

Convenience translation
(only the original German version is binding)

Financial Statements as of March 31,
2016 and Management Report
for the Financial Year 2015/16
of

Graphite Cova GmbH
Röthenbach a.d. Pegnitz

UNQUALIFIED AUDIT OPINION

We have audited the annual financial statements – comprising the balance sheet, the income statement, and the notes to the financial statements – together with the bookkeeping system, and the management report of Graphite Cova GmbH, Röthenbach a.d. Pegnitz, for the financial year from 1 April 2015 to 31 March 2016. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German Commercial Law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ('Handelsgesetzbuch': German Commercial Code) and German Generally Accepted Standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German Principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements, and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position, and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably represents the opportunities and risks relating to future development.

Without qualifying our opinion, we refer to management's discussion in the management report. Under the heading "Risks endangering the company's existence", management elaborates that the upcoming need for funds is planned to be met by bank financing. This in turn is backed up with a collateral guarantee by the indirect parent company. Bank financing as well as granting of the guarantee are limited in time. Should the guarantee needed to keep up the external bank financing or the bank financing as such not be prolonged or not in the extent needed, albeit not expected, the Company's going concern would be endangered.

Munich, 12 May 2016

RSM Altavis GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Roller
Wirtschaftsprüfer
(Certified Public Auditor)

Schirmer
Wirtschaftsprüferin
(Certified Public Auditor)

GRAPHITE COVA GMBH
RÖTHENBACH A.D. PEGNITZ
BALANCE SHEET
FOR THE PERIOD FROM 1 APRIL 2015 TO 31 MARCH 2016

<u>ASSETS</u>	<u>31.03.2016</u> EUR	<u>31.03.2015</u> EUR	<u>EQUITY AND LIABILITIES</u>	<u>31.03.2016</u> EUR	<u>31.03.2015</u> EUR
<u>A. FIXED ASSETS</u>			<u>A. SHAREHOLDERS EQUITY</u>		
I. Intangible Assets			I. Subscribed capital	4,000,000.00	4,000,000.00
1. Concessions, patents, licenses, trademarksights and assets	0.00	896.00	II. Capital reserve	12,320,000.00	12,320,000.00
II. Tangible assets			III. Retained loss	-7,533,050.48	-4,482,728.93
1. Technical equipment and machines	3,410,408.50	3,649,948.30	IV. Net loss	-5,348,243.42	-3,050,320.55
2. Other plants, office fixtures and fittings	134,449.00	148,007.00		3,438,706.10	8,786,949.52
3. Payment on account and assets under construction	722,114.94	570,304.20	<u>B. ACCRUALS</u>		
	<u>4,266,972.44</u>	<u>4,369,155.50</u>	1. Accruals for pensions and similar obligations	15,019.00	22,626.00
<u>B. CURRENT ASSETS</u>			2. Other reserves and accrued liabilities	857,186.84	831,304.69
I. Inventories				<u>872,205.84</u>	<u>913,930.69</u>
1. Raw materials, supplies and operating materials	6,926,787.06	10,101,110.68	<u>C. LIABILITIES</u>		
2. Unfinished goods	6,208,509.83	8,193,461.38	1. Liabilities due to banks	16,300,000.00	17,607,959.99
3. Finished goods	2,757,000.94	2,851,130.49	2. Trade payables	885,650.54	2,414,258.11
	<u>15,892,297.83</u>	<u>21,145,702.55</u>	3. Payables due to affiliated companies	9,308,466.68	8,509,767.17
II. Accounts receivables and other assets			4. Payables due to shareholders	801,360.87	450,351.33
1. Trade receivables	9,684,666.89	10,250,717.29	5. Other Liabilities	110,617.39	200,428.06
2. Other assets	174,631.51	217,064.35	- thereof for taxes: EUR 31,867,02 (p.y.: EUR 25,101,91)		
	<u>9,859,298.40</u>	<u>10,467,781.64</u>		<u>27,408,095.48</u>	<u>29,182,764.66</u>
III. Cash in hand and bank liabilities	1,676,040.35	2,879,589.02			
<u>C. PREPAID EXPENSES</u>					
	<u>22,398.40</u>	<u>21,416.16</u>			
	<u><u>31,717,007.42</u></u>	<u><u>38,883,644.87</u></u>		<u><u>31,717,007.42</u></u>	<u><u>38,883,644.87</u></u>

GRAPHITE COVA GMBH
RÖTHENBACH A.D. PEGNITZ
INCOME STATEMENT
FOR THE PERIOD FROM 1 APRIL 2015 TO 31 MARCH 2016

	<u>2015/16</u> EUR	<u>2014/15</u> EUR
1. Sales	35,954,501.80	39,547,663.42
2. Increase/Decrease in finished goods and unfinished goods	-2,079,081.10	-1,122,330.68
3. Other operating income - thereof currency translation: EUR 319.040,41 (p.y.: EUR 592.692,16)	393,031.01	776,140.06
4. Cost of materials		
a) Cost of raw materials, supplies and trading stock	-16,936,864.71	-19,473,656.17
b) Cost of purchased services	-16,582,611.55	-16,853,030.66
	<u>-33,519,476.26</u>	<u>-36,326,686.83</u>
5. Personnel expenses		
a) Wages and salaries	-614,276.87	-598,883.68
b) Expenses for social security, pension and other benefits	-134,851.99	-122,318.76
	<u>-749,128.86</u>	<u>-721,202.44</u>
6. Amortisation and depreciation	-493,114.88	-449,209.80
7. Other operating expenses - thereof currency translation: EUR 287.262,43 (p.y.: EUR 5.323,37)	-4,607,084.10	-4,375,192.72
8. Other interest and similar income	27,662.37	19,316.98
9. Other expenses and interests - thereof towards affiliated companies: EUR 163.463,00 (p.y.: EUR 150.050,00) - thereof from discounting: EUR 1.002,00 (p.y.: EUR 1.047,00)	-375,756.59	-507,006.16
10. Result from ordinary activities	<u>-5,448,446.61</u>	<u>-3,158,508.17</u>
11. Income taxes	105,491.50	113,477.58
12. Other taxes	-5,288.31	-5,289.96
13. Net loss for the year	<u><u>-5,348,243.42</u></u>	<u><u>-3,050,320.55</u></u>

GRAPHITE COVA GMBH, ROETHENBACH A.D. PEGNITZ
NOTES TO ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR
1. APRIL 2015 TO 31. MARCH 2016

A. General Information

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 medium-sized company according to § 267 para. 2 HGB.

B. Accounting policies

The accounting and valuation policies applied in the previous year were retained. The accounting and valuation of items in the balance sheet and income statement are based on the going concern assumption according to § 252 sec. 1 Nr. 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.

Low-value assets with product related acquisition costs of up to EUR 150.00 are depreciated completely in the year of acquisition and shown in the asset table as a disposal. Capital assets with acquisition costs from EUR 150.00 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 realisable 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.

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 2005 G of Klaus Heubeck. An interest rate of 4.25 %, a pensions dynamic of 1.50 % and a fluctuation rate of 0.00 % are assumed. § 253 Sec. 2 sentence 1 and sec. 6 HGB were applied, using the average discount rate of the past 10 years. Consequently, the dividend payout restriction amounts to KEUR 1.

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. Accruals with a remaining term of more than one year are discounted using the average market interest rate of the past seven years according to their remaining maturities as published by Deutsche Bundesbank.

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.

Deferred taxes

For discrepancies between the commercial valuation on the one hand and the tax base of assets, debts and accrued and deferred items which can be expected to be settled in later financial years, according to § 274 HGB [German Commercial Code], an overall tax burden resulting from these differences shall be shown in the balance sheet as deferred tax liabilities. An overall tax relief resulting from these differences can be shown in the balance sheet as deferred tax assets. Deferred taxes are valued with a combined tax rate of 27.025 %. This tax rate comprises corporation tax, business tax and solidarity tax. By exercising the option to capitalize deferred taxes no deferred tax assets are shown in the balance sheet.

C. Comments on the balance sheet

Fixed assets

The development of the fixed assets is stated in the 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 the business year as well as in the previous year. The receivables against affiliated companies relate to receivables from supplies and services. The other assets mainly include receivables from VAT amounting to KEUR 126.

Deferred taxes

Deferred taxes on pension accruals or tax loss carry forwards are not capitalized, in accordance with § 274 sec. 1 Sentence 2 of the HGB [German Commercial Code]. Deferred taxes are valued with a tax rate of 27.025 %.

Other reserves and accrued liabilities

The accrued liabilities mainly consist of accruals for litigation in the amount of KEUR 750 (p.y.: KEUR 750) and annual closing costs in the amount of KEUR 37 (p.y.: KEUR 56).

Liabilities due to banks

The liabilities due to banks have a maturity of under a year.

Payables due to affiliated companies

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

Liabilities to shareholders

Liabilities to shareholders concern liabilities in connection with patent fees respectively the trademark.

D. Comments on the income statement

Revenues	2015/2016	2014/2015
	KEUR	KEUR
Domestic	10.336	11.797
European Union	12.240	13.116
Other countries	12.022	12.945
Intercompany business	1.357	1.690
	<u>35.955</u>	<u>39.548</u>

Other operating income

The other operating income includes income of kEUR 23 (p.y.: kEUR 38) relating to other periods.

Taxes on income

Taxes on income contain a refund for trade tax (kEUR 86) for the years 2009 and 2010.

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 2015/2016 would be kEUR 309 and till the tenure of the leasing kEUR 462.

Number of employees:

The average number of employees during the year was 14 white-collar workers.

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 2015/2016, the management was carried out by:

Makarand Bhalchandra Gadgil, Nasik, India, Bachelor of Technology / Master of Business Administration

Adrian Nikolov Bojilov, Röthenbach / Pegnitz, Graduate Economist

Nitin Shridharrao Deshpande, Nasik, India, Graduate Mechanical Engineer

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.

Proposed appropriation of results

The net loss of the financial year in the amount of kEUR 5,348 and the retained profit shall be carried forward onto new account.

Röthenbach an der Pegnitz, 6 May 2016

M.B. Gadgil

A.N. Bojilov

N.S. Deshpande

Electronical copy

DEVELOPMENT OF FIXED ASSETS DURING THE FINANCIAL YEAR 2015/16

	ACQUISITION COSTS				ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	1. Apr. 2015 EUR	Additions EUR	Disposals EUR	31. Mar. 16 EUR	1. Apr. 2015 EUR	Additions EUR	Disposals EUR	31. Mar. 16 EUR	31. Mar. 16 EUR	31. Mar. 15 EUR
INTANGIBLE ASSETS										
Concessions, industrial property rights acquired for a consideration as well as licences to such rights and values	30,698.73	0.00	0.00	30,698.73	29,802.73	896.00	0.00	30,698.73	0.00	896.00
PROPERTY, PLANT AND EQUIPMENT										
Technical equipment and machines	12,531,644.89	294,950.22	74,204.80	12,752,390.31	8,881,696.59	460,285.22	0.00	9,341,981.81	3,410,406.50	3,649,948.30
Other plants, office fixtures and fittings	427,266.64	18,375.66	0.00	445,642.30	279,259.64	31,933.66	0.00	311,193.30	134,449.00	148,007.00
Prepayments and assets under construction	570,304.20	151,810.74	0.00	722,114.94	0.00	0.00	0.00	0.00	722,114.94	570,304.20
	13,529,215.73	465,136.62	74,204.80	13,920,147.55	9,160,956.23	492,218.88	0.00	9,653,175.11	4,266,972.44	4,369,259.50
FINANCIAL ASSETS										
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	13,559,914.46	465,136.62	74,204.80	13,950,846.28	9,190,758.96	493,114.88	0.00	9,683,873.84	4,266,972.44	4,369,155.50

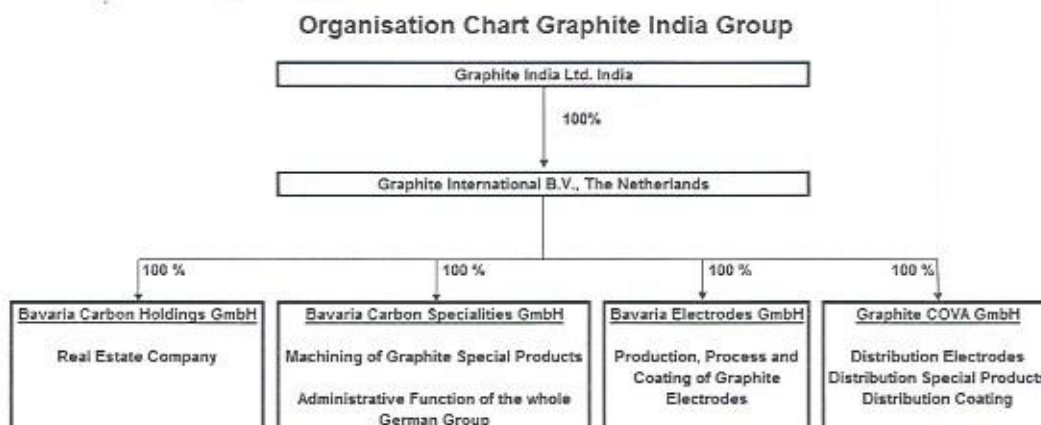
Graphite Cova GmbH
Röthenbach an der Pegnitz
Management Report for the business year
from 1. April 2015 until 31. March 2016

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



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.

a) Business- and Market Conditions

Lower utilization of steel capacities continued in 2015 led to over capacities of Electrodes. The lower demand for electrodes has led to fierce competition among electrodes manufacturers resulting in drastic reduction in sales price. The Electrodes manufacturers have started adjusting capacities by closing down high cost / inefficient manufacturing facilities which should result in stabilisation of the electrode price in the medium term.

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 Cova, Graphite Electrode production at 9,422 metric tonnes (MT) was higher as compared to 8,880 MT in 2014/2015 and sales at 9,264 MT was higher as compared to 9,058 MT in 2014/2015. Specialties sales at kEUR 8,254 in 2015-16 compared to kEUR 9,952 in 2014-15 were lower by 17.06%. Revenue from coating services in 2015/2016 was higher by 1,01 % compared to previous year. The Company incurred a loss after tax of kEUR 5,348 compared to a previous year loss of kEUR 3,050. The loss in 2015/2016 was mainly due to constant low sales prices, event though there was a reduction in the purchase prices of raw material. Deliveries of around 2,000 MT were postponed to the following Financial Year due to non-availability of the credit insurance and reduced production of a few steel mills. Cova's plan to increase the quantities in the next years is based on the extension of the market in America and Russia and not on the forecast for improvement of the steel industry.

b) Economic Overall Situation and Trade Based Market Conditions**i. Economic Overall Situation Frame Conditions**

The economic overall situation in Germany was characterized by growth in gross domestic product of 1.7 % in 2015. Contributed to the modest increase in the gross domestic product have a higher export growth of 2015 in comparison to 2014, the increase in domestic demand due to increased business investment and a slight upturn in private consumption. Another positive impact came from the continued favourable development in the employment market. The number of employees rose in 2015 for the seventh year in a row and reached a new highest level.

ii. Trade Based Frame Conditions

World crude steel production reached 1,622.8 million tonnes (Mt) for the year 2015, down by -2.8% compared to 2014. Crude steel production decreased in all regions except Oceania in 2015.

Annual production for Asia was 1,113.8 Mt of crude steel in 2015, a decrease of -2.3% compared to 2014. China's crude steel production in 2015 reached 803.8 Mt, down by -2.3% on 2014. China's share of world crude steel production increased from 49.3% in 2014 to 49.5% in 2015. Japan produced 105.2 Mt in 2015, down by -5.0% compared to 2014. India's crude steel production for 2015 was 89.6 Mt, up by 2.6% on 2014. South Korea produced 69.7 Mt of crude steel in 2015, a decrease of -2.6% compared to 2014.

In 2015, the EU (28) produced 166.2 Mt of crude steel, a decrease of -1.8% compared to 2014. Germany produced 42.7 Mt of crude steel in 2015, down by -0.6% over 2014. Italy produced 22.0 Mt in 2015, a decrease of -7.1% over 2014. France's crude steel production in 2015 was 15.0 Mt, down by -7.2%. Spain produced 14.9 Mt of crude steel in 2015, an increase of 4.4% compared to 2014.

Crude steel production for 2015 in North America was 110.7 Mt, a decrease of -8.6% compared to 2014. The US produced 78.9 Mt of crude steel, down by -10.5% on 2014.

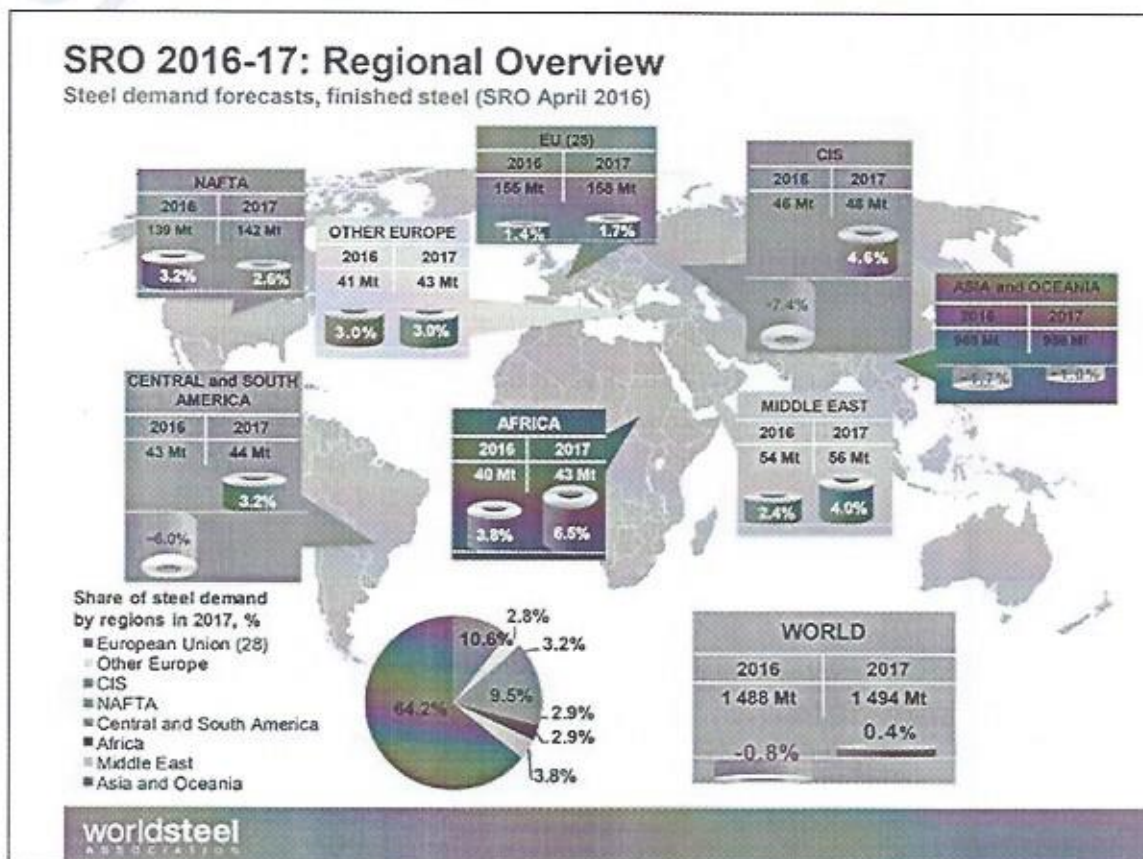
The CIS showed a decrease of -4.3% in 2015, producing 101.5 Mt of crude steel. Russia produced 71.1 Mt of crude steel, down by -0.5% on 2014 and Ukraine recorded a decrease of -15.6% with a year-end figure of 22.9 Mt.

Annual crude steel production for South America was 43.9 Mt in 2015, a decrease of -2.5% on 2014. Brazil produced 33.2 Mt in 2015, down by -1.9% compared to 2014.

In 2016:

In 2016, while it is forecasted another year of contraction in steel demand in China, slow but steady growth in some other key regions including NAFTA and EU is expected. Growth for steel demand in all markets except China is expected in 2017.

The decline in steel demand in China is expected to be -4.0% in 2016 followed by -3.0% in 2017. On a positive note, some emerging economies in South and Southeast Asia show resilient growth and along with NAFTA and the EU will support a recovery in 2017. We expect that steel demand outside China will continue to grow by 1.8% in 2016 and this growth will accelerate to 3.0 % in 2017. 2015 was marked by a further substantial decrease of the electrode prices.



c) Situation of the Company

i. Profit Situation

	2015-16 TEUR	% with sales	2014-15 TEUR	% with sales
Net Sales	35.955		39.548	
Other Income	393		776	
Total Income	36.348		40.324	
Operating Expenses	40.955	112,67	42.545	105,51
PBIDT	-4.607	-12,67	-2.221	-5,51
Interest	348	0,96	488	1,21
PBDT	-4.955	-13,63	-2.709	-6,72
Depreciation	493	1,36	449	1,11
PBT	-5.448	-14,99	-3.158	-7,83
Tax	-100	-0,28	-108	-0,27
PAT	-5.348	-14,71	-3.050	-7,56
Product wise turn-over				
Electrodes	25.552		27.146	
Specialities	8.254		9.952	
Coatings	897		888	

Due to reduction in electrodes demand in Europe, the company has started entering markets outside Europe.

In spite of available capacity of 17.500 MT of Electrodes, the company could produce only 9,422 MT of Electrodes due to market crises and constant low sales price. In the upcoming future we are expecting good potential in the North and South America, Russia, etc. We have now entered those markets and sales volume will increase. This can be utilized for the presently unutilized capacity. The positive development in the regions outside Europe can be clearly seen from the increasing sales volume. Our unique coating for graphite electrodes is very interesting, above all for the customers in North and South America. The regular use of coated electrodes requires a longer introduction period, but it will surely lead to a clear increase in the sales volume.

Due to poor electrodes market conditions, production and sales were restricted in 2015/2016 and because of the reduced price per MT, revenue decreased.

The operating variable expenses decreased mainly due to raw material consumption compared to previous year 2014/2015.

As a result of the low sales prices and reduced volumes the company made losses of kEUR 5,348 in 2015/2016. Also the significant reduction in purchase prices for raw material could only partially compensate the losses.

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

ii. Financial Situation

The fund based working capital limit from bank was kEUR 24,000 as at 31 March 2016. Total utilization of fund based limits from the bank was kEUR 16,300 at the end of the year 2015/2016. This consists of short term drawdowns. The interest rate is fixed for each drawdown, based on the EURIBOR plus a margin. The credit line has recently been prolonged for another year, until June 30 2017. That part of the credit line which has not been used can be terminated on short notice. Should the bank make use of that termination right, what we do not expect, the financing and going concern of the company would be in danger.

The total funding is provided by Citibank against a collateral in the form of a Corporate Guarantee of TEUR 24,000 from Graphite India Limited, which is limited until 30 September 2017.

Utilisation of bank limit by the end of the year is decreased to Euro 16,30 mn from Euro 17,60 mn. This is due to decrease due to better fund management. Collections in USD were sold from time to time based on availability and requirements for payments in USD.

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

Financial Situation

	31/03/2016	%	31/03/2015	%
	TEUR		TEUR	
Equity	3.438		8.787	
Return on Equity		-155,56		-34,71
Accruals	872		914	
Liabilities	27.406		29.183	
Total Debts	28.278		30.097	
Debt Equity Ratio		822,51		342,52
Fixed Assets	4.267		4.369	
Stocks	15.892		21.145	
Trade Receivables	9.685		10.251	
Receivables from affiliated companies	0		0	
Other Receivables	175		217	
Cash	1.676		2.880	
Prepaid Expenses	22		21	
SHORT TERM ASSETS	27.450		34.514	
Other Accruals	872		914	
Short term liabilities to Banks	16.300		17.608	
Trade Payables	886		2.414	
Payables due to affiliated companies	9.308		8.510	
Other Payables	111		200	
Payables to Shareholders	801		450	
SHORT TERM LIABILITIES	28.278		30.096	
Current Ratio		97,07		114,68

Inventory is decreased in current period due to a reduction in goods in transit by Euro 1.76 Million, reduction in semi-finished goods by Euro 1.99 million and decrease in raw materials by 1.42 million.

Trade receivables were decreased due to better collection in the last quarter of 2015/2016.

Cash was decreased due to arrangement on fund for repayment of drawdown of Euro 1.20 million in the year 2014-15.

Trade payables are decreased due to a reduction in the amount outstanding to Philipps 66 by Euro 1.53 Million compared to the previous year.

However, the current ratio decreased compared to the previous year, as indicated, above mainly due to a decrease in inventory Euro 5.25 Million.

Reporting period 2015/2016 continued to be crucial for the company, due to a pressure on sales prices, lower demand and hence the year ended with a loss. We expect that electrodes prices will improve slowly in the following year and we can reach an improvement in the result.

d) Financial and Non-financial Performance Factors

i. Financial Performance Factors

The company recorded for the business year 2015/2016 an annual net loss in the amount of kEUR 5,348 (previous year: TEUR 3,050). The global market for graphite electrodes is dominated by a few producers. Lower Steel production through EAF route resulted in excess capacity of graphite electrodes. Hence, due to the difficult market situation, Graphite COVA GmbH could produce 9,422 MT (i. e. 54%) of its total production capacity of 17,500 MT in the 2015/16.

Due to the low sales prices and reduced volumes the company made losses of kEUR 5,271 in 2015/2016, even though the revenues decreased from kEUR 39,548 to kEUR 35,955. However, the significant reduction in purchase prices for raw material could only partially compensate the loss in revenues.

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.

Modernization of production facility will start once the market is improved.

Due to the current crisis in the European market, the company has already started entering new markets to increase the customer base. Accordingly shipments are also made to some customers in Russia, North and South America.

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 48 to 60 months. Future minimum lease payments are Euro 542 TEUR till 2021.

e) Comparison to Previous Year

In the management report for the previous year, the company expected a further positive development of economic growth in 2014/2015 and moderate growth of the entire steel industry. The actual revenue kEUR 35,955 (previous year kEUR 39,548) was due to difficult market conditions and overcapacity in graphite electrode industry. The sales volume expected in the current year is based on our extended market of North and South America, Russia, etc. and not on the growth of Steel Industries. Expected consolidation of electrode industry and extended new market, company expects growth in sales volume by 10 % approx.

3. Supplementary Report

The investment for modernisation of some tangible assets was kept on hold since FY 2013-14 until the recovery of the economy.

There were no further events with a material influence of the financial statements for the Financial Year 2015/2016.

4. Forecast, Chance and Risk Report

A) Forecast Report

The Company looks forward to improving its performance in the Financial Year 2016/2017 following favourable business indications of global steel industry brightening and extension of the market in other continents. In 2016, the global steel industry is expected to grow, even though at a lower rate.

With the revival of global industry and extension to new markets, the Company expects growth in sales and an improvement in results. For the business year 2016/2017, the company expects a further positive development of the global consolidation of the market for Graphite Electrodes and expects sales above Euro 35mn, the increase being mainly due to an increase in quantities sold, and a negative annual net result of approx. kEUR 3,200 before tax. The budget 2016/2017 was based on a sales volume of 10,500 MT.

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

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 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 tons. 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. As a consequence, the electrode stocks which the new owner had taken over, were sold heavily, resulting in a strong decline in prices. The company expects a normalization of the markets in one to two years.

With an estimated reduced total demand for electrodes of approx. 195,000 MT in Europe and an estimated import of Chinese electrodes of approx. 40,000 MT in this market, 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 and also electrodes market will improve in due course.

b) Sales Risks

The product Graphite Electrode involves various manufacturing processes and hence needs to be produced as per requirement of Cova. The production planning is based on expected market developments from the global steel industry and specific requirements of the major steel industry customers. Risks may happen when the actual demand for graphite electrodes deviates from the expectations of the production.

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 impact the input cost in a major way.

The company also does not see any problem in getting raw materials.

d) Risks arising from the use of financial instruments

i. Credit Risks

Most of the sales are covered by credit insurance and thus the risk of non-payment is mitigated to minimum.

ii. Currency Risks

The majority of the sales of graphite electrodes is invoiced in Euros. Some selected customers will be charged in local currency.

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

iii. Interest Rate Risk

The credit line is used rather short term based on demand. Therefore, the company does not see a major interest rate risk.

e) Risks endangering the company's existence

As discussed above, in the long term, Graphite COVA is expecting an improvement in the market for graphite electrodes, in the short term they want to enlarge the markets served so as to reduce the current losses over the years. Though, budgeted losses will exceed current equity by 2017/2018.

The need for funds is expected to be met by the bank financing, which in turn is backed up with a collateral guarantee by the indirect parent company Graphite India Ltd. Bank financing as well as granting of the guarantee are limited in time.

Management expects that, as in the past, the indirect parent company will provide the necessary collateral also in the future and that the bank will prolong its financing.

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.

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 their 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, 6. May 2016

M. B. Gadgil

A. N. Bojilov

N. S. Deshpande

Unical copy

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2002

This is an English translation of the German text, which is the sole authoritative version

1. Scope

(1) These engagement terms are applicable to contracts between Wirtschaftsprüfer [German Public Auditors] or Wirtschaftsprüfungsgesellschaften [German Public Audit Firms] (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.

(2) If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

2. Scope and performance of the engagement

(1) Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services – not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmäßiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

(2) The application of foreign law requires – except for financial attestation engagements – an express written agreement.

(3) The engagement does not extend – to the extent it is not directed thereto – to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determination as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and records and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

(4) If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

3. The client's duty to inform

(1) The client must ensure that the Wirtschaftsprüfer – even without his special request – is provided, on a timely basis, with all supporting documents and records required for and is informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

(2) Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

4. Ensuring independence

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

5. Reporting and verbal information

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

6. Protection of the Wirtschaftsprüfer's intellectual property

The client guarantees that expert opinions, organizational charts, drafts, sketches, schedules and calculations – especially quantity and cost computations – prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

7. Transmission of the Wirtschaftsprüfer's professional statement

(1) The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

(2) The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

8. Correction of deficiencies

(1) Where there are deficiencies, the client is entitled to subsequent fulfillment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfill [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a government-owned legal person under public law or a special government-owned fund under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfill [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

(2) The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies associated with technicalities] contained in a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected – and also be applicable versus third parties – by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw – also versus third parties – such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

9. Liability

(1) The liability limitation of § ["Article"] 323 (2) ["paragraph 2"] HGB ["Handelsgesetzbuch": German Commercial Code] applies to statutory audits required by law.

(2) Liability for negligence; An individual case of damages

If neither No. 1 is applicable nor a regulation exists in an individual case, pursuant to § 54a (1) no. 2 WPO ["Wirtschaftsprüferordnung": Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of any kind – except for damages resulting from injury to life, body or health – for an individual case of damages resulting from negligence is limited to € 4 million; this also applies if liability to a person other than the client should be established. An individual case of damages 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 without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(3) Preclusive deadlines

A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event giving rise to the claim – at the very latest, however, within 5 years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence.

The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits with statutory liability limits.

10. Supplementary provisions for audit engagements

(1) A subsequent amendment or abridgement of the financial statements or management report audited by a Wirtschaftsprüfer and accompanied by an auditor's report requires the written consent of the Wirtschaftsprüfer even if these documents are not published. If the Wirtschaftsprüfer has not issued an auditor's report, a reference to the audit conducted by the Wirtschaftsprüfer in the management report or elsewhere specified for the general public is permitted only with the Wirtschaftsprüfer's written consent and using the wording authorized by him.

(2) If the Wirtschaftsprüfer revokes the auditor's report, it may no longer be used. If the client has already made use of the auditor's report, he must announce its revocation upon the Wirtschaftsprüfer's request.

(3) The client has a right to 5 copies of the long-form report. Additional copies will be charged for separately.

11. Supplementary provisions for assistance with tax matters

(1) When advising on an individual tax issue as well as when furnishing continuous tax advice, the Wirtschaftsprüfer is entitled to assume that the facts provided by the client – especially numerical disclosures – are correct and complete; this also applies to bookkeeping engagements. Nevertheless, he is obliged to inform the client of any errors he has discovered.

(2) The tax consulting engagement does not encompass procedures required to meet deadlines, unless the Wirtschaftsprüfer has explicitly accepted the engagement for this. In this event the client must provide the Wirtschaftsprüfer, on a timely basis, all supporting documents and records – especially tax assessments – material to meeting the deadlines, so that the Wirtschaftsprüfer has an appropriate time period available to work therewith.

(3) In the absence of other written agreements, continuous tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporation tax and business tax, as well as net worth tax returns on the basis of the annual financial statements and other schedules and evidence required for tax purposes to be submitted by the client
- b) examination of tax assessments in relation to the taxes mentioned in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) participation in tax audits and evaluation of the results of tax audits with respect to the taxes mentioned in (a)
- e) participation in Einspruchs- und Beschwerdeverfahren [appeals and complaint procedures] with respect to the taxes mentioned in (a).

In the afore-mentioned work the Wirtschaftsprüfer takes material published legal decisions and administrative interpretations into account.

(4) If the Wirtschaftsprüfer receives a fixed fee for continuous tax advice, in the absence of other written agreements the work mentioned under paragraph 3 (d) and (e) will be charged separately.

(5) Services with respect to special individual issues for income tax, corporate tax, business tax, valuation procedures for property and net worth taxation, and net worth tax as well as all issues in relation to sales tax, wages tax, other taxes and dues require a special engagement. This also applies to:

- a) the treatment of nonrecurring tax matters, e. g. in the field of estate tax, capital transactions tax, real estate acquisition tax
- b) participation and representation in proceedings before tax and administrative courts and in criminal proceedings with respect to taxes, and
- c) the granting of advice and work with respect to expert opinions in connection with conversions of legal form, mergers, capital increases and reductions, financial reorganizations, admission and retirement of partners or shareholders, sale of a business, liquidations and the like.

(6) To the extent that the annual sales tax return is accepted as additional work, this does not include the review of any special accounting prerequisites nor of the issue as to whether all potential legal sales tax reductions have been claimed. No guarantee is assumed for the completeness of the supporting documents and records to validate the deduction of the input tax credit.

12. Confidentiality towards third parties and data security

(1) Pursuant to the law the Wirtschaftsprüfer is obliged to treat all facts that he comes to know in connection with his work as confidential, irrespective of whether these concern the client himself or his business associations, unless the client releases him from this obligation.

(2) The Wirtschaftsprüfer may only release long-form reports, expert opinions and other written statements on the results of his work to third parties with the consent of his client.

(3) The Wirtschaftsprüfer is entitled – within the purposes stipulated by the client – to process personal data entrusted to him or allow them to be processed by third parties.

13. Default of acceptance and lack of cooperation on the part of the client

If the client defaults in accepting the services offered by the Wirtschaftsprüfer or if the client does not provide the assistance incumbent on him pursuant to No. 3 or otherwise, the Wirtschaftsprüfer is entitled to cancel the contract immediately. The Wirtschaftsprüfer's right to compensation for additional expenses as well as for damages caused by the default or the lack of assistance is not affected, even if the Wirtschaftsprüfer does not exercise his right to cancel.

14. Remuneration

(1) In addition to his claims for fees or remuneration, the Wirtschaftsprüfer is entitled to reimbursement of his outlays: sales tax will be billed separately. He may claim appropriate advances for remuneration and reimbursement of outlays and make the rendering of his services dependent upon the complete satisfaction of his claims. Multiple clients awarding engagements are jointly and severally liable.

(2) Any set off against the Wirtschaftsprüfer's claims for remuneration and reimbursement of outlays is permitted only for undisputed claims or claims determined to be legally valid.

15. Retention and return of supporting documentation and records

(1) The Wirtschaftsprüfer retains, for ten years, the supporting documents and records in connection with the completion of the engagement – that had been provided to him and that he has prepared himself – as well as the correspondence with respect to the engagement.

(2) After the settlement of his claims arising from the engagement, the Wirtschaftsprüfer, upon the request of the client, must return all supporting documents and records obtained from him or for him by reason of his work on the engagement. This does not, however, apply to correspondence exchanged between the Wirtschaftsprüfer and his client and to any documents of which the client already has the original or a copy. The Wirtschaftsprüfer may prepare and retain copies or photocopies of supporting documents and records which he returns to the client.

16. Applicable law

Only German law applies to the engagement, its conduct and any claims arising therefrom.