

“Corus Steel Service STP” Limited Liability Company

**Financial Statements
for the year ended 31 December 2016
and Auditor’s Report**
(Translated from the original in Russian -
unofficial translation)

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

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

- Balance sheet as at 31 December 2016;
- Statement of financial results for the year ended 31 December 2016;
- Appendices to the balance sheet and statement of financial results:
 - Statement of changes in equity for the year ended 31 December 2016;
 - Statement of cash flows for the year ended 31 December 2016;
 - Notes to the financial statements.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Russian accounting and financial reporting standards.

Basis for Qualified Opinion

As at 31 December 2016, the Company recorded a deferred tax asset in the amount of Russian Roubles 2 169 thousand (31 December 2015: Russian Roubles 2 661 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 in the future. This results in an overstatement of Deferred tax assets and in understatement of Accumulated deficit in the Company's balance sheet by Russian Roubles 2 169 thousand, and in overstatement of Deferred tax benefit in the statement of financial results by Russian Roubles 492 thousand (as at 31 December 2015 and for the year then ended: an overstatement of Deferred tax assets and an understatement of Accumulated deficit in the balance sheet by Russian Roubles 2 661 thousand, and an overstatement of Deferred tax benefit in the statement of financial results by Russian Roubles 1 220 thousand).

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1.2 to the financial statements, the Company has not carried out any business activities since the year ended 31 December 2011 and the resumption of business activities is not expected as of the date of approval of these financial statements. In addition, the Company's balance sheet shows a shareholder deficit. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern. Management's plans concerning these matters are also discussed in Note 1.2 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these the financial statements in accordance the Russian accounting and financial reporting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 internal control relevant to the 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 management.

UNOFFICIAL TRANSLATION

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a 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 financial statements or, if such disclosures are inadequate, to modify our opinion. 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Russian original signed by

Sabina Vladislavovna Uchvatova, team leader

2 October 2017

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 78 No. 007054092 issued on 06.04.2009 by the Interregional Inspectorate № 15 of the Russian Ministry of Taxes and Levies for St. Petersburg.

Primary State Registration Number: 1097847097776

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

Audit Firm: ZAO "Deloitte & Touche CIS"

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

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulated organization of auditors "Russian Union of auditors" (Association), ORNZ 11603080484.

BALANCE SHEET
as at 31 December 2016

		CODES	
Entity	"Corus Steel Service STP" LLC	Date (day, month, year)	31/12/2016
Type of activity	Wholesale of metals and metal ores	OKPO	60984505
Legal status / form of ownership	Limited Liability Company/ Owned by foreign legal entities	INN	7801493199
Unit	Thousand roubles	OKVED	51.52
Address	Office 503, Liter A, 34 Line 9 V. I., Saint-Petersburg, 199004, Russia	OKOPF/ OKFS	12165/23
		OKEI	384

Item description	Note	31 December 2016	31 December 2015	31 December 2014
ASSETS				
I. NON-CURRENT ASSETS				
Deferred tax assets	3.5	2 169	2 661	1 441
Total Section I		2 169	2 661	1 441
II. CURRENT ASSETS				
Accounts receivable	3.1	507	447	507
Cash		5 567	9 693	12 742
Other current assets		59	156	-
Total Section II		6 133	10 296	13 249
TOTAL ASSETS		8 302	12 957	14 690
EQUITY AND LIABILITIES				
III. CAPITAL AND RESERVES				
Charter capital	3.2	1 130	1 130	1 130
Accumulated deficit		(13 829)	(14 845)	(8 913)
Total Section III		(12 699)	(13 715)	(7 783)
V. CURRENT LIABILITIES				
Short-term borrowings	3.4	20 889	26 372	22 396
Accounts payable	3.3	-	210	4
Provisions		112	90	73
Total Section V		21 001	26 672	22 473
TOTAL EQUITY AND LIABILITIES		8 302	12 957	14 690

The Russian original signed by:

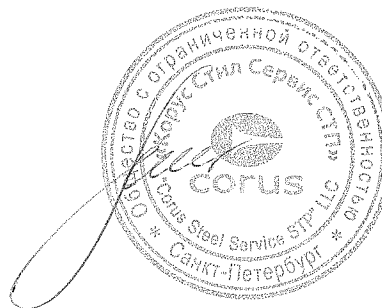
General Director

Starostin P.G.

General Director of "Acsour" LLC

Modeeva T.A.

2 October 2017



STATEMENT OF FINANCIAL RESULTS
for the year ended 31 December 2016

		CODES	
	Date (day, month, year)	31/12/2016	
Entity	"Corus Steel Service STP" LLC	OKPO	60984505
Type of activity	Wholesale of metals and metal ores	INN	7801493199
Legal status / form of ownership	Limited Liability Company/ Owned by foreign legal entities	OKVED	51.52
Unit	Thousand roubles	OKOPF/ OKFS	12165/23
		OKEI	384

Item description	Note	2016	2015
Administrative expenses	3.6	(2 598)	(2 311)
Loss from operating activities		(2 598)	(2 311)
Interest expenses		(948)	(931)
Other income	3.6	7 407	8 599
Other expenses	3.6	(2 353)	(12 509)
Profit/(loss) before income tax		1 508	(7 152)
Current income tax expense	3.5	-	-
including permanent tax liabilities		190	210
Deferred income tax (expense)/benefit	3.5	(492)	1 220
Net profit/(loss)		1 016	(5 932)
ADDITIONAL INFORMATION			
Comprehensive financial result for the period		1 016	(5 932)

The Russian original signed by:

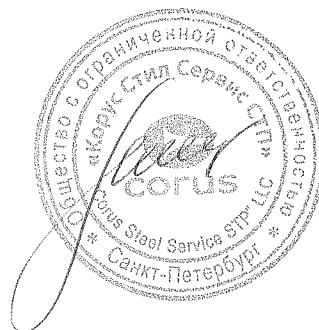
General Director

Starostin P.G.

General Director of "Acsour" LLC

Modeeva T.A.

2 October 2017



STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

		CODES	
	Date (day, month, year)		31/12/2016
Entity	"Corus Steel Service STP" LLC	OKPO	60984505
Type of activity	Wholesale of metals and metal ores	INN	7801493199
Legal status / form of ownership	Limited Liability Company/ Owned by foreign legal entities	OKVED	51.52
Unit	Thousand roubles	OKOPF/ OKFS	12165/23
		OKEI	384

CHANGES IN EQUITY

Item description	Charter capital	Accumulated deficit	Total
Balance at 31 December 2014	1 130	(8 913)	(7 783)
Net loss	-	(5 932)	(5 932)
Balance at 31 December 2015	1 130	(14 845)	(13 715)
Net profit	-	1 016	1 016
Balance at 31 December 2016	1 130	(13 829)	(12 699)

NET ASSETS

Item description	At 31 December 2016	At 31 December 2015	At 31 December 2014
Net assets	(12 699)	(13 715)	(7 783)

The Russian original signed by:

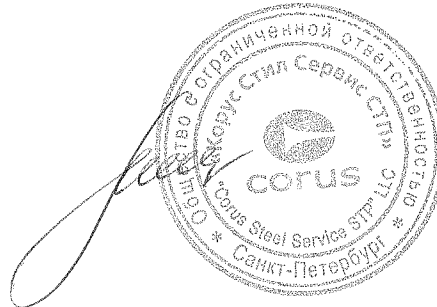
General Director

Starostin P.G.

General Director of "Acsour" LLC

Modeeva T.A.

2 October 2017



STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

		CODES	
	Date (day, month, year)	31/12/2016	
Entity	"Corus Steel Service STP" LLC	OKPO	60984505
Type of activity	Wholesale of metals and metal ores	INN	7801493199
Legal status / form of ownership	Limited Liability Company/ Owned by foreign legal entities	OKVED	51.52
Unit	Thousand roubles	OKOPF/ OKFS	12165/23
		OKEI	384

Item description	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Purchases of goods, works, services	(2 577)	(2 205)
Payroll	(293)	(219)
Interest payments on borrowings	(1 166)	(633)
Taxes payments	(129)	(66)
Other payments, contributions	(1)	(1)
Net cash outflow from operating activities	(4 166)	(3 124)
Net cash outflow for the reporting period	(4 166)	(3 124)
Cash at the beginning of reporting period	9 693	12 742
Cash at the end of reporting period	5 567	9 693
Effect of foreign exchange rate changes on cash	40	75

The Russian original signed by:

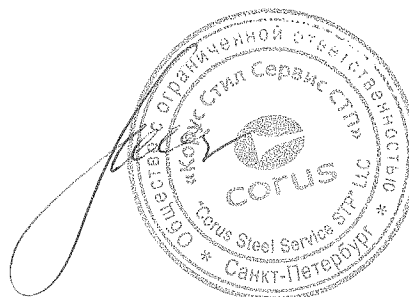
General Director

Starostin P.G.

General Director of "Acsour" LLC

Modeeva T.A.

2 October 2017



**NOTES TO THE FINANCIAL STATEMENTS OF
"CORUS STEEL SERVICE STP" LLC FOR THE YEAR ENDED 31 DECEMBER 2016****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 2016 and 2015, the founders and participants of the Company were 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 2016 and 2015 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 dated 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 Vsevolozhsk". In July 2011, LLC "Gestamp Severstal Vsevolozhsk" 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 2016, 2015 and 2014, the Company had a shareholder deficit in the amount of Russian Roubles ("RUB") 12 699 thousand, RUB 13 715 thousand and RUB 7 783 thousand respectively. Net current liabilities of the Company as at 31 December 2016, 2015 and 2014 amounted to RUB 14 868 thousand, RUB 16 376 thousand and RUB 9 224 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 5 567 thousand as of 31 December 2016).

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 RUB and the foreign currency at the date of the transaction.

At the reporting date, foreign currency cash in bank accounts, 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 on a gross basis 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 in production or other activity 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.

2.5. Gains recognition

Gains other than revenues from operating activities 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.

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 reporting periods. Deferred tax assets and deferred tax liabilities in the Company's balance sheet are presented on a gross basis. 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 2016, 2015 and 2014 comprise the following:

	<i>(RUB thousand)</i>		
	2016	31 December	
		2015	2014
Income tax prepayment	442	442	442
Advances to suppliers	64	4	64
Other receivables	1	1	1
Total	507	447	507

The amount of income tax prepayment in the amount of RUB 442 thousand as of 31 December 2016, 2015 and 2014 related to an overpayment for the year ended 31 December 2014. The reimbursement period for the amount is three years, which expires in 2017 (Note 6).

3.2. Charter capital

The Company's charter capital as at 31 December 2016, 2015 and 2014 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 2016, 2015 and 2014, the Company's charter capital is paid in full.

3.3. Accounts payable

Accounts payable as at 31 December 2016, 2015 and 2014 comprise the following:

	<i>(RUB thousand)</i>		
	<u>2016</u>	<u>31 December 2015</u>	<u>2015</u>
Trade payables	-	174	4
Other	-	36	-
Total	<u>-</u>	<u>210</u>	<u>4</u>

3.4. Borrowings

Borrowings as at 31 December 2016, 2015 and 2014 comprise the following:

	<i>(RUB thousand)</i>		
	<u>2016</u>	<u>31 December 2015</u>	<u>2014</u>
Loan received from a related party, principal amount	20 739	25 902	22 211
Accrued interest	150	470	185
Total	<u>20 889</u>	<u>26 372</u>	<u>22 396</u>

The Company's borrowings are represented with a loan received from Tata Steel Belgium Service N.V., a party under common control with the Company (Note 5) in amount of 325 000 euro.

The loan outstanding as at 31 December 2016 was repayable on 24 January 2017 and was subsequently rolled over (Note 6). Current borrowings outstanding as at 31 December 2015 and 2014 were rolled over during 2016 and 2015 respectively.

Interest rate is calculated as EURIBOR plus 2,75%. Interest expenses accrued in 2016 and 2015 in the amount of RUB 948 thousand and RUB 931 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 2016 and 2015 is calculated based on accounting records and comprises the following:

	<u>2016</u>	<u>(RUB thousand)</u> <u>2015</u>
Profit/(loss) before income tax	1 508	(7 152)
Income tax rate	20%	20%
Theoretical income tax (expense)/benefit	(302)	1 430
Permanent tax liability		
Non-deductible expenses	(190)	(210)
Total	<u>(190)</u>	<u>(210)</u>
Decrease/(increase) in deferred tax assets		
Tax loss carried forward	492	(1 220)
Total	<u>492</u>	<u>(1 220)</u>
Total current income tax	<u><u>-</u></u>	<u><u>-</u></u>

The deferred tax asset in the amount of RUB 2 169 thousand as at 31 December 2016 related to tax loss carried forward. In accordance with Russian tax legislation effective 1 January 2017, taxpayers can carry forward tax losses for an unlimited period of time. At the same time for 2017-2020 a restriction on the possibility of loss carryforward using the is introduced, according to which the taxpayer will have the right to reduce the taxable base of the current reporting period by no more than 50%. The Company considers it to be probable that future taxable profit will be available against which the unused tax losses can be utilised.

3.6. Additional disclosures to the statement of financial results

Administrative expenses for 2016 and 2015 comprise the following:

	<u>2016</u>	<u>(RUB thousand)</u> <u>2015</u>
Accounting fees	1 084	1 070
Consulting and audit fees	560	501
Insurance	329	103
Lease	343	361
Payroll	218	214
Other expenses	64	62
Total	<u>2 598</u>	<u>2 311</u>

Other income for 2016 and 2015 comprises the following:

	<u>2016</u>	<u>(RUB thousand)</u> <u>2015</u>
Foreign exchange gains	7 401	8 592
Other income	6	7
Total	<u>7 407</u>	<u>8 599</u>

Other expenses for 2016 and 2015 comprise the following:

	<u>2016</u>	<u>(RUB thousand)</u> <u>2015</u>
Foreign exchange losses	2 233	12 259
Other expenses	120	250
Total	<u>2 353</u>	<u>12 509</u>

3.7 Foreign exchange rates, gains and losses

The rates of the CBR effective as at the reporting date were as follows:

Currency	31 December		
	2016	2015	2014
Euro	63,8111	79,6972	68,3427

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

3.8 Leased property, plant and equipment

As at 31 December 2016, 2015 and 2014, 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 imposed. 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. The Company's management based on their understanding of tax legislation believes that all relevant taxes were properly accrued. Nevertheless tax authorities can differently interpret requirements of tax legislation, which can have a significant impact on the financial statements.

As at 31 December 2016 and 2015, 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

Cash flow from operating activities	<i>(RUB thousand)</i>	
	2016	2015
Interest payments	(1 166)	(633)

The total short-term remuneration paid to the General Director for 2016 amounted to RUB 196 thousand, social insurance contributions – RUB 59 thousand (2015: remuneration of RUB 196 thousand, social insurance contributions – RUB 59 thousand).

6. SUBSEQUENT EVENTS

In 2016, 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 October 2017. The Company's management expects further prolongation of the loan.

As of 31 December 2016, the Company had an income tax prepayment recorded in the amount of RUB 442 thousand (Note 3.1.). The limitation period for the overpayment reimbursement was to expire in 2017, however the Company did not apply for the reimbursement. As of the date of these financial statements, the limitation period has expired and the overpayment can no longer be reimbursed.

The Russian original signed by:

General Director

Starostin P.G.

General Director of "Acsour" LLC

Modeeva T.A.

2 October 2017

