

TMK-ARTROM S.A.

Half-year financial statements prepared in
accordance with regulations of OMFP no.
1286/2012, with following changes and
additions

30 JUNE 2016

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TMK ARTROM S.A.
STATEMENT OF COMPREHENSIVE INCOME
as of 30 June 2016

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	30.06.2016 RON	30.06.2015 RON
Turnover	5	404.234.125	503.052.762
Sales of goods	5	404.023.414	502.772.841
Rendering of services	5	210.711	279.921
Cost of sales	6	(351.462.023)	(443.806.525)
Gross profit		52.772.102	59.246.237
Selling and distribution expenses	7	(32.288.975)	(35.119.479)
Advertising and promotion expenses	8	(103.104)	(240.033)
General and administrative expenses	9	(13.994.660)	(13.618.567)
Research and development expenses	10	(64.198)	(330.530)
Other operating expenses	11.2	(2.248.392)	(961.315)
Other operating income	11.1	1.095.345	218.644
Income from operations		5.168.118	9.194.957
Foreign exchange (loss) / gain, net	11.4	803.309	(1.989.769)
Finance income	11.4	1.015	2.787
Finance costs	11.3	(2.843.207)	(3.475.061)
Profit before tax		3.129.235	3.732.914
Income Tax	12	(664.536)	(494.955)
Profit for the year		2.464.699	3.237.959
Other comprehensive income - which cannot be reclassified in profit or loss			
Actuarial gains / (losses)		-	-
Income tax effect		-	(101.843)
Other comprehensive income (loss) for the year, net of tax		-	(101.843)
Total comprehensive income for the year, net of tax		2.464.699	3.136.116
Average number of shares		116.170.334	116.170.334
Earnings per share		0,02	0,03

TMK ARTROM S.A.
STATEMENT OF FINANCIAL POSITION
as of 30 June 2016

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	30.06.2016 RON	01.01.2016 RON
ASSETS			
Current assets			
Cash and cash equivalents	21	4.849.637	4.078.542
Trade and other receivables	19	199.852.797	220.564.230
Inventories	18	156.985.271	132.326.524
Prepayments	20	84.631.991	100.154.777
		446.319.696	457.124.073
Non-current assets			
Intangible assets	15	1.949.860	1.519.161
Property, plant and equipment	14	455.446.169	459.542.424
Financial assets	16.1.	366.645	50.653
Other non-current assets	17	15.413.020	9.227.177
		473.175.694	470.339.415
Total assets		919.495.390	927.463.488
LIABILITIES			
Current liabilities			
Trade and other payables	24	141.718.831	121.764.809
Advances from customers	24	585.364	1.490.850
Provisions and accruals	26	1.195.578	3.749.275
Interest-bearing loans and borrowings	16.2.	94.309.652	120.873.604
Finance lease liability	16.2.	198.503	205.139
Total current liabilities		238.007.928	248.083.677
Non-current liabilities			
Interest-bearing loans and borrowings	16.2.	151.438.105	152.192.228
Finance lease liability	16.2.	99.191	189.847
Deferred tax liability	12	37.974.222	37.610.607
Provisions and accruals	26	227.281	227.281
Employee benefits liability	23	3.056.614	2.927.896
Other long-term liabilities	16.2.	40.505	45.107
Total Non-current liabilities		192.835.918	193.192.966
Total liabilities		430.843.846	441.276.643
EQUITY			
Capital and reserves			
Share capital, from which:		291.587.538	291.587.538
- Subscribed and paid share capital	22	291.587.538	291.587.538
Other items of equity	22	(1.102.272)	(1.102.272)
Legal and other reserves	22	17.603.476	17.603.476
Retained earnings	22	178.098.103	175.601.617
Profit of the year		2.464.699	2.496.486
Total equity		488.651.544	486.186.845
Total liabilities and equity		919.495.390	927.463.488

TMK ARTROM S.A.
STATEMENT OF CHANGES IN EQUITY
as of 30 June 2016

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Share capital	Legal reserves	Other reserves	Retained earnings	Other elements of equity - from applying IAS 19	Total equity
	RON	RON	RON	RON	RON	RON

For year ended as at 30 June 2016

As at 1 January 2016	291.587.538	15.122.069	2.481.407	178.098.103	(1.102.272)	486.186.845
Profit of the year	-	-	-	2.464.699	-	2.464.699
Other comprehensive income / (loss) for the year, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	2.464.699	-	2.464.699
At 30 June 2016	291.587.538	15.122.069	2.481.407	180.562.802	(1.102.272)	488.651.544

For year ended as at 30 June 2015

As at 1 January 2015	291.587.538	14.962.653	2.196.447	176.045.994	(943.242)	483.849.390
Profit of the year	-	-	-	3.237.959	-	3.237.959
Other comprehensive income / (loss) for the year, net of tax	-	-	-	-	(101.843)	(101.843)
Total comprehensive income	-	-	-	3.237.959	(101.843)	3.136.116
At 30 June 2015	291.587.538	14.962.653	2.196.447	179.283.953	(1.045.085)	486.985.506

TMK ARTROM S.A.**CASH FLOW STATEMENT****as of 30 June 2016***(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

Indirect method	Note	1 January - 30 June 2016 RON	1 January - 30 June 2015 RON
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before tax		3.129.235	3.732.914
Plus / minus adjustments for:			
Depreciation	14, 15	20.516.124	17.293.102
Increase / (reversal) of provisions	26	(2.553.697)	(3.365.703)
Increase / (reversal) of allowances for current assets	18, 19	(1.384.416)	(1.110.105)
Exchange rate differences for financing activities		(1.747.095)	5.283.007
Variation of retirement benefits	23	151.100	141.624
Result from disposal of non-current assets	11.2	968.229	178.261
Interest and related expenses	11.3, 11.4	2.508.683	3.094.943
Plus / minus adjustments for changes in working capital related to operating activities:			
Decrease / (increase) in inventories	18	(22.608.310)	(8.277.599)
Decrease / (increase) in trade and other receivables and prepayments	19	35.163.072	(26.516.863)
(Decrease) / increase in payables (except banks)	24	18.604.170	57.384.788
less:			
Interest paid		(2.556.333)	(3.236.804)
Income tax paid		(421.064)	-
Total inflows / (outflows) from operating activities (a)		49.769.698	44.601.565
CASH FLOWS FROM INVESTING ACTIVITIES			
Amount received from disposal of non-current assets		9.931	53.979
Purchase of tangible and intangible assets	14	(23.387.912)	(18.379.128)
Interest received	11.4	1.015	2.786
Total inflows / (outflows) from investing activities (b)		(23.376.966)	(18.322.363)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans		(25.525.137)	(35.896.800)
Repayment of finance leases (amortisation)		(96.500)	(245.100)
Total inflows / (outflows) from financing activities (c)		(25.621.637)	(36.141.900)
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)		771.095	(9.862.698)
Cash and cash equivalents at beginning of period	21	4.078.542	29.473.937
Cash and cash equivalents at end of period	21	4.849.637	19.611.239

TMK ARTROM S.A.
NOTES TO THE FINANCIAL STATEMENTS
as of 30 June 2016

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

1. CORPORATE INFORMATION

These financial statements of TMK-ARTROM S.A. (the "Company") for half-year ended at 30 June 2016 have been prepared in accordance with Order no. 1286/2012 for approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent amendments and additions and authorised for issue in accordance with the resolution of the Administrators dated 10 August 2016.

Separate financial statements of TMK-ARTROM are consolidated at the parent entity, PAO TMK (former OAO TMK), headquartered in Moscow, Russian Federation. PAO TMK is ultimately controlled by D.A.Pumpyanskiy.

TMK Group's consolidated financial statements are available for inspection at www.tmk-group.com.

TMK-ARTROM Slatina Board of Directors decided the approval of foundation of a trade entity in USA, named TMK INDUSTRIAL SOLUTIONS LLC, having TMK-ARTROM as sole partner.

TMK INDUSTRIAL SOLUTIONS LLC was registered on 26 April 2016 and will serve as trade agent for promotion and sale of industrial pipes made by TMK companies for american market. The purpose of this investment is the development of a sale system specialized in industrial pipes in american market leading to the increase of the company's turnover in this domain.

The Company does not prepare consolidated financial statements because the value of assets, net turnover and the number of employees of the subsidiary TMK INDUSTRIAL SOLUTIONS LLC does not have significant influence over the individual financial statements.

Starting with May 2016 TMK-Artrom owns 100% from the shares of TMK INDUSTRIAL SOLUTIONS LLC, with social headquarters in 10940 W.Sam Houston PKWY N., apartment 325 Houston, TX 77 064 and which operates according to US laws, Delaware.

As at 30 June 2016 the Company presents the investment in TMK INDUSTRIAL SOLUTIONS LLC at acquisition cost, the subsidiary being at beginning level and does not have a significant volume of assets, liabilities and activity.

TMK-ARTROM SA is registered in Slatina 30th Draganesti Street, Olt County, Romania. The plant produces seamless pipes for industrial applications, including for the mechanical engineering and automotive industry. Main activity of the Company is the production of tubes, pipes, hollow profiles and related fittings, of steel , CAEN code 2420.

TMK-ARTROM has today an important share of the European market for industrial seamless pipes representing mechanical pipes, hydraulic cylinders, automotive and energetically pipes. More than 80% of the plant's pipes production is intended for sales outside of Romania, mainly within other EU countries, USA, and Canada.

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements are presented in Romanian Lei ("RON"). The financial statements have been prepared under the historical cost convention.

Statement of Compliance

Standalone financial statements of the entity have been prepared in accordance with Order no. 1286/2012 for approving the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent amendments and additions. These provisions are in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), except as provided in IAS 21 The Effects of Changes in Foreign Exchange Rates on functional currency.

In order to prepare these financial statements in accordance with the laws of Romania, the functional currency of the entity is considered Romanian Leu (RON).

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Going concern

The financial statements of the Company are prepared on a going concern basis.

At 30 June 2016, the Company's net current assets are RON 208.311.768 (31 December 2015: RON 209.040.393) and has recorded a net profit of RON 2.464.699 for the year then ended. The Company has generated positive cash flows from operations (before changes in working capital) in first semester of year 2016 and in the same period of prior year and has budgeted a further increase in its operating cash flow for entire year 2016.

The Company has complied with the covenants set at 30 June 2016.

Based on the above factors, management is confident that the Company will continue in operational existence for the foreseeable future and the going concern basis for preparing the financial statements is appropriate, therefore no adjustments relating to this uncertainty have been included in these financial statements.

b) Transactions in foreign currencies

For the purposes of the preparation of these financial statements, the functional currency of the Company is deemed to be the Romanian Leu (RON).

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

TMK ARTROM S.A.
NOTES TO THE FINANCIAL STATEMENTS
as of 30 June 2016

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exchange rate for 1 unit of foreign currency:

	<u>30 June 2016</u>	<u>31 December 2015</u>	<u>30 June 2015</u>
1 EUR	4,5210	4,5245	4,4735
1 USD	4,0624	4,1477	3,9969

Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value is determined.

c) Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the assets or liabilities affected in the future periods.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

For details regarding significant accounting judgments, estimates and assumptions, please refer to Note 3.

d) Financial instruments

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit and loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company determinates the classification of its financial assets and liabilities at initial recognition.

The Company's financial assets include cash and cash equivalents, trade and other receivables. Financial liabilities include trade and other payables, interest bearing borrowings and finance lease obligations.

For financial assets at fair value through profit and loss, gains and losses arising from changes in fair value are included in net profit or loss for the period.

Initially, financial instruments are recognized at their fair value plus transaction costs directly attributable to the acquisition or issue of financial instruments unless the financial instruments are at fair value through profit or loss.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequently, financial assets and liabilities are measured according to the category to which they are classified, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as during the amortization process.

Loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net profit or loss when the liabilities are derecognized as well as during the amortization process.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and, therefore, are capitalized. Other borrowing costs are recognized as an expense.

Amortized cost

Amortized cost for financial assets and liabilities is computed using the effective interest method. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Derecognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired; or the Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Entity has transferred substantially all the risks and rewards of the asset, or (b) the Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is paid or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such a change or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognized in the profit and loss.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Reverse factoring

Reverse factoring liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. When the reverse factoring facility is used by the suppliers, the Company recognizes the liability towards the bank and decreases the liability towards the suppliers. Liability toward the bank are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired, as well as during the amortization process.

e) Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets than can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter in bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease on the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

In relation to trade receivables, a provision for impairment is set when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts payable under the original terms of the invoice. The impairment value is determined considering the financial position of the client, the result of the negotiations with the client, and the assessment of the lawyers. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as irrecoverable.

No provisions are set for affiliates.

f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in the financial statements of the Company.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put to operation, such as repairs and maintenance are charged to Statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

The initial cost of a tangible asset could also include the decommissioning and restoration costs initially estimated, when this value can be reliably measured and there is an obligation in this regard. The estimated decommissioning and restoration costs are recognized in the value of the non-current asset and at the same time as a provision. Construction in progress represents plant and properties under construction and is stated at cost, less any impairment loss. This includes cost of construction and other direct costs.

Depreciation of property, plant and equipment except land and construction in progress, commences when the assets are ready for their intended use.

Depreciation for property, plant and equipment except land and construction in progress is computed using the straight-line method over the following estimated useful lives:

Buildings and other constructions	9 to 60 years
Machinery and other equipment	2 to 42 years
Transport and motor vehicles	4 to 20 years

The useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

The tooling transferred from inventories to fixed assets are depreciated over the useful life estimated considering the specified use.

g) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their entire estimated useful lives.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets have the following useful lives:

Software and licenses	1-5 years
Other intangible assets (development costs)	3 years

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

Research is recognized as an expense; development costs are recognized either as expenses, when they are incurred, or capitalized if they meet the definition of an intangible asset. Development costs for a project are recognized as intangible assets, if such expenditure satisfies the criteria in IAS 38 for recognizing it as an intangible asset.

h) Prepayments

Advances paid for acquisition of property plant and equipment are considered non-monetary assets and for cash flow presentation are assimilated to property, plant and equipment.

Advances paid for services and inventories are considered non-monetary assets and for cash flow presentation are assimilated to trade receivables.

i) Impairment of non-financial assets

At each reporting date the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

When an impairment loss subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

j) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The expense related to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

k) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases. Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

l) Subsidies / government grants

The subsidies are recognized when there is a reasonable assurance that the amount will be collected and all the conditions are met. When the grant relates to an expense item, it is recognized as the decrease of respective expenses over the periods when the costs, which it is intended to compensate, are incurred.

m) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost comprises the acquisition cost and other costs that have been incurred in bringing the inventories to their present location and condition.

Finished goods and work in progress comprise of cost of direct materials and labour and a proportion of manufacturing overheads, allocated based on the normal operating capacity – the level of production equipment used (which is as full capacity). The allocation is made based on the quantity produced.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the output of inventories, the cost is measured and registered by applying the first in – first out method for raw material and consumables and weight average cost method for work in progress and finished goods.

n) Cash and cash equivalents

Cash includes cash on hand, cash with banks and checks in course of being cashed. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with remaining three months or less to maturity from the date of acquisition and that are subject to an insignificant risk of change in value.

o) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Revenues from sales of inventory are recognized when significant risks and rewards of ownership of goods have passed to the buyer. Revenues arising from rendering of services are recognized in the same period when the services are provided.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, revenue is measured at the fair value of goods or services provided.

p) Post-employment benefits and other long term employee benefits

Short-term employee benefits

Short-term employee benefits paid by the Company include wages, salaries, social security contributions, paid annual leave and paid sick leave, bonuses and non-monetary benefits (such as medical care). Such employee benefits are accrued in the year in which the associated services are rendered by employees of the Company.

Defined benefit pension plans

The Company provides post-employment and other long-term benefits to their employees (lump-sum post-employment payments and payments in case of death). All post-employment benefit plans are unfunded. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age, the completion of a minimum service period and the amount of the benefits stipulated in the collective bargaining agreements. The liability recognized in respect of post-employment and other long-term employee benefits is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognized past-service costs. Defined benefit obligation is calculated by external consultants using the projected unit credit method.

All actuarial gains and losses are recognized in other comprehensive income in the period in which they occur. The interest cost is recognized in finance costs.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Taxes

► Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in Romania.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

► Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

► Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

r) Dividends

Dividends are recorded in the year in which they are approved by the shareholders.

s) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

t) Reportable segments

The Group has identified the Board of Directors as its chief operating decision maker and as the internal reporting reviewed by the Board focuses on the operations of the Company as a whole and does not identify individual operating segments, the Company has only one reportable segment based on criteria from IFRS 8:

- Products sold on different markets are homogenous;
- Customers class is for all markets;
- The methods used to distribute the products are similar for all markets.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Gas emission certificates with greenhouse effect

Gas emission certificates with greenhouse effect purchased in year 2016 are registered in account "Expenses with environment protection" when are used during the year.

When the purchase of gas emission certificates with greenhouse effect is made before the deadlines fixed by the law, their value are registered in account "Prepaid expenses" / Other long-term assets, following that at the deadlines fixed by the law to be registered in account "Expenses with environment protection".

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

➤ Taxes

All amounts due to State authorities for taxes have been paid or accrued at the balance sheet date. The Romanian tax system undergoes a consolidation process and is being harmonized with the European legislation. Different interpretations may exist at the level of the tax authorities in relation to the tax legislation that may result in additional taxes and penalties payable. Where the State authorities have findings from reviews relating to breaches of Romania's tax laws, and related regulations these may result in: confiscation of the amounts in case; additional tax liabilities being payable; fines and penalties (those are applied on the total outstanding amount). As a result the fiscal penalties resulting from breaches of the legal provisions may result in a significant amount payable to the State.

➤ Pension benefits

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

The management considers that the value of retirement benefits do not differ significantly from the value estimated for year 2016 in financial statements of previous year; the liability was updated with the effect of time passing.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**➤ Inventories**

The finished goods, semi-finished goods and work in progress are valued considering the net realizable value. The management has analysed the ageing of the inventories and considered the implications in establishing the net realizable value of the old inventories. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution.

The management analysed the net realizable value of finished goods, semi-finished goods and work in progress considering the market sales prices and market trends.

For raw materials specific analysis are made considering obsolescence of items in balance.
All assumptions are reviewed annually.

4.1. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2016:

- **IAS 1: Disclosure Initiative (Amendment)**
- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**
- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**
- **The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**
- **The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle**

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

- **IAS 1: Disclosure Initiative (Amendment)**

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments.

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

4.1. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**

The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

- **The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. Management has assessed that these improvements will have no significant effect on the financial statements.

- **IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- **The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. Management has assessed that these improvements will have no significant effect on the financial statements.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- **IFRS 7 Financial Instruments: Disclosures:** The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

4.1. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

- **IAS 19 Employee Benefits:** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- **IAS 34 Interim Financial Reporting:** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

4.2. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

In addition to those standards and interpretations that have been disclosed in the financial statements for the year ended 31 December 2015, the following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted from the Company:

- **IFRS 9 Financial Instruments: Classification and Measurement**

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The amendment has not yet been endorsed by the EU. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

4.2. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED (continued)

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the EU. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**

The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have not yet been endorsed by the EU. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

- **IAS 7: Disclosure Initiative (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments have not yet been endorsed by the EU. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

4.2. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED (continued)
• IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. The Management of the Company is in the process of assessing the impact of the new standard on the financial statements.

5. TURNOVER

The chiefs executives are monitoring overall the operational results of the Company, in the purpose to decide the allocation of the resources and to measure the performance. The performance is measured based on the operational result included in the financial statements.

	30 June 2016 RON	%	30 June 2015 RON	%
Domestic sales	134.187.967	33,20	144.543.899	28,73
Sales abroad	270.046.158	66,80	358.508.863	71,27
Total	404.234.125	100	503.052.762	100

	30 June 2016 RON	30 June 2015 RON
Sales of pipes produced by TMK-ARTROM from which:		
Domestic	60.929.023	64.621.609
Europe	247.606.903	269.590.079
North America	8.040.985	48.818.920
Other areas	11.921.115	7.678.431
Total sales of pipes produced by TMK-ARTROM	328.498.026	390.709.039
Sales of other goods and services from which:		
Sales of other goods on domestic market	73.050.688	79.673.883
Sales of other goods on external market	2.474.700	32.389.920
Rendering of services on domestic market	208.256	248.406
Rendering of services on external market	2.455	31.514
Total sales of other goods and services	75.736.099	112.343.723
Total turnover	404.234.125	503.052.762

Total turnover decreased with 19,6% in first semester of year 2016 towards first semester of year 2015, from RON 503.052.762 to RON 404.234.125.

The sales of goods purchased to be resold has decreased in first semester of year 2016 with 32,5% because of the decrease of quantity and the changes in structure of the products and the selling conditions of metallurgical profiles purchased from related companies by PAO TMK and sold on the internal and external market compared to first semester of year 2015.

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5. TURNOVER (continued)

The sales were made in first semester of 2016 directly and by related parties traders as follows:

- a) In Romania and East Europe directly to customers;
- b) In North and Central Europe directly to customers, by TMK Europe from Dusseldorf, major shareholder, which acts as agent;
- c) In South and West Europe directly to customers, by TMK Italia from Lecco, which acts as agent;
- d) In USA and East by TMK Ipsco International from USA, respectively TMK Middle East Dubai.

Geographical information

Gross margin on geographical areas

1 January - 30 June 2016	Romania	Europe	North America	Other countries	Total
	RON	RON	RON	RON	RON
Turnover (Sales)	134.187.968	250.084.057	8.040.985	11.921.115	404.234.125
Cost of Sales	(125.057.574)	(209.929.720)	(6.228.371)	(10.246.358)	(351.462.023)
Gross Margin	9.130.394	40.154.337	1.812.614	1.674.757	52.772.102

1 January - 30 June 2015	Romania	Europe	North America	Other countries	Total
	RON	RON	RON	RON	RON
Turnover (Sales)	144.543.897	279.155.978	48.818.920	30.533.967	503.052.762
Cost of Sales	(138.984.908)	(245.347.623)	(30.786.717)	(28.687.277)	(443.806.525)
Gross Margin	5.558.989	33.808.355	18.032.203	1.846.690	59.246.237

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6. COST OF SALES

Cost of sales for the first semester ended as at 30 June, consisted of the following:

	30 June 2016 RON	30 June 2015 RON
Raw materials	197.902.916	252.940.882
Energy and utilities	25.224.762	26.856.285
Staff cost (note 11.5)	23.541.426	22.454.534
Consumables	21.236.645	21.246.920
Depreciation and amortisation	19.608.977	16.461.804
Social security expenses (note 11.5)	5.856.677	5.456.514
Other compensations for employees	1.977.682	1.471.166
Repairs and maintenance	1.048.214	1.689.080
Professional fees and services	938.986	775.741
Freight	891.277	935.475
Taxes	726.723	679.703
Travel	256.440	252.756
Rent	130.171	79.571
Insurance	63.254	28.722
Communications	45.649	36.404
Other expenses	3.025	9.778
Total production cost	299.452.824	351.375.335
Change in own finished goods and work in progress	(819.438)	8.365.861
Cost of sales of externally purchased goods	60.416.835	88.055.512
Capitalized production costs	(5.328.484)	(2.497.594)
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	(2.259.714)	(1.492.589)
Cost of sales	351.462.023	443.806.525

7. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the first semester ended as at 30 June, consisted of the following:

	30 June 2016 RON	30 June 2015 RON
Freight	19.751.688	22.533.361
Professional fees and services	8.370.167	8.675.369
Staff cost (note 11.5)	1.627.363	1.600.931
Insurance	667.256	531.419
Consumables	441.251	425.432
Social security expenses (note 11.5)	404.077	386.353
Bad debt expense (note 19)	370.656	382.484
Depreciation and amortisation	190.942	190.584
Other compensations for employees	120.292	99.544
Utilities and maintenance	79.108	93.027
Travel	97.569	53.234
Taxes	75.142	66.726
Communications	57.314	52.998
Other expenses	36.150	27.776
Rent	-	241
Selling and distribution expenses	32.288.975	35.119.479

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8. PROMOTION AND ADVERTISING EXPENSES

Promotion and advertising expenses for the first semester ended as at 30 June, consisted of the following:

	30 June 2016	30 June 2015
	RON	RON
Marketing expenses	82.177	216.764
Media expenses	20.927	17.936
Materials	-	5.333
Promotion and advertising expenses	103.104	240.033

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the first semester ended as at 30 June, consisted of the following:

	30 June 2016	30 June 2015
	RON	RON
Staff cost (note 11.5)	6.597.730	6.138.884
Professional fees and services	2.017.556	2.273.779
Social security expenses (note 11.5)	1.615.679	1.464.448
Depreciation and amortisation	716.205	640.713
Rent	599.578	613.933
Utilities and maintenance	493.400	538.102
Other compensations for employees	401.561	19.867
Travel	397.067	605.416
Communications	385.505	391.201
Consumables	383.777	551.031
Taxes	255.538	161.695
Other expenses	101.197	157.771
Insurance	29.867	61.727
General and administrative expenses	13.994.660	13.618.567

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the first semester ended as at 30 June, consisted of the following:

	30 June 2016	30 June 2015
	RON	RON
Staff cost (note 11.5)	36.275	36.575
Professional fees and services	18.154	27.763
Social security expenses (note 11.5)	8.752	8.839
Other compensations for employees	1.014	1.039
Consumables	3	256.314
Research and development expenses	64.198	330.530

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11. OTHER INCOME/EXPENSES AND ADJUSTMENTS

11.1 Other operating income

Other operating income for the first semester ended at 30 June, consisted of the following:

	30 June 2016	30 June 2015
	RON	RON
Reversal of provisions for risks and expenses (note 26)	843.546	-
Damages, trial expenses	132.284	217.981
Reversal of provisions for taxes (note 26)	110.919	-
Prescription of advances granted by customers	7.250	-
Materials free of charge	1.248	-
Other income	98	663
Total	1.095.345	218.644

11.2 Other operating expenses

Other operating expenses for the first semester ended at 30 June, consisted of the following:

	30 June 2016	30 June 2015
	RON	RON
Loss on disposal of property, plant and equipment	968.230	178.261
Allowance for sundry debtors (note 19)	504.642	-
Social actions expenses	502.000	359.924
Professional fees and services	68.276	73.868
Staff costs - medical dispensary	53.767	47.144
Sponsorship and charitable donations	50.000	33.579
Fines and penalties	42.571	6.463
Social security costs - medical dispensary	13.281	11.447
Penalties - legal entities	263	1.259
Other expenses	45.362	249.370
Total	2.248.392	961.315

11.3 Financial costs

Financial costs for the first semester ended at 30 June, consisted of the following:

	30 June 2016	30 June 2015
	RON	RON
Interest on short-term loans (note 16.2)	1.393.744	673.727
Interest on long-term loans and borrowings (note 16.2)	1.110.196	2.414.913
Amortisation of issuance fee	211.873	209.659
Other financial expenses	119.727	147.677
Interest on financial leasing	5.471	9.089
Discounts granted	2.196	-
Discount fees and charges of promissory note	-	19.996
Total	2.843.207	3.475.061

11. OTHER INCOME/EXPENSES AND ADJUSTMENTS (continue)
11.4 Financial income

Financial income for the first semester ended at 30 June, consisted of the following:

	30 June 2016 RON	30 June 2015 RON
Interest on deposits	408	1.099
Interest from granted borrowing	287	-
Other financial income	320	1.688
Total	1.015	2.787

Net gain / (net loss) from foreign exchange differences

	30 June 2016 RON	30 June 2015 RON
Foreign exchange gain	10.580.637	19.581.021
Foreign exchange loss	9.777.328	21.570.790
	803.309	(1.989.769)

According to provisions of OMFP 1285/2012 with following changes and additions, the balances of cash, receivables and liabilities in foreign currency are revalued (monetary items) according to reference exchange rates of BNR. At 30.06.2016 BNR reference exchange rates were 4,5210 RON/EUR and 4,0624 RON/USD in dropping towards 31.12.2015 when were 4,5245 RON/EUR and 4,1477 RON/USD resulting a net gain from foreign exchange differences in amount of RON 803.309 towards the same period of prior year when was registered a net loss from foreign exchange differences in amount of RON 1.989.769.

11.5 Employee benefits expenses

Employee benefits expenses for the first semester ended at 30 June, consisted of the following:

	30 June 2016 RON	30 June 2015 RON
Wages and salaries (Notes 6,7,9,10,11.2)	31.856.561	30.278.068
Social security costs (Notes 6,7,9,10,11.2), out of which:	7.898.466	7.327.601
- Company's contributions to social security (pensions)	5.475.362	5.290.563
Other compensations for employees - meal tickets	1.365.305	1.296.225
Other compensations for employees - holiday vouchers	89.280	-
Other compensations for employees - other	1.045.964	295.391
Total employee benefits expense	42.166.296	39.197.285

	30 June 2016	30 June 2015
Average number of employees	1.295	1.267
Actual number of employees at the end of financial year	1.301	1.267

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12. INCOME TAX

For half-year ended at 30 June 2016, the Company has calculated a current income tax of 231.947 RON.

	30 June 2016	30 June 2015
Current income tax	(231.947)	(30.633)
Current income tax computed according to the Fiscal Inspection Report F-MC15/08.02.2016	(68.974)	-
Deferred income tax:	(363.615)	(464.322)
- Deferred income tax credit	353.412	305.833
- Deferred income tax charge	(717.027)	(770.155)
Income tax	(664.536)	(494.955)

The Company has computed deferred tax from different temporary differences for fixed assets and other items. In first semester of year 2016 deferred tax expenses were of RON 717.027 (30 June 2015: RON 770.155) and deferred tax income of RON 353.412 (30 June 2015: RON 305.833).

Reconciliation between current income tax expense and the accounting profit multiplied by Romanian domestic tax rate for half-year ended at 30 June is as follows:

	30 June 2016	30 June 2015
Profit before income tax	3.129.235	3.732.914
Income taxes calculated at the nominal applicable tax rate (16%)	500.678	597.266
Tax effect of deductible / non-taxable elements, out of which:	(5.450.062)	(5.076.851)
- Fiscal depreciation	(4.360.343)	(4.116.429)
- Legal reserve	-	-
- Revenues from reversal of allowances	(1.089.719)	(960.422)
Tax effect of taxable / non-deductible elements, out of which:	5.231.331	4.556.874
- Realization of revaluation reserve	1.396.427	1.413.411
- Accounting depreciation	3.282.580	2.766.896
- Allowances expenses	480.216	263.372
- Other items	72.108	113.195
Tax credit, out of which:	(50.000)	(46.656)
- sponsoring expense	(50.000)	(15.457)
- reinvested profit in equipment	-	(31.199)
Computed income tax	231.947	30.633
Income tax reported in the statement of income	231.947	30.633

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12. INCOME TAX (continue)

	30 June 2016	30 June 2015
Statement of comprehensive income		
Deferred tax related to items charged or credited directly to other comprehensive income during the year:	-	-
Actuarial gains/(losses) arising from changes in financial assumptions	-	(101.843)
Income tax charged directly to other comprehensive income	-	(101.843)

Deferred tax relates to the following:

Statement of financial position

	30 June 2016 RON	31 December 2015 RON
- Deferred income tax assets		
Adjustments of inventories	503.426	864.980
Allowance for doubtful accounts receivable	455.373	318.182
Employee benefits	378.066	468.463
Provisions for quality complaints	66.407	47.193
Provisions for decommissioning property, plant and equipment	35.096	35.096
Provisions for unused vacations	902	902
Provisions for management bonuses	-	275.092
Provisions for risks and charges	-	134.967
Total (a)	1.439.270	2.144.875
- Deferred income tax liabilities		
Difference between carrying amount and fiscal amount of property, plant and equipment and intangible assets	39.413.492	39.755.482
Total (b)	39.413.492	39.755.482
Net deferred tax income (a) - (b)	(37.974.222)	(37.610.607)

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12. INCOME TAX (continue)

Statement of comprehensive income

	30 June 2016	30 June 2015
	RON	RON
- Deferred income tax assets		
Adjustments of inventories	(361.554)	(238.814)
Provisions for management bonuses	(275.092)	(446.865)
Allowance for doubtful accounts receivable	137.191	64.385
Provisions for risks and charges	(134.967)	-
Employee benefits	(90.398)	117.735
Provisions for quality complaints	19.214	(91.648)
<u>Recognized in other elements of comprehensive income</u>		
Retirement and other long term benefit obligation	-	(101.843)
Total (a)	(705.606)	(697.050)
- Deferred income tax liabilities		
Difference between carrying amount and fiscal amount of property, plant and equipment and intangible assets	(341.991)	(130.885)
Total (b)	(341.991)	(130.885)
Net deferred tax income (a) - (b)	(363.615)	(566.165)

13. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders of the entity by the weighted average number of ordinary shares outstanding during the year.

Earnings per share	30 June 2016	30 June 2015
amounts in RON		
<u>Earnings</u>		
Net profit	2.464.699	3.237.959
Average number of shares	116.170.334	116.170.334
Earnings per average number of shares	0,02	0,03

During the first semester of year 2016 there were no transactions involving ordinary shares or potential ordinary shares.

14. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment in first semester of year 2016, ended at 30 June, were as follows:

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Construction in progress	Total
	RON	RON	RON	RON	RON	RON
Cost						
At 1 January 2016	115.522.786	453.879.622	13.302.464	1.857.673	11.497.562	596.060.107
Additions	-	-	-	-	16.966.106	16.966.106
Disposals	(74.532)	(1.694.775)	(6.009)	-	-	(1.775.316)
Transfers	1.030.687	11.146.995	52.593	30.589	(12.260.864)	-
In transit	-	174.979	-	-	-	174.979
Transfers from inventories	-	-	-	-	209.277	209.277
At 30 June 2016	116.478.941	463.506.821	13.349.048	1.888.262	16.412.081	611.635.153
Depreciation and impairment						
At 1 January 2016	(17.258.222)	(112.961.256)	(5.534.820)	(763.385)	-	(136.517.683)
Depreciation charge for the year	(1.867.440)	(17.870.669)	(650.293)	(80.053)	-	(20.468.455)
Disposals	24.654	769.678	2.822	-	-	797.154
At 30 June 2016	(19.101.008)	(130.062.247)	(6.182.291)	(843.438)	-	(156.188.984)
Net book value						
At 30 June 2016	97.377.933	333.444.574	7.166.757	1.044.824	16.412.081	455.446.169

Movements in property, plant and equipment in year 2015 were as follows:

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Construction in progress	Total
	RON	RON	RON	RON	RON	RON
Cost						
At 1 January 2015	110.732.812	412.179.079	12.309.136	1.993.119	12.648.246	549.862.392
Additions	-	-	-	-	46.536.216	46.536.216
Disposals	(136.849)	(3.000.074)	(242.018)	(264.744)	-	(3.643.685)
Transfers	4.926.824	44.700.617	1.235.345	129.299	(50.992.085)	-
Transfers from inventories	-	-	-	-	3.305.184	3.305.184
At 31 December 2015	115.522.787	453.879.622	13.302.463	1.857.674	11.497.561	596.060.107
Depreciation and impairment						
At 1 January 2015	(13.769.077)	(84.819.193)	(4.375.844)	(808.672)	-	(103.772.786)
Depreciation charge for the year	(3.526.486)	(30.553.926)	(1.320.445)	(194.812)	-	(35.595.669)
Disposals	37.341	2.411.863	161.469	240.099	-	2.850.772
At 31 December 2015	(17.258.222)	(112.961.256)	(5.534.820)	(763.385)	-	(136.517.683)
Net book value						
At 31 December 2015	98.264.565	340.918.366	7.767.643	1.094.289	11.497.561	459.542.424

14. PROPERTY, PLANT AND EQUIPMENT(continued)

Lands owned by the Company are located in Slatina city, with an area of 416.081,03 square meters.

Property, plant and equipment increases were made in first semester of year 2016 by purchases of independent fixed assets and by putting into operation the contracting or self-made investments.

During half-year 2016 the Company made current repairs for developing the process flow at the designed parameters, but also capital repairs for equipment and buildings which were recognized in the carrying value of property, plant and equipment in amount of RON 5.334.912.

The disposal of property, plant and equipment in half-year 2016 in amount of RON 1.775.316 are represented by the non-depreciated value of parts replaced for capital repairs made during first semester of year 2016 in amount of RON 978.160 (30 June 2015: RON 185.762) and also their depreciated value of RON 797.155 (30 June 2015: RON 96.757).

The gross value of fully depreciated items of property, plant and equipment in use as at 30 June 2016 is of RON 5.577.473 (31 December 2015: RON 4.711.549).

Out of total property, plant and equipment as of 30 June 2016, properties with a net book value of RON 183.990.062 (31 December 2015: RON 193.523.578) were pledged in favour of TMK Europe.

Financial leasing and assets in progress

The carrying amount of property, plant and equipment representing vehicles held under finance lease at 30 June 2016 was of RON 536.396 (31 December 2015: RON 596.440). Assets held under lease are pledged as guarantees for finance lease.

15. INTANGIBLE ASSETS

Intangible assets consist of licenses, software, technical certificates valued at cost at reporting date and depreciation. Accounting and fiscal depreciation method used is the straight-line method.

Movements in intangible assets during first semester of year 2016 were as follows:

	Licenses and trademarks RON	Other intangible assets RON	Intangible assets in progress RON	Total RON
Cost				
At 1 January 2016	506.905	50.522	1.340.501	1.897.928
Additions	34.464	-	443.902	478.366
At 30 June 2016	541.369	50.522	1.784.403	2.376.294
Amortisation and impairment				
At 1 January 2016	(331.889)	(46.878)	-	(378.767)
Amortisation	(46.962)	(705)	-	(47.667)
At 30 June 2016	(378.851)	(47.583)	-	(426.434)
Net book value				
At 30 June 2016	162.518	2.939	1.784.403	1.949.860

The increase of intangible assets in progress is represented by the expenses incurred for the IT software „Microsoft Dynamics AX 2012 Integrated System”.

Movements in intangible assets during year 2015 were as follows:

	Licenses and trademarks RON	Other intangible assets RON	Intangible assets in progress RON	Total RON
Cost				
At 1 January 2015	420.914	46.291	-	467.205
Additions	114.385	729.886	1.340.501	2.184.772
Disposals	(28.394)	(725.655)	-	(754.049)
At 31 December 2015	506.905	50.522	1.340.501	1.897.928
Amortisation and impairment				
At 1 January 2015	(284.760)	(41.304)	-	(326.064)
Amortisation	(75.523)	(5.574)	-	(81.097)
Disposals	28.394	-	-	28.394
At 31 December 2015	(331.889)	(46.878)	-	(378.767)
Net book value				
At 31 December 2015	175.016	3.644	1.340.501	1.519.161

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

16.1. Financial assets

	30 June 2016 RON	31 December 2015 RON
Other financial receivables		
Granted guarantees, from which:	366.645	50.653
- Guarantees granted to related parties (note 25)	44.737	50.653
Total other financial receivables	366.645	50.653
Total other financial assets	366.645	50.653

16.2. Other financial liabilities

Interest-bearing long-term loans and borrowings

	30 June 2016 RON	31 December 2015 RON
Long-term interest-bearing bank loans	78.199.845	77.490.250
Long-term interest-bearing borrowing-related parties (note 25)	73.275.703	74.814.305
Un-amortized cost of debt origination fees	(37.443)	(112.327)
Balance of long-term loans	151.438.105	152.192.228

The un-amortized short-term cost paid at granting of loans it is amortized during the loan duration.

Future repayments	30 June 2016 RON	31 December 2015 RON
Long- and short-term loans and borrowings, net of future interests	245.229.786	272.712.811
Interest payable at reporting date	786.032	832.953
Un-amortized cost of debt origination fees	(268.061)	(479.932)
Total long- and short-term loans and related interest and un-amortized cost	245.747.757	273.065.832
Future interests	5.720.003	8.546.968
Total future repayments for loans and related interest	251.467.760	281.612.800

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Interest-bearing long-term loans and borrowings

Bank	Type of loan	Currency	30 June 2016		Interest rate	Amount repayable RON / equivalent RON	Amount repayable EUR/USD
			Amount received	Due date			
BCR ERSTE	Overdraft on 3 years	EUR	20.000.000	10/03/2017	EURIBOR 3M+margin	78.199.845	17.297.024
Total long-term bank loans						78.199.845	
TMK EUROPE GmbH	Long-term borrowing	USD	22.837.540	09/25/2022	Libor+0.5%	73.275.703	18.037.540
Un-amortized long-term cost						(37.443)	
Total						151.438.105	

Bank	Type of loan	Currency	31 December 2015		Interest rate	Amount repayable RON / equivalent RON	Amount repayable EUR/USD
			Amount received	Due date			
BCR ERSTE	Overdraft on 3 years	EUR	20.000.000	10/03/2017	EURIBOR 3M+margin	77.490.250	17.126.810
Total long-term bank loans						77.490.250	
TMK EUROPE GmbH	Long-term borrowing	USD	22.837.540	09/25/2022	Libor+0.5%	74.814.305	18.037.540
Un-amortized long-term cost						(112.327)	
Total						152.192.228	

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Finance lease

	30 June 2016	31 December 2015
	RON	RON
Lease payments less than 3 months, gross	51.197	51.281
Lease payments between 3 and 12 months, gross	153.553	163.205
Lease payments between 1 and 5 years, gross	100.779	193.753
Total minimum lease payments, gross	305.529	408.239
Less: future finance charges	7.835	13.253
Present value of minimum lease payments	297.694	394.986
Distributed as follows:		
Maturing within 1 year	198.502	205.138
Maturing between 1 and 2 years	88.970	155.519
Maturing between 2 and 3 years	10.222	34.329
Total	297.694	394.986

At 30 June 2016, TMK-Artrom had on-going with BCR Leasing IFN S.A. 6 financial lease contracts for the purchase of six vehicles.

There are no restrictions imposed by the lease arrangements to the Company.

Interest-bearing short-term loans and borrowings

	30 June 2016	31 December 2015
	RON	RON
Long-term interest-bearing bank loans, current portion	40.406.438	67.019.156
Short-term bank loans	53.347.800	53.389.100
Interest related to long-term bank loans	645.166	690.329
Interest related to short-term bank loans	81.937	81.714
Interest related to long-term borrowings - from related parties	58.929	60.910
Un-amortized short-term cost	(230.618)	(367.605)
Total	94.309.652	120.873.604

The un-amortized short-term cost paid at granting of loans it is amortized during their life.

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Bank	Type of loan	Currency	30 June 2016		Interest rate	Amount repayable RON equivalent	Amount repayable EUR
			Amount received	Due date (mm/dd/yyyy)			
UNICREDIT BANK	Credit for funding general needs	EUR	26.000.000	10/17/2016	EURIBOR 1M+margin	53.347.800	11.800.000
Total short-term bank loans						53.347.800	
BCR ERSTE	Loan on 5 years - current portion	EUR	20.000.000	10/03/2016	EURIBOR 3M+margin	26.843.438	5.937.500
UNICREDIT BANK	Loan on 5 years - current portion	EUR	20.000.000	11/16/2016	EURIBOR 1M+margin	13.563.000	3.000.000
Total short part of long-term bank loans						40.406.438	
Total						93.754.238	

Bank	Type of loan	Currency	31 December 2015		Interest rate	Amount repayable RON equivalent	Amount repayable EUR
			Amount received	Due date (mm/dd/yyyy)			
UNICREDIT BANK	Credit for funding general needs	EUR	26.000.000	10/17/2016	EURIBOR 1M+margin	53.389.100	11.800.000
Total short-term bank loans						53.389.100	
BCR ERSTE	Loan on 5 years - current portion	EUR	20.000.000	10/03/2016	EURIBOR 3M+margin	35.347.656	7.812.500
UNICREDIT BANK	Loan on 5 years - current portion	EUR	15.000.000	11/16/2016	EURIBOR 1M+margin	31.671.500	7.000.000
Total short part of long-term bank loans						67.019.156	
Total						120.408.256	

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Bank loans received by TMK-ARTROM S.A. are guaranteed as follows:

- Loans granted by BCR in total initial amount of EUR 40 mil. are guaranteed with:
 - Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Artrom S.A.
 - Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK Resita S.A.
 - Company warranty issued by PAO TMK, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract.
- Loans granted by Unicredit Bank, as follows:
 - Long-term loan in initial amount of EUR 15 mil. guaranteed with:
 - Pledge without dispossession on credit balance of current bank accounts opened at Unicredit Bank by TMK-ARTROM S.A.
 - Company warranty issued by PAO TMK, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract.
 - Loan in initial amount of EUR 27 mil. and which according to the addendum from 23.06.2015 decreased to EUR 26 mil., from which at 30.06.2016 the amount used with cash was of EUR 11.800.000 guaranteed with:
 - Pledge without dispossession on credit balance of current bank accounts opened at Unicredit Bank by TMK-ARTROM S.A.
 - Company warranty issued by Pipe Plant Volzsky Russia, for guarantee of full and irrevocable repayment of any and all amounts which are owed by Borrower and/or Co-borrower to Bank based on the Contract.

At 30.06.2016 the Company had issued more bank letter guarantees and also more letters of credit opened for the payment of contractual liabilities both for TMK-ARTROM S.A. suppliers and for TMK-RESITA S.A. suppliers, as follows:

No.	Issuing Bank	The beneficiary of the letter of credit	Number of letter of credit	The amount of the contract regarding the issue of letter of credit	Currency	The balance of unrealized letter of credit	Due date of letter of credit
1	2	3	4	5	6	7	8
1	UNICREDIT BANK	KARL DEUTSCH PRUF-UNDMESSGERATE BAU GMBH	00777-01-0007334	391.500	EUR	43.500	14.10.2016
2	UNICREDIT BANK	DANIELI CENTRO CRANES SPA	00777-01-0011347	558.000	EUR	279.000	31.07.2016
3	UNICREDIT BANK	SMS MEER S.P.A	00777-01-0015593	9.742.500	EUR	9.663.794	16.04.2017
4	BCR	YAMAZEN CORPORATION	89107737	18.365.000	JPY	18.365.000	15.07.2016
5	UNICREDIT BANK	SMS GROUP GMBH	00777-01-0016324	1.880.000	EUR	1.880.000	17.03.2017

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

No.	Bank which issued the guarantee	The Organization which received the guarantee	Liability type for which was the guarantee issued	The amount of the contract/agreement regarding the granted guarantee	Guarantee amount	Currency	Due date of the guarantee
1	2	3	4	5	6	7	8
1	BCR	VAMA SLATINA	export VAT san marino	DGLC/260/6406/24.11.2011	500.000	RON	30.09.2016
2	BCR	NIS J.S.C	for quality of pipes sold	NM-041000/UD-ra/07497/08.07.15	28.016	EUR	10.02.2017
3	BCR	NIS JSC Novi SAD	for quality of pipes sold	NM-041000/IZ-OD/000338/01.09.15	129.436	EUR	31.03.2017
4	UNICREDIT BANK	INOTAL Aluminiumfeldolgozo Zrt.	for good payment	00888-02-0241326	80.000	EUR	31.12.2016
5	BCR	NIS JSC Novi SAD	for quality of pipes sold	G060706/836/28.04.16	19.687	EUR	27.09.2017

The undrawn credit facilities are as follows:

Lender	Type of facility	Currency	Amount of agreement	Amount available	Expiry date
BCR	Overdraft	EUR	20.000.000	2.396.968	10/03/2017
UNICREDIT	Credit line	EUR	26.000.000	1.253.706	10/17/2016

The Company signed with BCR a limit of discounts for promissory notes in amount of RON 10.000.000 with ROBOR 3M +3% interest which can be changed in loan if customers do not settle the promissory notes which have reached the maturity. The limit was decreased to RON 4.000.000 in 24.07.2015 through addendum.

At 30.06.2016 there were no promissory notes discounted and warranted in this limit. This facility is guaranteed with:

- Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK-Artrom S.A.
- Pledge without dispossession on credit balance of current bank accounts opened at BCR by TMK Resita S.A.

At 24.07.2014 TMK-ARTROM and TMK-RESITA have signed with Banca Comerciala Romana SA a Contract of Reverse Factoring - according to which BCR will accept for financing invoices issued by the suppliers of TMK-ARTROM and TMK-RESITA in overall limit approved of RON 45 million, in order to maintain an efficient supply network with the suppliers of the company. The guarantees granted by this contract are: security mortgage on the creditor balance of the current accounts opened at Banca Comerciala Romana by TMK-ARTROM S.A. and security mortgage on the creditor balance of the current accounts opened by TMK RESITA S.A. at Banca Comerciala Romana. In July 2015 the of the contract was increased to RON 51.000.000. At 30.06.2016 the Company did not used any of the limit for the suppliers of TMK-ARTROM S.A.

As at 30.06.2016, all financial ratios agreed through the loan contracts signed with banks were complied.

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16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The Company has to maintain certain ratios (combined indicators of TMK-ARTROM with TMK RESITA), related to its capital, which are imposed by contracts concluded with BCR: Combined Net Debt to Combined EBITDA, based on the Combined Financial Statements, Shareholder Equity to Combined total assets.

Unicredit Bank analyses the financial indicators such as: Combined Net Debt to EBITDA.

Other long-term liabilities

	30 June 2016 RON	31 December 2015 RON
Long-term sundry creditors	16.759	29.459
Long-term guarantees	23.746	15.648
Balance of other long-term liabilities	40.505	45.107

17. OTHER NON-CURRENT ASSETS

	30 June 2016 RON	31 December 2015 RON
Prepayments for property, plant, and equipment	11.327.538	9.227.177
Gas emission certificates with greenhouse effect	4.085.482	-
Total	15.413.020	9.227.177

The prepayments represent advances paid to various third party suppliers, mainly for the acquisition of production equipment.

18. INVENTORIES

Inventories consist of the following:

	30 June 2016 RON	31 December 2015 RON
Work in progress	48.410.456	43.300.989
Raw materials	43.237.174	34.226.622
Finished goods	21.940.843	32.718.363
Consumables	16.375.072	16.493.568
Merchandise at third parties (in transit)	13.871.083	-
Finished goods at third parties (in transit)	5.873.372	2.224.429
Other materials	4.956.497	5.057.890
Semi-finished goods	3.101.872	2.977.874
Finished goods at third parties (consignation)	1.364.487	-
Materials in transit	851.708	627.778
Raw materials and consumables at third parties	105.324	52.146
Merchandise and packaging	43.792	52.987
Total	160.131.680	137.732.646

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18. INVENTORIES (continued)

The finished goods, semi-finished goods and work in progress are valued considering the net realizable value. The management has analysed the ageing of the inventories and considered the implications in establishing the net realizable value of the old inventories. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution.

For raw materials specific analysis are made considering obsolescence of items in balance.

Ageing analysis of inventories:

	Below 1 year	1 - 2 years	2 - 3 years	Over 3 years	Total
	RON	RON	RON	RON	RON
30.06.2016	129.052.518	16.445.895	6.926.958	7.706.309	160.131.680
31.12.2015	104.958.452	18.123.255	7.033.072	7.617.867	137.732.646

In first semester of year 2016 were set up allowances for inventories considering net realizable value – the movement of the adjustments is presented below:

	30 June 2016	31 December 2015
	RON	RON
Balance January 1st	5.406.122	4.743.742
Additional allowances set	1.613.684	5.077.881
Resumption / Allowances used	(3.873.397)	(4.415.501)
Balance at the end of reporting period	3.146.409	5.406.122

The allowances were reversed as the result of the sale of a part of the inventories which were impaired in the past and of the reanalysis of net realizable value at 30 June 2016 taking into account the current prices and those established in third quarter of year 2016.

19. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables consist of the following:

	30 June 2016	31 December 2015
	RON	RON
Trade receivables, from which:	188.157.042	207.842.378
- Receivables from other related parties (note 25)	13.382.427	26.044.276
Other receivables - VAT	10.426.147	12.632.991
Sundry debtors, from which:	3.198.360	2.214.388
- Sundry debtors - related parties (note 25)	1.803.221	915.971
Recoverable income tax	750.335	22.727
Employee claims	535.085	491.255
Settlements between affiliates	300.634	-
Less:		
Allowance for doubtful accounts receivable	(3.010.164)	(2.639.509)
Allowance for sundry debtors	(504.642)	-
Total	199.852.797	220.564.230

Trade receivables are non-interest bearing and generally have an average collection period of 88 days (2015: 80 days).

19. TRADE AND OTHER RECEIVABLES (CURRENT) (continued)

The average term of collection of receivables increased by 8 days to 80 days in 2016 than the previous year due to worsening conditions in pipes market. Our big customers / pipes distributors cashed with difficulty the value of the products delivered to end users. In addition, we had distributors which in order to maintain a relatively good volume of deliveries have offered to their clients better payment conditions including paying bills up to 120 days given that these payment terms were already offered by pipes producers from Europe like Podbrezova, ArcelorMittal, etc. All these affected the ability to pay of our distributors / big customers. Part of this increase in payment receivables term was determined also by the companies that have offered the products to oil field companies, which due to the low price of oil began to pay late the bills or have requested longer payment terms and thus affecting our clients' ability to pay bills in the shortest time possible.

The following summarises the changes in the allowance for sundry debtors:

	RON
At 1 January 2016	-
Impairment adjustments expenses	504.642
Used	-
At 30 June 2016	504.642

In first semester of year 2016 the Company reclassified provisions for risks and expenses recognized in year 2015 in amount of RON 504.642 in allowances for sundry debtors. The allowance represents the share of exemption from payment of 60% from the number of green certificates corresponding to the mandatory share according to Exemption Agreement no.3 from 03.06.2015 for January 2015 - May 2015 which will be recovered from the supplier of the energy. According to GD no. 113/24.02.2016, regarding change alin. (1) of art. 3 from Government Decision no. 495/2014 for the establishment of a state aid scheme exempting certain categories of end users from the application of Law no. 220/2008 which establishes the promotion of energy production system from renewable energy it is stipulated that the exemption will be applied starting with the date of issue of exemption agreement obtained.

The following summarises the changes in the allowance for doubtful receivable:

	RON
At 1 January 2016	2.639.509
Impairment adjustments expenses	370.655
Used	-
At 30 June 2016	3.010.164

In first semester of year 2016 the Company accounted allowances for doubtful receivable in amount of RON 370.655 for customer Arian Import Export Romania which entered in bankruptcy proceedings.

Ageing analysis of trade receivables

	Neither past due nor impaired RON	< 30 days RON	Past due but not impaired				Past due and impaired > 120 days RON	Total RON
			30-60 days RON	61-90 days RON	91-120 days RON	> 120 days RON		
30.06.2016	154.415.085	28.224.984	1.021.653	690	103.385	755.602	3.635.643	188.157.042
31.12.2015	174.620.530	15.664.147	4.779.739	5.926.596	2.683.426	551.326	3.616.614	207.842.378

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19. TRADE AND OTHER RECEIVABLES (CURRENT) (continued)

TMK-Artrom SA Slatina highlighted in trade receivables these amounts:

Receivables	Currency	30 June 2016		31 December 2015	
		RON	Foreign currency	RON	Foreign currency
Internal customers	LEI	47.391.750		40.957.047	
	EUR	35.075.101	7.758.262	47.062.052	10.401.603
External customers	EUR	96.536.289	21.352.862	98.568.611	21.785.526
	USD	4.195.451	1.032.752	15.838.840	3.818.704
Doubtful customers	LEI	2.567.824		2.466.527	
	EUR	1.067.819	236.191	1.150.087	254.191
Notes issued by customers	LEI	1.322.808		1.799.214	
Total		188.157.042		207.842.378	

As of 30 June 2016 the Company registered doubtful customers receivables in amount of RON 3.635.643 (1 January 2016: RON 3.616.614). For the amounts registered in this category were constituted value adjustments in amount of RON 3.010.164, because they are considered to have high risk on cashing.

From the amount of RON 154.425.826 trade receivables at 30.06.2016 neither past due nor impaired, the amount of RON 119.272.851 is considered without risk, and includes the following categories:

- RON 73.857.521, respectively 48% representing receivables insured by COFACE Germany;
- RON 35.075.101, respectively 23% receivables covered by export letters;
- RON 10.340.229, respectively 7% intercompany receivables.

The difference of RON 35.152.975, respectively 22% are considered to have a low risk in aggregate because those customers are in general located in different countries and industries independent markets.

20. PREPAYMENTS

Prepayments consist of the following:

	30 June 2016 RON	31 December 2015 RON
Prepayments for services, inventories, from which:	79.567.307	98.810.404
- Prepayments for services, inventories - related parties (note 25)	79.510.977	98.799.404
Prepaid expenses	3.123.108	1.344.373
Income tax, VAT, interest and penalties appealed, computed according to the Fiscal Inspection Report F-MC15/08.02.2016	1.941.576	-
Total	84.631.991	100.154.777

The amount of RON 79.510.977 (without VAT) represents advances given to TMK Resita S.A. (31 December 2015: RON 98.799.404).

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21. CASH AND SHORT-TERM DEPOSITS

In coherence of the statement of cash flows, cash and cash equivalents comprise the following:

	30 June 2016	31 December 2015
	RON	RON
Cash on hand	18.497	19.793
Cash at banks in RON	876.189	530.189
Cash at banks in foreign currency	2.980.508	1.687.568
Other cash equivalents	241.827	1.327
Short-term deposits	732.616	1.839.665
Total	4.849.637	4.078.542

The cash includes cash on hand and cash at banks, in RON and in foreign currency (EUR, USD, GBP) and also other cash equivalents (treatment vouchers).

TMK-Artrom constituted interest-bearing overnight deposits at Banca Comerciala Romana, depending on the availability of cash in bank account at the end of the day. TMK-ARTROM has constituted at Banca Comerciala Romana also a collateral deposit in JPY for a letter of credit opened in favour of a supplier in amount of RON 726.855.

Short-term deposits	30 June 2016	31 December 2015
in RON	5.761	1.839.665
in JPY	726.855	-

There is no restricted cash.

22. SHARE CAPITAL, RESERVES AND RETAINED EARNINGS

Share capital

Subscribed and paid share capital	Number of shares	Nominal Value RON / share	Subscribed share capital RON	Total RON
Balance 1 January 2016	(116.170.334)	2,51	(291.587.538)	(291.587.538)
Balance 30 June 2016	(116.170.334)	2,51	(291.587.538)	(291.587.538)

22. SHARE CAPITAL, RESERVES AND RETAINED EARNINGS (continued)

Legal and other reserves

	Legal reserve	Other reserves	Total
	RON	RON	RON
Balance at 1 January 2016	15.122.069	2.481.407	17.603.476
Balance at 30 June 2016	15.122.069	2.481.407	17.603.476

The legal reserve is set in accordance with the provisions of the Romanian Company Law, which requires that minimum 5% of the annual accounting profit before tax is transferred to "legal reserve" until the balance of this reserve reaches 20% of the share capital of the Company. Legal reserves are not distributable.

Retained earnings

The structure of retained earnings at 30th June 2016

Account name	Balance at 30 June 2016	Nature
Retained earnings representing undistributed profit	29.028.489	Can be distributed or used to cover losses
Retained earnings from adopting IAS for the first time (OMFP 94/2001)	14.455	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings representing the surplus realized from revaluation reserves	11.225.078	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost	112.843.918	It has to be realized (through sale and/ or depreciation) before distributing dividends
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost, surplus made from fair value as deemed cost	24.986.163	Can be distributed or used to cover losses
Period result	2.464.699	
Total retained earnings	<u>180.562.802</u>	

In April 2016, under the approval of GSM dated 28.04.2016 the Company registered the allocation of the accounting profit of year 2015, in amount of RON 2.496.486, as follows:

- Legal reserves according to Law 31/1990, at least 5% from gross annual profit (but no more than 20% from share capital) from which: RON 144.419 legal reserve less the part of reinvested profit and RON 14.997 legal reserve of reinvested profit according to provisions of article 19⁴ regarding the exemption of income tax of the reinvested profit from Law 227/2015 "Fiscal Code";

22. SHARE CAPITAL, RESERVES AND RETAINED EARNINGS (continued)

- Other reserves of the reinvested profit RON 284.961 representing reinvested profit in technological equipment – machinery and equipment according to provisions of article 19⁴ regarding the exemption of income tax of the reinvested profit from Law 227/2015 "Fiscal Code";
- Retained earnings representing undistributed profit 2.052.109 lei.

The structure of retained earnings at 31st December 2015

Account name	Balance at 31 December 2015	Nature
Retained earnings representing undistributed profit	26.976.380	Can be distributed or used to cover losses
Retained earnings from adopting IAS for the first time (OMFP 94/2001)	14.455	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings representing the surplus realized from revaluation reserves	11.225.078	Can be distributed or used to cover losses, it is taxable at use of reserve
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost	112.843.918	It has to be realized (through sale and/ or depreciation) before distributing dividends
Retained earnings from using, at the date of transition to IFRS, of fair value as deemed cost, surplus made from fair value as deemed cost	24.986.163	Can be distributed or used to cover losses
Distribution from profit of the year to legal reserve	(444.377)	
Period result	2.496.486	
Total retained earnings	178.098.103	

23. PENSIONS PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Retirement compensations are given according to the collective labour contract signed at the level of the Company as presented below.

- **Retirement benefits:** all employees receive two gross monthly salaries in force at retirement date;
- **Benefits for death of an employee for any cause:** in case of death of an employee, the families of the employees receive two average monthly salaries per Company. The average monthly salary is computed for all employees and is adjusted with inflation each year.

These employee benefits are classified as long-term benefits according to IAS 19 revised:

	30 June 2016 RON	31 December 2015 RON
Net liability at the beginning of the year	2.927.896	2.661.347
Expense recognized in statement of income	151.100	300.892
Benefits paid	(22.382)	(91.530)
Components of defined benefit costs recorded in OCI	-	57.187
Net liability at the end of the year	3.056.614	2.927.896
Short-term liabilities	302.200	302.200
Long-term liabilities	2.754.414	2.625.696

As at 30.06.2016 the Company estimated the obligation regarding actuarial provision for employee benefits, accounting the following:

- Expenses accounted in profit or loss in amount of RON 151.100;
- Benefits paid in amount of RON 22.382.

Total net liability at 30.06.2016 is of RON 3.056.614.

The key assumptions used in the actual computation from the beginning of current period for the pension and post-employment benefit obligations of the Company are:

Mortality: mortality rates was based on separate mortality tables for male and female published by the Romanian National Institute of Statistics in 2013.

Staff turnover: the turnover rate used in the actuarial projections was of 1,88% which corresponds to historical data from last 4 years.

Discount rate: the discount rate of future cash flows used in actuarial evaluation is the risk free rate represented by the average interest rate at 31 December 2015 of zero coupon government bonds issued in Romanian lei according to Bloomberg.

Salaries indexation and long-term inflation: base salaries are assumed to increase by 1% starting 1st January 2016, 2,1% starting 1st July 2016 and by 2,5% per annum starting 1st January 2017, in line with the inflation projected by the National Bank of Romania.

For the computation of the death benefit, we have used the average monthly salary of RON 2.252 / employee.

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23. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (continued)

Taxes: IAS 19 revised requires social charges and other related taxes to be included in the measurement of benefit obligation. Both benefits included in the evaluation generate costs with social contributions. The rate of 23,1% was used for social contributions for assessing the employee benefits, meaning that the obligation value and the corresponding periodical components were increased by this rate. This rate is the current rate of contributions applied by the Company.

Other assumptions: retirement age for women born after 1967 is expected to be 63, while for men born after 1950 is expected to be 65. This information is extracted from the revised law on pensions number 263/2010 issued by the Labour Ministry.

The management considers that the going concern assumption is applicable for the Company as at 31 December 2015 and there are no restructuring plans announced as at this date.

Disclosures according to IFRS on the basis that all changes in the employee benefits are treated as Actuarial gains/losses – Experience:

	PV of Retirement Benefits RON	PV of Employee Death Benefits RON	Total 30 June 2016 RON	31 December 2015 RON
Opening defined benefit obligation as at 1 January	2.334.533	593.363	2.927.896	2.661.347
Current service cost	78.294	30.456	108.750	217.499
Interest cost	33.670	8.680	42.350	83.393
Remeasurement (gains)/losses:	-	-	-	57.187
- Remeasurement (gains)/losses arising from experience	-	-	-	130.735
- Remeasurement (gains)/losses arising from changes in financial assumptions	-	-	-	(45.512)
- Remeasurement (gains)/losses arising from changes in demographic assumptions	-	-	-	(28.036)
Benefits paid	(22.382)	-	(22.382)	(91.530)
Closing defined benefit obligation	2.424.115	632.499	3.056.614	2.927.896

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23. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (continued)

The amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	PV of Retirement Benefits RON	PV of Employee Death Benefits RON	Total 30 June 2016 RON	31 December 2015 RON
Current service cost	78.294	30.456	108.750	217.499
Net interest expense	33.670	8.680	42.350	83.393
Components of defined benefit costs recorded in profit or loss	111.964	39.136	151.100	300.892

The movements of net liabilities in the current period have been the following:

	PV of Retirement Benefits RON	PV of Employee Death Benefits RON	Total 30 June 2016 RON	31 December 2015 RON
Opening net liability arising from defined benefit obligation	2.334.533	593.363	2.927.896	2.661.347
Components of defined benefit costs recorded in profit or loss	111.964	39.136	151.100	300.892
Components of defined benefit costs recorded in OCI	-	-	-	57.187
Benefits paid	(22.382)	-	(22.382)	(91.530)
Closing net liability arising from defined benefit obligation	2.424.115	632.499	3.056.614	2.927.896

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24. TRADE AND OTHER PAYABLES (CURRENT)

Trade and other payables consists of the following:

	30 June 2016 RON	31 December 2015 RON
Current trade payables, from which:	126.168.168	106.813.203
- Intercompany trade payables (note 25)	84.335.816	66.383.491
Payables for non-current assets	3.859.560	3.442.178
Bills of exchange payable	3.725.591	3.866.820
Salaries and Wages	1.715.070	1.562.622
Advances from customers	585.364	1.490.850
Short-term guarantees	24.238	4.533
Accrued and other liabilities	86.131	164.609
Total financial liability	136.164.122	117.344.815
Accrued and withheld taxes on payroll	6.020.438	5.783.009
Liabilities for other taxes	119.635	127.835
Total non-financial liability	6.140.073	5.910.844
Grand total	142.304.195	123.255.659

Trade payables are non-interest bearing and are, normally, settled on an average of 54 day terms.

Concerning the Company's debts to the fiscal authorities, as of 30 June 2016, there is a balance to be paid RON 6.140.073 (1 January 2016: RON 5.910.844), which represents the current debts of taxes and social debts of salaries, income tax of legal and individual non-resident persons which were required for compensation with input VAT from fiscal authorities.

In 15.02.2016 the comprehensive fiscal control for period 2005-2009 was finished with Report of tax inspection no. F-MC 15/08.02.2016, the Decision regarding additional tax payment obligations no. F-MC 4/08.02.2016 and Decision regarding non modifying tax base no. F-MC5/8.02.2016 (registered in TMK-ARTROM under no. 1735 from 15.02.2016). Through that was established the additional debts for income tax and VAT in total amount of RON 4.221.471 (from which additional debits of RON 1.332.027 and interest and penalties in amount of RON 2.889.444).

To benefit of the annulment of a part of interest and penalties requested by the tax authorities, the Company paid the debit and the part of the interest and penalties which could not been annulled according to the law. As a result of this approach, in the first semester of year 2016 it was obtained the annulment of a part of accessories calculated in amount of RON 2.129.582 according to Decision 3687 from 24.05.2016 issued by ANAF, amounts that the company asked to be annulled according to stipulations of OUG 44/2015 regarding granting some tax facilities.

Making the payment does not mean that the Company accepted the result of the fiscal contro, TMK-ARTROM contested the result of the fiscal control following a possible dispute with ANAF on this subject. Therefore the amount paid is not reflected in the result of the period but it can be find in prepaid expenses (Note 20).

At 31 December 2015 the Company registered a provision for taxes as a result of the fiscal control in amount of RON 893.743 (RON 782.824 as at 30 June 2016 – Note 26).

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25. TRANSACTIONS WITH RELATED PARTIES

TMK EUROPE GmbH Germania, company which is part of PAO TMK, is the major shareholder of TMK - Artrom SA and of TMK - Resita SA.

The Company is part of PAO TMK group. PAO TMK is a producer of steel pipes in top 3 at worldwide level and it has 24 units of production in United States, Russia, Romania and Kazakhstan and 2 R&D centres (Research and Development) in Russia and United States. The biggest part of TMK sales refers to steel pipes for oil and natural gas industry and pipes for industrial purposes with high margin, in 85 countries.

TMK delivers its products, together with a large package of services (especially on heat treatment, tubes coated with corrosion protection systems for large depths, premium threaded connections, and other). PAO TMK is a public company registered in Russian Federation. TMK shares are listed on the main stock exchange from Russia – MICEX-TRS. GRD's sale are traded at London Stock Exchange and ADR's – at OTCQX International Trading Premier in USA.

The Company has relations with the following related parties from TMK group:

Society	Country home	Relationship
- PAO TMK Russia	Russia	final parent
- TMK Europe GmbH Koln, Germania	Germany	parent (major shareholder)
- TMK IPSCO INTERNATIONAL, L.L.C., USA	USA	Related, under common control
- TMK IPSCO CANADA L.T.D., Canada	Canada	Related, under common control
- TMK Middle East, Dubai, United Arab Emirates	United Arab Emirates	Related, under common control
- TMK-RESITA S.A. Resita	Romania	Related, under common control
- TMK GLOBAL SA Zurich	Switzerland	Related, under common control
- TMK Italia s.r.l. Lecco, Italia	Italy	Related, under common control
- Sinarsky pipe plant RUSIA	Russia	Related, under common control
- OJSC Volzsky Pipe Plant RUSIA	Russia	Related, under common control
- RosNITI JSC RUSIA	Russia	Related, under common control
- TMK-Inox RUSIA	Russia	Related, under common control
- Trade House TMK	Russia	Related, under common control
- TMK Real Estate SRL	Romania	Related, under common control
- TMK Assets SRL	Romania	Related, under common control
- TMK Land SRL	Romania	Related, under common control
- TMK Gulf International Pipe Industry L.L.C.	Sultanate of Oman	Related, under common control
- SCEA Domaine de Bebian	France	Related, under common control
- TMK Industrial Solutions LLC, Houston	USA	Related, subsidiary sole control

The balances of transactions with related parties

Trade Receivables	30 June 2016 RON	31 December 2015 RON
TMK IPSCO International USA	4.134.818	15.769.970
TMK - RESITA S.A.	8.916.281	10.262.712
Sinarsky pipe plant Russia	326.588	-
TMK Real Estate Bucharest	600	5.890
TMK Assets Bucharest	2.700	3.720
Land Properties Investments Bucharest	1.440	1.984
Total	13.382.427	26.044.276

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25. TRANSACTIONS WITH RELATED PARTIES (continued)

Other Assets	30 June 2016	31 December 2015
	RON	RON
TMK - RESITA S.A. (advances for purchase of goods)	79.510.978	98.799.404
PAO TMK (sundry debtors)	1.768.012	-
TMK Industrial Solutions LLC, Houston (settlements between affiliates)	300.348	-
TMK Industrial Solutions LLC, Houston (interest for settlements between affiliates)	286	-
TMK Assets Bucharest (long-term receivables - guarantees)	44.737	-
TMK - RESITA S.A. (sundry debtors)	20.987	905.779
TMK IPSCO International USA (sundry debtors)	12.187	-
Trade House TMK Russia (sundry debtors)	2.034	2.036
TMK Real Estate Bucharest (long-term receivables - guarantees)	-	50.653
TMK Real Estate Bucharest (sundry debtors)	-	8.156
Total	81.659.569	99.766.028

In first semester of year 2016 TMK-ARTROM SA has made available for TMK INDUSTRIAL SOLUTIONS LLC as sole partner an amount of USD 73.934 from the borrowing of the USD 150.000, with an annual interest of 1,9%, for financing the need of working capital, first endowment and other needs related to the foundation and operation of TMK INDUSTRIAL SOLUTION LLC.

Trade Payables	30 June 2016	31 December 2015
	RON	RON
PAO TMK Russia	77.147.369	58.032.279
TMK Europe GmbH Germany	6.043.136	7.835.499
TMK Italia s.r.l. Italy	465.026	386.533
TMK Industrial Solutions LLC, Houston	408.993	-
TMK IPSCO International USA	145.038	-
TMK-Inox Russia	125.537	-
TMK Real Estate Bucharest	717	2.206
SCEA Domaine de Bebian France	-	77.202
RosNITI JSC Russia	-	49.772
Total	84.335.816	66.383.491

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25. TRANSACTIONS WITH RELATED PARTIES (continued)

Other liabilities	30 June 2016	31 December 2015
	RON	RON
TMK Europe GmbH (loan)	73.275.703	74.814.305
TMK Europe GmbH Germany (interest owed at reporting date)	58.929	60.910
Total	73.334.632	74.875.215

Transactions with related parties

Sales (Turnover)	30 June 2016	30 June 2015
	RON	RON
TMK IPSCO International USA (pipes)	7.867.147	48.274.414
TMK-RESITA S.A. (waste product, pipes, re-invoiced materials from TMK Europe and domestic market, perceives commission, customs commission for Schenker, management services, extra charges for quality claims)	11.814.005	17.494.462
TMK Middle East Dubai (pipes)	827.847	2.504.553
Sinarsky pipe plant Russia (pipes)	323.409	255.652
TMK GLOBAL Switzerland (pipes)	-	239.474
TMK-Inox Russia (mandrel parts)	-	74.950
TMK Italia s.r.l. Italy (audit services)	2.232	24.643
TMK Europe GmbH Germany (pipes, audit services)	(1.909)	(9.367)
TMK Real Estate Bucharest (management services, sale of property, plant and equipment and other materials)	5.250	5.380
TMK Assets Bucharest (management services)	2.250	1.800
Land Properties Investments Bucharest (management services)	1.200	1.200
TMK IPSCO Canada (pipes)	89.370	-
Total	20.930.800	68.867.161

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25. TRANSACTIONS WITH RELATED PARTIES (continued)

Purchases	30 June 2016	30 June 2015
	RON	RON
TMK RESITA S.A. (billets - raw materials, spare parts, repair services)	201.500.459	253.408.516
Trade House TMK Russia (billets and pipes for resale)	-	61.080.889
PAO TMK Russia (advisory services, billets for resale)	78.764.633	34.229.820
TMK Europe GmbH Germany (materials re-invoiced to TMK Resita, pipes and billets selling commission, materials for own consumption, extra charges for quality claims)	13.569.184	17.756.679
TMK Italia s.r.l. Italy (extra charges for quality claims, pipes and billets selling commission)	4.416.629	4.877.658
TMK Real Estate Bucharest (rent and apartment maintenance, car rent)	228.626	528.393
TMK INOX Russia (steel pipes for resale)	124.855	239.717
TMK Ipsco International USA (extra charges for quality claims)	144.559	81.908
RosNITI JSC Russia (research and development services)	18.154	27.763
TMK Assets Bucharest (apartment rent)	44.643	-
TMK Industrial Solutions LLC, Houston (agent commission)	412.013	-
Total	299.223.755	372.231.343

Loans within the Group

TMK Europe GmbH Germany (former TMK Sinara Handel GmbH), the parent company, it is creditor with the amount of RON 73.275.703 representing USD 18.037.500 (1 January 2016: RON 74.900.885 representing USD 18.037.540).

The amounts are related to the loan given by parent company at 01.12.2008, as a result of AGEA from 17 November 2008, when were approved the changes of the nature and the delay from payment of the receivable owed by Company to TMK Europe GmbH in amount of USD 22.837.540 and RON 38.425 in the following conditions:

- the loan will be paid in 57 instalments starting from 25 January 2014 to 25 September 2018 inclusively the debit in value of RON 38,425 of Company towards TMK Europe GmbH payable on 25 January 2014 will be settled in USD at the official exchange rate RON/USD of National Bank of Romania from the last working day of year 2013. The receivable has an interest of LIBOR + 0.5% p.a. starting from 1 January 2009. The interest is calculated and it is paid on the 15th of each month for the previous month;
- on 21.11.2013, Addendum no.1 to the contract from 01.12.2008 was concluded by which it was established that the reimbursement of the loan will be made in 57 instalments starting from 25.01.2015 to 25.09.2019. The value of RON 38,425 of the Company owed to TMK Europe GmbH payable on 25 January 2015 will be settled in USD at the official exchange rate RON/USD of the National Bank of Romania from the last business day of 2014.

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25. TRANSACTIONS WITH RELATED PARTIES (continued)

- on 03.12.2015 it was signed Addendum no. 2 through which the reimbursement of the borrowing was suspended for a period of 3 years starting with 1st January 2016, following to be restarted beginning with January 2019 in 44 equal instalments in amount of USD 400.000 and a last instalment of USD 437.540,03.

At 30.06.2016 the entire value of the loan was on long-term.

The interest owed by TMK-ARTROM S.A. at 30 June 2016 is of USD 14.506 (30 June 2015: USD 11.884) and respectively RON 58.929 (30 June 2015: RON 39.900).

For the loan presented above the Company has guarantees in favour of TMK Europe GmbH Germany (former TMK SINARA HANDEL GmbH), as follows:

1. First rank mortgage on lands in surface of 203.651,82 square meters and buildings.
2. Pledge without dispossession of goods of first rank on the hot rolling line, HPT 250 rolling mill, installation for non-destructive control with ultrasounds; Assel AWW250 mill, D 38-90 dressing mill; TTF furnace, Pilger SKW75 mill, induction heating system, normalizing heat treatment furnace and first-lien guarantee on the other assets of TMK Artrom S.A. according to registration no. 2004-1080142242453-QJU/March 24, 2004.
3. First rank mortgage on lands in surface of 211.614,54 square meters and related buildings inside TMK-Artrom S.A. according to agreement no. 1869/October 14.10.2003.
4. Real guarantee without dispossession of first rank goods on the other goods of TMK-Artrom S.A. according to the registration at the Electronic Archive for Security Interests in Movable Property, no. 2002-1034612284359-IUD/October 14.10.2003.

The value of pledged assets is in amount of 194.753 thousand RON as at 30 June 2016.

Cash compensations granted to key-employees registered in first semester of year 2016 are in amount of RON 7.818.721 (30 June 2015: RON 8.161.242).

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26. PROVISIONS

Other short-term provisions	30 June 2016 RON	31 December 2015 RON
Provisions for taxes	782.824	893.743
Provisions for quality complaints material cost	349.846	231.652
Provisions for quality complaints additional cost	57.270	55.374
Accruals for unused vacations	5.638	5.638
Accruals for managers bonuses	-	1.719.322
Provisions for risks and expenses	-	843.546
Total	1.195.578	3.749.275

Other long-term provisions	30 June 2016 RON	31 December 2015 RON
Provisions for decommissioning property, plant and equipment	219.350	219.350
Provisions for quality complaints additional cost	7.931	7.931
Provisions for quality complaints material cost	-	-
Total	227.281	227.281

The movement in short-term provisions are as follows:

Short-term provisions	Provisions for quality complaints material cost	Provisions for quality complaints additional cost	Accruals for manager bonuses	Accruals for unused vacations	Provisions for taxes	Provisions for risks and expenses	Total
At 1st January 2015	1.525.398	157.708	2.792.904	-	-	-	4.476.010
Expense with provisions recognized in statement of income	613.712	93.244	1.719.321	5.638	893.743	843.546	4.169.204
Used	(1.907.458)	(195.578)	(2.792.903)	-	-	-	(4.895.939)
At 31 December 2015	231.652	55.374	1.719.322	5.638	893.743	843.546	3.749.275
Expense with provisions recognized in statement of income	307.344	53.925	-	-	-	-	361.269
Used	(189.150)	(52.029)	(1.719.322)	-	(110.919)	(843.546)	(2.914.966)
At 30 June 2016	349.846	57.270	-	5.638	782.824	-	1.195.578

Lower is presented the structure of Provisions for risks and expenses at 31 December 2015 and also the changes registered in year 2016:

- RON 338.904 provision for expenses regarding the additional insurance premium according to the risk of default for customers insurance contract signed with COFACE SA Germany – reversed at 30 June 2016 due to the recording of the Coface invoice;
- RON 504.642 provision for expenses regarding the share of exemption from payment of 60% from the number of green certificates corresponding to the mandatory share according to Exemption Agreement no.3 from 03.06.2015 for January 2015 - May 2015 which will be recovered from the supplier of the energy. According to GD no. 113/24.02.2016, regarding change alin. (1) of art. 3 from Government Decision no. 495/2014 for the establishment of a state aid scheme exempting certain categories of end users from the application of Law no. 220/2008 which establishes the promotion of energy production system from renewable energy it is stipulated that the exemption will be applied starting with the date of issue of exemption agreement obtained. Following the Government Decision the Company decided to recognize a provision for the amounts accrued for the exemption related to the period January 2015 - May 2015 – reclassified as value adjustment for other receivables as at 30 June 2016.

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26. PROVISIONS (continued)

As at 30 June 2016 no movement in the long-term provisions was registered.

Long-term provisions	Provisions for quality complaints material cost	Provisions for quality complaints additional cost	Provisions for decommissioning property, plant and equipment	Total
At 1st January 2015	197.691	12.431	219.350	429.472
Expense with provisions recognized in statement of income	-	7.931	-	7.931
Recognition in counterparty with fixed assets	(197.691)	(12.431)	-	(210.122)
Used	-	-	-	-
At 31 December 2015	-	7.931	219.350	227.281
Expense with provisions recognized in statement of income	-	-	-	-
Used	-	-	-	-
At 30 June 2016	-	7.931	219.350	227.281

27. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES

The main financial liabilities of TMK-Artrom S.A. include bank loans, trade payables, loans from Group and leasing contracts. The main purpose of these financial liabilities is to increase the financing for Company's operations. The Company has also financial assets such as trade account receivables, cash and deposits, which result directly from its operations.

During its current activity, the Company is exposed to a number of financial risks: market risk (which includes interest rate risk, foreign currency risk and other price risk), liquidity risk and credit risk. The disclosure shows the Company's sensitivity towards all of each risks. The Management Committee establishes and revises the policies in order to supervise each category of risks presented below.

Market risk

The Company is exposed to risks from movements in interest rate, foreign currency exchange rates and market prices that affect its assets, liabilities and anticipated future transactions.

Interest rate risk

Interest rate risk is the risk that the fair value of cash flows of financial instruments will fluctuate because of changes in the market of interest rates. The policy of minimizing this risk is supervised by Financial Management and it is coordinated also by Financial Department of PAO TMK Group.

TMK-ARTROM borrows mainly on variable interest rates. In first semester of year 2016, all loans had variable interest rates, EURIBOR serves mainly as the basis for the calculation of interest rate. Loans which had LIBOR as calculation basis for the interest rate represented 30 % of portfolio at 30.06.2016 and 26,6 % at 30.06.2015. At 30 June 2016 and at 31 December 2015 the Company did not had in balance loans with ROBOR calculation basis. The market evolution in the last 3 years of EURIBOR and LIBOR made the Company not to consider necessary to use hedge instruments, but the Company monitors interest rates level and it is disposed to use hedging instruments if it considers that it is necessary. In year 2016 EUROBOR registered negative values being levelled at 0 according to credit contracts.

On 30 June 2016, the Company did not have financial assets with variable interest rate.

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27. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES (continued)

The following table demonstrates the analysis of sensitivity to possible changes in interest rate, with all other variables held constant of the profit before tax.

	Variation in margin	Effect on profit before tax (thousands RON)	Effect on equity (thousands RON)
30 June 2016			
increase in EURIBOR	10	(94,3)	(79,3)
decrease in EURIBOR	(10)	0	0
increase in LIBOR	10	(16,3)	(13,7)
decrease in LIBOR	(10)	16,3	13,7
31 December 2015			
increase in EURIBOR	10	(2,55)	(2,14)
decrease in EURIBOR	(10)	2,55	2,14
increase in LIBOR	10	(17,5)	(14,7)
decrease in LIBOR	(10)	17,5	14,7

Foreign currency risk

The Company's exposure to foreign currency risk relates to sales, purchases and borrowings denominated in a currency other than the functional currency of the Company. The currencies in which these transactions and balances are denominated are EUR and USD.

The Company at half-year 2016 did not signed EUR/RON and USD/RON forward contracts in order to cover the exposure to foreign currency risk, because the management considers that the evolution of exchange rate cannot bring variations that will produce significant losses to the Company.

The exposure to the risk of exchange rate is detailed in Note 27 the paragraph "Financial instruments, cash and deposits" below.

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the profit before tax:

	Percentage volatility	Effect on profit before tax (thousands RON)	Effect on equity (thousands RON)
30 June 2016			
EUR/RON	10%	(13.637)	(11.455)
EUR/RON	-10%	13.637	11.455
USD/RON	10%	(6.916)	(5.810)
USD/RON	-10%	6.916	5.810
31 December 2015			
EUR/RON	10%	(13.078)	(10.985)
EUR/RON	-10%	13.078	10.985
USD/RON	10%	(5.980)	(5.023)
USD/RON	-10%	5.980	5.023

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27. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk arises when the Company encounters difficulties to fulfil commitments associated with liabilities. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities, under both normal and stressed conditions, without incurring unacceptable losses to Company's reputation.

The Company tries to target an optimal ration between equity and total debt and to maintain an appropriate level of liquidity and financial capacity as to minimize interest expenses and to have an optimal profile of composition and duration of liabilities. As at 30.06.2016 about 38% from the total of loans and borrowings are due in the following 12 months, because the indebtedness rate is monitored in the way it do not exceed the limit established by the management. We also mention that the access to the financing sources it is available, and the bank loans due in 12 months can be extended with the existing creditors according to the contracts in force.

The table below summarizes the maturity profile of the Company's financial liabilities, including interest payments:

Liquidity risk	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
30 June 2016					
Interest bearing loans (including future interest)	5.402.576	91.620.654	139.868.670	14.843.920	251.735.820
Leasing	51.197	143.865	110.467	-	305.529
Other non-current liabilities	-	-	40.505	-	40.505
Trade and other payables	89.654.506	45.924.252	-	-	135.578.758
Total	95.108.279	137.688.771	140.019.642	14.843.920	387.660.612
31 December 2015					
Interest bearing loans (including future interest)	5.552.217	119.982.521	121.245.037	35.312.959	282.092.734
Leasing	51.281	163.205	193.753	-	408.239
Other non-current liabilities	-	-	45.107	-	45.107
Trade and other payables	94.038.324	21.815.641	-	-	115.853.965
Total	99.641.822	141.961.367	121.483.897	35.312.959	398.400.045

Financial indicators of the loan contracts were respected as at 30 June 2016 and up to the date of the approval of the financial statements.

Credit risk

Credit risk represents the potential exposure of the Company to losses that would be recognized if counterparties failed to fulfil their commitments on due date, according to a financial instrument, to a contract, therefor leading to a financial loss.

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

27. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES (continued)

Net cash

Net cash from operating activities increased in first semester of year 2016 towards the same period of previous year due to the decrease of trade receivables, the increase of inventory with higher values compared with the increase of liabilities.

Net cash from investing activities decreased in half-year 2016 towards half-year 2015 due to the higher volume of payments made for purchases of property, plant and equipment.

Towards first semester of year 2015 the capital expenses registered an increase. The Company started an investing program intended to increase the added value of the production.

In 8 June 2015 TMK-ARTROM opened a new production capacity named "Secția ACH - țevi pentru Automobile și Cilindrii Hidraulici". The investment is the first part of a larger program for development of the Company towards Premium products, with higher added value and with a positive impact over the efficiency increase of the activity conducted at Slatina plant of TMK Group.

In first semester of year 2016 TMK-ARTROM signed a contract with SMS Group company, one of the higher producers of lines and equipment for manufacturing processes of all types of pipes, of a heat treatment line for seamless steel pipes.

The heat treatment line will produce seamless steel pipes for applications in oil industry and gas industry, but also high-strength pipes for mechanical applications. The annual capacity will be of 160.000 tons and will treat seamless steel pipes with wall thickness over 60 mm.

The heat treatment line supplied by SMS Group permits the conducting of different processes as hardening, tempering and normalizing.

Due to the high flexibility of the product, the heat treatment line is also suitable for the processing in cost efficiency conditions of small lots and of different types of products. Ecological recovery burners with very low nitrogen oxide emissions in the oven allow fuel savings up to 5% compared to conventional burners.

By installing this heat treatment line TMK-ARTROM SA strengthens its presence on the market of pipes for mechanical applications and for oil and gas applications.

The contract is part of the investment project "Complex de tratamente termice" which has a budgeted value of 35,2 mil euro, project which will be made in period 2016-2017.

Net cash from financing activities in half-year 2016 improved towards half-year 2015 due to the suspension of reimbursements of TMK Europe borrowing.

On 03.12.2015 it was signed Addendum no. 2 through which the reimbursement of the borrowing was suspended for a period of 3 years starting with 1st January 2016, following to be restarted beginning with January 2019 in 44 equal instalments in amount of USD 400.000 and a last instalment of USD 437.540,03.

Trade receivables

Client's credit risk is monitored according to established policy, to procedures and to supervision regarding clients' credit risk management.

Within the Entity, the adjustments for impairment related to clients 90 day outstanding is computed according to five risk categories:

A = Companies with temporary problems	0%;
B = Steady companies	15%;
C = Unsteady companies	30%;
D = Companies in a pre-bankruptcy stage	50%;
E = Bankrupt companies	100%.

27. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES (continued)

For 100% risks, a provision for all recorded client invoices not received is set, not only for those 90 day outstanding.

The classification into the five categories will be made as follows:

A = Companies with temporary problems 0%;

We have the debtors' assurance that the payment will be made at once. The payment was not made for technical reasons (the invoice was issued late, or it was incorrectly prepared, but the client always pays on time. The document included errors.)

B = Steady companies 15%

The debtor' financial situation shows that they have enough resources to make the payment, they guarantee the payment will be made and mention the payment term and have liquid assets.

They have not been sued because intensive work is conducted with them and the payment schedule was prepared.

A 15% risk is assigned when the payment schedule is prepared and several amounts have been paid. The department in charge with the receivables has enough information (Balance Sheet, Income Statement) and the Financial Department can perform a financial analysis on these clients.

C = Unsteady companies 30%

Following analysis of the financial situation and the feedback to the request to pay the debt, the management has decided to initiate legal proceedings. The attorneys are confident they will win. All clients sued are classified in the C category. If the financial analysis shows they have the sources to make the payment and choose not to make it, they will be classified as:

D = Companies in a pre-bankruptcy stage 50%

All actions to receive the debts have been taken by the Financial and Legal Departments. Debt collection has been transferred to the Security Service and the probability to receive the debts is possible and/or likely. When the client is in this situation, it is virtually impossible to receive the debt (the company Security Service is in charge).

E = Bankrupt companies 100%

In this case, a provision for the entire receivable of the client, regardless of the maturity, is set. The analysis prepared by the Legal Department for each individual case and the commercial analysis of internal and external clients will be attached.

The case is submitted to the Company's Management and the Board of Directors for approval.

Starting 1 July 2011 a Commercial Credit Committee was elected and its regulation started to take effect for a better coordination of financial discipline and for Company's receivables security.

27. MANAGEMENT OF FINANCIAL RISK – OBJECTIVES AND POLICIES (continued)

The provisions of this regulation are applied on sales done directly to third parties, on both internal and external parties, on sales for client with TMK Italy and agent TMK EUROPE as well as directly on adjacent markets from East Europe.

The monitoring activity of credit risk is performed according to a set of guidelines and technique measurements which qualify and monitor counterparty risk.

The Company sells its products to external and internal partners and it offers them credit limits from 30 to 90 days, depending on their reliability.

The offered credit limits are approved by Commercial Credit Committee and they are revised quarterly, but they can be updated during the year when it is necessary. They are set in order to minimize concentration of risks and to reduce, therefor, financial losses caused by potential non-payment.

In order to limit the credit risk, the Company signed with COFACE S.A. on 1 October 2012 a contract to secure the non-payment risk for almost the entire portfolio of sales to third parties. In 2013, the Company decided to maintain the contract of securing the non-payment risk with Coface, but this time with the subsidiary from Germany which offered an insurance premium significantly lower under the same conditions as those from the previous year. In December 2014 and in December 2015 the Company decided to extend the insurance contract signed with COFACE Germany with one more year. At 30.06.2016 credit limits granted by Coface S.A covered 67% of requested limits for external clients and on internal market 42% of requested limits. As at 30.06.2016 70% from the receivables which are insured were covered by Coface. For 18% from the total third parties receivables were opened irrevocable letters of credit. Customers which are not covered by Coface S.A in percentage of 100% and do not have opened letters of credit are carefully monitored in order to limit the possible losses from non-collection.

The only one customer which had a percentage higher than 10% from the turnover of half-year 2016 was DONALAM SRL with RON 60.656.165 (15%) representing sales of billets purchased from PAO TMK. The sales to this customer were covered by letters of credit.

Financial instruments, cash and deposits

Credit risk which derives from cash and deposits from banks (Banca Comerciala Romana) is coordinated by the Financial Management. A part from the cash and deposit from banks are pledged in favour of banks for securing loans.

Negative differences existing between monetary assets and liabilities are justified by the existing of a long-term loans portfolio for which repayments were taken into account the cash flows resulted from future sales.

The administration of the company is controlled by the shareholders and the financial statements are audited by the financial auditor, according to legal regulations valid in Romania.

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28. AUDIT COMPANIES FEES

The audit of the company is provided by Ernst & Young Assurance Services SRL. It audits the statutory Financial Statements and the Group Reporting Pack issued by TMK-ARTROM.

In half-year 2016 for the audit of statutory Financial Statements the Company paid to the audit company the amount of RON 135.154 (RON 113.163 without VAT), and for the audit of the Group Reporting Pack it paid the amount of RON 80.675 (RON 67.229 without VAT).

The actuarial valuation of employee benefits, according to IAS 19, it is made by PricewaterhouseCoopers Audit SRL. For these services in half-year 2016 is was paid the amount of RON 16.047 (RON 13.372 without VAT).

29.COMMITMENTS AND CONTINGENT LIABILITIES

Total commitments for the acquisition of property, plant and equipment as at 30 June 2016 are of RON 69.575.696 (31 December 2015: RON 64.929.845).

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Future rent expenses (related to operating leasing):

	30 June 2016	31 December 2015
	RON	RON
Less than one year	435.205	520.232
Between one and two years	229.200	7.550
Between two and three years	229.200	-
	893.605	527.782

There are no significant contingent liabilities or commitments to be presented.

30. EVENTS AFTER THE REPORTING PERIOD

The board of directors of the Company will summon the Extraordinary Shareholders Meeting in order to approve the signing of an investment loan contract in amount of 25 million euro with Banca Comerciala Romana for the financing of Heat treatment complex.

Chief Executive Officer,
Ing. Popescu Adrian

Chief Economical and Accountancy Officer,
Ec. Vaduva Cristiana