

TMK-ARTROM S.A.

Consolidated and Separate Semestrial Report as at 30 June 2020



REPORT OF THE BOARD OF DIRECTORS

as at 30.06.2020, prepared in accordance with ORDER MFP 881 and 2844/12.12.2016 with subsequent amendments and additions to the Accounting Regulations compliant with International Financial Reporting Standards, of Law no. 24/2017 on issuers of financial instruments and market operations and the ASF Regulation no. 5/2018 on issuers of financial instruments and market operations regarding the consolidated activity of the TMK-ARTROM Group and the TMK-ARTROM parent company for the 1st semester 2020

Report date: 14 August 2020

Company's name: TMK- ARTROM S.A. Slatina

Localization: Draganesti street, no. 30, Slatina, Olt

Phone/fax: +40249436862/ +40249434330

Registered at Trade Register: J28/9/1991

Unique Registration Code: RO1510210

Unique Identifier at European Level (EUID): ROONRC.J28/9/1991

LEI code: 315700M25SMOU44FAN52

Subscribed capital: 291.587.538,34 RON

Subscribed and paid capital: 291.587.538,34 RON

Regulated market on which issued securities are traded: Bucharest Stock Exchange Regulated market - Category Standard (market symbol ART)

(hereinafter referred to as "TMK-Artrom" or the "Company")

For the purposes of this report, the Company together with TMK-Resita SA ("TMK-Resita"), TMK-Italia s.r.l. ("TMK-Italia"), TMK Industrial Solutions Ltd ("TMK IS") and TMK-Assets SRL shall be hereinafter referred to together as TMK-Artrom Group or the Group. Furthermore, for the purposes of this report, TMK Europe GmbH together with the Group and any other company that consolidates their financial statements with PAO TMK's financial statements shall be together referred to the TMK group.



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Brief presentation of the Company and the Group

TMK- ARTROM SA was established in 1982, is a joint stock company registered in Slatina, Drăgănești Street, no. 30, Olt County, Romania. The plant is specialised in the production of seamless pipes for industrial applications, including mechanical or automotive engineering. The main activity of the company is the production of tubes, pipes, hollow profiles and related fittings, of steel NACE 2420.

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

TMK INDUSTRIAL Solutions LLC is a limited liability company, seated in Houston, 10940 West Sam Houston Pkwy North, Suite 325, Texas, USA. The company is a sales agent for steel pipes and tubes and acts as sales agent for TMK-Artrom's products in North and South America. TMK IS was set up by TMK-Artrom in 2016.

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

TMK Italia S.r.l is a company which is focused on sales and marketing of TMK group's pipes in South and West Europe areas. The subsidiary was founded in 2000 and operates according to Italian laws. TMK-Italia has social headquarters in Lecco, Piazza Degli Affari, no. 12, Italy.

TMK-Artrom Group – entities and shareholders

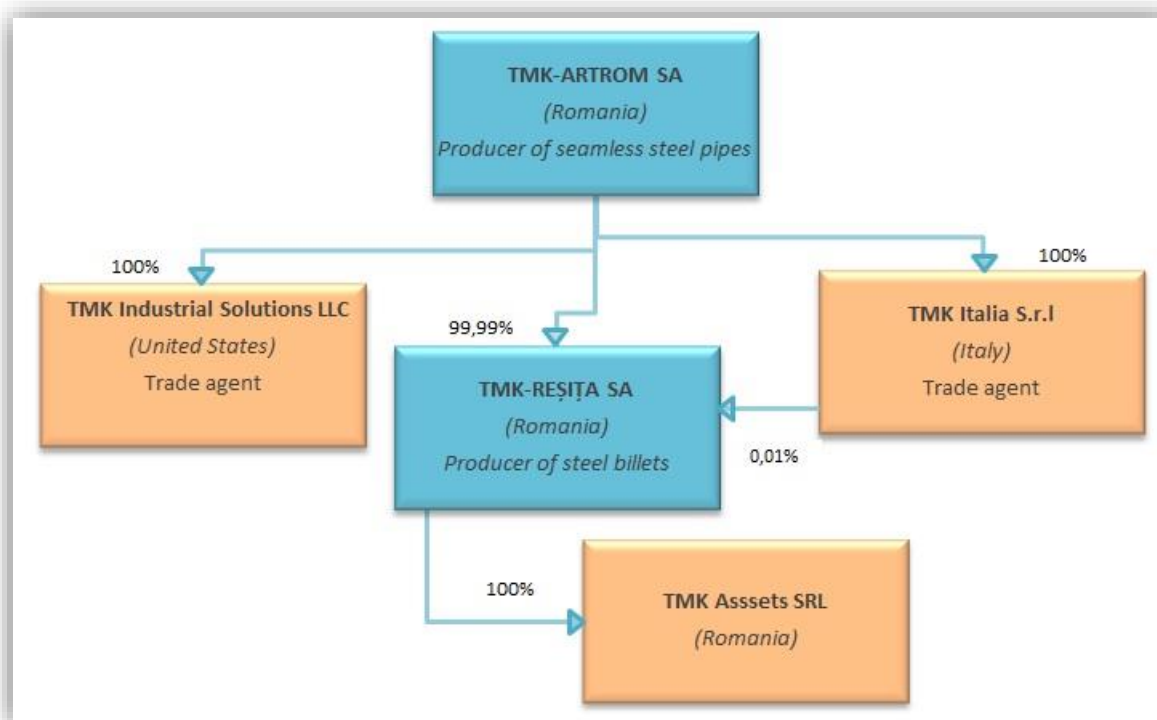
Company name	Parent company/ Shareholder	Shareholding (%)
TMK-Artrom S.A.	TMK Europe GmbH	100*
TMK Industrial Solutions LLC	TMK-Artrom S.A.	100
TMK Reșița S.A.	TMK-Artrom S.A.	99.99237
TMK Reșița S.A.	TMK Italia S.r.l	0.00763
TMK Assets S.R.L.	TMK Reșița S.A.	100
TMK Italia S.r.l	TMK-Artrom S.A.	100

*According to the Register of Shareholders of the CENTRAL DEPOSITARY, TMK-EUROPE owns 100% of the shares of TMK-ARTROM, but the process of payment of the minority shareholders has not been yet completed and has not been yet obtained the FSA approval for



the delisting from BVB. It has been obtained only the FSA approval for the withdrawal of the minority shareholders of TMK-Artrom SA and the ART shares were suspended from trading.

The structure of the Group as at 30 June 2020



Basis for consolidation

TMK-Artrom employed for drafting the Consolidated and separate financial statements prepared in accordance with regulations of OMFP no. 2.844/2016, with subsequent changes and amendments at 30 June 2020 prepared in accordance with International Accounting Standard IAS 34 - Interim financial reporting, the “pooling of interests” method, as the newly purchased (direct and indirect) subsidiaries have been acquired from entities under the common control of the TMK group (the acquisition of the shares from TMK Europe GmbH and, respectively, TMK Global SA which are owned 100% by PAO TMK) and, therefore, no change in control occurred with respect to the party controlling the TMK group.

According to the pooling of interests’ method, the assets and liabilities of the subsidiaries transferred under common control are presented at the carrying value reflected by the predecessor’s books. Consequently, since the TMK group’s financial statements are not consolidated at the level of TMK Europe GmbH or TMK Global SA but directly at the level of PAO TMK, the value reflected by the consolidated financial statements of the TMK group for TMK-Resita, TMK-Italia and the other indirect subsidiaries transferred on 21 December 2018 and, respectively, on the 5 of February 2019, have been reflected as such in the Consolidated Financial Statements of the Group for first semester 2020.

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

The Unaudited Restated Interim Condensed Financial Statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020.

The acquisition of the shares issued by TMK-Resita occurred on 21 December 2018 and of TMK-Italia in 5 february 2019 but, by applying the pooling of interests' method, the Group's Consolidated Financial Statements, including the comparatives for first semester 2020, reflect the acquisition of the subsidiaries by TMK-Artrom as though such acquisition had acquired them at the same date as they had been acquired by its predecessor – the TMK group (at the level of the consolidated financial statements of PAO TMK). Thus, the Group restates the periods prior to the combination in order to reflect that no change occurred with respect to the ultimate control.

The information provided by the Consolidated Financial Statements have been restated for the periods prior to the business combination of the entities under common control, in order to reflect the combination as if it had occurred from the beginning of the earliest period presented, irrespective of the actual combination date.

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

By applying the “pooling of interests” method, The Group's Consolidated Financial Statements, including the comparatives of 2020, are presented as if TMK-Artrom had acquired the TMK-Resita, TMK Assets SRL and TMK-Italia at the same date as they were initially acquired by the predecessor (TMK-Resita in 2004, TMK Assets SRL in 2012 and TMK-Italia in 2006).

The Group finalized the transaction regarding the acquisition of TMK-Italia's all shares in 5 february 2019.



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Financial indicators

TMK-ARTROM Group in RON

Financial indicators	30 June 2020 <i>Unaudited</i>	30 June 2019 <i>Unaudited</i>
Production of pipes (tons)	80,616	96,819
Sale of pipes production TMK-Artrom (tons)	84,451	99,439
Revenues	548,177,315	675,381,236
Profit (loss) for the period	(34,841,794)	14,970,583
Net global result of the period	(35,766,568)	15,703,620
Adjusted EBITDA *	26,046,151	73,237,572
EBIT	(21,502,935)	36,531,364
Adjusted EBITDA margin**, %	4.8%	10.8%

TMK-ARTROM S.A. separate in RON

Financial indicators	30 June 2020 <i>Unaudited</i>	30 June 2019 <i>Unaudited</i>
Production of pipes (tons)	80,616	96,819
Sale of pipes production TMK-Artrom (tons)	84,294	99,464
Revenues	559,487,524	690,036,142
Profit (loss) for the period	(31,170,651)	16,426,934
Net global result of the period	(31,170,651)	16,415,176
Adjusted EBITDA *	10,202,788	50,800,099
EBIT	(19,135,569)	25,085,746
Adjusted EBITDA margin**, %	1.8%	7.4%

*We define EBITDA as the profit / (loss) for the financial year that excludes financial costs and financial income, income tax (income) / expense, impairment and depreciation and (net gain) / net loss on exchange differences

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

** We define adjusted EBITDA margin as the percentage ratio between adjusted EBITDA and revenues from customer contracts.

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

In accordance with the Simplified Interim Condensed and Separate Unaudited Financial Statements, the Group and the Company recorded the following financial indicators on 30.06.2020:

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



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TMK-ARTROM Group

Financial indicators	RON	RON
	Consolidated	Consolidated
	30 June 2020	30 June 2019
	Unaudited	Unaudited
Profit (loss) before tax	(40,834,043)	17,184,042
Net accounting profit (net accounting loss) of which:	(34,841,794)	14,970,583
Operating profit (loss)	(21,502,935)	36,531,364
Financial loss	(19,331,108)	(19,347,322)
Exceptional result	-	-
Current income tax expense	(48,777)	(337,748)
Deferred income tax - income	8,208,422	3,669,359
Deferred income tax - expenses	(2,167,396)	(5,545,070)
Income	548,177,315	675,381,236
Cost of sales	(477,216,342)	(544,633,012)
Export	72.4%	70.2%

TMK-ARTROM S.A. separate

Financial indicators	RON	RON
	Separate	Separate
	30 June 2020	30 June 2019
	Unaudited	Unaudited
Profit (loss) before tax	(37,191,373)	17,671,104
Net accounting profit (net accounting loss) of which:	(31,170,651)	16,426,934
Operating profit (loss)	(19,135,569)	25,085,746
Financial loss	(18,055,804)	(7,414,642)
Exceptional result	-	-
Current income tax expense	-	(11,919)
Deferred income tax - income	7,507,182	1,958,589
Deferred income tax - expenses	(1,486,460)	(3,190,840)
Income	559,487,524	690,036,142
Cost of sales	(497,204,659)	(578,971,335)
Export	70.6%	68.0%



Important events in the 1st semester 2020

The main events that marked the first six months of the financial year 2020 are mentioned below:

January

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

The stake of TMK-Artrom share capital owned by TMK-Europe GmbH as a result of running and closing the public offer that took place in the period is 03.01.2020-23.01.2020 is 98.8283%.

February

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

March

On **19 March 2020**, TMK-Artrom S.A. made an announcement on COVID 19 pandemic impact.

Currently, the company operates at an acceptable level, but there are difficulties because of the impact of the COVID 19 pandemic, in regard with the shipment of the production for export due to the restrictions on truck traffic in Europe. We remind that most of our production is intended for sale in the main markets of Italy, Germany and other strongly industrialized countries from Western Europe, the transport of goods being exclusively by truck until the destination due the specificity of our products designated for users from industries as automotive, machining, hydraulic, etc. Being a metallurgical unit with continuous fire, we make efforts in order to maintain the activity at a reasonable level.

Internally, TMK-Artrom makes all the efforts necessary to diminish the effects of the pandemic at the level of the economic activity and to reduce to the minimum the risk of employees getting sick in the company as well as in its subsidiaries from Romania, Italy and the United States.

Depending on the evolution, in what regards the regulations of the authorities and the economical evolution of our market, the company's management is taking into consideration the implementation of all the measures which will be imposed for the health of the employees and the integrity of the production equipment.

On **23 March 2020** TMK-Artrom informed the investors about the complex modernization program in work-shop Assel carried out in the period 4th of February -10th of March 2020.

April

FSA approved the withdrawal of the minority shareholders of TMK-Artrom S.A. (FSA decision no 475 from 08.04.2020). The price that will be paid to the minority shareholders by the majority shareholder TMK-Europe GmbH is **6,0398 lei/share**.

According to the FSA decision the trading with the TMK-Artrom SA. shares was suspended on **16 April 2020**.



May-June

The Group continued to make efforts to diminish the impact of the COVID 19 pandemic and took measures to ensure the business continuity.

TMK-RESITA has requested and has obtained governmental support in amount of 703,066 lei for the subsidy from the state budget of technical unemployment benefits during the emergency state (March 16, 2020-14 May 2020) and during the alert state.

As a result of COVID 19, activities for approvals of authorizations, projects in state institutions were postponed at the same time with the decrease of the interest of real estate investors and there were no capital sales of assets outside the operation (office building owned by TMK-ASEETS in Bucharest and land owned by TMK-RESITA in Bucharest).

1. Economic - Financial statement

1.1. Presenting an analysis of the current economic and financial situation compared to the same period last year, with reference at least to:

- a) balance sheet items: Assets that represent at least 10% of the total assets; cash and other liquid assets; reinvested profits; total current assets; the debt situation of the company; total current liabilities;
- b) profit and loss account: net sales; gross income; cost and expense items with a weight of at least 20% in net sales or gross incomes; risk provisions and for various expenses; reference to any sale or closure of a segment of activity performed over the past 6 months or to be carried out within the next 6 months; dividends declared and paid;
- c) cash flow: all changes in cash in the core business, investment and financial activity, cash at the beginning and end of the period.

a) balance sheet items: Assets that represent at least 10% of the total assets; cash and other liquid assets; reinvested profits; total current assets; the debt situation of the company; total current liabilities;

The total assets of the group as at 30.06.2020 were of 1,794 million RON compared to 1,805 million RON as at 31.12.2019. The total assets of TMK-ARTROM separate as at 30.06.2019 were of 1,552 million RON compared to 1,537 million RON as at 31.12.2019.

Segment reporting

	Pipes RON	Billets RON	Other RON	Total RON
30 June 2020-<i>unaudited</i>				
Total assets	1,090,015,830	561,109,973	143,184,351	1,794,310,154
Total liabilities	89,404,950	87,119,863	986,319,509	1,162,844,322
Acquisitions of fixed assets	56,985,830	13,031,698	-	70,017,528
Depreciation expense	(28,007,214)	(17,529,918)	(308,619)	(45,845,751)
31 December 2019 –				
Total assets	1,110,492,894	565,801,076	129,092,546	1,805,386,516
Total liabilities	104,604,256	101,018,162	932,531,697	1,138,154,115
Acquisitions of fixed assets	75,500,574	25,679,127	6,834	101,186,535
Depreciation expense	(52,040,703)	(27,558,729)	(381,561)	(79,980,993)

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Net debt of the Group

The following table presents the Non-IFRS Measures and Alternative Performance Measures for the six-month periods ended 30 June 2020 and 30 June 2019, as well as the Group's net debt as at 30 June 2020.

	30 June 2020 Unaudited RON	30 June 2019 Unaudited RON
Consolidated Adjusted EBITDA	26,046,151	73,237,572
Consolidated Adjusted EBITDA Margin	4.8%	10.8%
	30 June 2020 Unaudited RON	31 December 2019 Unaudited RON
Net debt	688,330,328	723,605,026
Working capital	174,338,924	265,039,647

Net debt is defined as aggregate amount of all obligations in respect of interest bearing loans and borrowings (including unamortized debt issue costs), finance lease liability and liabilities for financial investments* deducting the total aggregate of cash and cash equivalents (minus);

*Net debt is computed in 2 ways:

(1) includes in calculation liabilities for investments in subsidiaries (intercompany debt related to TMK-Resita and TMK-Italia acquisitions) although it is not interest-bearing there is a repayment schedule under the acquisition agreements.

(1) RON	Consolidated	
	30 June 2020 Unaudited	31 December 2019 Unaudited
Current liabilities related to:		
Liabilities for investments in subsidiaries	-	-
Interest-bearing loans and borrowings	173,458,498	208,591,528
adding:		
Un-amortized short-term cost	627,869	356,460
Lease liability	10,450,433	9,617,813
Total current liabilities including liabilities for investments in subsidiaries	184,536,800	218,565,801
Non-current liabilities		
Liabilities for investments in subsidiaries	283,412,238	277,306,095
Interest-bearing loans and borrowings	201,381,853	206,129,198
adding:		
Un-amortized cost of debt origination fees	319,918	-
Lease liability	29,870,154	32,558,702
Total non-current liabilities including liabilities for investments in subsidiaries	514,984,163	515,993,995
less:		
Cash and cash equivalents	11,190,635	10,954,770



Net debt including liabilities for investments in subsidiaries**688,330,328****723,605,026**

(2) Net debt computed without the liabilities for financial investments included (the debt pertaining to the acquisition of TMK-Resita and TMK-Italia)

	(2) RON	31 Decembrie 2020	Consolidated 31 Decembrie 2019
		Unaudited	Unaudited
Current liabilities related to:			
Interest-bearing loans and borrowings		173,458,498	208,591,528
adding:			
Un-amortized short-term cost		627,869	356,460
Lease liability		10,450,433	9,617,813
Total current liabilities excluding liabilities for investments in subsidiaries		184,536,800	218,565,801
Non-current liabilities related to:			
Interest-bearing loans and borrowings		201,381,853	206,129,198
adding:			
Un-amortized cost of debt origination fees		319,918	-
Lease liability		29,870,154	32,558,702
Total non-current liabilities excluding liabilities for investments in subsidiaries		231,571,925	238,687,900
less:			
Cash and cash equivalents		11,190,635	10,954,770
Net debt excluding liabilities for investments in subsidiaries		404,918,090	446,298,931

Borrowings

The Group's loans and borrowing are set out below, as of 30 June 2020:

Bank loans	Nominal contractual value	Currency	Interest rate	Final maturity	Balance sheet exposures		Off balance sheet exposures	
					Total balance (long term)	Total balance (short term)	Unused available amounts	LC/LGs (non cash utilization)
BCR Loan Facilities Agreement, 2011	20,000,000	EUR	Floating	03.10.2021	10,966,486	-	4,410,573	4,622,941
VTB BANK(EUROPE) SE	40,000,000	EUR	Fixed	16.04.2022		32,280,602	7,719,399	
BCR Loan Facilities Agreement, 2016	25,000,000	EUR	Fixed	07.11.2023	15,476,190	3,571,429	-	-



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

Short – term bank loans

Name of banking company	Currency	31.dec.19		31.dec.18	
		<u>Balance lei</u>	<u>Balance foreign currency</u>	<u>Balance lei</u>	<u>Balance foreign currency</u>
Overdraft VTB (Europe) Bank SE	EUR	185,715,160	38,858,235	-	-
Line for financing general needs in UNICREDIT BANK	EUR			65,294,595	13,999,999
Overdraft uncommitted BANCA TRANSILVANIA	EUR			92,501,203	19,833,445
Total short term bank loans		185,715,160	38,858,235	157,795,799	33,833,444

Long term bank loans

Name of banking company	Currency	BALANCE AS AT 31.12.2019					
		Amount due		<u>with a maturity of more than one year</u>		<u>with a maturity of less than one year</u>	
		<u>Lei</u>	<u>Foreign currency</u>	<u>Lei</u>	<u>Foreign currency</u>	<u>lei</u>	<u>Foreign currency</u>
BCR ERSTE overdraft credit line	EUR	59,748,888	12,501,598	59,748,888	12,501,598		
BCR ERSTE investment loan - 7 years	EUR	96,723,929	20,238,095	73,965,357	15,476,190	22,758,571	4,761,905
TOTAL		156,478,817	32,739,693	133,714,245	27,977,788	22,758,571	4,761,905

- ❖ The amount of 156,312,357 lei (the equivalent of 32,280,602 EURO) is related to an operating loan - – renewable credit facility within 20,000,000 EURO- contracted with VTB BANK (EUROPE) SA committed for 12 years, valid until 16.04.2022, with an interest EURIBOR 3M plus 2.0%. The first use of this facility was for refinancing on 23.04.2019 of the balance of 13,999,999 EURO of the loan in the initial amount of 27,000,000 EURO – contracted by TMK-ARTROM with UNICREDIT BANK in 15.10.2013. Following this reimbursement, the UNICREDIT BANK facility was closed. In 1 October 2019, the company concluded an addendum with VTB BANK (EUROPE) SA, whereby the value of the loan was increased to 40 million euro, and the interest rate was changed, moving to a fixed interest rate of 2%. The purpose of this increase was the repayment of the credit balance related to the loan granted by BANCA TRANSILVANIA in order to close this credit agreement, and the repayment was made on 1 November 2019 in amount of 19,051,732 euro.

For this loan, the company set up Guarantees, as follows:

- Company guarantee issued by PAO TMK, in guarantee of the full and irrevocable repayment of any and all amounts that the Borrower owes to the Bank under this Agreement.
- ❖ The amount of 53,103,016 lei, representing 10,966,486 euro, is related to operating credit - multiproduct credit facility within 20,000,000 EURO- contracted by TMK-ARTROM, as a borrower and TMK-REȘIȚA, as a co-borrower, with BCR on 03.10.2011, with an interest rate of EURIBOR 3M plus 1.9%.

The final maturity is on 03.10.2021.

For this loan, the company provided guarantees as follows:

- Real estate guarantee without dispossession on the credit balance of the current accounts / sub-accounts of the Company opened with BCR SA;
- Real estate guarantee without dispossession on the credit balance of the current accounts / sub-accounts opened with BCR SA having as holder TMK-REȘIȚA;
- Company guarantee issued by PAO TMK, in guarantee of the full and irrevocable repayment of any and all amounts that the Borrower and / or the Co- Borrower owes to the Bank under this Agreement;

In February 2012, an amendment was concluded by which this loan was transformed into a loan committed by BCR SA, as a result of which at the end of 2012, the loan is considered long-term and not short-term as it was at the end of 2011. In September 2013 a new amendment was concluded with BCR and the overdraft loan was transformed into a multi-product facility that can be used both as an overdraft and as a ceiling for issuing letters of guarantee and letters of credit and which reduced the fixed interest margin applied next to EURIBOR 3M from 3.5% to 1.9%. On 25.09.2014 a new amendment was signed with BCR by which the final validity of the facility was extended until 03.10.2017 with the annual approval of the uses. In October 2017, a new amendment was signed with BCR by which the final validity of the facility was extended until 03.10.2018. In November 2018, an amendment to the contract was signed by which its validity was extended until 03.10.2020. In September 2019 a new amendment was signed by which the validity was extended until 03.10.2021. On 31 December 2019 from the multiproduct facility in the amount of 20 million euros granted by BANCA COMERCIALĂ ROMÂNĂ, 2 letters of credit were issued according to the table below and a letter of guarantee of participation in favor of S.N.T.G.N. TRANSGAZ S.A. in value of 13,627,551.86 RON valid until 30 October 2020.

n/o	Beneficiary of the letter of credit	Number of the letter of credit	The amount of the contract regarding the opening of the letter of credit	Foreign currency	The balance of the unused letter of credit amount	Opening date	Expiry date of the letter of credit
1	COPIER BEVELMACHINES	1098492	700,457.00	EUR	700,457.00	10.10.2019	30.10.2020
2	KARL DEUTSCH	1098659	700,000.00	EUR	700,000.00	12.05.2020	27.08.2021

- ❖ The amount of 92,234,286 lei (respectively the equivalent of 19,047,619 EURO) is related to a 7-year investment loan in the contracted amount of 25,000,000 EURO- concluded by TMK-ARTROM, as a borrower and TMK-RESITA, as guarantor, with BCR on 07.11.2016, with an interest rate of EURIBOR 3M plus 3.35% for the purpose of financing the heat treatment complex.

The final maturity is 07.11.2023.

In April 2018, was concluded an addendum by which the interest was changed to a fixed interest rate of 3.4%.



Repayment of the loan started in January 2019 in 21 equal quarterly installments in the amount of 1,190,476.19 EURO.

On 1 April 2020 was concluded an addendum through which the installments due on 01.04.2020 and 01.07.2020 were postponed and will be paid at the final maturity of 07.11.2023.

For this loan, the company set up Guarantees as follows:

- Real estate guarantee without dispossession with TMK-ARTROM as holder;
- Real estate guarantee without dispossession on the credit balance of the current accounts / sub-accounts of the Company, opened at BCR SA;
- Company guarantee issued by PAO TMK, in guarantee of the full and irrevocable repayment of any and all amounts that the Borrower and / or the Co-borrower owes to the Bank under this Agreement.
- Real estate mortgage on land with the category of use of construction yards with an area of 69,339 sqm (sixty-nine thousand three hundred and thirty-nine sq m) identified with cadastral no. 58253, together with C1 - industrial and urban construction having the surface built on the ground and developed of 66,346 sqm, identified with cadastral no. 58253-C1, located in Slatina, Str. Draganesti Nr. 30, Jud. Olt, tabulated in the Land Book of Slatina locality, Olt county with no. 58,253

- ❖ The company has contracted with BCR a discount ceiling for promissory notes in the initial amount of 10,000,000 lei with an interest of ROBOR 3M + 3% which can be transformed into credit if customers do not settle the promissory notes due. In July 2015 the value of this ceiling was reduced to 4,000,000 RON, and in August 2016 at 2,000,000 RON.

On 30.06.2020 there were no settled and unpaid promissory notes in the balance.

Upon receipt of the loans, TMK-ARTROM paid management fees related to the entire duration of the loans, the unamortized portion of the management fees at the end of each reporting period decreases the amount of the outstanding debt.

On 24.07.2014 TMK-ARTROM and TMK-REȘIȚA contracted from Banca Comerciala Romana SA a Reverse Factoring Contract - according to which BCR will accept for financing invoices issued by TMK-ARTROM and TMK-REȘIȚA suppliers within the approved global limit of 45 million ron, in order to maintain an efficient supply network with the company's suppliers. The guarantees granted by this contract are: mortgage on the credit balance of the current accounts opened at Banca Comerciala Romana by TMK-ARTROM S.A. and mortgage on the credit balance of the current accounts opened by TMK-REȘIȚA S.A. at Banca Comerciala Romana. In July 2015 the value of the contract was increased to 51,000,000 ron, and in September 2016 it was increased to 65,000,000 ron. In 21.11.2018 a new addendum was signed with the bank through which the value of the ceiling was increased to 70,000,000 ron. On 30.06.2020 from this ceiling 2,550,000 lei were allocated for the suppliers of TMK-ARTROM S.A. and of these, 1,355,948 lei were used. The difference of 67,450,000 lei was allocated on TMK-RESITA S.A. and from it 26,445,485 lei were used.

Under the terms of existing loan agreements, the Group is subject to certain restrictive obligations and other requirements. These obligations require the Group, inter alia, to refrain from paying dividends to shareholders unless the specific conditions are met and to maintain a minimum or maximum level for certain financial indicators, including debt service coverage ratio, indebtedness rate and net financial debt (with and without intra-group loans) relative to EBITDA, equity rate. As at 30.06.2020 considering the difficult situation registered in the national and world economy as a result of the serious economic crisis it is facing, TMK-ARTROM S.A. received from both creditor banks, Banca Comerciala Romana and VTB BANK (EUROPE) accept the waiver of verification of the financial covenants imposed on 30.06.2020.



Capitalisation and indebtedness

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

The following table sets out the indebtedness and capitalisation of the Group at 30 June 2020.

Capitalisation and indebtedness	RON
	<i>Unaudited</i>
Total current debt	184,536,800
Interest bearing loans and borrowings	173,458,498
Un-amortized short-term cost	627,869
Lease liability	10,450,433
Total non-current debt	231,571,925
Interest bearing loans and borrowings	201,381,853
Un-amortized cost of debt origination fees	319,918
Lease liability	29,870,154
Total indebtedness	416,108,725
from which:	
Interest-bearing loans and borrowings guaranteed and secured	301,181,954
Added Un-amortized cost of debt	947,787
Interest-bearing loan agreement with TMK-EUROPE GmbH unguaranteed and unsecured, in amount 17,037,540 USD at 30.06.2020	73,658,397
Lease liability guaranteed and secured	40,320,587
Capital and reserves	
Share capital, from which:	291,587,538
- Subscribed and paid share capital	291,587,538
Other items of equity	1,215,530
Legal and other reserves	78,561,674
Retained earnings	292,598,789
Foreign currency translation reserve	2,344,095
Profit/ (loss) of the year	(34,841,794)
Total equity	631,465,832
Total capitalization	1,047,574,557

There has been no material change to the capitalisation figures since 30 June 2020.

Other long term and short – term liabilities to affiliated entities

As at 30.06.2020 the company TMK EUROPE GmbH (former TMK SINARA HANDEL GMBH) is creditor with the amount of 73,658,397 lei representing 17,037,540 USD, related to the loan agreement w/n/01.12.2008, namely the assignment of receivables no. 054/20.02.2002 from AVAS (AVAB) in initial amount of 22,837,540 USD and 38,425 lei (RON). The entire amount is a long-term liability.

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

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

1. Rank I mortgage on land with an area of 203,651.82 sqm and built buildings;
2. Real estate guarantee without dispossession of goods of rank I on the hot rolling line, HPT 250 laminator, non-destructive ultrasonic control installation; laminator Assel AWW250, straightener D



38-90; TTF oven, Pilger laminator SKW75; induction heating system; normalization and rank I heat treatment furnace on the other goods of TMK-ARTROM according to registration no. 2004-1080142242453-QJU / 24.03.2004;

3. Rank I mortgage for land with an area of 211,614.54 sqm and related buildings within the TMK-ARTROM premises according to contract no. 1869 / 14.10.2003.

4. Real guarantee without the dispossession of goods of rank I on the other goods of TMK-ARTROM SA according to registration in the electronic furniture archive, no 2002-1034612284359-IUD / 14.10.2003.

In EGSM dated 17.11.2008 it was approved changes in the nature and deferred payment of the debt owed by the company TMK EUROPE GmbH worth 22,837,540 USD in the following conditions: the debt shall be paid in 57 instalments starting from 25 January 2014 until 25 September 2018 inclusively.

The first 56 monthly instalments will be worth 400,000 USD and the 57th will be worth 437,540 USD. The payment of debt amounting to 38,425 RON of the Company to TMK Europe GmbH from 25 January 2014 will be paid in USD at the official RON/USD exchange rate of the National Bank of Romania on the last working day of the year 2013.

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

In 21.11.2013 was concluded the Addendum no.1 at the Contract dated 01.12.2008 according to which the loan reimbursement begins with 25.01.2015, maintaining the same number of instalments.

In 3.12.2015 was concluded Addendum no. 2 on which repayment of loan shall be suspended for a period of three years and will be resumed starting in January 2019 in 44 instalments in the amount of 400,000 USD and a last instalment of 437,540 USD as a result on 31.12.2016 the full amount of the loan was long-term.

In 08.08.2016 by Addendum no.3 was expressly renounced to all pledged aforementioned.

In 18.12.2018 was concluded Addendum no. 4 by which the parties agreed that in the second half of 2019 the borrower will repay 10,000,000 USD, and from 2020, the borrower will continue to reimburse the remaining amount of 17,037,540.03 USD in 42 installments in the amount of 400,000.00 USD and the 43rd rate in the amount of 237,540.03 USD on the 25th of each month.

As at 3 December 2019, after the company reimbursed another 1 million USD, it was concluded Addendum no 5 through which was agreed that in 2020-2021 the company does not reimburse any amount and its reimbursement continues with January 2022, in 42 monthly installments of 400,000 USD and a last installment in the amount of 237,540.03 USD.

The interest due by TMK-ARTROM S.A. on 30.06.2020 is of 9,403 USD, namely 40,650 lei.

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

Debt for investments in subsidiaries / subsidiaries

As at 30 June 2020 TMK-Artrom register a debt in amount of 301,142,637 lei equivalent to 62,190,000 Euro, representing payments to be made for the purchase of a number of 131,010,874 shares, representing 99.99237% of the share capital of TMK-REȘIȚA owned by TMK Europe GmbH.

The initial price of 62,290,000 Euro for the 131,010,874 shares (ie 0.475 Euro / share) was set to be paid by TMK-Artrom from its own financial resources.

The amount of 100,000 Euro was paid by TMK-Artrom in the first quarter of 2019, respectively within thirty (30) days from the execution of the sale-purchase contract of the shares concluded



between TMK-Europe GmbH and TMK-Artrom and the transfer of the right ownership of shares following the signing of the register of shareholders (Shares) TMK-RESITA from TMK Europe GmbH and TMK-Artrom.

The remaining price of 62,190,000 Euro will be paid for a period of five (5) years, starting with 2019, in equal installments of 12,438,000 Euro each, at the latest until December 31 for each year. TMK-Artrom may pay such installments in full or in part in advance, as well as extend the payment term for such installments (implicit reduction in the amount of installments) for a further period of up to five (5) years, depending on available financial resources.

By the Addendum concluded on 10 December 2019, the parties agreed that the repayment of the 62,190,000 Euros will start from 2021 for a period of five (5) years, in equal installments of 12,438,000 Euros each, at the latest until December 31 for each year. TMK-Artrom may pay such installments in full or in part in advance, as well as extend the payment term for such installments (implicit reduction in the amount of installments) for a further period of up to three (3) years, depending on available financial resources.

As this contract provides for payment in installments without interest, according to IFRS 9, the debt to TMK Europe is presented at fair value. The initial amount was reduced on 31 December 2018 using the interest rate for a similar loan using the interest rate of 1.9% and was obtained the value of 3,148,224 Euro (14,683,001 lei). On 31 December 2019, the fair value of future cash flows was modified as a result of the change in the debt repayment period by concluding the Addendum of 10 December 2019 with the amount of 2,021,302 Euro (9,658,791 lei). This amount is updated quarterly.

As this is an amount due from the relationship with the shareholder, the difference between the fair value and the nominal value is transferred as an element of equity.

Thus, the balance of the debt for investments in subsidiaries / subsidiaries to TMK EUROPE on 30.06.2020 is in the amount of 283,412,238 lei equivalent to 58,528,434 Euro (of which the amount of 506,110 Euro represents the interest calculated and recorded in the current result of the year).

b) profit and loss account: net sales; gross income; cost and expense items with a weight of at least 20% in net sales or gross incomes; risk provisions and for various expenses; reference to any sale or closure of a segment of activity performed over the past 6 months or to be carried out within the next 6 months; dividends declared and paid;

TMK-Artrom Group's consolidated sales volume Product premiumization and sales mix

The Group obtain revenues mainly from the sale of seamless industrial steel pipes to end users in markets in Europe and the Americas. IFRS 15 - Revenue from contracts with customers requires quantitative and qualitative disclosures about income, contract balances, performance obligations, significant decisions and recognized assets from costs to obtain or perform a contract. Accordingly, these revenues are referred to as "Revenues from customer contracts" for periods beginning on or after 1 January 2018, following the adoption of IFRS 15. The adoption of IFRS 15 did not have a significant impact on the Unaudited Consolidated and Separate Financial Statements, as the Group does not have long-term sales contracts with customers. All other revenue is described as service provision which relates primarily to agency services provided by the Company's subsidiaries in the United States and Italy, respectively, to other parties, but also to other services provided by the Group to other parties.

The first part of 2020 (the first 6 months) was marked by the effects of the COVID-19 epidemic, its effects strongly influencing the results of the first part of 2020 in all sectors of activity and in all markets where TMK-Artrom delivers its products.

The European and American markets, the main markets for TMK-Artrom / TMK Resita products, registered a decrease in the consumption of metallurgical products and implicitly of the pipe compared to



the previous year. This negative trend, which in some sectors (eg automotive) was observed since 2019, was accentuated by the COVID virus which strongly eroded the desire of investors to start new projects, and those in progress were blocked or unfolded much easier than it was programmed, finally affecting the consumption of metallurgical products and implicitly the one of pipes.

The Group's total consolidated revenues decreased by 18.8% in the period ended 30 June 2020 compared to the period ended 30 June 2019 due to the decrease in revenues from contracts with customers in the production of pipes sold by 22.5% (by 120 million RON), as well as the decrease of sales of TMK-REȘITA of billets and blums to third parties (by 100% or with 4 million RON) as well as the decrease in other sales (with 2.3% or 3 million RON) of which sales of goods with metallurgical products from TMK group companies decreased by 1.9%, namely 2.6 million RON.

The decrease in revenues from the production of pipes sold by 120 million RON is due to several factors, namely:

(i) decrease in the physical volume of pipes sold from 99,439 tons to 84,451 tons (representing a decrease of 15.1%) mainly due to the decrease in the volume of orders due to low demand for industrial pipes but also as a result of modernization works carried out during quarter I 2020 in the Main Production workshop No. 1 Assel (80 million RON influence);

(ii) the structure of the pipes sold positively influenced the sales volume due to the increase in the share of sales of premium pipes compared to the same period last year.

The share of premium sales in total sales increased to 24.4% in the period ended 30 June 2020 compared to 20.8% in the period ended 30 June 2019 (total influence RON 11.2 million)

(iii) decrease in selling prices on average by 8.8% which represents a decrease in value of 58.5 million RON

(iv) price increase in the amount of 7.6 million RON from exchange rate differences for foreign currency sales.

Amid low demand for billets at competitive prices, sales volume of TMK Resita billets produced by other parties than TMK-Artrom fell by 1,479 tons compared to the period ended 30 June 2019.

The volume of sales of goods (billets, blums, pipes) produced by parties other than TMK-Artrom (purchased from other companies within the TMK group) decreased by 1.9% from 54,425 tons recorded in the period ended on 30 June 2019 to 52,428 tons registered in the period ended on 30 June 2020 due to the reduced demand for pipes and billets manifested globally.

As regards the consolidated volumes sold by the TMK-Artrom Group for the half-year ended 30 June 2020 (1H 2020) they are shown below:

Type of product / Sales destination	1H 2020	1H 2019
	Quantity (tons)	Quantity (tons)
1. Total seamless steel pipes produced by TMK-Artrom, of which:	84,451	99,439
1.1.Commodities Europe *	61,924	74,927
1.2 Commodities Americas **	1,902	3,822
1.3. Premium Europe	14,908	15,274

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:
5CT-0440
5L-0352

LR:
ISO 9001
ISO 14001
ISO 45001

TUV:
PED/AD-2000 W0/W4
TRD 100/102
Vd TUV

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
RINA

LR:
IATF 16949

1.4. Premium Americas	5,717	5,416
Total billets and blooms TMK-Reșița sold to third parties outside the TMK-Artrom Group	0	1,479
Total billets produced by TMK-Reșița sold to TMK-Artrom	93,379	119,636
1. Total sales of goods produced by other parties than TMK-Artrom, of which:	52,428	54,425
2.1 Sale of goods Europe	48,356	53,513
2.2 Sale of goods Americas	4,073	912

*Middle East, Turkey and North Africa - sales allocated to the European market

** Canada, Brazil, USA and Mexico - sales allocated to the Americas market

Analysis of revenues from the customer contracts of TMK-Artrom Group

The following table presents the consolidated statements of profit or loss of the TMK-Artrom Group for the period ended at 30 June 2020, compared to 30 June 2019.

	Amounts in RON		Variation by %	% in Consolidated Revenue	
	30 June 2020 <i>Unaudited</i>	30 iunie 2019 <i>Unaudited</i>		30 June 2020 <i>Unaudited</i>	30 June 2019 <i>Unaudited</i>
Revenues from customer contracts	548,177,315	675,381,236	-18.8%	100.0%	100.0%
Sales of goods	547,393,880	673,107,079	-18.7%	99.9%	99.7%
Rendering of services	783,435	2,274,157	-65.6%	0.1%	0.3%
Cost of sales	(477,216,342)	(544,633,012)	-12.4%	-87.1%	-80.6%
Gross profit	70,960,973	130,748,224	-45.7%	12.9%	19.4%
Selling and distribution expenses	(55,430,067)	-59,829,490	-7.4%	-10.1%	-8.9%
Advertising and promotion expenses	(29,778)	-247,384	-88.0%	0.0%	0.0%
General and administrative expenses	(35,043,802)	-35,979,682	-2.6%	-6.4%	-5.3%
Research and development expenses	(63,901)	-94,339	-32.3%	0.0%	0.0%
Other operating expenses	(1,973,007)	-2,121,236	-7.0%	-0.4%	-0.3%
Other operating income	76,647	4,055,271	-98.1%	0.0%	0.6%
Impairment and depreciation*	45,678,938	42,248,933	8.1%	8.3%	6.3%
Operating profit (loss)	(21,502,935)	36,531,364	-158.9%	-3.9%	5.4%
Net gain / (net loss) on exchange rate differences	(10,720,011)	-9,934,971	7.9%	-2.0%	-1.5%
Financial income	143,499	105,733	35.7%	0.0%	0.0%
Financial costs	(8,754,596)	-9,518,084	-8.0%	-1.6%	-1.4%
Profit / (loss) before tax	(40,834,043)	17,184,042	-337.6%	-7.4%	2.5%

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:
5CT-0440
5L-0352

LR:
ISO 9001
ISO 14001
ISO 45001

TUV:
PED/AD-2000 W0/W4
TRD 100/102
Vd TUV

TUV CPR:
EN 10210-1,2
EN 10255

LR
DNV-GL Rules
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LR:
IATF 16949

Income tax	5,992,249	-2,213,459	-370.7%	1.1%	-0.3%
Profit / (loss) of the period	(34,841,794)	14,970,583	-332.7%	-6.4%	2.2%
Adjusted EBITDA	26,046,151	73,237,572	-64.4%		

**the amounts with impairment and depreciation are included in each type of expenses listed under "Gross profit"*

Results by segments of the TMK-Artrom Group

In terms of segment reporting, the Group presents its financial results as follows (1) pipe production; (2) the production of billets

Pipe production is located in Slatina. The production of billets is located in Reșița. The pipe segment uses billets to produce hot and cold rolled seamless steel pipes.

The following table shows the results per segment of the Group. As the Group operates on an integrated vertical basis, management assigns the Group's operations as follows:

	Pipes	Billets	Other	Transactions between segments	Total
	RON	RON	RON	RON	RON
30 June 2020 -Unaudited					
Sales to external customers	412,546,745	-	135,630,570	-	548,177,315
Sales between segments	369,416	240,473,601	-	(240,843,017)	-
Total sales revenue	412,916,161	240,473,601	135,630,570	(240,843,017)	548,177,315
Segment result (gross profit)	57,507,668	-	13,453,305	-	70,960,973
Other operating expenses and income, net					(92,463,908)
Interest and other financial income / (expenses), net					(8,611,097)
Net exchange rate differences					(10,720,011)
Result before tax					(40,834,043)
30 June 2019-Unaudited					
Sales to external customers	532,499,752	4,103,803	138,777,681	-	675,381,236
Sales between segments	196,333	330,293,478	-	(330,489,811)	-
Total sales revenue	532,696,085	334,397,281	138,777,681	(330,489,811)	675,381,236
Segment result (gross profit)	121,562,080	262,143	8,924,001	-	130,748,224
Other operating expenses and income, net					(94,216,860)
Interest and other financial income / (expenses), net					(9,412,351)
Net exchange rate differences					(9,934,971)
Result before tax					17,184,042

In addition, the Group presents information on consolidated revenues divided on geographical area:

Revenue from contracts with customers	30 June 2020	Consolidated	30 June 2019	
	RON Unaudited	%	RON Unaudited	%
Domestic sales	151,544,418	27.6	201,189,481	29.8
External sales	396,632,897	72.4	474,191,755	70.2
Total	548,177,315	100	675,381,236	100

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



API:
5CT-0440
5L-0352

LR:
ISO 9001
ISO 14001
ISO 45001

TUV:
PED/AD-2000 W0/W4
TRD 100/102
Vd TUV

TUV CPR:
EN 10210-1,2
EN 10255

LR
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RINA

LR:
IATF 16949

Revenues from customer contracts - geographical information

Consolidated

Revenue	Romania RON	Europe RON	North and South America RON	Other countries RON	Total RON
30 June 2020-<i>Unaudited</i>	151,544,419	309,851,753	84,475,214	2,305,929	548,177,315
30 June 2019- <i>Unaudited</i>	201,189,480	385,443,305	84,656,765	4,091,686	675,381,236

The following table shows the Group's revenues for the period ended 30 June 2020 compared to 30 June 2019.

	Consolidated	
	30 June 2020 RON <i>Unaudited</i>	30 June 2019 RON <i>Unaudited</i>
Sale of pipes produced by TMK-Artrom from which		
Domestic	55,619,704	77,616,982
Europa*	295,994,595	377,011,292
North and South America**	58,626,518	77,050,495
Other areas***	2,305,929	820,983
Total sales of TMK Artrom pipes	412,546,745	532,499,752
Sales of other goods and services from which:		
Sales of other goods on domestic market	95,178,131	122,790,592
Sales of other goods on external market	39,669,002	17,816,733
Rendering of services on domestic market	746,585	781,906
Rendering of services on external market	36,851	1,492,253
Total sales of other goods and services	135,630,569	142,881,484
Total revenue from customer contracts	548,177,315	675,381,236

*Turkey sales area is allocated to European market

**Canada, Brazil, US and Mexico sales areas are allocated to Americas market

***Middle East and North Africa sales areas are allocated to Other areas market

Analysis of the expenses of the TMK-ARTROM Group

Cost of goods sold by the TMK-ARTROM Group

With regard to the cost of the goods sold by the Group, the situation is as follows:

	30 June 2020	30 June 2019		% in total consolidated cost of production sold	
	RON <i>Unaudited</i>	RON <i>Unaudited</i>		30 June 2020- <i>Unaudited</i>	30 June 2019 <i>Unaudited</i>
Raw materials cost	124,845,188	180,557,268	-31%	34.9%	43.3%
Salary expenses, salary compensations and social contributions	70,998,674	70,216,715	1.1%	19.8%	16.8%
Consumables	59,262,363	76,693,986	-23%	12%	16%
Energy and utilities costs	57,065,462	71,063,544	-20%	16%	17%
Depreciation and impairment	42,526,342	39,586,398	7%	12%	9%

TMK EUROPEAN DIVISION Cod: FCU-01, Ed. 3 Rev. 3/2019



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Expenses with other services from third parties	3,831,563	4,312,732			
Transportation costs	849,011	1,263,792	-11%	1.1%	1.0%
Fees	2,148,936	2,155,183	-33%	0.2%	0.3%
Repairs and maintenance	2,443,298	3,426,964	0%	0.6%	0.5%
Insurance	1,459,935	1,371,157	-29%	0.7%	0.8%
Rent expenses	288,490	297,388	6%	0.4%	0.3%
Travel expenses	218,269	344,262	-3%	0.1%	0.1%
Telecommunication expenses	54,953	51,331	-37%	0.1%	0.1%
Other expenses	1,791	3,200	7%	0.0%	0.0%
Total production cost	365,994,275	451,343,920	-44%	0.0%	0.0%
Changes in inventories	8,917,658	(21,767,321)	-19%		
Expenses with goods	119,488,957	127,416,681	-141%	2.5%	-5.2%
Income from the production of property, plant, equipment and intangible assets	(17,369,089)	(11,819,736)	-6%	33.4%	30.5%
Adjustments for stock impairment	171,380	(541,595)	47%	-4.9%	-2.8%
Declassation material expenses	13,161	1,063	-132%	0.0%	-0.1%
Cost of sale of which:	477,216,342	544,633,012	1138%	0.0%	0.0%
Cost of goods	119,488,957	127,416,681	-12%	100.0%	100.0%
Cost of production sold	357,727,385	417,216,331	-6%	25.0%	23.4%
			-14%	75.0%	76.6%

Cost of sales consists mainly of raw material purchase costs, consumable costs (including rolling tools, spare parts for production equipment), employee costs and energy and utility costs. Cost of sales also includes (i) depreciation and amortization, primarily in respect of impairment of plant and equipment expenses of the Group's operations; (ii) third party costs incurred in connection with certain IT equipment, equipment rental and technical consultants that are directly related to production; and (iii) repair and maintenance costs related to the plant and equipment.

The cost of sales decreased by 12% (representing 67.4 million RON), to 477.2 million RON in the semester ended on 30 June 2020, compared to 544.6 million RON in the semester ended on 30 June 2019.

The cost of sold production decreased from 417.2 million RON in the semester ended on 30 June 2019 to 357.7 million RON in the semester ended on 30 June 2020.

Raw material

The main component of the cost of the Group's cost of production is the cost of its raw material, such as metal scrap and ferro-alloys used in TMK-Resita for the production of steel billet and blooms, representing 34.9% of the total cost of production sold of the Group in the semester ended on 30 June 2020 (43.3% in the semester ended on 30 June 2019). The Group's raw material expenses decreased by 31% in the half-year ended 30 June 2020 compared to the half-year ended 30 June 2019, mainly due to the reduction of liquid steel production at TMK-Resita. The decrease in raw material costs was also influenced by the 10% decrease in the average purchase price of scrap metal.

The average purchase price of scrap metal decreased by 132 lei / ton from 1,165 lei / ton in the semester ended on 30 June 2019 to 1,033 lei / ton in the semester ended on 30 June 2020.

Salary expenses, salary compensation and social security contributions

Expenditures with employees in the production sector (expenses with salaries, compensations and social security contribution) represent 70.9 million RON, meaning 19.8% of the total cost of production sold in the semester ended on 30 June 2020 (70.2 million RON, representing 16.8% in the semester ended on 30 June 2019).



Labor costs increased by 1.1% RON or 0.7 million RON for the semester ended 30 June 2020 compared to the semester ended 30 June 2019 due to the increase in expenses with the salaries of employees in the production sector of TMK-ARTROM by 1.6 million RON and the decrease of the expenses with the salaries of the employees from the production sector of TMK RESITA by RON 0.8 million.

Expenditures on wages of employees in the production sector of TMK-ARTROM increased due to the increase of individual salaries due to the indexation of wages with the inflation rate and monetary compensations according to the collective labor contract and the decrease of the average number of staff compared to the same period of the previous year.

The expenses with the salaries of the employees from the production sector of TMK RESITA had several influences, namely:

- Decrease in the average number of staff compared to the same period last year;
- Increase in the period of higher technical unemployment compared to the previous year due to the lower volume of orders amid low demand for tiles at competitive prices due to the economic crisis;
- The increase of individual salaries as a result of the indexation of salaries with the inflation rate and of monetary compensations according to the collective labor contract;
- Providing government support for technical unemployment. We mention that during the state of emergency (16 March 2020 – 14 May 2020) and the state of alert, TMK RESITA benefited from government support by subsidizing from the state budget the technical unemployment benefits for employees with suspended work contacts, according to the Government Emergency Ordinance no. 30/2020. The support was granted for March, April and May 2020 and the state covered 75% of the employee's basic salary but not more than 75% of the average salary in the economy. Thus, the amounts collected decreased the salary costs of TMK RESITA with the amount of 703,066 lei, of which for employees in the production sector 589,278 lei.

Description	Consolidated	
	30 June 2020 Unaudited	30 June 2019 Unaudited
Average number of employees	2,236	2,296
The actual number of employees at the end of the period	2,262	2,293

30 June 2020- Unaudited

Description	TMK-Artrom	TMK IS	TMK-Resita	TMK-Assets	TMK-Italia
Average number of employees	1,464	7	752	0	13
The actual number of employees at the end of the period	1,487	6	756	0	13

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Descriere	TMK-Artrom	TMK IS	TMK-Resita	TMK-Assets	TMK-Italia
Average number of employees	1,499	10	774	0	13
The number of employees at the end of the period	1,501	9	770	0	13

Consumables (materials)

Expenses with consumables (auxiliary materials, technological tools, spare parts etc) amounting 41.9 million RON, representing 12% of the total cost of production sold in the semester ended on June 30



2020. The expenses decreased by 34.4 % compared to the semester ended at 30 June 2019 (in total value of 64.9 million RON, representing 16% of the total cost of production sold).

Revenues from the production of property, plant, equipment were higher in the first semester ended on 30 June 2020 compared to the first semester ended on 30 June 2019 mainly due to TMK-ARTROM to the modernisation and investments works performed with own resources mainly for the main production workshop no 1 Assel performed during the first semester of 2020. Given that the Group carries out a repair and maintenance program for its units, these costs are expected to remain relatively constant from year to year.

Expenses with consumables taken into calculation are consumable materials (59.3 million RON in the semester ended on 30 June 2020) diminished with the income from the production of property, plant, equipment and intangible assets (17.4 million RON in the semester ended on 30 June 2020).

Expenses with consumables taken into calculation are consumable materials (76,7 million RON in the semester ended on 30 June 2019) diminished with the income from the production of property, plant, equipment and intangible assets (11,8 million RON in the semester ended on 30 June 2019).

Of the total costs with the Group's consumables (materials) we explicitly mention the costs incurred with graphite electrodes used in the technological process of TMK-Resita as these are some of the most important consumables used in the production of TMK-Resita, and which represented 13.9% of the total costs with consumables of the Group in the semester ended on 30 June 2020 compared to 26.7% for the semester ended on 30 June 2019 (costs with graphite electrodes represented 24.39% of the total cost of consumables in the year ended on 31 December 2019, 21.2% in the year ended on 31 December 2018 and 10.3% respectively in the year ended on 31 December 2017).

Energy and utilities

Energy and utility costs (natural gas, electricity, water) in total amount of 57.1 million RON, representing 16% of the total cost of production sold in the semester ended on 30 June 2020 (71.1 million RON, representing 17% in the semester ended on 30 June 2019). Energy and utility costs decreased by 20% in the semester ended on 30 June 2020 compared to the same period of 2019, mainly due to the combined influence of two factors: (i) decrease of the physical consumption of natural gas for the production of pipes at TMK-Artrom and decrease of the actual consumption at TMK-Resita due to the reduction of the production of liquid steel by 22%, (ii) lowering the price of natural gas. At TMK-Artrom the average price of electricity has increased in the semester ended on 30 June 2020 compared to the same period of the year 2019 by 5.9%, and the average price of natural gases decreased by 31%. At TMK-Reșița the average price of electricity has increased in the semester ended on 30 June 2020 compared to the same period of the year 2019 by 5.6%, and the average price of natural gases decreased by 4% for the same period.

There has been no shutdown of any activity segment in the last 6 months.

Adjusted EBITDA

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

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



- The Group's management subtracts depreciation of stock of finished goods and unfinished products from the Group's EBITDA, so that Adjusted EBITDA reflects solely the depreciation related to sold production and therefore reflects only realised earnings. The Group believes that this adjustment results in a measure more representative of the Group's underlying financial performance in the relevant period. Depreciation of stock of finished goods and unfinished products is calculated by (A) calculation a percentage represented by depreciation in the total cost of production of the Group for the period and (B) multiplying such percentage by the amount of the stock of finished goods and unfinished production (which is in turn calculated as the sum of value of finished goods in transit and the value of work in progress and semi-finished goods at the end of the reporting period), and (C) calculating the net change in the amount calculated in (B) from the prior period.
- Gain/loss on disposal of property, plant and equipment and impairment/(reversal of impairment) of non-current assets, as well as changes in provisions and allowances are added back to EBITDA in calculating Adjusted EBITDA as these items represent non-cash charges which the Group's management believes are not representative of underlying operating performance. The changes in provisions and allowances include allowances for stocks and short term provision from which it were excluded the provisions for managers bonuses.
- Social expenses are added back to EBITDA in calculating Adjusted EBITDA because it is considered them not related to operational activity and part of them, such as sponsorship and charitable expenses are non cash items because they are deducted from the payable income tax according to the Fiscal Code.

Social expenses are calculated as the sum of:

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

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

Adjusted EBITDA decreased by 64.4% (decrease representing 47.2 million RON) from 73.2 million RON in the six-month period ended 30 June 2019 to 26 million RON in the period ended 30 June 2020.

The adjusted EBITDA margin for the six-month period ended 30 June 2020 is 4.8% compared to 10.8% for the six-month period ended 30 June 2019.



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Indicators	Consolidated	
	30 June 2020 RON Unaudited	30 June 2019 RON unaudited
Profit for the period	-34,841,794	14,970,583
Depreciation	45,678,938	42,248,933
Finance costs	8,754,596	9,518,084
Finance income	-143,499	-105,733
Foreign exchange (loss) / gain, net	10,720,011	9,934,971
Income Tax	-5,992,249	2,213,459
EBITDA	24,176,003	78,780,297
Adjustments	1,870,147	-5,542,725
- Depreciation in stock of finish goods and unfinished production	-433,582	-2,691,967
- Gain(-)/Loss (+) on disposal of property, plant and equipment and impairment (+)/reversal of impairment (-) of non-current assets	176,967	-3,974,280
- Changes in provisions and allowances	363,344	-871,980
- Social expenses	1,763,418	1,995,502
Adjusted EBITDA	26,046,151	73,237,572

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

Description	Consolidated 30 June 2020 Unaudited
Depreciation expense included in the cost of production in the reporting period	37,493,566
Production cost in the reported period	360,961,499
% of depreciation in total production cost (A)	10.39%
Value of finished goods and goods in transit at the end of the reporting 2019	25,636,317
Value of finished goods and goods in transit at the end of the cuurent reporting period 2020	44,183,707
Value of finished goods and goods in transit at the end of the reporting period 2019	62,203,613
Value of WIP and semi-finished goods at the end of the reporting period	89,111,729
Stock value at the end of the reporting period	221,135,366



Total stocks x % of depreciation in total production cost -
=depreciation in stocks (B)

22,046,805

**Variance in depreciation in stocks included in Adjusted
EBITDA (C)**

433,582

(2) Reconciliation of social expenses is presented below:

	Consolidated	
	30 June 2020	30 June 2019
	RON	RON
	Unaudited	Unaudited
Social actions expenses	1,296,214	1,268,221
Sponsorship and charitable donations	68,967	354,128
Professional fees and services for professional associations	126,163	124,856
Total expenses with personnel medical dispensary from which:	272,074	248,297
Staff costs - medical dispensary	251,968	228,661
Social security costs - medical dispensary	11,518	9,665
Other compensations for employees - medical dispensary	8,588	9,971
Total	1,763,418	1,995,502

Interest rates

The group has concluded financing agreements that provide for fixed and variable interest rates. For the period ended 30 June 2020, from the loan portfolio, in the amount of 375,308,056 lei, loans with variable interest rates were in the amount of 312,939,273 lei representing 33.8%. Loans with EURIBOR serving mainly as a basis for calculating the interest rate accounted for 14.2% and loans based on LIBOR as the basis for calculating the interest rate accounted for 19.6% of the portfolio.

Exchange rate fluctuations

The RON / EURO exchange rate has evolved from 4.7793 RON/EURO as at 31 December 2019 to 4.8423 RON/EURO as at 30 June 2020, while the RON / USD exchange rate evolved from 4.2608 RON / USD as at 31 December 2019 to 4.3233 RON / USD as at 30 June 2020. Currency instability and the sharp depreciation of the RON / EURO and RON / USD exchange rates led to exchange rate losses of 10.16 million RON during the first half of 2020.

During the first half of 2020, the Group recorded net unfavorable exchange rate differences of 10.7 million RON, which can be explained as follows:

- The parent company - TMK-Artrom recorded in the individual financial statements during the first half ended 30 June 2020, the following unfavorable exchange rate differences:



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- ✓ 4.8 millions RON representing net unfavorable exchange rate differences for loans in the Company's loan portfolio during this period related to revaluation operations, withdrawals and repayments of loans;
 - ✓ 3.7 millions RON representing net unfavorable exchange rate differences with a negative impact on the Company's profit and loss account, as this contract provides for the payment in interest-free installments, according to IFRS 9, the debt to TMK Europe is presented at fair value and is measured monthly
 - ✓ 1.06 millions RON representing net unfavorable exchange rate differences resulting from the valuation of loans granted by affiliated entities and expressed in a currency other than the functional currency of the Company (loan granted by TMK Europe GmbH in the amount of 17,037,540 USD on 30.06.2020)
 - ✓ other net unfavorable exchange rate differences resulting from the valuation of the Group's receivables and payables denominated in a currency other than the functional currency - RON, in the total amount of 0.64 million RON.
- while its subsidiary, TMK-Resita, recorded net unfavorable exchange rate differences in the total amount of 0.5 million RON;

Financial income and financial cost

The Group registered financial lossess of 8.6 million RON in the half year ended on 30 June 2020 (9.4 million RON in the half year ended on 30 June 2019) the main cause of the decrease of financial losses by approximately 8.6% in the first half of 2020 compared to the first half of 2019 is the considerable decrease of the LIBOR which is the basis for calculating the interest rate within the intragroup loan from TMK ARTROM which led to lower interest paid within the group, but also the decrease of the interests paid for the bank loans, especially as a result of the repayments made according to the due date within the investment loan in the initial amount of 25 million euro contracted from Banca Comerciala Romana.

Income tax (expense)/credit

Income tax/(expenses)/credit decreased by 8.2 million RON to 6 million RON – income in the semester ended on 30 June 2020 from 2.2 million RON – expense in the semester ended on 30 June 2019.

Revenues from the income tax resgistered are due to the deffered tax related to recoverable fiscal losses registered by the company and group, the company registered deffered tax related to excess borrowing costs, representing interest expense and interest related items, considered non-deductible for tax purposes, carried over indefinitely until the deductibility criteria are met.

The Group and the Company calculated deferred income tax generated by different temporary differences calculated for fixed assets and other items.

The Group's effective tax rate decreased from 1.8% in the first semester ended on 30 June 2019 to - 0.1% in in the first semester ended on 30 June 2020, mainly due to the fact that the Group recorded a loss before tax.

Profit (loss) before tax

The Group register a loss before tax, reaching the value of 40.8 million RON in the semester endedon 30 June 2020, compared to the profit before tax of 17.2 million RON in the semester ended on 30 June 2019,



as a result of the decrease in gross profit from sales with 45.7% and the influence of unfavorable exchange rate differences in the evolution of exchange rates.

The Group's net loss for the first half ended 30 June 2020

The Group's net loss in the semester ended on 30 June 2020 was of 34.8 million RON, through comparison with the net profit of 15 million RON in the semester ended on 30 June 2019 representing a decrease by 332.7% due to unfavorable exchange rate differences registered in the semester ended on 30 June 2019 in net amount of 10.7 million RON (increase by 7.9%) as well as the decrease in gross profit from sales by 59 million RON (by 45.7%).

Dividends:

In the first semester 2020 the company TMK ARTROM did not received dividends from its subsidiaries .

In the first half of 2019, the company TMK ARTROM received from its subsidiaries dividends in a total amount of RON 10,141,770, as follows:

- RON 4,701,333 representing USD 1,111,111 gross dividends from the subsidiary TMK INDUSTRIAL SOLUTIONS LLC USA
- RON 5,440,437 representing EUR 1,142,712 gross dividends from the subsidiary TMK ITALIA SRL.

On 5 April 2019 the Ordinary General Meeting of Shareholders approved the distribution of the dividends for year 2018 in total amount of 14,280,000 lei. The gross dividend is of **RON 0.1229229486/share**. The payment of the dividends started on **October 4, 2019 (Payment Date)**, through Depozitarul Central S.A., the Participants to the compensation-settlement and register system (Participants) and BCR Bank as Payment Agent. The corresponding tax on dividends is withheld as per the Romanian Fiscal Code or other specific regulations.

The payment of dividends is made to the Artrom S.A. shareholders registered in the Shareholders Register held by Depozitarul Central S.A. on **September 13, 2019 (the Registration Date)** as approved by Ordinary General Shareholders Meeting's Decision no.1 **dated April 5, 2019**. **September 12, 2019** is the **ex date** as approved by Ordinary General Shareholders Meeting's Decision no.1 dated April 5, 2019.

All costs related to the payment of the dividends to the shareholders, irrespective of the payment method, are borne by the Issuer, except for the costs with the registration of the IBAN code of the bank accounts of the shareholders, which are paid by the shareholders.

The procedure regarding the payment of dividends for year **2018** is attached to report from 10 September 2019 and is posted on the website www.tmk-artrom.eu, under Investor Relations section in Romanian and English language, as well as on the website of Depozitarul Central S.A..

The right to request the payment of the net dividends owed to TMK - Artrom's shareholders is subject to the general statute of limitations of 3 years, starting with October 4, 2019.

After 5 April 2019, the Ordinary General Meeting of Shareholders did not approved distribution of dividends.



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c) cash flow: all the changes made in the cash level within the basic activity, investments and financial activity, the cash level at the beginning and at the end of the period.

Liquidity and capital resources

Overview

The Group's and the Company's liquidity requirements arise primarily from the need to fund its working capital and its capital expenditure programme. During the period under review, the Group and the Company have primarily financed their operations and investments through a combination of free cash flows, medium-term and long-term borrowings from banks and related parties, and leases. The Group and the Company intends to fund future acquisitions and operations through free cash flows and borrowings.

During the six-month period ended at 30 June 2020, the Group's and the Company's main liquidity sources were the cash flows from the Company's and Group's operations and the 11.2 million.

The cash and cash equivalents of the Company as at 30 June 2019 amounted to RON 8.2 million.

The main uses of the Group's capital focused on investing in, and maintaining the Group's real estate and equipment as well as on debt repayment.

Part of cash and deposits from banks are pledged in favor of banks as security for guaranteeing the obligations of the Company under the loan agreements the Company is a party to or are restricted as collateral for the issuance of bank letters of guarantees.

Cash flows analysis of TMK-Artrom Group

The table below summarizes the Group's cash flow for the periods analyzed:

in RON	The 6-month period ended on 30 June 2020	The 6-month period ended on 30 June 2019
	Unaudited	Unaudited
Cash flows from operating activities	105,045,524	26,221,292
Cash flows from investment activities	(57,246,542)	(47,116,243)
Cash flows / (outflows) from financing activities	(47,563,117)	4,520,352
Cash and cash equivalents at the beginning of the period	10,954,770	31,331,361
Cash and cash equivalents at the end of period	11,190,635	14,956,762

Cash flows from financing activities



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Cash flows from the financing activities decreased by 47.6 million RON in the first semester ended on 30 June 2020 and increased by 4.5 million RON in the first semester ended on 30 June 2019.

In the semester ended on 30 June 2020, the cash flow decreased due to the repayments of loans by 1.19 million EUR from the BCR investment credit (facility of 25 million EUR), namely of the decrease of the overdraft from VTB by 6.5 million EUR and from BCR by 1.5 million EUR, decreases registered mainly in June 2020, when were discounted the letter of credit received from customers of about 6.1 million Eur.

Cash flows analisys of the Company-TMK-Artrom

The table below summarizes the cash flow of the Company, for the analyzed periods:

in RON	The 6-month period ended on 30 June 2020 Unaudited	The 6-month period ended on 30 June 2019 Unaudited
Cash flows from operating activities	94,844,699	10,602,343
Cash flows from investment activities	(49,048,467)	(27,565,021)
Cash flows / (outflows) from financing activities	(44,339,106)	7,477,213
Cash and cash equivalents at the beginning of the period	1,457,126	16,925,079
Cash and cash equivalents at the end of period	8,172,789	7,439,615

Cash flows from operating activities

Cash flows from operating activities of the Group and parent company increased in the first semester ended on 30 June 2020 due to the increase in trade payables, the decrease in inventories and the decrease in trade receivables.

Cash flows from investment activities

Cash flows used in the investment activities increased in the first semester ended on 30 June 2020 as a result of the payments made for the acquisition of property, plant, equioment and intangible assets with 10 million lei.

Cash flows used in the investment activities of the parent company TMK-Artrom increased by 21.5 million RON in the first semester ended on 30 June 2020 compared to the same period of the previous year as result of the increase of the payments made for the acquisition of property, plant, equipment and intangible assets by 13 million RON and decrease of the collection from dividends rom subsidiaries by 9.6 million RON.

We mention that in the semester ended on 30 June 2019, net dividends in the amount of 9,606,181 lei were collected from TMK-Italia and TMK IS.



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2. Analysis of the issuer's activity

2.1. Presenting and analysing trends, items, events or uncertainty factors that affect or could affect the issuer's liquidity, as compared to the same period last year.

Elements that may affect incomes from core business are:

Positive:

- increase in sales of heat-treated alloy steel pipes (premium pipes) in Europe due to the permanent shut-down of production at the German manufacturer Eschweiler.
- maintaining quotas on imports into European market for metallurgical products (including pipes) from Non-EU countries such as Turkey, China, Ukraine, India, etc.
- reduction of prices for raw materials and materials (Ex: scrap, graphite electrodes, etc.) compared to previous years, due to lower consumption of steel products.
- selling products in new markets or increasing sales to "exotic" markets (we started selling or increased sales to markets such as Singapore, Australia, Congo, etc., and also attracted new customers).
- in order to increase sales, we assimilated in production new dimensions of pipe and pipes from new alloy steels with heat treatments.

Negative:

- the temporary closure of sales markets, production capacities, the strong impact on consumption and investments generated by COVID-19.
- the reduction of the price per barrel of oil in the last months to average values of 30-40 USD/barrel, with direct effects on the investments in extraction and implicitly the reduction of the consumption of OCTG pipes which led to an increase of competition on the industrial pipes market, greater pressure on the price of pipes.
- 25% duty on imports of steel products into the USA (section 232) which affects our competitiveness on the USA market.
- maintaining protectionist measures in the largest markets (USA, Canada, Europe) can cause disruptions in the traditional chain of trade relations with old and established customers as a rule.
- reducing car sales, an important sector for the consumption of steel pipes.

2.2. Presenting and analysing the effects on the issuer's financial position of all current or anticipated capital expenditures (specifying the purpose and sources of financing of these expenditures) compared to the same period last year.

The Group defines capital expenditures as cash acquisitions of non-current tangible assets, as well as non – current intangible assets.

The Group and the Company define capital expenditures as cash purchases of real estate, plants and equipment, as well as non-current intangible assets.

The Group's consolidated capital expenditures were RON 72.1 million at June 30, 2020 and RON 40.9 million at June 30, 2019.

2.3. Presenting and analysing events, transactions, and economic changes that significantly affect earnings from core business. Specify the extent to which the revenue of each identified item has been affected. Comparison with the corresponding period of previous year.

Revenues from basic activity compared to the corresponding period last year decreased by 22.5%.



Sales were made in the first half of 2020, as follows:

- a) In Romania and the Eastern Europe area, the sales were made directly;
- b) In Northern and Central Europe, direct sales to customers but using as agent TMK-EUROPE in Dusseldorf, Germany, the majority shareholder;
- c) In Southern and Western Europe, direct sales to customers but using as agent TMK-ITALIA in Lecco, Italy;
- d) In America direct sales to customers but using as agent TMK INDUSTRIAL SOLUTIONSS LLC, Houston, USA;

In H1 2020, the activity of attracting orders from the market continued to be more and more difficult, with the amplification of the negative effects generated by COVID-19, which strongly affected the consumption and investments in the extractive field, constructions, car production, etc. As a result of the sharp reduction in investment in the extractive field in America following the collapse of the price of oil, large stocks of OCTG pipes, OCTG pipe manufacturers have reoriented themselves to the pipes for industrial applications market, thus increasing competition in this segment with direct implications for the prices of these products which continued to fall slightly from month to month.

Despite the much better positioning of TMK-Artrom on the market compared to most of its competitors in the pipe segment for industrial applications, in order to attract a constant volume of orders and to ensure the continuous operation of production capacities and to compensate the lower volume of orders in the American market, we also had to offer discounts on the prices offered, taking into account in this action the quantities ordered by customers, the end use, etc.

TMK-Artrom is currently better positioned in the market compared to a large part of its competitors in the seamless pipe sector for industrial applications as a result of the latest investments it has made in recent years and which have allowed and allow it to move further and further away from the market for pipes for common uses which is most affected by the decrease of prices and where the greatest competition for orders is observed. For premium products – skived and roller burnished pipes – pipes for hydraulic cylinders, externally grinded pipes, precision pipes or for heat treated pipes, prices have fallen more easily compared to pipes for regular use where competition is much higher due to the large number of manufacturers.

Even if during this period we notice a negative trend of demand for steel products and implicitly for seamless steel pipes which is mainly the result of the decline in the production sector, low investments generated mainly by COVID-19, stocks higher than normal level, we believe that it will be possible to maintain a good level of orders in the second half of 2020, given that specialists appreciate that the market will recover easily in the coming months and so we expect a slight increase in ordered volumes and automatically the price level.

3. Changes affecting the issuer's capital and management

3.1. Description of cases where the issuer was unable to meet its financial obligations during that period.

The Company was not in the impossibility to fulfil the financial obligations in the first semester 2020.



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3.2. Description of any change in the rights of the holders of securities issued by the issuer.

There were no changes to the rights of the holders of securities issued by TMK-ARTROM. The structure of the share capital on 30.06.2020 is the following:

	%	Number of shares	Subscribed capital value and paid in RON
TMK EUROPE GmbH Dusseldorf Germany	100	116,170,334	291,587,538
Other shareholders individuals and companies	-	-	-
Total	100	116,170,334	291,587,538

Obligations of the company are guaranteed with social heritage, shareholders being liable only up to the subscribed capital.

The shares owned gives shareholders the right to vote and dividends.

Shares are registered, embodied, numbered.

4. Significant transactions

In the case of issuers of shares, information on the major transactions entered into by the issuer with the persons with whom they are acting concertedly or in which those persons were involved during the relevant time period.

The company is part of the PAO TMK group. TMK is one of the largest manufacturers of steel pipes in the world and directly or indirectly controls several production units in Russia, Romania and Kazakhstan and 2 R&D (Research and Development) centers in Russia. Most of TMK's sales are steel pipes for the oil and gas industry (OCTG) and pipes for industrial applications, with high margin, TMK products being delivered in over 80 countries.

TMK delivers its products, together with an extensive package of services, among which we mention heat treatments, pipes covered with corrosion protection systems and for deep depths, premium threaded connections. PAO TMK is a public company registered in the Russian Federation.

TMK shares are listed on the largest stock exchange in Russia - MICEX-TRS. Its GDRs are traded on the London Stock Exchange.

The Company and the TMK-ARTROM Group had relations in the first semester 2020 with the following related or related parties in the TMK Group:

Company	Origin country	Relation
- PAO TMK Russia;	Russia	ultimate parent
- TMK Europe GmbH Koln	Germania	parent (majority shareholder)
- TMK-REȘITA S.A. Reșița	România	affiliated (related) under common control
- TMK Italia s.r.l. Lecco	Italia	affiliated (related) under common control
- RosNITI JSC RUSIA	Rusia	affiliated (related) under common control
- TMK Assets SRL, București	România	affiliated (related) under common control
- TMK Industrial Solutions LLC, Houston	USA	affiliated (related) subsidiary, single control

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- TMK-Inox RUSIA	Rusia	affiliated (related) under common control
- Sinarsky Pipe Plant	Rusia	affiliated (related) under common control
- Prieure Saint Jean de Bebian	France	affiliated under common control

Transactions between affiliated entities that occurred during the first six months of the financial year 2020 were based on bilateral contracts and occurred under normal market conditions.

As to the nature of these transactions, they refer to goods sold and services provided by affiliated entities, such as: raw material - billet, pipes, consulting services, commission services, cost reinvoiced.

List of contracts in force on 30.06.2020 concluded by TMK-Artrom with related companies as Seller / Principal:

Client	No.of contract	Date of contract	Contract expiration date	Value of the contract	Currency	Object of the contract	Term of payment
SINARSKY Pipe Plant	162/130018000282 + Add 3	16.03.2018	31.12.2020	sum of specifications	EUR	pipes sale (re-sale)	100% in advance
TMK Europe	1818+Add 6	07.11.2013	unlimited period		EUR	agent commission	
TMK INDUSTRIAL SOLUTIONS	142	31.03.2020	31.12.2020		USD	agent commission	
TMK Italia	868+Add 12	13.09.2011	30.06.2020		EUR	agent commission	
TMK-REȘIȚA	2919 + Add 39/2020	04.01.2016	30.06.2021	240,000	EUR	pipes sale (Artrom product)	30 days
TMK-REȘIȚA	12+Add 618	01.01.2019	31.12.2020	42,000,000	RON	sale of by-products / metal scrap	30 days
TMK-REȘIȚA	990 + Add 8	30.12.2011	31.12.2020	26,000,000	EUR	sale purchase in commission	30 days
TMK-REȘIȚA	259	03.04.2020	30.04.2020	85,000	EUR	sale of green emission certificates EUA	5 days
Volzhsky Pipe Plant	114	06.03.2019	06.03.2021	400,000	EUR	laminating tubular products from Volzhsky	100% in advance

List of contracts in force on 30.06.2020 concluded by TMK-Artrom with related companies as Buyer:

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The main product groups purchased in the first half of the financial year 2020 by TMK-ARTROM SA from related companies were the following:

- Raw material (billets);
- materials for consumption in the production activity;
- goods - wholesale on commission - buying and selling (recording turnover);
- services.

Supplier	No. of contract	Date of contract	Date of expiration	Value	Currency	Object of the contract
PAO TMK	TA-001/6A+Add AA	16.04.2015	31.12.2020	sum of specifications	EUR	purchase of billets and pipes for resale in Europe
PAO TMK	TA-002/67 + Add AA	10.08.2016	31.12.2021	sum of specifications	USD	purchase of coupling stock for resale in USA
PAO TMK	TA-003/6A + Add AA 16	20.04.2017	20.04.2022	sum of specifications	EUR	purchase of billets for resale in Europe
PAO TMK	TA-005/6A	12.05.2020	11.05.2022	sum of specifications	EUR	purchase of billets and pipes for resale in Europe
ROSNITI	1.21.30-K-120/18	28.06.2018	31.12.2021	96,000	USD	research and development
TMK ASSETS	618	26.09.2018	30.09.2021		EUR	rent contract
TMK EUROPE	1818+Add 6	07.11.2013	unlimited		EUR	agent commission
TMK EUROPE	19-5001ART+ Add 1	27.05.2019	27.05.2020	140,290.00	EUR	purchase of steel bars in grade
TMK EUROPE	19-5004 ART	30.07.2019	31.12.2020	934190 + cost transport	EUR	purchase of mandrel bars and push bars
TMK EUROPE	19-5010 ART	13.02.2020	31.12.2020	314,377	EUR	purchase of steel bars in grade
TMK EUROPE	19-5009 ART	06.03.2020	31.12.2020	79,521	EUR	purchase of three phase asynchronous electric motors
TMK EUROPE	718 + Add 1	21.12.2018	31.12.2024	62,290,000	EUR	acquisition of TMK-Resita's shares
TMK INDUSTRIAL SOLUTIONS LLC	142	31.03.2020	31.12.2020		USD	agent commission
TMK Italia	868+Add 12	13.09.2011	30.06.2020		EUR	agent commission
TMK-REȘIȚA	283/1000 +ADD 5	21.12.2015	31.12.2020	627,662,996	LEI	purchase of row material (billets)

TMK-ARTROM transactions on financing - loans received are described in Section 1.1. a)

Events after the reporting period

On 14.08.2020 it is intended to sign an additional act with our creditor VTB BANK EUROPE from Germany, which will modify the financing costs



Declaration of responsible persons

In accordance with the legal provisions in force of Law no. 24/2017 on Issuers of Financial Instruments and Market Operations and the Financial Supervisory Authority (ASF) Regulation No. 5/2018 on Issuers of Financial Instruments and Market Operations, the management of the Company declares the following:

1. To our knowledge, we confirm that the consolidated financial statements of TMK-ARTROM SA SLATINA together with its subsidiary TMK Industrial Solutions LLC and stand-alone TMK-ARTROM SA SLATINA, prepared in accordance with the applicable accounting standards, provide a correct and consistent picture of the reality of assets, liabilities, financial position, profit and loss account of the Group and the Company for the financial year ended 30.06.2020.

2. The consolidated report of the administrators provides a correct and consistent picture of the reality regarding the development and performance of the group and of the company as well as a description of the main risks and uncertainties specific to the ongoing activity related to the expected development of the group and the Company.

3. The consolidated interim financial statements of the TMK-ARTROM group and the individual consolidated financial statements of TMK-ARTROM SA SLATINA for 30.06.2020 are not audited.

4. The Board of Directors represents and protects the interests of the Company and is responsible for General Administration according the law.

5. The Chief Executive Officer represents and protects the interests of the Company and legally represent the Company in relationship with third parties, acting individually and has full powers to engage, dismiss, determine the remuneration of any employee, establish and amend at any time the Company's organizational chart.

6. The Management Board represents and protects the interests of the Company and is responsible for the Company's management in accordance with the law. The members of the Management Board represent the Company lawfully in relations with third parties acting jointly or separately, in accordance with the provisions of Article 14 of the Articles of Association and / or the mandate given by the CEO to each member of the Management Board

At the date of this report, the Management Board of TMK-ARTROM is composed of seven members, as follows:

Adrian Popescu - President & Chief Executive Officer CEO
 Valeru Mustata - Chief Commercial Officer CCO
 Cristian Drinciu - Chief Operational Officer COO
 Cristiana Vaduva - Chief Economical and Accountancy Officer CEO
 Alexander Pavlov - Chief Procurement Officer CPO
 Evgeny Chernyy - Chief Financial Officer CFO
 Constantin Neacsu - Executive Mill Officer

7. The organization and exercise of the Preventive Financial Control at the TMK-ARTROM Group is entrusted by special mandate by the Chief Executive Officer of the Company to Mrs. Vaduva Cristiana – Chief Economical Accountancy Officer.



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8. Members of the Administration and Management bodies ensure that the individual and consolidated semi-annual financial statements and the report of the Board of Directors have been prepared and published in accordance with national law.

At the date of this report, the Board of Directors of TMK-ARTROM is composed of seven members, as follows:

1. Andrey Zimin - Chairman of the Board of Directors
2. Adrian Popescu - member / Chief Executive Officer
3. Mikhail Albertovich Surif - member
4. Andrey Parkhomchuk - member
5. Olga Nikolaeva - member
6. Florin-Tudor Tat - independent member
7. Vlad Nastase - independent member.

Chief Executive Officer,

Ing. Popescu Adrian

**Chief Economical and Accountancy
Officer,**

Ec. Vaduva Cristiana

12 August 2020



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TMK-ARTROM S.A.

Interim Condensed Consolidated and Separate
Financial Statements-unaudited

30 JUNE 2020

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TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
as of 30 June 2020- unaudited
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

		Consolidated		Separate	
		30.06.2020 Unaudited RON	30.06.2019 Audited RON	30.06.2020 Unaudited RON	30.06.2019 Audited RON
Revenue from contracts with customers		548,177,315	675,381,236	559,487,524	690,036,142
Sales of goods	5	547,393,880	673,107,079	559,305,744	689,616,427
Rendering of services	5	783,435	2,274,157	181,780	419,715
Cost of sales	6	(477,216,342)	(544,633,012)	(497,204,659)	(578,971,335)
Gross profit		70,960,973	130,748,224	62,282,865	111,064,807
Selling and distribution expenses	7	(55,430,067)	(59,829,490)	(57,990,943)	(62,245,277)
Advertising and promotion expenses	8	(29,778)	(247,384)	(29,382)	(241,200)
General and administrative expenses	9	(35,043,802)	(35,979,682)	(21,984,262)	(22,297,934)
Research and development expenses	10	(63,901)	(94,339)	(63,901)	(94,339)
Other operating expenses	11.2	(1,973,007)	(2,121,236)	(1,693,809)	(2,114,904)
Other operating income	11.1	76,647	4,055,271	343,863	1,014,593
Income from operations		(21,502,935)	36,531,364	(19,135,569)	25,085,746
Foreign exchange (loss) / gain, net		(10,720,011)	(9,934,971)	(10,159,114)	(9,057,877)
Finance income	11.4	143,499	105,733	2,608	10,144,891
Finance costs	11.3	(8,754,596)	(9,518,084)	(7,899,298)	(8,501,656)
Profit / (loss) before tax		(40,834,043)	17,184,042	(37,191,373)	17,671,104
Income tax expense/credit	12	5,992,249	(2,213,459)	6,020,722	(1,244,170)
Profit / (loss) of the period		(34,841,794)	14,970,583	(31,170,651)	16,426,934
Adjusted EBITDA		26,046,151	73,237,572	10,202,788	50,800,099
Depreciation and amortisation*		45,678,938	42,248,933	27,704,434	25,964,996
Other comprehensive income - that may be reclassified in profit or loss					
Net movement on cash flow hedges		-	-	-	-
Income tax effect		-	-	-	-
Foreign currency translation		(924,774)	744,795	-	-
Liabilities for investments in subsidiaries					
Actuarial gains / (losses)		-	(11,758)	-	(11,758)
Income tax effect		-	-	-	-
Other comprehensive income (loss) for the year, net of tax		(924,774)	733,037	-	(11,758)
Total comprehensive income for the year, net of tax		(35,766,568)	15,703,620	(31,170,651)	16,415,176
Average number of shares		116,170,334	116,170,334	116,170,334	116,170,334
Earnings per share		(0.30)	0.13	(0.27)	0.14

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
as of 30 June 2020- unaudited
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

		Consolidated		Separate	
	Note	30.06.2020 Unaudited RON	31.12.2019 Audited RON	30.06.2020 Unaudited RON	31.12.2019 Audited RON
ASSETS					
Current assets					
Cash and cash equivalents	21	11,190,635	10,954,770	8,172,789	6,715,663
Trade and other receivables	19	234,966,281	241,741,932	237,661,612	244,188,283
Income tax receivable	19	2,657,305	2,515,907	547,921	547,921
Inventories	18	319,067,474	336,834,067	234,241,566	256,981,572
Prepayments	20	10,072,083	10,577,561	83,527,650	64,461,659
Other current assets	21	1,905,746	1,416,379	1,905,743	1,416,379
		579,859,524	604,040,616	566,057,281	574,311,477
Assets classified as held for sale					
		-	-	-	-
Non-current assets					
Intangible assets	15	1,619,611	2,009,647	1,086,082	1,309,620
Goodwill	15	23,138,025	22,836,991	-	-
Property, plant and equipment	14	1,134,938,846	1,113,252,827	667,744,732	638,849,025
Right of use assets	14	34,601,153	35,782,175	8,739,545	7,779,421
Investment properties	14	-	-	-	-
Investments in subsidiaries	16.1.	-	-	298,566,221	298,566,221
Financial assets	16.1.	3,596,201	7,342,068	3,639,117	7,384,361
Deferred tax asset	12	3,675,530	3,631,931	-	-
Other non-current assets	17	12,881,264	16,490,261	5,791,799	8,643,170
		1,214,450,630	1,201,345,900	985,567,496	962,531,818
Total assets		1,794,310,154	1,805,386,516	1,551,624,777	1,536,843,295
LIABILITIES					
Current liabilities					
Trade and other payables	23	384,847,265	312,763,178	297,325,615	211,371,533
Advances from customers	23	1,410,202	3,950,340	4,776,900	3,587,632
Liabilities for investments in subsidiaries	16.3.	-	-	-	-
Provisions and accruals	25	8,054,114	11,332,681	5,320,354	7,551,091
Interest-bearing loans and borrowings	16.2.	173,458,498	208,591,528	173,458,498	208,591,528
Lease liability	16.2.	10,450,433	9,617,813	2,410,561	1,914,839
Income tax payable	23	18,384	-	-	-
Total current liabilities		578,238,896	546,255,540	483,291,928	433,016,623
Non-current liabilities					
Liabilities for investments in subsidiaries	16.3.	283,412,238	277,306,095	283,412,238	277,306,095
Interest-bearing loans and borrowings	16.2.	201,381,853	206,129,198	201,381,853	206,129,198
Lease liability	16.2.	29,870,154	32,558,702	3,990,216	3,853,028
Deferred tax liability	12	61,744,869	67,790,286	27,185,247	33,205,968
Provisions and accruals	25	780,526	535,855	709,922	487,490
Employee benefits liability	23	5,228,090	5,361,160	2,916,846	2,908,795
Other long-term liabilities	16.2.	2,187,696	2,217,279	167,170	196,089
Total Non-current liabilities		584,605,426	591,898,575	519,763,492	524,086,663
Total liabilities		1,162,844,322	1,138,154,115	1,003,055,420	957,103,286
EQUITY					
Capital and reserves					
Share capital, from which:		291,587,538	291,587,538	291,587,538	291,587,538
- Subscribed and paid share capital		291,587,538	291,587,538	291,587,538	291,587,538
Other items of equity		1,215,530	1,215,530	(376,372)	(376,372)
Legal and other reserves		78,561,674	78,561,674	78,561,674	78,561,674
Retained earnings		292,598,789	316,013,922	209,967,168	217,704,240
Foreign currency translation reserve		2,344,095	3,268,869	-	-
Profit/ (loss) of the year		(34,841,794)	(23,415,132)	(31,170,651)	(7,737,071)
Total equity		631,465,832	667,232,401	548,569,357	579,740,009
Total liabilities and equity		1,794,310,154	1,805,386,516	1,551,624,777	1,536,843,295

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
as of 30 June 2020- unaudited
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Consolidated	Share capital	Legal reserves	Foreign currency translation reserve	Other reserves	Retained earnings	Other elements of equity - from applying IAS 19	Total equity
	RON	RON	RON	RON	RON	RON	RON
For first half ended as at 30 June 2020							
As at 1 January 2020	291,587,538	20,228,568	3,268,869	58,333,107	292,598,789	1,215,530	667,232,401
Profit/ (loss) of the year	-	-	-	-	(34,841,794)	-	(34,841,794)
Other comprehensive income / (loss)	-	-	(924,774)	-	-	-	(924,774)
Total comprehensive income	-	-	(924,774)	-	(34,841,794)	-	(35,766,568)
At 30 June 2020	291,587,538	20,228,568	2,344,095	58,333,107	257,756,995	1,215,530	631,465,833
For first quarter ended as at 30 June 2019 - restated							
As at 1 January 2019	291,587,538	20,228,568	2,258,177	48,674,315	338,597,173	1,203,576	702,549,347
Profit of the period	-	-	-	-	14,970,583	-	14,970,583
Other comprehensive income / (loss)	-	-	744,795	-	-	(11,758)	733,037
Total comprehensive income	-	-	744,795	-	14,970,583	(11,758)	15,703,620
TMK-Italia's shares bought according to "pooling of interests" method	-	-	-	-	(8,303,252)	-	(8,303,252)
Dividends distribution from 2018 profit	-	-	-	-	(14,280,000)	-	(14,280,000)
At 30 June 2019	291,587,538	20,228,568	3,002,972	48,674,315	330,984,504	1,191,818	695,669,715

Separate	Share capital	Legal reserves	Other reserves	Retained earnings	Other elements of equity - from applying IAS 19	Total equity
	RON	RON	RON	RON	RON	RON
For first half ended as at 30 June 2020						
As at 1 January 2020	291,587,538	20,228,568	58,333,107	209,967,168	(376,372)	579,740,009
Profit of the period	-	-	-	(31,170,652)	-	(31,170,652)
Total comprehensive income	-	-	-	(31,170,652)	-	(31,170,652)
At 30 June 2020	291,587,538	20,228,568	58,333,107	178,796,516	(376,372)	548,569,357
For first half ended as at 30 June 2019						
As at 1 January 2019	291,587,538	20,228,568	48,674,315	231,984,239	(487,865)	591,986,795
Profit of the period	-	-	-	16,426,934	-	16,426,934
Other comprehensive income / (loss)	-	-	-	-	(11,758)	(11,758)
Total comprehensive income	-	-	-	16,426,934	(11,758)	16,415,176
Dividends distribution from 2018 profit	-	-	-	(14,280,000)	-	(14,280,000)
At 30 June 2019	291,587,538	20,228,568	48,674,315	234,131,173	(499,623)	594,121,971

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS
as of 30 June 2020- unaudited
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Indirect method	Note	Consolidated		Separate	
		1 January - 30 June 2020 Unaudited RON	1 January - 30 June 2019 Unaudited RON	1 January - 30 June 2020 Unaudited RON	1 January - 30 June 2019 Unaudited RON
CASH FLOWS FROM OPERATING ACTIVITIES		-	-	-	-
Profit / (Loss) before tax		(40,834,043)	17,184,042	(37,191,373)	17,671,104
Plus / minus adjustments for:					
Depreciation and amortisation	14, 15	45,678,935	42,248,933	27,704,433	25,964,996
Increase / (reversal) of provisions	25	(3,033,896)	(3,704,684)	(2,008,305)	(2,996,235)
Increase / (reversal) of allowances for current assets	18, 19	847,225	(560,357)	786,860	(464,737)
Exchange rate differences for financing activities		10,000,960	8,220,839	9,607,860	7,636,668
Variation of retirement benefits		326,552	354,631	160,671	167,486
Result from disposal of non-current assets	11	176,967	(3,974,280)	171,808	361,695
Interest and related expenses	11	7,700,334	8,974,436	7,043,795	8,017,600
Dividends income		-	-	-	(10,141,771)
Exchange rate differences for cash and cash equivalents		(1,274,034)	348,773	-	-
Plus / minus adjustments for changes in working capital related to operating activities:			-		-
Decrease / (increase) in inventories	18	17,595,212	(18,530,535)	22,490,074	(26,347,384)
Decrease / (increase) in trade and other receivables and prepayments	19, 20, 21, 16.1	9,739,591	(31,984,179)	(9,820,368)	(28,505,725)
(Decrease) / increase in payables (except banks)	23, 16.2	66,147,358	14,509,941	83,078,090	24,983,605
less:			-		-
Interest paid		(7,976,275)	(6,804,325)	(7,178,846)	(5,744,959)
Income tax paid		(49,362)	(61,943)	-	-
Dividends tax paid		-	-	-	-
Total inflows / (outflows) from operating activities (a)		105,045,524	26,221,292	94,844,699	10,602,343
CASH FLOWS FROM INVESTING ACTIVITIES					
Amount received from disposal of non-current assets		1,102,770	9,882,733	1,028,269	-
Purchase of tangible and intangible assets	14, 15	(58,492,811)	(57,104,709)	(50,079,344)	(37,174,321)
Purchase of investment properties		-	-	-	-
Repayment of given loans		-	-	-	-
Dividends received		-	-	-	9,606,180
Interest received	11	143,499	105,733	2,608	3,121
Payments of liabilities for investments in subsidiaries		-	-	-	-
Total inflows / (outflows) from investing activities (b)		(57,246,542)	(47,116,243)	(49,048,467)	(27,565,021)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from capital increase		-	-	-	-
Paid dividends		-	-	-	-
Loans received		-	92,174,713	-	92,174,713
Repayment of loans		(43,168,689)	(83,823,982)	(43,168,689)	(83,823,900)
Repayment of leases		(4,394,428)	(3,830,379)	(1,170,417)	(873,600)
Total inflows / (outflows) from financing activities (c)		(47,563,117)	4,520,352	(44,339,106)	7,477,213
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)		235,865	(16,374,599)	1,457,126	(9,485,464)
Cash and cash equivalents at beginning of period	21	10,954,770	31,331,361	6,715,663	16,925,079
Cash and cash equivalents at end of period	21	11,190,635	14,956,762	8,172,789	7,439,615

1. ORGANISATION AND NATURE OF BUSINESS

1.1. CORPORATE AND GROUP INFORMATION

TMK-ARTROM SA (the "Company" or the "consolidating parent Company") is a joint-stock company which 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, NACE 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 85% of the plant's pipes production from total turnover of sales of pipes is intended for sales outside of Romania, mainly within other EU countries, USA, and Canada.

TMK-Artrom and its subsidiaries constitute 'TMK-Artrom Group' or 'the Group' and comprise the following companies:

- **TMK-Artrom S.A.** – status at 30 June 2020: Active;
- **TMK Industrial Solutions LLC** – status at 30 June 2020: Active;
- **TMK-Reșița S.A.** – status at 30 June 2020: Active;
 - ✓ **TMK Assets S.R.L.** – status at 30 June 2020: Active;
- **TMK Italia** - status at 30 June 2020: Active.

In 2016, TMK-Artrom Slatina Board of Directors decided the approval of set-up of a trade entity in USA, named TMK Industrial Solutions LLC, having TMK-Artrom as sole partner. TMK Industrial Solutions LLC operates as trade agent for promotion and sale of industrial pipes made by TMK companies for american market.

On 21 December 2018, the Extraordinary General Meeting of the Shareholders of TMK-Artrom, approved the purchase of the shares owned by TMK Europe GmbH in TMK-Resita SA (decision no 1 of the EGSM). TMK-Reșița is a specialized company in the production of billets for seamless pipes, continuously cast from carbon steel, low alloy and alloy. The main activity of the company is "Production of ferrous metals in primary forms and ferrous alloys" NACE code 2710. TMK Assets SRL is the subsidiary of TMK-Reșița. TMK-Reșița had also as subsidiaries Land Properties Investments S.R.L. - liquidated in 2017 and TMK Real Estate - liquidated in 2016. TMK-Reșița and TMK-Artrom were, at acquisition date under the control of the same parent.

On 28 November 2018 Board of Directors of TMK-Artrom, decided to approve the acquisition by TMK-Artrom of all shares held by TMK Global SA as sole shareholder in TMK Italia SRL. The price for the acquisition of 50,000 shares, with a nominal value of 1 EUR each, totalling 50,000 EUR, representing 100% of the share capital of TMK Italia, is of 1,730,800 EUR, with a value of 34.61 EUR each share, value determined through the Evaluation Report issued by Darian DRS SA as at 27 November 2018; the price was paid by TMK-Artrom from its own financial resources within 90 days from the date of the signing by TMK Global SA and TMK-Artrom of the sale-purchase contract of the shares. The corresponding contract for this transaction was not signed until 31 December 2018.

The transaction was finalized on 5 February 2019 at the price approved by the Board of Directors.

1.1. CORPORATE AND GROUP INFORMATION (continued)

TMK-Artrom, TMK Industrial Solutions, TMK-Reșița and TMK Italia are part of TMK Group. The parent company of TMK Group is PAO 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.

The unaudited interim condensed consolidated financial statements of TMK-Artrom Group and separate financial statements of the Company for the six-month period ended June 30, 2020 have been prepared in accordance with IAS 34 *Interim financial reporting* as adopted by the European Union and are authorised for issue in accordance with the resolution of the Administrators dated August 12, 2020.

The Group reorganisation by acquisition of TMK-Reșița by TMK-Artrom from the common parent TMK Europe GmbH on December 21, 2018 and the acquisition of TMK Italia from TMK Global on February 5, 2019 was deemed to be a business combination under common control, by precise a business combination in which all of the combining entities or businesses are ultimately controlled by the same party, the common parent PAO TMK, both before and after the business combination.

Since such transaction are outside the scope of any IFRS, management of the Group has considered the requirements of IAS 8 Accounting Policies, Change in accounting estimates and Errors and elected to apply the pooling of interest method in the preparation of these consolidated financial statement as being the most relevant and reliable under the circumstances.

The application of the pooling of interests method generally involves the following:

- The assets and liabilities of the combining entities were reflected at their carrying amounts; the only adjustments made to align the accounting policies;
- No adjustments were made to reflect fair values, or recognize any new assets and liabilities;
- No "new" result from acquisition was recognized as a result of the consolidation; the only result from acquisition that was recognized was the existing one related to the acquisition of TMK-Reșița by TMK Europe in 2004 and the acquisition of TMK Italia by TMK Global in 2003;
- The income statement reflects the results of the combining entities for the full year, irrespective of when the date of the legal merger was;
- Comparatives are presented as if the entities have always been combined, since the date of the acquisition of TMK-Reșița and TMK Italia by the PAO TMK Group.

1.1 CORPORATE AND GROUP INFORMATION (continued)

1.2. PRESENTATION OF THE GROUP

Company name	Parent company/ Shareholder	Shareholding (%)
TMK-Artrom S.A.	TMK Europe GmbH	100*
TMK Industrial Solutions LLC	TMK-Artrom S.A.	100
TMK Reșița S.A.	TMK-Artrom S.A.	99.99237
TMK Reșița S.A.	TMK Italia S.r.l	0.00763
TMK Assets S.R.L.	TMK Reșița S.A.	100
TMK Italia S.r.l	TMK-Artrom S.A.	100

* According to the Register of shareholders from the CENTRAL DEPOSITARY, TMK-EUROPE owns 100% of the shares of TMK-ARTROM but the payment process of the minority shareholders has not been completed and the ASF approval for delisting from BVB has not been obtained.

TMK-Artrom S.A. ("the parent company"), founded in 1982, is a privately owned company whose major shareholder TMK Europe GmbH gained control in 2002.

TMK-Artrom is a listed company. The regulated market on which the issued securities are traded is the Bucharest Stock Exchange - Regulated Market - STANDARD category - ART market symbol.

Subsidiaries of TMK-Artrom:

TMK Industrial Solutions LLC, is a limited liability company, seated in Houston, 10713 West Sam Houston Pkwy North, Suite 680, Texas, USA. It was registered on 26 April 2016 and operates according to US laws, Delaware. The subsidiary has TMK-ARTROM as sole-shareholder.

The financial investment of TMK-Artrom in the subsidiary is of USD 1,000 (exchange rate 4.0271 RON/USD). The Company presents the investment in TMK Industrial Solutions LLC at acquisition cost.

TMK Industrial Solutions LLC operates 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.

TMK-REȘIȚA S.A. (TMK-Reșița) is a "closed" joint stock company which operates according to Romanian laws, specialized in the production of billets for seamless pipes, continuously cast from carbon steel, low alloy and alloy. The main activity of the company is "Production of ferrous metals in primary forms and ferrous alloys" NACE code 2710. The registered and administrative office of TMK-Resita is in Romania, Caras-Severin county, Resita city, Traian Lalescu street, no.36. TMK-Reșița was acquired by TMK-Artrom on 21 December 2018.

1.2. PRESENTATION OF THE GROUP (continued)

TMK-RESITA's subsidiaries:

- **TMK ASSETS S.R.L.** is a limited liability company which has as main activity "*Rental and sublease of own or rented real estate*", NACE code 6820. It was founded in year 2006 and has the headquarters in Bucharest, District 1, Daniel Danielopolu street, no. 2, room 2. The subsidiary is a company which operates according to Romanian laws. TMK-Resita owns 100% of TMK Assets's share capital. TMK Assets was acquired by the TMK Group in 2012.

TMK Italia s.r.l. is a limited liability company, seated in Lecco, Piazza Degli Affari, no. 12, Italy. The subsidiary was founded in 2000 and operates according to Italian laws.

TMK Italia owns 0.00763% from TMK-Reșița's shares.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The unaudited interim condensed consolidated and separate financial statements of TMK-Artrom Group and the Company ("Condensed financial statements") have been prepared in accordance with IAS 34 Interim financial reporting as adopted by the European Union. The accounting policies are in accordance with the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU). 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.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2019.

These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2019.

Going concern

The financial statements of the Group and the Company are prepared on a going concern basis, which assumes the Group will be able to realize its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Functional and presentation currency

In order to prepare these financial statements in accordance with the laws of Romania, the functional currency of TMK-Artrom and TMK-Resita's is considered Romanian Leu (RON).

Functional currency of TMK Industrial Solutions is American Dollar (USD) and functional currency of TMK Italia is European Currency (EUR). The elements of the subsidiaries, TMK Industrial Solutions and TMK Italia, included in the financial statements are assessed using USD and EUR as functional currency and translated to Group's presentation currency namely RON.

Exchange rate for 1 unit of foreign currency:

	<u>30 June 2020</u>	<u>31 December 2019</u>	<u>30 June 2019</u>
1 EUR	4,8423	4,7793	4,7351
1 USD	4,3233	4,2608	4,1587

Average exchange rate for 1 unit of foreign currency:

	<u>30 June 2020</u>	<u>31 December 2019</u>	<u>30 June 2019</u>
1 EUR	4,8163	4,7452	4,7414
1 USD	4,3728	4,2379	4,1955

2.2. BASIS FOR CONSOLIDATION AND ASSUMPTIONS EMPLOYED BY THE GROUP

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

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

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

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

2.2. BASIS FOR CONSOLIDATION AND ASSUMPTIONS EMPLOYED BY THE GROUP (continued)

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at June 30, 2020.

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

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

The acquisition of the shares issued by TMK-Reșița occurred on 21 December 2018 but, respectively of TMK Italia on 5th of February 2019, by applying the pooling of interests' method, the Group's Consolidated Financial Statements, including the comparatives for 2017 and 2018, reflect the acquisition of the subsidiaries by TMK-Artrom as though such acquisition had acquired them at the same date as they had been acquired by its predecessor – the TMK group (at the level of the consolidated financial statements of PAO TMK). Thus, the Group restates the periods prior to the combination in order to reflect that no change occurred with respect to the ultimate control.

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

The pooling of interests method for business combinations under common control, requires the financial statements of the combining entities to be combined as if they had been always combined. The Consolidated Financial Statements were prepared according to usual consolidation procedures to reflect the combined results of the Group corresponding to all items of assets, liabilities, income, expenses.

All intragroup balances, transactions and unrealized gains on transactions between Group companies are eliminated.

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

The Group finalized the transaction regarding the acquisition of TMK Italia's all shares in 5 february 2019 and due to the pooling of interest method it restated the comparatives of the consolidated financial statements for the years ended 31 december 2018 and 2017.

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted by the Group in the preparation of these condensed financial statements are consistent with those used in the preparation of the annual financial statements of the Group and the Company for the year ended December 31, 2019, except for the adoption of new standards in force as of January 1, 2020.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- ***The Conceptual Framework for Financial Reporting (revised)***

In March 2018, the IASB issued a revised version of the Conceptual Framework for Financial Reporting. The Conceptual Framework for Financial Reporting is not a standard, and none of the concepts override those in any standard or any requirements in a standard. It includes a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The revision includes some new concepts, provides updated definitions and criteria and clarifies some important concepts.

The changes to the Conceptual Framework did not have a significant impact on the financial position or performance of the Group and Society.

- ***IFRS 3 Business Combinations (amendments) – Definition of a Business***

These amendments revise the definition of a business. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group and the Society were not affected by these amendments on the date of transition.

- ***IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting***

Estimates and Errors (amendments) – Definition of Material The amendments clarify the definition of material and make IFRSs more consistent by: i) using a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarifying the explanation of the definition of material; and iii) incorporating some of the guidance in IAS 1 about immaterial information.

The amendments did not have a significant impact on the Group's and the Society's financial position or performance.

- ***IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (amendments) – Interest Rate Benchmark Reform***

These amendments provide certain reliefs in connection with interest rate benchmark IBOR reform. IBOR reform assumes the replacement of benchmark interest rates such as LIBOR and other interbank offered rates (IBORs). The IASB has a two-phase project to consider what, if any, reliefs to give from the effects of IBOR reform. Phase 1, which considers reliefs to hedge accounting in the period before the reform, has led to these amendments. Phase 2 of the IASB's project will address issues that arise once the existing interest rate is replaced with an alternative interest rate. The Phase 1 amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

The amendments did not have any impact on the Group's and the Society's financial position or performance.

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

- **IAS 16 Property, Plant and Equipment (Amendments)**

Prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted.

The amendments did not have any impact on the Group's and the Society's financial position or performance.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

The amendment has not yet been endorsed by the EU.

The amendments did not have any impact on the Group's and the Society's financial position or performance.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and 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.

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

➤ 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.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Impairment of Goodwill

Tests for impairment of goodwill are made at least annually. The recoverable amount of cash-generating unit to which goodwill allocated is determined based on the value in use calculations. These calculations require the use of estimates. Revisions to the estimates may significantly affect the recoverable amount of the cash-generating unit.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill was allocated to each of the PAO TMK group's cash-generating units expected to benefit from the synergies of the combination. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4. SEGMENT INFORMATION

The Board of directors 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.

The pipes segment is located in Slatina. The billets segment is located in Resita. The pipes segment uses billets to produce seamless steel pipes, hot rolled and cold drawn.

Segment revenues and expenses are directly attributable to the segments; common expenses are allocated to the segments on a reasonable basis. The income, expenses and results per segments include the transfers between operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segment assets include all operating assets used by a segment and consist principally of property, plant and equipment, operating cash, receivables, inventories and intangible assets, net of allowances for impairment. The carrying amount of the assets is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of trade payables, wages and taxes payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes, borrowings, financial liabilities and other un-allocatable items.

Group's revenues and results for the six-month period ended June 30, 2020 by segment were as follows:

	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
30 June 2020 - Unaudited					
Sales to external customers	412,546,745	-	135,630,570	-	548,177,315
Inter-segment sales	369,416	240,473,601	-	(240,843,017)	-
Total sales	412,916,161	240,473,601	135,630,570	(240,843,017)	548,177,315
Segments result (gross profit)	57,507,668	-	13,453,308	-	70,960,976
Other operating expenses, net					(92,463,908)
Interest and other finance costs, net					(8,611,097)
Net foreign exchange gains / (losses)					(10,720,011)
Result before income tax					(40,834,040)
30 June 2019 - Unaudited					
Sales to external customers	532,499,752	4,103,803	138,777,681	-	675,381,236
Inter-segment sales	196,333	330,293,478	-	(330,489,811)	-
Total sales	532,696,085	334,397,281	138,777,681	(330,489,811)	675,381,236
Segments result (gross profit)	121,562,080	262,143	8,924,001	-	130,748,224
Other operating expenses, net					(94,216,860)
Interest and other finance costs, net					(9,412,351)
Net foreign exchange gains / (losses)					(9,934,971)
Result before income tax					17,184,042

4. SEGMENT INFORMATION (continued)

Group's segment assets and liabilities for the six-month period ended June 30, 2020 were as follows:

	Pipes	Billets	Other	Total
	RON	RON	RON	RON
30 June 2020 - Unaudited				
Total assets	1,090,015,830	561,109,973	143,184,351	1,794,310,154
Total liabilities	89,404,950	87,119,863	986,319,509	1,162,844,322
Capital expenditure	56,985,830	13,031,698	-	70,017,528
Depreciation expenses	(28,007,214)	(17,529,918)	(308,619)	(45,845,751)
31 December 2019 - Audited				
Total assets	1,110,492,894	565,801,076	129,092,546	1,805,386,516
Total liabilities	104,604,256	101,018,162	932,531,697	1,138,154,115
Capital expenditure	75,500,574	25,679,127	6,834	101,186,535
Impairment of property, plant and equipment	-	-	-	-
Depreciation expenses	(52,040,703)	(27,558,729)	(381,561)	(79,980,993)

Geographical information

Consolidated

Revenue	Romania	Europe	North and South America	Other countries	Total
	RON	RON	RON	RON	RON
30 June 2020 - Unaudited	151,544,419	309,851,753	84,475,214	2,305,929	548,177,315
30 June 2019 - Unaudited	201,189,480	385,443,305	84,656,765	4,091,686	675,381,236

Separate

Revenue	Romania	Europe	North and South America	Other countries	Total
	RON	RON	RON	RON	RON
30 June 2020 - Unaudited	164,754,626	309,752,127	82,674,841	2,305,931	559,487,524
30 June 2019 - Unaudited	220,827,698	385,123,440	83,264,021	820,983	690,036,142

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	30 June 2020 Unaudited RON	Consolidated %	30 June 2019 Unaudited RON	%
Domestic sales	151,544,418	27.65	201,189,481	29.79
Sales abroad	396,632,897	72.35	474,191,755	70.21
Total	548,177,315	100	675,381,236	100

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

	Consolidated 30 June 2020 Unaudited RON	30 June 2019 Unaudited RON
Sales of pipes produced by TMK-Artrom from which:		
Domestic	55,619,704	77,616,982
Europe*	295,994,595	377,011,292
North and South America**	58,626,518	77,050,495
Other areas	2,305,928.51	820,983
Total sales of TMK-Artrom pipes	412,546,745	532,499,752
Sales of other goods and services from which:		
Sales of other goods on domestic market	95,178,131	122,790,592
Sales of other goods on external market	39,669,002	17,816,733
Rendering of services on domestic market	746,585	781,906
Rendering of services on external market	36,851	1,492,253
Total sales of other goods and services	135,630,569	142,881,484
Total revenue from contracts with customers	548,177,315	675,381,236

* Sales areas in Turkey are allocated to the European market

** Sales areas in Canada, Brazil, USA and Mexico are allocated to the Americas market

*** Sales areas as volumes in the Middle East and North Africa are allocated to the market of other areas

The Group's total consolidated revenues decreased by 18.08% for the six-month period ended June 30, 2020 compared to the six-month period ended June 30, 2019 as a result of revenue decrease from contracts with customers from sold production by 22.05% (a decrease by RON 120 million), as well as the decrease of TMK-REȘITA sales of blums and billets to third parties (by 100% or RON 4 million) and the decrease of other sales (by 2.3% or RON 3 million) from which the sales of metallurgical products from companies within the TMK group decreased by 1.9%, respectively RON 2.6 million.

	30 June 2020 Unaudited RON	%	Separate 30 June 2019 Unaudited RON	%
Domestic sales	164,754,626	29.45	220,827,698	32.00
Sales abroad	394,732,899	70.55	469,208,444	68.00
Total	559,487,524	100	690,036,142	100

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

	30 June 2020 Unaudited RON	Separate 30 June 2019 Unaudited RON
Sales of pipes produced by TMK-Artrom from which:		
Domestic	55,989,120	77,813,315
Europe*	295,914,106	377,011,292
North and South America**	56,826,145	76,909,060
Other areas***	2,305,931	820,983
Total sales of TMK-Artrom pipes	411,035,301	532,554,650
Sales of other goods and services from which:		
Sales of other goods on domestic market	108,644,788	142,859,422
Sales of other goods on external market	39,625,655	14,202,354
Rendering of services on domestic market	120,718	154,961
Rendering of services on external market	61,062	264,755
Total sales of other goods and services	148,452,223	157,481,492
Total revenue from contracts with customers	559,487,524	690,036,142

* Sales areas in Turkey are allocated to the European market

** Sales areas in Canada, Brazil, USA and Mexico are allocated to the Americas market

*** Sales areas as volumes in the Middle East and North Africa are allocated to the market of other areas

Total separate revenues from TMK-Artrom's contracts with customers decreased by 18.9% in the six-month period ended June 30, 2020 as compared to the six-month period ended June 30, 2019 as a result of the revenue decrease from contracts with customers by 22.8 % for TMK-Artrom's sold production(a decrease by RON 121.5 million), but also due to the increase of sales of other goods and services (by 5.7 % or RON 9 million) out of which the sales of metallurgical goods from third parties outside TMK-Artrom group decreased by 1.9%, respectively RON 2.6 million.

The revenues obtained by TMK-Artrom from its own sold production decreased as a result of decrease in the volume of orders due to the low demand for industrial pipes but also as a result of the modernization works carried out during the first quarter of 2020 in the Work-Shop 1 Assel, from 99,464 tonnes recorded for the six-month period ended June 30, 2019 to 84,294 tonnes recorded for the six-month period ended June 30, 2020, but also to a decrease in the average selling price by 8.8%, due to a decreased evolution of demand on the steel pipes market as compared to the previous year.

TMK-Artrom's individual sales of goods (pipes, billets and other steel products) purchased from companies within the TMK group decreased by 1.9% for the six-month period ended June 30, 2020 as compared to the same period of the previous year, mainly due to the quantitative decrease in metallurgical products. (billets, blooms, pipes) purchased from companies within the TMK group. Sales of merchandise on internal market and for export destination decreased to 52,428 tonnes for the six-month period ended June 30, 2020 as compared to 54,425 tonnes recorded for the six-month period ended June 30, 2019.

TMK-Artrom sells on European market and on American market metallurgical products (billets, blooms, pipes) purchased from PAO TMK Group companies. Resold products are outside the dimensional range or type of the products made by TMK-Artrom and TMK-Resita.

6. COST OF SALES

Cost of sales for the six-month period ended June 30, 2020 comprise the following:

	Consolidated		Separate	
	30 June 2020 Unaudited	30 June 2019 Unaudited	30 June 2020 Unaudited	30 June 2019 Unaudited
	RON	RON	RON	RON
Raw materials	124,845,188	180,557,268	255,638,289	331,472,406
Staff cost (note 11.5) CS	61,514,565	59,990,808	43,199,394	41,461,412
Consumables CS	59,262,363	76,693,986	28,247,587	28,595,336
Energy and utilities CS	57,065,462	71,063,544	24,978,468	34,386,140
Depreciation and amortisation CS	42,526,342	39,586,398	26,033,169	24,636,021
Other compensations for employees CS	5,773,781	6,497,880	4,385,530	4,527,619
Social security expenses (note 11.5) CS	3,710,328	3,728,027	1,695,479	1,670,386
Professional fees and services CS	3,831,563	4,312,732	1,176,543	1,667,558
Freight CS	849,011	1,263,792	849,011	1,263,792
Taxes CS	2,148,936	2,155,183	1,408,378	1,360,531
Repairs and maintenance CS	2,443,298	3,426,964	1,521,761	2,225,561
Insurance CS	1,459,935	1,371,157	863,502	847,848
Rent CS	288,490	297,388	81,703	93,209
Travel CS	218,269	344,262	171,828	257,809
Communications CS	54,953	51,331	39,273	37,876
Other expenses CS	1,791	3,200	1,788	3,201
Total production cost	365,994,275	451,343,920	390,291,703	474,506,705
Change in own finished goods and work in progress	8,917,658	(21,767,321)	4,301,795	(10,537,775)
Cost of sales of externally purchased goods	119,488,957	127,416,681	119,372,733	127,116,566
Capitalized production costs	(17,369,089)	(11,819,736)	(17,011,504)	(11,580,857)
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	171,380	(541,595)	249,932	(533,304)
Write-off materials	13,161	1,063	-	-
Cost of sales	477,216,342	544,633,012	497,204,659	578,971,335

7. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the six-month period ended June 30, 2020 comprise the following:

	Consolidated		Separate	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RON	RON	RON	RON
Freight SE	25,762,317	29,580,539	25,743,922	29,227,476
Professional fees and services SE	4,935,537	7,423,960	12,437,176	16,445,177
Taxes and import duties SE	13,646,958	10,920,905	13,644,444	10,850,902
Staff cost (note 11.5) SE	5,375,923	5,689,651	2,824,760	2,701,408
Consumables SE	1,809,868	2,205,779	953,292	1,077,676
Insurance SE	1,003,654	1,080,276	941,949	1,004,321
Utilities and maintenance SE	115,077	111,638	104,897	96,420
Other compensations for employees SE	680,454	943,944	380,699	343,824
Travel SE	55,740	179,108	10,829	31,343
Depreciation and amortisation SE	489,789	380,764	236,546	193,751
Social security expenses (note 11.5) SE	833,537	946,651	115,947	112,992
Communications SE	83,092	95,668	48,688	49,775
Other expenses SE	86,853	209,608	9,605	39,752
Rent SE	54,438	280,846	1,260	1,485
Bad debt expense (note 19) SE	496,830	(219,847)	536,929	68,975
Selling and distribution expenses	55,430,067	59,829,490	57,990,943	62,245,277

7. SELLING AND DISTRIBUTION EXPENSES (continued)

Selling and distribution expenses for the six-month period ended June 30, 2020 decreased by 7% due to the decrease in sales volume.

The increase of commercial expenses is due to the increase in the value of sales of goods for which import duties were paid in the USA. These have been applied since May 2018 for Russian products and June 2018 for EU countries. Tax increases have been recovered from the rise of the prices to US customers.

8. PROMOTION AND ADVERTISING EXPENSES

Promotion and advertising expenses for the for the six-month period ended June 30, 2020 comprise the following:

	Consolidated		Separate	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Unaudited	Unaudited	Unaudited	Unaudited
	RON	RON	RON	RON
Marketing expenses	29,778	246,173	29,382	239,989
Media expenses	-	1,211	-	1,211
Promotion and advertising expenses	29,778	247,384	29,382	241,200

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the six-month period ended June 30, 2020 comprise the following:

	Consolidated		Separate	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Unaudited	Unaudited	Unaudited	Unaudited
	RON	RON	RON	RON
Staff cost (note 11.5) GA	16,184,902	15,955,606	10,779,747	10,274,901
Professional fees and services GA	9,034,271	9,299,716	4,456,017	4,535,533
Other compensations for employees GA	2,388,281	2,696,299	2,030,426	2,162,743
Rent GA	67,650	550,054	100,289	767,954
Taxes GA	1,454,770	1,380,222	1,016,234	937,766
Depreciation and amortisation GA	2,478,878	2,096,310	1,434,719	1,135,224
Communications GA	534,491	532,810	448,954	443,136
Consumables GA	866,792	760,438	634,385	421,450
Utilities and maintenance GA	729,238	1,124,737	487,956	878,796
Travel GA	221,695	391,476	196,204	317,858
Social security expenses (note 11.5) GA	924,054	928,883	306,531	293,214
Other expenses GA	68,171	148,122	53,285	98,671
Freight GA	-	-	-	-
Insurance GA	90,609	115,009	39,515	30,688
General and administrative expenses	35,043,802	35,979,682	21,984,262	22,297,934

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the six-month period ended June 30, 2020 comprise the following:

	Consolidated		Separate	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Unaudited	Unaudited	Unaudited	Unaudited
	RON	RON	RON	RON
Professional fees and services	-	36,242	-	36,242
Staff cost (note 11.5)	58,155	53,053	58,155	53,053
Other compensations for employees	3,877	3,309	3,877	3,309
Social security expenses (note 11.5)	1,869	1,735	1,869	1,735
Research and development expenses	63,901	94,339	63,901	94,339

11. OTHER INCOME/EXPENSES AND ADJUSTMENTS

11.1 Other operating income

Other operating income for the six-month period ended June 30, 2020 comprise the following:

	Consolidated		Separate	
	30 June 2020 Unaudited RON	30 June 2019 Unaudited RON	30 June 2020 Unaudited RON	30 June 2019 Unaudited RON
Gains on sales of property, plant and equipment	-	3,974,280	-	-
Income from sale of emission certificates	-	-	267,448	951,574
Investment subsidies	14,118	24,490	14,118	24,490
Rent income	-	-	8,685	8,553
Damages, trial expenses	54,990	29,976	53,612	29,976
Other income	3	26,525	-	-
Materials free of charge	7,536	-	-	-
Total	76,647	4,055,271	343,863	1,014,593

11.2 Other operating expenses

Other operating expenses for the six-month period ended June 30, 2020 comprise the following:

	Consolidated		Separate	
	30 June 2020 Unaudited RON	30 June 2019 Unaudited RON	30 June 2020 Unaudited RON	30 June 2019 Unaudited RON
Social actions expenses	1,291,500	1,262,058	1,291,500	1,262,058
Loss on disposal of property, plant and equipment	236,934	-	171,808	361,695
Sponsorship and charitable donations	13,500	393,101	68,967	354,128
Staff costs - medical dispensary	251,968	228,661	96,903	68,382
Professional fees and services	61,363	60,056	61,363	60,056
Rent expense	28,685	50,464	-	-
Other expenses	68,195	81,849	309	1,568
Social security costs - medical dispensary	10,518	9,665	2,389	1,810
Penalties - legal entities	279	6,345	279	5,207
Fines and penalties	1,477	11,566	291	-
Other compensations for employees - medical dispensary	8,588	17,471	-	-
Total	1,973,007	2,121,236	1,693,809	2,114,904

11.3 Financial costs

Financial costs for the six-month period ended June 30, 2020 comprise the following:

	Consolidated		Separate	
	30 June 2020 Unaudited RON	30 June 2019 Unaudited RON	30 June 2020 Unaudited RON	30 June 2019 Unaudited RON
Interest on short-term loans and borrowings (note 16.2)	1,820,537	1,745,736	1,820,537	1,745,736
Interest on long-term loans and borrowings (note 16.2)	2,673,293	3,720,135	2,673,293	3,720,135
Interest on amounts owed to entities in the group (nota 16.5)	2,447,961	2,468,588	2,447,961	2,468,588
Amortisation of issuance fee	354,663	250,598	354,663	282,337
Other financial expenses	556,102	187,317	498,233	198,598
Interest on leasing	902,040	1,145,710	104,611	86,262
Total	8,754,596	9,518,084	7,899,298	8,501,656

11. OTHER INCOME/EXPENSES AND ADJUSTMENTS (continued)

11.4 Financial income

Financial income for the six-month period ended June 30,2020 comprise the following:

	Consolidated		Separate	
	30 June 2020 Unaudited RON	30 June 2019 Unaudited RON	30 June 2020 Unaudited RON	30 June 2019 Unaudited RON
Income from shares of subsidiaries	-	-	-	10,141,771
Interest on deposits	2,592	3,095	2,592	3,095
Interest from granted borrowing	24	23	-	-
Other financial income	140,883	102,615	16	25
Total	143,499	105,733	2,608	10,144,891

In the first half of 2020, TMK ARTROM did not receive dividends from its subsidiaries.

In the first half of 2019, the company TMK ARTROM received from its subsidiaries dividends in the total amount of RON 10,141,770 as follows:

- RON 4,701,333 representing USD 1,111,111 gross dividends from the subsidiary TMK INDUSTRIAL SOLUTIONS LLC USA
- RON 5,440,437 representing EUR 1,142,712 gross dividends from the subsidiary TMK ITALIA SRL.
-

On April 5, 2019, the Ordinary General Meeting of Shareholders of TMK-Artrom SA decided to distribute dividends for 2018 in the total amount of RON14,280,000.

The gross dividend is worth **RON 0.1229229486 / share**. The payment of dividends was made starting with 04.10.2019 (Payment Date), through the Central Depository S.A., of the Participants in the clearing-settlement and registry system (Participants) and of BCR Bank as Payment Agent. The related dividend tax is withheld at source in the quotas provided by the Romanian Fiscal Code or other specific regulations. The payment of dividends is made to the shareholders of TMK-Artrom SA registered in the Register of Shareholders kept by Depozitarul Central S.A. on 13.09.2019 (Registration Date approved by the Ordinary General Meeting of Shareholders by Decision no. 1 of 05.04.2019). 12.09.2019 is ex date approved by the Ordinary General Meeting of Shareholders by Decision no. 1 dated 05.04.2019.

All costs related to the payment of dividends to shareholders, regardless of the method of payment, are borne by the Issuer, except for the costs of registering the IBAN codes of the bank accounts of the shareholders which are borne by the shareholders.

The procedure regarding the payment of dividends for 2018 is annex to the report dated September 10, 2019 and is posted on the website www.tmk-artrom.eu in the section Investor Relations in Romanian and English, as well as on the website of the Depository Central SA,

The right to request the payment of net dividends due to TMK - Artrom S.A. shareholders is subject to the general provisions on prescription, being prescriptive within 3 years, starting with 04.10.2019.

Subsequent to April 5, 2019, the distribution of dividends by the Ordinary General Meeting of Shareholders of TMK-Artrom SA was no longer approved.

11.5 Employee benefits expenses

Employee benefits expenses for the six-month period ended June 30, 2020 comprise the following:

	Consolidated		Separate	
	30 June 2020 Unaudited RON	30 June 2019 Unaudited RON	30 June 2020 Unaudited RON	30 June 2019 Unaudited RON
Wages and salaries (Notes 6,7,9,10,11.2)	83,395,113	81,925,692	56,958,959	54,559,156
Social security costs (Notes 6,7,9,10,11.2), out of which:	5,480,520	5,615,141	2,122,214	2,080,139
- Company's contributions to social security (pensions)	2,165,877	2,325,928	-	-
Other compensations for employees - meal tickets	4,102,001	3,736,845	2,741,732	2,471,456
Other compensations for employees - holiday vouchers	664,969	1,150,968	335,050	369,196
Other compensations for employees - other	4,088,011	5,271,089	3,723,751	4,196,841
Total employee benefits expense	97,730,614	97,699,735	65,881,706	63,676,788

	Consolidated		Separate	
	30 June 2020 Unaudited	30 June 2019 Unaudited	30 June 2020 Unaudited	30 June 2019 Unaudited
Average number of employees	2,236	2,297	1,464	1,499
Actual number of employees at the end of reporting period	2,262	2,295	1,487	1,501

The category other wage compensations - other include expenses with the performance bonuses granted to the employees, material aids granted to the employees for child birth, death of the family members, aids in case of illness and other expenses with social actions granted according to the Collective Labor Agreement.

12. INCOME TAX

For the six-month period ended June 30, 2020 the Group and the Company calculated income tax as follows:

	Consolidated		Separate	
	30 June 2020 Unaudited RON	30 June 2019 Unaudited RON	30 June 2020 Unaudited RON	30 June 2019 Unaudited RON
Current income tax	(28,397)	(309,723)	-	(11,919)
Small companies income tax	(20,380)	(28,025)	-	-
Deferred income tax:	6,041,026	(1,875,711)	6,020,722	(1,232,251)
- Deferred income tax credit	8,208,422	3,669,359	7,507,182	1,958,589
- Deferred income tax charge	(2,167,396)	(5,545,070)	(1,486,460)	(3,190,840)
Income tax	5,992,249	(2,213,459)	6,020,722	(1,244,170)

The Group and the Company computed deferred tax from different temporary differences for fixed assets and other items.

The Group operates in 3 fiscal jurisdictions (Romania, United states and Italy) with statutory tax rate between 16% in Romania and 24% in Italy.

12. INCOME TAX (continued)

Reconciliation between income tax expense and the accounting profit multiplied by Romanian domestic tax rate for the six-month period ended June 30, 2020 is as follows:

	Consolidated 30 June 2020 Unaudited RON	30 June 2019 Unaudited RON	Separate 30 June 2020 Unaudited RON	30 June 2019 Unaudited RON
Profit/ (loss) before income tax	(40,834,043)	17,184,042	(37,191,373)	17,671,104
Income taxes calculated at the nominal applicable tax rate (16%)	(6,533,447)	2,749,447	(5,950,620)	2,827,377
Tax effect of deductible / non-taxable elements, out of which:	(12,172,975)	(15,454,536)	(9,020,044)	(11,571,647)
- Fiscal depreciation	(8,370,719)	(10,009,466)	(5,700,127)	(7,002,002)
- Legal reserve	-	(19,173)	-	-
- Dividends income	-	(752,213)	-	(752,213)
- Income from reversal of allowances	(3,802,256)	(4,673,684)	(3,319,917)	(3,817,432)
Tax effect of taxable / non-deductible elements, out of which:	13,816,047	13,301,516	10,688,084	8,759,169
- Realization of revaluation reserve	1,669,286	2,250,413	1,122,920	1,226,975
- Accounting depreciation	7,243,830	6,855,659	4,432,709	4,154,399
- Allowances expenses	3,309,269	3,407,147	3,125,774	3,283,696
- Other items	1,593,663	788,297	2,006,681	94,099
Tax loss to be recovered	4,941,221	(327,278)	4,282,580	-
Deferred tax expenses arising from deferred tax assets	(5,488,782)	(187,867)	(6,140,087)	(308,887)
Deferred tax expenses arising from deferred tax liabilities	(552,243)	2,063,578	119,365	1,541,138
Tax credit, out of which:	-	(2,980)	-	(2,980)
- sponsoring expense	-	(2,980)	-	(2,980)
Effect of other tax rates	(2,070)	71,579	-	-
Computed income tax / (tax loss)	(5,992,249)	2,213,459	(6,020,722)	1,244,170
Income tax reported in the statement of income	(5,992,249)	2,213,459	(6,020,722)	1,244,170

In 15 February 2016 the comprehensive fiscal control in TMK-Artrom for period 2005-2009 was finished. Through that was established the additional debts for income tax and VAT in amount of RON 1,332,027 and interest and penalties in amount of RON 2,889,444 which were appealed by the Company. The file is registered with the High Court of Justice and Cassation. The first hearing is set on 18 June 2020. On 1 July 2020, The High Court of Justice ruled in favor of the appeal and decided to send the case back to the Bucharest Court of Appeal to rule again on the merits of the case. No hearing was set yet by the first court.

At June 30, 2020 the parent-company, TMK-Artrom registered a tax loss in the amount of RON 40,581,181 (RON 13,815,058 representing fiscal loss of year 2019 and 26,766,123 representing fiscal loss of year 2020) with a recoverable term in 7 years from taxable profits according to the provisions of the Fiscal Code. A deferred tax asset of RON 6,492,989 was recognized for the fiscal loss (RON 1,608,037 was calculated for fiscal loss of year 2019 and RON 4,884,952 calculated for fiscal loss of year 2020).

Under interests, foreign exchange gain/loss, the company has recorded deferred tax of RON 4,250,065 related to the exceeding borrowing costs, representing interest expenses and items related to interest in the amount of RON 26,562,906, treated as being non-deductible for tax purposes, carried forward indefinitely until the deductibility criterias are met.

At June 30, 2020 TMK Italia has a fiscal loss to be recovered in the amount of EUR 3,060,157 (RON: 14,766,482) which consists part of 2011 (EUR 391,247) and part of 2016 (EUR 2,668,910). According to the law of Italy in force, it will be recoverable only after all the tax withheld at the source related to the commission of agent that TMK Italia receives from Artrom and Resita will be compensated, and this,

12. INCOME TAX (continued)

according to the estimates, will happen starting with the year 2023. The fiscal loss does not expire under Italian jurisdiction. A deferred tax assets of RON 3,543,957 was recognized in relation to the carried forward fiscal loss.

At June 30, 2020 TMK-Reșița registers, according to the fiscal declaration, a fiscal loss of RON 29,744,577. This is composed of RON 10,830,534 fiscal loss from 2017 that can be recovered according to the Fiscal Code in the next 7 years, that is until 2024, the fiscal loss related to 2019 in amount of RON 14,797,534, which will be recoverable until 2026 and the fiscal loss of the first six-month period of year 2020 in amount of RON 4,116,509. These losses relate to a subsidiary which has history of losses, and therefore due to uncertainties the recoverability of any deferred tax assets cannot be supported.

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.

During the first six months of the year 2020, there were no transactions involving ordinary shares or potential ordinary shares.

Earnings per share amounts in RON	Consolidated		Separate	
	30 June 2020 Unaudited	30 June 2019 Unaudited	30 June 2020 Unaudited	30 June 2019 Unaudited
Earnings				
Net profit / (Net loss)	(34,841,794)	14,970,583	(31,170,651)	16,426,934
Average number of shares	116,170,334	116,170,334	116,170,334	116,170,334
Earnings per average number of shares	(0.30)	0.13	(0.27)	0.14

14. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the six-month period ended June 30, 2020 were as follows:

Consolidated

	Land and buildings RON	Machinery and equipment RON	Transport and motor vehicles RON	Furniture and fixtures RON	Construction in progress RON	Total RON
Cost						
At 1 January 2019	440,249,219	1,094,612,149	87,636,298	5,300,278	33,783,667	1,661,581,611
Additions	-	44,082	-	128,752	100,718,586	100,891,420
Disposals	(8,720,632)	(6,535,536)	(399,492)	(103,418)	-	(15,759,078)
Transfers	14,464,903	14,549,831	3,364,273	824,685	(102,506,367)	(69,302,675)
Translation differences	3,038	9,226	-	8,677	-	20,941
At 31 December 2019	445,996,528	1,102,679,752	90,601,079	6,158,974	31,995,886	1,677,432,219
Additions	2,401,886	2,171,972	1,449,601	38,470	63,823,812	69,885,741
Disposals	(131,810)	(4,826,546)	(170,883)	(32,831)	(4,967,870)	(10,129,940)
Transfers	3,443,437	38,766,840	3,117,927	289,870	(45,618,074)	-
Translation differences	-	3,644	-	6,092	-	9,736
At 30 June 2020	451,710,041	1,138,795,662	94,997,724	6,460,575	45,233,754	1,737,197,756
Depreciation and impairment						
At 1 January 2019	(120,195,496)	(369,443,712)	(34,809,046)	(2,583,939)	-	(527,032,193)
Depreciation charge for the period	(14,143,093)	(59,820,877)	(4,385,599)	(589,561)	-	(78,939,130)
Disposals	3,237,478	5,159,950	376,051	101,580	-	8,875,059
Transfers	(5,969)	32,851,652	86,104	(1,657)	-	32,930,130
Translation differences	(2,287)	(4,304)	-	(6,666)	-	(13,257)
At 31 December 2019	(131,109,367)	(391,257,291)	(38,732,490)	(3,080,243)	-	(564,179,391)
Depreciation charge for the period	(7,550,802)	(31,706,448)	(2,412,911)	(306,740)	-	(41,976,901)
Disposals	25,693	3,693,270	151,103	32,324	-	3,902,390
Translation differences	199	(1,646)	-	(3,561)	-	(5,008)
At 30 June 2020	(138,634,277)	(419,272,115)	(40,994,298)	(3,358,220)	-	(602,258,910)
Net book value						
At 30 June 2020 - Unaudited	313,075,764	719,523,547	54,003,426	3,102,355	45,233,754	1,134,938,846
At 31 December 2019 - Audited	314,887,161	711,422,461	51,868,589	3,078,731	31,995,886	1,113,252,828

* On line Transfers, the transfer of the initial balance related to the property, plants and equipments under addopton of IFRS 16, were included both for the carrying values and for the accumulated depreciation until 1st of January 2019

During the six-month period ended June 30, 2019 the Group acquired property, plant and equipment amounting to RON 38,295,597.

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The depreciation expense for the first six-month period of year 2019 was RON 38.587.964.

From January to June 2019, the Group disposed of property, plant and equipment in the amount of RON 9.249.386 .

Right-of-use assets

	Land and buildings RON	Machinery and equipment RON	Transport and motor vehicles RON	Furniture and fixtures RON	Investment properties RON	Construction in progress RON	Total RON
Cost							
At 1 January 2019	-	66,100,919	2,129,463	-	-	2,325,976	70,556,358
Additions	-	-	-	-	-	4,898,899	4,898,899
Disposals	-	-	(117,797)	-	-	-	(117,797)
Transfers	2,894,946	2,748,297	1,543,706	37,926	-	(7,224,875)	-
At 31 December 2019	2,894,946	68,849,216	3,555,372	37,926	-	-	75,337,460
Additions	-	-	181,484	160,590	-	1,743,542	2,085,616
Disposals	-	(132,839)	-	-	-	-	(132,839)
Transfers	-	21,178	1,481,870	-	-	(1,503,048)	-
Translation differences	41,649	2,502	5,386	556	-	-	50,093
At 30 June 2020	2,936,595	68,740,057	5,224,112	199,072	-	240,494	77,340,330
Depreciation and impairment							
At 1 January 2019	-	(32,850,311)	(135,193)	-	-	-	(32,985,504)
Depreciation charge for the period	(262,529)	(5,326,805)	(1,028,081)	(2,782)	-	-	(6,620,197)
Disposals	-	-	53,194	-	-	-	53,194
Transfers	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Translation differences	(1,595)	(122)	(1,046)	(15)	-	-	(2,778)
At 31 December 2019	(264,124)	(38,177,238)	(1,111,126)	(2,797)	-	-	(39,555,285)
Depreciation charge for the period	(254,827)	(2,296,247)	(611,958.14)	(16,859)	-	-	(3,179,891)
Disposals	-	-	-	-	-	-	-
Translation differences	(1,683)	(12)	(2,301)	(5)	-	-	(4,001)
At 30 June 2020	(520,634)	(40,473,497)	(1,725,385)	(19,661)	-	-	(42,739,177)
Net book value							
At 30 June 2020 - Unaudited	2,415,961	28,266,560	3,498,727	179,411	-	240,494	34,601,153
At 31 December 2019 - Audited	2,630,822	30,671,978	2,444,246	35,129	-	-	35,782,175

14. PROPERTY, PLANT AND EQUIPMENT(continued)

As of June 30, 2019, the Group had concluded a number of 42 leases with a carrying value of RON 35.726.330.

The Group had concluded contracts previously classified as finance leases for the lease of production equipment and for the lease of vehicles with a carrying value of RON 33,955,298.

Also, the Group had concluded leasing contracts, for which assets related to the right of use have been recognized according to IFRS 16 for the use of office spaces, motor vehicles, production equipment with a carrying value of RON 1,770,033.

The depreciation expense for the six-month period of year 2019 was RON 3,193,310.

From January to June 2019, the Group disposed of right-of-use assets in the amount of RON 23,184.

14. PROPERTY, PLANT AND EQUIPMENT(continued)

Separate

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Construction in progress	Total
	RON	RON	RON	RON	RON	RON
At 1 January 2019	167,445,340	665,908,716	14,322,019	3,075,885	27,391,205	878,143,165
Additions	-	-	-	-	75,075,339	75,075,339
Disposals	(47,171)	(3,021,924)	(5,472)	(47,467)	-	(3,122,034)
Transfers	7,698,301	55,997,179	2,124,012	465,019	(72,293,922)	(6,009,411)
Transfers from inventories	-	-	-	-	-	-
At 31 December 2019	175,096,470	718,883,971	16,440,559	3,493,437	30,172,622	944,087,059
Additions	-	-	-	-	56,658,435	56,658,435
Disposals	(40,256)	(4,777,145)	(170,082)	(17,096)	-	(5,004,579)
Transfers	3,270,924	38,762,864	3,117,927	253,676	(45,405,391)	-
At 30 June 2020	178,327,138	752,869,690	19,388,404	3,730,017	41,425,666	995,740,915
Depreciation and impairment	-	-	-	-	-	-
At 1 January 2019	(29,991,339)	(218,514,068)	(6,922,915)	(1,249,148)	-	(256,677,470)
Depreciation charge for the period	(6,105,828)	(43,254,626)	(1,618,216)	(335,085)	-	(51,313,755)
Disposals	15,478	2,459,371	5,471	45,628	-	2,525,948
		171,184	56,059			227,243
At 31 December 2019	(36,081,689)	(259,138,139)	(8,479,601)	(1,538,605)	-	(305,238,034)
Depreciation charge for the period	(3,232,423)	(22,188,637)	(985,891)	(175,814)	-	(26,582,765)
Disposals	13,439	3,643,869	150,663	16,646	-	3,824,617
Transfers	-	-	-	-	-	-
At 30 June 2020	(39,300,673)	(277,682,907)	(9,314,829)	(1,697,773)	-	(327,996,182)
Net book value						
At 30 June 2020 - Unaudited	139,026,465	475,186,782	10,073,575	2,032,244	41,425,666	667,744,732
At 31 December 2019 - Audited	139,014,781	459,745,832	7,960,958	1,954,832	30,172,622	638,849,025

* On line Transfers, the transfer of the initial balance related to the property, plants and equipments under adoption of IFRS 16, were included both for the carrying values and for the accumulated depreciation until 1st of January 2019

Out of total property, plant and equipment as of June 30, 2020, properties with a net book value of RON 148,137,808 were pledged in favor of BCR (31 December 2019: RON 150.893.910).

14. PROPERTY, PLANT AND EQUIPMENT(continued)

During the six-month period ended June 30, 2019 the Company acquired property, plant and equipment amounting to RON 31,126,429.

The depreciation expense for the six-month period of year 2019 was RON 25,204,877.

From January to June 2019, the Company disposed of property, plant and equipment in the amount of RON 978,796.

Right-of-use assets

	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 2019	2,024,613	3,701,889	979,845	-	2,325,976	9,032,323
Additions					332,996	332,996
Disposals			(10,690)			(10,690)
Transfers		2,577,740	81,232		(2,658,972)	-
At 31 December 2019	2,024,613	6,279,629	1,050,387	-	-	9,354,629
Additions					1,743,542	1,743,542
Disposals						-
Transfers		21,178	1,481,870	240,494	(1,743,542)	-
At 30 June 2020	2,024,613	6,300,807	2,532,257	240,494	-	11,098,171
Depreciation and impairment						
At 1 January 2019	-	(171,184)	(56,059)	-	-	(227,243)
Depreciation charge for the period	(337,435)	(475,954)	(534,575)	-	-	(1,347,964)
Disposals	-	-	-	-	-	-
At 31 December 2019	(337,435)	(647,138)	(590,634)	-	-	(1,575,207)
Depreciation charge for the period	(166,812)	(306,685)	(299,901)	(10,021)		(783,419)
Disposals						-
At 30 June 2020	(504,247)	(953,823)	(890,535)	(10,021)	-	(2,358,626)
Net book value						
At 30 June 2020 - Unaudited	1,520,366	5,346,984	1,641,722	230,473	-	8,739,545
At 31 December 2019 - Audited	1,687,178	5,632,491	459,753	-	-	7,779,422

14. PROPERTY, PLANT AND EQUIPMENT(continued)

As of June 31, 2019, TMK-Artrom S.A. has concluded a number of 26 leases with a carrying value of RON 6,664,376.

For the six-month period ended June 30, 2019 The Company had concluded contracts previously classified as finance leases for the purchase of production equipment and for the purchase of a vehicle (tractor) with a carrying value of RON 5,858,154.

Also, the Company had concluded leasing contracts, for which assets related to the right of use have been recognized according to IFRS 16 for the use of motor vehicles and production equipment with a carrying value of RON 806,222.

The depreciation expense for the six-month period of year 2019 was RON 449,086.

From January to June 2019, the Company did not recorded any disposals of right-of-use assets.

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 the six-month period ended June 30, 2020, were as follows:

Consolidated

	Licenses and trademarks	Other intangible assets	Goodwill	Intangible assets in progress	Total
	RON	RON	RON	RON	RON
Cost					
At 1 January 2019	1,535,783	4,404,492	22,285,574	-	28,225,849
Additions	268,995	4,079	-	22,041	295,115
Disposals	-	-	-	-	-
Transfers	-	6,749	-	(6,749)	-
Translation differences	-	1,658	551,417	-	553,075
At 31 December 2019	1,804,778	4,416,978	22,836,991	15,292	29,074,039
Additions	44,935	-	-	86,852	131,787
Disposals	(12,127)	-	-	-	(12,127)
Transfers	17,075	-	-	(17,075)	-
Translation differences	-	553	301,034	-	301,587
At 30 June 2020	1,854,661	4,417,531	23,138,025	85,069	29,495,286
Amortisation and impairment					
At 1 January 2019	(918,793)	(2,266,214)	-	-	(3,185,007)
Amortisation	(313,094)	(728,769)	-	-	(1,041,863)
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Translation differences	-	(531)	-	-	(531)
At 31 December 2019	(1,231,887)	(2,995,514)	-	-	(4,227,401)
Amortisation	(156,144)	(366,002)	-	-	(522,146)
Disposals	12,127	-	-	-	12,127
Impairment	-	-	-	-	-
Transfers	-	-	-	-	-
Translation differences	-	(230)	-	-	(230)
At 30 June 2020	(1,375,904)	(3,361,746)	-	-	(4,737,650)
Net book value					
At 30 June 2020 - Unaudited	478,757	1,055,785	23,138,025	85,069	24,757,636
At 31 December 2019 - Audited	572,891	1,421,464	22,836,991	15,292	24,846,638

16. INTANGIBLE ASSETS (continued)

During the six-month period ended June 30, 2019 the Group acquired intangible assets amounting to RON 117,969.

The depreciation expense for the six-month period of year 2019 was RON 504,881.

From January to June 2019, the Company did not recorded any disposal of intangible assets.

The goodwill allocated to the TMK Artrom Group results from acquisitions and transactions under common control and includes on 30 June 2020 an amount of RON 23,138 thousands (2019: RON 22,837 thousands) which represents goodwill at the initial acquisition of TMK Italy by the PAO TMK Group through TMK Global Geneva, allocated to the cash-generating unit of the TMK Artrom Group for the purpose of carrying out the impairment test.

Separate

	Licenses and trademarks RON	Other intangible assets RON	Intangible assets in progress RON	Total RON
Cost				
At 1 January 2019	812,397	2,499,827	-	3,312,224
Additions	236,007	1,187	22,041	259,235
Transfers	-	-	-	-
At 31 December 2019	1,048,404	2,501,014	22,041	3,571,459
Additions	44,935	-	69,777	114,712
At 30 June 2020	1,093,339	2,501,014	91,818	3,686,171
Amortisation and impairment				
At 1 January 2019	(592,333)	(1,025,929)	-	(1,618,262)
Amortisation	(135,874)	(507,703)	-	(643,577)
Disposals	-	-	-	-
Impairment	-	-	-	-
At 31 December 2019	(728,207)	(1,533,632)	-	(2,261,839)
Amortisation	(83,188)	(255,062)	-	(338,250)
At 30 June 2020	(811,395)	(1,788,694)	-	(2,600,089)
Net book value				
At 30 June 2020 - Unaudited	281,944	712,320	91,818	1,086,082
At 31 December 2019 - Audited	320,197	967,382	22,041	1,309,620

During the six-month period ended June 30, 2019 the Company acquired intangible assets amounting to RON 117,969.

The depreciation expense for the six-month period of year 2019 was RON 311,033.

From January to June 2019, the Company did not recorded any disposal of intangible assets.

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

16.1. Financial assets

	Consolidated		Separate	
	30 June 2020 Unaudited	31 December 2019 Unaudited	30 June 2020 Unaudited	31 December 2019 Unaudited
	RON	RON	RON	RON
Financial instruments at fair value through profit or loss				
Cash flow hedges	-	-	-	-
- Foreign exchange forward contracts	-	-	-	-
Total financial instruments at fair value	-	-	-	-
Other financial receivables				
- Loan to related parties	-	-	-	-
Investments in subsidiaries	-	-	298,566,221	298,566,221
Deposits for letters of guarantee TL	-	1,880,949	-	1,880,949
Long-term deposits	-	1,916,499	-	1,916,499
Granted guarantees, from which:	3,596,201	3,544,620	3,639,117	3,586,913
- Guarantees granted to related parties (note 25)	-	-	47,916	47,293
Total other financial receivables	3,596,201	7,342,068	302,205,338	305,950,582
Total other financial assets	3,596,201	7,342,068	302,205,338	305,950,582

Granted guarantees consist mainly of the collateral deposit in amount of USD 800,000 made to AVALON RISK MANAGEMENT INSURANCE AG for guarantee in custom the import custom fees in USA due to the introduction starting with June 2018 (May 2018 for origin Russia) of the custom tariff section 232 for steel goods of 25%.

TMK-Artrom holds the following investments in subsidiaries:

Subsidiaries	Headquarters	Shareholding
TMK Industrial Solutions LLC	10713 W. Sam Houston PKWY N., apartment 680 Houston, TX 77 064 (starting with August 1, 2019)	100%
TMK-RESITA S.A.	36 Traian Lalescu Street, Resita, Caras-Severin, Romania	99.99237%
TMK Italia S.r.l	12 Piazza Degli Affari Street, Lecco Italy	100%

The financial investment of TMK-Artrom in the subsidiary TMK Industrial Solutions LLC is of 1,000 USD (exchange rate 4.0271 RON/USD). The Company presents the investment in TMK Industrial Solutions LLC at acquisition cost.

The financial investment of TMK-Artrom in the subsidiary TMK Resita is of 62,290,000 EUR (exchange rate 4.6598 RON/EUR). The Company presents the investment in TMK Resita at acquisition cost.

On 21 December 2018, the Extraordinary General Meeting of the Shareholders of TMK-Artrom, approved the purchase of the shares owned by TMK Europe GmbH in TMK-Resita SA (decision no 1 of the EGSM) for the acquisition of a number of 131,010,874 shares, representing 99.99237% of the share capital of TMK-RESITA owned by TMK Europe GmbH.

The financial investment of TMK-Artrom in the subsidiary TMK Italia is of RON 8.303.252. The Company presents the investment in TMK Italia at acquisition cost.

The Board of Directors of TMK-Artrom, legally gathered on 28 November 2018, decided to approve the acquisition by TMK-Artrom of all the shares held by TMK Global SA Geneva, Switzerland as sole shareholder in TMK Italia S.r.l. The transaction was finalized on 5 February 2019 at the price approved by the Board of Directors. The price for the purchase of 50,000 shares with a nominal value of EUR 1 each, in total EUR 50,000, representing 100% of the share capital of TMK Italia srl, is EUR 1,730,800 (RON 8,229,262), with a value of EUR 34.61 per share. The price was agreed by TMK-Artrom and TMK Global SA on the basis of the valuation report issued by Darian DRS SA on 27 November 2018 and which evaluated the shares taking into account the value as at 31 October 2018.

In the second quarter of 2019 TMK ARTROM paid the debt to TMK GLOBAL SA for the acquisition of TMK ITALIA in the amount of EUR 1,730,800 (RON 8,229,262).

16.2. Other financial liabilities

Interest-bearing long-term loans and borrowings

	Consolidated		Separate	
	30 June 2020 Unaudited RON	31 December 2019 RON	30 June 2020 Unaudited RON	31 December 2019 RON
Long-term interest-bearing bank loans	128,043,374	133,714,245	128,043,374	133,714,245
Long-term interest-bearing borrowing-related parties (note 25)	73,658,397	72,593,551	73,658,397	72,593,551
Un-amortized cost of debt origination fees	(319,918)	(178,598)	(319,918)	(178,598)
Balance of long-term loans	201,381,853	206,129,198	201,381,853	206,129,198

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

Future repayments	Consolidated		Separate	
	30 June 2020 Unaudited RON	31 December 2019 RON	30 June 2020 Unaudited RON	31 December 2019 RON
Long- and short-term loans and borrowings, net of future interests	375,308,057	414,781,528	375,308,057	414,781,528
Interest payable at reporting date	480,082	612,525	480,082	612,525
Un-amortized cost of debt origination fees	(947,788)	(673,327)	(947,788)	(673,327)
Total long- and short-term loans and related interest and un-amortized cost	374,840,351	414,720,726	374,840,351	414,720,726
Future interests	12,706,265	14,460,307	12,706,265	14,460,307
Total future repayments for loans and related interest	387,546,616	429,181,033	387,546,616	429,181,033

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as of 30 June 2020- unaudited
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Interest-bearing long-term loans and borrowings

Bank	Type of loan	Currency	30 June 2020 Contracted amount	Due date (mm/dd/yyyy)	Interest rate	Amount repayable equivalent RON	Amount repayable EUR/USD
BCR ERSTE	Investment loan - 7 years	EUR	25,000,000	11/07/2023	3.40%	74,940,357	15,476,191
BCR ERSTE	Overdraft	EUR	20,000,000	10/03/2021	EURIBOR 3M+margin	53,103,016	10,966,486
Total long-term bank loans						128,043,374	
TMK EUROPE GmbH	Long-term borrowing	USD	22,837,540	07/25/2025	Libor+0.5%	73,658,397	17,037,540
Un-amortized long-term cost						(319,918)	
Total						201,381,852	

Bank	Type of loan	Currency	2019 Contracted amount	Due date (mm/dd/yyyy)	Interest rate	Amount repayable equivalent RON	Amount repayable EUR/USD
BCR ERSTE	Investment loan - 7 years	EUR	25,000,000	11/07/2023	3.40%	73,965,357	15,476,190
BCR ERSTE	Overdraft	EUR	20,000,000	10/03/2021	EURIBOR 3M+margin	59,748,888	12,501,598
Total long-term bank loans						133,714,245	
TMK EUROPE GmbH	Long-term borrowing	USD	22,837,540	07/25/2025	Libor+0.5%	72,593,551	17,437,540
Un-amortized long-term cost						(178,598)	
Total						206,129,198	

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Interest-bearing short-term loans and borrowings

	Consolidated		Separate	
	30 June 2020 Unaudited	31 December 2019	30 June 2020 Unaudited	31 December 2019
	RON	RON	RON	RON
Long-term interest-bearing bank loans, current portion	17,293,929	22,758,571	17,293,929	22,758,571
Short-term bank loans	156,312,357	185,715,161	156,312,357	185,715,161
Long-term interest-bearing borrowing, current portion - from related parties	-	-	-	-
Short-term interest-bearing borrowing - related parties (note 25)	-	-	-	-
Interest related to long-term bank loans	439,432	471,094	439,432	471,094
Interest related to short-term bank loans	-	-	-	-
Interest related to long-term borrowings - related parties (note 25)	40,650	141,431	40,650	141,431
Interest related to short-term borrowings - related parties (note 25)	-	-	-	-
Un-amortized short-term cost	(627,869)	(494,729)	(627,870)	(494,729)
Total	173,458,499	208,591,528	173,458,498	208,591,528

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

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Bank	Type of loan	Currency	30 June 2020	Due date (mm/dd/yyyy)	Interest rate	Amount repayable	Amount repayable
			Contracted amount			RON equivalent	EUR
VTB BANK (EUROPE)	Credit revolving	EUR	20,000,000	04/16/2021	2%	156,312,357	32,280,602
Total short-term bank loans						156,312,357	
BCR ERSTE	Investment loan - 7 years current portion	EUR	25,000,000	11/07/2023	3.40%	17,293,928	3,571,429
Total short part of long-term bank loans						17,293,928	
Total						173,606,285	

Bank	Type of loan	Currency	31 December 2019	Due date (mm/dd/yyyy)	Interest rate	Amount repayable	Amount repayable
			Contracted amount			RON equivalent	EUR
VTB BANK (EUROPE)	Credit revolving	EUR	20,000,000	04/16/2020	2%	185,715,160	38,858,235
Total short-term bank loans						185,715,160	
BCR ERSTE	Investment loan - 7 years current portion	EUR	25,000,000	11/07/2023	3.40%	22,758,572	4,761,905
Total short part of long-term bank loans						22,758,572	
Total						208,473,732	

Other long-term liabilities

	Consolidated		Separate	
	30 June 2020 Unaudited	31 December 2019	30 June 2020 Unaudited	31 December 2019
	RON	RON	RON	RON
Long-term sundry creditors	101,320	167,785	-	37,407
Long-term advances from customers	1,813,675	1,813,674	-	-
Investment subsidy, from which:	62,500	44,331	35,723	44,331
- investment subsidy from related parties	26,777	-	-	-
Long-term guarantees	210,201	191,489	131,447	114,351
Other liabilities	-	-	-	-
Balance of other long-term liabilities	2,187,696	2,217,279	167,170	196,089

16.3. Liabilities for investments in subsidiaries

	Consolidated		Separate	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	RON	RON	RON	RON
Amounts owed to entities in the group - long-term	276,110,243	272,517,953	276,110,243	272,517,953
Interest on long-term amounts owed to entities in the group	7,301,995	4,788,142	7,301,995	4,788,142
Total liabilities for investments in subsidiaries	283,412,238	277,306,095	283,412,238	277,306,095

On June 30, 2020 TMK-Artrom registers a debt in the amount of RON 301,142,637 equivalent to EUR 62,190,000, to TMK EUROPE GmbH representing payments to be made for the acquisition of a number of 131,010,874 shares, representing 99.99237% of the share capital of TMK-RESITA owned by TMK Europe GmbH.

The initial price of EUR 62,290,000 for the 131,010,874 shares (ie EUR 0.475 / share) was set to be paid by TMK-Artrom from its own financial resources.

The amount of EUR 100,000 was paid by TMK-Artrom in the first quarter of 2019, respectively within thirty (30) days from the execution of the sale-purchase agreement of the shares concluded between TMK-Europe GmbH and TMK-Artrom and the transfer of the ownership over the shares following the signing of TMK-Reșița's Shareholders (Shares) Registry by TMK Europe GmbH and TMK-Artrom.

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

By the Addendum concluded on December 10, 2019, the parties have agreed that the reimbursement of the EUR 62,190,000 will start from 2021 over a period of five (5) years, in equal rates of EUR 12,438,000 each, at the latest by December 31 for each year.

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

As this contract provides for payment in interest-free installments, according to IFRS 9, the debt to TMK Europe is presented at fair value. The initial amount was reduced on December 31, 2018 using the interest

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

rate for a similar loan using the interest rate of 1.9% and the value of EUR 3,148,224 (RON 14,683,001) was obtained.

On December 31, 2019, the fair value of future cash flows was modified as a result of the change in the debt repayment period by concluding the Addendum of December 10, 2019 with the amount of EUR 2,021,302 (RON 9,658,791). This amount is updated quarterly. Being an amount due from the relationship with shareholders, the difference between the discount of revised payment at original effective interest rate and the carrying value was transferred as equity item. Thus, the balance of the debt for investments in subsidiaries / subsidiaries to TMK EUROPE on June 30, 2020 is in the amount of RON 283,412,238 equivalent to RON 58,528,434 (out of which the amount of EUR 506,110 represents the interest calculated and posted in the current result of the period).

The Board of Directors of TMK-Artrom, legally gathered on 28 November 2018, decided to approve the acquisition by TMK-Artrom of all the shares held by TMK Global SA Geneva, Switzerland as sole shareholder in TMK Italia S.r.l. The transaction was finalized on 5 February 2019 at the price approved by the Board of Directors. The price for the purchase of 50,000 shares with a nominal value of EUR 1 each, in total EUR 50,000, representing 100% of the share capital of TMK Italia srl, is EUR 1,730,800 (RON 8,229,262), with a value of EUR 34.61 per share. The price was agreed by TMK-Artrom and TMK Global SA on the basis of the valuation report issued by Darian DRS SA on 27 November 2018 and which evaluated the shares taking into account the value as at 31 October 2018.

In the second quarter of 2019 TMK ARTROM paid the debt to TMK GLOBAL SA for the acquisition of TMK ITALIA in the amount of EUR 1,730,800 (RON 8,229,262).

17. OTHER NON-CURRENT ASSETS

	Consolidated		Separate	
	30 June 2020 Unaudited RON	31 December 2019 Audited RON	30 June 2020 Unaudited RON	31 December 2019 Audited RON
Prepayments for property, plant, and equipment	3,960,969	6,486,189	3,734,185	6,446,390
Sundry debtors TL	7,322,327	8,932,016	-	-
Gas emission certificates with greenhouse effect	-	-	583,840	1,278,592
Prepaid expenses TL	1,597,968	1,072,056	1,473,774	918,188
- Prepaid expenses - related parties TL	104,455	883,711	104,455	883,711
Other non-current assets	-	-	-	-
Total	12,881,264	16,490,261	5,791,799	8,643,170

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

The consolidated amounts registered in sundry debtors represents amounts to be received by TMK Reșița from a disposal of land and buildings to Reșița's City Hall, for a selling price of RON 12,656,994, resulting a gain on disposal of RON 8,750,845. The fair value of the consideration is to be settled in annual instalments, till 31 December 2025, with an outstanding non-current balance of RON 7,322,327.

As of June 30, 2020, the value of the short-term discounted receivable is RON 1,068,008, and the value of the long-term receivable of RON 7,322,327.

18. INVENTORIES

Inventories consist of the following:

	Consolidated		Separate	
	30 June 2020 Unaudited	31 December 2019 Audited	30 June 2020 Unaudited	31 December 2019 Audited
	RON	RON	RON	RON
Raw materials	34,909,790	34,853,437	56,447,035	62,912,963
Finished goods in transit	9,441,302	32,699,697	9,441,302	32,699,697
Work in progress	45,419,697	37,015,074	44,648,915	36,444,489
Finished goods	59,425,275	55,268,457	64,177,375	59,205,589
Consumables	70,392,651	70,276,977	26,481,815	28,918,934
Semi-finished goods	105,895,645	105,540,240	36,881,785	30,664,882
Merchandise at third parties (in transit)	-	11,222,393	-	11,222,393
Consigned finished goods	953,447	1,092,579	953,447	1,092,579
Other materials	13,218,896	11,790,428	9,887,900	8,859,789
Raw materials and consumables at third parties	2,338,915	1,306,120	439,076	425,676
Materials in transit	331,442	150,195	275,930	150,195
Merchandise and packaging	20,080	17,970	20,080	17,970
Raw materials to be purchased	1,291,214	-	470,422	-
Total	343,638,354	361,233,567	250,125,082	272,615,156

The finished goods, semi-finished goods and work in progress are valued considering the net realizable value. The management of the Company 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.

During the six-month period ended June 30, 2020 were set up allowances for inventories considering net realizable value – the movement of the adjustments is presented below:

	Consolidated		Separate	
	30 June 2020 Unaudited	31 December 2019 Audited	30 June 2020 Unaudited	31 December 2019 Audited
	RON	RON	RON	RON
Balance 1 January	24,399,500	17,774,360	15,633,584	9,074,946
Additional allowances set 18	15,888,203	32,821,091	15,883,516	32,669,771
Resumption / Allowances used 18	(15,716,823)	(26,195,951)	(15,633,584)	(26,111,133)
Balance at the end of reporting period	24,570,880	24,399,500	15,883,516	15,633,584

19. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables consist of the following:

	Consolidated		Separate	
	30 June 2020 Unaudited	31 December 2019 Audited	30 June 2020 Unaudited	31 December 2019 Audited
	RON	RON	RON	RON
Trade receivables, from which:	234,606,002	234,907,851	220,627,029	222,062,195
- Receivables from other related parties (note 25)	39,608	-	4,438,369	6,450,616
Other receivables - VAT	14,480,973	20,263,055	17,732,883	21,490,774
Sundry debtors, from which:	4,521,024	4,247,197	795,254	1,320,353
- Sundry debtors - related parties (note 25)	33,538	4,618	55,127	591,879
Other receivables - penalty and fines	(21)	(18)	-	-
Employee claims	614,527	542,752	355,704	331,504
Recoverable income tax	2,657,305	2,515,907	547,921	547,921
Promissory notes	-	-	-	-
Other social receivables	617,910	913,698	617,911	913,698
Less:				
Expected credit loss	(17,280,300)	(16,538,769)	(2,467,169)	(1,930,241)
Allowance for sundry debtors	(2,593,834)	(2,593,834)	-	-
Total	237,623,586	244,257,839	238,209,533	244,736,204

Under the Decision no 2/30.04.2008 issued by N.A.F.A.- D.G.A.M.C. starting with June 2008, TMK ARTROM SA is representative of the fiscal group, consisting of TMK- ARTROM SA and TMK REȘIȚA SA. Through the Decision N.A.F.A no.22/28.05.2010 it was approved the maintaining of the fiscal group for a period of 5 years and was extended through the Decision no. 6026/SRC dated 6.05.2015 for a period of minimum 2 years. The monthly payment obligation of TMK-Reșița is offset by the VAT refunded by TMK-Artrom through the consolidation of the tax group.

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

	Consolidated		Separate	
	30 June 2020 Unaudited	31 December 2019 Audited	30 June 2020 Unaudited	31 December 2019 Audited
	RON	RON	RON	RON
At 1 January	2,593,834	2,593,834	-	-
Impairment adjustments expenses 19sd	-	-	-	-
Used 19sd	-	-	-	-
At 30 June	2,593,834	2,593,834	-	-

The following summarises the changes in the expected credit loss:

	Consolidated		Separate	
	30 June 2020 Unaudited	31 December 2019 Audited	30 June 2020 Unaudited	31 December 2019 Audited
	RON	RON	RON	RON
At 1 January	16,538,769	15,939,995	1,930,241	1,566,701
Impairment adjustments expenses	545,494	794,333	540,078	526,456
Used/ Reversed	(50,699)	(523,949)	(3,150)	(162,916)
Reclass	65,686			
Translation differences	181,050	328,390	-	-
At 30 June	17,280,300	16,538,769	2,467,169	1,930,241

20. PREPAYMENTS

Prepayments consist of the following:

	Consolidated		Separate	
	30 June 2020 Neauditat RON	31 December 2019 Auditat RON	30 June 2020 Neauditat RON	31 December 2019 Auditat RON
Prepayments for services, inventories, from which:	4.761	97	76.589.966	55.970.702
- Prepayments for services, inventories - related parties (note 25)	-	-	76.589.966	55.970.702
Prepaid expenses	7.391.942	5.726.147	4.262.304	3.639.640
- Prepaid expenses - related parties	303.948	494.654	-	-
Selling and distribution expenses registered in advance until the date of transfer of customer control over the goods	733.804	2.909.741	733.804	2.909.741
Income tax, VAT, interest and penalties appealed, computed according to the Fiscal Inspection Report F-MC15/08.02.2016	1.941.576	1.941.576	1.941.576	1.941.576
Total	10.072.083	10.577.561	83.527.650	64.461.659

The amount of RON 76,589,966 (without VAT) represents advances given to TMK-Reșița (2019: RON 55,970,702).

Prepaid expenses consist of insurance policies for up to one year for equipment and discontinuation of activity, product insurance, insurance for the risk of not collecting the receivables, life insurance and health insurance for employees, as well as other services and subscriptions.

21. CASH AND SHORT-TERM DEPOSITS

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

	Consolidated		Separate	
	30 June 2020 Neauditat RON	31 December 2019 Auditat RON	30 June 2020 Neauditat RON	31 December 2019 Auditat RON
Cash at banks in foreign currency	10.372.299	9.861.777	7.454.932	5.672.288
Cash at banks in RON	808.990	454.641	712.023	411.053
Short-term deposits	5.833	632.262	5.833	632.262
Other cash equivalents	119	88	-	61
Cash on hand	3.394	6.002	-	-
Total	11.190.635	10.954.770	8.172.788	6.715.664

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.

Short-term deposits	Consolidated		Separate	
	30 June 2020 Neauditat	31 December 2019 Auditat	30 June 2020 Neauditat	31 December 2019 Auditat
in RON	5.833	632.262	5.833	632.262
in EURO	-	-	-	-

There is no restricted cash.

21. CASH AND SHORT-TERM DEPOSITS (continued)

Other current assets

	Consolidated		Separate	
	30 June 2020 Neauditat RON	31 December 2019 Auditat RON	30 June 2020 Neauditat RON	31 December 2019 Auditat RON
Deposits for letters of guarantee	1,905,746	1,416,379	1,905,743	1,416,379
Total	1,905,746	1,416,379	1,905,743	1,416,379

Deposits for guarantee letters are restricted, they represent collateral pledged by the company for good execution bank letters valid between six months and one year, issued by BCR in favor of the NIS client from Serbia.

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 2019	(116,170,334)	2.51	(291,587,538)	(291,587,538)
Balance 31 December 2019	(116,170,334)	2.51	(291,587,538)	(291,587,538)

23. TRADE AND OTHER PAYABLES (CURRENT)

Trade and other payables consists of the following:

	Consolidated		Separate	
	30 June 2020 Neauditat RON	31 December 2019 Auditat RON	30 June 2020 Neauditat RON	31 December 2019 Auditat RON
Current trade payables, from which:	340,540,076	270,434,381	262,540,281	179,716,023
- Intercompany trade payables (note 25)	217,446,789	121,189,230	213,059,998	116,140,416
Payables for non-current assets, from which:	24,799,559	21,892,174	21,171,267	17,287,546
Dividends payable, from which:	145,228	146,855	145,228	146,855
Bills of exchange payable	8,000	-	-	-
Short-term guarantees	764,567	890,320	280,356	316,710
Accrued and other liabilities	2,089,137	3,093,135	902,233	1,675,936
Total financial liability	368,346,567	296,456,865	285,039,365	199,143,070
Accrued and withheld taxes on payroll	12,669,416	12,230,727	9,892,697	9,488,733
Salaries and Wages	3,460,537	3,776,116	2,142,106	2,498,981
Advances from customers	1,410,202	3,950,339	4,776,900	3,587,632
- Intercompany advances from customers (note 25)	-	-	3,548,793	-
Liabilities for other taxes	370,745	299,471	251,447	240,749
Total non-financial liability	17,929,284	20,256,653	17,063,150	15,816,095
Grand total	386,275,851	316,713,518	302,102,515	214,959,165

Advances from customers consist of amounts received in advance according to the contracts signed with customers.

24. TRANSACTIONS WITH RELATED PARTIES

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 Middle East, Dubai, United Arab Emirates	United Arab Emirates	Related, under common control
- TMK-REȘIȚA S.A. Reșița	Romania	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 Assets SRL	Romania	Related, under common control
- Land Properties Investments	Romania	Related, under common control
- Sarl Priure Saint Jean de Bebian	France	Related, under common control
- TMK Industrial Solutions LLC, Houston	USA	Related, subsidiary sole control
- ORSKY Machine Building Plant Russia	Russia	Related, under common control
-TMK Steel Holding	Ciprus	Related, under common control

The balances of transactions with related parties

Trade Receivables	Consolidated		Separate	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	Neauditat RON	Auditat RON	Neauditat RON	Auditat RON
TMK-REȘIȚA	-	-	4,413,800	6,450,259
PAO TMK Russia	15,396	-	-	-
TMK Assets Bucharest	-	-	357	357
TMK Italia s.r.l. Italy	24,212	-	24,212	-
Total	39,608	-	4,438,369	6,450,616

Other Assets	Consolidated		Separate	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	Neauditat RON	Auditat RON	Neauditat RON	Auditat RON
TMK-REȘIȚA (advances for purchase of goods)	-	-	-	55,970,702
TMK Europe GmbH (sundry debtors)	-	4,618	76,589,966	4,618
PAO TMK (sundry debtors)	33,538	-	-	-
TMK Assets Bucharest (long-term receivables - guarantees)	-	-	33,538	47,293
TMK RESITA S.A. (sundry debtors)	-	-	47,916	587,261
			21,589	
Total	33,538	4,618	76,693,009	56,609,874

26. TRANSACTIONS WITH RELATED PARTIES (continued)

Trade Payables	Consolidated		Separate	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	Neauditat RON	Auditat RON	Neauditat RON	Auditat RON
PAO TMK Russia	210,631,068	111,109,669	208,241,711	108,751,399
TMK Europe GmbH Germany	6,713,025	9,835,554	2,578,152	3,859,221
TMK Industrial Solutions LLC, Houston	-	-	1,346,968	1,491,553
TMK Italia s.r.l. Italy	-	-	892,533	1,775,196
RosNITI JSC Russia	-	8,007	-	8,007
TMK Assets Bucharest	-	-	634	19,041
TMK-Inox Russia	78,485	152,302	-	152,302
Sarl Prieure Saint Jean de Bebian France	-	83,698	-	83,698
TMK ARTROM SA	24,211	-	-	-
Total	217,446,789	121,189,230	213,059,998	116,140,417

Other liabilities	Consolidated		Separate	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	Neauditat RON	Auditat RON	Neauditat RON	Auditat RON
TMK Europe GmbH (borrowing)	73,658,397	72,593,551	73,658,397	72,593,551
TMK Europe GmbH Germany (interest owed at reporting date)	40,650	141,431	40,650	141,431
TMK Europe GmbH Germany (amounts owed to group's entities)	283,412,238	277,306,095	283,412,238	277,306,095
TMK Industrial Solutions LLC, Houston (advance received for pipes acquisition)	3,548,793	-	3,548,793	-
TMK ARTROM SA	(300)	-	-	-
Total	360,659,778	350,041,077	360,660,078	350,041,077

Transactions with related parties

Sales (Revenue)	Object of the transaction	Consolidated	
		30 June 2020	30 June 2019
		Neauditat RON	Neauditat RON
PAO TMK	claim for billets - raw material	-	(198,383)
TMK Middle East	pipes	-	364,422
Sinarsky pipe plant	pipes	3,548,864	-
TMK IPSCO International	pipes	-	1,255,497
TMK Europe GmbH Germany	debit note for claim regarding mandrel bars acquisition	49,565	-
Total		3,598,429	1,421,536

Sales (Revenue)	Object of the transaction	Separate	
		30 June 2020	30 June 2019
		Neauditat RON	Neauditat RON
TMK-REȘIȚA	waste product, pipes, perceives commission, management services, additional costs for quality claims	15,905,254	23,355,449
TMK Industrial Solutions LLC	pipes for resale	330,739	422,389
PAO TMK	claim for billets - raw material	-	(198,383)
TMK Middle East	pipes	-	364,422
TMK Italia s.r.l.	audit services	24,211	23,811
TMK Assets	management services	1,800	-
Sinarsky pipe plant	pipes	3,548,864	-
TMK Europe GmbH Germany	debit note for claim regarding mandrel bars acquisition	49,565	-

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS
as of 30 June 2020- unaudited
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Total	19,860,433	23,969,488
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Purchases	Object of the transaction	30 June 2020 Neauditat RON	Consolidated 30 June 2019 Neauditat RON
PAO TMK	pipes and blooms for resale,	110,440,722	91,527,435
RosNITI JSC	consulting services, financial costs	-	111,281
Sarl Prieure Saint Jean de Bebian	research and development services	-	14,762
OJSC Volzsky Pipe Plant Russia	protocol expenses	-	-
TMK ARTROM SA	pipes	16,208	-
Total		12,575,934	-
		142,232,200	120,379,696

Purchases	Object of the transaction	30 June 2020 Neauditat RON	Separate 30 June 2019 Neauditat RON
TMK-REȘIȚA	billets - raw material, other materials	240,473,601	324,201,586
PAO TMK	pipes and blooms for resale,	110,440,722	91,527,435
TMK Industrial Solutions LLC	consulting services, financial costs	3,288,957	6,672,205
TMK Europe GmbH	agent commission for sales of pipes produced by TMK-Artrom and pipes of Russian origin	6,859,266	6,474,776
TMK Italia s.r.l.	agent commission for pipes sales, materials for own consumption, spare partes	4,585,928	5,545,908
Taganrog metallurgical Works	agent commission for pipes sales	-	-
TMK Assets	sole representative services	285,778	276,530
RosNITI JSC	rent and apartment maintenance	-	111,281
Sarl Prieure Saint Jean de Bebian	research and development services	-	14,762
Total	protocol expenses	365,934,252	434,824,483

Borrowings within the Group – long-term and short term

TMK EUROPE GmbH Germany (former TMK SINARA HANDEL GMBH) is the lender with the amount of RON 73,658,397 representing USD 17,037,540, related to the loan agreement w/n/01.12.2008, respectively the assignment of receivables no. 054/20.02.2002 from AVAS (AVAB) in initial amount of USD 22,837,540 and RON 38,425. The whole amount is a long-term debt.

During the EGMS from 17 November 2008 there has been approved the change in the nature and the payment postponement of debt owed by the Company to TMK Europe GmbH in amount of USD 22,837,540 in the following conditions.

- The debt shall be paid in 57 instalments starting from 25 January 2014 until 25 September 2018 inclusively. The first 56 monthly instalments will be worth USD 400,000 and the 57th will be worth USD 437,540.
- The payment of debt amounting to RON 38,425 of the Company to TMK Europe GmbH from 25 January 2014 will be paid in USD at the official RON/USD exchange rate of the National Bank of Romania on the last working day of year 2013. The debt has an interest rate of LIBOR + 0.5% per year starting on 1 January 2009.

24. TRANSACTIONS WITH RELATED PARTIES (continued)

- The interest is calculated and paid on the 15th of each month for the previous month.

On November 21, 2013 was signed Amendment No. 1 to Contract of 1 December 2008 according to which the loan reimbursement begins with 25 January 2015, maintaining the same number of instalments.

On December 3, 2015 was concluded Addendum no.2 on which repayment of loan shall be suspended for a period of three years and will be resumed starting in January 2019 in 44 instalments in the amount of USD 400,000 and a last instalment of USD 437,540 as a result on 31 December 2015 the full amount of the loan was long-term.

On August 8, 2016 according to Addendum no. 3 were expressly dropped all the movable and immovable guarantees mentioned above.

On December 18, 2018 the Addendum no. 4 was concluded by which the parties agreed that in the second half of 2019 the borrower will repay USD 1,000,000, and from 2020, the borrower will continue to reimburse the remaining amount of USD 17,037,540 in 42 installments in the amount of USD 400,000 and the 43rd rate in the amount of USD 237,540 on the 25th of each month.

On December 3, 2019, after the company reimbursed USD 1 million, the Additional Act no.5 was concluded, which agreed that in 2020-2021 the company will not reimburse any amount and the reimbursement will continue with January 2022, in 42 monthly installments of USD 400,000 and a final installment of USD 237,540 on July 25th, 2025.

Interest due by TMK-ARTROM S.A. as of 31 June 2020, it is USD 9,403, respectively RON 40,650.

For the interest due, there is no withholding tax on the incomes of the non-resident persons since the interest income is exempted according to art 229 letter.g of the Fiscal Code because the ownership of TMK EUROPE GmbH's holdings in TMK-ARTROM SA is 98.8283% (more than 25%) for a period of more than 2 years uninterrupted.

The remuneration package for managers with mandate and directors (BOD members) comprises cash compensations formed from fixed monthly remuneration granted in net amounts and performance bonuses for achieving the approved KPI performance indicators.

Cash compensations formed from monthly remuneration and paid yearly KPI bonuses, including the correspondent taxes, granted to managers with mandate and members of the Board of Directors from TMK-Artrom and its subsidiaries, for the six-month period in 2020 and 2019 years were in gross amounts as follow:

Semester	Number of persons	Fixed remuneration	Bonus
Semester 1 2020	13	RON 8,708,564	RON 4,009,576
Semester 1 2019	13	RON 4,424,553	RON 4,692,146

25. PROVISIONS

Other short-term provisions	Consolidated		Separate	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
	RON	RON	RON	RON
Accruals for managers bonuses	3,096,064	6,533,499	1,682,370	4,707,659
Provisions for taxes	1,941,574	1,941,574	1,941,576	1,941,576
Provisions for emission certificates	650,507	550,121	650,507	550,121
Provisions for quality complaints material cost	105,852	153,404	105,853	153,404
Provisions for quality complaints additional cost	78,404	123,036	78,404	123,036
Accruals for unused vacations	299,973	339,983	75,294	75,295
Provision for employment compensation	323,465	151,924	-	-
Provisions for risks and expenses	1,539,140	1,539,140	-	-
Total	8,034,979	11,332,681	4,534,004	7,551,091

Other long-term provisions	Consolidated		Separate	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
	RON	RON	RON	RON
Provisions for decommissioning property, plant and equipment	219,350	219,350	219,350	219,350
Accruals for managers bonuses	449,960	316,505	379,356	268,140
Total	669,310	535,855	598,706	487,490

26.COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Company's total commitments for the acquisition of property, plant and equipment as at June 30, 2020 are of RON 26,405,293 (2019: RON 35,712,293).

Group's total commitments for the acquisition of property, plant and equipment as at June 30, 2020 are of RON 26,405,920 (2019: RON 39,096,496).

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.

Contingent assets

TMK-Reșița owns an old equipment, which was removed from service in 1993 due to the abandonment of the production of liquid-based steel, called Furnace no. 2. This equipment can not be disposed because it is included in the List of Historical Monuments, so that approximately 9,000 tonnes of scrap can not be valued from its demolition.

TMK-Reșița started an action to downgrade the Furnace no.2 from the Historical Monuments list, action that was rejected by the Ministry of Culture and National Heritage, which justified that the documentation submitted by TMK-Reșița is incomplete and it is necessary to carry out a historical study by an expert certified by the Ministry of Culture and technical expertise elaborated by certified technical experts.

There was also an execution file against the Ministry of Culture and National Heritage requesting the enforcement of the Civil Sentence irrevocable by Decision of the High Court of Cassation and Justice, for the purpose of issuing a decision regarding the applicant's request TMK-Reșița to declassify the Furnace.

The Ministry of Culture and National Heritage replied again that the documentation is incomplete.

26.COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

The company will continue to act on all legal ways to obtain a declassification of the furnace which is subject to physical degradation and presents risk of accidents being located within the factory in the railway transport area that serves the production workshops

Litigations against National Fiscal Administration Agency ("ANAF")

1. TMK-Artrom

Litigation against National Fiscal Administration Agency ("ANAF") and General Department for the Administration of Big Contributors ("DGAMG")

TMK-Artrom challenged the Fiscal report no. F - MC 15 of 8 February 2016, the Decision regarding the supplementary fiscal obligations no. F - MC 4 of 8 February 2016 and the Decision regarding the non-change of the base of taxes no. F - MC5 of 8 February 2016, requesting the court (i) mainly, to annul the fiscal report and all the following deeds, (ii) secondary, the annulment of the Decision no. 42 of 7 October 2016 regarding the decision to reject the contestation filed by the company, the annulment in part of the fiscal report and the supplementary income decision regarding the income taxes in amount of

727,223 RON, interest rate/delay increases in amount of RON 1,392,488 and delay penalties in amount of RON 239,693, the monthly VAT in amount of RON 481,237, interest rate/delay increases in amount of RON 867,632 and delay penalties in amount RON 158,622 and the interest rate/delay increases and delay penalties calculated for the period 20 July 2010 – 15 December 2015; and (iii) the obligation to the payment of the trial expenses. On 13 October 2017, Bucharest Court of Appeal ruled against the claim. TMK-Artrom filed appeal. The first hearing is set with the High Court of Justice and Cassation on 18 June 2020.

On July,1 2020, The High Court of Justice ruled in favor of the appeal and decided to send the case back to the Bucharest Court of Appeal to rule again on the merits of the case. No hearing was set yet by the first court.

TMK-Artrom paid the supplementary debts for the income taxes under the terms and conditions set by the Emergency Ordinance 44/2015. Therefore, TMK-Artrom paid the amounts set in the fiscal report after the decrease of such taxes by (i) 77.1% for the delay increases and (ii) 54.2% of the interest rate. Furthermore, the delay penalties set for TMK-Artrom had been canceled.

2. TMK-Reșița

Litigation against National Fiscal Administration Agency ("ANAF") and General Department for the Administration of Big Contributors ("DGAMG")

TMK-Reșița challenged the Fiscal report no. F-MC 318 of 15 October 2014, the Decision regarding the supplementary fiscal obligations no. F-MC 1538 of 15 October 2014, the Decision regarding the measures set by the fiscal inspectors no. 87050 of 14 October 2014 and the Decision regarding the non-change of the base of taxes no.F-MC 1539 of 15 October 2014, requesting the court (i) mainly, to annul the fiscal report and all the following deeds, (ii) secondary, the annulment of the Decision no. 178 of 16 June 2015 regarding the decision to reject the contestation filed by the company, the annulment in part of the fiscal report and the supplementary income decision regarding the income tax for individuals in amount of RON 11,194, monthly VAT in amount of RON 544,300, interest rate/delay increases in amount of RON 1,161,841 and delay penalties in amount of RON 84,985, monthly VAT in amount of RON 41,037, interest rate/delay increases in amount of RON 76,307 and delay penalties in amount of RON 6,156, monthly VAT in amount of RON 58,928, interest rate/delay increases in amount of RON 131,085 and delay penalties in amount of RON 8,839, the amount of RON 393,453 representing the interest rate/delay increases and delay penalties calculated for the period 28 December 2011 – 25 September 2014; (iii) the modification of the decision regarding the measures of the fiscal authority based on the annulment in part of the fiscal report and the

26.COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

decision regarding the supplementary fiscal obligations for the amounts mentioned above; and (iv) the obligation to the payment of the trial expenses. On 21 April 2016, Bucharest Court of Appeal ruled against the claim. TMK-Reșița filed appeal. The first hearing was set with the High Court of Justice and Cassation on 20 June 2019 when the High Court of Justice and Cassation rejected the appeal. This decision is final.

TMK-Reșița paid the supplementary debts for the income taxes under the terms and conditions set by the Emergency Ordinance 44/2015. Therefore, TMK-Reșița paid the amounts set in the fiscal report after the decrease of such taxes and the annulment of the delay penalties.

Taxation

The taxation systems in Romania and in the jurisdictions where the Group operates are undergoing continuous developments. Thus, it is subject to various interpretations and constant changes which may sometimes be retroactive. In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant. In Romania, the fiscal year remains open for tax audit for a period of 5 years, all the Romanian companies of the Group having this period open. The management considers that the tax liabilities included in these financial statements are adequate.

In accordance with the requirements issued by the Ministry of Public Finance in Romania, which relate to the fiscal treatment of the items of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts due to their nature, should the Group change the destination of the statutory reserves in the future (to cover losses or to make distributions to the shareholders), this will lead to additional income tax liabilities.

Seamless steel tubes originating in Romania with outside diameter less than or equal to 114.3 mm and intended for use as pipe, standard or high pressure applications are subject to anti-dumping duty, applicable to imports into the United States. This fee is applicable since 2000, differentiated by each manufacturer – TMK-Artrom with a percentage of 13.06%. TMK-Artrom supply of such products are minor and not a target product for the US market, TMK-Artrom SA, not taking part in the previous administrative review investigations.

On 7 August 2018, the Commerce Department of the United States published a notice regarding the opportunity to review the fees stated above. Being the end of a new period allowing the revision administrativa at the request of interested parties, in October 8, 2018, was initiated the review of the fees outlined above, including TMK Artrom SA.

TMK-Artrom decided to participate voluntarily and seek reduction/elimination of the fee even if the amount of such pipes delivered on US market is small during the investigated period. During the period 01 August 2017 - 31 July 2018 the deliveries do not exceed 500 tons, a small volume compared to the total volume of pipes shipped in the US. Following this investigation, the American Commerce Department may decide to reduce anti-dumping duty, the elimination or maintaining it up to date 01 September 2021, the expiration date of the current antidumping decision. Non-participation in this request from the Department of Commerce of the United States would impact in the increase of the tax if in the dumping investigation procedure an equivalent country with higher costs would be selected.

27. EVENTS AFTER THE REPORTING PERIOD

On 14.08.2020 it is intended to sign an additional act with our creditor VTB BANK EUROPE from Germany, which will modify the financing costs.

Date: August 12, 2020

Chief Executive Officer,
Ing. Popescu Adrian

Chief Economical and Accountancy Officer,
Ec. Văduva Cristiana