

Board of directors and Managing director

**Halmstad Steel Service Centre AB**

Business id 559006-0058

hereby deliver

**Annual report**

regarding prolonged financial year March 3rd 2015 - March 31st 2016

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## Statutory administration report

### Description of business and operations

Company is a fully owned subsidiary by Tata Steel Ijmuiden, business id 001707371 located in Ijmuiden, Holland.

Business is Steel Service Center (SSC) with own production in Halmstad and sales office.

The company processes and sells flat steel products, mostly in the Swedish market.

Main customer segments are within the automotive industry, building- and construction industry and other subcontractors within the steel business.

### Development of the company's business, profit/loss and position

Financial overview	2015/2016	2014/2015
Net sales, msek	484	—
Operational margin %	-4,7%	—
Balance sheet total, msek	170	—
Solidity %	2,3%	—

Definitions: see note

### Important occurrences during and after financial year

The company, Halmstad Steel Service Centre, is new and comes from a carve out from Ruukki Sverige AB that was acquired by SSAB. The business was acquired by Tata Steel and the company was legally registered on March 3rd 2015, meaning a prolonged financial year of March 3rd 2015 - March 31st 2016.

We now create and aim for an efficient and flexible steel company and also strengthen our opportunities to continue developing our leading position within the steel business.

The financial year was affected by global over capacity, mainly from China and Russia, leading to decreases in steel prices with a peak in end of 2015 and then with some recovery during the beginning of 2016.

### Expected future development and major risks and other factors of uncertainty

The judgement is that demand in the steel market will still be stable.

### Use of financial instruments

Borrowing and liquidity are handled within the group. Currency exposure and hedging are also handled within the group.

### Licence- or obligation to report according to environmental law

The company runs a business that is obligated to report and be registered according to Swedish environmental law. The obligation concerns processing of steel products.

### Suggestion of disposal of company's profit/loss

The board of directors suggest that non-restricted equity, SEK 3 880 871, allocates as follows:

Net profit/loss for the year	-24 517
Shareholders' contribution	28 398
Profit or loss brought forward	3 881
Carry forward	3 881

Regarding result and balances, referring to the following profit and loss statement and balance sheet including associated notes.

**PROFIT AND LOSS STATEMENT**

<i>Amount in TSEK</i>	<i>Note</i>	<i>2015/2016</i>	<i>2014/2015</i>
Net sales	2	484 288	—
Change of inventories in work in process, finished goods and work on contract		11 172	—
Other operating income		139	—
		<u>495 599</u>	<u>—</u>
<b>Operating expenses</b>			
Raw materials and consumables	2	-450 099	—
Other external costs	3,4	-29 881	—
Personnel costs	3	-36 986	—
Depreciations of tangible assets	5	-1 551	—
Other operating expenses		—	—
<b>Operating profit/loss</b>		<u>-22 918</u>	<u>—</u>
<b>Result from financial items</b>			
Other interest income and similar items		275	—
Interest expense and similar items	6	-1 874	—
<b>Profit/loss after financial items</b>		<u>-24 517</u>	<u>—</u>
<b>Appropriations</b>			
Appropriations		—	—
<b>Profit/loss before taxation</b>		<u>-24 517</u>	<u>—</u>
Tax	7	—	—
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<u>-24 517</u>	<u>0</u>

**Balance sheet**

<i>Amount in TSEK</i>	<i>Note</i>	<i>2016-03-31</i>	<i>2015-03-31</i>
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Intangible assets</i>			
Capitalized expenditure for development and similar items	8	11 027	—
		<u>11 027</u>	<u>—</u>
<i>Tangible assets</i>			
Land and buildings	9	10 495	—
Plant and machinery	10	783	—
Equipment, tools, fixtures and fittings	11	257	—
		<u>11 535</u>	<u>—</u>
<b>Total fixed assets</b>		<b>22 562</b>	<b>—</b>
<b>Current assets</b>			
<i>Inventories etc</i>			
Raw materials and consumables		48 383	—
Finished products and goods for resale		11 172	—
		<u>59 555</u>	<u>—</u>
<i>Current receivables</i>			
Accounts receivables		66 265	—
Receivables from group companies		7 828	—
Tax receivables		550	—
Pre-paid expenses and accrued income		9 016	—
		<u>83 659</u>	<u>—</u>
<i>Cash and bank</i>			
Cash and bank		4 316	—
<b>Total current assets</b>		<b>147 530</b>	<b>—</b>
<b>TOTAL ASSETS</b>		<b>170 092</b>	<b>—</b>

## Balance sheet

<i>Amount in TSEK</i>	<i>Note</i>	<i>2016-03-31</i>	<i>2015-03-31</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	12		
<i>Restricted equity</i>			
Share capital		50	—
Statutory reserve		—	—
		<u>50</u>	<u>—</u>
<i>Non-restricted equity</i>			
Profit or loss brought forward		—	—
Received shareholders' contribution		28 398	0
Profit/loss for the year		<u>-24 517</u>	<u>0</u>
		<u>3 881</u>	<u>—</u>
		3 931	—
<b>Untaxed reserves</b>			
Accumulated additional depreciations		—	—
Others		—	—
		<u>—</u>	<u>—</u>
		—	—
<b>Long-term liabilities</b>			
Liabilities to group companies	13	<u>28 500</u>	<u>—</u>
		28 500	—
<b>Short-term liabilities</b>			
Trade creditors		63 075	—
Liabilities to group companies		57 235	—
Other short-term liabilities		6 831	—
Accrued expenses and pre-paid income	14	<u>10 520</u>	<u>—</u>
		<u>137 661</u>	<u>—</u>
		137 661	—
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>170 092</u>	<u>—</u>

## Pledged assets and contingent liabilities

<i>Amount in TSEK</i>	<i>2016-03-31</i>	<i>2015-03-31</i>
<b>Pledged assets</b>	None	None
<b>Contingent liabilities</b>	None	None

## Notes to the financial statement

Amount in TSEK

### Note 1 Accounting policies

The statutory accounts have been established in accordance with the Annual Accounts Act and the Swedish Standards Board general recommendations.

Assets, provisions and liabilities are valued to acquisition values if not anything else noted below.

#### Intangible assets

Other intangible assets acquired are valued to acquisition value.

#### Fixed assets

Fixed assets are valued to acquisition value reduced by accumulated depreciations and write-downs. In acquisition value also other expenses directly connected to that acquisition are included.

#### Additional expenses

Additional expenses valued as asset are included in assets reported value.

Expenses regarding maintenance are reported as costs when they appear.

For some fixed assets reporting is done by components, where these components are depreciated different based on each components useful lifetime.

#### Depreciations

Depreciation according to plan has been calculated on the original acquisition value of the fixed assets and is based on the expected life of the assets. Depreciation is reported as cost in profit and loss.

	<i>Useful lifetime</i>
Buildings	25 or 50 years
Building; Outside like face and roof	10 years
Building; Inside like frame, walls etc	5-10 years
Plant and machinery	5-10 years
Equipment, tools, fixtures and fittings	5-10 years

Buildings includes components with different useful lifetime. Main parts are building and land. No depreciation is done on component land because of unlimited useful lifetime.

### **Leasing**

All leasing agreements are handled as operational leasing.

#### *Operational leasing agreements*

Leasing fees according to operational leasing agreements, including raised first time rent but excluding expenses regarding insurance and maintenance, are reported as expenses linear over leasing period.

### **Foreign currency**

#### *Items in foreign currency*

Monetary items in foreign currency are revaluated to balance sheet closing rate. Non monetary items are not revaluated, reported to rate at acquisition time.

### **Stock**

Inventories are valued according to the lowest of manufacturing cost or net realisable value at the balance sheet date according to FIFO calculation. For own manufactured homo-geneous groups of products, collective stock valuation is applied. Specific obsolescence deduction is made for goods deemed unsaleable or obsolete, after which the value is deemed not to exceed sales value less estimated sales costs.

### **Taxes**

Tax on profit/loss contains paid and deferred income tax.

### **Income**

Income has been acknowledged to actual value of what has been or will be received, and is accounted for to the extent it is probable that the economic benefit will be received by the company, and that the income can be reliably calculated.

#### *Sales of goods*

In sales of goods, revenue is reported when delivered.

#### *Group contribution and shareholders' contribution*

Shareholders' contribution received without issued shares or other equity instruments for exchange are reported directly in equity.

### **Group information**

Company is fully owned subsidiary by Tata Steel Ijmuiden, business id 001707371 located in Ijmuiden, Holland.

#### *Purchases and sales within group*

Company's share of total purchase and sales within group, 9% of purchases and 2% of sales.

### **Definition of key rates**

Operational margin:  $\text{Operating profit/loss} / \text{Net sales}$

Balance sheet total:  $\text{Total assets}$

Solidity:  $\text{Total adjusted equity} / \text{Total assets}$

**Note 2 Purchase and sales within group**

	<u>2015/2016</u>	<u>2014/2015</u>
Sales within group, 2% of total sales	10 220	-
Purchase within group, 9% of total purchases	-39 436	-

**Note 3 Average number of employees, wages, other remunerations and social costs**

**Average number of employees**

	<u>2015/2016</u>	<i>thereof men</i>	<u>2014/2015</u>	<i>thereof men</i>
Sweden	54	83%	-	-
Total	54	83%	-	-

**Male and female in management**

	<u>2015/2016</u>	<u>2014/2015</u>
	<i>thereof women</i>	<i>thereof women</i>
Board of directors	0%	
Managing Director and other senior managers	25%	

**Wages, salaries, other remunerations and social costs**

	<u>2015/2016</u>	<u>2014/2015</u>
<i>Wages, salaries and other remunerations</i>	25 437	-
<i>Social costs</i>	11 549	-
<i>(thereof pension costs) 1)</i>	(2 582)	(-)

1) Of company's pension costs 135 TSEK (last year 0 TSEK) concerns management of 4 (0) persons. Company's outstanding pension obligation for these persons amount to 0 TSEK (last year 0 TSEK).

**Note 4 Operational leasing**

**Leasing agreements**

	<u>2015/2016</u>	<u>2014/2015</u>
<i>Future leasing fees regarding operational leasing</i>		
Within 1 year	-1 572	-
Between 1 and 5 years	-7 860	-
Later than 5 years	-2 948	-
	-12 380	-
	<u>2015/2016</u>	<u>2014/2015</u>
Leasing fees during financial year	-1 572	-



**Note 5 Depreciations of tangible assets**

	2015/2016	2014/2015
Intangible assets	-	-
Land and buildings	-706	-
Plant and machinery	-622	-
Equipment, tools, fixtures and fittings	-223	-
	<u>-1 551</u>	<u>-</u>

**Note 6 Interest expense and similar items**

	2015/2016	2014/2015
Interest expenses, intra-group	-1 280	-
Interest expenses, others	-158	-
Others	-436	-
	<u>-1 874</u>	<u>-</u>

**Note 7 Tax**

	2015/2016	2014/2015
Paid tax	-	-
Deferred tax	<u>-</u>	<u>-</u>

**Reconciliation of tax**

	2015/2016		2014/2015	
	Percentage	Amount	Percentage	Amount
Profit/loss before taxation		-24 517		-
Tax calculated at current tax rate	22,0%	0	22,0%	-
Tax effect on non deductible costs	0,0%	-13	0,0%	-
Tax effect on non taxable revenue	0,0%	2	0,0%	-
Accumulated loss	-22,0%	-5 382	0,0%	-
Tax for the year according to Profit & Loss statement	0,0%	<u>-</u>	22,0%	<u>-</u>

Total taxable loss amounted to -24 463 TSEK thereof deferred tax asset amounted to 5 382 TSEK.  
Deferred tax asset regarding taxable loss has not been reported due to uncertainty when taxable loss can be used.

**Note 8 Capitalized expenditure for development and similar items**

	2016-03-31	2015-03-31
<i>Accumulated acquisition value</i>		
Opening acquisition value	-	-
Acquisition	11 027	-
Closing accumulated acquisition values	<u>11 027</u>	<u>-</u>
<i>Accumulated depreciation</i>		
Opening depreciation	-	-
Depreciation	<u>-</u>	<u>-</u>
Closing accumulated depreciations	<u>-</u>	<u>-</u>
<b>Closing value according to plan</b>	<u>11 027</u>	<u>-</u>

Ongoing investment in new ERP system will be activated during next financial year.

<b>Note 9</b>	<b>Land and buildings</b>	<i>2016-03-31</i>	<i>2015-03-31</i>
<i>Accumulated acquisition value</i>			
	Opening acquisition value	-	-
	Acquisition	11 201	-
	Closing accumulated acquisition values	11 201	-
<i>Accumulated depreciation</i>			
	Opening depreciation	-	-
	Depreciation	-706	-
	Closing accumulated depreciations	-706	-
	<b>Closing value according to plan</b>	<b>10 495</b>	<b>-</b>
<b>Note 10</b>	<b>Plant and machinery</b>	<i>2016-03-31</i>	<i>2015-03-31</i>
<i>Accumulated acquisition value</i>			
	Opening acquisition value	-	-
	Acquisition	1 405	-
	Closing accumulated acquisition values	1 405	-
<i>Accumulated depreciation</i>			
	Opening depreciation	-	-
	Depreciation	-622	-
	Closing accumulated depreciations	-622	-
	<b>Closing value according to plan</b>	<b>783</b>	<b>-</b>
<b>Note 11</b>	<b>Equipment, tools, fixtures and fittings</b>	<i>2016-03-31</i>	<i>2015-03-31</i>
<i>Accumulated acquisition value</i>			
	Opening acquisition value	-	-
	Acquisition	480	-
	Closing accumulated acquisition values	480	-
<i>Accumulated depreciation</i>			
	Opening depreciation	-	-
	Depreciation	-223	-
	Closing accumulated depreciations	-223	-
	<b>Closing value according to plan</b>	<b>257</b>	<b>-</b>

**Note 12 Equity**

		<i>Share capital</i>	<i>Statutory reserve</i>	<i>Profit/loss brought forward</i>
Ingoing balance		-	-	-
Paid share capital	2016-03-03	50		-
Shareholders' contribution				28 398
<i>Profit/loss</i>				<u>-24 517</u>
Equity, closing balance	2016-03-31	<u>-</u>	<u>-</u>	<u>3 881</u>

**Note 13 Long-term liabilities**

	<i>2016-03-31</i>	<i>2015-03-31</i>
Liabilities, more than one year		
Loan, group companies	28 500	-

**Note 14 Accrued expenses and pre-paid income**

	<i>2016-03-31</i>	<i>2015-03-31</i>
Personal related costs	7 033	-
Other items	<u>3 487</u>	<u>-</u>
	10 520	-

**Halmstad 2016-06-28**

Andrew Black  
 Chairman

Michael Andersson  
 Managing director

Stephan Landesz

Jens Lauber

Jacobus van Dort

Our audit report has been signed 2016-  
 Deloitte AB

Harald Jagner  
 Authorized public accountant