

Translation

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

**BAVARIA ELECTRODES 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**

Translation

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.

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 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 Bavaria Electrodes 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.

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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.

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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)
Roller
Wirtschaftsprüfer
(Certified Public Auditor)

(signed)
Rettenmayr
Wirtschaftsprüfer
(Certified Public Auditor)

Translation

**BAVARIA ELECTRODES GMBH
RÖTHENBACH A.D. PEGNITZ
BALANCE SHEET
AS OF 31 MARCH 2020**

ASSETS

A. FIXED ASSETS

- I. Intangible assets
Concessions. Industrial property rights acquired for a consideration
as well as licences to such rights and values
- II. Tangible assets
 - 1. Technical equipment and machines
 - 2. Other Plants, office fixtures and fittings

B. CURRENT ASSETS

- I. Inventories
Raw materials, supplies and operating materials
- II. Receivables and other assets
 - 1. Trade receivables
 - 2. Receivables from affiliated undertakings
 - 3. Other assets

- III. Cash, bank deposits and cheques

C. PREPAID EXPENSES

31 March 2020	31 March 2019
EUR	EUR

4,574.00	1,188.00
17,357.00	14,127.00
46,156.00	46,489.00
<u>63,513.00</u>	<u>60,616.00</u>
<u>68,087.00</u>	<u>61,804.00</u>

727,258.13	539,087.88
2,558.00	1,881.85
893,387.13	7,002,602.25
119,135.77	108,920.62
<u>1,015,080.90</u>	<u>7,113,404.72</u>

131,443.32	390,457.06
<u>1,873,782.35</u>	<u>8,042,949.66</u>

10,330.29	14,732.55
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<u>1,952,199.64</u>	<u>8,119,486.21</u>
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EQUITY AND LIABILITIES

A. EQUITY

- I. Capital subscribed
- II. Profit carried forward
- III. Profit of the year / net loss

B. PROVISIONS AND ACCRUALS

- 1. Provisions for pensions and similar obligations
- 2. Provisions for taxes
- 3. Other provisions

C. LIABILITIES

- 1. Trade payables
- 2. Liabilities due to affiliated undertakings
- 3. Other liabilities
- thereof for taxes: EUR 0.00 (p.y.: EUR 41,014.75)

31 March 2020	31 March 2019
EUR	EUR

100,000.00	100,000.00
88,030.10	3,012,987.71
224,846.19	275,042.39
<u>412,876.29</u>	<u>3,388,030.10</u>

49,146.00	51,387.00
36,736.28	38,092.88
427,795.17	581,947.49
<u>513,677.45</u>	<u>671,427.37</u>

458,346.27	1,489,276.53
567,299.63	2,529,692.85
0.00	41,059.36
<u>1,025,645.90</u>	<u>4,060,028.74</u>

<u>1,952,199.64</u>	<u>8,119,486.21</u>
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**BAVARIA ELECTRODES GMBH
RÖTHENBACH A.D. PEGNITZ
INCOME STATEMENT
FOR THE PERIOD FROM 1 APRIL 2019 TO 31 MARCH 2020**

	<u>2019/20</u> EUR	<u>2018/19</u> EUR
1. Sales	15,661,093.15	20,011,397.64
2. Other operating income	90,057.07	94,930.85
- thereof from currency translation EUR 3.499.59 (p.y.: EUR 2,217.57)		
3. Cost of materials		
a) Cost of raw materials, supplies, operating materials and acquired goods	-1,028,406.46	-2,340,333.05
b) Cost of services acquired	-5,423,716.95	-7,151,367.89
4. Gross Profit	<u>9,299,026.81</u>	<u>10,614,627.55</u>
5. Personnel costs		
a) Wages and salaries	-3,233,587.10	-4,401,190.10
b) Social security and expenses for old age pensions and support	-935,515.77	-913,266.72
- thereof for pensions EUR 3,673.72 (p.y.: EUR 3,365.36)		
	<u>-4,169,102.87</u>	<u>-5,314,456.82</u>
6. Depreciation for intangible fixed assets and tangible assets	-23,546.29	-22,949.37
7. Other operating expenses	-4,784,972.21	-4,853,147.64
- thereof from currency translation EUR 657.99 (p.y.: EUR 2,217.57)		
8. Operating Income	<u>321,405.44</u>	<u>424,073.72</u>
9. Interest and similar expenses	-1,578.00	-4,146.00
- thereof from compounding: EUR 1,578.00 (p.y.: EUR 1,898.00)		
10. Taxes on income and profit from ordinary business operations	-94,981.25	-144,885.33
11. Profit after tax	<u>224,846.19</u>	<u>275,042.39</u>
12. Net Profit for the year	<u><u>224,846.19</u></u>	<u><u>275,042.39</u></u>

Bavaria Electrodes GmbH, Roethenbach a. d. Pegnitz

**Notes to the Annual Financial Statements for the Financial Year
from 1 April 2019 to 31 March 2020**

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 § 275 para. 2 HGB has been chosen. The company is a medium-sized company according to § 267 para.1 p 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 § 252 sec. 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 2.60 % and a pension's 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 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 (1.88 %).

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 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 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 § 274 No. 1 Sentence 2 of the HGB [German Commercial Code].

Other reserves and accrued liabilities

The accrued liabilities mainly include accruals for personnel accruals in the amount of kEUR 270 (py.: kEUR 410), as well as outstanding repair invoices in the amount of kEUR 138 (p.y.: kEUR 132).

Payables

There are no security interests for liabilities. All liabilities have residual maturity of less than one year. The liabilities include estimated costs for electricity and gas, which have been netted with overpayments.

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 40; py: kEUR 56) and corporation tax and solidarity surcharge in the amount of kEUR 48 (py: kEUR 68). In addition, tax payments for previous years in the amount of kEUR 7 (py: kEUR 21) are included.

E. Other disclosures

Contingencies, Guarantees

As at March 31, 2020 no contingencies or guarantees exist.

Number of employees:

Blue-collar workers	85
White-collar workers	<u>10</u>
Total	95

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 2019-20, 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 on 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 proposed appropriation of the results was not considered. However the shareholder decided to pay a dividend to the shareholders in the amount of EUR 3,200,000.00, which was transferred on 16 July 2019.

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

Events after balance sheet date

Due to the CORONA pandemic Bavaria Electrodes 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 could actually not be anticipated.

Röthenbach a. d. Pegnitz, 11 May 2020

A.N. Bojilov

S.W. Parnerkar

L. Prashad

S. Seibel

EXHIBIT FOR THE NOTES

EXHIBIT FOR THE NOTES

Other equipment, factory and office equipment

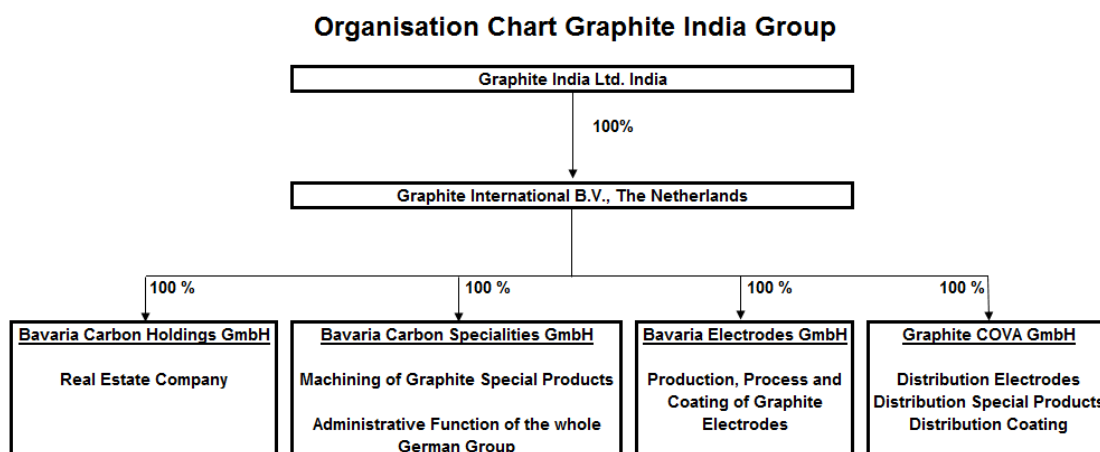
**Bavaria Electrodes GmbH
Röthenbach an der Pegnitz
Management Report for the business year
from 1 April 2019 until 31 March 2020**

1. Business Model of the Company

The main business of the Company is to manufacture 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 Steel production was 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

At Bavaria Electrodes GmbH, Graphite Electrode production at 5,371 MT was lower as compared to 13,319 MT in 2018-19.

The Company earned profits of kEUR 225 during the year as against kEUR 275 in the previous year.

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

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 1.9% 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, 0.81% 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*:

April 2020 SRO postponement

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.

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. Profitability Situation

	2019-20 kEUR	% with sales	2018-19 kEUR	% with sales
Net Sales	15,662		20,011	
Other Income	90		95	
Total Income	15,752		20,106	
Operating Expenses	15,406	97.81	19,660	98.25
PBIDT	345	2.19	446	2.23
Interest	2		4	
PBDT	343	2.14	442	2.21
Depreciation	24	0.15	23	0.11
PBT	320	2.03	419	2.09
Tax	95	0.60	144	0.72
PAT	225	1.43	275	1.37

The company produced electrodes 5,371 MT in the year 2019-20 as against 13,319 MT in previous year.

Revenues during the current period decreased by 22%, this is due to a decrease in the quantities sold.

Operating expenses decreased in proportion to revenues in current period compared to 2018-19.

ii. Financial Situation

	31.03.2020 kEUR	%	31.03.2019 kEUR	%
Equity	413		3,388	
Return on Equity		54.46		8.12
Accruals	514		671	
Liabilities	1,026		4,060	
Total Debts	1,539		4,731	

Debt Equity Ratio		372.83		139.64
FIXED ASSETS	68		62	
Inventories	727		539	
Trade Receivables	3		2	
Receivables from affiliated companies	893		7,003	
Other Receivables	119		109	
Liquid Assets	130		390	
Prepaid Expenses	10		15	
SHORT TERM ASSETS	1,884		8,058	
Accruals for Taxes	37		38	
Other Accruals and provisions	477		633	
Trade Payables	458		1,489	
Payables due to affiliated companies	567		2,530	
Other Payables	0		41	
Short & Medium Term Liabilities	1,539		4,731	
Current Ratio		122.40		170.33

Due to decreased electrode production as compared to last year both receivables from and payables to affiliated company have decreased.

Trade payables have decreased in current period as compared to 2018-19. This decrease is due to lower liabilities on account of Gas and Power.

Other accruals have decreased in current period compared to 2018-19 due to decrease in personnel related provisions.

Equity decreased due to dividend payments in 2019-20.

d) Financial and Non-financial Performance Factors

i. Financial Performance Factors

The company earned profit of kEUR 225 as against kEUR 275 in the previous year 2018-19.

The global market for graphite electrodes is dominated by a few producers. Lower demand in FY 2019-20 ensured that the Company could produce to the extent of around 30% in 2019-20.

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 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.

iii. Environment

For graphite companies, economic success is closely linked to commitment to the environment. The Company makes large investments to continuously improve environmental protection. An important investment was made with the acquisition of an exhaust gas treatment plant (RTO).

iv. Employees

The company is consistently committed to its employees. The Company ensures that the total compensation of its employees is in line with normal industry standards. It also ensures that the expectations placed on individuals match their abilities. Fire drills are held regularly at the plant, as are workshops for the training and further education of employees. In addition, training measures such as "Emotional Quotient" are offered for the middle management in cooperation with Graphite India Ltd.

e) 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.

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 expects 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 alternative sources of graphite electrodes in order to keep their production running. Chinese producers had reacted immediately and had started offering and supplying electrodes with domestic needle coke and of low quality. Customers have bought such electrodes in order to guarantee their production is continuous. As a consequence of this process, many customers covered themselves with an adequate number of electrodes for the CY 2019. For this reason, the demand of graphite electrodes is limited. This could lead to a more or less same production level in 2020-21 compared to the previous year.

A change in the steel production route - from BOF (Basic Oxygen Furnace) to EAF (Electric Arc Furnace) will have a positive effect, even if the total steel quantity produced is not increased significantly.

Given that, both sales and annual result for 2020-21 are expected to remain stagnant, we expect comparable revenues and profits from the level of 2019-20.

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 global market for graphite electrodes is in a consolidation phase. In business year 2014-15 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 (Showa Denko KK, Japan) and the plants in the U.S. were sold to Tokai Carbon Co.Ltd., 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 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 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 been proactive from the onset of the COVID-19 crisis. The Company voluntarily took a shut-down 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 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.

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.

The employees' retention is very good and most of the employees have long served the Company.

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 2020

A. N. Bojilov

Lallan Prashad

S. W. Parnerkar

S. Seibel

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.

(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.