

GRAPHITE INTERNATIONAL B.V.

at Rotterdam

Annual report over the period

1 April 2016 till 31 March 2017

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To the Shareholders and Board of Directors of
Graphite International B.V.
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RSM Netherlands Accountants N.V.

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Utrecht, 18 May 2017
Ref.: 19765/2017

Dear Sirs,

Following your request we have audited the financial statements of Graphite International B.V., Rotterdam, over the period 1 April 2016 till 31 March 2017, included in this report. On 18 May 2017 we issued our audit opinion on these financial statements. Our audit opinion is included under the paragraph Other Information.

General

Appropriation of the result for the period 1 April 2015 till 31 March 2016

The net loss of the period 1 April 2015 till 31 March 2016 has been deducted from the other reserves in accordance with the decision of the General Meeting of Shareholders, following the proposed result appropriation included in the annual accounts 2015/2016.

Proposed appropriation of the loss for the period 1 April 2016 till 31 March 2017

It is proposed that the General Meeting of Shareholders will deduct the loss for the period 1 April 2016 till 31 March 2017 from the other reserves. This proposed result appropriation has not been incorporated in the financial statements.

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Fiscal position

Corporate income tax

Graphite International B.V. is independently taxable for 2016/2017 corporation taxes. The company taxable amount has been calculated as follows:

	2016/2017
(in euros)	
Net income	167.002
Add: Non-deductible withholding taxes	82.755
Deduct: fiscal losses previous years	
Taxable amount	249.757
 <i>Calculation corporate tax</i>	
20% of € 200.000	40.000
25% of € 49.757	12.439
 Payable corporate tax	52.439

The taxes on income in the consolidated profit and loss account for 2016/2017 can be specified as follows:

	2016/2017
Taxes on income entity in The Netherlands	52.439
Taxes on income entities in Germany	62.215
	114.654

Please do not hesitate to contact us if you require further details.

Yours sincerely,
RSM Netherlands Accountants N.V.,
for and on behalf of,


drs. M. Hammer RA

Management Report for 01-April-2016 to 31-March-2017

1. The Company is a wholly owned subsidiary of Graphite India Limited, India.
2. Graphite International B.V. is a holding company, managing and financing its subsidiaries and exploring its trademarks and patents. The Company trades in raw materials and goods, and provides (under lease agreements) machinery and equipment related to the graphite and carbon industry. The Company will persevere in its efforts to explore further opportunities in this line of business.

The Company is the owner of trademark 'COVA' and Graphite Electrodes manufactured by the German subsidiary are marketed under this brand.

Earning by way of Patents and Trademarks was Euro 303,156 during the year.

3. Subsidiaries:

The following are the four subsidiaries of the Company, based in Germany, (hereinafter referred commonly as the Graphite Cova Group Companies):

- Graphite Cova GmbH
- Bavaria Electrodes GmbH
- Bavaria Carbon Specialities GmbH
- Bavaria Carbon Holdings GmbH

4. Financial Performance:

The financial performance of the Company is given in the following Table -

Particulars	Graphite International B.V.		All figures in thousand Euro Graphite International B.V. Group	
	2016-17	2015-16	2016-17	2015-16
INCOME				
Revenue from operations	303	397	32,510	35,168
Other Income	-	-	600	615
Total Revenue	303	397	33,110	35,783
Less: Operating expenses	84	110	37,181	39,323
Profit/(Loss) before Finance Cost and depreciation	219	287	(4,071)	(3,540)
Less : Finance Cost	-	-	357	387
Profit/(Loss) before depreciation and tax	219	287	(4,428)	(3,927)
Less : Depreciation	-	-	635	636
Profit/(Loss) before taxation	219	287	(5,063)	(4,563)
Less: Provision for taxation	52	72	115	184
Profit/(Loss) for the year	167	215	(5,178)	(4,747)

5. Discussion on Operation of Subsidiaries:

The manufacturing facilities of Subsidiary Companies comprise two divisions namely Graphite Electrodes and Graphite Specialties, all located in Roethenbach, Germany. The Graphite Electrodes division manufactures Graphite electrodes for use in Electric Arc Furnace (EAF) based steel mills. The Specialties division manufactures graphite/carbon based machined components, crucibles, therapeutic carbon, carbon brushes, heating elements, pumps, bricks and a host of other products for a variety of applications in chemical, electrical, electronic and mechanical engineering industries.

Graphite International B.V., Rotterdam

The Coating renders a high-tech and an inimitable anti-oxidation surface coating for graphite electrodes which significantly improves the performance of the electrodes while in use in the EAF steel mills.

The economic overall situation in Germany was characterized by growth in gross domestic product of 1.9 % in 2016. Contributed to the modest increase in the gross domestic product have a higher export growth of 2016 in comparison to 2015, the increase in domestic demand due to increased business investment and a significant upturn (2%) in private consumption. Another positive impact came from the continued favourable development in the employment market. The number of employees rose in 2016 for the eighth year in a row and reached a new historical level.

World crude steel production reached 1,628.5 million tonnes (Mt) for the year 2016, up by 0.8% compared to 2015. Crude steel production decreased in Europe, the Americas and Africa. Crude steel production increased in the CIS, the Middle East, Asia and Oceania.

Annual production for Asia was 1,125.1 Mt of crude steel in 2016, an increase of 1.6% compared to 2015. China's crude steel production in 2016 reached 808.4 Mt, up by 1.2% on 2015. China's share of world crude steel production increased from 49.4% in 2015 to 49.6% in 2016. Japan produced 104.8 Mt in 2016, down by 0.3% compared to 2015. India's crude steel production for 2016 was 95.6 Mt, up by 7.4% on 2015. South Korea produced 68.6 Mt of crude steel in 2016, a decrease of 1.6% compared to 2015.

In 2016, the EU (28) produced 162.3 Mt of crude steel, a decrease of 2.3% compared to 2015. Germany produced 42.1 Mt of crude steel in 2016, down by 1.4% over 2015. Italy produced 23.3 Mt in 2016, an increase of 6.0% over 2015. Spain produced 13.7 Mt of crude steel in 2016, a decrease of 0.8% compared to 2015.

2016 crude steel production in North America was 111.0 Mt, the same amount as in 2015. The US produced 78.6 Mt of crude steel, down by 0.3% on 2015.

Crude steel production in the CIS was 102.4 Mt in 2016, 0.8% higher than in 2015. Russia produced 70.8 Mt of crude steel in 2016, down by 0.1% on 2015. Ukraine recorded an increase of 5.5% with a year-end figure of 24.2 Mt.

Annual crude steel production for South America was 39.2 Mt in 2016, a decrease of 10.6% on 2015. Brazil produced 30.2 Mt in 2016, down by 9.2% compared to 2015.

In 2017:

The World Steel Association released in Oct. 2016 its Short Range Outlook (SRO) for 2016 and 2017. World steel forecasts that global steel demand will increase by 0.2% in 2016, following a contraction of 3.0% in 2015. In 2017, it is forecast that global steel demand will grow by 0.5%.

Commenting on the outlook, the steel industry environment remains challenging, with escalated uncertainties driven by geopolitical situations in various parts of the world.

Weakness in investment globally continues to hold back a stronger steel demand recovery. However, a better than expected forecast for China, along with continued growth in emerging economies, will help the global steel industry to move back to a positive growth path.

Downside risks to this outlook come from the high corporate debt and real estate market situation in China, Brexit uncertainties and possible further escalation of instability in some regions. On a positive note, steel demand in the emerging and developing economies excluding China is expected to accelerate to show 4.0% growth in 2017 thanks to the resilient emerging Asian countries and stabilisation of commodity prices.

Graphite Cova sold Graphite Electrodes 9,157 MT as compared to 9,264 MT in the previous year. The speciality sale was higher by 15.88%. The group net loss after tax for the year was Euro 5.18 mn (Previous Year- Euro 4.75 mn). The loss was mainly on account of lower realization per MT for electrodes.

6. Borrowing facilities of Subsidiary companies from Banks :

The working capital limit from bank was TEUR 24,000 as at 31st March, 2017. Total utilisation of fund based limits from bank was TEUR 19,100 at the end of the year.

The total funding is provided by Citibank against collateral in the form of Corporate Guarantee of TEUR 24,000 from Graphite India Limited.

Utilisation of bank limit by the end of the year was Euro 19.10 mn compared to Euro 16.30 mn in the previous year. Collections in USD were sold from time to time based on availability and requirements for payment in USD.

7. Dividend:

No dividend is proposed for the year.

8. Outlook:

The Company looks forward to improving its performance in the Financial Year 2017/2018 following favourable business indications of global steel industry brightening and extension of the market in other continents. In 2017, the global steel industry is expected to grow, even though at a lower rate.

Sales prices of Electrodes were continued to be under pressure in 2016, now the trend of the pricing is increasing.

9. Human Resources:

The Management wishes to place on record its appreciation of the contribution made by employees at all levels. The total strength of employees was 206 Numbers during 2016-17. The personnel and social security for all employees of the company is organized on the basis of the requirements of the applicable German Law.

10. Risks and Concerns:

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.

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.

11. Acknowledgement:

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

The Management also express their appreciation for the dedicated and sincere services rendered by the employees of the German Subsidiaries.

Graphite International B.V. put on record the support and assistance provided by the Management team of Graphite India Limited to the German Subsidiaries.

Date : 18 May 2017.



FINANCIAL STATEMENTS

CONSOLIDATION AND ACCOUNTING PRINCIPLES

INCORPORATION

The Company was incorporated on 27 November 2003.

BASIS OF PREPARATION

These financial statements have been prepared in accordance with the generally accepted accounting principles under the historical cost convention on accrual basis, based on Dutch GAAP.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the company has ascertained its operating cycle as twelve months for the purpose of current/non-current classification of assets and liabilities.

LINE OF BUSINESS

Graphite International B.V. is primarily a holding company managing and financing subsidiaries and exploiting trademarks and patents. Secondary, the company trades raw materials and trading goods and provides (under lease agreements) machinery and equipment related to the graphite and carbon industry. The subsidiaries' main objective is to manufacture and market graphite electrodes, special products and other carbon and graphite products.

PARENT COMPANY

Graphite International B.V. forms part of a group with Graphite India Ltd. as parent company. The financial statements of Graphite International B.V. are fully consolidated in the consolidated statements of Graphite India Ltd, which are filed at the Register of Companies at West Bengal, India.

PRINCIPLES OF CONSOLIDATION

The consolidated accounts comprise the fully consolidated financial statements of Graphite International B.V. and its group companies in which Graphite International B.V. has majority control. The financial statements of the parent and its subsidiaries are combined on a line by line basis by adding together like items of assets, liabilities, equity, income and expenses.

Unrealised intercompany results included in inventories at balance sheet date, resulting from intercompany transactions and intercompany balances, have been eliminated.

There are no unconsolidated investments. The consolidated accounts comprise the financial statements of:

- Graphite International B.V, Rotterdam;
- Bavaria Carbon Specialties GmbH, Germany (100%);
- Bavaria Electrodes GmbH, Germany (100%);
- Bavaria Carbon Holdings GmbH, Germany (100%);
- Graphite Cova GmbH, Germany (100%).

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at exchange rates prevailing on the date of the transaction. At the year-end, monetary assets and liabilities denominated in foreign currencies are restated at the year-end exchange rates. The resultant exchange differences (other than relating to long-term foreign currency monetary items) arising from settlement of foreign currency transactions and from the year-end restatement are recognised in the Profit and Loss Statement.

Exchange differences arising on reporting of long-term foreign currency monetary items (i) relating to acquisition of depreciable capital assets is adjusted to the carrying amount of such assets (to be depreciated over the balance life of the related asset) and (ii) in other cases accumulated in a 'Foreign Currency Monetary Item Translation Difference Account' (to be amortised over the balance period of the related long-term monetary asset/ liability).

Premium or discount arising at the inception of a forward exchange contract entered into to hedge an existing asset / liability is amortised as expense or income over the life of the contract.

GOING CONCERN

The Company's ability to continue as a going concern is dependent upon continued support by the Company's ultimate parent company via a guarantee letter (which is valid till September, 2020) and upon continued funding by the bank, respectively. The projections for the upcoming two years combined are expected to be positive and management deems the going concern of the Company to be secured. Consequently, the financial statements are prepared based on the Going Concern principle.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that effect the reported amount of assets and liabilities as of the balance sheet date, reported amount of revenues and expenses for the year and disclosure of contingent liabilities as of the balance sheet date. The estimates and assumptions used in these financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from these estimates.

FINANCIAL INSTRUMENTS

Under the financial instruments are both primary financial instruments, such as receivables and payables, and derivatives meant. For the accounting principles of the primary financial instruments, we refer to the notes of the specific balance sheet item.

DERIVATIVE CONTRACTS

In respect of derivative contracts (other than forward exchange contracts entered into hedge an existing assets/liability), gains/losses on settlement and mark-to-market loss, if any, on outstanding contracts as at balance sheet date are recognised in the profit and loss statement and mark-to-market gain, if any, on outstanding contracts as at balance sheet date is ignored. Refer note above for forward exchange contracts entered into to hedge an existing asset/liability.

FIXED ASSETS

Tangible assets are stated at cost of acquisition net of accumulated depreciation and accumulated impairment losses, if any. Intangible assets are stated at cost of acquisition net of accumulated amortization and accumulated impairment losses, if any. Cost comprises cost of acquisition including non-refundable taxes/duties, freight and other incidental expenses related to acquisition and installation. Cost of software includes licence fee and cost of implementation/ system integration services, where applicable.

Subsequent expenditures related to an item of fixed asset (tangible or intangible) are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. Machinery spares which are irregular in use and associated with particular asset, are treated as fixed assets.

DEPRECIATION AND AMORTISATION

Depreciation on tangible fixed assets is provided on straight line basis over the estimated useful lives of the assets and intangible assets are amortised on a straight-line basis over a period not exceeding ten years in accordance with local fiscal regulation.

IMPAIRMENT LOSS

Assessment is done at each balance sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. An impairment loss, if any, is recognised wherever the carrying amount of the fixed assets exceeds the recoverable amount i.e. the higher of the assets' net selling price and value in use. After impairment, depreciation is provided on the revised carrying amount of the fixed asset over its remaining useful life.

INVESTMENTS

Investments that are readily realizable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Long-term investments are stated at net-asset value write down for any diminution, other than temporary, in carrying value. Current investments are carried at lower of cost and fair value.

INVENTORIES

Inventories are valued at lower of cost and net realisable value. The costs are ascertained under weighted average formula. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation as at the balance sheet date and are not discounted to its present value.

A disclosure for a contingent liability is made when there is a possible obligation arising from past events, the existence of which will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

REVENUE

Revenue from sale of goods are recognised when the significant risks and rewards of ownership in the goods are transferred to the buyer as per the terms of contract. It excludes value added tax, trade discounts, returns, as applicable.

Income from services rendered is recognised as the service is performed on proportionate completion method and is booked based on agreements / arrangements with the concerned parties.

OTHER INCOME

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. All other items are recognised on accrual basis.

BORROWING COSTS

Borrowing costs, if any, attributable to the acquisition and construction of qualifying assets are added to the cost up to the date when such assets are ready for their intended use. Other borrowing costs are recognised as expense in the period in which these are incurred.

TAXATION

Current tax is measured at the amount expected to be paid to tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax is recognized for all the timing differences, subject to consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a virtual/reasonable certainty as applicable that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. At each balance sheet date, the company reassesses unrecognized deferred tax assets, if any.

EMPLOYEE BENEFITS

Short-term employee benefit

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service.

Post-employment benefit plan

Contributions under defined contribution plans payable in keeping with the related schemes are recognised as expenses for the year, in which the employee has rendered the service.

For foreign defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss statement for the period in which they occur, in accordance with DAS 271.321a. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

LEASES

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss statement on a straight-line basis over the period of lease.

CASH FLOW STATEMENT

The compilation of the cash flow statement is based on the indirect method. The cash funds as used in the cash flow statement concludes the cash as stated on the assets side of the consolidated balance. Cash flows in foreign currencies are translated at the applicable exchange rate on the date of transaction. Interest income, interest expenses and income taxes are separately shown under the cash flow from operating activities.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

(before proposed appropriation of result)

ASSETS (in euros)	31 March 2017		31 March 2016	
Fixed assets				
Intangible fixed assets				
Goodwill	8.000		8.000	
Computer software	16.997		35.403	
		24.997		43.403
Tangible fixed assets				
Land and buildings	1.043.575		1.026.148	
Plant and equipment	3.809.346		3.506.231	
Other Equipment	341.461		161.030	
Prepayments	622.676		735.300	
		5.817.058		5.428.709
Current assets				
Inventories				
Unfinished goods	4.805.461		6.208.510	
Raw materials	6.609.110		6.847.812	
Finished goods	2.275.808		2.757.000	
Other	599.437		656.109	
		14.289.816		16.469.431
Receivables				
Trades receivable	8.945.699		9.686.642	
Participants/ Group companies	1.286.512		239.219	
Current tax assets	106.318		-	
Other receivables	300.343		404.528	
		10.638.872		10.330.399
Cash at bank and in hand		1.507.772		2.022.377
Total		32.278.515		34.294.319

Graphite International B.V., Rotterdam

EQUITY AND LIABILITIES		31 March 2017	31 March 2016
Group equity		4,650.206	9.828.222
Provisions		411.877	420.173
Short-term liabilities			
Credit institution	19.100.000	16.300.000	
Trade payables	2.107.730	1.958.158	
Group companies	4.148.914	4.213.247	
Other liabilities and deferred income	1.859.788	1.574.519	
		<u>27.216.432</u>	<u>24.045.924</u>
Total		<u>32.278.515</u>	<u>34.294.319</u>

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD 1 APRIL 2016 TILL 31 MARCH 2017

	1-4-2016 till 31-3-2017	1-4-2015 till 31-3-2016
(in euros)		
Net turnover	32.510.227	35.168.103
Movement work in progress	-1.884.242	-2.079.081
Other income	<u>600.252</u>	<u>614.614</u>
Operating income	31.226.237	33.703.637
Raw and ancillary materials	14.254.412	16.884.683
Contracted work and external expenses	<u>8.943.379</u>	<u>8.721.332</u>
	<u>23.197.791</u>	<u>25.606.015</u>
Gross Margin	8.028.446	8.097.622
Wages and salaries	8.115.814	7.649.414
Social security premiums	1.478.036	1.395.923
Depreciation fixed assets	634.714	636.215
Other operating expenses	<u>2.505.664</u>	<u>2.592.514</u>
Total operating expenses	<u>12.734.228</u>	<u>12.274.066</u>
Operating result	-4.705.782	-4.176.444
Financial expenses	<u>-357.580</u>	<u>-386.862</u>
Income before taxes	-5.063.362	-4.563.306
Taxes on income	<u>-114.654</u>	<u>-183.849</u>
Net result	<u><u>-5.178.016</u></u>	<u><u>-4.747.155</u></u>

CONSOLIDATED CASH FLOW STATEMENT

The movements of funds can be specified as follows:

	1-4-2016 till 31-3-2017	1-4-2015 till 31-3-2016
(in euros)		
Cash flow from operating activities		
Profit before tax	-5.063.362	-4.563.306
<i>Adjustments for:</i>		
Depreciation and amortisation expenses	634.714	636.215
Loss / (profit) on disposal of tangible fixed assets	-6.418	74.205
Liabilities no longer required written back	-56.355	-90.289
Interest income	-	-27.457
Bad debts written off	18.562	282
Interest expense	357.580	386.862
Foreign exchange (gain) / loss	-	-36.698
	948.082	943.120
<i>Movement in working capital:</i>		
Inventories	2.179.616	5.277.421
Receivables	-220.718	1.272.408
Provisions	-8.296	-48.382
Short-term liabilities	473.916	-1.571.680
	2.424.518	4.929.767
Cash flow from operating activities	-1.690.762	1.309.581
Taxes paid on income	-268.025	-56.734
	-268.025	-56.734
Cash provided by operating activities	-1.958.787	1.252.847
Cash flow from investment activities		
Investments intangible fixed assets	-15.086	-84
Sale of tangible fixed assets	6.419	-
Prepayments on tangible fixed assets	-	-164.996
Refund of Advance for Property, Plant and equipment	-	-
Investments tangible fixed assets	-989.571	-384.835
Interest received	-	27.457
Total cash used in investing activities	-998.238	-522.458
Cash flow from financing activities		
Interest paid	-357.580	-386.862
Short term borrowings receipts/(payments)	2.800.000	-1.300.000
Repayment of long-term borrowings	-	-7.960
Total cash provided by financing activities	2.442.420	-1.694.822
Movements in cash funds	-514.605	-964.433
 The movement of funds is as follows:		
Balance as at 1 April	2.022.377	2.986.810
Movement for the year	-514.605	-964.433
Balance as at 31 March	1.507.772	2.022.377

NOTES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

ASSETS

Fixed assets

Intangible fixed assets

Movements in intangible fixed assets can be analysed as follows:

	<i>Goodwill</i>	<i>Computer Software</i>	<i>Total</i>
(in euros)			
<u>Balance as at 1 April 2016</u>			
Costs	8.000	235.447	243.447
Accumulated depreciation	-	-200.044	-200.044
Book value	<u>8.000</u>	<u>35.403</u>	<u>43.403</u>
<u>Movements in book value</u>			
Acquisition	-	15.086	15.086
Depreciation	-	-33.492	-33.492
	<u>-</u>	<u>-18.406</u>	<u>-18.406</u>
<u>Balance as at 31 March 2017</u>			
Costs	8.000	250.533	258.533
Accumulated depreciation	-	-233.536	-233.536
Book value	<u>8.000</u>	<u>16.997</u>	<u>24.997</u>
Depreciation rates	<u>0%</u>	<u>20%</u>	<u>0% - 20%</u>

Tangible fixed assets

Movements in tangible fixed assets are analysed as follows:

	<i>Land, similar rights and buildings including buildings on third party land</i>	<i>Plant, technical machinery and equipment</i>	<i>Other equipment, factory and office equipment</i>	<i>Prepay- ments, equipment under construction</i>	<i>Total</i>
(in euros)					
<u>Balance as at 1 April 2016</u>					
Costs	1.377.180	15.044.028	1.390.975	1.823.300	19.635.483
Accumulated depreciation	-351.032	-11.537.797	-1.229.945	-1.088.000	-14.206.774
Book value	<u>1.026.148</u>	<u>3.506.231</u>	<u>161.030</u>	<u>735.300</u>	<u>5.428.709</u>
<u>Movements in book value:</u>					
Actual cost investments	49.476	800.146	252.573	-112.624	989.571
Acquisition value of disposal	-	-2.655	-	-	-2.655
Depreciation for the year	-32.049	-497.031	-72.142	-	-601.222
Depreciation of disposal	-	2.655	-	-	2.655
Prepayment during the year	-	-	-	-	-
	<u>17.427</u>	<u>303.115</u>	<u>180.431</u>	<u>112.624</u>	<u>388.349</u>
<u>Balance as at 31 March 2017</u>					
Costs	1.426.656	15.841.519	1.643.548	1.710.676	20.622.399
Accumulated depreciation	-383.080	-12.032.173	-1.302.087	-1.088.000	-14.805.340
Book value	<u>1.043.576</u>	<u>3.809.346</u>	<u>341.461</u>	<u>622.676</u>	<u>5.817.059</u>
Depreciation					
	<u>0% - 10%</u>	<u>10% - 20%</u>	<u>10% - 20%</u>	<u>0%</u>	

Current assets

Inventories

	31-3-2017	31-3-2016
(in euros)		
Unfinished goods	4.805.461	6.208.510
Raw materials	6.609.110	6.847.812
Finished goods	2.275.808	2.757.000
Other	599.437	656.109
	-----	-----
	14.289.816	16.469.431
	=====	=====

Receivables

	31-3-2017	31-3-2016
(in euros)		
Trade receivables	8.945.699	9.686.642
Participants/ Group companies	1.286.512	239.229
Current tax assets	106.318	-
Other receivables	300.343	404.528
	-----	-----
	10.638.872	10.330.399
	=====	=====

Cash at bank and in hand

Banks	1.497.052	2.008.437
Cash in hand	10.720	13.940
	-----	-----
	1.507.772	2.022.377
	=====	=====

The cash at bank and in hand is at free disposal of the group.

EQUITY AND LIABILITIES

Group equity

See the notes to the company balance sheet for the movements during the year in the group equity.

Provisions

The provision included in the balance sheet mainly relates to pension liabilities and can be broken down as follows:

	1-4-2016 till 31-3-2017	1-4-2015 till 31-3-2016
(in euros)		
Present value of defined benefit obligations	411.877 =====	420.173 =====
<i>Material actuarial principles</i>		
The material actuarial principles are the following:	31-03-2017	31-03-2016
- applied discount rate	1,40%	1,60%
- price inflation	1,50%	1,50%
- salary / pension increase	1,50%	1,50%
- expected return on plan assets		
a) real assets	N/A	N/A
b) fixed-income securities	N/A	N/A
- expected increase in salaries		
a) general growth in salaries	N/A	N/A
b) individual salary rise	N/A	N/A
<i>Expense recognized in the Profit and Loss account</i>		
Current Service Cost	7.787	9.121
Interest Cost	6.671	6.559
Actuarial (gains) / losses	3.023	-32.992
	-----	-----
Total expense recognized	17.481	-17.312
Benefits paid	-25.777	-31.070
	-----	-----
Total movement in provision	-8.296 =====	-48.382 =====

Short-term liabilities

<u>Credit institutions</u>	31-3-2017	31-3-2016
(in euros)		
Citibank	19.100.000	16.300.000
	-----	-----
	19.100.000	16.300.000
	=====	=====

The credit facility relates to a short term credit facility in the amount of Euro 24 Million and is renewed on a year to year basis (recently up to July 2018). The Loan from Citibank is repayable on demand. The facility from Citibank is secured by a Corporate Guarantee from Graphite India Limited of Euro 24 Million. The corporate guarantee is valid till 30 September 2020.

<u>Group companies</u>	31-3-2017	31-3-2016
(in euros)		
Graphite India Ltd.	4.148.914	4.213.247
	=====	=====

No interest is charged on the current accounts of group companies. No security has been given.

<u>Other liabilities and deferred income</u>	31-3-2017	31-3-2016
(in euros)		
Claims payable	930.196	750.120
Employee related accruals	532.966	477.330
Short-term portion of long-term liabilities	-	-
Accruals for taxes	-	47.053
Other accrued liabilities (including VAT and social security charges)	396.626	300.016
	-----	-----
	1.859.788	1.574.519
	=====	=====

Contingent liabilities

The group has operating lease agreements for certain vehicles and equipment. There are no cancellable operating lease in the current year as well as in the previous year. The future lease payments in respect of these amount to € 351.378 (2015/2016: € 541.870), of which € 220.464 (2015/2016: € 257.983) is due within one year, € 130.914 (2015/2016: € 283.887) is due within two and five years. The lease expense recognised during the year amounted to € 262.658 (2015/2016: € 353.463).

The German subsidiaries of Graphite International B.V. have signed agreements with the State of Bavaria (Germany) for an amount not exceeding € 2.339.354 (previous year € 2.347.047) towards potential obligation in respect of environmental issues. No provision has been recorded in the balance sheet due to the uncertainty of the actual size and timing of the (remaining) obligation, taken into account the investments done and possible future investments.

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD 1 APRIL 2016 TILL 31 MARCH 2017

Financial information by segment

	1-4-2016 till 31-3-2017	1-4-2015 till 31-3-2016
<u>Revenue by segment</u>		
Sales Graphite Electrodes, special products and other Carbon and Graphite products	32.510.227 =====	35.168.103 =====
The revenue by segment is shown after elimination of intercompany sales.		
Germany	10.836.710	10.441.574
Italy	4.379.770	5.260.526
United States of America	1.148.318	3.304.995
Other	16.266.243	16.266.324
Promotion cost	- 120,814	-105.316
	----- 32.510.227 =====	----- 35.168.103 =====

Average number of employees

The average number of employees over the period 1 April 2016 till 31 March 2017 was 206 FTE (2015/2016: 203 FTE), of which 142 Blue collar employees (2015/2016: 140). All employees are employed in Germany.

Directors remuneration

In accordance with the exemption within 2:383 paragraph 1 of the Dutch Civil Code, no disclosure regarding payments to directors has been made, because these payments are traceable to one person.

Operating expenses

	1-4-2016 till 31-3-2017	1-4-2015 till 31-3-2016
<u>Depreciation</u> (in euros)		
Depreciation of intangible fixed assets	33.492	47.190
Depreciation of tangible fixed assets	601.222	589.025
	----- 634.714 =====	----- 636.215 =====
<i>Depreciation of intangible fixed assets</i>		
Depreciation of software	33.492 =====	47.190 =====

	1-4-2016 till 31-3-2017	1-4-2015 till 31-3-2016
<i>Depreciation of property, plant and equipment</i>		
Depreciation of land and buildings	32.049	31.514
Depreciation of plant and machinery	497.031	480.668
Depreciation of other equipment	72.142	76.843
	-----	-----
	601.222	589.025
	=====	=====

Auditor's remuneration

With reference to Section 382A, Part 9 of Book 2 of the Netherlands Civil Code, the RSM-network has charged a fee of € 95.000 (including € 70.000 other RSM network firms) relating to the audit of the financial statements.

Financial expenses

	1-4-2016 till 31-3-2017	1-4-2015 till 31-3-2016
Other interest and similar expenses	357.580	386.862
	-----	-----
	357.580	386.862
	=====	=====

COMPANY BALANCE SHEET AS AT 31 MARCH 2017

(before proposed appropriation of result)

ASSETS (in euros)	<i>31 March 2017</i>	<i>31 March 2016</i>
Fixed assets		
Financial fixed assets	3.857.755	9.202.774
Current assets		
Receivables and prepaid expenses	904.495	811.373
Cash at bank and in hand	5.284	-
 Total assets	 <u>4.767.534</u>	 <u>10.014.147</u>

EQUITY AND LIABILITIES	31 March 2017	31 March 2016
Shareholders' equity		
Share capital	17.300.000	17.300.000
Other reserves	-7.471.778	-2.589.568
Unallocated result for the year	<u>-5.178.016</u>	<u>-4.882.210</u>
	4.650.206	9.828.222
Short-term liabilities		
Trade creditors	29.294	33.543
Other liabilities, accruals and deferred income	<u>88.034</u>	<u>152.382</u>
	117.328	185.925
Total liabilities	<u><u>4.767.534</u></u>	<u><u>10.014.147</u></u>

COMPANY PROFIT AND LOSS ACCOUNT FOR THE PERIOD 1 APRIL 2016 TILL 31 MARCH 2017

	1-4-2016 till 31-3-2017	1-4-2015 till 31-3-2016
(in euros)		
Net turnover	<u>303.156</u>	<u>396.908</u>
Operating income	303.156	396.908
Employee benefits expense	7.500	10.000
Depreciation fixed assets	-	-
Other operating expenses	<u>76.214</u>	<u>100.350</u>
Total operating expenses	<u>83.714</u>	<u>110.350</u>
Operating result	219.442	286.558
Financial income	-	59
Financial expenses	<u>-</u>	<u>-</u>
Income before taxes	219.442	286.617
Taxes on income	-52.439	-72.246
Share in result from subsidiaries	<u>-5.345.019</u>	<u>-5.096.581</u>
Net result	<u>-5.178.016</u>	<u>-4.882.210</u>

NOTES TO THE COMPANY BALANCE SHEET AS AT 31 MARCH 2017

ASSETS

Fixed assets

Financial fixed assets

	31-3-2017	31-3-2016
(in euros)		
Subsidiaries	3.857.755	9.202.774
	=====	=====

Subsidiaries (in euro's)	Bavaria Carbon Holdings GmbH	Bavaria Electrodes GmbH	Bavaria Carbon Specialties GmbH	Graphite Cova GmbH	Total
Balance as at 1 April 2016	1.129.073	2.630.642	2.011.354	3.431.705	9.202.774
Result for the year	-293.385	248.458	202.226	-5.502.319	-5.345.019
Balance as at 31 March 2017	835.688	2.879.100	2.213.580	-2.070.614	3.857.755

List of subsidiaries

Bavaria Carbon Specialties GmbH, Röthenbach an der Pegnitz	100%
Bavaria Electrodes GmbH, Röthenbach an der Pegnitz	100%
Bavaria Carbon Holding GmbH, Röthenbach an der Pegnitz	100%
Graphite Cova GmbH, Röthenbach an der Pegnitz	100%

Current assets

Receivables and prepaid expenses

	31-3-2017	31-3-2016
Group companies	880.344	801.361
Taxes and social security contributions	11.026	1.168
Other current assets	13.125	8.844
	-----	-----
	904.495	811.373
	=====	=====
<u>Group companies</u>		
Graphite Cova GmbH	880.344	801.361
	=====	=====

No interest is charged on the current accounts of group companies. No security has been given.

Taxes and social security contributions

	31-3-2017	31-3-2016
Value added tax	3.715	1.168
Income tax	7.311	-
	-----	-----
	11.026	1.168
	=====	=====
 Cash at bank and in hand		
Citco Bank, current account	5.284	-
	=====	=====

EQUITY AND LIABILITIES

Shareholders' equity

(in euro's)

	<i>Issued share capital</i>	<i>Other reserves</i>	<i>Unallocated result for the year</i>	<i>Total</i>
Balance as at 1 April 2015	17.300.000	-398.041	-2.191.527	14.710.432
Allocation result previous year	-	-2.191.527	2.191.527	-
Issued share capital	-	-	-	-
Unallocated result for the year	-	-	-4.882.210	-4.882.210
Balance as at 31 March 2016	<u>17.300.000</u>	<u>-2.589.568</u>	<u>-4.882.210</u>	<u>9.828.222</u>
Allocation result previous year	-	-4.882.210	4.882.210	-
Unallocated result for the year	-	-	-5.178.016	-5.178.016
Balance as at 31 March 2017	<u>17.300.000</u>	<u>-7.471.778</u>	<u>-5.178.016</u>	<u>4.650.206</u>

Share capital

The issued share capital contains a total of 17.300.000 ordinary shares of €1 each at balance date.

	31-3-2017	31-3-2016
<u>Other liabilities, accruals and deferred income</u>		
Withholding taxes	88.034	80.136
Income tax	-	72.246
	<u>88.034</u>	<u>152.382</u>
	=====	=====

Appropriation of result

It is proposed that the 2016/2017 loss will be deducted from the other reserves. This proposal has not been included in the financial statements for the period 1 April 2016 till 31 March 2017.

Other Information

Average number of employees

In this financial year, as in the previous year, no employees were employed.

Directors remuneration

During the financial period the trust company received a remuneration of € 7.500 (2016: € 10.000). This amount has been incorporated in the profit and loss account.

Related party transaction


Related parties are:

- Graphite India Ltd, parent company
- Carbon Finance Limited, fellow subsidiary
- Graphite Cova GmbH, subsidiary
- Bavaria Electrode GmbH, subsidiary
- Bavaria Carbon Holdings GmbH, subsidiary
- Bavaria Carbon Specialities GmbH, subsidiary

Rotterdam, 18 May 2017
Graphite International B.V.


Directors:
Liberation Management (Nederland) N.V.
for this: H. Jansen





S.W. Parnerkar

Graphite International B.V., Rotterdam

OTHER INFORMATION

Independent Auditor's report

The independent Auditor's report has been set out on the following pages.

Statutory rules concerning appropriation of result

According to article 23 of the statutes of the company the Annual General Meeting of Shareholders shall determine how much of the remaining profit will be added to reserves.

Maliesingel 26
Postbus 14046
3508 SB Utrecht

www.rsmnl.com

To, the Annual Meeting of Shareholders and Board of Directors of Graphite International B.V.

Our opinion

In our opinion, the accompanying annual report give a true and fair view of the financial position of Graphite International B.V. as at 31 March 2017, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code

- the consolidated and company balance sheet as at 31 March 2017;
- the consolidated and company income statement for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the annual report' section of our report.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition to the annual report and our auditor's report thereon, the annual report contains other information that consists of:

- Based on the following procedures performed, we conclude that the other information:

- THE POWER OF BEING UNDERSTOOD**
AUDIT | TAX | CONSULTING

We have read the other information. Based on our knowledge and understanding obtained through our audit of the annual report or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the annual report.

Management is responsible for the preparation of the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Description of responsibilities regarding the annual report

Responsibilities of management for the annual report

Management is responsible for the preparation and fair presentation of the annual report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the annual report that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the annual report, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the annual report using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the annual report.

Our responsibilities for the audit of the annual report

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 report. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the annual report, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the annual report, including the disclosures; and
- Evaluating whether the annual report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Utrecht, 18 May 2017

RSM Netherlands Accountants N.V.

A large, stylized handwritten signature in black ink is written over the text of the auditor's name and the company name.

drs. M. Hamper RA