191	2,049,999	492,000	233,580	56,059	4,543,823
TOTAL on company				25,953,714	3,127,897	6,115,804	1,276,353	6,885,290	949,139	8,708,869	602,129	4,243,751	300,276	29,081,611