

**TATA STEEL INTERNATIONAL
(POLAND) SP. Z O.O.
KATOWICE, PIASTOWSKA STREET 7**

**FINANCIAL STATEMENTS
FOR THE PERIOD
FROM 1 APRIL 2016 TO 31 MARCH 2017**

**WITH
AUDITOR'S OPINION
AND
AUDIT REPORT**

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REPORT ON THE ACTIVITIES OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

AUDITOR'S OPINION

To the Shareholders and Supervisory Board of TATA STEEL INTERNATIONAL (POLAND) SP. Z O.O.

Auditor's report

We have audited the attached financial statements of **TATA STEEL INTERNATIONAL (POLAND) SP. Z O.O.** with its registered office in Katowice, Piastowska 7 (hereinafter: the "Company"), including balance sheet prepared as at 31 March 2017, statement of comprehensive income, statement of changes in equity, cash flow statement for the financial year from 1 April 2016 to 31 March 2017 and notes comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the Company's manager and those charged with governance for the financial statements

The Management Board of the Company is responsible for the preparation of the financial statements, based on properly kept accounting records, and their fair presentation in accordance with the International Accounting Standards, International Financial Reporting Standards, related interpretations published as European Commission regulations and applicable laws. It is also responsible for such internal control as Management Board of the Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Under the Accounting Act of 29 September 1994 (Journal of Laws of 2016 item 1047 as amended), hereinafter referred to as the "Accounting Act" the Management Board of the Company and members of its Supervisory Board are obliged to ensure that the financial statements meet the requirements of the Accounting Act.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit works.

We conducted our audit in accordance with Section 7 of the Accounting Act and the National Auditing Standards in line with the wording of the International Standards on Auditing adopted by Resolution No. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015 as amended. Those standards require 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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board of the Company, evaluating if accounting books based on which financial statements are prepared, are properly kept, 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

In our opinion, the attached financial statements:

- give a true and fair view of the economic and financial position of the Company as at 31 March 2017 and its financial performance for the financial year from 1 April 2016 to 31 March 2017 in accordance with the International Accounting Standards, International Financial Reporting Standards, related interpretations published as European Commission regulations and the adopted accounting principles (policies),
- have been prepared based on properly kept accounting books,
- comply, with respect to their form and content, with the applicable provisions of law and the articles of association of the Company.

Explanation

Without raising any qualifications to the correctness and fairness of the audited financial statements, we would like to emphasize that the balance sheet prepared by the Management Board as at 31 March 2017 shows a loss in excess of the sum total of the supplementary and reserve capitals and half of the initial capital. According to article 233 of The Commercial Companies Code of 15 September 2000 (Journal of Laws No. 94, item 1037, as amended) the Management Board shall forthwith summon a meeting of shareholders with the object of adopting a resolution on the continued existence of the company. By the opinion date, the Management Board of the Company has not filed such a motion, and presented a rationale of its position in Note 21. Therefore, the attached financial statements have been prepared on the going concern basis and do not include any adjustments which could be required if the going concern assumption proved unjustified.

Report on other legal and regulatory requirements

Opinion on the report on the activities

We do not express an opinion on the report on the activities.

It is the responsibility of the Management Board of the Company to prepare the report on the activities in accordance with the Accounting Act and other applicable laws. Moreover, the Management Board of the Company and members of the Supervisory Board are obliged to ensure that the financial statements and the report on the activities meet the requirements of the Accounting Act.

When auditing the financial statements we were obliged to examine the report on the activities and indicate whether the information contained therein complies with Article 49 of the Accounting Act and is consistent with underlying information disclosed in the attached financial statements. Additionally, it was our responsibility to indicate whether we have detected any material misstatement in the report on the activities based on our knowledge of the Company and its business environment obtained in the course of the audit.



In our view, the information contained in the report on the activities complies with Article 49 of the Accounting Act and is consistent with underlying information disclosed in the attached financial statements. Moreover, based on our knowledge of the Company and its business environment obtained in the course of the audit, we have not detected any material misstatements in the report on the activities.

Malwina Choińska
Key certified auditor
conducting the audit
No. 10038

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Artur Maziarka – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 23 June 2017

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF
TATA STEEL INTERNATIONAL (POLAND) SP. Z O.O.
FOR THE PERIOD FROM 1 APRIL 2016 TO 31 MARCH 2017**

I. GENERAL INFORMATION

1. Details of the audited Company

The Company operates under the business name TATA STEEL INTERNATIONAL (POLAND) SP. Z O.O. (hereinafter: the "Company"). The Company's registered office is located in Katowice, ul. Piastowska 7.

The Company operates as a limited liability company. The Company is recorded in the Register of Entrepreneurs kept by the District Court in Katowice, VIII Commercial Division of National Court Register under KRS number 0000083762.

The Company operates based on the provisions of the Code of Commercial Companies.

As of 31 March 2017, the Company's share capital equaled PLN 8.805.650,00 and was divided into 176.113 ordinary shares with a face value of PLN 50,00 each.

In the audited period, the Company conducted activities mainly in the services of agency sales of metal products.

Composition of the Management Board as of the date of the opinion:

- Bolesław Grzywnowicz - Chairman of the Management Board,
- Marcin Gołąb - Member of the Management Board.

During the audited period and until the date of the opinion no changes in the composition of the Company's Management Board took place.

2. Information on the financial statements for the previous financial year

The activities of the Company in period from 1 April 2015 to 31 March 2016 resulted in a net profit of PLN 1.878.690,58. The financial statements of the Company for the financial year ended 31 March 2016 financial year were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Sp. z o.o. Sp. k. The certified auditor issued an emphasis of matter opinion on those financial statements.

The General Shareholders' Meeting which approved the financial statements for the financial year ended 31 March 2016 was held on 14 June 2016. The General Shareholders' Meeting decided to distribute the net profit to cover losses of previous years.

The financial statements for the financial year ended 31 March 2016 were submitted to the National Court Register (KRS) on 24 June 2016.

3. Details of the authorized entity and the key certified auditor acting on its behalf

The entity authorized to audit the financial statements was appointed by the Shareholders' Meeting. The audit of the financial statements was performed based on the agreement of 19 May 2017 concluded between the Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with registered office in Warsaw, al. Jana Pawła II 22, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of Malwina Choińska, key certified auditor, (No. 10083), in the registered office of the Company from 22 May to 26 May 2017 and outside the Company's premises until the opinion date.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting the audit confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on certified auditors and their self-government, entities authorized to audit financial statements and public supervision (Journal of Laws of 2016 item 1000 as amended) to express an unbiased and independent opinion on the financial statements of the Company.

4. Availability of data and management's representations

The scope of our audit was not limited.

During the audit, necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of 23 June 2017.

TATA STEEL INTERNATIONAL (POLAND) SP. Z O.O.

II. ECONOMIC AND FINANCIAL POSITION OF THE COMPANY

Presented below are the main items from the statement of comprehensive income statement and balance sheet as well as financial ratios describing the financial performance of the Company and its economic and financial position compared to the prior year.

<u>Main items from the comprehensive income statement</u> <u>(PLN '000)</u>	<u>2017/2016</u>	<u>2016/2015</u>
Sales revenue	3 810	4 713
Operating expenses	(2 305)	(2 297)
Operating profit (loss)	1 398	2 324
Net profit (loss)	1 130	1 879
<u>Main items from the balance sheet (PLN '000)</u>		
Trade receivables	1 013	5 524
Current assets	2 125	5 834
Total assets	2 170	5 892
Equity	1 893	762
Short-term liabilities (including short-term provisions and accruals)	277	5 130
Trade liabilities	41	4 863
Total liabilities and provisions	277	5 130
<u>Profitability and efficiency ratios</u>		
- return on sales	37%	49%
- net return on equity	148%	-168%
- assets turnover ratio	1,76	0,80
- receivables turnover in days	309	374
- liabilities turnover in days	383	801
<u>Liquidity/Net working capital</u>		
- debt ratio	13%	87%
- equity to fixed assets ratio	87%	13%
- net working capital (PLN '000)	1 848	704
- current ratio	7,67	1,14
- quick ratio	7,67	1,14

An analysis of the above figures and ratios indicated the following trends in financial year ended 31 March 2017:

- decrease of return on sales;
- increase of net return on equity;
- increase of assets turnover ratio;
- decrease of receivables and liabilities;
- decrease of debt ratio;
- increase of equity to fixed assets ratio;
- increase of current and quick ratio.

TATA STEEL INTERNATIONAL (POLAND) SP. Z O.O.

Management of the Company in Note 21 of additional information and other explanations to the financial statements provided justification for the going concern of the Company in the foreseeable future.

III. DETAILED INFORMATION

1. Evaluation of the accounting system

The Company has valid documentation describing the adopted accounting principles, complying in all material respects with Article 10 of the Accounting Act. The principles have been applied consistently and did not change compared to the principles applied in the prior year. The opening balance resulting from the approved financial statements for the prior financial year has been properly introduced into the accounting records of the audited period.

Based on tests performed during the audit procedures, we have verified the adopted accounting system and found no misstatements that would affect the financial statements. Our audit did not include, though, the entire accounting system used by the Company.

The Company performed a physical count of assets, equity and liabilities within the scope necessary to confirm the existence of the presented assets, equity and liabilities.

2. Information identifying the audited financial statements

The audited financial statements were prepared as of 31 March 2017 and include:

- balance sheet prepared as of 31 March 2017, with total assets and liabilities plus equity of PLN 2.169.642,72,
- statement of comprehensive income for the period from 1 April 2016 to 31 March 2017, disclosing with a net profit of PLN 1.130.453,21 and total comprehensive income of PLN 1.130.453,21,
- statement of changes in equity for the period from 1 April 2016 to 31 March 2017, disclosing an increase in equity of PLN 1.130.453,21,
- cash flow statement for the period from 1 April 2016 to 31 March 2017, showing a cash inflow of PLN 889.698,15.
- notes, comprising a summary of significant accounting policies and other explanatory information.

3. Information about selected material items of the financial statements

The structure of assets, equity and liabilities as well as items affecting the financial result have been presented in the financial statements.

Receivables

The structure of receivables has been correctly presented in the respective explanatory note to the balance sheet, together with related impairment losses.

Liabilities

The structure of liabilities has been disclosed in the relevant explanatory note to the balance sheet.

TATA STEEL INTERNATIONAL (POLAND) SP. Z O.O.

4. Completeness and correctness of notes and explanations and the report on the activities of the Company

The Company confirmed the validity of the going concern principle in the preparation of the financial statements. The notes and explanations give a correct and complete description of measurement principles regarding assets, equity, liabilities, financial result and principles of preparation of the financial statements.

The notes to the financial statements give a correct and complete description of the reporting items and clearly present other information required under IFRS.

The financial statements have been supplemented with the Management Board's report on the activities of the Company in the financial year ended 31 March 2017. The report contains information required under Article 49.2 of the Accounting Act. We have audited the report with respect to the disclosed information derived directly from the audited financial statements.

TATA STEEL INTERNATIONAL (POLAND) SP. Z O.O.

IV. FINAL NOTES

Management Board's Representations

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor received a representation letter from the Company's Management Board, in which the Board stated that the Company complied with the laws in force.

Malwina Choińska
Key certified auditor
conducting the audit
No. 10038

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Artur Maziarka – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 23 June 2017