Translation

Convenience translation
(only the original German version is authoritative)

GRAPHITE COVA GMBH

RÖTHENBACH A.D. PEGNITZ

SHORT-FORM REPORT OF THE FINANCIAL STATEMENTS AS OF 31 MARCH 2020 AND OF THE MANGEMENT REPORT FOR THE FISCAL YEAR 2019/20

Preliminary Remarks

This translation report is based on our report “Prüfung des Jahresabschlusses zum 31. März 2020 und des Lageberichts für das Geschäftsjahr 2019/20” dated 11 May 2020 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.

Translation

AUDIT OPINION OF THE INDEPENDENT AUDITOR

To Graphite COVA GmbH, Röthenbach a.d. Pegnitz

Audit Opinion

We have audited the annual financial statements of Graphite COVA GmbH, Röthenbach a.d. Pegnitz, which comprise the balance sheet as at 31 March 2020, and the statement of profit and loss for the financial year from 1 April 2019 to 31 March 2020, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Graphite COVA GmbH, Röthenbach a.d. Pegnitz, for the financial year from 1 April 2019 to 31 March 2020.

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 2020 and of its financial performance for the financial year from 1 April 2019 to 31 March 2020 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.

Translation

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.

Translation

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 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.

Translation

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 2020

Altavis GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(signed)	(signed)
Roller	Rettenmayr
Wirtschaftsprüfer	Wirtschaftsprüfer
(Certified Public Auditor)	(Certified Public Auditor)

Translation

GRAPHITE COVA GMBH
RÖTHENBACH A.D. PEGNITZ
BALANCE SHEET
AS OF 31 MARCH 2020

ASSETS

	31 March 2020	31 March 2019
A. FIXED ASSETS		
I. Intangible assets		
Concessions, Industrial property rights acquired for a consideration as well as licences to such rights and values	2,130.00	4,097.00
II. Tangible assets		
1. Land, land rights and buildings, including buildings on third-party land	3,815.00	4,252.00
2. Technical equipment and machines	3,057,426.00	3,317,642.00
3. Other Plants, office fixtures and fittings	450,159.00	414,783.00
4. Down-payments made and plants under construction	839,118.20	731,708.35
	4,350,518,20	4,468,385.35
	4,352,648,20	4,472,482.35
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials, supplies and operating materials	16,455,350.85	23,912,903.90
2. Unfinished products, unfinished services	19,567,809.64	14,898,800.03
3. Finished goods and merchandise	8,009,478.47	6,183,993.32
	44,032,638.96	44,995,697.25
II. Receivables and other assets		
1. Trade receivables	7,245,426.06	24,434,231.55
2. Receivables from affiliated undertakings	937,359.80	877,954.13
3. Other assets	1,891,802.34	452,372.41
	25,764,558.09	25,764,558.09
III. Cash, bank deposits and cheques	6,569,718.08	47,667,881.43
C. PREPAID EXPENSES	35,661.84	40,700.84
	65,065,255.28	122,941,319.96

EQUITY AND LIABILITIES

	31 March 2020	31 March 2019
A. EQUITY		
I. Capital subscribed	4,000,000.00	4,000,000.00
II. Capital reserves	12,320,000.00	12,320,000.00
III. Profit carried forward; loss carried forward	15,445,575.02	-4,043,600.70
IV. Loss / Profit of the year	-1,231,341.17	71,812,513.81
V. Dividend paid out	0.00	-7,500,000.00
	30,534,233.85	76,588,913.11
B. PROVISIONS AND ACCRUALS		
1. Provisions for pensions and similar obligations	23,852.00	21,149.00
2. Provisions for taxes	21,434,793.10	22,907,159.47
3. Other provisions	288,957.89	218,378.27
	21,747,602.99	23,146,686.74
C. LIABILITIES		
1. Trade payables	672,095.67	7,348,255.99
2. Liabilities due to affiliated undertakings	8,468,344.24	12,714,503.21
3. Liabilities due to shareholders	3,601,070.85	3,016,160.53
4. Other liabilities	41,907.68	126,800.38
- thereof for taxes: EUR 0.00 (pr. yr.: EUR 68,127.88)	12,783,418.44	23,205,720.11
	65,065,255.28	122.941.319.96

Translation

GRAPHITE COVA GMBH
RÖTHENBACH A.D. PEGNITZ
INCOME STATEMENTS
FOR THE PERIOD FROM 1 APRIL 2019 TO 31 MARCH 2020

	2019/2020	2018/2019
	EUR	EUR
1. Sales	51,875,489.47	162,082,493.05
2. Increase or decrease in the inventory of finished products and work in progress	6,494,494.76	14,561,525.75
3. Other operating income	457,762.62	1,168,918.18
- thereof for exchange rate gains: EUR 40,517.39 (pr. yr.: EUR 1,087,520.86)		
4. Cost of materials		
a) Cost of raw materials, supplies, operating materials and acquired goods	-33,860,695.29	-42,749,635.74
b) Cost of services acquired	-19,562,172.91	-23,876,281.57
5. Gross Profit	5,404,878.65	111,187,019.67
6. Personnel costs		
a) Wages and salaries	-879,109.67	-792,304.76
b) Social security and expenses for old age pensions and support	-181,036.17	-167,410.58
- thereof for old age pensions: EUR 2,054.00 (pr. yr.: EUR 1,951.00)		
	-1,060,145.84	-959,715.34
7. Depreciation for intangible fixed assets and tangible assets	-698,089.40	-646,743.32
8. Other operating expenses	-5,185,442.29	-10,016,223.01
- thereof for exchange rate losses: EUR 90,431.98 (pr. yr.: EUR 57,461.39)		
9. Operating Income	-1,538,798.88	99,564,388.00
10. Other interest and similar income	202,913.52	226,097.98
11. Interest and similar expenses	-3,516.27	-149,261.03
- thererof from compounding: EUR 649.00 (p.y.: EUR 662.00)		
- thererof to affiliated companies: EUR 2,693.00 (p.y.: EUR 71,090.99)		
12. Financial Result	199,397.25	76,836.95
13. Taxes on income and profit from ordinary business operations	112,721.25	-27,823,615.78
- thereof expense from deferred taxes EUR 0,00 (p.y.: EUR 5,796,590.28)		
14. Profit after taxes	-1,226,680.38	71,817,559.17
15. Other taxes	-4,660.79	-5,045.36
16. Profit / Loss carried forward	15,445,575.02	-4,043,600.70
17. Dividend paid out	0,00	-7,500,000.00
18. Net result for the year	14,214,233.85	60,268,913.11

Translation

GRAPHITE COVA GMBH, ROETHENBACH A.D. PEGNITZ
NOTES TO ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR
1. APRIL 2019 TO 31. MARCH 2020

A. General Information

Graphite Cova GmbH ("the Company") is domiciled in Röthenbach a. d. Pegnitz and incorporated in the Register of Companies HRB 21271 maintained by the local civil Court Nuremberg.

The annual financial statements of Graphite Cova 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 in accordance with § 275 para. 2 HGB was applied. The company is a big-sized company according to § 267 para. 3 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 § 252 para. 1 No. 2 HGB.

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

Newly acquired **intangible assets and fixed assets** are valued at the acquisition 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 lifes 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 a disposal. Capital assets with acquisition costs from 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.

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

Work-in-process and finished products are valued at lower of production cost and net realizable value. The production costs contain, apart from the product related costs, parts of the required material and production related general and administrative costs.

Accounts receivable and **other assets** are accounted with nominal values. Individual risks are considered by valuation allowances. Receivables from deliveries and services are for the most part covered by a credit insurance.

Cash on hand and **bank balances** were measured at nominal value.

Translation

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 using the projected-unit-credit method applying the tables 2018 G of Klaus Heubeck. An interest rate of 2.60 %, a pensions dynamic of 1.50 % are assumed. § 253 para. 2 sentence 1 and para. 6 HGB were applied, using the average discount rate of the past 10 years. Consequently, the total dividend payout restriction amounts to kEUR 2 and active difference amounts to KEUR 3. This difference arises from regard of the averages interest rate of the last ten 10 years respectively of the last 7 years (1.88 %).

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

The **liabilities** are entered in the balance sheet according to their settlement amount. All liabilities are short-term.

Foreign currency translation

The conversion of receivables and liabilities in foreign currencies is based on the principles of § 256a HGB [German Commercial Code]. Receivables and liabilities denominated in foreign currency are translated at the average spot exchange rate at the date of the initial account entry and are later converted at the average spot exchange rate on balance sheet date. For maturities longer than 1 year, the principles of lower acquisition costs and realization are adhered.

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 expected to be settled in later financial years, according to § 274 HGB [German Commercial Code], an overall tax burden resulting from these differences shall be shown in the balance sheet as deferred tax Asset. 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. Outgo / income are taken into the account independently from their payment date.

C. Comments on the balance sheet

Fixed assets

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

Translation

Receivables and other assets
The receivables and other assets have a residual maturity of up to one year in the business year as well as in the previous year. The other assets mainly include receivables from VAT amounting to kEUR 688 and overpayments of corporation Tax (kEUR 703) and trade tax (kEUR 428). The receivables against affiliated companies and shareholders relate to receivables from supplies and services. In the previous year the company built up accruals for Trade tax in the amount of kEUR 9,681 and for corporate tax in the amount of kEUR 11,754.

Other reserves and accrued liabilities
The accrued liabilities mainly consist personnel accruals (kEUR 41, p.y. kEUR 63) and outstanding invoices (kEUR 140, p.y. kEUR 114)

Receivables and other assets
There are no security interest on the receivables and other interest.

Payables due to affiliated companies
Payables due to affiliated companies are related to payables for supplies and services and are short term.

Liabilities to shareholders
Liabilities to shareholders concern liabilities in connection with patent fees respectively the Trademark (kEUR 3,601, p.y. kEUR 3,016).

D. Comments on the income statement

Revenues divided into geographic regions:

Revenues	2019/2020	2018/2019
	kEUR	kEUR
Domestic	10,878	28,886
European Union	27,374	84,298
Other countries	12,797	47,919
Intercompany business	886	979
	51,875	162,082

Revenues divided into areas of operation:

Revenues	2019/2020	2018/2019
	kEUR	kEUR
Electrodes	39,025	147,969
Special Graphite	9,878	10,625
Coating	2,152	2,668
Intercompany lease	820	820
	51,875	162.082

Other operating income and expenses
The other operating income includes income of kEUR 12 (py. kEUR 15) and the other expenses include kEUR 13 (py. kEUR 15) relating to other periods.

Raw Materials and Supplies
Raw Materials and supplies add up to kEUR 53,561 (py. kEUR 67,190) and is mainly a result of operating supplies and ordered benefits.

Translation

Interest Income	**2019/2020 kEUR**	**2018/2019 kEUR**
Interest and similar earnings	203	226
(there of affiliate companies)	7	7
Interest and similar expenses	4	149
(there of affiliate companies)	3	71
(there of compounding)	1	1
	199	77

E. Other disclosures

Contingencies, Guarantees, other financial obligations
The company has operating lease arrangements for vehicles including operating vehicles with tenures ranging between three and six years. Operating lease rentals for the financial year 2019/2020 would be kEUR 83 (py. kEUR 118) and until the tenure of the leasing another kEUR 309 (py. kEUR 345).
The lease contracts are operating Leasing contracts and therefore businesses outside of the balance sheet according § 285 sec. 3 HGB. The advantages are the financing as well as the calculability of the costs, disadvantages result from the longer binding to a contract partner.

There are no other contingent liabilities, guarantees or other financial obligations.

Number of employees:
The average number of employees during the year 2019/20 was 16 white-collar workers (blue-collar: 0).

Fees to the Auditors

The company will pay for auditing purpose an amount of kEUR 37.

Comments on the consolidated accounts
The annual accounts of the company will be included in the consolidated accounts of Graphite International B. V., Rotterdam, The 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 Mumbai.

Management board
During the financial year 2019/2020, the management was carried out by:

Adrian Nikolov Bojilov, Röthenbach / Pegnitz, Managing Director
Nitin Shridharrao Deshpande, Nasik, India, Managing Director (up to 31 July 2019)
Sanjay Wamanrao Parnerkar, Kolkata, India, Managing Director
Lallan Prashad, Röthenbach / Pegnitz, Managing Director
Stefan Seibel, Maintal, Managing Director (starting 04 May 2020)

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

Translation

Proposed appropriation of results

The proposed appropriation of the last year`s results has not been implemented. In lieu thereof the shareholder decided to distribute dividends in the amount of USD 40,000,000.00 (EUR 35,663,338.09) and EUR 9,160,000.00. These dividends were transferred at 16 and 17 July 2019.

The net loss of year in the amount of EUR 1,231,341.17 and the retained profit in the amount of EUR 15,445,575.02 shall be carried forward onto new account.

Events after balance sheet date

Due to the CORONA pandemic Graphite COVA GmbH reduced the business step by step starting on 20 March 2020. From 27 March 2020 to 19 April 2020 the business was completely stopped. Starting on 20 April 2020 the business has been restarted step by step. However, due to COVID-19, deliveries of orders of approx. 250 – 300 MT were postponed to 2020/21. Further, orders of approx. 350 -400 MT were cancelled due to Plant Closures at their end. The Company expects the production and demand to remain subdued and the situation of Short Work to continue up to September 2020. Further financial effects of the CORONA pandemic are currently not yet anticipated.

Röthenbach an der Pegnitz, 11 May 2020

A. N. Bojilov S. W. Parnerkar L. Prashad S. Seibel

Translation

EXHIBIT FOR THE NOTES

DEVELOPMENT OF FIXED ASSETS DURING THE FINANCIAL YEAR 2019/20

	AQUISITION COSTS					ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	1. Apr. 2019 EUR	Additions EUR	Reclassifications EUR	Disposals EUR	31. Mar. 20 EUR	1. Apr. 2019 EUR	Additions EUR	Disposals EUR	31. Mar. 20 EUR	31. Mar. 20 EUR	31. Mar. 19 EUR
INTANGIBLE ASSETS											
Concessions. Industrial property rights acquired for a consideration as well as licences to such rights and values	36,598.73	0.00	0.00	0.00	36,598.73	32,501.73	1,967.00	0.00	34,468.73	2,130.00	4,097.00
PROPERTY, PLANT AND EQUIPMENT											
Plant	4,361.34	0.00	0.00	0.00	4,361.34	109.34	437.00	0.00	546.34	3,815.00	4,252.00
Technical equipment and machines	12,633,436.97	352,596.70	0.00	0.00	12,986,033.67	9,315,794.97	612,812.70	0.00	9,928,607.67	3,057,426.00	3,317,642.00
Other plants, office fixtures and fittings	849,574.78	118,898.70	0.00	-20,746.00	947,727.48	434,791.78	82,872.70	-20,096.00	497,568.48	450,159.00	414,783.00
Prepayments and assets under construction	731,708.35	107,409.85	0.00	0.00	839,118.20	0.00	0.00	0.00	0.00	839,118.20	731,708.35
	14,219,081.44	578,905.25	0.00	-20,746.00	14,777,240.69	9,750,696.09	696,122.40	-20,096.00	10,426,722.49	4,350,518.20	4,468,385.35
FINANCIAL ASSETS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	14,255,680.17	578,905.25	0.00	-20,746.00	14,813,839.42	9,783,197.82	698,089.40	-20,096.00	10,461,191.22	4,352,648.20	4,472,482.35

Translation

Graphite Cova GmbH
Röthenbach an der Pegnitz

Management Report for the business year from 1 April 2019 until 31 March 2020

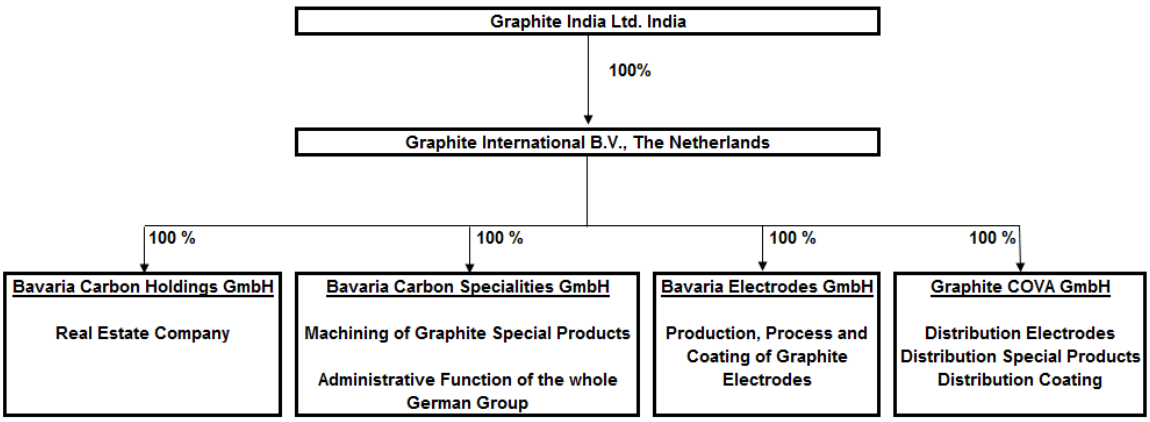
1. Business Model of the Company

The main business of the Company is to manufacture and market Graphite Electrodes, Speciality Products, 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. Graphite Electrodes remain the main source of revenue for the Company.

Group Structure

Organisation Chart Graphite India Group



Graphite Cova is a wholly owned subsidiary of Graphite International BV, the Netherlands, which is a wholly owned subsidiary of Graphite India Ltd., India. Graphite Cova deals with purchases of raw materials and the sale of finished goods to customers. Graphite Cova provides raw materials to group companies Bavaria Electrodes GmbH and Bavaria Carbon Specialities GmbH, for processing of finished goods i.e. graphite electrodes, specialities products, etc.

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

Translation

a) Business- and Market Conditions

Global Steel production was 3.4% higher in CY 2019 compared to CY 2018. However, this was still lower compared to CY 2007 period before the outbreak of the economic crisis in 2008-09. The last few years have been marked by strong changes in the steel and graphite production driven by China.
China initiated drastic environmental protection measures at the end of 2017. Among other industries, steel and graphite were also affected. At that time, China was producing about 90% of the steel in blast furnaces (BOF) and only about 10% in electric arc furnaces (EAF). There is a clear tendency in China to increase the proportion of steel from EAF. In 2017, 81 million MT of steel were produced in EAF. In 2018, the capacity of the EAF was increased to 150 million MT, but only 108 million MT were produced. In 2019, the capacity of the EAF was increased to 177 million MT. A further increase in the capacity of the EAF by 40 million MT of steel is planned for the period 2020-25. In 2025, the amount of steel produced in EAF is expected to reach 150 million MT. Full use of the installed capacity cannot yet be achieved due to the scarcity of domestic scrap.
The quantity of electrode quantities produced in China is often given as 1.1 to 1.3 million MT (all electrode qualities). Chinese sources of information are somewhat more precise and state that the nominal electrode capacity is 1.1 million MT. After 2017, 21 companies with a total capacity of 473,000 MT were completely or partially shut down. The total effective capacity was around 630,000 MT in 2018. According to unconfirmed information, China plans to produce 1.1 million MT of graphite electrodes again in 2021. Chinese producers are already expanding in other continents. They have already taken over SGL's already decommissioned plant in Narni, Italy. Another plant in Croatia is currently under construction. Another project will soon be launched in the USA.

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

Graphite Electrode production at 5,371 MT (metric ton) was lower as compared to 13,319 MT in 2018 - 19 and sales at 5,197 MT were lower as compared to 12,037 MT in 2018 - 19. In addition to this pitch impregnated electrodes sold to Graphite India Limited was NIL compared to 30 MT in 2018-19. Specialties sales at kEUR 9,878 in 2019-20 compared to kEUR 10,625 in 2018-19 were lower by 7.03%.

Translation

Revenue from coating services in 2019 - 20 was lower by 19.34% compared to previous year. The Company made a loss after tax of kEUR 1,231 compared to a previous year profit after tax of kEUR 71,813.

The quantitative fall in Sales has no direct link with fall in production levels of Crude Steel in Germany. We deliver Electrodes in several countries. The proportion of Electrodes supplied to German customers varies between 10-20%. In FY 2019-20, this share was 20%.

b) Economic Overall Situation and Trade Based Market Conditions

i.Economic Overall Situation Frame Conditions*

According to first calculations of the Federal Statistical Office (Destatis), the price-adjusted gross domestic product (GDP) was 0.6% higher in 2019 than in the previous year. The German economy thus has grown for the tenth year in a row. This has been the longest period of growth in united Germany. However, growth lost momentum in 2019. In the previous two years, the price-adjusted GDP grew much more strongly (by 2.5% in 2017 and by 1.5% in 2018). Compared with the average of the last ten years (+1.3%), the German economic growth in 2019 was lower.

Growth in 2019 was mainly supported by consumption expenditure. Household final consumption expenditure rose by a price-adjusted 1.6% on the previous year, government final consumption expenditure by 2.5%. This means that the increase in household and government final consumption expenditure was larger than in the previous two years (household final consumption expenditure +1.3% year on year both in 2017 and in 2018; government final consumption expenditure +2.4% in 2017 and +1.4% in 2018, year on year).

The price-adjusted gross investments lowered overall by 1.7 % compared to the previous year. Investments in equipment were only 0.4 % higher than in the previous year. Construction investments increased by 3.8%.

The price-adjusted exports of goods and services were 0.9 % higher than in 2018. Imports increased more strongly by +1.9 % in the same period.

On the production side, almost all sectors of the economy made a positive contribution to economic development in 2019.

* Source: DE Statis

Translation

ii.Trade Based Frame Conditions*

Global crude steel production reached 1,869.9 million tonnes (Mt) for the year 2019, up by 3.4% compared to 2018. Crude steel production contracted in all regions in 2019 except in Asia and the Middle East.

Asia produced 1,341.6 Mt of crude steel in 2019, an increase of 5.7% compared to 2018. China's crude steel production in 2019 reached 996.3 Mt, up by 8.3% on 2018. China's share of global crude steel production increased from 50.9% in 2018 to 53.3% in 2019. India's crude steel production for 2019 was 111.2 Mt, up by 1.8% on 2018. Japan produced 99.3 Mt in 2019, down 4.8% compared to 2018. South Korea produced 71.4 Mt of crude steel in 2019, a decrease of 1.4% compared to 2018.

The EU produced 159.4 Mt of crude steel in 2019, a decrease of 4.9% compared to 2018. Germany produced 39.7 Mt of crude steel in 2019, a decrease of 6.5% on 2018. Italy produced 23.2 Mt in 2019, down by 5.2% on 2018. France produced 14.5 Mt of crude steel, a decrease of 6.1% on 2018. Spain produced 13.6 Mt of crude steel in 2019, a decrease of 5.2% on 2018.

Crude steel production in North America was 120.0 Mt in 2019, 0.8% lower than in 2018. The US produced 87.9 Mt of crude steel, up by 1.5% on 2018.

The CIS produced 100.4 Mt, a decrease of 0.5%. Russia produced 71.6 Mt of crude steel in 2019, down by 0.7% on 2018. Ukraine produced 20.8 Mt of crude steel in 2019, a decrease of 1.2% compared to 2018.

The Middle East produced 45.3 Mt of crude steel in 2019, an increase of 19.2% on 2018.

Annual crude steel production for South America was 41.2 Mt in 2019, a decrease of 8.4% on 2018. Brazil produced 32.2 Mt in 2019, down by 9.0% compared to 2018.

Turkey's crude steel production for 2019 was 33.7 Mt, down by 9.6% on 2018.

Africa produced 17.0 Mt in 2019, down 2.3% on 2018.

Oceania produced 6.2 Mt, down 2.9% on 2018.

* Source: World Steel Association

In 2020*:

<u>April 2020 SRO postponement</u>

In light of the unprecedented disruptions of the COVID-19 pandemic, World Steel has taken the decision not to publish its April Short Range Outlook (SRO) for steel demand this month.

Translation

The current plan is to release a full SRO in early June when World Steel trusts the markets will have stabilised somewhat, as it is doing in China.

* Source: World Steel Association

c) Situation of the Company

i. Profit Situation

	2019-20 kEUR	% with sales	2018-19 kEUR	% with sales
Net Sales	51,875		162,082	
Other Income	458		1,169	
Total Income	52,333		163,251	
Operating Expenses	53,178	**102.51**	63,034	**38.89**
PBIDT	-845	**-1.63**	100,207	**61.83**
Interest	-199	**0.38**	77	**0.04**
PBDT	-646	**-1.25**	100,284	**61.87**
Depreciation	698	**-1.35**	647	**0.40**
PBT	-1,344	**-2.59**	99,637	**61.47**
Tax	-113	**0.22**	27,824	**17.17**
PAT	-1,231	**-2.37**	71,813	**44.31**
Product wise turn-over				
Electrodes	39,025		147,969	
Specialities incl. scrap	9,878		10,625	
Coatings	2,152		2,668	
Rent intercompany	820		820	

Due to reduction in electrodes demand in Europe, the Company has started entering markets outside Europe and Russia.

Translation

Out of available capacity of 17,500 MT of Electrodes, the Company produced 5,371 MT (p.y. 13,319 MT).

Starting from April/May 2017, the Company noticed a higher demand for graphite electrodes along with a limited availability of raw materials, especially needle coke. Needle coke prices started to soar. At the same time, China tightened its measures for environment protection for the Chinese industry. Consequently, several businesses of the steel and electrode branch were shut down temporarily or for a longer time. Restricted steel production/steel exports from China, resulted in consequent increase in steel production in many other countries of the world, which explains the increased demand, and in turn the increase sale prices for electrodes in the Financial Year 2018/19.

In the beginning of 2019, the situation on the market changed. The electrode shortage in 2018 forced many steel plants in the world to look for alternative sources of supply. They ordered large quantities of UHP grade electrodes from China despite the quite poor quality. Large electrode stocks in the plants in 2019 (deliveries from China and long-term agreements with GrafTech) as well as the declining steel production in Europe, North and South America, Africa etc. have caused a very modest demand for new electrode shipments and have led to a big drop in prices of about 40%. The unexpected outbreak of Corona virus pandemic and the temporary shutdown of many steel plants worldwide has reduced the demand of graphite electrodes even further - in this context, deliveries were postponed and existent orders were even cancelled.

Domestic Electrode sales quantity decreased from 1,866 MT to 542 MT. This 71% decrease in tonnage was coupled with a decrease of 29% in sale prices from EUR 11,289 PMT to EUR 8,065 PMT. In Export Electrode the sales quantity decreased by 54% from 10,171 MT to 4,655 MT. Moreover, decrease in sale prices was 40% from EUR 12,444 PMT to EUR 7,455 PMT.

The other income decreased mainly on account of foreign exchange fluctuation gain kEUR 40 (gain of kEUR 1,028 in p.y. 2018/19). This was mainly due to change in mix of USD and EUR currencies held by the Company.

The operating expenses decreased mainly due to lower raw material consumption. The ratio of operating expenses to sales went up from 39% to 103% mainly due to decrease in sales prices and increase in raw material consumption firstly due to devaluation amounting to kEUR 6,855 Mio and increase in consumption prices of main raw materials by around 50%.

Personnel Expenses increased during the year due to provision for special bonus kEUR 65. Moreover, there is a reduction noted due to short work throughout the financial year. There was decrease in other expenses such as trademark fee and royalty amounting to kEUR 3,259 because of decrease in selling

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prices and quantities. Similarly, sales commission and other selling expenses fell due to reduced sales amounting to kEUR 2,090.

There is a negative tax expense booked for the year because the current year's loss can be set off against the corporation tax of last year up to kEUR 1,000. This results to an income of taxes for prior year of kEUR 112.

As a result of the lower sales prices and lower volumes the Company made losses after tax of kEUR 1,231 in 2019/2020.

ii.Financial Situation

The working capital limit from bank was kEUR 24,000 as at 31 March 2020. Total utilization of fund-based limits from the bank was Nil at the end of the year 2019/2020. The interest rate is fixed at 1.35% for each drawdown. The credit line does not have maturity date and is granted until further notice from the Bank.

Present credit limit of EUR 24 Million from Citibank is sufficient to meet the requirement of business operations.

The Company invests surplus USD cash in fixed term deposits.

There was no utilization of bank limit during the year.

The risks arising due to foreign currency fluctuations are dealt by way of natural hedging.

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iii.Financial Position

	31/03/2020 kEUR	% with sales	31/03/2019 kEUR	% with sales
Equity	30,534		76,589	
Return on Equity		**-4.03**		**93.76**
Accruals	21,748		23,147	
Liabilities	12,783		23,206	
Total Debts	34,531		**46,353**	
Debt Equity Ratio		**113.09**		**60.52**
Fixed Assets	**4,353**		**4,472**	
Stocks	44,033		44,996	
Trade Receivables	7,245		24,434	
Receivables from affiliated companies	937		878	
Other Receivables	1,892		452	
Deferred tax assets	0		0	
Receivables from Shareholders	0		0	
Cash	6,570		47,668	
Prepaid Expenses	36		41	
SHORT TERM ASSETS	**60,025**		**118,469**	
Accruals for Tax	21,435		22,907	
Other Accruals	313		240	
Short term liabilities to Banks	0		0	
Trade Payables	672		7,348	
Payables due to affiliated companies	8,468		12,715	
Other Payables	42		127	
Payables to Shareholders	3,601		3,016	
SHORT TERM LIABILITIES	**34,531**		**46,353**	
Current Ratio		**175.83**		**255.58**

Inventory decreased in the current period due to:

- decrease in raw material by EUR 7.46 Million is mainly due to devaluation of raw material stock to the tune of kEUR 6,855.

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- offset by increase in Work in Process by EUR 4.67 Million and Finished Goods stock by EUR 1.83 Million due to change in stages of production in which stock is lying, i.e. this year more stock is lying at or around finished stage whereas last year stock was distributed equally over all stages of production.

Trade receivables decreased due to lower realization rates for the year than those in 2018-19.

Cash was less during the comparable year-end amount of 2018-19 because of payment of dividends to parent Company.

Trade payables decreased due to no large purchases during the year. Payables to shareholders increased as no payments were made to them during the year. Payables to affiliated companies decreased mainly due to lower processing costs incurred by them.

The current ratio of short term liabilities in comparison to short term assets (incl. prepayments) decreased compared to the previous year, as indicated above mainly due to a decrease in cash & bank balances, receivables and inventory amounting to EUR 41.10 Million, EUR 15.69 Million and EUR 0.96 Million respectively. The liabilities too decreased on account of decrease in tax accruals by EUR 1.47 Million, Trade Payables by EUR 6.68 Million, Payable to Affiliated Companies by EUR 4.25 Million, offset by increase in Payable to Shareholders by EUR 0.59 Million.

d) Financial and Non-financial Performance Factors

i.Financial Performance Factors

The Company recorded for the business year 2019 - 20 an annual net loss in the amount of kEUR 1,231 (previous year: profit of kEUR 71,813). The global market for graphite electrodes is dominated by a few producers. Due to lower demand situation, Graphite COVA GmbH produced 5,371 MT (i.e. 31%) of its total production capacity of 17,500 MT in the 2019 – 20 compared to 13,319 MT (i.e. 76%) in the previous year 2017 - 18.

Due to the lower sales prices and lower volumes sold, the Company made loss of kEUR 1,231 in 2019 - 20, as the revenues decreased to kEUR 51,875 from kEUR 162,082.

ii.Non-Financial Performance Factors

Product quality has been further stabilised on a level allowing comparison to that of the leading graphite producers. Customer acceptance is encouraging. Customer service has been strengthened. Confidence on the part of customers, suppliers and authorities keeps on growing. However, the capacity of the Company is restricted to graphite electrodes of 550 mm diameter. The technology of steel making has undergone significant advancements. Hence, in tune with the improved quality requirements of

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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.

We found new customers in South and North America as well as in Russia and North Africa.

The Company has continued initiating rationalisation measures for controlling costs such as material prices, negotiations of cost of services from third parties etc.

The Company has lease agreements with leasing companies mostly for equipment, with duration of 36 to 72 months. Future minimum lease payments are kEUR 309 till 2026.

iii. Environment

For Graphite COVA, commercial success is closely connected to engagement with the environment. The Company invests high amounts in order to continuously improve environmental protection. Last investment was made for a thermal oxidiser (RTO) for regenerative waste air purification.

iv. Employee Interest

Graphite Cova 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. For Top – Mid level management, trainings such as Emotional Quotient are held in co-ordination with Graphite India.

v.Comparison to Previous Year

In the management report for the previous year, the Company expected a positive development and moderate growth of the entire steel industry. However, 2019-20 financial results did not meet the budgeted expectations. Due to market conditions and decreased sales prices the actual revenues amounted to kEUR 51,875 (previous year kEUR 162,082) instead of budgeted revenues with a value of EUR 75 Mio – 100 Mio. Due to lower than targeted sales quantity, the Company achieved a loss before tax of kEUR 1,344 as against a budgeted profit of EUR 15 – 20 Million before tax. The sales volume expected in the current year was based on reclaiming European customers, our extended market of North and South America, Russia, etc.

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Certain divisions of the Company were sent on Short Work because the demand for Electrodes slowed down and a lot of Inventory piled up. As such, the Company started opting for Short Work since July 2019, most of which is still continuing. The Company also expect Short Work in FY 2020-21.

3. Forecast, Chance and Risk Report

A) Forecast Report

In FY 2018/19 a spot market had developed as a result of the reduced availability of needle coke and graphite electrodes. This forced the customers to look for graphite electrodes in order to keep their production running. Chinese producers have reacted immediately and have started offering and supplying electrodes with domestic needle coke and of low quality. Customers had bought such electrodes in order to guarantee continuity in their production. As a consequence of this process, many customers are now covered with electrodes for the CY 2020. For this reason, the demand of graphite electrodes is limited. This will lead to production more or less around the figures of last year.

The market for FY 2020-21 is still uncertain and evolving. As such, the management has not finalized on a budget and is studying the market more closely to finalise realistic estimates. Nevertheless, the Company expects for the business year 2020/2021, a sub-dued development of the global consolidation of the market for Graphite Electrodes and expects sales around EUR 50 - 55 Million. A positive annual result of approx. EUR 0 - 1 Million before tax is expected.

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 corona virus pandemic.

Investments for further improvement of environmental, safety and social issues are started since the 2nd half of FY 2018/19 and will continue through the upcoming financial year. Modernisation of some tangible assets is under discussion and subject to market condition going forward.

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,

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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, which 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 global market for graphite electrodes is in a consolidation phase. In business year 2014/2015,dominant competitors decided the reduction of production capacity in the amount of 120,000 MT. The reduction of this capacity to adapt to the reduced demand from the steel industry is essential for the consolidation of the industry. The timing and extent of the positive effects of these measures on the consolidation of the industry are fraught with uncertainties. In August 2015, one of the biggest electrode producers – GrafTech, was sold to investment group Brookfield.

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 proven this decision right. The Company markets Graphite Electrodes under the brand name of ‘COVA’, which has good acceptance in the market.

Summarising the risk factors, the Company expects that the steel industry will improve further but the quantities to be sold will be limited because of the fact that many customers are already covered with

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electrodes from other suppliers, mainly from China.

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 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 electricity.

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 been proactive from the onset of the COVID-19 crisis. The Company voluntarily took a shutdown of the plant from 27th March 2020 to 19th April 2020. The Company is monitoring conditions and formulating appropriate action plans. These plans have resulted in early actions to cancel travel and eliminate in-person meetings. Our team members were working from home during the lockdown where possible. Our plant procedures include use of gloves, social distancing, frequent cleaning and disinfecting. We have worked hard during this COVID-19 crisis to minimize the impact on our employees, our customers, and our operations. Despite this challenging environment, we met most of the customer orders.

However, due to COVID-19, deliveries of orders of approx. 250 - 300 MT were postponed to 2020-21. Further, orders for approx. 350 – 400 MT were cancelled by the Customers due to Plant Closures at their end. The Company expects the production and demand to remain sub-dued and the situation of Short Work to continue for up to September 2020.

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e) Risks arising from the use of financial instruments

i. Credit Risks

Majority of sale receivables are covered by credit insurance and thus the risk of non-payment is mitigated to minimum. We have not noticed any material delays due to Corona and we are not aware of any Customer insolvencies, which may affect us.

ii. Currency Risks

The majority of the sales of graphite electrodes is invoiced in Euros except few customers. The currency fluctuations are dealt by the way of natural hedging therefore no material currency fluctuation risk arises. Surplus funds realizations in USD currency after payments in USD are invested in fixed term deposits. The exchange risk on those deposits is somewhat hedged through interest earned on them.

iii. **Interest Rate Risk**

The credit line will be used rather short term based on demand. Therefore, the Company does not see a major interest rate 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 especially Needle Coke from the globally organized production network. The Company expects significant benefits from the consolidation of the industry in the future years.

The Company has a long-standing relationship with almost all of its customer base and has build-up the trade name of COVA as the go to European supplier. The employee retention is very good and most of the employees have long served the Company.

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Acknowledgement

The Management takes this opportunity to place on record its appreciation of the assistance and support extended by all government authorities, consultants, banks, solicitors, customers, vendors and others. 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 2020

A. N. Bojilov   Lallan Prashad   S. W. Parnerkar   S. Seibel

[Translator's notes are in square brackets]

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*) [*Translators 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.

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(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.