



TMK-ARTROM S.A.

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EUID: ROONRC.J28/9/1991; J28/9/31.01.1991
VAT No. RO 1510210/1992
Subscribed and Paid Share Capital: 291.587.538,34 lei

No 102/394 from 15.05.2020

**Report related to the unaudited interim condensed consolidated and separate financial statements at /
and for the three-month period ended March 31, 2020
according to Law no.24 / 2017 and to Regulation no. 5/2018, regarding the issuers of financial
instruments and market operations**

Date of the report: 15 May 2020

Name of the issuing entity: TMK- ARTROM S.A. Slatina

Registered office: Draganesti street, no. 30, Slatina, Olt

Telephone/fax number: +40249436862/ +40249434330

Registered in the Trade Register under no: J28/9/1991

Tax Identification Number: RO1510210

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

Code LEI: 315700M25SMOU44FAN52

Subscribed capital: 291.587.538,34 RON

Subscribed and paid up share capital: 291.587.538,34 RON

**Regulated market where the issued securities are traded: Bucharest Stock Exchange Regulated
market - STANDARD Category (market symbol ART)**

TMK-ARTROM Group – component entities as at 31 March 2020

Company name	Parent company/ Shareholder	Shareholding (%)
TMK-Artrom S.A.	TMK Europe GmbH	98.8283
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

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



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A. Economic and financial indicators

	31 march 2020	Consolidated	Separate
Indicators	Calculation formula	Result	Result
Current liquidity ratio ¹	Current assets / Current liabilities	1.02	1.21
Indebtness indicator ²	Borrowed capital / Equity *100	93.4%	94.87%
	Borrowed capital / Accrued capital *100	48.29%	48.68%
Rotation speed of debtors-clients ³	The average balance – clients / Revenue from contracts with customers * 90	89	83
Rotation speed of non-current assets ⁴	Revenue from contracts with customers / non-current assets	0.21	0.27

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, influencing the ability to comply with the commitments undertaken.
3. It expresses the efficacy of the company in collecting its receivables, 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 non-current assets management, by providing for the revenue generated by a certain quantity of assets.

B. Other information

1. Presentation of important events that occurred during the relevant time period and the impact they have on the financial position of the issuer and its subsidiaries

The main events that marked the first three 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



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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.

Events after the reporting period

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**.

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2. General description of the financial position and the performance of the issuer and its subsidiaries for the relevant time period

Financial indicators

TMK-ARTROM Group

in RON	Consolidated	Consolidated
Financial indicators	March 31, 2020	March 31, 2019
	Unaudited	Unaudited
Production of pipes (tons)	32,551	47,404
Sale of pipes production TMK -Artrom (tons)	35,328	51,193
Revenue from contracts with customers	260,170,980	336,128,284
Profit (loss) of the period	(28,336,260)	304,191
Net global result of the period	(27,883,280)	1,304,672
Adjusted EBITDA	4,035,280	40,810,685
EBIT	(18,610,552)	19,413,837
Adjusted EBITDA margin, %	1.6%	12.1%

TMK-ARTROM stand alone

in RON	Separate	Separate
Financial indicators	March 31, 2020	March 31, 2019
	Unaudited	Unaudited
Production of pipes(tons)	32,551	47,404
Sale of pipes production TMK -Artrom (tons)	35,120	51,214
Revenue from contracts with customers	264,360,292	345,736,539
Profit (loss) of the period	(20,224,180)	9,454,878
Net global result of the period	(20,224,180)	9,443,120
Adjusted EBITDA	2,564,144	31,788,783
EBIT	(11,200,963)	18,254,058
Adjusted EBITDA margin, %	1%	9.2%

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

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The Group generates revenue primarily by selling seamless industrial steel pipes to end-users 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 recognized from costs to obtain or fulfill a contract. 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 decreased by 22.6% in the three-month period ended March 31, 2020 compared to the three-month period ended March 31, 2019 as a result of revenue decrease from contracts with customers from sold production by 37.9% (decrease with RON 106.9 million), as well as the decrease of TMK-REȘITA sales of blums and billets to third parties (by 100% or RON 0.6 million) and the increase of other sales (with 57.4% or RON 30.9 million) from which the sales of metallurgical products from companies within the TMK group increased by 59.2%, respectively RON 31 million.

The decrease in revenue from the pipes production sold by RON 106.9 million is due to several factors, namely:

- (i) decrease of the physical volume of pipes sold from 51,193 tons to 35,328 tons (representing a decrease of 31%), as a result of the modernization works carried out during the first quarter of 2020 in the Work-Shop 1 Assel and due to the decrease of the volume of orders due to the low demand of industrial pipes;
- (ii) the structure of the pipes sold has a positive influence in the conditions of the decrease of the revenues obtained from the sales of premium pipes by 24% (representing RON 21.7 million), due to the decrease of the volume of sales of premium pipes by 1907 tons (a decrease by 2304 tons in Europe and an increase by 397 tons in America) in the three-month period ended March 31, 2020 compared to 11,127 tons in the three-month period ended March 31, 2019 and the quantitative decrease of sales of commodities by 13,959 tons and with a decrease of the average sale price by 14.7% (total influence RON 5 million);
- (iii) the decrease of the sale prices on average by 10% which represents a value decrease of RON 27.7 million;
- (iv) price value increase in the amount of RON 3.3 million from exchange rate differences for sales in currency.

Due to the low demand for billets, the volume of sales of billets produced by TMK-Reșița to parties other than TMK-Artrom decreased by 226 tons.

The volume of sales of goods (billets, blooms, pipes) produced by parties other than TMK-Artrom (purchased from other companies within the TMK group) increased by 45.2% from 21,074 tons recorded in the three-month period ended March 31, 2019 to 30,602 tons registered in the three-month period ended March 31, 2020.

Regarding the consolidated volumes sold by the TMK-Artrom Group for the quarter ended March 31, 2020, they are shown below:



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Type of product / Sales destination	March 31, 2020	March 31, 2019
	Quantity (tons)	Quantity (tons)
1. Total seamless steel pipes produced by TMK-Artrom, from which:	35,328	51.193
1.1.Commodities Europe *	24,662	38.039
1.2 Commodities Americas **	1,446	2.028
1.3. Premium Europe	5,380	7.684
1.4. Premium Americas	3,840	3.443
Total billets and blooms TMK-Reșița sold to third parties outside the TMK-Artrom Group	0	226
Total billets produced by TMK-Reșița sold to TMK-Artrom	41,990	57.813
2. Total sales of goods produced by other parties than TMK-Artrom, of which:	30,602	21.074
2.1 Sale of goods Europe	27,961	20.421
2.2 Sale of goods Americas	2,641	652

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

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

As a result of the decrease of the demand in steel market, of the modernization activity which led to the decrease in the sales volumes of the company and its subsidiaries, the decrease of the sale prices at a greater rate than the decrease of the prices of raw materials and materials, the increase of the prices for energy during the three-month period ended March 31, 2020, the main indicators, (net) profit for the period and Adjusted EBITDA decreased compared to the three-month period ended March 31, 2019.

The net result of the period was also negatively influenced as a consequence of the increase of the expenses with unfavorable exchange rate differences due to depreciation of the national currency against EUR and USD.

The RON/EUR exchange rate evolved from 4.7793 RON/EUR as at December 31, 2019 to 4.8254 RON/EUR as at March 31, 2020, while RON/USD exchange rate evolved from 4.2608 RON/USD as at December 31, 2019, to 4.3983 RON/USD as at March 31, 2020. Currency instability and pronounced depreciation of the exchange rate RON/EUR and RON/USD led to the recording of foreign exchange losses by the Group in the amount of RON 9.2 million for the three-month period ended March 31, 2020.

The net consolidated result for the three-month period ended March 31, 2020 decreased by RON 28.7 million compared to the three-month period ended March 31, 2019. On March 31, 2020, the group recorded a loss of 28.3 million lei compared to March 31, 2019 when the group recorded a profit of 0.3 million lei.

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The net separate result for the period decreased in the three-month period ended March 31, 2020 by RON 29.7 million compared to the three-month period ended March 31, 2019 (a 314% decrease from RON 9.5 million – profit as at March 31, 2019 to RON 20.2 million – loss as at March 31, 2020).

Costs of raw materials

The main component of the cost of the Group's sold production is the costs of its raw material, such as metal scrap and ferro-alloys used in TMK-Reșița for the production of steel billet blooms, accounting for 36.6% of the total cost of the production sold of the Group during the three-month period ended March 31, 2020 (40.1 % during the three-month period ended March 31, 2019).

The Group's raw material costs decreased by 33.8% in the three-month period ended March 31, 2020 as compared to the three-month period ended March 31, 2019, mainly due to the decrease in the production of liquid steel production at TMK-Reșița. The decrease in raw material costs was also influenced by the 8% decrease in the average purchase price of scrap metal. The average purchase price of scrap metal decreased by 103.5 RON/ tons from 1,261 RON/ tons in the three-month period ended March 31, 2019 to 1,157.5 RON / tons in the three-month period ended March 31, 2020.

Expenses with energy and utilities

Energy and utilities costs (natural gas, electricity, water) amount to RON 29 million, for the three-month period ended March 31, 2020 representing 19% of the total cost of sold production in the three-month period ended March 31, 2020 (RON 36 million, representing 17% in the three-month period ended March 31, 2019).

Expenses with energy and utilities decreased by 20% for the three-month period ended at March 31, 2020 compared to the same period of 2019, even if the price of electricity increased, mainly due to the combined influence of three factors:

- (i) the decrease of the physical consumption of natural gas and electricity as a result of the decrease TMK-Artrom pipe production, due to the investment and modernization activity carried out during the first quarter of 2020 in the Work-Shop 1 Assel,
- (ii) the change in energy and gas purchase prices compared to the same period of the previous year,
- (iii) the decrease in the actual consumption of TMK-Resita due to a reduction of the production of liquid steel by 30%.

For TMK-Artrom, the average price of electricity increased by 10% during the three-month period ended March 31, 2020 compared to the same period of 2019 and the average price of natural gas decreased by 20%.

For TMK-Resita, the average electricity price increased by 11% during the three-month period ended at March 31, 2020, compared to the same period of 2019 and the average price of natural gas decreased by 2% for the same period.

The consolidated adjusted EBITDA decreased in the three-month period ended March 31, 2020 by RON 36.8 million compared to the three-month period ended March 31, 2019 (a decrease of 90%, from RON million 40.8 to RON 4 million).

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The separate adjusted EBITDA decreased in the three-month period ended March 31, 2020 by RON 29.2 million compared to the three-month period ended March 31, 2019 (a decrease of 91.9%, from RON 31.8 million to RON 2.6 million) as a result of the decrease in volumes sales and the the decrease of the sales prices.

In North America, the market situation is most likely to remain challenging due to the oil, gas and steel price volatility, a slowdown of the drilling activity and operators focusing on capital discipline all resulting in lower pipe demand and pressure on prices.

In Europe, due to the unfavorable macroeconomic environment and price volatility, we expect a low level of seamless industrial pipe shipments in the second quarter.

Chief Executive Officer,
Eng. Adrian Popescu

Chief Economical and Accountancy Officer,
Ec. Cristiana Vaduva



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TMK-ARTROM S.A.

Interim Condensed Consolidated and Separate
Financial Statements-unaudited

31 MARCH 2020

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TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
as of 31 March 2020- unaudited
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

		Consolidated		Separate	
		31.03.2020	31.12.2019	31.03.2020	31.12.2019
		Unaudited	Unaudited	Unaudited	Unaudited
		RON	RON	RON	RON
Revenue from contracts with customers		260,170,980	336,128,284	264,360,292	345,736,539
Sales of goods	5	259,790,831	335,635,427	264,298,014	345,660,485
Rendering of services	5	380,149	492,857	62,278	76,054
Cost of sales	6	(230,889,920)	(263,831,707)	(233,940,745)	(279,566,396)
Gross profit		29,281,060	72,296,577	30,419,547	66,170,143
Selling and distribution expenses	7	(28,730,658)	(33,482,664)	(29,341,455)	(35,190,745)
Advertising and promotion expenses	8	(29,382)	(13,321)	(29,382)	(7,137)
General and administrative expenses	9	(18,108,035)	(18,916,410)	(11,402,682)	(11,829,135)
Research and development expenses	10	(30,586)	(64,284)	(30,586)	(64,284)
Other operating expenses	11.2	(1,054,485)	(1,080,658)	(880,889)	(841,405)
Other operating income	11.1	61,534	674,597	64,484	16,621
Income from operations		(18,610,552)	19,413,837	(11,200,963)	18,254,058
Foreign exchange (loss) / gain, net		(9,155,404)	(14,060,427)	(8,855,927)	(12,936,530)
Finance income	11.4	66,556	2,149	1,357	8,474,963
Finance costs	11.3	(4,458,009)	(4,640,088)	(4,019,782)	(4,163,669)
Gains / (losses) on financial instruments		-	-	-	-
Profit / (loss) before tax		(32,157,409)	715,471	(24,075,315)	9,628,822
Income tax expense/credit	12	3,821,149	(411,280)	3,851,135	(173,944)
Profit / (loss) of the period		(28,336,260)	304,191	(20,224,180)	9,454,878
Other comprehensive income - that may be reclassified in profit or loss					
Foreign currency translation		502,980	1,012,239	-	-
Other comprehensive income - that may not be reclassified in profit or loss					
Actuarial gains / (losses)		-	(11,758)	-	(11,758)
Income tax effect		-	-	-	-
Other comprehensive income (loss) for the year, net of tax		502,980	1,000,481	-	(11,758)
Total comprehensive income for the year, net of tax		(27,833,280)	1,304,672	(20,224,180)	9,443,120
Average number of shares		116,170,334	116,170,334	116,170,334	116,170,334
Earnings per share		(0.24)	0.00	(0.17)	0.08

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CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
as of 31 March 2020- unaudited
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	Consolidated		Separate	
		31.03.2020	31.12.2019	31.03.2020	31.12.2019
		Unaudited	Unaudited	Unaudited	Unaudited
		RON	RON	RON	RON
ASSETS					
Current assets					
Cash and cash equivalents	21	17,274,365	10,954,770	8,906,951	6,715,663
Trade and other receivables	19	223,709,885	241,741,932	225,368,481	244,188,283
Income tax receivable	19	2,658,748	2,515,907	547,921	547,921
Inventories	18	345,709,981	336,834,067	255,460,020	256,981,572
Prepayments	20	11,935,990	10,577,561	89,077,980	64,461,659
Derivative financial instruments (assets)	16.1.	-	-	-	-
Other current assets	21	630,470	1,416,379	630,470	1,416,379
		601,919,439	604,040,616	579,991,823	574,311,477
Assets classified as held for sale					
		-	-	143,000	-
Non-current assets					
Intangible assets	15	1,808,535	2,009,647	1,184,962	1,309,620
Goodwill	15	23,057,272	22,836,991	-	-
Property, plant and equipment	14	1,138,742,391	1,113,252,827	668,811,772	638,849,025
Right of use assets	14	34,414,788	35,782,175	7,438,277	7,779,421
Investments in subsidiaries	16.1.	-	-	298,566,221	298,566,221
Financial assets	16.1.	6,859,384	7,342,068	6,902,133	7,384,361
Deferred tax asset	12	3,656,596	3,631,931	-	-
Other non-current assets	17	14,177,340	16,490,261	7,592,016	8,643,170
		1,222,716,306	1,201,345,900	990,495,381	962,531,818
Total assets		1,824,635,745	1,805,386,516	1,570,630,204	1,536,843,295
LIABILITIES					
Current liabilities					
Trade and other payables	23	368,616,599	312,763,178	272,511,037	211,371,533
Advances from customers	23	2,712,543	3,950,340	2,440,142	3,587,632
Provisions and accruals	25	8,034,979	11,332,681	4,534,004	7,551,091
Interest-bearing loans and borrowings	16.2.	198,906,415	208,591,528	198,906,415	208,591,528
Lease liability	16.2.	9,781,167	9,617,813	1,926,052	1,914,839
Income tax payable	23	15,050	-	-	-
Total current liabilities		588,066,753	546,255,540	480,317,650	433,016,623
Non-current liabilities					
Liabilities for investments in subsidiaries	16.3.	281,199,364	277,306,095	281,199,364	277,306,095
Interest-bearing loans and borrowings	16.2.	213,187,635	206,129,198	213,187,635	206,129,198
Lease liability	16.2.	30,691,553	32,558,702	3,345,144	3,853,028
Deferred tax liability	12	63,929,032	67,790,286	29,354,833	33,205,968
Provisions and accruals	25	669,310	535,855	598,706	487,490
Employee benefits liability	23	5,283,475	5,361,160	2,909,403	2,908,795
Other long-term liabilities	16.2.	2,209,502	2,217,279	201,641	196,089
Total Non-current liabilities		597,169,871	591,898,575	530,796,726	524,086,663
Total liabilities		1,185,236,624	1,138,154,115	1,011,114,376	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		3,771,850	3,268,869	-	-
Profit/ (loss) of the year		(28,336,260)	(23,415,132)	(20,224,180)	(7,737,071)
Total equity		639,399,121	667,232,401	559,515,828	579,740,009
Total liabilities and equity		1,824,635,745	1,805,386,516	1,570,630,204	1,536,843,295

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
as of 31 March 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 quarter as at 31 March 2020- Unaudited							
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	-	-	-	-	(28,336,260)	-	(28,336,260)
Other comprehensive income / (loss)	-	-	502,980	-	-	-	502,980
Total comprehensive income	-	-	502,980	-	(28,336,260)	-	(27,833,280)
At 31 March 2020	291,587,538	20,228,568	3,771,849	58,333,107	264,262,529	1,215,530	639,399,121
For first quarter ended as at 31 March 2019- Unaudited							
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	-	-	-	-	304,191	-	304,191
Other comprehensive income / (loss)	-	-	1,012,239	-	-	(11,758)	1,000,481
Total comprehensive income	-	-	1,012,239	-	304,191	(11,758)	1,304,672
TMK-Italia's shares bought according to "pooling of interests" method					(8,303,252)		(8,303,252)
At 31 March 2019	291,587,538	20,228,568	3,270,416	48,674,315	330,598,112	1,191,818	695,550,767
Separate	Share capital	Legal reserves	Other reserves	Retained earnings	Other elements of equity - Cash flow hedge reserve	Other elements of equity - from applying IAS 19	Total equity
	RON	RON	RON	RON	RON	RON	RON
For first quarter as at 31 March 2020- Unaudited							
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	-	-	-	(20,224,180)	-	-	(20,224,180)
Total comprehensive income	-	-	-	(20,224,180)	-	-	(20,224,180)
At 31 March 2020	291,587,538	20,228,568	58,333,107	189,742,988	-	(376,372)	559,515,829
For first quarter ended as at 31 March 2019- Unaudited							
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	-	-	-	9,454,878	-	-	9,454,878
Other comprehensive income / (loss)	-	-	-	-	-	(11,758)	(11,758)
Total comprehensive income	-	-	-	9,454,878	-	(11,758)	9,443,120
At 31 March 2019	291,587,538	20,228,568	48,674,315	241,439,117	-	(499,623)	601,429,915

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS
as of 31 March 2020- unaudited
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Indirect method	Note	Consolidated		Separate	
		1 January - 31 March 2020 Unaudited RON	1 January - 31 March 2019 Unaudited RON	1 January - 31 March 2020 Unaudited RON	1 January - 31 March 2019 Unaudited RON
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit / (Loss) before tax		(32,157,409)	715,471	(24,075,315)	9,628,822
Plus / minus adjustments for:					
Depreciation and amortisation	14, 15	22,653,751	20,847,016	13,651,404	12,739,197
Increase / (reversal) of provisions	25	(3,164,246)	(3,780,636)	(2,905,871)	(2,552,644)
Increase / (reversal) of allowances for current assets	18, 19	296,797	(226,616)	7,438	(376,207)
Exchange rate differences for financing activities		6,516,946	16,946,081	6,216,017	16,151,415
Variation of retirement benefits		161,751	187,121	80,793	83,743
Result from disposal of non-current assets	11	160,288	213,677	129,807	124,817
Interest and related expenses	11	3,980,718	4,479,332	3,641,257	4,021,192
Dividends income		-	-	-	(8,472,833)
Exchange rate differences for cash and cash equivalents		247,232	461,493	-	-
Plus / minus adjustments for changes in working capital related to operating activities:					
Decrease / (increase) in inventories	18	(8,850,399)	(11,156,215)	1,378,552	(12,388,117)
Decrease / (increase) in trade and other receivables and prepayments	19, 20, 21, 16.1	17,520,845	(23,086,105)	(4,535,820)	(26,194,536)
(Decrease) / increase in payables (except banks)	23, 16.2	45,956,565	10,174,970	48,961,717	11,392,527
less:			-		-
Interest paid		(4,100,912)	(3,276,435)	(3,696,254)	(2,818,277)
Income tax paid		(58,042)	4,577	-	-
Total inflows / (outflows) from operating activities (a)		49,163,885	12,503,731	38,853,725	1,339,099
CASH FLOWS FROM INVESTING ACTIVITIES					
Amount received from disposal of non-current assets		56,382	41,076	7,618	-
Purchase of tangible and intangible assets	14, 15	(36,055,644)	(29,372,712)	(31,267,880)	(22,049,380)
Dividends received		-	-	-	3,726,241
Interest received	11	66,556	2,149	1,355	2,130
Total inflows / (outflows) from investing activities (b)		(35,932,706)	(29,329,487)	(31,258,907)	(18,321,009)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans received		76,487	14,333,237	76,487	14,333,237
Repayment of loans		(4,916,564)	(7,718,630)	(4,916,564)	(7,718,630)
Repayment of leases		(2,071,507)	(1,861,762)	(563,453)	(438,447)
Total inflows / (outflows) from financing activities (c)		(6,911,584)	4,752,845	(5,403,530)	6,176,160
Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)		6,319,595	(12,072,911)	2,191,288	(10,805,750)
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	17,274,365	19,258,450	8,906,951	6,119,329

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 31 March 2020: Active;
- **TMK Industrial Solutions LLC** – status at 31 31 March 2020: Active;
- **TMK-Reșița S.A.** – status at 31 31 March 2020: Active;
 - ✓ **TMK Assets S.R.L.** – status at 31 March 2020: Active;
- **TMK Italia** - status at 31 March 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 three-month period ended March 31, 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 May 15, 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	98.8283
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

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>31 March 2020</u>	<u>31 December 2019</u>	<u>31 March 2019</u>
1 EUR	4.8254	4.7793	4.7628
1 USD	4.3983	4.2608	4.2434

Average exchange rate for 1 unit of foreign currency:

	<u>31 March 2020</u>	<u>31 December 2019</u>	<u>31 March 2019</u>
1 EUR	4.7959	4.7452	4.7351
1 USD	4.3512	4.2379	4.1681

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 March 31, 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 Group applies IFRS 16 *Leases*. Some other amendments and interpretations apply for the first time in 2019, but have no impact on the Group's financial statements.

Standards and Interpretations in force in the first half of 2020, which the Group has applied in these financial statements:

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2019:

- **IFRS 16: Leases**

IFRS 16 replaces existing IFRS lease requirements. For lessees the new standard marks a significant change from current IFRS requirements. Under the new standard, the distinction between operating and finance leases is removed: asset and liability are recognised for almost all leases, with limited exemptions. The new standard affected the accounting of the Group's and the Company's operating lease. A company assesses at inception of the contract whether that contract is lease or contains lease component.

A contract is lease contract or contains lease component under IFRS 16 if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Initial recognition of lease contract under IFRS 16

The Group and the Company adopted the standard on 1 January 2019 (the date of initial application) using the modified retrospective approach which means that the cumulative effect of the adoption is recognised in retained earnings as at 1 January 2019 and that comparatives are not restated.

The impact of IFRS 16 at the date of initial application:

- there are no changes in accounting for the contracts under which companies of the Group are lessees and which were classified as financial leases under IAS 17;
- there are no changes in accounting for the contracts under which companies of the Group are lessors;
- for the contracts under which companies of the Group and Company are lessees and which were classified as operating leases under IAS 17 - accounting is described below:
 - lease liability is recognised at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019;
 - the right-of-use asset is recognised in amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Group and the Company applied the following practical expedients at the date of initial application:

- to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment) was applied a single discount rate;
- right-of-use assets and lease liabilities were not recognised for contracts for which the lease term ends within 12 months after 1 January 2019;

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

- initial direct costs were not included in measurement of the right-of-use assets.

Initial measurement of the lease liability

Lease liability = present value of the lease payments + present value of the amounts expected to be payable at the end of lease term.

Subsequent measurement of the lease liability

The lessee subsequently assesses the lease obligations using the effective interest method.

After the commencement date lessee:

- increase the carrying amount to reflect interest on the lease liability;
- reduce the carrying amount to reflect the lease payments made; and
- re-measuring the carrying amount to reflect any reassessment or lease modifications.

After the commencement date lessee shall recognise interest on the lease liability in profit or loss.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4%. The implementation of the standard resulted in the recognition of liabilities related to leasing contracts.

The effect of the implementation of the standard is presented in the tables bellow.

The Group and Company's impact on the statement of financial position (increase / (decrease)) as at March 31, 2020

	Consolidated RON	Separated RON
<i>Assets</i>		
Right-of -use the assets	34,414,788	7,438,277
Property, plant and equipment	-	-
Prepayments	-	-
Total assets	34,414,788	7,438,277
<i>Liabilities</i>		
Interest-bearing loans and borrowings	-	-
Lease liability	40,472,720	5,271,196
Deferred tax liabilities	-	-
Trade and other payables	-	-
Total Liabilities	40,472,720	5,271,196

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Amounts recognised in the statement of financial position and profit or loss of the Group

Set out below, are the carrying amounts of the Group's right-of use assets and lease liabilities and movements during the period:

<u>Lease liability</u>	Consolidated RON	Separated RON
As at 31 December 2019	42,176,515	5,767,867
Additions	11,076	11,076
Interest expense	(57,347)	(44,953)
Payments	(2,014,160)	(518,500)
Exchange difference	356,636	55,706
As at 31 March 2020	40,472,720	5,271,196

Set out below, are the amounts recognised in Group's profit or loss:

	Consolidated RON	Separated RON
Depreciation expense of right-of-use assets	1,348,259	373,398
Interest expense on lease liabilities	57,347	44,953
Rent expense-short-term leases	154,034	16,870
Rent expense-leases of low-value assets	46,752	27,923
Total amounts recognised in profit or loss	1,606,392	463,144

- **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. This standard has no significant impact on the Group's and Company's financial statements.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied.

In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. This standard has no impact on the Group's and Company's financial statements.

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

- **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This interpretation has no impact on the Group's and Company's financial statements.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. This amendments have no impact on the Group's and Company's financial statements.

- **The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. This improvements have no impact on the Group's and Company's financial statements.

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

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 (Note 16).

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(.

For the purpose of impairment testing in TMK Artrom Group, goodwill was allocated to the group of CGUS's being the 2 segments of TMK Artrom Group, being the lowest level within the entity at which the goodwill is monitored for internal management purposes as it is expected to benefit from the synergies of the combination, as a unitary integrated structure.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 16.

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 three-month period ended March 31, 2020 by segment were as follows:

	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
31 March 2020-Unaudited					
Sales to external customers	175,380,022	-	84,790,958	-	260,170,980
Inter-segment sales	287,681	107,640,347	-	(107,928,028)	-
Total sales	175,667,703	107,640,347	84,790,958	(107,928,028)	260,170,980
Segments result (gross profit)	20,514,040	-	8,767,020	-	29,281,060
Other operating expenses, net					(47,891,612)
Interest and other finance costs, net					(4,391,453)
Net foreign exchange gains / (losses)					(9,155,404)
Result before income tax					(32,157,409)
31 March 2019-Unaudited					
Sales to external customers	282,267,326	636,916	53,224,042	-	336,128,284
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)	336,128,284
Segments result (gross profit)	68,305,731	55,129	3,935,717	-	72,296,577
Other operating expenses, net					(52,882,740)
Interest and other finance costs, net					(4,637,939)
Net foreign exchange gains / (losses)					(14,060,427)
Result before income tax					715,471

4. SEGMENT INFORMATION (continued)

Group's segment assets and liabilities for the three-month period ended March 31, 2020 were as follows:

	Pipes	Billets	Other	Inter-segment operations	Total
	RON	RON	RON	RON	RON
31 March 2020- Unaudited					
Total assets	1,099,046,244	571,128,128	154,461,373	-	1,824,635,745
Total liabilities	102,183,530	94,583,788	988,469,306	-	1,185,236,624
Capital expenditure	43,449,276	4,842,051	-	-	48,291,327
Depreciation expenses	(13,310,788)	(7,899,446)	(95,260)	-	(21,305,494)
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
31 March 2020- Unaudited	76,538,174	124,281,714	58,103,738	1,247,354	260,170,980
31 March 2019 -Unaudited	88,019,711	195,894,211	51,849,939	364,423	336,128,284

Separate

Revenue	Romania	Europe	North and South America	Other countries	Total
	RON	RON	RON	RON	RON
31 March 2020- Unaudited	82,891,427	124,238,366	55,983,145	1,247,354	264,360,292
31 March 2019 -Unaudited	98,015,007	195,877,164	51,479,945	364,423	345,736,539

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	31 March 2020 Unaudited RON	%	Consolidated 31 March 2019 Unaudited RON	%
Domestic sales	76,538,175	29.42	88,019,710	26.19
Sales abroad	183,632,805	70.58	248,108,574	73.81
Total	260,170,980	100	336,128,284	100

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

	31 March 2020 Unaudited RON	Consolidated 31 March 2019 Unaudited RON
Sales of pipes produced by TMK-Artrom from which:		
Domestic	21,224,663	39,473,380
Europe*	111,820,090	195,196,737
North and South America**	41,087,915	47,232,786
Other areas	1,247,354	364,423
Total sales of TMK-Artrom pipes	175,380,022	282,267,326
Sales of other goods and services from which:		
Sales of other goods on domestic market	54,942,978	48,167,462
Sales of other goods on external market	29,467,833	5,200,640
Rendering of services on domestic market	370,533	378,869
Rendering of services on external market	9,614	113,987
Total sales of other goods and services	84,790,958	53,860,958
Total revenue from contracts with customers	260,170,980	336,128,284

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

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

The Group's total consolidated revenues decreased by 22.6% for the three-month period ended March 31, 2020 compared to the three-month period ended March 31, 2019 as a result of revenue decrease from contracts with customers from sold production by 37.9% (a decrease by RON 106.9 million), as well as the decrease of TMK-REȘITA sales of blums and billets to third parties (by 100% or RON 0.6 million) and the increase of other sales (by 57.4% or RON 30.9 million) from which the sales of metallurgical products from companies within the TMK group increased by 59.2%, respectively RON 31 million.

	31 March 2020 Unaudited RON	%	Separate 31 March 2019 Unaudited RON	%
Domestic sales	82,891,428	31.36	98,015,007	28.35
Sales abroad	181,468,864	68.64	247,721,532	71.65
Total	264,360,292	100	345,736,539	100

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

	31 March 2020 <i>Unaudited</i> RON	Separate 31 March 2019 <i>Unaudited</i> RON
Sales of pipes produced by TMK-Artrom from which:		
Domestic	21,512,344	39,639,121
Europe*	111,820,090	195,196,737
North and South America**	38,967,322	46,959,733
Other areas	1,247,354	364,423
Total sales of TMK-Artrom pipes	173,547,110	282,160,014
Sales of other goods and services from which:		
Sales of other goods on domestic market	61,326,419	58,299,831
Sales of other goods on external market	29,424,485	5,200,640
Rendering of services on domestic market	52,664	76,054
Rendering of services on external market	9,614	-
Total sales of other goods and services	90,813,182	63,576,525
Total revenue from contracts with customers	264,360,292	345,736,539

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

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

Total separate revenues from TMK-Artrom's contracts with customers decreased by 23.5% in the three-month period ended March 31, 2020 as compared to the three-month period ended March 31, 2019 as a result of the revenue decrease from contracts with customers by 38.5 % for TMK-Artrom's sold production (a decrease by RON 108.6 million), but also due to the increase of sales of other goods and services (by 42.8 % or RON 27 million) out of which the sales of metallurgical goods from third parties outside TMK-Artrom group increased by 59.2%, respectively RON 31 million.

The total separate revenues obtained by TMK-Artrom from its own sold production decreased as a result of the modernization works carried out during the first quarter of 2020 in the Work-Shop 1 Assel, from 51,214 tonnes recorded for the three-month period ended March 31, 2019 to 35,120 tonnes recorded for the three-month period ended March 31, 2020, but also to a decrease in the average selling price by 10%, due to a decreased evolution of demand on the steel pipes market as compared to the previous year.

TMK-Artrom's sales of externally purchased goods (trading activity) mainly consisting of metallurgical products (pipes, billets and other steel products) purchased from companies within the TMK group increased by 59.2% for the three-month period ended March 31, 2020 as compared to the same period of the previous year. Sales of merchandise on internal market and for export destination increased to 30,602 tonnes for the three-month period ended March 31, 2020 as compared to 21,074 tonnes recorded for the three-month period ended March 31, 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 three-month period ended March 31, 2020 comprise the following:

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON
Raw materials	57,091,262	86,234,404	110,617,275	160,624,156
Staff cost (note 11.5)	30,317,129	29,322,936	21,259,494	20,480,149
Consumables	28,099,145	38,178,483	15,004,728	15,393,752
Energy and utilities	29,182,196	36,375,499	13,556,642	17,593,683
Depreciation and amortisation	21,146,855	19,521,320	12,845,769	12,093,836
Other compensations for employees	2,119,461	3,260,155	1,658,735	2,390,305
Social security expenses (note 11.5)	1,894,849	1,804,970	839,559	823,007
Professional fees and services	1,703,548	1,737,150	589,100	636,112
Freight	415,481	577,647	415,481	577,647
Taxes	1,097,899	1,095,832	706,202	680,900
Repairs and maintenance	1,007,568	1,497,372	569,361	895,727
Insurance	729,086	707,355	430,784	423,949
Rent	145,592	165,440	41,148	45,822
Travel	153,057	151,632	119,709	119,200
Communications	28,625	24,543	19,946	17,429
Other expenses	1,711	2,111	1,710	2,111
Total production cost	175,133,464	220,656,849	178,675,643	232,797,785
Change in own finished goods and work in progress	(5,290,373)	3,226,781	(5,812,947)	6,814,894
Cost of sales of externally purchased goods	74,737,783	48,837,987	74,699,623	48,837,987
Capitalized production costs	(13,668,731)	(8,303,869)	(13,621,574)	(8,303,869)
Obsolete stock, write-offs / (reversal of write-offs) (note 18)	(25,518)	(587,104)	-	(580,401)
Write-off materials	3,295	1,063	-	-
Cost of sales	230,889,920	263,831,707	233,940,745	279,566,396

7. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for for the three-month period ended March 31, 2020 comprise the following:

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON
Freight	11,941,877	15,653,994	11,931,781	15,520,593
Professional fees and services	1,955,045	4,024,507	5,465,298	9,000,451
Taxes and import duties	9,225,895	7,385,974	9,221,662	7,324,631
Staff cost (note 11.5)	2,665,864	2,759,930	1,381,731	1,334,810
Consumables	775,909	1,330,827	350,120	739,042
Insurance	578,324	677,445	537,555	632,232
Utilities and maintenance	60,991	56,091	56,015	47,720
Other compensations for employees	480,361	463,793	166,027	178,783
Travel	47,823	72,449	9,869	5,296
Depreciation and amortisation	255,165	221,372	116,825	94,902
Social security expenses (note 11.5)	402,125	450,304	62,164	55,189
Communications	41,026	51,004	26,955	23,247
Other expenses	67,039	97,264	7,384	28,800
Rent	42,616	158,376	630	855
Bad debt expense (note 19)	190,598	79,334	7,439	204,194
Selling and distribution expenses	28,730,658	33,482,664	29,341,455	35,190,745

7. SELLING AND DISTRIBUTION EXPENSES (continued)

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 three-month period ended March 31, 2020 comprise the following:

	Consolidated		Separate	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	Unaudited RON	Unaudited RON	Unaudited RON	Unaudited RON
Marketing expenses	29,382	12,221	29,382	6,037
Media expenses	-	1,100	-	1,100
Promotion and advertising expenses	29,382	13,321	29,382	7,137

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three-month period ended March 31, 2020 comprise the following:

	Consolidated		Separate	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	Unaudited RON	Unaudited RON	Unaudited RON	Unaudited RON
Staff cost (note 11.5)	8,140,392	7,982,942	5,343,228	5,042,272
Professional fees and services	4,724,251	4,577,436	2,454,288	2,146,417
Other compensations for employees	1,347,359	2,150,666	1,124,315	1,917,716
Rent	12,576	285,437	49,311	384,479
Taxes	694,582	695,868	477,513	470,196
Depreciation and amortisation	1,159,627	1,011,593	688,811	550,459
Communications	266,379	258,827	223,754	213,827
Consumables	463,742	369,606	341,264	193,848
Utilities and maintenance	494,864	737,419	326,146	535,192
Travel	194,572	186,908	170,547	148,849
Social security expenses (note 11.5)	522,760	525,575	148,230	141,350
Other expenses	52,272	101,610	41,059	72,268
Insurance	34,659	32,523	14,216	12,262
General and administrative expenses	18,108,035	18,916,410	11,402,682	11,829,135

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the three-month period ended March 31, 2020 comprise the following:

	Consolidated		Separate	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	Unaudited RON	Unaudited RON	Unaudited RON	Unaudited RON
Professional fees and services	-	36,242	-	36,242
Staff cost (note 11.5)	28,814	26,209	28,814	26,209
Other compensations for employees	843	980	843	980
Social security expenses (note 11.5)	929	853	929	853
Research and development expenses	30,586	64,284	30,586	64,284

11. OTHER INCOME/EXPENSES AND ADJUSTMENTS

11.1 Other operating income

Other operating income for the three-month period ended March 31, 2020 comprise the following:

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON
Investment subsidies	10,592	12,093	10,592	12,093
Rent income	-	-	4,326	4,278
Damages, trial expenses	50,942	250	49,566	250
Other income	-	21,676	-	-
Total	61,534	674,597	64,484	16,621

11.2 Other operating expenses

Other operating expenses for the three-month period ended March 31, 2020 comprise the following:

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON
Social actions expenses	661,500	605,750	661,500	605,750
Loss on disposal of property, plant and equipment	174,255	213,677	129,807	124,817
Sponsorship and charitable donations	13,500	59,365	23,967	53,481
Staff costs - medical dispensary	124,664	110,938	47,662	33,796
Professional fees and services	16,500	16,500	16,500	16,500
Rent expense	20,833	445	-	-
Other expenses	34,519	39,028	20	1,563
Social security costs - medical dispensary	4,926	5,172	1,179	891
Penalties - legal entities	129	21,653	129	4,607
Fines and penalties	1,141	1,096	125	-
Other compensations for employees - medical dispensary	2,518	7,034	-	-
Total	1,054,485	1,080,658	880,889	841,405

11.3 Financial costs

Financial costs for the three-month period ended March 31, 2020 comprise the following:

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON
Interest on short-term loans and borrowings (note 16.2)	923,790	892,284	923,790	892,284
Interest on long-term loans and borrowings (note 16.2)	1,454,345	1,850,362	1,454,345	1,850,362
Interest on amounts owed to entities in the group (nota 16.5)	1,219,526	1,235,189	1,219,526	1,235,189
Amortisation of issuance fee	153,602	69,939	165,436	69,939
Other financial expenses	257,135	88,668	211,732	70,407
Interest on leasing	449,611	503,646	44,953	45,488
Total	4,458,009	4,640,088	4,019,782	4,163,669

11. OTHER INCOME/EXPENSES AND ADJUSTMENTS (continued)

11.4 Financial income

Financial income for the three-month period ended March 31, 2020 comprise the following:

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON
Income from shares of subsidiaries	-	-	-	8,472,833
Interest on deposits	1,349	2,115	1,349	2,115
Interest from granted borrowing	12	11	-	-
Other financial income	65,195	23	8	15
Total	66,556	2,149	1,357	8,474,963

On 29 March 2019, the Shareholders' Meeting of TMK Industrial Solutions has approved the distribution of dividends from retained earnings to the sole shareholder TMK-Artrom in gross amount of USD 1,111,111.11 (RON 4,701,334). On April 2019, TMK-Artrom received USD 1,000,000, the difference in amount of USD 111,111.11 (RON 470,317) representing 10% tax withheld at source in USA.

In March 2019, TMK Italia has approved the distribution of dividends from other reserves to the sole shareholder TMK-Artrom in gross amount of EUR 791,999 (RON 3,771,499). The net amount received by TMK-Artrom was of EUR 782,495.01, the difference in amount of EUR 9,503.99 (RON 45,258) representing 1.2% tax withheld at source in Italy.

During the three-month period ended March 31, 2020, the Company did not received dividends from its subsidiaries.

11.5 Employee benefits expenses

Employee benefits expenses for the three-month period ended March 31, 2020 comprise the following:

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON
Wages and salaries (Notes 6,7,9,10,11.2)	41,281,663	40,206,911	28,060,929	26,917,237
Social security costs (Notes 6,7,9,10,11.2), out of which:	2,825,695	2,786,964	1,052,060	1,021,289
- Company's contributions to social security (pensions)	1,125,923	1,192,252	-	-
Other compensations for employees - meal tickets	1,750,685	1,909,130	1,208,041	1,266,847
Other compensations for employees - holiday vouchers	50,250	124,848	6,400	-
Other compensations for employees - other	2,149,609	3,848,650	1,735,480	3,220,937
Total employee benefits expense	48,057,902	48,876,503	32,062,910	32,426,310

	Consolidated		Separate	
	31 March 2020 Unaudited	31 March 2019 Unaudited	31 March 2020 Unaudited	31 March 2019 Unaudited
Average number of employees	2,246	2,284	1,467	1,486
Actual number of employees at the end of reporting period	2,296	2,280	1,508	1,486

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 three-month period ended March 31, 2020 the Group and the Company calculated income tax as follows:

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON
Current income tax	(17,748)	(133,746)	-	-
Small companies income tax	(10,224)	(13,992)	-	-
Deferred income tax:	3,849,121	(263,542)	3,851,135	(173,944)
- Deferred income tax credit	5,730,134	2,592,881	5,337,595	1,674,645
- Deferred income tax charge	(1,881,013)	(2,856,423)	(1,486,460)	(1,848,589)
Income tax	3,821,149	(411,280)	3,851,135	(173,944)

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.

Reconciliation between income tax expense and the accounting profit multiplied by Romanian domestic tax rate for the three-month period ended March 31, 2020 is as follows:

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON	31 March 2020 Unaudited RON	31 March 2019 Unaudited RON
Profit/ (loss) before income tax	(32,157,409)	715,471	(24,075,315)	9,628,822
Income taxes calculated at the nominal applicable tax rate (16%)	(5,145,185)	114,475	(3,852,050)	1,540,612
Tax effect of deductible / non-taxable elements, out of which:	(5,028,369)	(8,929,551)	(3,528,500)	(7,131,848)
- Fiscal depreciation	(4,223,919)	(5,585,870)	(2,843,114)	(4,075,735)
- Legal reserve	-	-	-	-
- Dividends income	-	(1,039,781)	-	(752,213)
- Income from reversal of allowances	(804,449)	(2,303,900)	(685,386)	(2,303,900)
Tax effect of taxable / non-deductible elements, out of which:	5,712,536	7,524,423	4,057,974	4,520,031
- Realization of revaluation reserve	853,959	1,019,381	566,927	614,473
- Accounting depreciation	3,590,713	3,410,442	2,184,225	2,038,271
- Allowances expenses	178,159	1,398,545	222,046	1,845,924
- Other items	1,089,705	1,696,055	1,084,776	21,363
Tax loss to be recovered	4,533,440	1,420,415	3,322,576	1,071,205
Tax loss to be recovered carried forward	-	-	-	-
Deferred tax expenses arising from deferred tax assets	(3,699,840)	(934,973)	(4,003,688)	(1,202,422)
Deferred tax expenses arising from deferred tax liabilities	(149,281)	1,198,515	152,553	1,376,366
Effect of other tax rates	(44,451)	17,976	-	-
Computed income tax / (tax loss)	(3,821,149)	411,280	(3,851,135)	173,944
Income tax reported in the statement of income	(3,821,149)	411,280	(3,851,135)	173,944

12. INCOME TAX (continued)

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.

At March 31, 2020 the parent-company, TMK-Artrom registered a tax loss in the amount of RON 34,581,163 with a recoverable term in 7 years from taxable profits according to the provisions of the Fiscal Code. This is composed of RON 13,815,058 representing fiscal loss of year 2019 for which a deferred tax asset of RON 1,608,037 was recognized and the fiscal loss of the first three-month period of year 2020 in amount of RON 20,766,105 for which a deferred tax asset of RON 3,924,949 was recognised in relation to the carried forward fiscal loss.

Under interests, foreign exchange gain/loss, the company has recorded deferred tax related to the exceeding borrowing costs, representing interest expenses and items related to interest, treated as being non-deductible for tax purposes, carried forward indefinitely until the deductibility criteria are met.

At March 31, 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, 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 March 31, 2020 TMK-Reșița registers, according to the fiscal declaration, a fiscal loss of RON 33,195,967. 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 three-month period of year 2020 in amount of RON 7,567,899. 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 three months of the year 2020, there were no transactions involving ordinary shares or potential ordinary shares.

Earnings per share amounts in RON	Consolidated		Separate	
	31 March 2020 Unaudited	31 March 2019 Unaudited	31 March 2020 Unaudited	31 March 2019 Unaudited
Earnings				
Net profit / (Net loss)	(28,336,260)	304,191	(20,224,180)	9,454,878
Average number of shares	116,170,334	116,170,334	116,170,334	116,170,334
Earnings per average number of shares	(0.24)	0.00	(0.17)	0.08

14. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the three-month period ended March 31, 2020 were as follows:

Consolidated

	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	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	-	1,622,210	-	20,045	46,587,062	48,229,317
Disposals	(131,755)	(906,312)	(163,762)	(26,134)	(1,509,415)	(2,737,378)
Transfers	2,690,191	7,622,635	286,104	188,500	(10,787,430)	-
Translation differences	-	8,018	-	8,290	-	16,308
At 31 March 2020	448,554,964	1,111,026,303	90,723,421	6,349,675	66,286,103	1,722,940,466
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	(3,766,421)	(15,919,689)	(1,203,943)	(151,725)	-	(21,041,778)
Disposals	25,693	835,237	144,342	26,070	-	1,031,342
Translation differences	(92)	(4,414)	-	(3,742)	-	(8,248)
At 31 March 2020	(134,850,187)	(406,346,157)	(39,792,091)	(3,209,640)	-	(584,198,075)
Net book value						
At 31 March 2020- <i>Unaudited</i>	313,704,777	704,680,146	50,931,330	3,140,035	66,286,103	1,138,742,391
At 31 December 2019- <i>Audited</i>	314,887,161	711,422,461	51,868,589	3,078,731	31,995,886	1,113,252,828

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

During the three-month period ended March 31, 2019 the Group acquired property, plant and equipment amounting to RON 20,372,025.

The depreciation expense for the first three-month period of year 2019 was RON 19,004,451.

From January to March 2019, the Group disposed of property, plant and equipment in the amount of RON 514,871.

Right-of-use assets

	Land and buildings	Machinery and equipment	Transport and motor vehicles	Furniture and fixtures	Investment properties	Construction in progress	Total
	RON	RON	RON	RON	RON	RON	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	-	-	-	-	-	32,253	32,253
Disposals	-	(132,839)	-	-	-	-	(132,839)
Transfers	-	21,178	11,075	-	-	(32,253)	-
Translation differences	81,007	5,504	3,941	1,224	-	-	91,676
At 31 March 2020	2,975,953	68,743,059	3,570,388	39,150	-	-	75,328,550
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
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	(126,410)	(922,755)	(297,363)	(1,731)	-	-	(1,348,259)
Translation differences	(7,520)	(891)	(1,695)	(112)	-	-	(10,218)
At 31 March 2020	(398,054)	(39,100,884)	(1,410,184)	(4,640)	-	-	(40,913,762)
Net book value							
At 31 March 2020- <i>Unaudited</i>	2,577,899	29,642,175	2,160,204	34,510	-	-	34,414,788
At 31 December 2019 - <i>Audited</i>	2,630,822	30,671,978	2,444,246	35,129	-	-	35,782,175

14. PROPERTY, PLANT AND EQUIPMENT(continued)

As of March 31, 2019, the Group had concluded a number of 39 leases with a carrying value of RON 37,067,155.

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 35,289,802.

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 1,777,353.

The depreciation expense for the three-month period of year 2019 was RON 1,593,046.

From January to March 2019, the Group disposed of right-of-use assets in the amount of RON 56,504.

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)
At 31 December 2019	175,096,470	718,883,971	16,440,559	3,493,437	30,172,622	944,087,059
Additions	-	-	-	-	43,188,474	43,188,474
Disposals	(40,256)	(856,911)	(163,762)	(15,606)	-	(1,076,535)
Transfers	2,514,685	7,618,590	286,104	152,184	(10,571,563)	-
At 31 March 2020	177,570,899	725,645,650	16,562,901	3,630,015	62,789,533	986,198,998
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
Transfers	-	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	(1,607,007)	(10,922,079)	(493,011)	(86,318)	-	(13,108,415)
Disposals	13,439	785,836	144,342	15,606	-	959,223
At 31 March 2020	(37,675,257)	(269,274,382)	(8,828,270)	(1,609,317)	-	(317,387,226)
Net book value						
At 31 March 2020- <i>Unaudited</i>	139,895,642	456,371,268	7,734,631	2,020,698	62,789,533	668,811,772
At 31 December 2019- <i>Audited</i>	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 March 31, 2020, properties with a net book value of RON 149.552.103 were pledged in favor of BCR (31 December 2019: RON 150.893.910).

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14. PROPERTY, PLANT AND EQUIPMENT(continued)

During the three-month period ended March 31, 2019 the Company acquired property, plant and equipment amounting to RON 18,388,462.
The depreciation expense for the three-month period of year 2019 was RON 12,369,737.
From January to March 2019, the Company disposed of property, plant and equipment in the amount of RON 348,091.

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					32,253	32,253
Transfers		21,178	11,075		(32,253)	-
At 31 March 2020	2,024,613	6,300,807	1,061,462	-	-	9,386,882
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)
At 31 December 2019	(337,435)	(647,138)	(590,634)	-	-	(1,575,207)
Depreciation charge for the period	(83,883)	(153,343)	(136,172)			(373,398)
At 31 March 2020	(421,318)	(800,481)	(726,806)	-	-	(1,948,605)
Net book value						
At 31 March 2020- <i>Unaudited</i>	1,603,295	5,500,326	334,656	-	-	7,438,277
At 31 December 2019- <i>Audited</i>	1,687,178	5,632,491	459,753	-	-	7,779,422

14. PROPERTY, PLANT AND EQUIPMENT(continued)

As of March 31, 2019, TMK-Artrom S.A. has concluded a number of 23 leases with a carrying value of RON 6,879,677.

For the three-month period ended March 31, 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 5,946,042.

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 933,635.

The depreciation expense for the three-month period of year 2019 was RON 217,188.

From January to March 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 three-month period ended March 31, 2020, were as follows:

Consolidated

	Licenses and trademarks RON	Other intangible assets RON	Goodwill RON	Intangible assets in progress RON	Total 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	-	-	17,075	62,010
Disposals	-	-	-	-	-
Transfers	17,075	-	-	(17,075)	-
Translation differences	-	1,218	220,281	-	221,499
At 31 March 2020	1,866,788	4,418,196	23,057,272	15,292	29,357,548
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	(80,725)	(182,991)	-	-	(263,716)
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfers	-	-	-	-	-
Translation differences	-	(624)	-	-	(624)
At 31 March 2020	(1,312,612)	(3,179,129)	-	-	(4,491,741)
Net book value					
At 31 March 2020- <i>Unaudited</i>	554,176	1,239,067	23,057,272	15,292	24,865,807
At 31 December 2019- <i>Audited</i>	572,891	1,421,464	22,836,991	15,292	24,846,638

16. INTANGIBLE ASSETS (continued)

During the three-month period ended March 31, 2019 the Group acquired intangible assets amounting to RON 3,374.

The depreciation expense for the three-month period of year 2019 was RON 249,522.

From January to March 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 31 March 2020 an amount of RON 23,057 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
At 31 December 2019	1,048,404	2,501,014	22,041	3,571,459
Additions	44,935	-	-	44,935
At 31 March 2020	1,093,339	2,501,014	22,041	3,616,394
Amortisation and impairment				
At 1 January 2019	(592,333)	(1,025,929)	-	(1,618,262)
Amortisation	(135,874)	(507,703)	-	(643,577)
At 31 December 2019	(728,207)	(1,533,632)	-	(2,261,839)
Amortisation	(42,062)	(127,531)	-	(169,593)
At 31 March 2020	(770,269)	(1,661,163)	-	(2,431,432)
Net book value				
At 31 March 2020- <i>Unaudited</i>	323,070	839,851	22,041	1,184,962
At 31 December 2019- <i>Audited</i>	320,197	967,382	22,041	1,309,620

During the three-month period ended March 31, 2019 the Company acquired intangible assets amounting to RON 3,374.

The depreciation expense for the three-month period of year 2019 was RON 152,275.

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

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

16.1. Financial assets

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
Other financial receivables				
Investments in subsidiaries	-	-	298,566,221	298,566,221
Deposits for letters of guarantee	1,268,622	1,880,949	1,268,622	1,880,949
Long-term deposits	1,934,985	1,916,499	1,934,985	1,916,499
Granted guarantees, from which:	3,655,777	3,544,620	3,698,526	3,586,913
- Guarantees granted to related parties (note 24)	-	-	47,749	47,293
Total other financial receivables	6,859,384	7,342,068	305,468,354	305,950,582
Total other financial assets	6,859,384	7,342,068	305,468,354	305,950,582

The deposits for guarantees are restricted, representing collateral constituted by the Company for good performance bank letters available more than one year, issued by BCR in favour of customer NIS from Serbia.

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.

In 21 December 2018 TMK-Artrom purchased a number of 131,010,874 shares of TMK-Resita's share capital, representing 99.99237%, held by TMK Europe GmbH.

The price to be paid by TMK-Artrom for the number of 131,010,874 shares is EUR 62,290,000, representing RON 290,258,942 (exchange rate 4.6598 RON/EUR), that is EUR 0.475/share.

The price is paid by TMK-Artrom from its own financial resources as follows:

1. EUR 100,000 (RON 466,390) was to be paid within thirty (30) days from the execution of the sale-purchase agreement of the shares (the payment was done on January 17, 2019) 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; TMK-Artrom paid the amount of EUR 100,000 in the first quarter of 2019.

2. The remaining price of EUR 62,190,000 (RON 281,199,364) 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

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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 three (3) years, depending on available resources financial.

At initial recognition, the difference between the fair value of the loan and the nominal amount, was recognized as equity (RON 14,683,001).

The liability was discounted as a result of debt restructuring, in December 2019 (EUR 2,021,302 – RON 9,658,791). 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 March 31, 2020 is in the amount of RON 281,199,364 equivalent to RON 58,274,830 (out of which the amount of EUR 252,506-RON 1,219,526 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).

16.2. Other financial liabilities

Interest-bearing long-term loans and borrowings

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
Long-term interest-bearing bank loans	138,592,726	133,714,245	138,592,726	133,714,245
Long-term interest-bearing borrowing-related parties (note 24)	74,936,212	72,593,551	74,936,212	72,593,551
Un-amortized cost of debt origination fees	(341,303)	(178,598)	(341,303)	(178,598)
Balance of long-term loans	213,187,635	206,129,198	213,187,635	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	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
Long- and short-term loans and borrowings, net of future interests	412,562,582	414,781,528	412,562,582	414,781,528
Interest payable at reporting date	558,886	612,525	558,886	612,525
Un-amortized cost of debt origination fees	(1,027,418)	(673,327)	(1,027,418)	(673,327)
Total long- and short-term loans and related interest and un-amortized cost	412,094,050	414,720,726	412,094,050	414,720,726
Future interests	17,199,417	14,460,307	17,199,417	14,460,307
Total future repayments for loans and related interest	429,293,467	429,181,033	429,293,467	429,181,033

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Interest-bearing long-term loans and borrowings

Bank	Type of loan	Currency	31 March 2020	Due date (mm/dd/yyyy)	Interest rate	Amount repayable	Amount repayable
			Contracted amount			equivalent RON	EUR/USD
BCR ERSTE	Investment loan - 7 years	EUR	25,000,000	11/07/2023	3.40%	80,423,333	16,666,667
BCR ERSTE	Overdraft	EUR	20,000,000	10/03/2021	EURIBOR 3M+margin	58,169,393	12,054,833
Total long-term bank loans						138,592,726	
TMK EUROPE GmbH	Long-term borrowing	USD	22,837,540	07/25/2025	Libor+0.5%	74,936,212	17,037,540
Un-amortized long-term cost						(341,303)	
Total						213,187,635	

Bank	Type of loan	Currency	2019	Due date (mm/dd/yyyy)	Interest rate	Amount repayable	Amount repayable
			Contracted amount			equivalent RON	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	
	31 March 2020 <i>Unaudited</i> RON	31 December 2019 <i>Audited</i> RON	31 March 2020 <i>Unaudited</i> RON	31 December 2019 <i>Audited</i> RON
Long-term interest-bearing bank loans, current portion	11,489,048	22,758,571	11,489,048	22,758,571
Short-term bank loans	187,544,596	185,715,160	187,544,596	185,715,161
Interest related to long-term bank loans	462,553	471,094	462,553	471,094
Interest related to long-term borrowings - related parties (note 25)	96,333	141,431	96,333	141,431
Un-amortized short-term cost	(686,115)	(494,729)	(686,115)	(494,729)
Total	198,906,415	208,591,527	198,906,415	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	31 March 2020 Contracted amount	Due date (mm/dd/yyyy)	Interest rate	Amount repayable <i>RON equivalent</i>	Amount repayable <i>EUR</i>
VTB BANK (EUROPE)	Credit revolving	EUR	20,000,000	04/16/2020	2%	187,544,596	38,866,124
Total short-term bank loans						187,544,596	
BCR ERSTE	Investment loan - 7 years current portion	EUR	25,000,000	11/07/2023	3.40%	11,489,048	2,380,953
Total short part of long-term bank loans						11,489,048	
Total						199,033,644	

Bank	Type of loan	Currency	31 December 2019 Contracted amount	Due date (mm/dd/yyyy)	Interest rate	Amount repayable <i>RON equivalent</i>	Amount repayable <i>EUR</i>
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	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
Long-term sundry creditors	147,847	167,785	31,542	37,407
Long-term advances from customers	1,813,675	1,813,674	-	-
Investment subsidy	38,652	44,331	38,652	44,331
Long-term guarantees	209,328	191,489	131,447	114,351
Balance of other long-term liabilities	2,209,502	2,217,279	201,641	196,089

16.3. Liabilities for investments in subsidiaries

	31 March 2020 Unaudited RON	31 December 2019 Audited RON
Amounts owed to entities in the group - long-term	275,146,597	272,517,953
Interest on long-term amounts owed to entities in the group	6,052,767	4,788,142
Total liabilities for investments in subsidiaries	281,199,364	277,306,095

In 21 December 2018 TMK-Artrom purchased a number of 131,010,874 shares of TMK-Resita's share capital, representing 99.99237%, held by TMK Europe GmbH.

The price to be paid by TMK-Artrom for the number of 131,010,874 shares is Euro 62,290,000 (exchange rate 4.6598 RON/EUR), that is Euro 0.475/share.

The price is paid by TMK-Artrom from its own financial resources as follows:

1. EUR 100,000 (RON 466,390) was to be paid within thirty (30) days from the execution of the sale-purchase agreement of the shares (the payment was done on January 17, 2019) 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; TMK-Artrom paid the amount of EUR 100,000 in the first quarter of 2019.

2. The remaining price of EUR 62,190,000 (RON 281,199,364) 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 three (3) years, depending on available resources financial.

At initial recognition, the difference between the fair value of the loan and the nominal amount, was recognized as equity (RON 14,683,001).

The liability was discounted as a result of debt restructuring, in December 2019 (EUR 2,021,302 – RON 9,658,791). 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.

16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Thus, the balance of the debt for investments in subsidiaries / subsidiaries to TMK EUROPE on March 31, 2020 is in the amount of RON 281,199,364 equivalent to RON 28,274,830 (out of which the amount of EUR 252,506- RON 1,219,526 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	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
Prepayments for property, plant, and equipment	5,019,264	6,486,189	4,978,181	6,446,390
Sundry debtors	7,540,802	8,932,016	-	-
Gas emission certificates with greenhouse effect	-	-	1,135,592	1,278,592
Prepaid expenses	1,617,274	1,072,056	1,478,243	918,188
- Prepaid expenses - related parties	104,455	883,711	104,455	883,711
Total	14,177,340	16,490,261	7,592,016	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 7,540,802.

As of March 31, 2020, the value of the short-term discounted receivable is RON 773,855, and the value of the long-term receivable of RON 7,540,802.

18. INVENTORIES

Inventories consist of the following:

	Consolidated		Separate	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	Unaudited RON	Audited RON	Unaudited RON	Audited RON
Raw materials	43,052,535	34,853,437	65,136,137	62,912,963
Finished goods in transit	10,752,573	32,699,697	10,752,573	32,699,697
Work in progress	50,303,522	37,015,074	49,231,443	36,444,489
Finished goods	59,894,427	55,268,457	64,171,018	59,205,589
Consumables	72,893,604	70,276,977	27,721,009	28,918,934
Semi-finished goods	111,106,392	105,540,240	36,842,561	30,664,882
Merchandise at third parties (in transit)	2,611,091	11,222,393	2,611,091	11,222,393
Consigned finished goods	4,782,190	1,092,579	4,782,190	1,092,579
Other materials	11,560,388	11,790,428	8,878,100	8,859,789
Raw materials and consumables at third parties	1,789,086	1,306,120	338,801	425,676
Materials in transit	655,208	150,195	91,540	150,195
Merchandise and packaging	22,080	17,970	22,080	17,970
Raw materials to be purchased	660,867	-	515,061	-
Total	370,083,963	361,233,567	271,093,604	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 three-month period ended March 31, 2020 were set up allowances for inventories considering net realizable value – the movement of the adjustments is presented below:

	Consolidated		Separate	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	Unaudited RON	Audited RON	Unaudited RON	Audited RON
Balance 1 January	24,399,500	17,774,360	15,633,584	9,074,946
Additional allowances set	4,353	32,821,091	-	32,669,771
Resumption / Allowances used	(29,871)	(26,195,951)	-	(26,111,133)
Balance at the end of reporting period	24,373,982	24,399,500	15,633,584	15,633,584

19. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables consist of the following:

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
Trade receivables, from which:	214,688,050	234,907,851	199,925,918	222,062,195
- Receivables from other related parties (note 24)	-	-	4,011,726	6,450,616
Other receivables - VAT	22,106,574	20,263,055	25,000,560	21,490,774
Sundry debtors, from which:	4,363,228	4,247,197	1,052,915	1,320,353
- Sundry debtors - related parties (note 24)	79,233	4,618	221,549	591,879
Other receivables - penalty and fines	(25)	(18)	-	-
Employee claims	954,264	542,752	485,540	331,504
Recoverable income tax	2,658,748	2,515,907	547,921	547,921
Other social receivables	1,118,398	913,698	841,227	913,698
Less:				
Expected credit loss	(16,926,770)	(16,538,769)	(1,937,679)	(1,930,241)
Allowance for sundry debtors	(2,593,834)	(2,593,834)	-	-
Total	226,368,633	244,257,839	225,916,402	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	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
At 1 January	2,593,834	2,593,834	-	-
Impairment adjustments expenses 19	-	-	-	-
Used 19	-	-	-	-
At 31 March	2,593,834	2,593,834	-	-

The following summarises the changes in the expected credit loss:

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
At 1 January	16,538,769	15,939,995	1,930,241	1,566,701
Impairment adjustments expenses	190,513	794,333	9,388	526,456
Used/ Reversed	(1,950)	(523,949)	(1,950)	(162,916)
Reclass	65,686			
Translation differences	133,752	328,390	-	-
At 31 March	16,926,770	16,538,769	1,937,679	1,930,241

20. PREPAYMENTS

Prepayments consist of the following:

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
Prepayments for services, inventories, from which:	(1,433)	97	81,261,909	55,970,702
- Prepayments for services, inventories - related parties (note 24)	-	-	81,261,909	55,970,702
Prepaid expenses	8,769,630	5,726,147	4,648,278	3,639,640
- Prepaid expenses - related parties	445,671	494,654	-	-
Selling and distribution expenses registered in advance until the date of transfer of customer control over the goods	1,226,217	2,909,741	1,226,217	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	11,935,990	10,577,561	89,077,980	64,461,659

The amount of RON 81,261,909 (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	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
Cash at banks in foreign currency	14,152,942	9,861,777	6,321,261	5,672,288
Cash at banks in RON	700,658	454,641	167,154	411,053
Short-term deposits	2,418,126	632,262	2,418,126	632,262
Other cash equivalents	440	88	410	61
Cash on hand	2,199	6,002	-	-
Total	17,274,365	10,954,770	8,906,951	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	
	31 March 2020 Unaudited	31 December 2019 Audited	31 March 2020 Unaudited	31 December 2019 Audited
in RON	988,084	632,262	988,084	632,262
in EURO	1,430,042	-	1,430,042	-

There is no restricted cash.

21. CASH AND SHORT-TERM DEPOSITS (continued)

Other current assets

	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
Deposits for letters of guarantee	630,470	1,416,379	630,470	1,416,379
Total	630,470	1,416,379	630,470	1,416,379

Deposits for guarantee letters are restricted, they represent collateral pledged by the company for good execution bank letters valid between three 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	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
Current trade payables, from which:	315,053,927	270,434,381	227,152,248	179,716,023
- Intercompany trade payables (note 24)	182,148,706	121,189,230	176,133,992	116,140,416
Payables for non-current assets	30,304,019	21,892,174	28,243,210	17,287,546
Dividends payable	145,511	146,855	145,511	146,855
Short-term guarantees	827,735	890,320	356,232	316,710
Accrued and other liabilities	3,021,642	3,093,135	1,310,421	1,675,936
Total financial liability	349,352,834	296,456,865	257,207,622	199,143,070
Accrued and withheld taxes on payroll	14,213,186	12,230,727	11,823,201	9,488,733
Other liabilities - VAT	-	-	-	-
Salaries and Wages	3,825,148	3,776,116	2,401,871	2,498,981
Advances from customers	2,712,543	3,950,339	2,440,142	3,587,632
Income tax liabilities	15,050	-	-	-
Liabilities for other taxes	1,225,431	299,471	1,078,343	240,749
Total non-financial liability	21,991,358	20,256,653	17,743,557	15,816,095
Grand total	371,344,192	316,713,518	274,951,179	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 Prieure 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	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
TMK-REȘIȚA	-	-	4,011,012	6,450,259
TMK Assets Bucharest	-	-	714	357
Total	-	-	4,011,726	6,450,616

Other Assets	Consolidated		Separate	
	31 March 2020 Unaudited RON	31 December 2019 Audited RON	31 March 2020 Unaudited RON	31 December 2019 Audited RON
TMK-REȘIȚA (advances for purchase of goods)	-	-	81,261,909	55,970,702
TMK Europe GmbH (sundry debtors)	-	4,618	-	4,618
PAO TMK (sundry debtors)	79,233	-	79,233	-
TMK Assets Bucharest (long-term receivables - guarantees)	-	-	47,749	47,293
TMK RESITA S.A. (sundry debtors)	-	-	142,316	587,261
Total	79,233	4,618	81,531,207	56,609,874

26. TRANSACTIONS WITH RELATED PARTIES (continued)

Trade Payables	Consolidated		Separate	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	Unaudited RON	Audited RON	Unaudited RON	Audited RON
PAO TMK Russia	175,542,225	111,109,669	173,161,207	108,751,399
TMK Europe GmbH Germany	6,606,481	9,835,554	1,775,373	3,859,221
TMK Industrial Solutions LLC, Houston	-	-	655,397	1,491,553
TMK Italia s.r.l. Italy	-	-	541,240	1,775,196
RosNITI JSC Russia	-	8,007	-	8,007
TMK Assets Bucharest	-	-	775	19,041
TMK-Inox Russia	-	152,302	-	152,302
Sarl Prieure Saint Jean de Bebian France	-	83,698	-	83,698
Total	182,148,706	121,189,230	176,133,992	116,140,417

Other liabilities	Consolidated		Separate	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	Unaudited RON	Audited RON	Unaudited RON	Audited RON
TMK Europe GmbH (borrowing)	74,936,212	72,593,551	74,936,212	72,593,551
TMK Europe GmbH Germany (interest owed at reporting date)	96,333	141,431	96,333	141,431
TMK Europe GmbH Germany (amounts owed to group's entities)	281,199,364	277,306,095	281,199,364	277,306,095
Total	356,231,909	350,041,077	356,231,909	350,041,077

Transactions with related parties

Sales (Revenue)	Object of the transaction	Consolidated	
		31 March 2020 Unaudited RON	31 March 2019 Unaudited RON
PAO TMK	claim for billets - raw material	-	1,109,170
TMK Middle East	pipes	-	907,918
Sinarsky pipe plant	pipes	-	1,125,288
TMK IPSCO International	pipes	-	1,719,567
TMK Europe GmbH Germany	audit services	-	23,333
TMK Europe GmbH Germany	debit note for claim regarding mandrel bars acquisition	49,565	-
TMK GLOBAL Switzerland	pipes	-	144,488
ORSKY Machine Building Plant RUSIA	pipes	-	208,550
Total		49,565	5,238,314

Sales (Revenue)	Object of the transaction	Separate	
		31 March 2020 Unaudited RON	31 March 2019 Unaudited RON
TMK-REȘIȚA	waste product, pipes, perceives commission, management services, additional costs for quality claims	7,329,878	11,273,243
TMK Industrial Solutions LLC	pipes for resale	-	282,927
PAO TMK	claim for billets - raw material	-	(198,383)
TMK Middle East	pipes	-	364,422
TMK Assets	management services	900	900
TMK Europe GmbH Germany	debit note for claim regarding mandrel bars acquisition	49,565	-
Total		7,380,343	11,723,109

TMK-ARTROM S.A.
CONSOLIDATED AND SEPARATE NOTES TO THE FINANCIAL STATEMENTS
as of 31 March 2020- unaudited
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Purchases	Object of the transaction	Consolidated 31 March 2020 Unaudited RON	31 March 2019 Unaudited RON
PAO TMK	pipes and blooms for resale, consulting services, financial costs	68,451,013	178,506,627
TMK Europe GmbH	agent commission for pipes sales, materials for own consumption, spare partes	10,075,225	69,638,449
Taganrog metallurgical Works	sole representative services	-	30,577,022
RosNITI JSC	research and development services	-	144,442
Sarl Priure Saint Jean de Bebian	protocol expenses	-	111,742
TMK INOX Russia	steel pipes for resale	-	135,348
OJSC Volzsky Pipe Plant Russia	pipes	-	2,106,510
Total		78,526,238	281,220,140

Purchases	Object of the transaction	Separate 31 March 2020 Unaudited RON	31 March 2019 Unaudited RON
TMK-REȘIȚA	billets - raw material, other materials	107,640,347	157,737,020
PAO TMK	pipes and blooms for resale, consulting services, financial costs	68,451,013	66,861,025
TMK Industrial Solutions LLC	agent commission for sales of pipes produced by TMK-Artrom and pipes of Russian origin	1,925,982	2,284,138
TMK Europe GmbH	agent commission for pipes sales, materials for own consumption, spare partes	2,738,721	4,846,154
TMK Italia s.r.l.	agent commission for pipes sales	1,778,504	3,094,365
Taganrog metallurgical Works	sole representative services	-	-
TMK Assets	rent and apartment maintenance	142,195	139,923
RosNITI JSC	research and development services	-	36,242
TMK GLOBAL Switzerland	acquisition of TMK Italia	-	8,229,262
Total		182,676,762	243,228,129

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 74,936,212 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 March 2020, it is USD 21,902, respectively RON 96,333.

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 three-month period in 2020 and 2019 years were in gross amounts as follow:

Quarter	Number of persons	Fixed remuneration	Bonus
Q1 2020	13	RON 4,504,018	RON 3,534,207
Q1 2019	13	RON 4,424,553	RON 4,692,146

25. PROVISIONS

Other short-term provisions	Consolidated		Separate	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	Unaudited	Audited	Unaudited	Audited
	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	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	Unaudited	Audited	Unaudited	Audited
	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 March 31, 2020 are of RON 26,660,069 (2019: RON 35,712,293).

Group's total commitments for the acquisition of property, plant and equipment as at March 31, 2020 are of RON 29,326,543 (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 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.

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 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

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

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

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**.

COVID 19 pandemic impact

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.

Date: May 15, 2020

Chief Executive Officer,
Ing. Popescu Adrian

Chief Economical and Accountancy Officer,
Ec. Văduva Cristiana