

Board of directors and Managing director

Halmstad Steel Service Centre AB

Business id 559006-0058

hereby deliver

Annual report

regarding financial year April 1st 2016 - March 31st 2017

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Statutory administration report

Description of business and operations

Company is a fully owned subsidiary by Tata Steel Ijmuiden, business id 001707371 located in Ijmuiden, Holland.

Business is Steel Service Center (SSC) with own production i Halmstad and sales office.

The company process and sales flat steel products, mostly in Swedish market.

Main customer segments are within automotive industry, building- and construction industry and other subcontractors within steel business.

Development of the company's business, profit/loss and position

<i>Financial overview</i>	<i>2016/2017</i>	<i>2015/2016</i>	<i>2014/2015</i>
Net sales, msek	386	484	–
Operational margin %	-2,4%	-4,7%	–
Balance sheet total, msek	214	170	–
Solidity %	18,9%	2,3%	–

Definitions: see note

Important occurrences during financial year

Steelconsumption in Swedish industry and construction sector has grown slightly during 2016/17.

Expected future development and major risks and other factors of uncertainty

The judgement is that demand in steel market continue to be stable and slightly increasing.

Our strategic direction will be on refined processed products and services that will secure profitability for the company.

Use of financial instruments

Borrowing and liquidity are handled within group. Currency exposure and hedging are also handled within group.

Licenses- or obligation to report according to environmental law

The company run business that is obligated to report and be registered according to Swedish environmental law. The obligation concerns processing of steel products.

Suggestion of disposal of company's profit/loss

The board of directors suggest that non-restricted equity, SEK 3 880 871, allocates as follows (amounts in TSEK):

Ingoing profit or loss brought forward	3 881
Net profit/loss for the year	-11 130
Shareholders' contribution	47 529
Profit or loss brought forward	40 280
Carry forward	40 280

Regarding result and balances, referring to following profit and loss statement and balance sheet including associated notes.

PROFIT AND LOSS STATEMENT

<i>Amount in TSEK</i>	<i>Note</i>	<i>2016/2017</i>	<i>2015/2016</i>
Net sales	2	386 440	484 288
Change of inventories in work in process, finished goods and work on contract		13 240	11 172
Other operating income		—	139
		399 680	495 599
Operating expenses			
Raw materials and consumables	2	-350 923	-450 099
Other external costs	3,4	-25 638	-29 881
Personnel costs	3	-29 270	-36 986
Depreciations of intangible and tangible assets	5	-2 101	-1 551
Other operating expenses		-846	—
Operating profit/loss		-9 098	-22 918
Result from financial items			
Other interest income and similar items		128	275
Interest expense and similar items	6	-2 160	-1 874
Profit/loss after financial items		-11 130	-24 517
Appropriations			
Appropriations		—	—
Profit/loss before taxation		-11 130	-24 517
Tax	7	—	—
NET PROFIT/LOSS FOR THE YEAR		-11 130	-24 517

Balance sheet

<i>Amount in TSEK</i>	<i>Note</i>	<i>2017-03-31</i>	<i>2016-03-31</i>
ASSETS			
Fixed assets			
<i>Intangible assets</i>			
Capitalized expenditure for development and similar items	8	18 711	11 027
		18 711	11 027
<i>Tangible assets</i>			
Land and buildings	9	9 636	10 495
Plant and machinery	10	684	783
Equipment, tools, fixtures and fittings	11	212	257
		10 532	11 535
Total fixed assets		29 243	22 562
Current assets			
<i>Inventories etc</i>			
Raw materials and consumables		73 012	48 383
Finished products and goods for resale		24 412	11 172
		97 424	59 555
<i>Current receivables</i>			
Accounts receivables		74 515	66 265
Receivables from group companies		1 272	7 828
Tax receivables		1 072	550
Pre-paid expenses and accrued income		4 645	9 016
		81 504	83 659
<i>Cash and bank</i>			
Cash and bank		5 402	4 316
Total current assets		184 330	147 530
TOTAL ASSETS		213 573	170 092

Balance sheet

<i>Amount in TSEK</i>	<i>Note</i>	<i>2017-03-31</i>	<i>2016-03-31</i>
EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital		50	50
Statutory reserve		–	–
		<u>50</u>	<u>50</u>
<i>Non-restricted equity</i>			
Profit or loss brought forward		3 881	–
Received shareholders' contribution		47 529	28 398
Profit/loss for the year		-11 130	-24 517
		<u>40 280</u>	<u>3 881</u>
		40 330	3 931
Untaxed reserves			
Accumulated additional depreciations		–	–
Others		–	–
		<u>–</u>	<u>–</u>
		–	–
Long-term liabilities			
Liabilities to group companies	12	28 500	28 500
		<u>28 500</u>	<u>28 500</u>
Short-term liabilities			
Trade creditors		20 425	63 075
Liabilities to group companies		99 581	57 235
Other short-term liabilities		10 295	6 831
Accrued expenses and pre-paid income	13	14 442	10 520
		<u>144 743</u>	<u>137 661</u>
TOTAL EQUITY AND LIABILITIES		213 573	170 092

Report changes in equity

<i>Equity</i>		<i>Share capital</i>	<i>Statutory reserve</i>	<i>Profit/loss brought forward</i>
Paid share capital	2015-04-01	50	–	–
Shareholders' contribution				28 398
<i>Profit/Loss</i>				-24 517
Equity, closing balance	2016-03-31	<u>50</u>	<u>–</u>	<u>3 881</u>
Ingoing balance	2016-04-01	50	–	3 881
Shareholders' contribution				47 529
<i>Profit/Loss</i>				-11 130
Equity, closing balance	2017-03-31	<u>50</u>	<u>–</u>	<u>40 280</u>

Notes to the financial statement

Amount in TSEK

Note 1 Accounting policies

The statutory accounts have been established in accordance with the Annual Accounts Act and the Swedish Standards Board general recommendations.

Assets, provisions and liabilities are valued to acquisition values if not anything else noted below.

Intangible assets

Other intangible assets acquired are valuated to acquisition value.

Fixed assets

Fixed assets are valued to acquisition value reduced by accumulated depreciations and write-downs. In acquisition value also other expenses directly connected to that acquisition are included.

Additional expenses

Additional expenses valuated as asset are included in assets reported value. Expenses regarding maintenance are reported as costs when they appear.

For some fixed assets reporting is done by components, where these components are depreciated different based on each components useful lifetime.

Depreciations

Depreciation according to plan has been calculated on the original acquisition value of the fixed assets and is based on the expected life of the assets. Depreciation is reported as cost in profit and loss.

	<i>Useful lifetime</i>
Capitalized expenditure for development and similar items	15 years
Buildings	25 or 50 years
Building; Outside like face and roof	10 years
Building; Inside like frame, walls etc	5-10 years
Plant and machinery	5-10 years
Equipment, tools, fixtures and fittings	5-10 years

Buildings includes components with different useful lifetime. Main parts are building and land. No depreciation is done on component land because of unlimited useful lifetime.

Leasing

All leasing agreements are handled as operational leasing.

Operational leasing agreements

Leasing fees according to operational leasing agreements, including raised first time rent but excluding expenses regarding insurance and maintenance, are reported as expenses linear over leasing period.

Foreign currency*Items in foreign currency*

Monetary items in foreign currency are revaluated to balance sheet closing rate. Non monetary items are not revaluated, reported to rate at acquisition time.

Stock

Inventories are valued according to the lowest of manufacturing cost or net realisable value at the balance sheet date according to moving average price. For own manufactured homo-geneous groups of products, collective stock valuation is applied. Specific obsolescence deduction is made for goods deemed unsaleable or obsolete, after which the value is deemed not to exceed sales value less estimated sales costs.

Taxes

Tax on profit/loss contains paid and deferred income tax.

Income

Income has been acknowledged to actual value of what has been or will be received, and is accounted for to the extent it is probable that the economic benefit will be received by the company, and that the income can be reliably calculated.

Sales of goods

In sales of goods, revenue is reported when delivered.

Group contribution and shareholders' contribution

Shareholders' contribution received without issued shares or other equity instruments for exchange are reported directly in equity.

Group information

Company is fully owned subsidiary by Tata Steel Ijmuiden, business id 001707371 located in Ijmuiden, Holland.

Purchases and sales within group

Company's share of total purchase and sales within group, 54% (9%) of purchases and 2% (2%) of sales.

Definition of key rates

Operational margin: $\text{Operating profit/loss} / \text{Net sales}$

Balance sheet total: Total assets

Solidity: $\text{Total adjusted equity} / \text{Total assets}$

Note 2 Purchase and sales within group

	<u>2016/2017</u>	<u>2015/2016</u>
Sales within group, 2% (2%) of total sales	8 587	10 220
Purchase within group, 54% (9%) of total purchases	-189 095	-39 436

Note 3 Average number of employees, wages, other remunerations and social costs

Average number of employees

	<u>2016/2017</u>	<i>thereof men</i>	<u>2015/2016</u>	<i>thereof men</i>
Sweden	49	85%	54	83%
Total	49	85%	54	83%

Male and female in management

	<u>2015/2016</u>	<u>2015/2016</u>
	<i>Andel kvinnor</i>	<i>thereof women</i>
Board of directors	0%	0%
Managing Director and other senior managers	25%	25%

Wages, salaries, other remunerations and social costs

	<u>2016/2017</u>	<u>2015/2016</u>
<i>Wages, salaries and other remunerations</i>	20 248	25 437
<i>Social costs</i>	9 022	11 549
<i>(thereof pension costs) 1)</i>	(2 875)	(2 582)

1) Of company's pension costs 1 265 TSEK (last year 135 TSEK) concerns management of 4 (4) persons. Company's outstanding pension obligation for these persons amount to 0 TSEK (last year 0 TSEK).

Note 4 Operational leasing

Leasing agreements

Future leasing fees regarding operational leasing

	<u>2016/2017</u>	<u>2015/2016</u>
Within 1 year	-1 278	-1 572
Between 1 and 5 years	-6 390	-7 860
Later than 5 years	-3 834	-2 948
	<u>-11 502</u>	<u>-12 380</u>
	<u>2016/2017</u>	<u>2015/2016</u>
Leasing fees during financial year	-1 278	-1 572

Note 5 Depreciations of tangible assets

	<i>2016/2017</i>	<i>2015/2016</i>
Intangible assets	-1 098	-
Land and buildings	-673	-706
Equipment, tools, fixtures and fittings	-74	-622
Plant and machinery	-256	-223
	<u>-2 101</u>	<u>-1 551</u>

Note 6 Interest expense and similar items

	<i>2016/2017</i>	<i>2015/2016</i>
Interest expenses, intra-group	-2 085	-1 280
Interest expenses, others	-75	-158
Others	-	-436
	<u>-2 160</u>	<u>-1 874</u>

Note 7 Tax

	<i>2016/2017</i>	<i>2015/2016</i>
Paid tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

Reconciliation of tax

	<i>2016/2017</i>		<i>2015/2016</i>	
	<i>Percentage</i>	<i>Belopp</i>	<i>Percentage</i>	<i>Amount</i>
Profit/loss before taxation		-11 130		-24 517
Tax calculated at current tax rate	22%	2 449	22%	5 394
Tax effect on non deductible costs	-2%	-261	-11%	-2 658
Tax effect on non taxable revenue	0%	-	0%	2
Non tax depr. on immaterial asset	1%	158		
Loss of the year, not valued	-21%	-2 346	-11%	-2 737
Tax for the year according to Profit & Loss statement	0%	-	0%	-

Total taxable loss amounted to -23 105 TSEK whereof deferred tax asset amounted to 5 083 TSEK.
Deferred tax asset regarding taxable loss has not been reported due to uncertainty when taxable loss can be used.

Note 8 Capitalized expenditure for development and similar items

	<i>2017-03-31</i>	<i>2016-03-31</i>
<i>Accumulated acquisition value</i>		
Opening acquisition value	11 027	-
Acquisition	8 782	11 027
Closing accumulated acquisition values	<u>19 809</u>	<u>11 027</u>
<i>Accumulated depreciation</i>		
Opening depreciation	-	-
Depreciation	-1 098	-
Closing accumulated depreciations	<u>-1 098</u>	<u>-</u>
Closing value according to plan	<u>18 711</u>	<u>11 027</u>

Investment new ERP system in use from beginning of fiscal year.

Note 9	Land and buildings	<i>2017-03-31</i>	<i>2016-03-31</i>
<i>Accumulated acquisition value</i>			
	Opening acquisition value	11 201	–
	Acquisition	–	11 201
	Reclassification	-227	–
	Closing accumulated acquisition values	<u>10 974</u>	<u>11 201</u>
<i>Accumulated depreciation</i>			
	Opening depreciation	-706	–
	Reclassification	41	–
	Depreciation	-673	-706
	Closing accumulated depreciations	<u>-1 338</u>	<u>-706</u>
	Closing value according to plan	<u>9 636</u>	<u>10 495</u>
Note 10	Plant and machinery	<i>2017-03-31</i>	<i>2016-03-31</i>
<i>Accumulated acquisition value</i>			
	Opening acquisition value	1 405	–
	Acquisition	–	1 405
	Reclassification	231	–
	Closing accumulated acquisition values	<u>1 636</u>	<u>1 405</u>
<i>Accumulated depreciation</i>			
	Opening depreciation	-622	–
	Reclassification	-74	–
	Depreciation	-256	-622
	Closing accumulated depreciations	<u>-952</u>	<u>-622</u>
	Closing value according to plan	<u>684</u>	<u>783</u>
Note 11	Equipment, tools, fixtures and fittings	<i>2017-03-31</i>	<i>2016-03-31</i>
<i>Accumulated acquisition value</i>			
	Opening acquisition value	480	–
	Acquisition	–	480
	Reclassification	-4	–
	Closing accumulated acquisition values	<u>476</u>	<u>480</u>
<i>Accumulated depreciation</i>			
	Opening depreciation	-223	–
	Reclassification	33	–
	Depreciation	-74	-223
	Closing accumulated depreciations	<u>-264</u>	<u>-223</u>
	Closing value according to plan	<u>212</u>	<u>257</u>

Note 12 Long-term liabilities

	<u>2017-03-31</u>	<u>2016-03-31</u>
Liabilities, more than one year		
Loan, group companies	28 500	28 500

Note 13 Accrued expenses and pre-paid income

	<u>2017-03-31</u>	<u>2016-03-31</u>
Personal related costs	7 001	7 033
Other items	<u>7 441</u>	<u>3 487</u>
	14 442	10 520

Note 14 Pledged assets and contingent liabilities


Pledged assets	None	None
Contingent liabilities	None	None

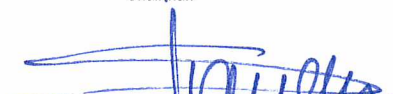
Note 15 Important occurrences after financial closing date

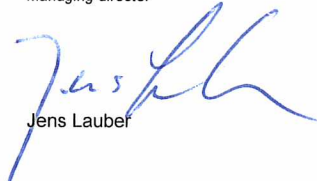
No important occurrences have happened after financial closing date.

Halmstad 2017-07-04


Andrew Black
Chairman


Michael Andersson
Managing director


Stephan Landesz


Jens Lauber


Jacobus van Dort

Our audit report has been signed 2017-
Deloitte AB

Harald Jagner
Authorized public accountant

AUDITOR'S REPORT

**To the general meeting of the shareholders of Halmstad Steel Service Centre AB
corporate identity number 559006-0058**

Report on the annual accounts

Opinions

We have audited the annual accounts of Halmstad Steel Service Centre AB for the financial year 2016-04-01 - 2017-03-31.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Halmstad Steel Service Centre AB as of 31 March 2017 and its financial performance for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of Halmstad Steel Service Centre AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate

the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions

are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Halmstad Steel Service Centre AB for the financial year 2016-04-01 - 2017-03-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of Halmstad Steel Service Centre AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other

matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Gothenburg 2017

Deloitte AB

Signature on Swedish original

Harald Jagner
Authorized Public Accountant