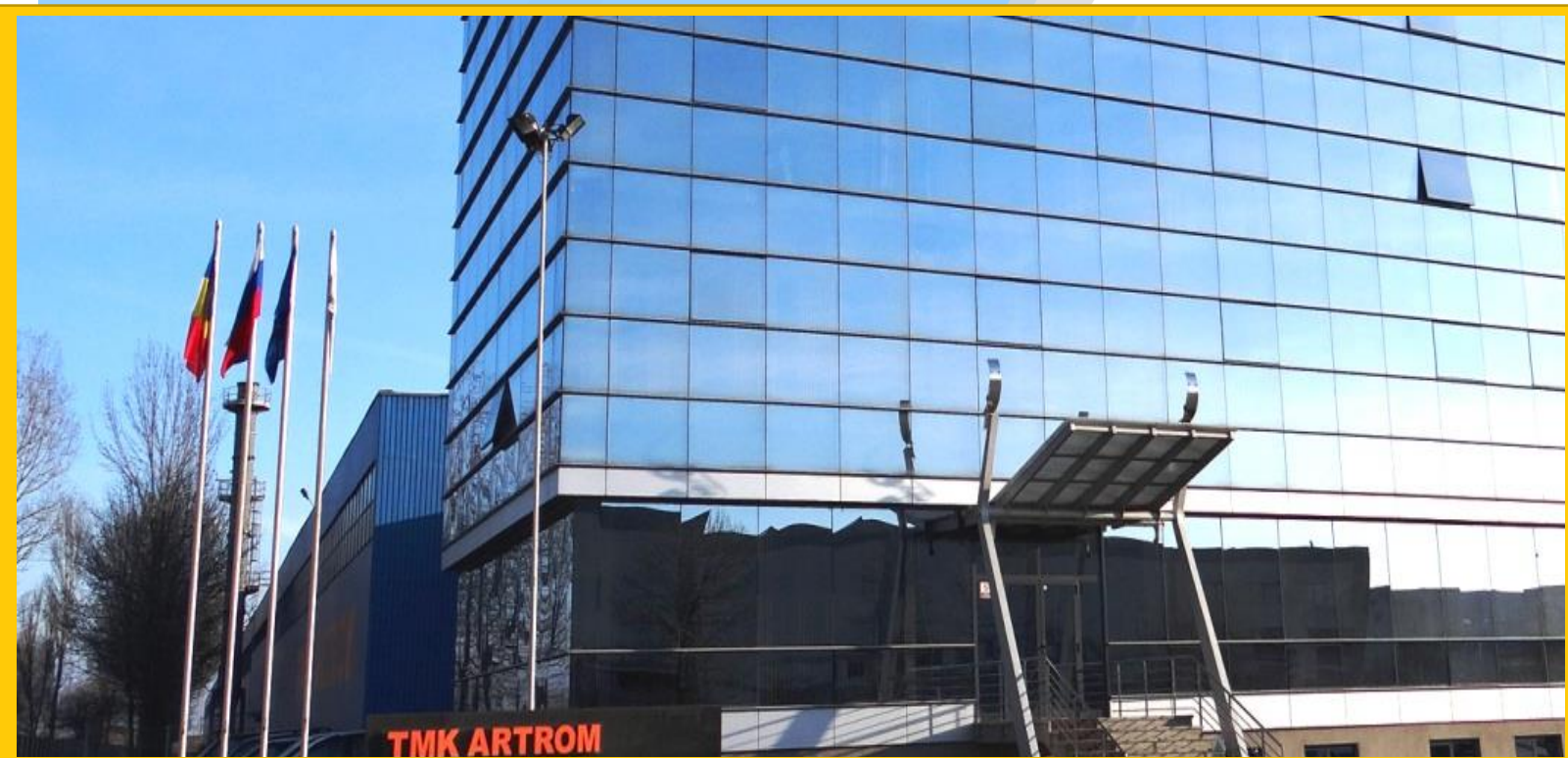


# **TMK-ARTROM S.A.**

## **Consolidated and Separate Quarterly Report as at 31 March 2019 with amendments**



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## ANNEXES:

*The Unaudited and Reviewed Interim Condensed Consolidated and Separated Financial Statements for three-month period ended as at 31 March 2019*



API:  
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No 102/ 107 from 10.05.2019

**1. Purpose of the report**

**Consolidated and Separate Current Report  
in accordance with Law no. 24/2017 and of Regulation no. 5/2018 on  
issuers of financial instruments and market operation published on 22 April 2019  
with amendments**

Report date: 22 April 2019 (this version includes the amendments published on 10 May 2019)

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.*

**Events to be reported:** *The interim condensed consolidated and separated financial statements of TMK-Artrom for three-month period ended as at 31 March 2019*

a) Changes in the issuer's control, including changes in the control of the entity it owns control over the issuer and changes in control arrangements: N/A;

b) Material acquisitions or alienations of assets:

b1) The board of directors of TMK-Artrom ("Board of Directors") decided on 28 November 2018 to approve the acquisition by TMK Artrom of all the shares held by TMK Global SA as sole shareholder in TMK Italia. The transaction was completed on 5 February 2019 at the price approved by the Board of Directors.

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The price for the acquisition of 50.000 shares, representing 100% of share capital of TMK-Italia, is EUR 1.730.800, meaning 34,61 EUR per share. The price was agreed by TMK-Artrom and TMK Global SA based on the valuation report issued by DARIAN DRS SA on 27 November 2018 which valued the shares taking into consideration the value of the shares at 31 October 2018.

The price is to be paid by TMK-Artrom, from its own resources, within 90 days from the date of the execution of the relevant shares purchase agreement by TMK-Artrom and TMK Global SA.

b2) The Group completed the construction of a heat treatment unit at its Slatina plant which allowed the increase in the physical volume of pipes and the sales of premium value products (Unit No. 6 HTP). All the pieces of the equipment for the complex have been acquired from SMS Group. The heat treatment complex was officially commissioned on 16 February 2018 as Unit 6 of TMK-Artrom. This new equipment allows the Company to increase the share of the premium products in the Company's portfolio. The large investment project allows to perform heat-treatment operations on long pipes, which is quite rare in Europe. The annual projected capacity of the new line is over 160 thousand tones of pipes. SMS Group, one of the global leaders in manufacturing equipment of metallurgical industry, has both supplied the equipment for and performed the engineering works necessary for building in the equipment.

c) Bankruptcy proceeding: N/A;

d) Transactions of the kind listed in art. 82 of Law no.24/2017: N/A;



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## 2. Brief presentation of the Company and the Group

**TMK-Artrom** is a joint-stock company, listed for trading on a regulated market administered by the Bucharest Stock Exchange SA ("BVB") with the registered office in Slatina, 30 Draganesti Street, Olt County, Romania. TMK Artrom produces seamless pipes for industrial applications, including for the mechanical engineering and automotive industry. The main activity of the company is the production of tubes, pipes, hollow profiles and related fittings, of steel, CAEN code 2420.

Company Headquarter	Street Draganesti, no 30, Slatina, County Olt, Romania, 230119
Phone number	+40249436862, +40249434640, +40249434641
Fax number	+40249434330, +40249437288
Registration number at the Trade Registry Office	J28/9/1991 as at 31.01.1991
Unique Identifier at European Level (EUID):	ROONRC.J28/9/1991
LEI Code:	315700M25SMOU44FAN52
Tax identification Code	RO 1510210
Class, type, number and principal characteristics of the securities issued by the company	Registered dematerialised and ordinary shares
Subscribed and paid-up share capital	291,587,538.34 lei
The regulated market on which the issued securities are traded	Bucharest Stock Exchange Regulated Market - STANDARD category (ART market symbol)

**TMK-Resita** 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 IS** 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.

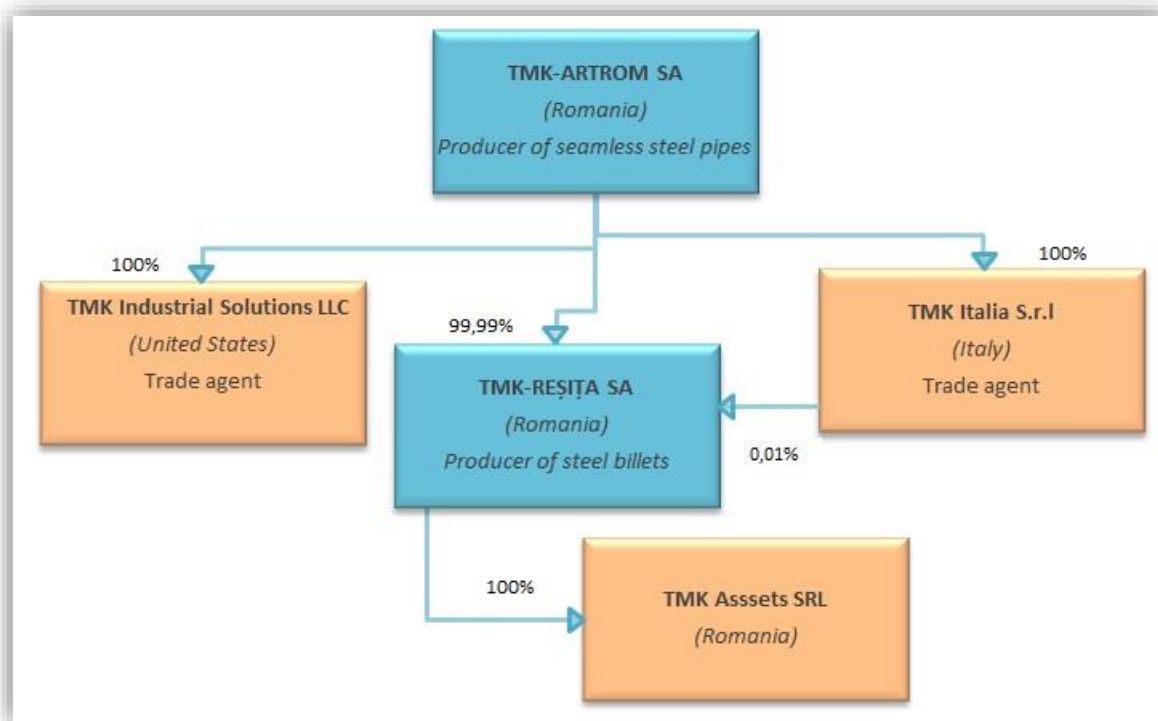
**TMK-Italia** is a company which is focused on sales and marketing of TMK group's pipes in South and West Europe areas. The subsidiary was founded in 2000 and operates according to Italian laws. TMK-Italia has social headquarters in Lecco, Piazza Degli Affari, no. 12, Italy.



## TMK-Artrom Group – entities and shareholders as at 31 March 2019

Company name	Parent-company	Shareholding (%)
<b>TMK-Artrom</b>	<b>TMK Europe GmbH</b>	<b>92.7282</b>
<b>TMK IS</b>	<b>TMK-Artrom</b>	<b>100</b>
<b>TMK-Resita</b>	<b>TMK-Artrom</b>	<b>99.99237</b>
<b>TMK Assets SRL</b>	<b>TMK-Resita</b>	<b>100</b>
<b>TMK-Italia</b>	<b>TMK-Artrom</b>	<b>100</b>

## The structure of the Group as at 31 March 2019:



## 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 31 December 2018 and restated consolidated financial statements for 2016 and 2017 (the “Audited Consolidated Financial Statements”) and, respectively, the Unaudited and Reviewed Interim Condensed Consolidated Financial Statements of the Group for the period of three-months ended on 31 March 2019 which includes comparatives with the restated information for the period of three months ended 31 March 2018, (“Unaudited Interim Consolidated Financial Statements”) 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





## Quarterly report as at 31 March 2019

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.

The Audited Consolidated Financial Statements and the Unaudited and Reviewed Interim Consolidated Financial Statements may be hereinafter referred to, together, as the “Consolidated Financial Statements”.

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 restated Consolidated Financial Statements of the Group for 2018.

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 and Reviewed Interim Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2019.

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 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 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 2018, 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).

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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 interim condensed financial statements.

### 3. Economic and financial indicators in accordance with FSA Regulation No 5/2018

	31.03.2019	Separate	Consolidated
Indicators	Calculation formula	Result	Result
<b>Current liquidity ratio<sup>1</sup></b>	<b>Current assets / Current liabilities</b>	1.39	1.17
<b>Indebtness indicator<sup>2</sup></b>	<b>Borrowed capital / Equity *100</b>	84.17%	82.93%
	<b>Borrowed capital / Accrued capital *100</b>	45.70%	45.34%
<b>Rotation speed of debtors-clients<sup>3</sup></b>	<b>The average balance – clients / Revenue from contracts with customers * 90</b>	76	82
<b>Rotation speed of non-current assets<sup>4</sup></b>	<b>Revenue from contracts with cutsomers / non-current assets</b>	0.37	0.29

**Note:**

1. It guarantees the ability of coverage of the current debts from current assets. The recommended value acceptable is about 2.
2. It expresses the efficacy of the credit risk management, showing the potential problems of financing, liquidity, incluncing the ability to comply with the commitments undertaken.
3. It expresses the efficacy of the company in collecting its debts, respective the number of days until the date on which the debtors pay the debts to the company.
4. It expresses the efficacy of the immobilized assets, by providing for the revenue generated by a certain quantity of assets.





#### 4. The main operational and financial indicators for the first quarter of 2019

<b>in RON</b>		
<b>Financial indicators</b>	<b>Separate 31 Martie 2019 Unaudited</b>	<b>Consolidated 31 Martie 2019 Unaudited</b>
Production of pipes(tons)	47,404	47,404
Sale of pipes production TMK -Artrom (tons)	51,214	51,193
Revenues	345,736,539	336,128,284
Profit of the financial year	9,454,878	304,191
Net global result of the period	9,443,120	1,304,672
Adjusted EBITDA	31,788,783	40,810,685
EBIT	18,254,058	19,413,837
Adjusted EBITDA margin, %	9.2%	12.1%

*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.*

According to the Unaudited Interim Consolidated Financial Statements, the Company and the Group recorded the following financial indicators at 31.03.2019:

<b>in RON</b>		
<b>Financial indicators</b>	<b>Separate 31 Martie 2019 Unaudited</b>	<b>Consolidated 31 Martie 2019 Unaudited</b>
Profit before tax	9,628,822	715,471
Net accounting profit of which:	9,454,878	304,191
Operating profit	18,254,058	19,413,837
Financial loss	(8,625,236)	(18,698,366)
Exceptional result	-	-
Current income tax expense	-	(147,738)
Deferred income tax - revenues	1,674,645	2,592,881
Deferred income tax - expenses	(1,848,589)	(2,856,423)
Income	345,736,539	336,128,284
Cost of sales	(279,566,396)	(263,831,707)
Export	71.7%	73.8%



## 5. Analysis of operational and financial results

### 5.1 Consolidated sales volume of the Group TMK-Artrom

#### Product premiumization and sales mix

In 2018, the Group completed the construction of the heat treatment complex - Unit 6 at its Slatina plant which allowed the increase of the production volume of pipes and the sales of premium value products. This heat treatment facility is expected to enable the Group to expand its premium pipes production beyond its current abilities and to manufacture higher volumes and more types of higher margin, high-quality, high-precision, premium pipe products competitive with the top tier of global pipe producers. Also, further planned investments are expected to grow premium output capacity to 118 thousand tonnes by 2024, from its current premium output capacity.

Total revenues of TMK-Artrom Group's revenue increased to RON 336.1 million in the first quarter of 2019 compared to RON 331,6 million in the first quarter of 2018, mainly due to the increase in the physical volume of sold pipe from 47,123 tonnes to 51,193 tonnes (representing an increase of 8.6%), but also due to the increase in the average price per product by 8.9%.

The average selling prices for premium pipes was 70% higher than the average selling price for commodities pipes in the first quarter of 2019, (in the year ended at 31 December 2018, the average selling price for the premium pipes was 59% higher than the average selling price for commodities pipes and in the year ended at 31 December 2017, the average selling price for the premium pipes was 65% higher than the average selling price of commodities pipes).

The cost of sold premium pipes was 45% higher than the cost of sold commodities pipes in the first quarter of 2019 (in the year ended at 31 December 2018, the cost of sold premium pipes was 41% higher than the cost of sold commodities pipes and in the year ended at 31 December 2017, the cost of sold premium pipes was 43% higher than the cost of sold commodities pipes).

The average selling price for all types of seamless steel pipes produced by TMK-Artrom and sold in the Americas is 68% higher than the average selling price for the same products sold on the European market (these prices include the shipping costs as well as US import charges for the steel products sector 232).

The cost of all types of seamless steel pipes produced by TMK-Artrom sold on the Americas market is 20% higher than the cost of the same products sold on the European market. These costs are production costs that do not include other commercial costs until final destination (shipping, customs, port and other charges, and import tax on products sold in the US).

The volume of sales of billets produced by TMK RESITA to other parties than TMK-Artrom decreased by 8,608 tonnes during the first quarter of 2018 de la 8,834 tonnes, la 226 tonnes in the first quarter of 2019 (a decrease of 97.4%).

The volume of sales of goods (billets, blums, pipes) produced by other parties than TMK-Artrom (acquired from other TMK group entities) decreased by 17,7% from 25,597 tonnes recorded in the quarter ended at 31 March 2018 to 21.074 tonnes recorded in the quarter ended at 31 March 2019 due to decrease in trading activity of TMK Italia.



## Quarterly report as at 31 March 2019

The consolidated volumes sold of TMK-Artrom Group for the quarter ended March 31, 2019 ("Q1/19"), are provided below:

Type of product / Sales destination	1Q 2019	1Q 2018
	Quantity (tons)	Quantity (tons)
1. Total seamless steel pipes produced by TMK-Artrom, from which:	51,193	47,123
1.1.Commodities Europe *	38,039	31,185
1.2 Commodities Americas **	2,028	5,194
1.3. Premium Europe	7,684	6,642
1.4. Premium Americas	3,443	4,103
Total billets and blooms TMK-Reșița sold to third parties outside the TMK-Artrom Group	226	8,834
Total billets produced by TMK-Reșița sold to TMK-Artrom	57,813	56,407
2. Total sales of goods produced by other parties than TMK-Artrom, of which:	21,074	25,597
2.1 Sale of goods Europe	20,421	24,410
2.2 Sale of goods Americas	652	1,188

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

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

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

The following table presents the consolidated statement of profit or loss of the TMK-Artrom Group for the period ended March 31, 2019, as compared to March 31, 2018.

Cost of sales	Amounts in RON		Variation %	% in total Revenues	
	31 March 2019 Unaudited	31 March 2018 Restated and unaudited		31 March 2019 Unaudited	31 March 2018 Restated and unaudited
<b>Revenues from customer contracts</b>	336,128,284	331,618,972	1.40%	100.00%	100.00%
Sales of goods	335,635,427	330,569,713	1.50%	99.85%	99.68%
Rendering of services	492,857	1,049,259	-53.00	0.15%	0.32%
Cost of sales	-263,831,707	-273,181,130	-3.40%	78.49%	82.38%
Gross profit	72,296,577	58,437,842	23.70%	21.51%	17.62%
Selling and distribution expenses	-33,482,664	-24,601,826	36.10%	9.96%	7.42%
Advertising and promotion expenses	-13,321	-162,132	-91.80%	0.00%	0.05%
General and administrative expenses	-18,916,410	-16,216,094	16.70%	5.63%	4.89%
Research and development expenses	-64,284	-25,423	152.90%	0.02%	0.01%
Other operating expenses	-1,080,658	-1,001,420	7.90%	0.32%	0.30%

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Cost of sales	Amounts in RON		Variation %	% in total Revenues	
	31 March 2019 Unaudited	31 March 2018 Restated and unaudited		31 March 2019 Unaudited	31 March 2018 Restated and unaudited
Other operating income	674,597	21,164	3087.50%	0.20%	0.01%
Amortization and depreciation*	-20,847,016	-18,558,137	12.30%	6.20%	5.60%
Income from operations	19,413,837	16,452,111	18.00%	5.78%	4.96%
Foreign exchange (loss) / gain, net	-14,060,427	1,184,938	-1286.60%	-4.18%	0.36%
Financial income	2,149	545	294.30%	0.00%	0.00%
Financial cost	-4,640,088	-2,687,035	72.70%	-1.38%	-0.81%
Profit before tax	715,471	14,950,559	-95.20%	0.21%	4.51%
Tax expense/credit	-411,28	-2,918,618	-85.90%	-0.12%	-0.88%
Profit for the year	304,191	12,031,941	-97.50%	0.09%	3.63%
<b>Adjusted EBITDA</b>	<b>40,810,685,04</b>	<b>37,640,807,10</b>	<b>8.40%</b>		

## Segment results

Regarding Segment Reporting, the Group discloses its financial results as follows: (1) the pipe production; (2) the billets production. The pipe production segment is located in Slatina. The billets production segment is located at Resita. The pipe production segment uses billets to produce hot or cold-rolled and cold or hot-drawn seamless steel pipes.

## Segment results of TMK-Artrom Group

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.

In RON	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
<b>31 March 2019-Unaudited</b>					
Sales to external customers	282,267,326	636,916	53,224,042	-	<b>336,128,284</b>
Inter-segment sales	165,741	157,737,020	-	(157,902,761)	-
Total sales	282,433,067	158,373,936	53,224,042	(157,902,761)	<b>336,128,284</b>
Segments result (gross profit)	68,305,731	55,129	3,935,717	-	<b>72,296,577</b>
Other operating expenses, net					(52,882,740)
Interest and other finance costs, net					(4,637,939)
Net foreign exchange gains / (losses)					(14,060,427)
<b>Result before income tax</b>					<b>715,471</b>
<b>31 March 2018-Restated and unaudited</b>					
Sales to external customers	238,661,982	21,954,253	71,002,737	-	<b>331,618,972</b>
Inter-segment sales	157,103	149,742,129	-	(149,899,232)	-
Total sales	238,819,085	171,696,382	71,002,737	(149,899,232)	<b>331,618,972</b>
Segments result (gross profit)	53,117,733	638,473	4,681,636	-	<b>58,437,842</b>
Other operating expenses, net					(41,985,731)
Interest and other finance costs, net					(2,686,490)
Net foreign exchange gains / (losses)					1,184,938

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## Quarterly report as at 31 March 2019

Result before income tax

14,950,559

The following tables present the consolidated information on the revenue of the Group divided on geographical areas.

Revenue from contracts with customers	31 March 2019	Consolidated	31 March 2018	
	RON <i>Unaudited</i>	%	RON <i>Restated and unaudited</i>	%
Domestic sales	88,019,710	26.2	95,956,373	28.9
Sales abroad	248,108,574	73.8	235,662,599	71.1
<b>Total</b>	<b>336,128,284</b>	<b>100</b>	<b>331,618,972</b>	<b>100</b>

Revenues from contracts with customers – geographical information

Consolidated

Revenue	Romania	Europa	North and South America	Other countries	Total
	RON	RON	RON	RON	RON
31 March 2019- <i>Unaudited</i>	88,019,711	195,894,211	51,849,939	364,423	<b>336,128,284</b>
31 March 2018 <i>Restated and unaudited</i>	95,956,371	173,781,741	60,621,899	1,258,961	<b>331,618,972</b>

The following table shows the Group's revenues for the period ended at 31 March 2019 versus the period ended at 31 March , 2018.

	Consolidated	
	31 March 2019	31 March 2018
	RON	RON
	<i>Unaudited</i>	<i>Restated and unaudited</i>
Sale of pipes produced by TMK-Artrom from which:		
Domestic	39,473,380	32,548,418
Europa*	195,196,737	151,699,929
North and South America**	47,232,786	53,154,674
Other areas***	364,423	1,258,961
<b>Total sales of TMK Artrom pipes</b>	<b>282,267,326</b>	<b>238,661,982</b>
Sales of other goods and services from which:		
Sales of other goods on domestic market	48,167,462	63,008,460
Sales of other goods on external market	5,200,640	28,838,708
Rendering of services on domestic market	378,869	506,882
Rendering of services on external market	113,987	602,940
<b>Total sales of other goods and services</b>	<b>53,860,958</b>	<b>92,956,990</b>
<b>Total turnover</b>	<b>336,128,284</b>	<b>331,618,972</b>

\*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

The Group generates revenue primarily by selling seamless industrial steel pipes to end-users and distributors through its sales and marketing network that is engaged in the sale of pipe production in markets throughout Europe and the Americas. IFRS 15 – Revenue from Contracts with Customers requires qualitative and quantitative disclosures in respect of revenue, contract balances, performance obligations, significant judgements and assets recognised from costs to obtain or fulfill a contract.

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Consequently, these revenues are referred to as “Revenue from contracts with customers” for periods commencing 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 Interim Consolidated Financial Statements because the Group does not have long-term sales contracts with clients. All other revenues are described as rendering of services referring mainly to agency services which are performed by the Company’s subsidiary in the US for other parties or to other services executed by the Group to other parties.

The Group’s total consolidated revenues increased by 1.4% in the first quarter ended at 31 March 2019 compared to the first quarter ended at 31 March 2018 as a result of revenue growth from contracts with customers from the sold production by 18.3% (43,6 mil RON), which was off-set by the decrease of TMK-Resita sales of blums and billets to third parties (by 97.1% or 21,3 mil RON) and the decrease of other sales (with 25% or 17,8 millions RON) from which the sales of metallurgical products from companies within the TMK group decreased with 23.4%, respectiv 16 million RON.

The increase in revenue from the pipes production sold is due to several growth factors, namely: (i) the increase in revenues from the sale of commodities pipes in the first quarter ending 31 March 2019 compared to the total revenues gained in the first quarter ended at 31 March 2018 by 15.2% or RON 25.35 million, (ii) the increase in revenues from premium pipe sales of 25.3% (RON 18.25 million), due to the increase in sales of premium pipes by 382 tons in the first quarter ended at 31 March 2019 versus 10,745 tons in the first quarter ended at 31 March 2018, as well as the increase in the selling price for the premium pipes. In the value of the increase (of RON 43.6 million) from the sales of pipe production, the Group also includes the 8.9% increase in the average selling price for the premium pipes.

### 5.3 Expenses analysis of TMK-Artrom Group

#### Cost of goods sold by TMK-Artrom Group

Regarding the cost of goods sold to the Group, the situation is as follows:

	31 March 2019 RON	31 March 2018 RON	%	% in total consolidated cost of production sold	
	Unaudited	Restated and unaudited		31 March 2019- unaudited	31 March 2018 Restated and unaudited
Raw materials	86,234,404	98,152,479	-12.1	40.1	47.1
Expenses with salaries, salary compensations and social contribution	34,388,061	29,738,831	15.6	16	14.3
Consumables	38,178,483	32,730,672	16.6	13.9	13.2
Energy and utilities	36,375,499	30,448,787	19.5	16.9	14.6
Depreciation and amortisation	19,521,320	17,627,265	10.7	9.1	8.5
Professional fees and services	1,737,150	1,371,018	26.7	0.8	0.7
Freight	577,647	571,897	1	0.3	0.3
Taxes	1,095,832	912,538	20.1	0.5	0.4
Repairs and maintenance	1,497,372	912,032	64.2	0.7	0.4
Insurance	707,355	614,648	15.1	0.3	0.3
Rent	165,44	322,027	-48.6	0.1	0.2
Travel	151,632	198,488	-23.6	0.1	0.1
Communications	24,543	28,178	-12.9	0	0

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	31 March 2019 RON	31 March 2018 RON	% in total consolidated cost of production sold		
	Unaudited	Restated and unaudited	%	31 March 2019- unaudited	31 March 2018 Restated and unaudited
Other expenses	2,111	484	336.2	0	0
<b>Total production cost</b>	<b>220,656,849</b>	<b>213,629,344</b>	<b>3.3</b>	<b>102.6</b>	<b>102.6</b>
Change in own finished goods and work in progress	3,226,781	-452,403	-	1.5	-0.2
Cost of sales of externally purchased goods	48,837,987	64,974,812	-24.8	22.7	31.2
Capitalized production costs	-8,303,869	-5,146,586	61.3		
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	-587,104	-29,059	1920	-0.3	0
Write-off materials	1,063	205,022	-99.5	0	0.1
<b>Cost of sales from which:</b>	<b>263,831,707</b>	<b>273,181,130</b>	<b>-3.4</b>		
<b>Cost of goods</b>	<b>48,837,987</b>	<b>64,974,812</b>	<b>-24.8</b>	<b>18.5</b>	<b>23.8</b>
<b>Cost of sold production</b>	<b>214,993,720</b>	<b>208,206,318</b>	<b>3.3</b>	<b>81.5</b>	<b>76.2</b>

The cost of sales consists mainly of the costs of purchasing raw materials, consumables (including rolling instruments, spare parts for production equipment), employee costs, and energy and utilities costs. The cost of sales also includes (i) depreciation and amortization, mainly related to depreciation of plant and equipment operations of the Group; (ii) third party costs incurred in connection with certain IT equipment, leasing of equipment and technical consultants directly linked to production; and (iii) repair and maintenance costs related to the plant and machinery.

The cost of sales decreased by 3.4% or RON 9.3 million to RON 263.8 million in the quarter ended at March 31, 2019 compared to RON 273.2 million in the quarter ended at 31 March 2018.

The cost of sold production increased from RON 208,2 million in the first quarter ended at 31 March 2018 to 215 milioane RON in the first quarter ended at 31 March 2019.

### Raw materials

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.

For the period ended March 31, 2019, the cost of the raw material accounted for 40.1 % of the cost of the production sold of the Group during the first three-months period ended at 31 March 2019 (47.1% during the first quarter ended at 31 March 2018).

The Group's raw material costs decreased by 12.1% in the quarter ended at 31 March 2019 as compared to the quarter ended 31 March 2018, mainly due to the decrease in the production of liquid steel at TMK-Resita by 8.6%. The decrease in raw material costs was also influenced by the 2.2% decrease in the average purchase price of scrap metal.

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The average purchase price of scrap metal decreased with 28 lei/tonne from 1,289 RON/ tonne in the quarter ended 31 March 2018 compared to 1,261 RON/ tonne in the quarter ended 31 March 2019.

### Employment costs, remuneration expenses and social security contributions

Expenses with employees in the productions sector (staff costs, other compensation and social security contributions) represent RON 34.4 million RON, meaning 16 % of the total cost of production sold on 31 March 2019 (RON 29.7million, 14.3% in the first quarter of year 2018).

Please refer to the table below for the total and average number of employees, both consolidated and individual, for the 3-month period ending at 31 March 2019, compared to the 3-month period ending 31 March 2018.

As a result of negotiations with the trade unions (and, consequently, in accordance with the collective labor agreements) and of TMK-Italia's acquisition, the Company estimates that the consolidated expenses with employees will increase in 2019 compared to 2018 with a percentage of 15-18%.

The employment costs have increased by 15.6% or RON 4,65 million for the three-month period ended 31 March 2019 as compared to the three-month period ended 31 March 2018 as a result of the new staff employed as well as of the indexation of salaries with the inflation rate.

Description	Consolidated	
	31 March 2019 Unaudited	31 March 2018 Restated and unaudited
Average number of employees	2,284	2,192
Actual number of employees at the end of the financial year	2,280	2,221

Description	31 March 2019- Unaudited				
	TMK-Artrom	TMK IS	TMK-Resita	TMK-Assets	TMK-Italia
Average number of employees	1,486	10	774	1	13
Actual number of employees at the end of the financial year	1,486	10	770	1	13

Description	31 December 2018			
	TMK-Artrom	TMK IS	TMK-Resita	TMK-Assets
Average number of employees	1,457	10	781	1
Actual number of employees at the end of the financial year	1,486	11	783	2

### Materials (consumables)

Expenses with materials (auxiliary materials, technological tools, spare parts, etc.) amount to RON 29,9 million, representing 13.9 % of the total cost of sold production for the quarter ended at 31 March 2019. The expenses are 17% higher as compared to the quarter ended at 31 March 2018 (in total amount of 27.6 millions RON representing 13.2% of the total cost of sold production ). As the Group operates a repair and maintenance programme for its facilities, these costs are expected to remain relatively the same year-on-year.

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Expenses for materials (consumables) taken into consideration are the materials (consumables) (38,2 millions RON for the quarter ended at 31 March 2019) less the capitalized production costs (8,3 milioane RON for the quarter ended at 2019).

From the total costs with the materials (consumables) of the Group, we single out the costs incurred with the graphite electrodes used in the technological process of TMK-Resita, as some of the main materials used in TMK-Resita's production, which represented 25.4% of the total costs for the materials (consumables) of the Group for the quarter ended at 31 March 2019 as compared to 19.8% for quarter ended at 31 March 2018 (for the year ended at 31 December 2018, the costs for the graphite electrodes represented 21.2% of the total costs for the materials, 10.3% for the year ended at 31 December 2017 and, respectively, 9.4% for the year ended 31 December 2016).

### ***Energy and utilities***

Energy and utilities costs (natural gas, electricity, water) amount to RON 36.4 million, for the quarter ended at 31 March 2019 representing 16.9% of the total cost of sold production in the quarter ended at 31 March 2019 (RON 30.4 million, representing 14.6% in the quarter ended at 31 March 2018). Expenses with energy and utilities increased by 19.5% for the quarter ended at 31 March 2019 compared to the same period of 2018, mainly due to the combined influence of three factors: (i) the increase in actual energy consumption and utilities for TMK-Artrom's pipe production, (ii) the decrease in the actual consumption of TMK-Resita due to a reduction of the production of liquid steel by 8.6%, and (iii) the change in energy and gas purchase prices compared to the same period of the previous year. For TMK-Artrom, the average price of electricity increased by 28.3% during the quarter ended at 31 March 2019 compared to the same period of 2018 and the average price of natural gas increased by 34%. For TMK-Resita, the average electricity price increased by 29.8% during the quarter ended at 31 March 2019, compared to the same period of 2018 and the average price of natural gas increased by 22.4% for the same periods.

### ***Depreciation and amortization***

Depreciation and amortization increased by RON 1.9 million to RON 19.5 million during the quarter ended at 31 March 2019, from RON 17.6 million during the same period of 2018, largely attributable to the new machinery and equipment installed and put into operation during the years ended at 31 December 2017 and, respectively, 31 December 2018.

### ***Environmental protection expenses and provisions for emission certificates***

In the quarter ended at 31 March 2019, TMK-Artrom (separately) has registered provisions for the greenhouse gas emission allowances of RON 0.164 million for the deficit in certificates for the production of the quarter ended at 31 March 2019.

In the year ended 31 December 2018 TMK Artrom made provisions for greenhouse gas emission allowances in amount of RON 0.7 million for the deficit of certificates for the production of year ended at 31 December 2018. TMK-Artrom registered in the year ended at 31 December 2018 environmental protection costs in amount of RON 1 million representing certificates handed over to the European Greenhouse Gas Register (RUEGES) for greenhouse gas emissions related to the production of the year ended at 31 December 2017 and cancelled the provisions previously recorded for the production of the year ended at 31 December 2017, in amount of RON 1.5 million.



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On 3 June 2015, TMK Artrom obtained a 60% exemption from payment of green certificates, related to TMK Artrom's mandatory quota under Exemption Agreement No. 3 of 3.06.2015 issued by the Ministry of Economy, Commerce and Tourism. On 3 June 2015, TMK Resita obtained an 85% exemption from payment of green certificates, related to TMK Resita's mandatory quota under Exemption Agreement No. 4 of 3.06.2015 issued by the Ministry of Economy, Commerce and Tourism.

### **Gross profit and margin related to consolidated sales**

The gross profit of the Group increased with 23,7% (13,9 million RON) from 58,4 milioane RON in the first quarter of 2018 to 72,3 million RON in the first quarter of 2019.

Gross margin of the Group's total sales increased to 21.5 % in the quarter ended at 31 March 2019 compared to 17.6% during the same period of 2018.

Gross profit on the sale of TMK Artrom's production increased with 15,2 million RON from 53,1 million RON in the quarter ended at 31 March 2018 to 68,3 million RON in the quarter ended at 31 March 2019.

In part, as a result of premium price increase for premium pipes, the gross margin on the sale of TMK Artrom's production increased to 24.2% in the quarter ended at 31 March 2019, from 22.2% in the same period of 2018.

### **Selling and distribution expenses**

Selling and distribution expenses consist of expenses related the sale of the Group's products, including freight of finished products and merchandise, agents commission, taxes (the major part represented by the US import duties), insurance, materials, and associated salaries.

Selling and distribution expenses for the quarter ended at 31 March 2019 increased by RON 8.8 million or by 36.1% to RON 33.5 million in quarter ended at 31 March 2019, from RON 24.6 million as at March 31, 2018. The increase was mainly driven by the increases in the tax expense to RON 7.3 million in the quarter ended at 31 March 2019, from RON 0.03 million in the the quarter ended at 31 March 2018:

- *taxes and duties paid at the destination* of the exported goods increased during the first quarter of year 2019 as compared to first quarter of 2018 due to sales taxes for the sales made in the US of TMK-Artrom finished products and goods purchased from TMK group companies following the introduction of the import duty on certain steel products in the US. From May 2018, the import duty on some steel products in the US (section 232) was 25%, the duty on the steel products TMK-Artrom acquired from the TMK group companies sold in the US. For similar steel products of European origin, the 25% duty was introduced as of 1 June 2018. Expenses with these taxes in the three-month period ended on 31 March 2019 amounted to RON 7,3 million, which were generally recovered by increasing sales prices to customers;

### **General and administrative expenses**

General and administrative expenses consist of expenses not directly related to the production of seamless steel pipes, including administrative and managerial salaries, consulting fees and other third-

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party services, insurance, taxes other than income taxes, utilities, travelling, marketing, public relations costs and transport cost which is not allocated to a specific sale.

General and administrative expenses increased by RON 2.7 million or 16.7% to RON 18.9 million in the quarter ended at 31 March 2019 from RON 16.2 million in the quarter ended at 31 March 2018, mainly due to:

- employment costs, other wage compensation and social insurance costs increased by RON 1.2 million to RON 10.6 million registered during the first quarter of year 2019 as compared to RON 9.4 million during the first quarter of 2018;
- and also the increase in professional services expenses to RON 4.5 million in the quarter ended at 2019, from RON 3.7 million in the quarter ended at 2018.

### 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

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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 increased with 9.7% (the increase representing RON 3.6 million) from RON 37.2 million for the three months period ended 31 March 2018 to RON 40.8 million for the three months period ended 31 March 2019.

Adjusted EBITDA margin for the three months period ended 31 March 2019 was 12.1% compared to 11.2% for the three months period ended 31 March 2018.

Indicators	31 March 2019 RON <i>Unaudited</i>	31 March 2018 RON <i>Restated unaudited</i>
Profit for the period	304,191	12,031,941
Depreciation	20,847,016	18,558,137
Finance costs	4,640,088	2,687,035
Finance income	(2,149)	(545)
Foreign exchange (loss) / gain, net	14,060,427	(1,184,938)
Income Tax	411,280	2,918,618
EBITDA	40,260,853	35,010,248
Adjustments	549,832	2,207,912
- Depreciation in stock of finish goods and unfinished production	(638,558)	(35,055)
- Gain(-)/Loss (+) on disposal of property, plant and equipment and impairment (+)/reversal of impairment (-) of non-current assets	213,677	182,503
- Changes in provisions and allowances	144,510	1,346,798
- Social expenses	830,204	713,666
<b>Adjusted EBITDA</b>	<b>40,810,685</b>	<b>37,218,160</b>

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Adjusted EBITDA increased in the year ended at 31 December 2018 by RON 82.3 million to RON 203.2 million from RON 120.8 million in the year ended at 31 December 2017 (representing a 68% increase). This increase was mainly due to the increase in the volumes of sales, including for premium products, and an increase in the average sale price compared to the year ended at 31 December 2017. The Adjusted EBITDA margin for the financial year ended at 31 December 2018 was 14.6%.

The EBITDA increase coming from premium products sales was 31%. In total EBITDA for the year ended at 31 December 2018, EBITDA from premium products sales represents 39%.

Adjusted EBITDA increased by RON 39.8 million to RON 120.8 million in the year ended at 31 December 2017 from RON 81 million in the year ended at 31 December 2016 (representing a 49% increase). This increase was mainly due to the increase in the volumes of sales, including for premium products, and an increase in the average sale price compared to the year ended at 31 December 2016 due to an increase in the volume of sold premium products in the US and Canada.

Indicators	Consolidated		
	2018 RON	2017 RON <i>Restated</i>	2016 RON <i>Restated</i>
Profit for the year	79,576,196	26,619,695	2,927,653
Depreciation	77,756,665	72,683,418	71,540,202
Finance costs	15,290,360	10,676,878	8,005,398
Finance income	(3,554)	(1,049)	(1,229)
Foreign exchange (loss) / gain, net	3,534,315	2,021,813	4,633,157
Income Tax	17,888,692	2,268,466	(639,903)
EBITDA	194,042,674	114,269,221	86,465,278
Adjustments	9,190,541	6,573,415	(5,408,170)
- Depreciation in stock of finish goods and unfinished production	759,902	913,365	(4,031,746)
- Gain(-)/Loss (+) on disposal of property, plant and equipment and impairment (+)/reversal of impairment (-) of non-current assets	1,128,497	1,655,385	2,471,677
- Changes in provisions and allowances	4,731,497	2,057,206	(5,461,830)
- Social expenses	2,570,645	1,947,459	1,613,729
<b>Adjusted EBITDA</b>	<b>203,233,215</b>	<b>120,842,636</b>	<b>81,057,108</b>

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

Description	Consolidated			
	31 March 2019	2018	31 March 2018	2017
	RON	RON	RON	RON
	<i>Unaudited</i>		<i>Restated</i>	<i>Restated</i>
Depreciation expense included in the cost of production in the reporting period	19,521,320	73,661,221	17,627,265	69,434,320
Production cost in the reported period	220,656,849	884,182,946	213,629,344	842,864,176

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% of depreciation in total production cost (A)	8.85%	8.33%	8.25%	8.24%
Value of finished goods and goods in transit at the end of the reporting period	59,693,091	74,102,208	74,866,313	82,907,606
Value of WIP and semi-finished goods at the end of the reporting period	116,229,184	105,049,692	115,649,476	107,493,242
Stock value at the end of the reporting period	175,922,275	179,151,900	190,515,789	190,400,848
Total stocks x % of depreciation in total production cost = depreciation in stocks (B)	15,563,691	14,925,133	15,720,089	15,685,034
<b>Variance in depreciation in stocks included in Adjusted EBITDA (C)</b>	<b>638,558</b>		<b>35,055</b>	

(2) Reconciliation of social expenses is presented below:

	Consolidated	
	31 March 2019	31 March 2018
	RON <i>Unaudited</i>	RON <i>Restated unaudited</i>
Social actions expenses	635,953	533,224
Sponsorship and charitable donations	53,481	49,500
Professional fees and services for professional associations	19,500	19,500
Total expenses with personnel medical dispensary from which:	121,269	111,442
Staff costs - medical dispensary	110,938	101,402
Social security costs - medical dispensary	5,173	3,575
Other compensations for employees - medical dispensary	5,159	6,466
<b>Total</b>	<b>830,204</b>	<b>713,666</b>

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

Description	Consolidated			
	2018 RON	2017 RON <i>Restated</i>	2016 RON <i>Restated</i>	2015 RON <i>Restated</i>
Depreciation expense included in the cost of production in the reporting period	73,661,221	69,434,320	68,529,067	59,994,052
Production cost in the reported period	884,182,946	842,864,176	581,397,568	600,606,603
% of depreciation in total production cost (A)	8.33%	8.24%	11.79%	9.99%

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Value of finished goods and goods in transit at the end of the reporting period	74,102,208	82,907,606	38,285,404	48,290,827
Value of WIP and semi-finished goods at the end of the reporting period	105,049,692	107,493,242	102,534,676	77,515,221
Stock value at the end of the reporting period	179,151,900	190,400,848	140,820,080	125,806,048
Total stocks x % of depreciation in total production cost - =depreciation in stocks ( B)	14,925,133	15,685,034	16,598,399	12,566,653
<b>Variance in depreciation in stocks included in Adjusted EBITDA (C)</b>	<b>(759,902)</b>	<b>(913,365)</b>	<b>4,031,746</b>	

(2) Reconciliation of social expenses is presented below:

	<b>2018</b>	<b>Consolidated</b>	
		<b>2017</b>	<b>2016</b>
	<b>RON</b>	<b>Restated</b>	<b>Restated</b>
		<b>RON</b>	<b>RON</b>
Social actions expenses	1,645,588	1,381,896	1,110,765
Sponsorship and charitable donations	345,078	175,990	87,992
Professional fees and services for professional associations	112,864	82,139	149,810
<i>Total expenses with personnel medical dispensary from which:</i>	<i>467,115</i>	<i>307,434</i>	<i>265,162</i>
Staff costs - medical dispensary	428,029	234,377	200,708
Social security costs - medical dispensary	14,310	58,521	50,804
Other compensations for employees - medical dispensary	24,776	14,536	13,650
<b>Total</b>	<b>2,570,645</b>	<b>1,947,459</b>	<b>1,613,729</b>

**Interest rates**

The Group has entered into financing agreements providing for floating interest rates. For the period ended at 31 March 2019, 71% of its loan portfolio which amounts in total RON 311.148.808 had variable interest rates, with EURIBOR serving mainly as the basis for calculation of the interest rate (namely, 55.3%). Loans which had LIBOR as calculation basis for the interest rate represented 18% of portfolio.

**Foreign currency fluctuations - Foreign exchange net (loss) / gain**

RON/EUR exchange rate evolved from 4.6639 RON/EUR as at 31 December 2018 to 4.7628 RON/EUR as at 31 March 2019, while RON/USD exchange rate evolved from 4.0736 RON/USD as at 31 December 2018, to 4.2434 RON/USD as at 31 March 2019. Currency instability and pronounced depreciation of the exchange rate RON/EUR and RON/USD led to the recording of foreign exchange losses in the amount of RON 14 million for the three months period ended 31 March 2019.

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The Group registered during the quarter ended at 2019 unfavorable exchange differences in amount of RON 14 million, which may be explained as followed:

- The parent company- TMK-Artrom registered in its statutory financial statements during the quarter ended 31 March 2019, the following unfavorable exchange rate differences:
  - ✓ RON 7.1 million representing unfavorable exchange rate fluctuations for loans in the Company's loan portfolio during this period related to revaluation, borrowing and repayment operations;
  - ✓ RON 5,8 million representing negative exchange rates differences with negative impact on the Company's profit and loss account, as this contract provides for interest-free payment according to IFRS 9, the debt to TMK Europe is presented at fair value and is evaluated on a monthly basis;
  - ✓ RON 3 million representing negative exchange rate differences resulting from the valuation of loans granted by affiliates and denominated in a currency other than the functional currency of the Company (loan granted by TMK Europe in the amount of 18,037,540 USD as at 31.03.2019)
- TMK-Resita, registered unfavorable exchange rate differences in total amount of RON 1.3 million;
- other unfavorable net exchange differences resulting from the valuation of Group's receivables and payables denominated in a foreign currency other than the RON-functional currency, in the aggregate amount of RON 3.2 million.

### Financial income and financial cost

The Group registered financial loss of RON 4.6 million in the quarter ended at 31 March 2019 (as compared to 2.6 million RON, registered for the same period of 2018) mainly as a result of the increase in the interest expenses. Compared to the quarter ended at 31 March 2018, the Group's financial losses increased by 72.7% mainly due to the calculation of the interest in the quarter ended at 31 March 2019 in amount of RON 1.2 million at the present value of the debt (according to IFRS 9) to TMK Europe GmbH for the acquisition of the shares held by TMK Europe GmbH in TMK-Resita as well as the recording of the interest expense related to the investment loan in the financial costs. In the quarter ended at 31 March 2018, interest expense related to the investment loan for the Heat Treatment Complex amounted to RON 0.4 million; as a result of the commissioning of this investment, the interest expense is no longer capitalized.

### Income tax (expense)/credit

Income tax (expense)/credit decreased by RON 2.5 million to RON 0.4million as at 31 March 2019 from RON 2.9 million in the quarter ended at 2018.

The Group's effective tax rate has increased from 12.7% in the quarter ended at 31 March 2018 to 18.7% in the quarter ended at 31 March 2019, mainly due to the fact that the group's profit before tax (0,7 million RON) decreased due to the differences in the registered exchange rate and the fact that the Company benefited from the accelerated depreciation tax facility for the equipment commissioned in 2018 by the Heat Treatment Unit.

### Profit before tax

Profit before tax decreased by RON 14.2 million, reaching RON 0.715 million in the quarter ended at 31 March 2019 compared to RON 14.95 million in the quarter ended at 31 March at 2018, as a consequence of the unfavorable evolution of exchange rates.

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### Profit for the quarter ended at 31 March 2019

The Group's profit (net profit) for the quarter ended at 31 March 2019 was RON 0,304 million compared to RON 12 million for the quarter ended at 31 March 2018; a decrease of 97,5% (14 million RON) due to the unfavorable exchange differences registered for the quarter ended at 31 March 2019.

### 5.4 Analysis of revenues from the customer contracts of TMK-ARTROM (separate)

The following table presents the separate statement of profit or loss of the Company for the period ended at 31 March 2019, as compared to the quarter ended at 31 March 2018.

Cost of sales	Amounts in RON		Variation by	% in separate	Revenue
	31 March 2019 Unaudited	31 March 2018 Unaudited	%	31 March 2019 Unaudited	31 March 2018 Unaudited
<b>Revenues from customer contracts</b>	345,736,539	300,698,187	15.0%	100,00%	100,00%
Sales of goods	345,660,485	300,568,685	15.0%	9998.0%	9996.0%
Rendering of services	76,054	129,502	-41.3%	2.0%	4.0%
Cost of sales	(279,566,396)	(254,954,555)	9.7%	8086.0%	8479.0%
Gross profit	66,170,143	45,743,632	44.7%	1914.0%	1521.0%
Selling and distribution expenses	(35,190,745)	(25,616,047)	37.4%	1018.0%	852.0%
Advertising and promotion expenses	(7,137)	(139,891)	-94.9%	0.0%	5.0%
General and administrative expenses	(11,829,135)	(9,640,648)	22.7%	342.0%	321.0%
Research and development expenses	(64,284)	(25,423)	152.9%	2.0%	1.0%
Other operating expenses	(841,405)	(889,912)	-5.5%	24.0%	30.0%
Other operating income	16,621	118,359	-86.0%	0.0%	4.0%
Income from operations	18,254,058	9,550,070	91.1%	528.0%	318.0%
Foreign exchange (loss) / gain, net	(12,936,530)	1,410,112	-1017.4%	374.0%	47.0%
Financial income	8,474,963	531	1595938.2%	245.0%	0.0%
Financial cost	(4,163,669)	(2,001,450)	108.0%	120.0%	67.0%
Profit before tax	9,628,822	8,959,263	7.5%	279.0%	298.0%
Tax expense/credit	(173,944)	(1,398,451)	-87.6%	5.0%	47.0%
Profit for the year	9,454,878	7,560,812	25.1%	273.0%	251.0%
<b>Adjusted EBITDA</b>	<b>31,788,783</b>	<b>23,621,795</b>			

\* Amortization and depreciation amounts are included in each type of expense listed under "Gross Profit"

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The following tables present the financial information of TMK-Artrom, geographically.

Revenue from contracts with customers	Separate			
	31 March 2019	%	31 March 2018	%
	RON <i>Unaudited</i>		RON	
Domestic sales	98,015,007	28.36	81,636,227	27.15
Sales abroad	247,576,989	71.64	219,061,960	72.85
<b>Total</b>	<b>345,591,996</b>	<b>100</b>	<b>300,698,187</b>	<b>100</b>

Revenues from contracts with customers – geographical information

Separate

Revenue	Romania	Europa	North and South America	Other countries	Total
	RON	RON	RON	RON	RON
31 March 2019- <i>Unaudited</i>	98,015,007	195,732,621	51,479,945	364,423	<b>345,591,996</b>
31 March 2018	81,636,227	157,942,816	59,860,183	1,258,961	<b>300,698,187</b>

The following table shows comparatively, the Company's revenues for the period ended at 31 March 2019 and, respectively, 31 March 2018.

	Separate	
	31 March 2019	31 March 2018
	RON <i>Unaudited</i>	RON
Sale of pipes produced by TMK-Artrom from which:		
Domestic	39,639,121	32,705,521
Europa*	195,052,194	151,699,929
North and South America**	46,959,733	52,978,669
Other areas***	364,423	1,258,961
<b>Total sales of TMK Artrom pipes</b>	<b>282,015,471</b>	<b>238,643,080</b>
Sales of other goods and services from which:		
Sales of other goods on domestic market	58,299,831	48,818,433
Sales of other goods on external market	5,200,640	13,107,172
Rendering of services on domestic market	76,054	112,273
Rendering of services on external market	-	17,229
<b>Total sales of other goods and services</b>	<b>63,576,525</b>	<b>62,055,107</b>
<b>Total turnover</b>	<b>345,591,996</b>	<b>300,698,187</b>

\*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

Total revenues from TMK-Artrom's customer contracts increased by 15% in the first three months ending at 31 March 2019 compared to the same period of the previous year as a result of the revenue growth from customer contracts by 18.2% for TMK-Artrom's sold production and increased sales of other goods and services (including merchandises) by 2.5%.

Revenues from customer contracts for the production of TMK-Artrom sold increased in the first three months ended at 31 March 2019 compared to the same period of the previous year as a result of the increase in the physical volume of pipe sales from 47,154 tons to 51,214 tons (an increase of 8.6%) and an increase in the average selling price by 8.8% due to the increased demand on the steel pipe market and as a result of the increase in the weight of the premium pipes with high added value in the total volume of TMK-Artrom's sold production, compared to the same period of the previous year.

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TMK-Artrom's sales of merchandise (trading activity) mainly consisting of metallurgical products (billets, blooms, pipes) purchased from companies within the TMK group declined in value in the first three months ended at 31 March 2019 compared to the same period of the previous year by 0.5%. However, the quantity of the sold merchandise increased by 8.7% due to their different structure.

The revenues generated by sales of TMK-Artrom's production of seamless pipes in the overall revenues of TMK -Artrom revenues for the quarter ended at 31 March 2019 represents 81.6% (during the first quarter of year 2018: 79.4%).

The increase in the volume of premium products was due to the investment in the new heat treatment Unit 6 which allowed the increase in the physical volume of pipes and the sales of premium value products.

## 5.5 Expenses analysis of the company TMK-Artrom (separate)

### The cost of goods sold of the company TMK-Artrom (separate)

The cost of TMK-Artrom's goods sold for the quarter ended at 31 March 2019 compared to the quarter ended at 31 March 2018, are as follows:

The company's main cost of production is the cost of raw material, accounting for 69.6% of total sales costs. Expenses with employees in the productive sector (salaries, compensations and social contribution expenses) represent 10.3% of the costs for the sold production. Expenses for materials (consumables) (auxiliary materials, technological tools, spare parts, etc.) represent 3.1%; energy expenses (natural gas, electricity, water) represent 7.6%; depreciation costs represent 5.2%. The other individual expenses are less than 1% of the total cost of selling pipes.

	31 March 2019 RON	31 March 2018 RON		% in total consolidated cost of production sold	
	Unaudited		%	31 March 2019 Unaudited	31 March 2018
Raw materials	160,624,156	145,458,089	0.1	69.6	70.9
Expenses with salaries, salary compensations and social contribution	23,693,461	20,130,077	0.2	10.3	9.8
Consumables	15,393,752	13,752,928	0.1	3.1	4.3
Energy and utilities	17,593,683	14,728,120	0.2	7.6	7.2
Depreciation and amortisation	12,093,836	10,470,625	0.2	5.2	5.1
Professional fees and services	636,112	490,205	0.3	0.3	0.2
Freight	577,647	571,097	0	0.3	0.3
Taxes	680,9	626,822	0.1	0.3	0.3
Repairs and maintenance	895,727	599,098	0.5	0.4	0.3
Insurance	423,949	384,702	0.1	0.2	0.2
Rent	45,822	149,296	-0.7	0	0.1
Travel	119,2	118,214	0	0.1	0.1
Communications	17,429	20,544	-0.2	0	0
Other expenses	2,111	484	3.4	0	0

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<b>Total production cost</b>	232,797,785	207,500,301	0.1	100.9	101.2
Change in own finished goods and work in progress	6,814,894	2,612,444	1.6	3	1.3
Cost of sales of externally purchased goods	48,837,987	49,832,922	0	21.2	24.3
Capitalized production costs	-8,303,869	-4,991,112	0.7		
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	-580,401	-		-0.3	0
Write-off materials	-	-		0	0
<b>Cost of sales from which:</b>	<b>279,566,396</b>	<b>254,954,555</b>	<b>0.1</b>		
<b>Cost of goods</b>	<b>48,837,987</b>	<b>49,832,922</b>	<b>0</b>	<b>17.5</b>	<b>19.5</b>
<b>Cost of sold production</b>	<b>230,728,409</b>	<b>205,121,633</b>	<b>0.1</b>	<b>82.5</b>	<b>80.5</b>

## 6. 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 finance leases. The Group and the Company intends to fund future acquisitions and operations through free cash flows and borrowings.

During the three-month period ended at 31 March 2019, the Group's and the Company's main liquidity sources were the cash flows from the Company's and Group's operations and the existing cash.

Cash and cash equivalents of the Group as at 31 March 2019 amounted to RON 19.2 million.

The cash and cash equivalents of the Company as at 31 March 2019 amounted to RON 6.1 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 cash flow of the Group over the periods analysed:

<i>in RON</i>	<b>Three-month period ended 31 March 2019 Unaudited</b>	<b>Three-month period ended 31 March 2018 Restated and unaudited</b>
Cash flows from operating activities	12.503.731	(890.273)
Cash flows from investing activities	(29.329.487)	(37.592.782)
Cash flows from financing activities	4.752.845	39.299.184

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Cash and cash equivalents at the beginning of the period	31.331.361	16.907.034
Cash and cash equivalents at the end of the period	19.258.450	17.723.163

**Cash flows from operating activities**

Cash flow generated from operating activities was RON 12.5 million for the quarter ended at 31 March 2019 and RON 0.9 million for the quarter ended at 31 March 2018.

Regarding the evolution of cash flows from the Group's operating activity during the first quarter ended at 31 March 2019, we can say that the main influences are due to:

- the cash flow from operating activities, which increased mainly due to the increase in sales volume as a result of higher prices and as a result of the value increase of liabilities to suppliers;
- the cash flow from operating activities that decreased as a result of the value increase of inventories, transit stocks and receivables.

**Cash flows from investing activities**

The cash flow for investing activities was RON 29.3 million for the quarter ended at 31 March 2019 and RON 37.6 million for the quarter ended at 31 March 2018.

Cash flows used in investment activities decreased during the quarter ended at 31 March 2019, compared to the quarter ended at 31 March 2018, due to the decrease in purchases of tangible assets, mainly as a result of the commissioning of the investment project for the heat treatment complex during the first quarter of 2018.

The cash flows used in the investment activity increased in the quarter ended at 31 March 2019 as compared to the similar period of 2018 as a result of the increase in the acquisition of tangible assets

**Cash flows from investing activities**

Cash flows from financing activities were RON 4.8 million in the first quarter ended at 31 March 2019 and RON 39.2 million in the first quarter ended at 31 March 2018.

In the quarter ended at 31 March 2018, the Group used loans to finance the investment need in addition to the operational cash flows. The increase in cash inflows from financings in the quarter ended at 31 March 2018 was due to the drawdowns made under the investment facility concluded with Banca Comerciala Romana ("BCR") on 07.11.2016 for the financing of the acquisition of the Heat Treatment complex .

In the quarter ended at 31 March 2019 the cash flow decreased by RON 7.7 million as a result of repayments made under loan agreements, of which EUR 1,190,476 was a repayment installment under the BCR investment loan (the EUR 25 million facility).

In the quarter ended at 31 March 2019, the cash flow increased as a result of drawdowns of RON 14.3 million made from the BCR overdraft (EUR 3.05 million).



**Cash flows analysis of the Company-TMK-Artrom**

The table below summarizes the cash flow of the Company over the periods analysed:

in RON	Three-month period ended 31 March 2019 <i>Unaudited</i>	Three-month period ended 31 March 2018
Cash flows from operating activities	1.339.099	(9.486.848)
Cash flows from investing activities	(18.321.009)	(34.300.631)
Cash flows from financing activities	6.176.160	40.571.632
Cash and cash equivalents at the beginning of the period	16.925.079	10.825.193
Cash and cash equivalents at the end of the period	6.119.329	7.609.346

**Cash flows from operating activities**

Cash flows from operating activities in the quarter ended at 31 March 2019 were reduced by the amount of income from gross dividends distributed by subsidiaries in amount of RON 8,472,833 of which:

- RON 4,701,333 by TMK-IS ;
- RON 3,771,499 from TMK-Italia.

**Cash flows from investing activities**

Cash flows used in investment activities increased in the quarter ended at 31 March 2019, compared with the similar period of 2018, as a result of net dividend earnings from TMK-Italia in amount of RON 3,726,241.

**Working capital**

Working capital is the amount by which current assets exceed current liabilities and is a measure of the Group's and the Company's ability to pay its liabilities as they become due.

The Group's working capital as at 31 March 2019 was RON 343.9 million as compared to RON 308.3 million at 31 December 2018.

The **working Capital** is defined as the amount by which current assets exceed current liabilities from which the Company deducts the cash and cash equivalents aggregate amounts, finance lease liability, interest-bearing loans and borrowings, liabilities for investments in subsidiaries, derivative financial instruments (liabilities).

Consolidated	
31 March 2019	31 Decembrie 2018
RON	RON
<i>Unaudited</i>	<i>Restated unaudited</i>

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**Current assets less cash and cash equivalents**

Trade and other receivables	312,691,542	300,865,499
Inventories	319,838,614	308,095,295
Prepayments	17,672,746	6,965,489
Other current assets	849,504	1,046,698
<b>Total Current assets less cash and cash equivalents</b>	<b>651,052,406</b>	<b>616,972,981</b>

**Current liabilities less interest bearing loans, liabilities for investments and lease liability**

Trade and other payables	296,510,879	295,468,728
Advances from customers	2,389,597	997,116
Provisions and accruals:	8,228,687	12,254,894
Income tax payable	-	-

**Total current liabilities less interest bearing loans, liabilities for investments and lease liability** **307,129,163** **308,720,738**

**Working Capital** **343,923,243** **308,252,243**

*\*The restated amounts provided above as at 31 December 2018 are disclosed only for comparative purposes and numbers for TMK Italia are also considered*

The Group's Working Capital for the three months period ended 31 March 2019 was RON 343.9 million compared to RON 308.3 million for the year ended 31 December 2018. The increase was mainly caused by the increase of current assets in the three months period ended 31 March 2019.

	<b>Consolidated</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>RON</b>	<b>RON</b>	<b>RON</b>
		<i>Restated</i>	<i>Restated</i>
<b>Current assets less cash and cash equivalents</b>			
Trade and other receivables	297,222,416	255,374,534	204,728,115
Inventories	308,095,295	313,076,260	221,574,323
Prepayments	6,810,454	3,768,116	4,002,107
Other current assets	1,046,698	1,067,612	-
<b>Total current assets less cash and cash equivalents</b>	<b>613,174,863</b>	<b>573,286,522</b>	<b>430,304,545</b>
<b>Current liabilities less interest bearing loans, liabilities for investments and lease liability</b>			
Trade and other payables	288,774,410	347,224,733	235,190,482
Advances from customers	997,116	4,526,587	2,213,635
Provisions and accruals	11,331,296	7,898,510	3,224,855
Income tax payable	684,388	-	-
<b>Total current liabilities less interest bearing loans, liabilities for investments and lease liability</b>	<b>301,787,210</b>	<b>359,649,830</b>	<b>240,628,972</b>
<b>Working Capital</b>	<b>311,387,653</b>	<b>213,636,692</b>	<b>189,675,573</b>

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Working capital increased to RON 311.4 million as at 31 December 2018 from RON 213.6 million as at 31 December 2017 and 189.7 million as at 31 December 2016. In the year 2018, the increase was primarily attributable to an increase in accounts receivable by RON 41.8 million and a decrease in accounts payable by RON 58.5 million.

### Capital expenditure

The Group and the Company define capital expenditures as cash purchases of property, plant and equipment, as well as intangible assets. The Group's principal investment projects during the period under review have been allocated as set out below.

The Group's consolidated capital expenditures were RON 22.6 million as at 31 March 2019 and RON 90.6 million at 31 March 2018.

### Segmental reporting

	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
<b>31 March 2019</b>					
Total assets	1,113,371,516	587,109,294	142,448,474	-	<b>1,842,929,284</b>
Total liabilities	387,699,333	123,592,322	636,086,862	-	<b>1,147,378,517</b>
Capital expenditure	19,706,533	2,127,071	830,082	-	<b>22,663,686</b>
Impairment of property, plant and equipment	-	-	640,578	-	<b>640,578</b>
Depreciation expenses	(12,760,075)	(7,883,380)	(203,561)	-	<b>(20,847,016)</b>
<b>31 December 2018 - Restated</b>					
Total assets	1,128,301,744	587,841,272	102,085,380	-	<b>1,818,228,396</b>
Total liabilities	370,833,184	169,512,238	575,333,627	-	<b>1,115,679,049</b>
Capital expenditure	66,447,255	24,192,341	35,568	-	<b>90,675,164</b>
Depreciation expenses	(47,048,509)	(30,335,938)	(385,484)	-	<b>(77,769,931)</b>

### Net debt of the Group

The following table presents the Non-IFRS Measures and Alternative Performance Measures for the years ended 31 December 2018, 2017 and 2016 and for the three-month periods ended 31 March 2019 and 31 March 2018.

	31 March 2019	31 March 2018
	RON	RON

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### Quarterly report as at 31 March 2019

Consolidated Adjusted EBITDA	40,810,685	37,218,160
Consolidated Adjusted EBITDA Margin	12.1%	11.2%
	<b>31 March 2019</b>	<b>31 December 2018</b>
	<b>RON</b>	<b>RON</b>
Net debt	741,476,285	696,555,740
Working capital	343,923,243	308,252,243

Source: Quarterly Report - individual and consolidated quarterly unaudited financial results (first three months of the financial year 2019)

	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>RON</b>	<b>RON</b>	<b>RON</b>
Consolidated Adjusted EBITDA	203,233,215	120,842,636	81,057,108
Consolidated Adjusted EBITDA Margin	14.6%	10.2%	10.6%
Net debt	706,958,174	411,929,137	319,573,430
Working capital	311,387,653	213,636,692	189,675,573

Source: Separate and Consolidated Report of Administration attached to the Audited Consolidated Financial Statements

**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)	Consolidated	
	31 March 2019 RON Unaudited	31 December 2018 RON Restated unaudited
<b>Current liabilities related to:</b>		
Liabilities for investments in subsidiaries	67,695,480	57,474,348
Interest-bearing loans and borrowings	186,770,547	185,019,444
adding:		
Un-amortized short-term cost	382,074	225,820
Finance lease liability	8,945,300	7,842,368
<b>Total current liabilities including liabilities for investments in subsidiaries</b>	<b>263,793,401</b>	<b>250,561,980</b>
<b>Non-current liabilities</b>		
Liabilities for investments in subsidiaries	222,987,335	218,356,982
Interest-bearing loans and borrowings	238,532,781	223,499,549
adding:		
Un-amortized cost of debt origination fees	-	-
Finance lease liability	35,421,218	35,468,590
<b>Total non-current liabilities including liabilities for investments in subsidiaries</b>	<b>496,941,334</b>	<b>477,325,121</b>
less:		
Cash and cash equivalents	19,258,450	31,331,361

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(1)	Consolidated	
	31 March 2019	31 December 2018
	RON <i>Unaudited</i>	RON <i>Restated unaudited</i>
<b>Net debt including liabilities for investments in subsidiaries</b>	<b>741,476,285</b>	<b>696,555,740</b>

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

(2)	31 March 2019 RON <i>Unaudited</i>	31 December 2018 RON <i>Restated unaudited</i>
<b>Current liabilities related to:</b>		
Interest-bearing loans and borrowings	186,770,547	185,019,444
<i>adding:</i>		
<i>Un-amortized short-term cost</i>	382,074	225,820
Finance lease liability	8,945,300	7,842,368
<b>Total current liabilities excluding liabilities for investments in subsidiaries</b>	<b>196,097,921</b>	<b>193,087,632</b>
<b>Non-current liabilities related to:</b>		
Interest-bearing loans and borrowings	238,532,781	223,499,549
<i>adding:</i>		
<i>Un-amortized cost of debt origination fees</i>	-	-
Finance lease liability	35,421,218	35,468,590
<b>Total non-current liabilities excluding liabilities for investments in subsidiaries</b>	<b>273,953,999</b>	<b>258,968,139</b>
<i>less:</i>		
Cash and cash equivalents	19,258,450	31,331,361
<b>Net debt excluding liabilities for investments in subsidiaries</b>	<b>450,793,470</b>	<b>420,724,410</b>

(1)	2018 RON	2017 RON <i>Restated</i>	2016 RON <i>Restated</i>
<b>Current liabilities related to:</b>			
Liabilities for investments in subsidiaries	57,474,348	-	-
Interest-bearing loans and borrowings	185,019,444	210,483,727	196,239,070
<i>adding:</i>			
<i>Un-amortized short-term cost</i>	225,820	179,578	150,313
Finance lease liability	7,842,368	6,645,164	5,884,818
<b>Total current liabilities including liabilities for investments in subsidiaries</b>	<b>250,561,980</b>	<b>217,308,469</b>	<b>202,274,201</b>
<b>Non-current liabilities</b>			
Liabilities for investments in subsidiaries	218,356,982	-	-
Interest-bearing loans and borrowings	223,499,549	169,444,772	96,877,164

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adding:

Un-amortized cost of debt origination fees	-	54,314	-
Finance lease liability	35,468,590	37,986,109	39,333,458
<b>Total non-current liabilities including liabilities for investments in subsidiaries</b>	<b>477,325,121</b>	<b>207,485,195</b>	<b>136,210,622</b>
less:			
Cash and cash equivalents	20,928,927	12,864,527	18,911,393
<b>Net debt including liabilities for investments in subsidiaries</b>	<b>706,958,174</b>	<b>411,929,137</b>	<b>319,573,430</b>

(2)	Consolidated		
	2018 RON	2017 RON <i>Restated</i>	2016 RON <i>Restated</i>
<b>Current liabilities related to:</b>			
Interest-bearing loans and borrowings	185,019,444	210,483,727	196,239,070
adding:			
Un-amortized short-term cost	225,820	179,578	150,313
Finance lease liability	7,842,368	6,645,164	5,884,818
<b>Total current liabilities excluding liabilities for investments in subsidiaries</b>	<b>193,087,632</b>	<b>217,308,469</b>	<b>202,274,201</b>
<b>Non-current liabilities related to:</b>			
Interest-bearing loans and borrowings	223,499,549	169,444,772	96,877,164
adding:			
Un-amortized cost of debt origination fees	-	54,314	-
Finance lease liability	35,468,590	37,986,109	39,333,458
Total non-current liabilities excluding liabilities for investments in subsidiaries	258,968,139	207,485,195	136,210,622
less:			
Cash and cash equivalents	20,928,927	12,864,527	18,911,393
<b>Net debt excluding liabilities for investments in subsidiaries</b>	<b>431,126,844</b>	<b>411,929,137</b>	<b>319,573,430</b>

**Borrowings**

The Group's loans and borrowing are set out below, as of 31 March 2019.

Bank loans	Contractual nominal value	Currency	Interest rate	Final maturity	Balance sheet commitments		Off balance sheet exposures	
					Total outstanding balance (long-term)	Total outstanding balance (short-term)	Undrawn available amounts	LC/LGs (non cash utilisation)
2011 BCR Facilities Agreement	20,000,000	EUR	Floating	03.10.2020	15,855,313	-	3,767,947	376,740
UniCredit Facility Agreement	15,000,000	EUR	Floating	17.08.2019 (17.01.2020 for letters of credit and	-	13,999,999	1,000,001	-

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				letters of guarantees)				
BT Loan Agreement	20,000,000	EUR	Floating	07.11.2019	-	19,403,173	596,827	-
2016 BCR Facility Agreement	25,000,000	EUR	Fixed	23.11.2023	19,047,619	4,761,905	-	-

Under the terms of the existing borrowing agreements, the Group is subject to certain restrictive covenants and other requirements. These covenants require the Group, among other things, to refrain from paying dividends to its shareholders unless certain conditions are met, and to maintain a minimum or maximum level for certain financial ratios, including: debt service coverage ratio, net debt to EBITDA, current ratio, net financial debt to shareholders' equity and solvency ratio.

### 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 31 March 2019.

	<b>RON</b>
	<b>Unaudited</b>
<b>Total current debt</b>	<b>196,097,921</b>
-Interest bearing loans and borrowings	186,770,547
-Un-amortized short-term cost	382,074
-Lease liability	8,945,300
<b>Total non-current debt</b>	<b>273,953,999</b>
-Interest bearing loans and borrowings	238,532,781
-Un-amortized cost of debt origination fees	-
Lease liability	35,421,218
<b>Total indebtedness</b>	<b>470,051,920</b>
<b>from which:</b>	
Interest-bearing loans and borrowings guaranteed and secured	348,565,464
Added Un-amortized cost of debt	382,074
Interest-bearing loan agreement with TMK-EUROPE GmbH unguaranteed and unsecured, in amount 18,037,540 USD at 31.03.2019	76,737,864
Finance lease liability guaranteed and secured	44,366,518
<b>Capital and reserves</b>	
<b>Share capital, from which:</b>	<b>291,587,538</b>
- Subscribed and paid share capital	291,587,538
Other items of equity	1,191,817
Legal and other reserves	68,902,883
Retained earnings	330,293,921
Foreign currency translation reserve	3,270,417
Profit of the year	304,191

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<b>Total equity</b>	<b>695,550,767</b>
<b>Total capitalization</b>	<b>1,165,602,687</b>

There has been no material change to the capitalisation figures since 31 March 2019.

**7. Events after the reporting period**

The management of the company is not aware of any significant changes in the capitalization and indebtedness of the company after March 31, 2018, except for the following:

- On 1 April 2019, TMK-Resita concluded with Reșița Municipality a contract for the sale of real estate (land and buildings) with a total value of RON 12,656,994 with an advance payment of RON 1,707,698.61 which consisted in the compensation of local taxes and duties owed by TMK-Reșița as at 31 March 2019. According to the clauses of the contract, the difference of RON 10,949,296 will be offset in several annual installments at the due dates for the local taxes and duties of TMK-Resita to Reșița Municipality, but no later than 31 December 2025.
- On 05 April 2019, the Ordinary General Shareholders' Meeting of the Company approved the distribution of dividends from the net profit of the year ended at 31 December 2018 in total amount of 14.280.000 RON with the payment date 04 October 2019.
- On 05 April 2019, the Extraordinary General Shareholders' Meeting of the Company approved the the increase of the share capital with maximum RON 188,250,000 (the amount not including any issuance premium, if the case may be), through cash contribution, from the current value of RON 291,587,538.34 to the maximum amount of RON 479,837,538.34, by issuance of maximum 75,000,000 new shares with the nominal value of RON 2.51 each, for the purpose of raising cash in order to reduce the debts of the Company. The actual amount with which the share capital will be increased will be determined upon the expiration of the period allotted to the exercise of the preemption rights, as such period will be established by the Board of Directors, based on the subscriptions of the shareholders who will have exercised their preemption rights..

On 15 April 2019, the General Shareholders' Meeting of TMK-Italia has approved the distribution of gross dividends in amount of EUR 350,713 from the profit of the year ended on 31 December 2018.

On 16 April 2019 TMK-Artrom, as borrower, entered into a credit facility agreement with VTB BANK (EUROPE) SE, as arranger and facility agent and original lender, according to which the bank will make available a revolving credit facility in aggregate amount of EUR 20,000,000 with an initial maturity date of 12 months from the execution date and subject to maximum two extension (with the aggregate maturity date, following the second extension, of 36 months from the execution date of the Facility agreement) for:

- general corporate purposes of the borrower;
- financing of working capital needs of the borrower;
- refinancing of existing indebtedness of the borrower (it is envisioned that 14 million EUR of the Company's current banking loans are to be refinanced through this facility);
- trade finance operations of the borrower.

No other significant subsequent events that may have an impact on the financial statements are to be mentioned.



## 8. Declaration of responsible persons

On the basis of our information, we confirm that the The Unaudited and Reviewed Interim Condensed Consolidated and Separated Financial Statements prepared in accordance with the applicable accounting standards (International Accounting Standard 34 - "*Interim Financial Reporting*") provides a true and fair view of the financial position, financial performance and flows for the three-month period ended 31 March 2019 and that this report, made in accordance with the provisions of the Law no. 24/2017 and of Regulation no. 5/2018 on issuers of financial instruments and market operation for the 3-month period ended March 31, 2019, contains accurate and consistent information about the Company's development and performance.

**Chief Executive Officer,**

**Eng. Adrian Popescu**

**Chief Economical and Accountancy Officer,**

**Ec. Cristiana Vaduva**



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