

Degels GmbH,

Neuss

Report on the audit of

Annual financial statement,

As at 31st March 2016

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Annexures

1 STATUS REPORT AND ANNUAL FINANCIAL STATEMENT

1.1 Status report

1.2 Balance sheet

1.3 Profit- and loss account

1.4 Attachment

GENERAL CONDITIONS OF ASSIGNMENT FOR GERMAN PUBLIC AUDITORS AND
AUDITING

COMPANIES

Thereupon we refer to the difference that can arise, from use of amounts and percentages due to commercial rounding.

1. AUDIT MANDATE

By resolution of shareholder's meeting, dated 11th November 2015 of

Degl GmbH, Neuss

-herein after known in short "company" or "Degels"-

We were selected as annual auditor, for the fiscal year from 1st April 2015 to 31st March 2016. The management of the Deloitte & touche GmbH auditing company, which has changed the name into Deloitte GmbH auditing company on 15th June 2016, based on this resolution has issued the order for the execution of audit, according to § 317 HGB for the fiscal year 2015/2016.

According to § 321 paragraph 4a HGB we confirm that we have observed the applicable rules with the independence during our audit.

When generating the audit report, we have observed the German principles of regulatory reporting, in auditing (Institute of German Chartered Accountants auditing standard PS 450).

With regard to completion of our task and responsibility, including relationship with third parties, the agreements entered under 18th March 2016, in addition to the "General Engagement Terms of Auditor and auditing company, apply in the version dated 1st January 2002.

This audit report was generated, only for the documentation of executed audit with the company and not for the purpose of third party, in respect of those we assume no liability in accordance with the current legal situation in the regulatory area of § 323 HGB.

2. FUNDAMENTAL STATEMENTS

2.1 Opinion on status report of management

From the annual financial statement and the status report of management, as well as other audited documents, we highlight following aspects, which are of particular importance for assessing the economic situation of company.

The company is active on wholesale trade of steel and steel products as well as processing of steel. Thereby are selling purchased products by the affiliated companies and finished products as per the customer requests.

The processing of steel, at site in Neuss constitute 94% of total sale and thereby forms the main emphasis of business activity. The main customers of the company are broken into the sectors like construction (40%), automotive sub-suppliers (7%), material handling (13%), consumer products (25%) and traders (15%).

- The company achieved an EBIT of TEUR -2,965 (previous year -1,259). Cause for the decline are lower sales revenues.

The sales revenues have decreased, due to lower sales volume (-12.1%, in comparison with previous year) as well as lower average sales price (-14.0% in comparison with previous year), by 24.9% from TEUR 114,629 to TEUR 86,115.

In the substantial lower cost of materials, the crude result amounts to TEUR 8,390 after TEUR 12,202 in the previous year. Thereby, the material costs ratio remained relatively constant by 90.3% (previous year 89.4%)

The other operating income amounts to TEUR 735 (previous year 328), are allocated with TEUR 96 to the property- and building rental costs, as well as TEUR 202 to the contributions for trade association. Additional TEUR 297 are allocated to the release of other provisions.

The decline of other operating expenses from TEUR 7,647 to TEUR 6,409 is to trace back to lower expenditures for freight outward, due to lower sales volume as well as on significantly lower hiring, which are being renegotiated in the reporting period.

- The other negative financial result has improved, in comparison with previous year from TEUR -1,047 to TEUR -979.

Reason for the improvement are lower interest costs. The interest cost amounts to TEUR 984 (previous year 1,050), allocated TEUR 942 (previous year: TEUR 1,005), as interests to affiliated companies. The decline is in connection with the low utilization of long-term, intra-group loan and the link of interest rate, at the lowest twelve-month-Euribor with respect to previous year.

Overall, the reporting company obtained a higher annual deficit of TEUR 3,944 with respect to previous year (previous year: TEUR 2,286).

- The asset situation of company is characterized by the inventories, the receivables from deliveries and services, as well as the liabilities from affiliated companies.

The balance sheet total of the company amounts, as on 31st March 2016 to TEUR 29,737 (previous year 30,718).

Hereby, TEUR 9,428 are allocated to the inventory (previous year: TEUR 11,550), which complies with 31.7% (previous year: 37.6%) of balance sheet total. The stock declined from 22.9 kt to 21.9 kt, by 31st March 2016, which is mainly justified by the reduction in sales volume, in combination with a conscious reduction of stocks for increasing the turnover rate.

The decline in tangible assets from TEUR 2,805 to TEUR 2,805 is predominantly traced back to the depreciation on technical facilities and machineries, which are higher than the additions, in the reporting year.

The receivables from deliveries and services have declined, in year-on-year comparison by TEUR 4,389 to 8,198 (previous year: TEUR 12,587) or 34.9%. The lower sale of products is the cause for the decline. Besides, receivables are settled, average in the reporting year after 38,7 days (previous year: 42,3 days).

The receivables from affiliated companies (TEUR 3,501; previous year: TEUR 2.619) exit, mainly as receivables from a non-interest-bearing short-term loan of TEUR 3,230, granted to the Tata Steel Netherland BV.

Further, the equity is being used by the shown annual deficit of TEUR 3,944 (previous year: 2,286), so that the deficit not covered by the equity has increased, on the asset side of the balance sheet to TEUR 4,101 (previous year: TEUR 157).

On the deficit side, a vast change is due to increase in liabilities from deliveries and services from TEUR 735, in the previous year to TEUR 4,085 as on 31st March 2016. While in the previous year, the purchase of material had taken place predominantly within the group of companies and thus liabilities from affiliated companies are concerned, the company has shifted the purchase of material, partially on purchases at external suppliers, so that the liabilities from deliveries and services increase accordingly. Taking into account the liabilities from affiliated companies of TEUR 23,124 (previous year: TEUR 26,426), the liabilities have increased insignificant by TEUR 48 to TEUR 27,209, after TEUR 27,161 in the previous year.

Due to debt overload of company, the Tata Steel Netherland BV, which serves within the Tata-Steel-Group as European intermediate holding company, has submitted a letter of comfort, with effect in favour of Degels.

- Forecast reporting

The management's view is that even the fiscal year 2016/2017 is shaped by difficult economic conditions and with regard to existing excess capacities on sales market, cannot expect sustainable increase in price. However, postively might have a slight improvement in the order situation, in terms of volume, which in particular is based on already know changes, empirical values and macro-economic data. A sales volume of approx. 233 kt, as well as a turnover of approx Million EUR 116 is expected, for the fiscal year 2016/2017.

As risks of future development, the management in addition describes the insecure market development, in particular a tensed pricing- and sales situation, as well as the age of machinery, whereby longer failure- and maintenance periods cannot be excluded. In this sector the risk-mitigating effect is that more Tata Steel affiliated companies can accept, in such case existing orders.

Applicable or planned import limitations for steel supplies, in particular from Russia and China into the European Union are mentioned as essential opportunities and the associated rising market price and as well as improved cooperation within the Tata-group, which shall result in further increase in efficiency and synergy effects.

In short in accordance with § 321 paragraph 1 sentence 2 HGB we state that the we consider the status report by the management, in particular the assumption of continuity of business operation and the assessment of future development of company as acceptable, as they have their expression in the annual financial statement and in the status report.

Additionally, we refer to the reporting on the status report, in the following section 2.2.

2.2 Jeopardizing facts

In accordance with § 321 paragraph 1 sentence 3 HGB we report the fact, which can jeopardize the existence of company.

In the fiscal year 2015/2016, the company must accepted a fresh decline of turnover and result. The company is heavily indebted, as a result of accumulated losses. No sustainable improvement in the income situation of the company is to be assumed, for the fiscal year 2016/2017.

As on 31st March 2016, there exists from the European Intermediate Holding Tata Steel Netherland BV, Ijmuiden/Netherland, a loan liability of Million EUR 20. The loan has a running period up to 31st March 2017. Besides, the Tata Steel Netherland BV has granted the Degels a credit line of Million EUR 15, which was not utilized as on the balance sheet date. Also, the credit line is up to 31st March 2017.

For preserving their solvency, the company is dependent on the funds provided, which is not claimed back or on due date are replaced by new loans. Besides, for covering the financial requirement, the company is dependent on preserving the credit line, else the existence of the company would be at risk.

The Tata Steel Netherland BV has submitted a letter of comfort, in favour of company. In that it is bound to provide the Degels GmbH with adequate resources, in order to ensure a continuity of business operation of company under normal conditions. The letter of comfort is limited, till to the determination of annual financial statement for the fiscal year 2017/2017.

2.3 Adherence to law and articles of association

Irregularities beyond accounting

In accordance with § 321 paragraph 1 sentence 3 HGB we refer that so far the management of the company has not fulfilled its disclosure obligations, in accordance with § 325 ff HGB.

3. SUBJECT, TYPE AND EXTENT OF AUDIT

Subject of audit

Subject of our audit are

- Book keeping
- The annual financial statement (existing from balance sheet, profit- and loss account, as well as annex)
- Status report

Of company.

The book keeping and the preparation of annual financial statement and status report, according to German Commercial Law exist in the responsibility of management of company; this also applies for the statements, which we have

received for these documents. It is our task, to assess this documents and statement, as part of our due audit.

The audit on the adherence of other regulations belongs only to the tasks of auditing, as resulting from their usual repercussions on the annual financial statement or on the status report.

Type and extent of audit

Starting point of our auditing was the previous year annual financial statement, provided with an unlimited audit opinion on 10th July 2015; it was confirmed on 21st July 2015.

The audit was done by us- with intermittents- in the months from December 2015 to July 2016.

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We have duly audited, in accordance with § 317 HGB, by adhering to the German Principles determined by the Institute of Auditor. The audit is to be set up, relating to problem in accordance with § 317 HGB that essential incorrectness and violations of accounting principles are detected with sufficient security. In order to fulfill these requirements, we apply our risk- and process oriented audit approach; for the implementation of which we operate our own audit software Engagement Management System (EMS). It supports the planning, execution and documentation of auditing.

Within the audit planning, we have provided an overview on the business activity and the economic and legal environment of the company, as well as its accounting system, undertaken an analytical review of annual financial statement and provided articles of association and shareholder's resolution. The audit strategy was defined, according to the knowledge and the experiences gained by us, via possible errors. We have tested the internal controlling system of the company, as far as it is of importance for an orderly accounting; the internal controlling system in its entirety was not subject of our auditing.

The audit performance was done successfully as per our plan, basically not according to control oriented. Hence we have performed taking into account our risk evaluation of our analytical audit activities and individual audit of selected business transactions and stocks, in non-reduced extent. With individual audits, we have obtained proofs in conscious selection or using sampling procedures.

Following focus of audit were set:

- Proof and assessment of inventory
- Assessment and limitation of period of receivables

- Completeness and assessment of provisions
- Proof and limitation of period for sales revenues.

The company has outsourced essential parts of its bookkeeping to the established Shares Service Center of Tata-Group, in Port Talbot, Wales/UK. For the assessment of correctness of outsourced part of bookkeeping, we have audited the control measures provided by the company, with reference to the activity of Shared Service Center.

The company has performed an inventory counting on 31st March 2016, on which we participated observing.

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Within the audit of receivables and liabilities as well as credits at banks and provisions, we have obtained balance confirmations from chosen customers and suppliers, as well as from all banks and attorneys and tax consultant of company, confirmations on credits, claims and obligations of company.

When auditing the pension provisions, we have given a critical evaluation and utilized the results of actuarial reports of AON Hewitt GmbH, Frankfurt am Main, - taking into account our evaluation of its competence, capacity and objectivity.

We have evaluated future related statement, in the status report, against the background of annual financial statement, for plausibility and consistency with the knowledge gained during the audit.

The management has provided all required explanations and evidences and submitted professional letter of representation on 14th July 2016, by writing. In it has assured that in the bookkeeping all recordable operations and in the existing annual financial statement all assets shown on the balance sheet, debts (obligations, risks etc), deferred income and special items are taken into account, all expenditures and incomes are included and all necessary statements are made.

4. STATEMENTS AND NOTES ON ACCOUNTING

4.1 Adequacy of accounting procedure

4.1.1 Bookkeeping and supporting audit documents

The bookkeeping complies with the legal regulation, including the principles of proper bookkeeping. The information to be taken from the audited documents, result in a properly organized bookkeeping, annual financial statement and status report.

4.1.2 Annual financial statement

The annual financial statement, as on 31st March 2016 is enclosed in this report, as annexes 1.2 to 1.4.

The annual financial statement was derived properly from the bookkeeping and the other audited documents. The legal regulations were fulfilled for classification, accounting and evaluation and as well as for annex. The information on total remuneration of management are omitted, in permissible application of § 286 paragraph 4 HGB.

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4.1.3 Status report

The status report for the fiscal year 2015/2016 is enclosed to this report, as annex 1.1.

Based on our audit, the status report is consistent with the annual financial statement and the knowledges gained during the audit and conveys on the whole a true picture of the company situation. The essential opportunities and risks of future development were described appropriately. The statements are complete and correct, according to § 289 paragraph 2 and 3 HGB. Thus, the status report complies with the legal regulations.

4.2 Overall financial statement

Determinations on overall financial statement

On the whole, the annual financial statement, the combination of accounting, profit- and loss account and annex, proper bookkeeping by adhering to the principles, conveys a true picture of assets-, finances and profit situation of the company.

4.3 Information on assets-, finances and profit situation

Multiyear overview

		<u>2015/2016</u>	<u>2014/2015</u>
Sales revenues	TEUR	86,115	114,629
Cost of material	TEUR	77,725	102,427
Cost of material expressed in % of sales		90,3	89,4
Personnel expenditure	TEUR	5,380	5,835
Employee (§ 267 para 5 HGB)	Number	98	104

Personnel expenditure per employee	TEUR	55	56
Annual deficit	TEUR	3,944	2,286
Balance sheet total	TEUR	29,737	30,718
Deficit not covered by equity	TEUR	4,101	157

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5. ACCOUNT ON AUDIT OPINION

We have issued the following unlimited audit opinion, provided with additional notes on the annual financial statement and the status report for the fiscal year, from 1st April 2015 to 31st March 2016 of Degels GmbH, Neuss, in the version of annex 1 below the undersigned, on 14th July 2016:

“Auditor’s report

We have audited the annual financial statement – consisting of accounting, profit-and loss account as well as annex- taking into account bookkeeping and the status report of Degels GmbH, Neuss, for the fiscal year from 1st April 2015 to 31st March 2016. The bookkeeping and the preparation of annual financial statement and status report, according to the German Commercial Law regulations, exist in the responsibility of management of company. It is our task to deliver an evaluation on annual financial statement, taking into account the bookkeeping and the status report, based on the audit performed by us.

We have undertaken our due annual audit, according to § 317 HGB, by adhering to the German Principles determined by the Institute of Auditors. According to these principles, the audit is to be planned and performed in such a way as to disclose the incorrectness or infringements with sufficient security, which could have significant impact on the presentation of due bookkeeping and the status report by the annual financial statement, conveying picture of assets-, finance- and profit situation of the company. When determining the audit procedures, the knowledge of business activity and of economic and legal environment of company, as well as the expectations of possible misstatements are taken into account. Within the framework of audit, the effectiveness of accounting related internal controlling system as well as proof for the statements in bookkeeping, annual financial statement and status report are evaluated, on the basis of sample. The audit comprises the evaluation of applied accounting principles and of significant estimates of management as well as the evaluation of overall presentation of annual financial statement and of status report. We believe that our audit forms sufficiently secure base for our evaluation.

Our audit has not resulted in any objections.

According to our evaluation based on the knowledge gained during the audit, the annual financial statement of Degels GmbH, Neuss meets the legal regulations and conveys the actual picture of assets-, finance- and profit situation of the company and due bookkeeping by adhering to the principles. The status report is consistent with the annual financial statement, conveys on the whole a proper picture on the situation the company and presents the opportunities and risks of future development.

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Without wanting to limit this assessment, we refer to section II of status report. According to this assessment, the company is dependent on the maintenance of financing by affiliated companies. Further, for safeguarding the continuity of business activities of Degels GmbH, from Tata Steel Netherland BV, Ijmuiden/Netherland side, a letter of comfort was submitted; this is limited till to the confirmation of annual financial statement, as on 31st March 2017.”

6. CONCLUDING REMARK

We generate the above mentioned report on our audit of annual financial statement and on status report, for the fiscal year from 1st April 2015 to 31st March 2016 of Degels GmbH, Neuss, in accordance with the legal regulations and the German principles during audit (Auditing standard of Institute of German Chartered Accountants – IDW PS 450).

We refer to section 5 “ Account on audit opinion”, to which we have issued unlimited audit opinion provided with an additional note”.

Düsseldorf, dated 14th July 2016

Deloitte GmbH

Auditing company

(Graetz)

(Liesbrock)

Auditor

Auditor

NOTE: This PDF-file with audit report possibly constitute only a non-binding sample. Audit report generated and delivered, exclusively as hard copy is applicable.

For publication or the reproduction of annual financial statement and/or of status report, in one of form deviating from the audited version as well as for the translation in another language, it requires our prior opinion, if the audit opinion issued by us is cited or a reference on our annual audit has taken place; then for that we refer to the provisions of § 328 HGB.

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Degels GmbH,

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Status report and annual financial statement

As on 31st March 2016

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Degels GmbH, Neuss

Status report

For the fiscal year from 1st April 2015 to 31st March 2016

A. General information on the company

The Degels GmbH is a group company of Tata Steel Ltd., Mumbai/India, which in the beginning of 2007 has undertaken the Corus Group plc, London/GB. The Unitol SAS, Corbeil/France is sole partner. Organizationally, the Degels GmbH is integrated into the business unit of Tata Steel Distribution Europe. The preprocessing of steel, at Neuss site accounts for the focus of business activity, with 94.0% of sale. The main customers of company are subdivided into the sectors like construction (40.5%), automotive sub-suppliers (6.8%) material handling (13.3%), consumer products (24.5%) and traders (14.9%).

B. Presentation of course of business and situation of the company

I. Course of business and business result

1. Development of overall economy and sector

In 2015, the economic situation in Germany was characterized by a solid and rising economic growth. According to initial calculations of the Federal Statistical Office, the German gross domestic product grew by an average of 1.7% in 2015, compared to the previous year. In the past years, the GDP has grown in similar rate (+1.6%), in 2013 possibly by 0.3%. A long term consideration shows that the economic growth in 2015 existed again, above the average value of last 10 years of +1.3%.

On the production side of GDP, in 2015, the consumption was important growth engine of German economy. The private consumer spending were price-adjusted by 1.9%, the consumer spending of state indeed 2.8% higher than the previous year. Also, the investments picked up: in the domestic companies and state together invested 3.6% more in equipments- above all these are machines and devices as well as vehicles- than the previous year. The price-adjusted construction investments too obtained a slight plus of 0.2%.

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The German foreign trade gained, in 2015 further momentum: The price-adjusted export of goods and services are higher by 5.4% than the previous year. The import picked up in similar rate (+5.7%), so that the resulting net export, the difference between exports and imports, contribute comparatively low for the GDP-growth (+0.2%-points).

On the production side of gross domestic product, not only the production industry (without construction) but also the service sectors, on the whole contributed for the economic development, in 2015. The production industry, which obtained a fourth of entire gross-value added without the construction industry, could traceably gain by 2.2%. Besides, in 2015 in the construction industry- despite mild weather in the Winter months it came to a slight decline in the economic performance of -0.2%, after it has recorded a robust increase in the previous year. On the whole, the price-adjusted gross-value added to all economic sectors rose by 1.6%¹, in 2015 as against the previous year.

The German economy has picked up, again in the beginning of year. The external economic environment is further subdued, the domestic forces for growth have increased, somewhat. The production in the producing industry was considerably expanded. It was supported by postponement of production and the mild Winter. From the demand side, the robust development of employment and income, at stable price level provide for a solid consumer demand of private households. The inflow of refugees might result in a traceable rise in state consumption, also give impetus to the construction investments. Moreover, the companies appear to invest more in their equipments, again towards the end of year. Also, the uncertainty of economy has declined, in the meanwhile at the beginning of year. The economic prospect were evaluated by the companies, as usual only with slight confidence. The German economy might expand further, after a good start in the year 2016, but at a slow speed².

¹Sources:

https://www.destatis.de/DE/PressService/Presse/Pressreleases/2016/01/PD16_014_811.html

2 <https://www.bmwi.de/DE/Presse/Pressreleases,did=760178.html>

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Germany is the seventh biggest steel producer worldwide as well as the biggest in the European Union (EU-28), with an annual production of nearly 43 Million tons of crude steel (2014). 2.6% of world production or a fourth of crude steel production in the EU is attributed to Germany. The steel industry in Germany, with 17.2 Million Euro has around 30% of share value added in the steel industry, in Europe¹.

Share on demand for steel in percentage (Germany)

Remaining -6

household goods-3

Metal goods-12

Construction-31

Pipe-10

Automobile industry-26

Machine building -12

The order situation in the steel industry has worsened, in Germany in the fourth quarter of year 2015. The orders declined by 6%, as against the previous year-quarter, the order volume indeed by 13% to 7.2 Million tons. Above all, the foreign demand suffered a setback: Thus, the orders from the EU and from the Non-EU-countries, by more than 30%. On the other hand, the domestic orders could gain slightly, for the first in the fifth quarter.

¹ <http://www.stahl-online.de/index.php/themen/wirtschaft/stahlindustrie-in-deutschland/Stahlindustrie> in Deutschland | stahl-online.de

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The recent data reflect the worldwide difficult situation of steel industry. Massive braking effects originated, in particular from the high import pressure of China. These were reinforced at the end of year, since stocks in the distribution sector were reduced to a considerable extent. Hence, in Germany the steel industry starts with an unfavorable order situation in the new year¹.

The production of crude steel in Germany has declined, in March 2016 by 1.6% to 3.8 Million tons and thereby the fifth time, in succession in comparison to the previous year. In the first quarter, the minus amounts to nearly 3%².

2. Course of business of Degels GmbH

Product development and sale

The planned sales volume of 211 kt has failed, in the expired fiscal year with 177 kt by 34 kt or 16%. This development was due to the worse order situation and a massive import pressure, from China.

The average sales price have gone down, as a result of general drop in prices by around 14%.

Procurement and production

The procurement of important raw materials (flat steel) was ensured, in the expired fiscal year, predominantly within the group of companies of Tata Steel. However, to safeguard the employment, the purchase of standard materials was shifted, to a substantial share on import.

The collapse of demand during the year, together with efforts to increase inventory turnover, resulted in inventory reduction up to the level of 21.9 kt. So, the stocks as on balance sheet date stood at 1.0 kt, lower than the previous year. The procurement and the stocking (30.0 kt, previous year: 28.5 kt) is so planned for the next 12 months that we could cover the requirement of our customers, as usual reliable supplier and our sorting meets the expected market demand. Simultaneously, we endeavoured again, to maintain the inventories at a low level, in order to avoid the effects on price changes as far as possible.

¹http://www.stahl-online.de/wp-content/uploads/2016/02/2016_02_03_PM_Stahlkonjunktur-zum-Jahresbeginn-2016.pdf

²<http://www.stahl-online.de/index.php/rohstahlproduktion-im-maerz-2016/>

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The production capacities in the reporting years were below full capacity utilization, due to missing external sales, why the Degels GmbH has continued the wage labour for affiliated companies. The production volume for these wage labour amounts to 11.5% from total sales. Despite the age of our plants, it resulted in less unscheduled machine shutdown by the preventive maintenance management.

Business results

A loss of T€ 3,944 was obtained for the fiscal year 2015/2016. In the previous year, the loss was T€ 2,286.

Investments and financing

On the whole, T€ 83 were invested in intangible assets and property. The financing of Degels GmbH was in the reporting year, via a credit from Tata Steel Netherland BV, amounting to T€ 20,000 with a remaining period up to 31st March 2017. A credit line granted by the Tata Steel Netherland BV, amounting to T€ 15,000 was no longer used, due to improved liquidity position at the end of fiscal year.

The Degels GmbH was provided sufficient liquid means, in the current fiscal year.

Personnel sector

The staff is represented by the local works council, which consists of seven members, which was being newly chosen in 2014.

Occupational-medical examinations were planned and regularly done by specialist. Many safety officers are appointed and trained at the trade association.

An important key figure in the group for the work safety is LTI (Loss Time Injury). Hereunder the number of accidents with loss time is to be understood. In the fiscal year 2015/2016, there are not LTI –neither for own employees nor for employees of outside companies. Other key figures like number of employees, working hours, training hours etc were reported, monthly to our business unit. Besides, few key figures are reported in the Group Reporting System.

Environment issue

There are no industry specific environmental demands or issues.

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II. Situation of the company

1. Financial situation

The financial situation of the company, in particular is characterized by the inventory level and the trade receivables.

The value of stocks (without packing material) has come down from T€ 11,515, in the previous year by 18.1% to T€ 9,428. The inventory level decreased only by 4.4% from 22.9 to 21.9 kt. The price effect amounts to -14.6%. The turnover rate of stocks diminished, in the annual average from 9.9 in the previous year to 9.1, in the reporting year. The significant reduction in the trade receivables by 34.9%, results from the decline in sales and as well as influences contingent on the closing date. There are no sale of accounts in the fiscal year. The accounts receivable were paid, in the past fiscal year, averagely after 38,7 days. The forecasted value of this financial performance indicators of 38 days, was almost achieved. In the previous year, it was still 42,3 days.

By the partial shifting of material purchase, from purchases in the group of companies to purchases at external companies, the liabilities from deliveries and services have risen only insignificant, under influence of group liabilities, the debts need to be settled, averagely only after 36,3 days instead of 24,1 days, in the previous year.

In the decline of working capital from T€ 15,704 in the previous year to T€ 9,938 in the reporting year, it reflects in the reduction of receivables and as well as inventory, which are again to trace back on the lower business volume and various measures, for minimizing the fixed capital.

The balance sheet as on 31st March 2016 closes with a deficit of 4,101 T€, not covered by equity (previous year: 157 T€).

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2. Financial situation

Despite the negative annual result (T€ 3,944, previous year: T€ 2,286), an operative cash flow of T€ 1,717 was achieved. The reduction in working capital amounts

thereby to T€ 5,766, which was caused by the reduction in business volume as well as the severe decline of steel price.

	2015/16
Cash flow in the fiscal year 2015/16	<u>T€</u>
From – operative activity	1,717
-investment activity	-83
-financing activity	<u>-730</u>
	904
Cash	
Beginning of fiscal year	780
Increase in the means of payment	<u>904</u>
End of fiscal year	<u>1,684</u>

The stock of instruments of payment, at bank could be more than twice, as against the previous year.

The borrowing by company is via a loan of T€ 20,000 as well as the grant of credit line, amounting to T€ 15,000 by the group. In both cases, a limit is agreed up to 31st March 2017. So far, the credit line was not used and the company is provided in full amount. Based on good liquidity position, a short-term loan granted to group of companies was increased by T€ 732, as against the previous year. As on March 2016, the receivable is stated at T€ 3,230 (previous year: T€ 2,500).

3. Profit situation

The fiscal year 2015/16 ends with a loss of T€ 3,944 (previous year: T€ 2,286).

The development of company is, in particular characterized by a decline in sales revenues by T€ 28,515 or 24.9% from T€ 114,629, in the previous year to T€ 86,115, in the reporting year for the assessment of business courses of important performance indicators. Thus, the forecast of T€ 121,000 was not met.

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This development trace back to the further reinforcement of price pressure on the sales market, in the past fiscal year and thus a decline in the sales volume. On the whole, it results in a sales decline by 12.1%, in the fiscal year 2015/16 (previous year: 17.1%).

A reduced gross margin (sales revenue by deducting material cost) of T€ 8,390 was achieved, as against T€ 3,812 the previous year (previous year: T€ 12,202), by the decline in sales described previously, for equally reduced material expenditures.

As a result of refunds to trade associations and of retrospectively given rent reduction, the other operating incomes rose from TEUR 328 to TEUR 735.

While the personnel expenditure (TEUR 5,380; previous year: TEUR 5,835) as well as the depreciations (TEUR 288; previous year: TEUR 307), remained in somewhat at previous year level, the other operating expenditure have decreased from TEUR 7,647 to TEUR 6,409. Reason for these are lower freight forward as well as lower rent expenditures.

The EBIT existed with T€ -2,965 (previous year: T€ -1,259) finally again negative.

Due to lower interest on loan, the financial result has improved by T€ 68, from T€ -1,047 in the previous year to T€ -979 in the reporting year.

C. Expected development as well as opportunities and risks of future development

I. Expected development

Our forecast is based on following premises:

We assume further difficult economic frame conditions for the fiscal year 2016/17. Sustainable price increases are not to expect, since our sales market is marked to a considerable extent by excess capacities.

Hence, we plan for the fiscal year, a sales volume driven increase in revenue. The working capital is increased, with occurrence of planned business expansion. The required liquidity need for this is ensured by the existing group internal credit line. The extension of contracts for the long-term group loan, as well as the group internal credit line, hitherto not utilized is extended beyond 31st March 2017.

We forecast, in detail following development of financial performance indicators:

Sales: 233 kt (reporting year: 177 kt)

Revenue: T€ 116,000 (reporting year: T€ 86,000)

Accounts receivable average: 39 days (reporting year: 39 days)

Creditor's day average: 36 days (reporting year: 36 days)

Working capital: T€ 12, 139 (reporting year: T€10,245)

Our planning is built on the existing cumulated value of current year, on known changes (for e.g. necessary investments), on estimates, which depend on experiences, as well as on the macroeconomic and steel market assumption, which are provided by the group.

Our budget figures are displayed and explained in a comprehensive presentation. The plan is explained to the business director and to the financial controller TSDE and audited, before the business director reports it at the next group level.

Internal data and evaluations for the corporate management, -analysis and planning were adapted, in the financial year 2015/16, currently to the actual requirements and the level of details was increased, further.

Within our monthly consolidated financial statement and our monthly reporting system, all company related data are communicated and verified at our business unit. In the monthly business progress review meeting, the manager and controller

of our business unit discuss these data with our business director. Hereby a matching of external and internal data is done, in order to guarantee the reliability of presented statements.

II. Essential opportunities and risks of future development

Opportunities and success potentials

Despite enduring difficult overall economic frame conditions, there exists with already applicable or planned import limitation for steel supplies in the European Union (in particular from Russia and China), the opportunity for rise in market price with reduced offer.

Besides, continuous improvements are clearly stated as goal, for the fiscal year 2016/17. In the production sector as well as in the administrative sectors, the focus is on a sustained enhancement of efficiency. Further by streamlining the structure of organization, in particular in the distribution and supply chain management, is worked further to achieve the synergy effects. Additional savings are aspired for by merging competences within the group. The centralization of bookkeeping all over Europe, in our own group Service Center in England was completed, in the course of these activities, already at the end of fiscal year 2015/16.

Risks of future development

The risk management is an essential component of management procedure of Degels GmbH and is further a part of group reporting.

Moreover, the risks lie in the uncertain market development, for the fiscal year 2016/17, which are reflected in a tensed price- and sales situation. Since these risks also apply for our customers, insolvencies of our customers pose a significant risk, which we minimize, especially by our commercial credit insurance.

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Despite regular maintenance measures, there exists a heightened risk for machine failure, due to age of machinery. Many Tata Steel affiliated companies can undertake existing orders and thus reduce the risk for the customers, significantly.

Potentials jeopardizing the continued existence of company

Presently there are no risks or essential risks, which affect sustained the future finance-, asset- and profit situation.

However, the company is dependent on the maintenance of finance with affiliated companies. Presently, this happens by a group-internal credit line of T€ 15,000 and as well as by the loan of T€ 20,000 given to the company. Both are limited up to 31st March 2017; an extension is sought.

The accounting and even the possibility of over-indebtedness in insolvency law, was taken into account by the undersigned letter of comfort of Tata Steel Netherland BV, on 19th April 2016. In it, the Tata Steel Netherland BV is bound to provide the Degels GmbH with adequate resources, in order to ensure continuation of business

I. Stocks

Goods 9,428,029.11 11,549,924.45

C. Liabilities

1. Liabilities from deliveries

And services 4,084,735.49 735,035.64

2. Liabilities from affiliated

Companies 23,124,390.71 26,425,585.20

1. Receivables from deliveries

And services 8,197,668.95 12,586,632.14

2. Receivables from affiliated

Companies 3,500,957.27 2,618,779.22

3. Other assets

338.97 0.00

3. Other liabilities

thereof from taxes:

€745,230.92 (Previous year: €1,606,617.13)

thereof as part of social security:

€ 360.42 (previous year: € 1,073.32) 764,248.51 1,612,678.71

27,973,374.71 28,773,299.55

III. Cash balance, bank balances and cheques

1,685,977.93 779,564.43

22,812,972.23 27,534,900.24

C. Deferred income

13,925.29 12,122.16

D. Deficit not covered by equity

4,101,491.05 157,452.79

29,737,044.42 30,717,648.04

29,737,044.42 30,717,648.04

Neuss, dated 10th June 2016 Konstantin Steber

Bernd P. Worms

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Degels GmbH, Neuss

Profit- and loss account

For the period from 1st April 2015 to 31st March 2016

	2015/16	2014/15
	<u>Euro</u>	<u>Euro</u>
1. Sales revenues	86,114,968.13	114,629,160.53
2. Other operating incomes	734,634.12	328,271.02
3. Material costs		
a) Costs for raw-, auxiliary- and operating supplies and purchased merchandise	77,288,096.15	101,662,715.72
b) Costs for purchased services	437,245.84	764,547.10
4. Personnel costs		
a) Wages and salaries	4,615,452.12	4,989,019.54
b) Social contributions, expenditures for pension and related employee benefits	764,360.51	846,227.07
thereof for old age pension:		
€ 2,079.05 (previous year: €19,916.31)		
5. Amortization of intangible assets, depreciation of property, Plant and equipment	287,292.94	306,804.06

6. Other operating costs	6,409,055.96	7,646,842.73
7. Other interests and similar incomes -thereof from affiliated companies: €0.00 (previous year: €10.73)	5,291.47	3,264.90
8. Interests and similar costs affiliated companies: € 941,872.67 (previous year: € 1,004,569.15)	983,834.67	1,050,222.15-thereof to
9. Results of normal business activity	-3,930,444.47	-2,305,681.92
10. Extraordinary incomes = Extraordinary result	0.00	29,999.00
11. Taxes from incomes and profit	0.00	-1,992.00
12. Other taxes	<u>13,593.79</u>	<u>12,016.30</u>
13. Annual deficit	<u>3,944,038.26</u>	<u>2,285,707.22</u>
Neuss, dated 10th June 2016	Konstantin Steber	Bernd P.Worms

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Degels GmbH, Neuss

Annex for the fiscal year from 1st April 2015 to 31st March 2016

1. General notes and information on the annual financial statement

The annual financial statement of our company, for the fiscal year 2015/16 comprises the period from April 2015 to March 2016 and is being prepared, in accordance with regulations of HGB and the additional provisions of law on limited liability company.

The profit- and loss account is generated, in accordance with the nature of costs method and explained as far as necessary.

It is on a big capital company according to the size criteria of § 267 HGB.

The annual financial statement was prepared, despite deficit amount not covered by equity, assuming the continuity of business activity (§ 252 para 1 no 2 HGB), since the continued existence of the company is guaranteed by the letter of comfort of Tata Steel Netherland BV, undersigned on 19th April 2016.

III. Accounting- and valuation principles

1. Assets

1.1 Fixed assets

Intangible assets are assessed at acquisition costs, reduced by scheduled straight-line depreciations and amortized over a period of 1 to 5 years.

The properties are assessed with acquisition costs and as far as depreciable, taking into account scheduled depreciations. The depreciable assets are amortized by straight-line method, over a period of 1 to 20 years.

Low-valued assets of more than € 150 to € 1,000 are entered, with reacquisition from 1st January 2008, into the annual collective items and depreciated over 5 years.

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1.2 Circulating capital

The stocks are stated at acquisition costs, adhering to the lowest value principles. Inventory risks, which result from storage duration and reduced usability are taken into account, through depreciations.

The liquid means are shown in the nominal values.

Disbursements are shown as deferred income, prior to the balance sheet date; the costs for certain period are presented after the balance sheet date.

In the exercise of option according to § 274 para 1 sentence 2 HGB, no active deferred taxes are accounted. Active deferred taxes are based on difference, between taxable and values under German accounting standards, in the balance sheet items of pension provisions and other provisions. When calculating the deferred taxes, a tax rate of 30.93% was stated in the fiscal year, as in the previous year.

2. Liabilities

The pension provisions for the performance oriented pension schemes are determined, as per projected-unit-credit-method. Thereby, the future obligations are assessed, by using the actuarial method, with cautious estimate of relevant influences and based on the reference tables 2005 G of Prof. Dr. Heubeck.

The discounting is done with the average market interest rate of last ten years (previous year: seven years), determined by the German Federal bank, which result with an assumed remaining period of 15 years (4.25%; previous year: 4.43%). Moreover, as in the previous year, a pension- and salary trend of 2%, as well as a gender- and age dependent fluctuation from 0% to 8%, were taken as basis.

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The other provisions consider all recognizable risks and uncertain obligations and are stated in full settlement amount, which is reasonable as per commercial assessment.

The liabilities are accrued with their settlement amount.

III. Notes and information on the balance sheet date

1. Fixed assets

Classification and movement of fixed assets are shown in the annex to the notes.

2. Circulating capital

The receivables from deliveries and services, as well as other assets have a remaining period of one year, as in previous year.

The receivables from affiliated companies resulting from deliveries and services, amount of T€ 271 as well as short-term loan of T€ 3,230 (previous year: T€ 2,500), with a remaining period up to 31st March 2017. While the receivables included from deliveries and services show a remaining period of one year, as in the previous year, the short-term loan in contrast to the previous year (remaining period between one and three years), now shows a remaining period of up to one year.

3. Provisions

The settlement amount of pension obligations would amount to T€ 959, when using an average market interest rate of 3.70%, on the basis of last seven years. The difference in amount T€ 59, according to § 253 para 6 HGB is subject to ban on distribution.

The other provisions include personnel related provisions of T€ 518 (previous year: T€ 691), as well as provisions for outstanding invoices of T€ 306 (previous year: T€ 84).

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4. Liabilities

The liabilities from deliveries and services have a remaining period of up to one year, as in the previous year.

Of the liabilities from affiliated companies T€ 3,124 (previous year: T€ 6,426), are from deliveries and services. Liabilities of T€ 12 (previous year T€ 52), are attributable to the shareholders.

The other liabilities from affiliated companies, result from a loan of T€ 20,000 (previous year: T€ 20,000), with a remaining period of up to 31st March 2017.

All liabilities from affiliated companies show a remaining period of up to one year, in the fiscal year. In the previous year, of the liabilities from affiliated companies, a partial amount of T€ 20,000 shows a remaining period of more than one and less than 5 years.

5. Contingent liabilities

There are no contingent liabilities as in the previous year.

6. Other financial obligations

Other financial obligations exist from rent-, lease- and leasing contracts, in following level:

	T€
Due 04.2016 – 03.2017	617
Due 04.2017 to 03.2021	1,762
Due from 04.2021 to 03.2022 annually	0

In the fiscal year, there are no transactions carried out under normal business conditions, associated with companies or persons.

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IV. Notes and information on profit- and loss account

1. Sales revenues

The gross sales revenues with T€ 78,800 or 91.5% (previous year: T€ 104,368) or 91.1%) are attributed to the domestic and with T€ 7,315 or 8.5% (previous year: T€ 10,261 or 8.9%) to foreign country.

The fields of operation can be split into T€ 99 or 0.1% (previous year: T€ 1,126 or 1.0%) for third party transactions T€ 455 or 0.5% (previous year: T€ 263 or 0.2%) for wage labour, T€ 3,545 or 4.1% (previous year: T€ 4,499 or 3.9%) for the delivery of coils and T€ 82,015 or 95.3% (previous year: T€ 108.741 or 94.9%) for the delivery of steel after processing.

2. Expenditure and income relating to other period

On the whole income relating to other period, amounts to T€ 655 (previous year: T€ 13).

3. Currency gains and currency losses

The currency gains shown in the other operating incomes amount to T€ 32 (previous year: T€ 0). The currency losses shown in the other operating expenditures amount to T€ 1 (previous year: T€ 31).

4. Interests and similar expenditures

The interests and similar expenditures include interests paid for the pension provisions, amount T€ 42 (previous year: T€ 46) as well as interest for the utilization of group internal loans, above T€ 942 (previous year: T€ 1,005).

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V. Additional notes

1. Notes to the bodies of the company

Managing directors of the company till to 24th January 2016, are Sir Dr. Jens Lauber, Mülheim, and Adriaan Herman Joseph Vollebergh, Melick (Netherland). Sir Dr. Lauber, based on his function as managing directors distribution Mainland, Europe was responsible for the non-operative sectors of Degels GmbH. Sir Vollebergh was recognized as general manager of Degels GmbH, the operative function of management.

Since 25th January 2016, the Sirs Konstantin Steber, Düsseldorf and Bernd P. Worms, Willich are managing directors of the company. Both exercise the management activity, as their main occupation.

The notes on the income of bodies remain unpublished, according to § 286 paragraph 4 HGB.

The pension provisions for earlier members of management or surviving dependents are recorded as T€ 731 (previous year: T€ 738).

2. Information on the workers

The average number of employed workers, in the reporting year amount to 98 (previous year: 104).

	<u>Number</u>	<u>Previous year</u>
Production/technique	64	72
Administration	<u>34</u>	<u>30</u>
Subtotal	98	102
Apprentices	<u>0</u>	<u>2</u>
	<u>98</u>	<u>104</u>

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3. Relationship to the parent company

The group parent company Tata Steel Ltd., Mumbai/India, prepares a consolidated financial statement for the largest group of companies, the Tata Steel Netherland B.V., Ijmuiden/Netherland and for the smallest group of companies, into which the annual financial statement of Degels GmbH, Neuss is incorporated. The financial statement of Tata Steel Netherland B.V is published in the "Kamer va Koophandel" under the number 34005278. The financial statement of Tata Steel Ltd., is available on the website of company (www.tatasteel.com).

4. Auditor's fee

The fee included for the Degels GmbH, for auditing the annual financial statement amounts to T€ 29 (previous year: T€ 37). It is attributable exclusively for auditing services.

Neuss, dated 10th June 2016

Managing director

Konstantin Steber

Bernd P.Worms

	Acquisition costs			Accumulated amortizations			net values			
	Dated		Dated	Dated		Dated	Dated		Dated	
	01.04.2015	Additions disposals	31.03.2016	01.04.2015	Additions disposal	31.03.2016	01.04.2015	31.03.2016		
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	
I. Intangible assets, purchased										
Software	128,886.62	466.65	0.00	129,353.27	120,846.62	4,505.65	0.00	125,352.27	4,001.00	8,040.00
	<u>128,886.62</u>	<u>466.65</u>	<u>0.00</u>	<u>129,353.27</u>	<u>120,846.62</u>	<u>4,505.65</u>	<u>0.00</u>	<u>125,352.27</u>	<u>4,001.00</u>	<u>8,040.00</u>
II. Tangible assets										
1. Land and building,										
Including buildings on										
Third party										
	2,863,220.08	30,729.00	0.00	2,893,949.08	1,096,449.23	15,055.00	0.00	1,111,504.23	1,782,444.85	
	<u>1,766,770.85</u>									
2. Technical equipment and machinery										
	9,901,766.12	44,357.00	0.00	9,946,123.12	8,802,102.12	222,741.00	0.00	9,024,842.12	921,281.00	
	<u>1,099,665.00</u>									
3. Other assets, furniture and fixtures										
	1,012,267.20	7,741.29	41,996.92	978,011.57	873,570.20	44,991.29	41,478.92	877,082.57	100,929.00	138,697.00
	<u>13,777,253.40</u>	<u>82,827.29</u>	<u>41,996.92</u>	<u>13,818,083.77</u>	<u>10,772,120.55</u>	<u>282,787.29</u>	<u>41,478.92</u>	<u>11,013,428.92</u>	<u>2,804,654.85</u>	
	<u>3,005,132.85</u>									
	<u>13,906,140.02</u>	<u>83,293.94</u>	<u>41,996.92</u>	<u>13,947,437.04</u>	<u>10,892,967.17</u>	<u>287,292.94</u>	<u>41,478.92</u>	<u>11,138,781.19</u>		
	<u>2,808,655.85</u>	<u>3,013,172.85</u>								

Neuss, dated 10th June 2016

Konstantin Steber

Bernd P. Worms

General conditions of the contract for
Auditor and auditing company

Dated 1st January 2002

1. Scope of application

- (1) the conditions of contract apply for the contracts between auditors or auditing companies (hereinafter collectively referred to as "auditor") and their customers on their auditings, consulting and other agreements, to the extent something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.
- (2) If contractual relationships are exceptionally formed between the auditor and other persons than the customer, the provisions of clause below number 9 apply to third party.

2. Scope and execution of order

- (1) The assignment object consists of agreed service, not a specific economic success. The order is executed, according to the principles of due vocational training. The auditor is entitled to use qualified persons for the fulfillment of order.
- (2) The application of foreign law requires—except for financial attestation engagements— an express written agreement.
- (3) The order does not extend - to the extent it is not directed thereto the audit of issue, whether the provisions of tax law or special provisions, like for example the provisions of law on price-, laws limiting competition and laws controlling certain aspects of specific business operations were adhered to, the same applies to the determination, as to whether subsidies, allowances or other benefits may be claimed. The execution of an order comprises only audit activities, which are directed specifically in disclosing falsification of bookkeeping and other irregularities, if during the audit a cause arises for it or this is agreed expressly in writing.
- (4) If the legal situation changes after submission of final professional statement, then the auditor is bound, to inform the customer of changes or the consequences resulting from it.

3. Disclosure obligation of the customer

(1) the customer must ensure that all necessary documents for the execution of order are submitted, in due time to the auditor without his special request and give him knowledge of all procedures and circumstances, which can be important for the execution of order. This also applies for the documents, procedures and circumstances, which are known only during the activity of auditor.

(2) The customer has to confirm in writing, at request of auditor, the completeness of documents submitted and of information and clarification given, in one of formulated written clarification by the auditor.

4. Securing the independence

The customer shall refrain from everything which could endanger the employee of auditor. In particular, this shall apply to offers of employment and for offers to accept contracts on their own account.

5. Reporting and verbal information

If the auditor has to present the results of his activity, in writing, only the written form is decisive. During audit report, unless agreed upon otherwise, is generated in writing. Verbal explanation and information of workers of auditor, separate from orders issued are non-binding.

6. Protection of intellectual property of auditor

The customer ensures that expert opinions, organizational charts, drafts, sketches, drawings, preparations and calculations, in particular quantity- and cost calculations, prepared by the auditor within the scope of order, will be used only for his own purposes.

7. Transfer of professional statement of auditor

(1) The passing on of professional statements of auditor (reports, expert opinions and similar one), to third party requires the written consent of the auditor, if such approval is not already implicit in the contents of the order, with respect to specific third parties.

The auditor is liable towards the third party (within the limits no 9), only if the prerequisites of sentence 1 are given.

(2) The use of professional statements of auditor for advertising purposes is not permissible: an infringement entitles the auditor to terminate all not yet executed orders of customer, without notice.

8. Elimination of defects

(1) For any deficiencies, the customer is entitled to the subsequent fulfillment of order by the auditor. In case of a failure to rectify, he can request a reduction in the payment or cancellation of contract: if the order is being signed by a business mand within his business trade, by a corporation under public law or by a public fund, only then the customer can request the cancellation of the contract, if the rendered service is of no interest to him, due to the failure in the fulfillment of rectification. In case claims for damages exist beyond this, the provisions of § 9 shall apply.

(2) The claim for the rectification of defects must be made, immediately by the customer in writing. Claims according to para 1, which are not based on intentional act, shall lapse after the expiration of one year from the beginning of statutory period of limitation.

(3) Blatant errors like for e.g. spelling mistakes, errors in calculation and formal defects, which are contained in a professional statement (report, expert opinion and similar) of auditor, can be corrected at any time by the auditor on behalf of the third party. Errors contained in the professional statement of auditor, which are questioned, are entitled to cancel the statement on behalf of third party. In the above mentioned case, the customer if possible is to hear ahead from the auditor.

9. Liability

(1) *For statutory auditing, the limitation of liability apply under § 323 para 2 HGB.*

(2) *Liability in the event of negligence, individual case of damage*

If neither para 1 intervenes nor a rule exists in individual case, the liability of auditor for claiming damage of any type, except damage from injury to life, body and health, in the event of individual case of damage caused by negligence, is limited in accordance with § 54a paragraph 1 no. 2 WPO to 4 million €; even this too applies, if a liability should be explained to the customer as on behalf of another person. A single case of damage is also defined as same damage caused by multiple breaches of duty. A single case of damage comprises all consequences of breach of duty irrespective of whether the damage arose in one or more consecutive years. In this respect, repeated acts or omissions based on

same or similar error shall be deemed as single breach of duty, if the occurrences are in relation to legal or commercial. In this case, the auditor can claim, only up to 5 Million €. The limitations to the fivefold of minimum amount insured does not apply, in the event of compulsory audit.

(3) Limitation period

A claim for damage can be made within a limitation period of one year, accordingly the claimant has obtained knowledge of damage and event justifying the claim, latest within 5 years from the occurrence of event justifying claim. The claim elapses, if the appeal has not been made within the period of six months, from the written rejection of indemnification and the customer was made aware of these consequences.

The right to assert the limitation of the deadline remain unaffected. The sentences 1 to 3 also apply, in the event of compulsory audit with statutory liability limits.

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10. Additional provisions for audit assignments

- (1) A subsequent change or reduction of annual financial statement or status report prepared by the auditor and provided with an auditor opinion, require the written consent of auditor, even if it is not published. If the auditor has not issued an audit opinion, then a reference is made to the audit conducted by the auditor in the status report or elsewhere for the general public, permissible only with written consent of the auditor and with the wording authorized by him.
- (2) If the auditor revokes the audit opinion, then it cannot be used further. If the customer has already used the audit opinion, then he has to inform at request of auditor.
- (3) The customer is entitled to five comprehensive reports. Additional copies are charged.

11. Additional provisions for assistance in tax matters

- (1) The auditor is authorized, not only during the advice in tax related issues but also in cases of continuous advising to assume the facts mentioned by the customer, as correct and complete, in particular numerical figures; this also applies for bookkeeping orders. However, he has to inform the customer on the incorrectness, confirmed by him.
- (2) The tax advice-assignment does not include the actions necessary for the preservation of periods, be it that the auditor has taken over the order explicitly. In this case, the customer has to submit the auditor all essential documents, in particular tax assessment notices, in due time for keeping deadlines, that a proper processing time is provided to the auditor.
- (3) In the absence of further written agreement, the current tax advice includes following activities falling within the contract period:
 - a) Preparation of annual tax returns for the income tax, corporate tax and business tax as well as asset tax returns and based on the annual financial statements and other to be submitted by the customer, preparations and evidences required for the taxation purposes
 - (b) Revisions of tax assessments for the taxes mentioned under a)
 - (c) Negotiations with the fiscal authorities in connection with the tax returns and notices mentioned under a) and b)
 - (d) Involvement in the tax audits and evaluation of results of audit, with reference to taxes mentioned under a)
 - (e) Involvement in the opposition and appealing proceedings, with reference to taxes mentioned under a).

The auditor takes into account during the above mentioned tasks, the essentially published jurisdiction and administrative opinion.

- (4) If the auditor gets a flat-rate fee for the current tax advice, then in the absence of any other written agreements, has to be rewarded separately for the activities mentioned under paragraph 3d) and e).

(5) The processing of special issues of income tax, corporate tax, business tax, unit evaluation and wealth tax, as well as issues of value added-taxes, wage tax, other taxes and duties is done, based on special order. This also applies for

a) Processing relating to non-recurring tax matters, for e.g. inheritance tax, capital transfer tax, land transfer tax,

b) Involvement and representation in the proceedings conducted before courts of financial and administrative jurisdiction and as well as in tax crime proceedings and

c) consulting and expert opinion in connection with restructuring, merger, capital increase and decrease, reorganization of company, entry and retirement of a shareholder, disposal of business, liquidation and similar.

(6) As far as even the preparation of return on value-added-tax is undertaken as additional activity, this does not include the checking of prerequisites according to book, as well as issue, whether all benefits considered in the value-added tax are being noticed. A guarantee for the complete inclusion of documents, for exercising the pre-tax-deduction is not undertaken.

12. Confidentiality from third parties and data protection

(1) The auditor is obliged to maintain confidentiality on all facts, which he becomes aware, in connection with his activity for the customer, nonetheless, whether it is about the customer or his business relation, unless the customer releases him from this professional secrecy.

(2) The auditor may hand over reports, expert opinion and other written statements on the results of his activity to the third party, only with consent of customer.

(3) The auditor is authorized, to process personally related data entrusted to him, within the intended purpose or let processed by third party.

13. Default in acceptance and failure to cooperate on the part of customer

If the customer comes in default in the acceptance of services offered by the auditor or the customer refrains from a cooperation incumbent on him, according to no 3 or otherwise, then the auditor is authorized to terminate the contract, without notice. The claim of auditor for compensation of additional costs arose to him by the default or failure to cooperate by customer, as well as damages caused, remain unaffected and that, if the auditor does not make use of right to terminate.

14. Compensation

(1) In addition to his fee-charges, the auditor is entitled to refund of his expenses; the value-added-tax is calculated additionally. He can demand reasonable sums of advance, relating to fee payment and expenses and the delivery of his services contingent on full satisfaction of his claims. Multiple customers jointly are as co-debtor.

(2) Any offset of auditor towards receivable remuneration and reimbursement is permissible only in case of indisputable or legally determined demands.

15. Storing and submission of documents

(1) The auditor preserves the documents in relation with the completion of contract handed over to him and entrusted by himself as well as the correspondences made over ten years.

(2) After fulfilling his claims from the contract, the auditor has to handover, at request of customer all documents, which he has received from him during his performance. However, this does not apply for the correspondence between the auditor and his customer and for the written documents, which the former possesses either as original or as copy. The auditor is entitled to create or retain duplicates or copies of documents, which he returns to the customer.

16. Proper law

Only German law applies, for the execution of contract and claims resulting from it.

These accounts are a translated version for information purpose only, the original language version prevails in the event of any discrepancies between the English translation and the original.

