

**TATA STEEL**



**Tata Steel Europe Metals Trading B.V.**

**Report & Accounts 2016**

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Related to auditor's report

dated ..... **JUL 13 2016** .....

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Address of the Company	Wenckebachstraat 1, 1951 JZ Velsen-Noord P.O. Box 10.000, 1970 CA IJmuiden
Trade register	Chamber of Commerce Amsterdam No. 34096514
Date	13 July 2016

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## Report of the Board of Management

### Financial result

The net turnover of Tata Steel Europe Metals Trading B.V. ("TSEMT") for the year 2015/16 was €59,627,760 (2014/15: €77,868,923), which is 23.4% less than in the previous year.

In the last quarter of the reporting period TSEMT transferred the tin supply contracts to Trostre and to IJmuiden, thus bringing the tin purchase process in line with the other metals. As a consequence the volume of tin sales declined considerably on an annual base causing the large drop in turnover.

The gross margin decreased from €141,670 to €128,516; financial income and charges improved from €(318,622) to €(140,947). The income decreased from a loss of €(58,496) in 2014/15 to a loss of €(62,906) in 2015/16.

### Trading instruments

In the ordinary course of business TSEMT uses certain derivative financial instruments to reduce business risks of the businesses of Tata Steel in Europe, which arise from its exposure to fluctuations of base metal prices. The instruments are confined principally to London Metal Exchange (LME) contracts and OTC contracts with certain banks. The instruments are employed as hedges of firm contractual commitments or forecast transactions.

In the reporting period iron ore hedges as part of a 2014 pilot project were settled and no new contracts were closed.

### Future prospects

TSEMT does not expect significant changes in its current and future operating environment in terms of market conditions, operating policies, investments, organisational structure, staffing levels and other aspects that may influence its turnover and net result.

### Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they adopt the going concern basis in preparing the financial statements.

### Risk management

The approach to risk management that TSEMT uses is described in detail on page 5 of this report. TSEMT considers its current financial position (liquidity, solvability, cash flows and capital structure) to be sufficient for its current and future needs.

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**The Board**

On 17 November 2015 A.J. Farrand retired from the Board and was replaced by J. Gerkema. The Board would like to thank Mr Farrand for the contribution he has made to the Company. During the financial year 2015/16 as well as on the date of this report the number of seats in the Board of Management is not equally divided between both genders. For the fulfilment of any future vacancies, several factors will be taken into consideration, amongst others an equal representation of each gender in the Board of Management.

**Board of Management:**

J. Gerkema  
P.C.J. Roeling  
J.M.W.F. Uijterwaal

IJmuiden, 13 July 2016

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## Balance sheet

Before proposed appropriation of result

At 31 March		2016	2015
	Note	€	€
<b>Non-current assets</b>			
Derivatives	3	54,717	-
<b>Current assets</b>			
Debtors	1	1,962,325	3,984,057
Derivatives	3	6,504,680	12,421,598
Cash, short-term deposits and short-term investments	2	57,823,137	57,678,179
		66,290,142	74,083,834
<b>TOTAL ASSETS</b>		66,344,859	74,083,834
<b>Capital and reserves</b>	4		
Issued share capital		13,500	13,500
Share premium		40,000,000	40,000,000
General reserve		(2,771,390)	(2,712,894)
Result for the year		(62,906)	(58,496)
		37,179,204	37,242,110
<b>Non-current liabilities</b>			
Subordinated loan from Group Company	5	20,000,000	20,000,000
Derivatives	3	54,717	-
		20,054,717	20,000,000
<b>Current liabilities</b>			
Trade creditors and other short-term creditors	6	2,606,162	4,408,479
Derivatives	3	6,504,776	12,433,245
		9,110,938	16,841,724
<b>TOTAL CAPITAL AND RESERVES &amp; LIABILITIES</b>		66,344,859	74,083,834

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## Income statement

For the financial year ended 31 March		2016	2015
	Note	€	€
<b>Net turnover</b>	7	<b>59,627,760</b>	77,868,923
Raw materials and consumables		<b>(59,499,244)</b>	(77,727,253)
<b>Gross margin</b>		<b>128,516</b>	141,670
Other income	8	<b>742,528</b>	662,128
Operating expenses:			
Other operating charges	9	<b>(813,871)</b>	(563,171)
<b>Operating result</b>		<b>57,173</b>	240,627
Financial income and charges	10	<b>(140,947)</b>	(318,622)
<b>Result on ordinary activities before taxation</b>		<b>(83,774)</b>	(77,995)
Taxation	11	<b>20,868</b>	19,499
<b>Net result after taxation</b>		<b>(62,906)</b>	(58,496)

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## General

### Introduction

Tata Steel Europe Metals Trading B.V. ("TSEMT") is a wholly-owned subsidiary of Corus Primary Aluminium B.V. ("CPA") and has its seat in IJmuiden, municipality of Velsen, the Netherlands. The ultimate parent company is Tata Steel Limited which is incorporated in India with its headquarters in Mumbai. Tata Steel Limited is listed on the Mumbai Stock Exchange and the National Stock Exchange of India, and with Global depository receipts listed on the London and the Luxembourg Stock Exchanges.

TSEMT trades in aluminium, zinc, tin and nickel. TSEMT has a procurement and risk management function within the Tata Steel Europe Group.

TSEMT was incorporated on 25 April 1972.

### Metal price and cash flow risk management

As a risk and metal management organisation TSEMT frequently makes use of future contracts to manage the purchase price for aluminium, zinc, tin and nickel and thus reduces potential volatility of operating results for various group companies of Tata Steel Europe. In addition the Company maintained iron ore hedges as part of a 2014 pilot project and these hedges have settled in the reporting period. At 31 March 2016, TSEMT has future contracts mainly expiring within 12 months and all of these contracts are back-to-back.

### Credit risk management

TSEMT uses futures that are traded on the London Metal Exchange (LME), which ensures that contracts will be settled as agreed. In addition the Company uses OTC contracts with certain banks, whose credit ratings are being monitored. During the year TSEMT had physical contracts with a limited set of established international companies with limited credit risks.

### Liquidity risk management

In general available credit lines with LME brokers and financial reserves of TSEMT are sufficient to cover liquidity risks.

At 31 March 2016 the Company has commodity contracts with brokers with a notional value of €79m (2015: €105m) and a net fair value of € 5.6m; (2015: € (12.2)m). At 31 March 2016, a 20% decrease in the market prices of zinc, tin and nickel would decrease the net fair value from €5.6m to €(10.6)m and at 31 March 2015 from €(12.2)m to €(30.9)m

TSEMT monitors the exposure with the brokers on a weekly basis. If this stress test shows that in case of a 20% price fall a credit lines will be exceeded, TSEMT will only trade with the brokers to decrease the volume. Only if the excess exposure is positive, activities will restart.

During the reporting period margin calls were required eight times. At the end of the reporting period no margin call was required. Due to the high liquidity of the Company, the margin calls had no impact on its activities.

### Interest risk management

Acting as a broker of the Tata Steel Europe Group, TSEMT needs a robust balance sheet in order to enter into derivatives as referred to above. To strengthen its creditworthiness TSEMT has received a subordinated loan of € 20 million from Tata Steel Nederland B.V. ("TSN") repayable in December 2016 and TSN has accepted a two year deposit of € 55 million from TSEMT. In December 2014 Interest rates have been fixed for two years on 0.21% for interest receivable and 1.16 % for interest payable.

### Foreign exchange risk management

Currency exposures arising from contracted sales and purchases are passed through to the Group's businesses back-to-back.

### Cash flow statement

Based upon Article 360.104 of the firm pronouncements in the Guidelines for annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board (Dutch GAAP) the annual accounts do not include a cash flow statement, as Tata Steel Nederland B.V., an intermediate parent company, discloses in its annual accounts a cash flow statement that includes the data of TSEMT. The annual accounts of Tata Steel Nederland B.V. are filed with the Chamber of Commerce in Amsterdam.

### Audit fee

Based upon Article 382a of the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board (Dutch GAAP) the annual accounts do not include a disclosure of the audit fee as Tata Steel Europe Limited, an intermediate parent company, presents in its annual accounts a disclosure of the audit fee that includes the data of TSEMT. The annual Report & Accounts of Tata Steel Europe Limited are filed with the Registrar of Companies in London.

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## Accounting policies

### General

The financial statements have been prepared in accordance with the statutory provisions of Part 9 of Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The financial statements are denominated in euros.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The Balance Sheet and the Income Statement include references to the notes.

Profit or loss is determined as the difference between the realisable value of the goods delivered and services rendered, and the costs and other charges for the year. Gains or losses on transactions are recognised in the year in which they are realised; losses are taken as soon as they are foreseeable.

### Derivatives

As a risk and metal management organisation TSEMT makes use of derivative contracts. Derivatives are accounted from the date the derivative contract is taken out and are subsequently measured at fair value. For commodity contracts the fair values are determined based on market forward rates as at the balance sheet date. The changes in fair value are recognised in the Income Statement. When a contract is settled, the gain or loss on this contract is also recognised in the Income Statement.

### Functional currency

Items in the financial statements are stated with due observance of the currency of the primary economic environment in which TSEMT operates (the functional currency). The financial statements are denominated in euros, i.e. the functional and reporting currency of TSEMT.

### Transactions and balances in foreign currencies

Transactions denominated in foreign currencies in the reporting period are recognised in the financial statements at the exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Exchange differences resulting from settlement and translation are charged or credited to other operating expenses.

### Debtors

Debtors are initially recorded at their fair value, usually its face value. Subsequently the debtors are measured at their amortised cost, as reduced by appropriate allowances for any impairment.

### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, which are freely disposable. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### Creditors

Trade creditors and other short-term creditors are initially recorded at fair value, usually its face value at the balance sheet. Subsequently the creditors are measured at their amortised cost.

### Borrowings

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### Revenue recognition

Revenue from the sale of goods is recognised when all significant risks and rewards incidental to the ownership of the goods are transferred to the buyer.

### Net turnover

Net turnover comprises income from the sale of goods and provision of services, less discounts and suchlike, exclusive of income taxes.

### Raw materials and consumables

Raw materials and consumables represent the direct and indirect expenses attributable to turnover.

### Taxation

Taxation is calculated on the result on ordinary activities before taxation in the Income Statement, taking into account changes in the applicable tax rates.

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## Notes to the balance sheet

### 1. Debtors

As at 31 March	2016 €	2015 €
Trade receivables	1,340,244	20,875
Amounts owed by Group Companies	148,561	2,932,061
Interest receivable from Tata Steel Nederland B.V.	33,367	31,442
Tax receivable from Tata Steel Netherlands Holdings B.V.	103,293	67,453
Other debtors	336,860	932,226
<b>Total</b>	<b>1,962,325</b>	<b>3,984,057</b>

### 2. Cash, short-term deposits and short-term investments

As at 31 March	2016 €	2015 €
Cash at bank and in hand	23,137	78,179
Short-term deposits with third party	-	300,000
Short-term deposits with Tata Steel Nederland B.V.	2,800,000	2,300,000
Cash and other short-term deposits	2,823,137	2,678,179
Short-term investments with Tata Steel Nederland B.V.	55,000,000	55,000,000
<b>Total</b>	<b>57,823,137</b>	<b>57,678,179</b>

Short-term deposits are highly liquid investments with original maturities of three months or less and short-term investments are deposits for periods not exceeding one year or freely disposable. The effective interest rate on short-term investments was 0.21% (31 March 2015: 0.21%).

### 3. Derivatives

At 31 March 2016 TSEMT has commodity contracts with external parties and Group Companies with a total net liquidation value of € (96); 31 March 2015: € (11,647). TSEMT had no currency contracts with external parties or Group Companies, same as at 31 March 2015.

As at 31 March	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Commodity contracts				
Non-current:				
Group Companies	18,558	(36,159)	-	-
Third parties	36,159	(18,558)	-	-
	54,717	(54,717)	-	-
Current:				
Group Companies	480,331	(6,024,429)	12,406,668	(213,354)
Third parties	6,024,349	(480,347)	14,930	(12,219,891)
	6,504,680	(6,504,776)	12,421,598	(12,433,245)
<b>Net liquidation value</b>	-	<b>(96)</b>	-	<b>(11,647)</b>

These liquidation values reflect the estimated amounts that TSEMT would pay or receive, netted per counterparty per commodity, if it would have had terminated all its contracts at 31 March 2016. Commodity contracts with a positive value are accounted for as short-term or long-term assets and those with a negative value are accounted for as short-term or long-term liabilities. Derivatives are presented on the balance sheet at fair value with changes recognised through the Income Statement. The maturity of the non-current commodity contracts is between one and two years.

At the balance sheet date, the notional amounts of outstanding commodity derivative contracts that TSEMT has committed to are as follows:

As at 31 March	2016		2015	
	€ million	€ million	€ million	€ million
Commodity contracts	Purchases	Sales	Purchases	Sales
Group Companies	-	(79)	105	(105)
Third parties	79	(79)	105	(105)
	79	(79)	105	(105)

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**4. Capital and reserves**

	Issued share capital €	Share premium €	General reserve €	Result for the year €	Total €
31 March 2014	13,500	40,000,000	(2,523,994)	(188,900)	<b>37,300,606</b>
Appropriation of prior year result	-	-	(188,900)	188,900	-
Net result for 2014/15	-	-	-	(58,496)	<b>(58,496)</b>
31 March 2015	13,500	40,000,000	(2,712,894)	(58,496)	<b>37,242,110</b>
Appropriation of prior year result	-	-	(58,496)	58,496	-
Net result for 2015/16	-	-	-	(62,906)	<b>(62,906)</b>
31 March 2016	13,500	40,000,000	(2,771,390)	(62,906)	<b>37,179,204</b>

The authorised share capital of the Company consists of 1500 shares with a nominal value of € 45 each. At 31 March 2016 and 31 March 2015, 300 shares were issued and fully paid up.

On 21 December 2006, Corus Primary Aluminium B.V., the parent Company of TSEMT, paid TSEMT a share premium of € 40,000,000.

**5. Borrowings**

As at 31 March	2016 €	2015 €
Non current:		
Subordinated loan from Tata Steel Nederland B.V.	<b>20,000,000</b>	20,000,000
Total	<b>20,000,000</b>	20,000,000

On 21 December 2006, Tata Steel Nederland B.V. made available to TSEMT a subordinated two-year loan of € 20,000,000. The loan is subordinated to all existing and future liabilities of the Company. As per 23 December 2014, the loan was extended for two years; the interest rate is fixed on 1.16 % (till December 2014: 3.42 %).

The Board of Management expects that the loan will be extended as in previous years and therefore recognizes the loan as non-current, although formally the loan should be classified in the short term category. The maturity of the borrowing is between one and five years.

The carrying amounts of current and non-current borrowings recorded at amortised cost approximate their fair values.

**6. Trade creditors and other short-term creditors**

As at 31 March	2016 €	2015 €
Trade creditors	<b>1,070,703</b>	2,700,619
Amounts owed to Group Companies	<b>1,179,578</b>	1,217,915
VAT	<b>291,436</b>	396,836
Other creditors	-	29,953
Interest payable to Tata Steel Nederland B.V.	<b>64,445</b>	63,156
Total	<b>2,606,162</b>	4,408,479

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## Notes to the income statement

### 7. Net turnover

	2016 €	2015 €
The Netherlands	40,381,215	53,308,560
United Kingdom	19,154,968	24,474,234
Other	91,577	86,129
<b>Total</b>	<b>59,627,760</b>	<b>77,868,923</b>

The turnover to the Netherlands and the United Kingdom relates for 100% to Group Companies and is for physical tin deliveries only. At the end of the reporting period TSEMT started transferring the tin supply contracts to Trostre and to IJmuiden, thus bringing the tin purchase process in line with the other metals.

"Other" comprises mainly of commission income on certain metal derivatives.

### 8. Other income

Other income represents the reimbursement of TSEMT's operational expenses by the businesses of Tata Steel in Europe through Tata Steel UK Ltd.

### 9. Other operating charges

	2016 €	2015 €
Hire of personnel	497,587	427,441
Differences in exchange rates	80,862	(121,991)
Differences in derivatives	(11,551)	22,970
Other general expenses	246,973	234,751
<b>Total</b>	<b>813,871</b>	<b>563,171</b>

Hire of personnel relates to the individuals who work for TSEMT under its direction. They do not have a labour contract with TSEMT, but with one of the other group companies of Tata Steel Nederland B.V. Therefore, they are no employees for legal purposes.

The average number of people hired in 2016 amounts to 4.5 (in 2015: 4.5).

Differences in exchange rates are due to movements in the US\$/€ and £/€ exchange rates used for translating working capital and cash and bank balances into euro.

"Other general expenses" include mainly amounts for software and information services, and for professional fees.

### 10. Financial income and charges

	2016 €	2015 €
Interest charges third parties	(22,182)	(12,121)
Interest payable to Group Companies	(236,511)	(570,456)
Interest receivable from Group Companies	117,746	263,955
	<b>(140,947)</b>	<b>(318,622)</b>

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**11. Taxation**

The corporate income tax due, with an effective tax burden of 25.0%, has been calculated as follows:

	2016 €	2015 €
Result before taxation	(83,774)	(77,995)
Result before taxation multiplied by the applicable corporate tax rate of tax rate of 25.0% (2015: 25.0%)	(20,944)	(19,499)
Effects of:		
Adjustments to current tax in respect of prior periods	76	-
<b>Total taxation</b>	<b>(20,868)</b>	<b>(19,499)</b>

**12. Contingent assets and liabilities**

For corporate income tax purposes TSEMT is part of the fiscal entity Tata Steel Netherlands Holdings B.V. and for that reason it is jointly and severally liable for the tax liabilities of the whole fiscal unity.

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## Further notes and signature of the annual accounts

### Name and address of the consolidating company

The financial data of TSEMT are incorporated in the consolidated annual accounts of Tata Steel Nederland B.V., which are filed with the Chamber of Commerce in Amsterdam.

The office address of the consolidating Company is as follows:

Tata Steel Nederland B.V.	Wenckebachstraat 1	1951 JZ Velsen-Noord
	P.O. Box 10.000	1970 CA IJmuiden

### Related party transactions:

Two of the three statutory directors of Tata Steel Europe Metals Trading B.V. were not paid a Director's remuneration in the financial year 2016 (2015: nil) by the Company herself. The remuneration of these two directors is paid by other companies within Tata Steel Europe, which make no recharge to TSEMT.

### Remuneration of the Board of Management

During the financial year 2016 TSEMT had three statutory directors. As disclosed in "Related Party Transactions" note, two of the statutory directors were not paid a director's remuneration. As in this case the disclosure of the directors' remuneration is traceable to only one individual, TSEMT applies the exemption of article 2:383 of the Dutch Civil Code. As a result, the disclosure regarding the remuneration of this director has been omitted. As in previous years, no option rights were granted to the Board of Management during the financial year 2016. The Board of Management does not hold any shares or depository receipts of shares in the company.

### Signature of annual accounts

J. Gerkema, P.C.J. Roeling and J.M.W.F. Uijterwaal of the Board of Management have signed the 2016 annual accounts.

Board of Management

J. Gerkema  
P.C.J. Roeling  
J.M.W.F. Uijterwaal

IJmuiden, 13 July 2016

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## Other information

### Appropriation of the result as provided for by the Articles of Association

In accordance with Article 10 of the Articles of Association the result shall be at the disposal of the Annual General Meeting.

### Appropriation of the result for the year 2014/15

The annual Report and Accounts 2015 were approved in the Annual General Meeting held on 27 May 2015. The General Meeting has determined the appropriation of the result in accordance with the proposal, the transfer to the General Reserve, being made to that end.

### Proposed appropriation of the result for the year 2015/16

The 2015/16 net result after taxation is € (62,906). The Board of Management proposes to the Annual General Meeting to distribute no dividend and to reduce the General Reserve with the net loss after taxation.

### Independent auditor's report

Reference is made to the auditor's report as included hereinafter.

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## **Independent auditor's report**

To: the Shareholders of Tata Steel Europe Metals Trading B.V.

### **Report on the financial statements**

We have audited the accompanying financial statements for the year ended March 31, 2016 of Tata Steel Europe Metals Trading B.V., IJmuiden, which comprise the balance sheet as per March 31, 2016, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

### **Management's responsibility**

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the Report of the Board of Management, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion with respect to the financial statements**

In our opinion, the financial statements give a true and fair view of the financial position of Tata Steel Europe Metals Trading B.V. as per 31 March 2016 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

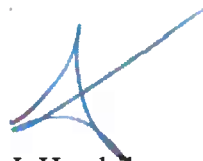
## **Report on other legal and regulatory requirements**

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Board of Management, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, July 13, 2016

Deloitte Accountants B.V.

Initials for identification purposes:



J. Hendriks

