

**TATA STEEL INTERNATIONAL (POLAND)
SP. Z O.O. KATOWICE,
UL. PIASTOWSKA 7**

**FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 APRIL 2014 TO
31 MARCH 2015**

**WITH
AUDITOR'S OPINION
AND
AUDIT REPORT**

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**FINANCIAL STATEMENTS OF TATA STEEL INTERNATIONAL (POLAND) SP.
Z O.O. FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

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**REPORT ON THE ACTIVITIES OF TATA STEEL INTERNATIONAL (POLAND)
SP. Z O.O. FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

AUDITOR'S OPINION

To the Shareholders and Supervisory Board of Tata Steel International (Poland) Sp. z o.o.

We have audited the attached financial statements of Tata Steel International (Poland) Sp. z o.o. with its registered office in Katowice at Piastowska 7, including balance sheet prepared as of 31 March 2014, statement of comprehensive income, statement of changes in equity, cash flow statement for the financial year from 1 April 2014 to 31 March 2015 and notes comprising a summary of significant accounting policies and other explanatory information as required by the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations.

Preparation of financial statements and a report on the activities in line with the law is the responsibility of the Management Board of the Company.

The Management Board of the Company and members of its Supervisory Board are obliged to ensure that the financial statements and the report on the activities meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2013 item 330, as amended), hereinafter referred to as the "Accounting Act".

Our responsibility was to audit and express an opinion on compliance of the financial statements with the accounting principles (policy) adopted by the Company and whether the financial statements give a true and fair view of the financial and economic position as well as the financial performance of the Company and on the correctness of the underlying accounting records.

Our audit of the financial statements has been planned and performed in accordance with:

- section 7 of the Accounting Act,
- national auditing standards, issued by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the financial statements in such a way as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) and material estimates applied by the Company, verification - largely on a test basis - of the accounting evidence and records supporting the amounts and disclosures in the financial statements, as well as overall evaluation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited financial statements in all material respects:

- give a true and fair view of the information material to evaluation of the economic and financial position of the Company as of 31 March 2015 as well as its financial performance in the financial year from 1 April 2014 to 31 March 2015,
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and in all matters not regulated in the standards - in accordance with the provisions of the Accounting Act and its executory provisions and based on properly kept accounting records,
- comply with the provisions of law and the articles of association of the Company, which affect the contents of the financial statements.

Without raising any qualifications to the correctness and fairness of the audited financial statements, we would like to emphasize that as at 31 March 2015 the Company's equity has a negative value. Pursuant to Article 21 in relation to Article 11.2 of the Bankruptcy and Restructuring Law, the Management Board is obliged to file a bankruptcy motion with the court of law in case of the Company's liabilities exceeded its assets. By the opinion date, the Management Board of the Company has not filed such a motion, and presented a rationale of its position in Note 20. Therefore, the attached financial statements have been prepared on the going concern basis and do not include any adjustments which could be required if the going concern assumption proved unjustified.

The Report on the activities of the Company for the financial year ended March 31, 2015 is complete within the meaning of Article 49.2 of the Accounting Act and consistent with underlying information disclosed in the audited financial statements.

.....
Miroslaw Mitrenga
Key certified auditor
conducting the audit
No. 11723

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

DELOITTE POLSKA
Spółka z ograniczoną odpowiedzialnością Sp. k.
Al. Jana Pawła II 19, 00-854 Warszawa
tel. (22) 511-08-11, fax (22) 511-08-13
NIP 527-020-07-86, REGON 010076870

.....
Artur Maziarka – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, June 15, 2015

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
OF TATA STEEL INTERNATIONAL (POLAND) SP. Z O.O.
FOR THE 2014 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Company

The Company operates under the business name Tata Steel International (Poland) Sp. z o.o. (hereinafter: the "Company"). The Company's registered office is located in Katowice at Piastowska 7 street.

The Company operates as a limited liability company. The Company is recorded in the Register of Entrepreneurs kept by the District Court, VIII Business-Registry Division in Katowice, under KRS number 0000083762.

The Company operates based on the provisions of the Code of Commercial.

As of 31 March 2014, the Company's share capital amounted to PLN 8.805.650,00 and was divided into 176.113 ordinary shares with a face value of PLN 50 each. In the audited period, the Company conducted activities mainly in the area of sales of metal products.

Composition of the Management Board as of the date of the opinion:

- Bolesław Grzywnowicz - President of Management Board,
- Marcin Gołąb - Member of Management Board.

There were no changes in the composition of the Management Board during the audited period and until the date of issuing opinion.

2. Information on the financial statements for the previous financial year

The activities of the Company in the period from 1 April 2013 to 31 March 2014 resulted in a net profit of PLN 1.227.823,20. The financial statements of the Company for the period from 1 April 2013 to 31 March 2014 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k. The certified auditor issued an emphasis of matter opinion on those financial statements.

The General Shareholders' Meeting which approved the financial statements for the period from 1 April 2013 to 31 March 2014. The General Shareholders' Meeting decided to distribute net profit to cover prior year losses.

The financial statements for the period from 1 April 2013 to 31 March 2014 were submitted to the National Court Register (KRS) on 8 July 2014.

3. Details of the authorized entity and the key certified auditor acting on its behalf

The entity authorized to audit the financial statements was appointed by the Shareholders' Meeting. The audit of the financial statements was performed based on the agreement concluded on 14 May 2015 between the Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under

the supervision of Mirosław Mitrenga, key certified auditor, (No.11723), in the registered office of the Company from 18 to 22 May 2015 and outside the Company's premises until the opinion date.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting the audit confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on statutory auditors and their self-governing body, auditing firms and on public oversight (Journal of Laws of 2009 No. 77, item 649 as amended) to express an unbiased and independent opinion on the financial statements of the Company.

4. Availability of data and management's representations

The scope of our audit was not limited.

During the audit, necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of 15 June 2015.

II. ECONOMIC AND FINANCIAL POSITION OF THE COMPANY

Presented below are the main items from the statement of comprehensive income and balance sheet as well as financial ratios describing the financial performance of the Company and its economic and financial position compared to the prior year.

<u>Main items from the statement of comprehensive income (PLN '000)</u>	<u>2014/15</u>	<u>2013/14</u>
Sales revenue	3 618	3 811
Operating expenses	(2 310)	(2 506)
Operating profit (loss)	1 225	1 275
Net profit (loss)	1 012	1 228
 <u>Main items from the balance sheet (PLN '000)</u>		
Trade receivables	4 276	2 982
Current assets	4 486	3 052
Total assets	4 545	3 161
Equity	(1 117)	(2 128)
Short-term liabilities (including short-term provisions and accruals)	5 661	5 290
Trade liabilities	5 355	4 966
Total liabilities and provisions	5 661	5 290
 <u>Profitability and efficiency ratios</u>		
	<u>2014/15</u>	<u>2013/14</u>
- return on sales	34%	33%
- assets turnover ratio	0,80	1,21
- receivables turnover in days	366	156
- liabilities turnover in days	815	725
 <u>Liquidity/Net working capital</u>		
	<u>2014/15</u>	<u>2013/14</u>
- debt ratio	125%	167%
- equity to fixed assets ratio	-25%	-67%
- net working capital (PLN '000)	(1 176)	(2 238)
- current ratio	0,79	0,58
- quick ratio	0,79	0,58

An analysis of the above figures and ratios indicated the following trends in 2014:

- increase of return on sales ratio;
- decrease of assets turnover ratio;
- prolongation of receivables and liabilities turnover ratios in days;
- decrease of debt ratio;
- increase of equity to fixed assets ratio;
- decrease of deficit in net working capital,
- increase of debt and quick ratios.

Management of the Company in Note 20 of additional information and other explanations to the financial statements provided justification for the going concern of the Company in the foreseeable future.

III. DETAILED INFORMATION

1. Evaluation of the accounting system

The Company has valid documentation describing the adopted accounting principles, complying in all material respects with Article 10 of the Accounting Act. The principles have been applied consistently and did not change compared to the principles applied in the prior year. The opening balance resulting from the approved financial statements for the prior financial year has been properly introduced into the accounting records of the audited period.

Based on tests performed during the audit procedures, we have verified the adopted accounting system and found no misstatements that would affect the financial statements. Our audit did not include, though, the entire accounting system used by the Company.

The Company performed a physical count of assets and liabilities within the scope necessary to confirm the existence of the presented assets and liabilities.

2. Information identifying the audited financial statements

The audited financial statements were prepared as of 31 March 2015 and include:

- balance sheet prepared as of 31 March 2015, with total assets and liabilities plus equity of PLN 4,544,578.57,
- statement of comprehensive income for the period from 1 April 2014 to 31 March 2015, with a net profit of PLN 1,011,888.01 and total comprehensive income of PLN 1,011,888.01,
- statement of changes in equity for the period from 1 April 2014 to 31 March 2015, disclosing an increase in equity of PLN 1,011,888.01,
- cash flow statement for the period from 1 April 2014 to 31 March 2015, showing a cash inflow of PLN 95,512.32,
- notes, comprising a summary of significant accounting policies and other explanatory information.

3. Information about selected material items of the financial statements

The structure of assets and liabilities as well as items affecting the financial result have been presented in the financial statements.

Property, plant and equipment

The structure of property, plant and equipment has been correctly presented in the relevant explanatory note to the balance sheet.

Receivables

The structure of trade receivables has been correctly presented in the respective explanatory note to the balance sheet, together with related impairment losses.

Liabilities

The structure of trade liabilities has been disclosed in the relevant explanatory note to the balance sheet.

4. Completeness and correctness of drawing up the introduction to the financial statements, notes and explanations and the report on the activities of the Company

The Company confirmed the validity of the going concern principle in the preparation of the financial statements. The notes and explanations give a correct and complete description of measurement principles regarding assets, liabilities, financial result and principles of preparation of the financial statements.

The notes to the financial statements give a correct and complete description of the reporting items and clearly present other information required under IFRS.

The financial statements have been supplemented with the Management Board's report on the activities of the Company in the financial year from 1 April 2014 to 31 March 2015. The report contains information required under Article 49.2 of the Accounting Act We have audited the report with respect to the disclosed information derived directly from the audited financial statements.

IV. FINAL NOTES

Management Board's Representations

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor received a representation letter from the Company's Management Board, in which the Board stated that the Company complied with the laws in force.

.....
Miroslaw Mitrenga
Key certified auditor
conducting the audit
No. 11723

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

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Artur Maziarka – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, June 15, 2015