

“Corus Steel Service STP” LLC

**Financial Statements
for the year ended 31 December 2014
and Auditor’s Report
(Unofficial Translation)**

AUDITOR'S REPORT

To the participants of "Corus Steel Service STP" Limited Liability Company:

We have audited the accompanying financial statements of "Corus Steel Service STP" LLC (hereinafter, the "Company") which comprise:

- Balance sheet as at 31 December 2014;
- Statement of financial results for the year ended 31 December 2014;
- Appendices to the balance sheet and statement of financial results:
 - Statement of changes in equity for the year ended 31 December 2014;
 - Statement of cash flows for the year ended 31 December 2014;
 - Notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Russian accounting and financial reporting standards, and for the system of internal controls necessary for preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on fair presentation of the financial statements based on our audit. We conducted our audit in accordance with federal rules (standards) of auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on our judgment which is based on the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the system of internal control relevant to the 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 system of internal control.

The audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, 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 express a qualified opinion on the fair presentation of the financial statements.

Basis for Qualified Opinion

As at 31 December 2014, the Company recorded a deferred tax asset in the amount of Russian Roubles 1 441 thousand. In view of the matters described in Note 1.2 to these financial statements, we believe it is likely that the asset will not be recovered. This results in an overstatement of Deferred tax assets in the Company's balance sheet and an understatement of Deferred tax expense in the statement of financial results by Russian Roubles 1 441 thousand.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of "Corus Steel Service STP" LLC as at 31 December 2014, the results of its financial performance and its cash flows for 2014 in accordance with the Russian accounting and financial reporting standards.

Emphasis of Matter

Without qualifying our opinion on the financial statements, we draw your attention to Note 1.2 to the financial statements, which indicates that the Company has not carried out any business activities since the year ended 31 December 2011 and as of the date of approval of these financial statements the resumption of business activities is not expected.

The Russian original signed by

Sabina Vladislavovna Uchvatova, Director
(certificate no. 01-001277 dated 18 February 2013)
ZAO Deloitte & Touche CIS

7 July 2015
St Petersburg, Russian Federation

The following financial statements were prepared for use in the Russian Federation in accordance with accounting principles and financial reporting practices generally accepted in the Russian Federation and are not intended to present the financial position and results of operations of the audited entity in accordance with accounting principles and practices generally accepted in any other jurisdiction.

The Entity: "Corus Steel Service STP" LLC

Certificate of state registration № 1097847097776 issued on 06.04.2009 by the Interregional Inspectorate № 15 of the Russian Ministry of Taxes and Levies for St. Petersburg.

Address: office 503, Lit. A, 34 line 9 V.I., Saint-Petersburg, 199004, Russia

Independent Auditor: ZAO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Certificate of registration in the Unified State Register № 1027700425444 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Certificate of membership in "NP "Audit Chamber of Russia" (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407.

BALANCE SHEET
as at 31 December 2014

| | | CODES |
|----------------------------------|---|------------------------------------|
| Entity | “Corus Steel Service STP” LLC | Form OKUD 0710001 |
| Type of activity | Wholesale of metals and metal ores | Date (day, month, year) 31/12/2014 |
| Legal status / form of ownership | Limited Liability Company/ Owned by foreign legal entities | OKPO 60984505 |
| Unit | Thousand roubles | INN 7801493199 |
| Address | Office 503, liter A, 34 line 9 V. I., Saint-Petersburg, 199004, Russia | OKVED 51.52 |
| | | OKOPF/OKFS 65/23 |
| | | OKEI 384 |

| Item description | Note | 31 December 2014 | 31 December 2013 | 31 December 2012 |
|-------------------------------------|------|---------------------|---------------------|---------------------|
| ASSETS | | | | |
| I. NON-CURRENT ASSETS | | | | |
| Deferred tax assets | 3.5 | 1 441 | 3 286 | 1 765 |
| Total Section I | | 1 441 | 3 286 | 1 765 |
| II. CURRENT ASSETS | | | | |
| Accounts receivable | 3.1 | 507 | 6 | 426 |
| Cash and cash equivalents | | 12 742 | 21 799 | 24 689 |
| Total Section II | | 13 249 | 21 805 | 25 115 |
| TOTAL ASSETS | | 14 690 | 25 091 | 26 880 |
| EQUITY AND LIABILITIES | | | | |
| III. CAPITAL AND RESERVES | | | | |
| Charter capital | 3.2 | 1 130 | 1 130 | 1 130 |
| Accumulated deficit | | (8 913) | (16 221) | (10 075) |
| Total Section III | | (7 783) | (15 091) | (8 945) |
| V. CURRENT LIABILITIES | | | | |
| Short-term borrowings | 3.4 | 22 396 | 35 319 | 31 196 |
| Accounts payable | 3.3 | 4 | 4 768 | 4 609 |
| Accrued liabilities | | 73 | 95 | 20 |
| Total Section V | | 22 473 | 40 182 | 35 825 |
| TOTAL EQUITY AND LIABILITIES | | 14 690 | 25 091 | 26 880 |

The Russian original signed by:

General Director Starostin P.G.

General Director “Acsour” LLC Modeeva T.A.

30 June 2015

STATEMENT OF FINANCIAL RESULTS
for the year ended 31 December 2014

| | | CODES |
|----------------------------------|---|------------------------------------|
| Entity | “Corus Steel Service STP” LLC | Form OKUD 0710002 |
| Type of activity | Wholesale of metals and metal ores | Date (day, month, year) 31/12/2014 |
| Legal status / form of ownership | Limited Liability Company/ Owned by foreign legal entities | OKPO 60984505 |
| Unit | Thousand roubles | INN 7801493199 |
| | | OKVED 51.52 |
| | | OKOPF/OKFS 65/23 |
| | | OKEI 384 |

| Item description | Note | 2014 | 2013 |
|---|------|----------------|----------------|
| Administrative expenses | 3.6 | (2 315) | (2 386) |
| Loss from operating activities | | (2 315) | (2 386) |
| Interest expenses | | (975) | (1 473) |
| Other income | 3.6 | 23 509 | 1 227 |
| Other expenses | 3.6 | (11 066) | (5 026) |
| Loss before income tax | | 9 153 | (7 658) |
| Current income tax expense | 3.5 | - | - |
| including permanent tax liabilities | | 14 | 11 |
| Deferred income tax expense | 3.5 | (1 845) | 1 521 |
| Other | | - | (9) |
| Net loss | | 7 308 | (6 146) |
| ADDITIONAL INFORMATION | | | |
| Comprehensive financial result for the period | | 7 308 | (6 146) |

The Russian original signed by:

General Director Starostin P.G.

General Director “Acsour” LLC Modeeva T.A.

30 June 2015

**STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014**

| | |
|----------------------------------|---|
| Entity | “Corus Steel Service STP” LLC |
| Type of activity | Wholesale of metals and metal ores |
| Legal status / form of ownership | Limited Liability Company/ Owned by foreign legal entities |
| Unit | Thousand roubles |

| | CODES |
|-------------------------|--------------|
| Form OKUD | 0710003 |
| Date (day, month, year) | 31/12/2014 |
| OKPO | 60984505 |
| INN | 7801493199 |
| OKVED | 51.52 |
| OKOPF/ OKFS | 65/23 |
| OKEI | 384 |

CHANGES IN EQUITY

| Item description | Charter capital | Accumulated deficit | Total |
|------------------------------------|------------------------|----------------------------|-----------------|
| Balance at 31 December 2012 | 1 130 | (10 075) | (8 945) |
| Net loss | - | (6 146) | (6 146) |
| Balance at 31 December 2013 | 1 130 | (16 221) | (15 091) |
| Net loss | | 7 308 | 7 308 |
| Balance at 31 December 2014 | 1 130 | (8 913) | (7 783) |

NET ASSETS

| Item description | At 31 December 2014 | At 31 December 2013 | At 31 December 2012 |
|-------------------------|----------------------------|----------------------------|----------------------------|
| Net Assets | (7 783) | (15 091) | (8 945) |

The Russian original signed by:

General Director Starostin P.G.

General Director “Acsour” LLC Modeeva T.A.

30 June 2015

STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

| | |
|----------------------------------|---|
| Entity | “Corus Steel Service STP” LLC |
| Type of activity | Wholesale of metals and metal ores |
| Legal status / form of ownership | Limited Liability Company/ Owned by foreign legal entities |
| Unit | Thousand roubles |

| | CODES |
|-------------------------|--------------|
| Form OKUD | 0710004 |
| Date (day, month, year) | 31/12/2014 |
| OKPO | 60984505 |
| INN | 7801493199 |
| OKVED | 51.52 |
| OKOPF/ OKFS | 65/23 |
| OKEI | 384 |

| Item description | 2014 | 2013 |
|---|----------------|----------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Other cash inflows | - | 224 |
| Purchases of goods, work, services | (2 491) | (2 007) |
| Payroll | (192) | (157) |
| Interest payments on borrowings | (1 179) | (940) |
| Income tax payment | (439) | - |
| Taxes payments | (231) | 4 |
| Other payments, contributions | (4 524) | (9) |
| Net cash outflow from operating activities | (9 056) | (2 885) |
| Net cash outflow for the reporting period | (9 056) | (2 885) |
| Net cash and cash equivalents at the beginning of reporting period | 21 799 | 24 689 |
| Net cash and cash equivalents at the end of reporting period | 12 742 | 21 799 |
| Effect of foreign exchange rate changes on cash and cash equivalents | (1) | (5) |

The Russian original signed by:

General Director

Starostin P.G.

General Director “Acsour” LLC

Modeeva T.A.

30 June 2015

**NOTES TO THE FINANCIAL STATEMENTS OF
"CORUS STEEL SERVICE STP" LLC FOR THE YEAR ENDED 31 DECEMBER 2014**

1. SHORT DESCRIPTION OF THE COMPANY'S ACTIVITIES**1.1. General information**

Limited Liability Company "Corus Steel Service STP" (hereinafter, the "Company") was incorporated on 6 April 2009, it holds a state registration certificate series 78 No. 007054092, registration number in the Unified State Register of Legal Entities 1097847097776.

As at 31 December 2014 and 2013, the founders and participants of the Company were represented with British Steel Nederland International B.V. and British Steel Holdings B.V., legal entities incorporated under laws of the Kingdom of the Netherlands. British Steel Nederland International B.V. holds a 99,9% equity interest in the Company, and British Steel Holdings B.V. holds a 0,1% equity interest in the Company.

Registered and actual address: Office 503, Liter A, 34 line 9 V.I., Saint-Petersburg, 199004.

Since 6 April 2009, the position of the General Director has been held by Pavel Germanovich Starostin.

The number of the Company's employees as at 31 December 2014 and 2013 and the average number of employees for the reporting and comparative periods was 1 person.

The accounting and financial reporting functions are delegated to a third-party professional organization LLC "Acsour" under contract No. 7 of 10 November 2010.

1.2. Principal activities

Until July 2011, the Company's principal activity was the wholesale of steel workpieces purchased from its foreign partner Tata Steel UK to the only customer LLC "Gestamp Severstal Vsevolzhsk". In July 2011, LLC "Gestamp Severstal Vsevolzhsk" chose another supplier of steel and the sales agreement with the Company was cancelled. The Company has not had any business activity since then and the resumption of business activities is not expected as of the date of these financial statements.

As at 31 December 2014, 2013 and 2012, the Company had negative net assets in the amount of Russian Roubles ("RUB") 7 783 thousand, 15 091 thousand and RUB 8 945 thousand respectively. Net current liabilities of the Company as at 31 December 2014, 2013 and 2012 amounted to RUB 9 224 thousand, RUB 18 377 thousand and RUB 10 710 thousand respectively.

The Company's principal obligation is represented with a short-term loan from a related party which is continuously prolonged. Management expects that the loan repayment will be further put off (Note 6). Other obligations of the Company are insignificant and are paid out of the Company's cash balance (RUB 12 742 thousand as of 31 December 2014).

The financial statements were prepared by the Company based on the assumption that the Company's obligations will be appropriately discharged.

2. ACCOUNTING POLICIES AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**2.1. Basis of preparation**

The financial statements are prepared based on the effective Russian accounting and reporting regulations, including Federal Law No. 402-FZ dated 6 December 2011 "On accounting", the Regulation on Accounting and Reporting in the Russian Federation as approved by the order of the Russian Ministry of Finance dated 29 July 1998 No. 34n, and the effective Russian Accounting Regulations ("PBUs") and other applicable accounting regulations.

2.2. Assets and liabilities denominated in foreign currencies

Foreign currency transactions are recorded by applying the Central Bank of Russia's ("CBR") official exchange rates between the Russian ruble ("RUB") and the foreign currency at the date of the transaction.

At the end of the reporting period, foreign currency cash in bank accounts and at hand, and amounts payable and receivable in foreign currencies are translated into RUB using official closing exchange rates established by the CBR.

Foreign exchange gains and losses that arise during the year on foreign currency transactions and on translation of balances denominated in foreign currencies as at the reporting date are recognized in the statement of financial results as other income and expenses.

2.3. Current and non-current assets and liabilities

Assets classified as current in financial statements are expected to be used within 12 months after the reporting date.

Liabilities classified as current in financial statements are expected to be settled within 12 months after the reporting date.

Other assets and liabilities are presented as non-current.

2.4. Loans and borrowings

Loans and borrowings received are classified as current/non-current liabilities based on remaining maturity period as of the reporting date. Additional borrowing costs are charged to other expenses as incurred.

2.5. Gains recognition

Gains other than operating revenue are recognized as received, and are classified as other income.

2.6. Expense recognition

Expenses are recognized when they are incurred due to requirements of a specific agreement, legislation, regulations or business practices, the amount of expense can be determined, and it is probable that the transaction will result in an outflow of economic benefits for the Company.

Non-operating expenses are recognized as incurred, and are classified as other expenses.

2.7. Income taxes

In accordance with PBU 18/02 "Accounting for corporate income tax", the Company records and reports deferred income tax (deferred tax assets and deferred tax liabilities), i.e. amounts that can affect current income tax in subsequent periods. The amount of the current income tax is calculated based on accounting records.

3. DISCLOSURES ON SIGNIFICANT BALANCES AND TRANSACTIONS

3.1. Accounts receivable

Accounts receivable as at 31 December 2014, 2013 and 2012 comprise the following:

| | 31 December | | |
|-----------------------|-------------|----------|------------|
| | 2014 | 2013 | 2012 |
| Income tax prepayment | 442 | - | - |
| Advances to suppliers | 64 | 2 | 31 |
| Advances to customs | - | - | 196 |
| VAT reimbursable | - | - | 196 |
| Other receivables | 1 | 4 | 3 |
| Total | 507 | 6 | 426 |

The bad debt allowance recorded as of 31 December 2014 and 2013 in the amount of RUB 196 thousand relates to advances to customs. No bad debt allowance was recorded as of 31 December 2012.

3.2. Charter capital

The Company's charter capital as at 31 December 2014, 2013 and 2012 amounts to RUB 1 130 thousand and represents contributions of its founders – British Steel Nederland International B.V. and British Steel Holdings B.V. As at 31 December 2014, 2013 and 2012, the Company's charter capital is paid in full.

3.3. Accounts payable

Accounts payable as at 31 December 2014, 2013 and 2012 comprise the following:

| | 31 December | | |
|------------------------------|-------------|--------------|--------------|
| | 2014 | 2013 | 2012 |
| Trade payables | 4 | 210 | 72 |
| Payable on customers' claims | - | 4 522 | 4 522 |
| Other | - | 36 | 15 |
| Total | 4 | 4 768 | 4 609 |

The amount payable on customers' claims as at 31 December 2013 and 2012 related to 2011 sales to LLC "Gestamp Severstal Vsevolzhsk". During 2014, the amount was fully paid.

3.4. Borrowings

Borrowings as at 31 December 2014, 2013 and 2012 comprise the following:

| | 31 December | | |
|--|---------------|---------------|---------------|
| | 2014 | 2013 | 2012 |
| Loan received from a related party, principal amount | 22 211 | 34 852 | 31 177 |
| Accrued interest | 185 | 467 | 19 |
| Total | 22 396 | 35 319 | 31 196 |

The Company's borrowings are represented with a loan received from Tata Steel Belgium Service N.V., a party related to the Company (Note 5).

In 2014, the Executive Committee of Tata Steel Belgium Service N. V. approved a waiver of the Company's obligations on repayment of a portion of the loan. Accordingly, in 2014 the respective portion of the loan in the amount of Euro 450 000 was written off to other income (Note 3.6).

The loan outstanding as at 31 December 2014 was repayable on 25 January 2015 and was subsequently rolled over (Note 6). Current borrowings outstanding as at 31 December 2013 and 2012 were rolled over during 2014 and 2013 respectively.

Interest rate is calculated as EURIBOR plus 2,75%. Interest expenses accrued in 2014 and 2013 in the amount of RUB 975 thousand and RUB 1 473 thousand were fully recognised in the statement of financial results as Interest expenses.

3.5. Income tax

In accordance with PBU 18/02, current income tax for 2014 and 2013 is calculated based on accounting records and comprises the following:

| | <u>2014</u> | <i>(RUB thousand)</i> <u>2013</u> |
|---|----------------|--------------------------------------|
| Income/(Loss) before income tax | 9 153 | (7 658) |
| Income tax rate | 20% | 20% |
| Theoretical income tax benefit/(expense) | (1 831) | 1 532 |
| Permanent tax liability | | |
| Non-deductible expenses | (14) | (11) |
| Total | (14) | (11) |
| (Increase)/Decrease in deferred tax assets | | |
| Tax loss carried forward | 1 806 | (1 482) |
| Other | 39 | (39) |
| Total | 1 845 | (1 521) |
| Total current income tax | - | - |

The deferred tax asset in the amount of RUB 1 441 thousand as at 31 December 2014 was based on the tax loss carried forward. In accordance with Russian tax legislation, taxpayers can carry forward tax losses for 10 years. The Company considers it to be probable that future taxable profit will be available against which the unused tax losses can be utilized.

3.6. Additional disclosures to the statement of financial results

Administrative expenses for 2014 and 2013 comprise the following:

| | <u>2014</u> | <i>(RUB thousand)</i> <u>2013</u> |
|---------------------------|--------------|--------------------------------------|
| Accounting fees | 1 164 | 1 101 |
| Consulting and audit fees | 548 | 624 |
| Lease | 355 | 324 |
| Payroll | 184 | 271 |
| Other expenses | 64 | 66 |
| Total | 2 315 | 2 386 |

Other income for 2014 and 2013 comprise the following:

| | <u>2014</u> | <u>(RUB thousand)</u> <u>2013</u> |
|--|----------------------|--------------------------------------|
| Loan waiver | 22 028 | - |
| Foreign exchange gains | 1 481 | 1 010 |
| Interest gains on current bank account | - | 217 |
| Total | <u>23 509</u> | <u>1 227</u> |

Other expenses for 2014 and 2013 comprise the following:

| | <u>2014</u> | <u>(RUB thousand)</u> <u>2013</u> |
|---|----------------------|--------------------------------------|
| Foreign exchange losses | 10 923 | 4 707 |
| Bad debt allowance (Note 3.1) | - | 196 |
| Loss on purchase/sale of foreign currencies | - | 6 |
| Other expenses | 143 | 183 |
| Total | <u>11 066</u> | <u>7 412</u> |

3.7 Foreign exchange rates, gains and losses

The rates of the Central Bank of the Russian Federation effective as at the reporting date were as follows:

| Currency | <u>31 December</u> | | |
|----------|--------------------|-------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Euro | 68,3427 | 44,9699 | 40,2286 |

Foreign exchange gains and losses were fully recognized in the Company's statement of financial results as other income and expenses.

3.8 Leased property, plant and equipment

As at 31 December 2014, 2013 and 2012, the Company leased non-residential premises with a total area of 17 square meters, located at the following address: 10 Nevsky Pr., Liter A, Saint-Petersburg, 191186 Russia.

4. CONTINGENCIES

Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and federal authorities. The tax authorities may take a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three calendar years prior to the year of tax review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2014 and 2013, no significant probable and possible tax risks were identified.

5. RELATED PARTY TRANSACTIONS

Under the Russian Law No. 948-1 dated 22 March 1991 “On competition and antitrust measures on commodity markets” and PBU 11/2008 “Related party disclosures”, the Company’s related parties are as follows:

- participants of the Company – British Steel Nederland International B.V. and British Steel Holdings B.V.;
- Tata Steel Belgium Service N.V. – a company of Tata Steel Group controlled by Tata Sons Limited;
- key management personnel.

Transactions related to loans received from related parties are disclosed in Note 3.4 “Borrowings”.

Cash flows with related parties

| | <u>2014</u> | <u>(RUB thousand) 2013</u> |
|--|-------------|--------------------------------|
| Cash flow from operating activities | | |
| Interest payments | (1 179) | (940) |

The total short-term remuneration paid to the General Director for 2014 amounted to RUB 218 thousand, social insurance contributions – RUB 70 thousand (2013: remuneration of RUB 196 thousand, social insurance contributions of RUB 55 thousand).

6. SUBSEQUENT EVENTS

In 2015, the Executive Committee of Tata Steel Belgium Service N. V. approved a decision on a further prolongation of the loan. The repayment date was moved to 24 July 2015. The Company’s management expects further prolongation of the loan.

The Russian original signed by:

| | |
|-------------------------------|----------------|
| General Director | Starostin P.G. |
| General Director “Acsour” LLC | Modeeva T.A. |

30 June 2015