

Tata Steel Latvia Building Systems SIA

Annual Report for the Period from April 1, 2015 till March 31, 2016

Prepared in Accordance with the Latvian Legislative Requirements

Information on the Company

Name of the Company	Tata Steel Latvia Building Systems
Legal Status of the Company	Limited liability Company
Number, place and date of registration	40003635387 Riga, June 19, 2003
Address	Dārziema iela 60 Riga, LV-1073 Latvia
Shareholder	Tata Steel Sweden Byggsystem AB (100%), Sweden
Names and positions of the Board members	Jānis Griķis – member of the board (from 09.05.2014) Lars Philip Knudsen – member of the board (from 09.05.2014) Mats Torbjorn Nilsson – member of the board (from 09.05.2014)
Financial year	April 1, 2015 – March 31, 2016
Previous financial year	April 1, 2014 – March 31, 2015

Management Report

Type of Activity

Tata Steel Latvia Building Systems SIA (hereinafter - the Company) main activity is distribute and of profiled metal sheets as well as cold form profiles of different configurations with and without polymer coating.

Operation of the Company during Reporting Period

The construction volume has increased by 9% in Republic of Latvia during the reporting period. However, price of the product still has the basic role in profile trading in the Baltic States, in particular in Latvia. Other factors like quality, guarantee, corrosion resistance, and durability, have secondary importance. Aim of the Company and Tata Steel Europe Group is to cooperate with clients, who are interested in using quality products with high added value.

Company's main suppliers are the Scandinavian subsidiaries. The purchasing price of raw materials in Scandinavian region is by 6-10% higher than in the Baltic region, which has a significant impact on Company's actions.

Although that the Baltic market is continually evolving, the Company's sales volume had a relevant influence on the changes of delivery terms during the reporting period.

Turnover has decreased by 43% in comparison to the previous year. Selling and administrative costs have not increased in the reporting period comparing to previous year. Taking into account the above circumstances and achieved results, management of the Company considers that the operation of the Company's has been successful.

Research and Development Measures

The Company carries out a regular market analysis of the profiled metal sheets that enables it to react operatively to the market demand. Owing to the collaboration with the painted sheet producer "Tata Steel Colors" the Company works to inform its potential clients about the latest steel sheet coating and their advantages, thus ensuring sustainable exploitation of the products in the Latvian constructions.

Financial Risk Management

Activities of the Company are subject to various risks, including credit risk, fluctuation of the foreign currency rates, risks that are linked with EC foreign policy, financial condition of separate euro area countries, unpredictable issues with the raw material supply, unpredictable changes in the supplier company's policy. Management of the Company tries to minimize the potential negative impact on the Company's financial condition.

Financial resources that potentially places the Company under certain concentration of credit risk mainly are the trade receivables. The Company introduced and follows a credit policy by selling products only for partial prepayment, or to clients who have a good credit history and within the credit limits of each client. The trade receivables are indicated in the recoverable value.

The Company follows prudent liquidity risk management, ensuring availability of respective credit resources for settlement of liabilities within the appointed time limits. In March 31, 2016 capital of the Company is positive and its total assets exceed its total liabilities for EUR 16 219. Continuation of the Company's activities depend on the parent company's financial aid that it has undertaken to provide. Therefore management of the Company considers that it has sufficient economic resources in order that its' liquidity would not be endangered.

Circumstances and Events after the Reporting Period

Within the last day of the reporting period till the revision of this report there have been no noticeable events that could significantly influence the result of the reporting period.

Future perspective

The main task of the Company for financial year 2016/2017 is to position itself in the Baltic

market as a competitive supplier wide assortment product. During this period of time the Company is planning to develop supply of qualitative roof profiles to individual buyers, by developing cooperation with construction material shop networks. This will enable the Company to master a new market segment.

Jānis Griķis

Member of the Board

Mats Torbjorn Nilsson

Member of the Board

Riga, 2016

Annual report is approved by the shareholders meeting on 2016

Chairman of the shareholder meeting

Gain or Loss Calculation within the period from 01.04.2015 - 31.03.2016

Attachment 01.04.2015 - 01.04.2014-

		31.03.2016	31.03.2015
		EUR	EUR
Net sales	1	128 672	155 637
Marketed production operating costs	2	(65 337)	(84 455)
Gross profit		63 335	71 182
Selling expenses	3	(52 133)	(55 669)
Administrative expenses	4	(10 070)	(18 733)
Income of other operations	5	22 633	7 465
Expenses of other operations	6	(131)	(323)
Other Interest income and similar income	7	1 935	1 249
Gain or loss before tax		25 569	5 171
Corporate income tax for the reporting year			
Profit or loss of reporting period		25 569	5171

Attachment from page 9 till page 18 is an integral part of this financial report.

In name of the board of the Company the financial reports in _____year 2016 were signed by:

Jānis Griķis

Member of the Board

Mats Torbjorn Nilsson

Member of the Board

Assets		EUR	EUR
Long-term Investments		977	809
Fixed Assets			
Other fixed assets and inventory			
Total Fixed Assets	8	977	809
Total Long-term Investments		977	809
Current Assets		26	38
Inventories			
Finished goods and goods for sale			
Total Inventories	9	26	38
Debtors			
Trade debtors	10	39 229	116
Due from related parties	21 d	5 000	5 059
Other debtors	11	2 690	5 443
Expenses for the next period	12	1 105	1 630
Total debtors		48 024	12 248
Cash and cash equivalents	13	56 280	9 057
Total current assets		104 330	22 152
Total assets		105 307	22 152

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In name of the board of the Company the financial reports in _____year 2016 were signed by:

Jānis Griķis

Mats Torbjorn Nilsson

Member of the Board

Member of the Board

Balance sheet as at March 31, 2016

(2)

Attachment 31.03.2016

31.03.2015

EUR

EUR

Liabilities

Shareholders' funds

Fixed Capital	14	85 713	85 713
Accumulated Loss:			
a) Previous periods' accumulated loss		(99 568)	(104 740)
b) Gain or Losses for the Reporting Period		25 569^	5 171
Total shareholders' funds		11 714	(13 856)

Provisions

Other provisions		155 482	3 517
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Creditors

Short-term Creditors

Advance from customers		20 000	
Trade creditors		8 521	837
Accounts payable to affiliated companies	21 b	58 381	30 490
Taxes and the state compulsory social insurance contribution	16	1 117	1 111
Other creditors	17	- 31	
Accrued liabilities		18 92	22
Total short-term creditors		88 111	32 491

Creditors in total		88 111	32 491
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<u>Liabilities in total</u>		105 307	22 152
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In name of the board of the Company the financial reports in _____ year 2016 were signed by:

Jānis Griķis

Mats Torbjorn Nilsson

Member of the Board

Member of the Board

Attachment of the Financial Statement Accounting Policies

Information about the Company

Tata Steel Latvia Building Systems SIA (hereinafter Company) legal address is Dārziema iela 60, Riga. Company is registered in the Commercial register with a single registration number 40003635387. Company's shareholder is Tata Steel Sweden Byggsystem AB, which owns 100% of the Company's fixed capital. Members of the board of directors are Jānis Griķis (Member of the board), Lars Philip Knudsen (Member of the board) and Mats Torbjorn Nilsson (Member of the board).

Financial Statement Preparation Guidance

The financial statement prepared in accordance with the law of the Republic of Latvia "On Accounting" and "Annual Reports Legislation" and in compliance with the accounting standards of Latvia.

This financial statement was prepared applying the following accounting standards of Latvia (LGS):

1. LGS "Financial Statement preparation Guidelines",
2. LGS "Cash Flow Statement",
3. LGS "Events after the Balance Sheet Date",
4. LGS "Change in Accounting Policy, Changes in Accounting Estimates and Errors from the Previous Period",
5. LGS "Long-term Contracts",
6. LGS "Revenue",
7. LGS "Fixed Assets",
8. LGS "Accruals, Contingent Liabilities and Contingent Assets",
9. LGS "Investment Properties".

Gain or losses calculation prepared in accordance with turnover and cost method.

The method of accounting and estimation used by the Company are not changed in comparison to previous reporting year.

Revenue Recognition and Net turnover

Net turnover is the total value of produce marketed over a period of the year except granted discounts and value-added tax. Revenue from the marketed production is recognized when the customer has accepted the products in accordance with the product delivery conditions.

Revaluation of Foreign Currency into Lats

Accounts of the Company are kept in Euro. All transactions involving foreign currencies are revalued into Euro at the official rates of exchange of the European Central Bank on the day of the corresponding transaction. The payment for transactions executed in foreign currency and foreign currency nominated assets, and the gain or loss in foreign currency gained as a result of revaluated values of the commitments are included in the gain or loss account of the corresponding period.

31-03.2016

EUR

1 SEK	9,24200
1 DKK	7,45310
1 GBP	0,78580
1 NOK	9,43000

Intangible investments and Fixed Assets

Intangible investments and fixed assets are presented in the purchase value, except accumulated depreciation and impairment accumulation, if it exists. Expenses that are directly associated with purchase of intangible investments or fixed assets are added to the purchase value. The cost of computer programme license purchase value contains acquisition cost and cost that incurred while putting it to use.

Depreciation is calculated by the straight-line method during the useful life period for corresponding intangible investments and fixed assets, in order to write off the value of the intangible investments and fixed assets till its estimated remaining value in the end of the useful life period, by using the following management set rates:

	% per annum
Intangible investments	20-33.3
Other machinery and equipment	20-33.3

In cases when the balance value of some investments or fixed assets is higher than its recoverable value, value of the corresponding investment or fixed asset instantly is written off till its recoverable value. Recoverable amount is higher from the true value of the corresponding investment or fixed asset, apart from its selling cost and value in use.

Hereinafter costs are included in the balance-sheet value of the asset or recognized as a separate asset only if there is a high probability that the economic benefits connected with this item will flow to the Company and the costs of this item is reliably detectable. By capitalizing the costs of installed replacement parts, the replaced part's remaining value is written off in the gain and loss account.

Fixed assets of current repair or maintenance costs are included in the gain or loss account in the period when it occurred.

Gain or loss from the exclusion of fixed asset is calculate as difference between the balance-sheet value of the fixed asset and the revenue acquired as a result of sale, and is added to the gain or loss account in the period when it occurred.

Reserve

Reserves are indicated in the lowest of the prime cost or net realisable value. The prime cost is calculated by employing the FIFO method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. In cases when the net realisable value of reserve is lower than its prime cost a provision is created in order to diminish the price to net realizable value.

Receivables

The receivables are indicated in its acquisition cost, less any provision for impairment. provision for impairment are created by evaluating each debtor separately, in cases when there are objective evidence that the Company cannot receive account receivables in full amount in compliance with initially determined repayment term. Amount of provision is the difference between the sum of the account receivables and the retrievable value.

Financial lease – Company as the leaseholder

Lease of assets is classified as financial lease whereby the Company takes over all the inherent risks and return of tenure. Financial lease is capitalized at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. The lease interest payments are incorporated in the profit and loss account of the period so it would reflect the constant value in relation to the balance of lease liabilities.

Loan

The amount of received funds is recognized as the initial loan, less the costs related to loan granting. In the subsequent periods loans are specified in the amortized acquisition value that is determined by employing the effective loan interest rate. Difference between the received fund amount, less the costs related to loan granting and loan repayment value, gradually is added to the profit or loss account in the period of loan.

Amortization value of financial asset's cost and the interest revenue recognition is calculated by utilizing the effective loan interest rate in the corresponding period.

Accounts Payable

Account payables are indicated in their nominal value.

Taxes

The Company's tax revenue costs of the financial year are included in the financial statement, on the basis of calculations made by the management that were executed in accordance with the Republic of Latvia tax legislation.

Deferred tax is verified in accordance with the liability method related to all the temporary differences between the values of assets and liabilities in the financial statement and their values for the aim of tax verification. Temporary differences chiefly occur while using different depreciation rates of fixed assets, accumulating unexpended leave, as well as losses of taxes that are transferred to the following tax period. The deferred tax asset is admitted if there is a great probability of acquiring assessable profit which may be covered by the deductible temporary difference.

Costs of the Accumulated unexpended leaves

The sum of the accumulated unexpended leaves can be determined by multiplying the workers' average daily income of the last six months with the number of the unexpended leave days in the end of the financial year.

Money and its Equivalent

Money and its equivalent consist of current bank account balance.

Affiliated Parties

Affiliated party is considered to be a member of the Company, members of the board, and their close family members, and companies in which the above mentioned individuals have considerable control.

Use of Evaluations

Latvian legislation requirements state, that, while preparing financial statement, the management of the company evaluates and makes an assumption that influences the assets and liabilities indicated in the report and off-balance on the preparation day of the annual report, as well as on the revenue and expenditure indicated in the reporting period. The actual results may differ from the estimated calculations.

(1) Net turnover

	01.04.2015- 31.03.2016 EUR	01.04.2014- 31.03.2015 EUR
Revenue from Local market	2 425	91 117

Revenue from trade within EU	96 247	32 500
Revenue from export outside EU	30 000	32 020
Total	128 672	155 637

(2) Marketed production operating costs

	01.04.2015- 31.03.2016 EUR	01.04.2014- 31.03.2015 EUR
Product Purchase costs	65 337	84 292
Other	-	163
Total	65 337	84 455

(3) Selling costs

	01.04.2015- 31.03.2016 EUR	01.04.2014- 31.03.2015 EUR
Wage	37 929	38 032
Vehicle Costs	3 065	5 835
Advertisement Costs	1 481	1 112
State Social Security Compulsory Contribution	8 947	8 972
Insurance Costs	433	490
Delivery Costs	-	441
Business Trip Costs	-	553
Other	278	234
Total	52 133	55 669

(4) Administrative Costs

	01.04.2015- 31.03.2016 EUR	01.04.2014- 31.03.2015 EUR
Management Services	1 278	5 684
Rental Premises	2 321	2 652
Communication Costs	1 051	1 170
Office Costs	1 421	1 093
Deprecation of Equipment and Intangible Investment	563	404
Representation Expenses	-	491
Legal Service Costs	-	999
Accounting Service Costs	3250	5996
Cash Turnover Associated Costs	186	244
Total	10 070	18 733

(5) Revenue of Other Economic Activities

	01.04.2015- 31.03.2016 EUR	01.04.2014- 31.03.2015 EUR
Revenue from VAT recovery of bad debt	-	7 465
Revenue from writing off the accounts receivables	22 633	-
Total	22 633	7 465

(6) Expenses of Other Economic Activities

	01.04.2015- 31.03.2016 EUR	01.04.2014- 31.03.2015 EUR
Net losses from Currency Buying and Selling	127	162
Fine	4	160
Other	-	1
Total	131	323

(7) Interest Receivables and Similar Income

	01.04.2015- 31.03.2016 EUR	01.04.2014- 31.03.2015 EUR
Net gain from currency exchange fluctuation	1 935	1 249
	1 935	1 249

(8) Fixed Assets

	Other Fixed Assets Equipment in Total	
	EUR	EUR
Acquisition Costs 31.03.2015.	2159	2 159
Purchased	731	731
Excluded	-	-
31.03.2016.	2 890	2 890
Accumulated Depreciation		
31.03.2015.	1 350	1 350
Calculated	563	563
Excluded	-	-
31.03.2016.	1 913	1 913
Residual Value of Balance Sheet 31.03.2015.	809	809

Residual Value of Balance Sheet 31.03.2016.	977	977
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(9) Reserves

	31.03.2016. EUR	31.03.2015. EUR
Fuel Supplies	26	38
Total	26	38

(10) Receivables

	31.03.2016. EUR	31.03.2015. EUR
Accounting Value of the Receivables	49 325	10212
Accumulation of Doubtful Receivables	(10 096)	(10 096)
Total	39 229	116

(11) Other Debtors

	31.03.2016. EUR	31.03.2015. EUR
Advance Payments for Services	329	329
UIN overpayment	721	4 032
Advance Payment receivables	70	-
Other	16	18
VAT overpay	1 554	1 064
Total	2 690	5 443

(12) Expenses for the Next Period

	31.03.2016. EUR	31.03.2015. EUR
	519	1 076
Advertisement Costs		
Office Costs	154	113
Vehicle Costs	432	441
Total	1 105	1 630

(13) Cash and Its Equivalent

31.03.2016.	31.03.2015.
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	EUR	EUR
Funds in Bank Account	56 280	9 057
Total	56 280	9 057

(14) Fixed Capital

On March 31, 2016 authorized and fully paid capital constitutes EUR 85 713 that consist of 85 713 normal shares each of EUR 1 nominal value.

(15) Other Accruals

	31.03.2016.	31.03.2015.
	EUR	EUR
Accumulations for unexpended leave	5 482	3517
Total	5 482	3 517

Taxes and the state compulsory social insurance contribution

	VAT	Natural resources tax	State compulsory social insurance contribution	Personal income tax	Risk charge	Corporate light vehicle tax	UIN	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Overpayment	1 064						4 032	5 096
31.03.2015								
(Debt)								
31.03.2015			(1 030)			(81)		(1 111)
Calculated	3 308		(12 388)	(6 824)	(8)	(330)		(16 448)
Paid	254		9 080	6 824	8	324		16 490
Redirected to/from other taxes	(1)		3 308				(3 308)	(1)
Refunded	(3 071)							(3 071)
Financial penalty calculated							(3)	(3)
Overpaid	1 554						721	2 275
31.03.2016								
(Debt)								
31.03.2016			(1 030)			(87)		(1 117)

(17) Other creditors

	31.03.2016.	31.03.2015.
	EUR	EUR
Other		31
Total		31

(18) Accumulated liabilities

	31.03.2016.	31.03.2015.
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	EUR	EUR
Other	92	22
Total	92	22

(19) Average number of persons employed in the Company

	01.04.2015- 31.03.2016	01.04.2014- 31.03.2015
Average number of persons employed in the Company Period	2	2

(20) Payments to the management

	01.04.2015- 31.03.2016 EUR	01.04.2014- 31.03.2015 EUR
<i>Members of the board:</i>		
- wage	34 107	33 978
- state compulsory social insurance contribution	8 046	8 015
Total	42 153	41 993

(21) Transactions with the Affiliated Parties

The shareholder is Tata Steel Sveden Byggsystem AB, Company's shareholder is Tata Steel Sweden Byggsystem AB, which owns 100% of the Company's fixed capital and which in turn is a Tata Steel Building Systems Nordic group's company.

The Company carried out the following transactions:

(a) Purchase of Goods and Receipt of Services

	01.04.2015- 31.03.2016 EUR	01.04.2014- 31.03.2015 EUR
Purchase of Goods:		
- from other affiliated companies	58 577	75 547
Receipt of services:		
- from other affiliated companies (management services, insurance compensation, other services)	1 278	5 684
Total	59 855	81 231

(b) Payables that have originated from the transactions with the affiliated parties

	31.03.2016. EUR	31.03.2015. EUR
Other affiliated parties	58 381	30 490

Total	58 381	30 490
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(c) Delivery of goods and rendering of services

	01.04.2015- 31.03.2016 EUR	01.04.2014- 31.03.2015 EUR
Rendering of Services:		
- to shareholder	30 000	32 500
- to other affiliated companies	30 000	32 020
-		
- Total	60 000	64 20

(d) Account receivables that have originated from the transactions with the affiliated parties

	31.03.2016.		31.03.2015.	
	EUR		EUR	
Shareholder	2 500		5 059	
Other affiliated parties	2 500	-Total	5 000	5 059

Events after the Reporting Period

In the time period from the last day of the reporting period there have not occurred any events that could significantly influence the Company's financial status in March 31, 2016.

(22) Principles of Continuing Operation

The management of the Company considers that the going concern assumption is applicable in the preparation of financial statement.

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.