

TRANSLATION

**Convenience translation
(only the original German version
is authoritative)**

**BAVARIA ELECTRODES GMBH
RÖTHENBACH A.D. PEGNITZ**

**SHORT-FORM AUDIT REPORT OF THE
FINANCIAL STATEMENTS
AS OF 31 MARCH 2021
AND OF THE MANGEMENT REPORT
FOR THE FISCAL YEAR 2020/21**

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Preliminary Remarks

This translation report is based on our report “Jahresabschluss zum 31. März 2021 und Lagebericht für das Geschäftsjahr 2020/21” dated 11 May 2021 which has been prepared in German language.

Should there be any doubt concerning the interpretation or the understanding of individual passages of the translation of the report or the contents of the translated documents, solely the original text in German language is authoritative.

AUDIT OPINION OF THE INDEPENDENT AUDITOR

To Bavaria Electrodes GmbH, Röthenbach a.d. Pegnitz

Audit Opinion

We have audited the annual financial statements of Bavaria Electrodes GmbH, Röthenbach a.d. Pegnitz, which comprise the balance sheet as at 31 March 2021, and the statement of profit and loss for the financial year from 1 April 2020 to 31 March 2021, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Bavaria Electrodes GmbH, Röthenbach a.d. Pegnitz, for the financial year from 1 April 2020 to 31 March 2021.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2021 and of its financial performance for the financial year from 1 April 2020 to 31 March 2021 in compliance with German legally required accounting principles and the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 para. 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the Audit Opinion

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional 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 audit opinions on the annual financial statements and on the management report.

Responsibilities of the Executive Directors for the annual financial statements and for the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 audit 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' 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

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to draw attention in the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our respective audit 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 be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

Munich, 11 May 2021

Altavis GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(signed)
Roller
Wirtschaftsprüfer
(Certified Public Auditor)

(signed)
Rettenmayr
Wirtschaftsprüfer
(Certified Public Auditor)

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**BAVARIA ELECTRODES GMBH
RÖTHENBACH A.D. PEGNITZ
BALANCE SHEET
AS OF 31 MARCH 2021**

<u>ASSETS</u>	<u>31 March 2021</u>	<u>31 March 2020</u>	<u>EQUITY AND LIABILITIES</u>	<u>31 March 2021</u>	<u>31 March 2020</u>
	EUR	EUR		EUR	EUR
<u>A. FIXED ASSETS</u>			<u>A. EQUITY</u>		
I. Intangible assets			I. Capital subscribed	100,000.00	100,000.00
Concessions. Industrial property rights acquired for a consideration as well as licences to such rights and values	9,905.00	4,574.00	II. Profit carried forward	312,876.29	88,030.10
II. Tangible assets			III. Net profit of the year	<u>134,121.93</u>	<u>224,846.19</u>
1. Land, land rights and buildings, including buildings on third-party land	2,500.00	0.00		546,998.22	412,876.29
2. Technical equipment and machines	21,205.00	17,357.00	<u>B. PROVISIONS AND ACCRUALS</u>		
3. Other Plants, office fixtures and fittings	<u>35,824.00</u>	<u>46,156.00</u>	1. Provisions for pensions and similar obligations	53,468.00	49,146.00
	<u>59,529.00</u>	<u>63,513.00</u>	2. Provisions for taxes	36,736.28	36,736.28
	69,434.00	68,087.00	3. Other provisions	<u>317,491.49</u>	<u>427,795.17</u>
<u>B. CURRENT ASSETS</u>				407,695.77	513,677.45
I. Inventories			<u>C. LIABILITIES</u>		
Raw materials, supplies and operating materials	565,262.03	727,258.13	1. Trade payables	893,295.95	458,346.27
II. Receivables and other assets			2. Liabilities due to affiliated undertakings	1,369,394.80	567,299.63
1. Trade receivables	5,187.35	2,558.00	3. Other liabilities	<u>27,430.11</u>	<u>0.00</u>
2. Receivables from affiliated undertakings	2,374,498.95	893,387.13	- thereof for taxes: EUR 27,430.11 (p.y.: EUR 0.00)	2,290,120.86	1,025,645.90
3. Other assets	<u>142,279.19</u>	<u>119,135.77</u>			
	<u>2,521,965.49</u>	<u>1,015,080.90</u>			
III. Cash, bank deposits and cheques	77,841.67	131,443.32			
	<u>3,165,069.19</u>	<u>1,873,782.35</u>			
<u>C. PREPAID EXPENSES</u>	10,311.66	10,330.29			
	<u>3,244,814.85</u>	<u>1,952,199.64</u>		<u>3,244,814.85</u>	<u>1,952,199.64</u>

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**BAVARIA ELECTRODES GMBH
RÖTHENBACH A.D. PEGNITZ
INCOME STATEMENT
FOR THE PERIOD FROM 1 APRIL 2020 TO 31 MARCH 2021**

	2020/21 EUR	2019/20 EUR
1. Sales	10,339,951.13	15,661,093.15
2. Other operating income - thereof from currency translation EUR 0.00 (p.y.: EUR 3,499.59)	81,450.33	90,057.07
3. Cost of materials		
a) Cost of raw materials, supplies, operating materials and acquired goods	-700,252.41	-1,028,406.46
b) Cost of services acquired	-3,413,704.53	-5,423,716.95
	-4,113,956.94	-6,452,123.41
4. Gross Profit	6,307,444.52	9,299,026.81
5. Personnel costs		
a) Wages and salaries	-2,610,177.34	-3,233,587.10
b) Social security and expenses for old age pensions and support - thereof for pensions EUR 12,702.95 (p.y.: EUR 3,673.72)	-508,008.05	-935,515.77
	-3,118,185.39	-4,169,102.87
6. Depreciation for intangible fixed assets and tangible assets	-26,775.95	-23,546.29
7. Other operating expenses - thereof from currency translation EUR 109.58 (p.y.: EUR 657.99)	-2,972,770.39	-4,784,972.21
8. Operating Income	189,712.79	321,405.44
9. Interest and similar expenses - thereof from compounding: EUR 1,278.00 (p.y.: EUR 1,578.00)	-1,281.15	-1,578.00
10. Financial result	-1,281.15	-1,578.00
11. Taxes on income and profit from ordinary business operations	-54,309.71	-94,981.25
12. Profit after tax	134,121.93	224,846.19
13. Net Profit of the year	134,121.93	224,846.19

Bavaria Electrodes GmbH, Roethenbach a. d. Pegnitz

Notes to the Annual Financial Statements for the Financial Year from 1 April 2020 to 31 March 2021

A. General Information

Bavaria Electrodes GmbH ("the Company") is domiciled in Röthenbach a. d. Pegnitz and incorporated in the Register of Companies HRB 21198 maintained by the local civil Court Nuremberg.

The annual financial statements of Bavaria Electrodes GmbH were prepared in accordance with the regulations of the German Commercial Code (HGB) and the Limited Liability Company Act (GmbHG).

For the income statement the total cost method according to Sec. 275 para. 2 HGB has been chosen. The company is a medium-sized company according to Sec. 267 para. 2 HGB.

B. Accounting policies

The accounting and valuation policies applied in the previous year were retained. The accounting and valuation of items in the balance sheet and income statement are based on the going concern assumption according to Sec. 252 para. 1 no. 2 HGB

The **fixed assets** acquired from the insolvency administrator of the Conradt Group, Dr. Pöhlmann, in August 2004 are valued at the acquisition costs, reduced by the regular straight-line depreciation assuming a remaining life of assets to be seven years for plant and machinery and ten years for building.

Newly acquired intangible assets and fixed assets are valued at the acquisition or production costs reduced by the straight-line depreciation. Assets manufactured in-house are valued according to the production costs considering adequate parts of the required general and administrative costs. Depreciation is done according to the current official tax depreciation tables. The useful economic lives remain between 3 and 12 years.

Low-value assets with product related acquisition costs of up to EUR 250.00 are depreciated completely in the year of acquisition and shown in the asset table as disposal. Fixed assets with acquisition costs between EUR 250.00 to EUR 1,000.00 are accumulated in a pool item. Depreciation is done in the year of purchase and the following four years. It is depreciated in the year it was recorded and the following four years and hence reducing profits.

Raw materials, supplies and operating materials are valued at their acquisition costs including the incidental acquisition expenses taking into account the lower of cost or market.

Accounts receivable and other assets are valued at their nominal value.

Cash on hand and bank balances are measured at nominal value.

The **prepaid expenses** relate to payments made before the reporting date, which represent expenses for a certain period after that date.

The **accruals for pensions and similar rights** are valued according to the projected-unit-credit method applying the tables 2018 G of Klaus Heubeck. An actuarial interest rate of 2.19 % and a pension's dynamic of 1.50 % are assumed. Sec. 253 para. 2 and para. 6 HGB were applied, using the average discount rate of the past 10 years. Consequently, the dividend payout restriction amount kEUR 5 and active difference amount to kEUR 7. This difference arises from regard of the average interest rate of the last 10 years respectively of the last 7 years (1.51 %).

Tax accruals and other accruals to cover any risk and expected/uncertain obligations are accounted in an amount required for the settlement on the basis of a reasonable commercial assessment and are recognized in consideration of the anticipated cost and price increase in the future. For short term accruals, the discounting option was not used.

Liabilities are accounted for in the balance sheet according to their settlement amount. Within the liabilities there are estimated costs for energy and gas, which are matched with overpayments.

Deferred taxes

For discrepancies between the commercial valuation on the one hand and the tax base of assets, debts and accrued and deferred items which can be expected to be settled in later financial years, according to Sec. 274 HGB, an overall tax burden resulting from these differences shall be shown in the balance sheet as deferred tax liabilities. Deferred taxes are valued with a combined tax rate of 28,075 %. This tax rate comprises corporation tax, business tax and solidarity tax. An overall tax relief resulting from these differences can be shown in the balance sheet as deferred tax assets. By exercising the option to capitalize deferred taxes no deferred tax assets are shown in the balance sheet.

All assets are evaluated carefully. Namely all risks and losses are included up to the accounting date, even those which are emerged between accounting date and compilation of the financial statement.

Income statement

Profits are only taken into the account, when they are realized up to the accounting date. Expenses / income are taken into the account independently from their payment date.

C. Comments on the balance sheet

Fixed assets

The development of the individual items of the fixed assets is stated in asset table attached to these notes.

Receivables and other assets

The receivables and other assets have a residual maturity of up to one year in fiscal year as well as in the previous year. The receivables against affiliated companies relate to receivables from supplies and services.

Deferred taxes

Deferred taxes on pension accruals are not capitalized, in accordance with Sec. 274 para. 1 Sentence 2 of the HGB.

Other reserves and accrued liabilities

The accrued liabilities mainly include accruals for personnel accruals in the amount of kEUR 249 (p.y.: kEUR 270), as well as outstanding invoices in the amount of kEUR 47 (p.y.: kEUR 138).

Payables due to affiliated companies

All liabilities have residual maturity of up to one year. Payables to affiliated companies are payables from supplies and services.

D. Comments on the income statement

Taxes on income

Taxes on income are related to trade tax (kEUR 24; py: kEUR 40) and corporation tax and solidarity surcharge in the amount of kEUR 31 (py: kEUR 48).

E. Other disclosures

Contingencies, Guarantees

As at 31 March 2021 no contingencies or guarantees exist.

Number of employees:

Blue-collar workers	81
White-collar workers	<u>9</u>
Total	90

Comments on the consolidated accounts

The annual financial statements of the company will be included in the consolidated accounts of Graphite International B. V., Rotterdam, Netherlands, which is a subsidiary of Graphite India Ltd., Kolkata, India. The consolidated accounts of Graphite India Ltd., Kolkata, India, the ultimate parent company, are published in India at National Stock Exchange and Bombay Stock Exchange in Bombay.

Management

In the financial year 2020/21, management was carried out by:

Adrian Nikolov Bojilov, Röthenbach / Pegnitz, Managing Director up to 28 February 2021

Sanjay Wamanrao Parnerkar, Kolkata, India, Managing Director

Lallan Prashad, Röthenbach / Pegnitz, Managing Director up to 25 November 2020

Stefan Seibel, Maintal, Managing Director since 4 May 2020

The company did not pay any compensation to the management. The compensations were paid by Bavaria Carbon Specialities GmbH, Röthenbach a.d. Pegnitz, and Graphite India Ltd., Kolkata, India.

Proposed appropriation of results

The net profit of the financial year and the retained profit shall be carried forward onto new account.

Supplementary report

In the past fiscal year, the novel coronavirus (SARS-COV-2) has spread to many countries and continues. The WHO has declared the outbreak of the virus a pandemic. The federal government has issued various regulations and codes of conduct in connection with the coronavirus. These affects both internal and external areas of the company and continue beyond the balance sheet date. All related financial effects on the net assets, financial position and results of operations as of 31 March 2021 have been recognized in the Company's financial statements. There are no other known events of particular significance that occurred after the end of the financial year and have a material impact on the presentation of the Company's situation for the reporting year.

Röthenbach a. d. Pegnitz, 11 May 2021

S. Seibel

S.W. Parnerkar

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DEVELOPMENT OF FIXED ASSETS DURING THE FINANCIAL YEAR 2020/21

EXHIBIT FOR THE NOTES

	AQUISITION COSTS				ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	1. Apr. 2020 EUR	Additions EUR	Disposals EUR	31. Mar. 21 EUR	1. Apr. 2020 EUR	Additions EUR	Disposals EUR	31. Mar. 21 EUR	31. Mar. 21 EUR	31. Mar. 20 EUR
I. INTANGIBLE ASSETS										
Concessions. Industrial property rights acquired for a consideration as well as licences to such rights and values	5,478.83	7,825.00	0.00	13,303.83	904.83	2,494.00	0.00	3,398.83	9,905.00	4,574.00
II. PROPERTY, PLANT AND EQUIPMENT										
1. Technical equipment and machines	233,875.05	11,805.49	0.00	245,680.54	216,518.05	5,457.49	0.00	221,975.54	23,705.00	17,357.00
2. Other equipment, factory and office equipment	399,204.90	8,492.46	0.00	407,697.36	353,048.90	18,824.46	0.00	371,873.36	35,824.00	46,156.00
	<u>633,079.95</u>	<u>20,297.95</u>	<u>0.00</u>	<u>653,377.90</u>	<u>569,566.95</u>	<u>24,281.95</u>	<u>0.00</u>	<u>593,848.90</u>	<u>59,529.00</u>	<u>63,513.00</u>
	<u>638,558.78</u>	<u>28,122.95</u>	<u>0.00</u>	<u>666,681.73</u>	<u>570,471.78</u>	<u>26,775.95</u>	<u>0.00</u>	<u>597,247.73</u>	<u>69,434.00</u>	<u>68,087.00</u>

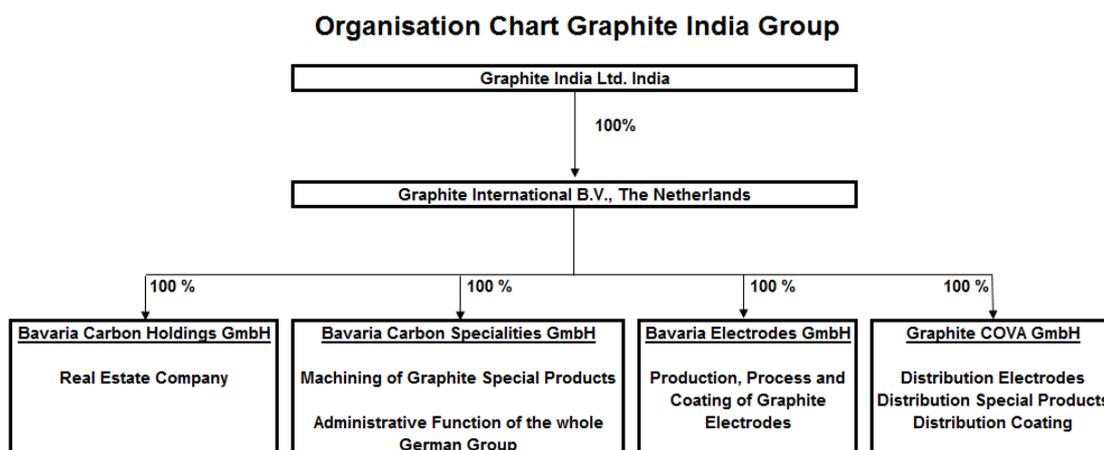
**Bavaria Electrodes GmbH
Röthenbach an der Pegnitz
Management Report for the business year
from 1 April 2020 until 31 March 2021**

1. Business Model of the Company

The main business of the Company is to manufacture Graphite Electrodes, Electrode Coating Services and other Miscellaneous Carbon and Graphite Products.

Graphite Electrode is used in electric arc furnace (EAF) based steel mills for conducting current and is a consumable item for the steel industry.

Group structure



Bavaria Electrodes GmbH is a wholly owned subsidiary of the Graphite International BV, the Netherlands, which is a wholly owned subsidiary of Graphite India Ltd. India. Bavaria Electrodes GmbH deals with only production of Graphite Electrodes, Electrodes Coating services and misc. Carbon and Graphite Products. The selling of these goods is only done by fellow group company Graphite Cova GmbH.

The company is located in Grünthal 1 - 6, D-90552 Röthenbach an der Pegnitz, Germany.

a) Business- and Market Conditions

Global crude steel production in 2020 is estimated at 1.86 billion tons and this number is forecasted to increase in 2021 in response to a further recovery from the Corona Pandemic and various stimuli acts across the globe.

By 2021, the demand for steel in emerging markets is estimated to exceed 1.3 million metric tons, with the majority of this demand from China and India. Yet, various tariff and non-tariff barriers across countries, as well as shortages in shipping vessels and containers, create frictional circumstances for the global steel trade.

Compared to CY 2019 the global crude steel production was almost 1% lower in CY 2020. The last few years have been marked by strong changes in the steel and graphite production driven by China.

However, 2020 was heavily influenced by the Corona Pandemic, which caused a shutdown of production and slow down of trade across the globe. An improvement was only noticeable starting Sept. 2020

In additional environmental measure to counter the climate change already to show an impact in supply chains. An effect to show greater impact in the next months and years as effort to counter global warming will increase.

Nevertheless, China continues in playing an influential role in the supply of crude steel and graphite electrodes on a global scale. Chinese producers are continuing their expansion efforts to other continents. China has recommissioned the former SGL's plant in Narni, Italy, under the name Sangraf International. The construction of another plant in Croatia is ongoing and expected to go on stream in 2022/23.

b) Research and Development

Graphite India Ltd. pursues research and development activities on an on-going basis at its in-house research and development centre engaged in the innovation of improved products and processes in the field of Graphite and Carbon. R & D initiatives are in areas of raw materials, productivity, process development, reduction in carbon emissions etc. Many of the cost savings achieved were significant and in compliance with the "pollution control and clean environment norms".

2. Overall Economic Report

a) Business Overview/Total Statement

At Bavaria Electrodes GmbH, Graphite Electrode production at 5,653 MT was lower as compared to 5,371 MT in 2019-20.

The Company earned profits of kEUR 134 during the year as against kEUR 225 in the previous year.

b) Economic Overall Situation and Trade Based Market Conditions

i. Economic Overall Situation Frame Conditions*

According to the Federal Statistical Office (Destatis), the price-adjusted gross domestic product (GDP) was 5% lower in 2020 than compared to the previous year. The German economy has been hit by the Corona Pandemic, as it happened around the globe. Thus the longest period of growth in united Germany came to an end.

It is expected that several stimulus packages will support the recovery process in 2021 and 2022. In addition Climate Change packages are also aimed to stimulate the industrial growth.

* Source: DE Statist

ii. Trade Based Frame Conditions*

Global crude steel production reached 1.864 million tonnes (Mt) for the year 2020, thus was about 0,9% lower compared to 2019.

The EU produced 138.8 Mt of crude steel in 2020, a decrease of 11.8% compared to 2019. Germany produced 35.7 Mt of crude steel in 2020, down 10.0% on 2019.

* Source: World Steel Association

c) Situation of the Company

i. Profitability Situation

Out of available capacity of 17,500 MT of Electrodes, the Company produced 5,653 MT (p.y. 5,371 MT).

FY 2020-21 continued to witness lower demand and depressed prices which started somewhere in mid-2019. Re-availability of low cost Chinese Electrodes and shutdowns and lower steel production due to Corona were the primary reasons behind such low demand for Electrodes in the European region.

Revenues during the current period decreased by 34%, this is due to lower processing costs and consequently lower sales value.

The lower processing costs were due to production being only in Graphitization. No fresh green production was done. Further, short work continued in FY2020/21 which also contributed to lower

costs. Further, lower repairs and maintenance due to low production activity also cause in reduced processing costs. As a result, the material costs decreased from kEUR 6,452 down to kEUR 4,114 by 36 %, the personnel costs from kEUR 4,169 down to kEUR 3,118 by 25 % and the other expenses from kEUR 4,785 down to kEUR 2,973 by 38 %. Due to the lower result, taxes also decreased (kEUR 54 thousand; p.y: kEUR 95).

As a result, net income of kEUR 134 (p.y. kEUR 225) was generated in financial year 2020/21.

Given the challenging circumstances, this is a satisfactory result.

ii. Financial Situation

Fixed assets remain nearly unchanged in comparison to prior year (kEUR 69; p.y. kEUR 68).

Due to increased electrode production as compared to last year inventory decreased by 22 % down to kEUR 565 and both receivables from (kEUR 2,375; p.y. kEUR 893) and payables to affiliated companies (kEUR 1,369; p.y. kEUR 567) increased.

Trade payables have increased in current period as compared to 2019/20 due to higher liabilities on account of Gas and Power driven by higher production.

Other accruals have decreased in current period compared to 2019-20 due to decrease in personnel related provisions.

As of 31 March 2021, the Company shows a bank balance of kEUR 78 (p.y. kEUR 131). The Company was able to meet its payment obligations at all times.

d) Financial and Non-financial Performance Factors

i. Financial Performance Factors

The company earned profit of kEUR 134 as against kEUR 225 in the previous year 2019-20.

The global market for graphite electrodes is dominated by a few producers. Lower demand in FY 2020-21 ensured that the Company could produce to the extent of around 32% in 2020-21 (p.y. 30 %).

ii. Non-Financial Performance Factors

Despite the low demand for graphite electrodes it was still possible to stabilize the quality in all aspects, including delivery and service. COVA is established in the world market and a well-recognized producer of high-quality graphite electrodes compared with the leading graphite electrode producers. Customer acceptance is encouraging. Confidence on the part of customers,

suppliers and authorities keeps on growing. The efforts to enlarge COVA's product range up to 600mm diameter electrodes is ongoing.

The technology of steel making has undergone significant advancements. Hence, in tune with the improved quality requirements of customers, it is imperative to scale up and modernize the production facility and to change the product mix focusing on larger electrode sizes.

Due to the crisis in the European market, the Company has already started entering new markets to increase the customer base.

iii. Environment

The changes in environmental regulations driven by the climate change initiative will further drive and influence Graphite COVAs commercial success and investments in this area.

iv. Employees

The Company continuously engages itself in employee related interests. It ensures that the compensation packages for individuals are up to normal industry standards as well as ensures that these individuals are always up to date with respect to the skills required of them. Fire Training is constant at our facility as well as other workshops for skill upgradation. In FY 2020-21, the following trainings were held

- Training on Heat exchangers was provided to employees of Speciality division in co-ordination with Graphite India.
- Robot Programming training was done for some employees in Electrodes Machine Shop
- Course on CAD and CAM was done for employees in Specialities Machine Shop
- Seminar on Year end change was conducted for employees in HR through AOK
- Seminar on Energy for employees looking after Energy related matters

v. Comparison to Previous Year

In the management report for the previous year, the Company expected more or less the same production level in 2020-21 compared to 2019-20 and given that, both sales and annual result for 2020-21 to remain stagnant. However, 2020-21 financial results did not meet the budgeted expectations.

Certain divisions of the Company were sent on Short Work because the demand for Electrodes continued to slowing down. As such, the Company using the option for Short Work since July 2019. The Company also expects some Short Work in upcoming FY 2021-22.

3. Forecast, Chance and Risk Report

A) Forecast Report

The market for FY 2021-22 is still seems to be improving and a clear indication on rise in prices has been seen. Given that, the Company is planning with higher demand of electrodes in 2021/22 as in 2020/21 and so higher production. Hence, the Management expects revenues in the range between EUR 17 mio. and EUR 20 mio. and due to higher costs for i.e. needle coke with a result (before taxes) between EUR 0 and EUR 0.8 mio.

It cannot be excluded that the actual business may diverge from expectations, because of some unforeseeable developments in the economic and commercial environment of the market due to the Coronavirus Pandemic.

B) Risk Report

i. Risk Management System

The company is integrated into the risk management system of the parent company. The implemented risk management system of the company uses appropriate management tools and indicators in the key areas sales and earnings development, raw material management, sales and production control as well as financing and securing of liquidity.

The integrated early detection system based on rolling budgeting is aimed at the early identification of business risks, to analyse and to classify them, to be able to handle issues, which threaten the existence, in time. The management receives information on risk-relevant issues in regular reports. Depending on requirements, supplementary reports to individual circumstances can be created.

Based on the controlling reports and rolling expansions for the current business year all significant developments are presented and explained in detail by the department heads in regular meetings with the management, the current risk situation is discussed and appropriate measures to control the development of the company are defined.

The business development of the company is regularly discussed and coordinated with the parent company Graphite India.

ii. General Risks

It is undeniable that business projections have an inherent element of uncertainty of unknown elements like sudden reversal of positive trends leading to economic slowdown resulting in possible negative growth for steel, automotive and infrastructure industries slowing down, which in turn may adversely impact the prospects for our industry.

It is not only the steel industry that plays a quite decisive role, but also the development in raw material and energy prices as well as the market leaders' pricing policy influence our performance.

iii. Specials Risks

a) Market Risks

The consolidation and restructuring of the Graphite Electrode market is continuing. China is increasing its production foot print within Europe, by the takeover of former SGL Plant Narni, in Italy, and building a new facility in Croatia. This will further increase the pressure on COVA to operate on a global scale.

In 2017, SGL decided to sell its electrode production. The plants in Europe and Malaysia were sold to SDK and the plants in the U.S. were sold to Tokai, Japan. This way a new giant emerged – SDK – with approx. 255,000 MT of electrode production.

Because of the reduced total demand for electrodes in Europe and the continuously growing import of Chinese electrodes in this market in the past, the Company has started extending the market outside Europe. The increased share of sales to customers outside of Europe has shown first positive results. The Group markets Graphite Electrodes under the brand name of 'COVA', which has good acceptance in the market and is considered amongst the established quality leaders.

Summarising the risk factors, the Company expects that the steel industry will improve further from the impact of Corona Pandemic and that countries around the globe will launch stimuli packages to support economic growth.

An additional impact might come from the Anti-Dumping case against Chinese imports in Europe.

b) Sales Risks

The product Graphite Electrode involves various manufacturing processes and hence needs to be produced as per requirement of the Customers. Production planning is based on expected market developments from the global steel industry and specific requirements of the major steel

industry customers. Risks may occur when the actual demand for graphite electrodes deviates from our expectation / forecast, in particular if the situation in China is changing.

c) Risks from Energy- and Raw Material Prices

Company has ensured the supply of basic raw materials like calcined petroleum coke, binder pitch and impregnation pitch and contracts for regular supply of them are renewable before the end of the existing contracts. The Company has also signed the contract for supply of utilities like gas and power.

The main raw materials are either petroleum based or coal based. The price of crude and coal and its direct impact on its derivative materials like needle coke, pitch, furnace oil, met coke, etc. will all tend to influence the input cost in a major way.

The Company does not see any problem in getting raw materials.

d) COVID-19

The Company has continued with its proactive approach to the COVID-19 crisis. The Company has always introduced protective measures at an early stage and always adopted to the changed situation.

Thus the impact of COVID 19 to our employees, customers and our operations as remained on a very limited and low level.

First signs of improvement in demand have been noticed already. The implemented Short Work Scheme has ended in January 2021 with preparations to restart production in Green-Shop.

e) Risks resulting from the use of financial instruments

The company is not using any external financing, therefore there is no material interest rate risk. Furthermore, the only customers are other group companies, therefore the default risk is considered low. Revenues and expenses are only generated in EUR, hence there is no currency risk.

C) OPPORTUNITY REPORT

Through the involvement of society in the globally active group of Graphite India, additional market opportunities generated outside Europe and cost benefits from the globally organized production network. The Company expects significant benefits from the consolidation of the industry in the next one to two years.

Climate Change Initiative might seem a threat to our energy heavy industry but could also have a positive impact in many ways. Coating business is one area where there will be improvement due to its energy efficient application. Further, other initiatives as Sewage Sludge Incineration will further reduce energy requirements at COVA.

Employee retention is very good and most employees have been with the company for a long time.

Acknowledgement

The Management takes this opportunity to place on record its appreciation of the assistance and support extended by all government authorities, consultants, solicitors, customers, vendors and others. Special thanks to the banks for having shown their confidence in the company. The Management also expresses its appreciation for the dedicated and sincere services rendered by employees of the Company.

A special acknowledgement to the technical team and management of Graphite India for extending support from time to time during the year.

Röthenbach an der Pegnitz, 11 May 2021

S. Seibel

S. W. Parnerkar

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translator's Note: The German term "*Textform*" means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.