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Audit Report

Audit of specific elements of IFRS Financial
Statements

as of 31 March 2022

CUMI AWUKO Abrasives GmbH

Hann. Münden

Abbreviations

Abbreviation	Full term
EUR	Euro
GAS	German Accounting Standard
GmbH	Gesellschaft mit beschränkter Haftung [Company with limited liability]
Hann. Münden	Hannoversch Münden
IDW	Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf [Institute of Chartered Accountant in Germany]
IDW AuS	IDW Audit Standard
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
No.	Number
Sec.	Section

Contents

	Page
1. Audit Engagement	4
2. Execution of the Audit	6
2.1. Subject of the Audit Engagement	6
2.2. Nature and Scope of the Audit	7
2.3. Independence	8
3. Findings and Comments on the Accounting Records	9
3.1. Compliance of the Accounting with Legal Requirements and CUMI Group Accounting Policy	9
3.2. Overall Picture Conveyed by the Financial Statements	10
4. Audit Opinion and Final Remarks	11

Appendices to the Audit Report

Financial Statements

Balance Sheet as of 31 March 2022	Exhibit 1
Statement of Profit and Loss for the period from 1 January to 31 March 2022	Exhibit 2
Statement of Cash flow for the period from 1 January to 31 March 2022	Exhibit 3
Statement of Changes in the Equity for the period from 1 January to 31 March 2022	Exhibit 4

Exhibits of the Auditor

Legal and Tax Background	Exhibit 5
General Engagement Terms	Exhibit 6

1. Audit Engagement

The legal representative of

CUMI AWUKO Abrasives GmbH, Hann. Münden,

– hereinafter also referred to as ‘the Company’ – engaged us on 29 April 2022 to audit specific elements of IFRS financial statements of the Company for the period of 1 January to 31 March 2022 prepared in accordance with the International Financial Reporting Standards (IFRS).

The IFRS financial statements of the Company for the period ended 31 March 2022 comprise the balance sheet as of 31 March 2022, the statement of profit and loss for the period from 1 January to 31 March 2022, the statement of cash flow for the period from 1 January to 31 March 2022 and the statement of changes in the equity for the period from 1 January to 31 March 2022, enclosed hereto as Exhibit 1 to 4 (hereafter briefly “IFRS Financial Statements”).

The company was founded on 20 December 2021. The IFRS financial statements as of 31 March 2022 have been prepared for the purpose of the inclusion in the consolidated financial statements of CUMI Group, and therefore may not be suitable for other purposes.

The results of our audit of the IFRS financial statements for the period ended 31 March 2022 are presented in this audit report, which was prepared in accordance with the IDW AuS 450 (revised). We will render an audit opinion pursuant to IDW AuS 490 (ISA 805) corresponding to the findings of our audit. The audit report and the audit opinion will be provided only in an electronic form using a qualified electronic signature.

The General Engagement Terms for ‘Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften’ [German Public Auditors and Public Audit Firms] dated 1 January 2017, attached as Exhibit 6, apply to the execution of this engagement and govern our responsibilities, also to third parties. Pursuant to No. 9 (2) of the General Engagement Terms, our liability for negligence for services that are not an element of a mandatory audit is limited to EUR 4.0 million.

This audit report is addressed to the Company.

The audit opinion and the audit report are not intended for disclosure to third parties. Pursuant to Sec. 6 (1) of the attached General Engagement Terms for 'Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften' [German Public Auditors and Public Audit Firms] dated 1 January 2017, our professional statements can only be passed on to third parties with our prior approval.

2. Execution of the Audit

2.1. Subject of the Audit Engagement

We audited the IFRS Financial Statements of the Company for the period ended 31 March 2022 prepared in accordance with the International Financial Reporting Standards (IFRS) and the underlying accounting records.

The IFRS financial statements of the Company for the period ended 31 March 2022 have been prepared for the purpose of the inclusion in the consolidated financial statements of CUMI Group and therefore may not be suitable for other purposes.

During our audit, we examined compliance with the relevant IFRS accounting framework and company law and the additional provisions of the articles of association as well. The CUMI Group Accounting Policy has to be considered as far as the Policy is in line with IFRS.

It was not within the scope of our engagement to review compliance with other legal provisions or make a statement on the appropriateness of the insurance coverage. The disclosure and clarification of criminal deeds, such as fraud or embezzlement, as well as findings of any violations of the law beyond the accounting systems were not within the scope of our audit.

Our audit does not constitute an audit in accordance with Sec. 316 et seq. HGB.

2.2. Nature and Scope of the Audit

We performed our audit work intermittently in our offices in April and May 2022.

Details of the nature, scope and findings of the audit engagement are documented in our working papers.

Audit strategy

Our audit was performed in accordance with IDW AuS 490 and ISA 805 and, where relevant, in compliance with the Generally Accepted Standards for the Audit of Financial Statements as issued by the IDW (with reference to the expertise, statements and audit standards issued by the IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the assets, liabilities, financial position and financial performance of the IFRS Financial Statements of the Company for the period ended 31 March 2022 in accordance with the IFRS accounting framework are detected with reasonable assurance. The CUMI Group Accounting Policy has to be considered as far as the Policy is in line with IFRS.

The audit is based on a risk and process-oriented audit approach that is tailored to our knowledge of the business activity, and the economic and legal environment of the Company and an analysis of specific areas of risk.

In the course of our audit, we reviewed and assessed the extent to which the internal control system ensures that generally accepted accounting standards are complied with. At the same time this review served the practical purpose of identifying the nature and scope of the audit procedures we considered necessary. As is customary in our profession, we conducted our audit procedures on the basis of sample-based testing. Conducting the audit on the basis of sample-based testing, coupled with the limited scope inherent in every audit and the fundamental limitations of every accounting-related internal control system, carries the unavoidable risk that even material misstatements or violations of the legal requirements may remain undiscovered. Our audit does not, therefore, necessarily detect fraud or other irregularities.

Moreover, we would like to point out that management is responsible for keeping proper accounting records and compiling the IFRS Financial Statements of the Company in accordance with the IFRS accounting framework. Likewise, the management is responsible for installing and maintaining an adequate internal control system and early warning system for the detection of risks. This responsibility, which is incumbent upon the management, is not reduced in any way by our audit. Our responsibility is to express an opinion on the IFRS Financial Statements of the Company for the purposes of the inclusion in the consolidated IFRS Financial Statements of CUMI Group based on our audit.

Substantiations and confirmation from third parties

The existence and valuation of land and buildings were confirmed by extracts from the land register and expert valuation reports.

We observed the Company's physical inventory count.

To review trade receivables and trade payables, we spot-tested the items and obtained confirmations of the balances on the reporting date using a consciously selected sample on the reporting date.

Confirmations from banks were obtained.

Confirmations from lawyers regarding pending litigation were also obtained.

Information and management representation letter

We were provided with information from the executive directors. All requested explanations and supporting documents were readily supplied to us.

In a letter of representation submitted to us, the executive directors confirmed in writing the completeness of the bookkeeping and the IFRS Financial Statements of the Company for the period ended 31 March 2022 as well as the additional information required by IDW AuS 303.

2.3. Independence

We confirm in accordance with IDW AuS 480/IDW AuS 490 (ISA 805) that we have adhered to the applicable laws regarding our independence during our audit.

3. Findings and Comments on the Accounting Records

3.1. Compliance of the Accounting with Legal Requirements

In our opinion, on the basis of knowledge obtained in the audit, the accounting records and other audited documents comply, in all material aspects, with the legal requirements and the IFRS Financial Statements of the Company for period ended 31 March 2022 comply with the IFRS accounting framework and the CUMI Group Accounting Policy as far as the Policy is in line with IFRS.

Data gathered from other documentation examined (e.g. contracts, articles of association, minutes) are properly reflected in the accounting records of the IFRS Financial Statements of the Company for the period ended 31 March 2022.

We issued our audit opinion, which can be found in Section 4, which contains the following aspects related to the conclusion of the audit:

- Based on the figures of the opening balances and closing balance sheet derived from the bookkeeping and other documents we audited, the IFRS Financial Statements of the Company for the period ended 31 March 2022 comply, in all material respects, with the legal requirements
- The recognition, presentation and measurement policies comply with the requirements in all material respects
- Compliance with all laws applying to accounting, including IFRS accounting framework and the CUMI Group Accounting Policy as far as the Policy is in line with IFRS
- Compliance with the terms of the articles of association, where these concern the accounting

In addition to the comments made in the auditor's report, we state the following:

- The IFRS Financial Statements of the Company for the period ended 31 March 2022 have been voluntarily prepared in accordance with the IFRS accounting framework and the CUMI Group Accounting Policy as far as the Policy is in line with IFRS. The IFRS Financial Statements of the Company as of 31 March 2022 have been prepared for the purpose of the inclusion in the consolidated IFRS Financial Statements of CUMI Group and therefore may not be suitable for other purposes.

3.2. Overall Picture Conveyed by the Financial Statements

The IFRS Financial Statements of the Company for the period ended 31 March 2022 comply overall with the legal requirements and provide a true and fair view of the assets, liabilities, financial position and financial performance of the Company in accordance with the IFRS accounting framework, the CUMI Group Accounting Policy as far as the Policy is in line with IFRS and the terms of the articles of association, where these concern the accounting.

4. Audit Opinion and Final Remarks

Based on the result of our audit, we have issued the following audit opinion to the IFRS Financial Statements of CUMI AWUKO Abrasives GmbH, Hann. Münden, for the period from 1 January to 31 March 2022, enclosed hereto as Exhibit 1 to 4:

Auditor's Audit Opinion

To CUMI AWUKO Abrasives GmbH, Hann. Münden

We have audited the IFRS Financial Statements of CUMI AWUKO Abrasives GmbH, Hann. Münden, for the period from 1 January to 31 March 2022, which comprise the balance sheet as of 31 March 2022, the statement of profit and loss for the period from 1 January to 31 March 2022, the statement of cash flow for the period from 1 January to 31 March 2022 and the statement of changes in the equity for the period from 1 January to 31 March 2022.

Responsibilities of Legal Representatives for the Financial Statements

The legal representatives of CUMI AWUKO Abrasives GmbH are responsible for the preparation and fair presentation of the IFRS Financial Statements of CUMI AWUKO Abrasives GmbH, Hann. Münden, for the period ended 31 March 2022 in accordance with all laws applying to accounting, including IFRS accounting framework, the CUMI Group Accounting Policy as far the Policy is in line with IFRS and the terms of the articles of association of the Company. The legal representatives are responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from intentional or unintentional material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the IFRS Financial Statements of CUMI AWUKO Abrasives GmbH, Hann. Münden, for the period ended 31 March 2022 are free from material misstatement, whether due to fraud or error. Our audit was performed in accordance with IDW AuS 490 and ISA 805 and, where relevant, in compliance with the Generally Accepted Standards for the Audit of Financial Statements as issued by the IDW (with reference to the expertise, statements and audit standards issued by the IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the assets, liabilities, financial position and financial performance in the IFRS Financial Statements of the Company for the period 1 January to 31 March 2022 in accordance with the IFRS accounting framework, the CUMI Group Accounting Policy and the terms of the articles of association of the Company are detected with reasonable assurance.

An audit involves audit procedures to obtain evidence about whether the IFRS Financial Statements of CUMI AWUKO Abrasives GmbH, Hann. Münden, for the period ended 31 March 2022 are free from material misstatement, whether due to fraud or error. The choice of audit procedures is at the discretion of the auditor. This includes assessing the risks of material misstatements, whether intentional or unintentional, in the IFRS Financial Statements of the Company for the period ended 31 March 2022. When assessing these risks, the auditor considers the internal control system that is relevant to the preparation of the IFRS Financial Statements of the Company for the period ended 31 March 2022. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the accounting policies used, the reasonableness of accounting estimates made by the management, and evaluating the overall presentation of the IFRS Financial Statements of the Company and related disclosures.

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

Audit opinion

In our opinion, on the basis of knowledge obtained in the audit, the IFRS Financial Statements of CUMI AWUKO Abrasives GmbH, Hann. Münden, for the period ended 31 March 2022, which comprise the balance sheet as at 31 March 2022, the statement of profit and loss for the period from 1 January to 31 March 2022, the statement of cash flow for the period from 1 January to 31 March 2022 and the statement of changes in the equity for the period from 1 January to 31 March 2022, comply, in all material aspects, with the IFRS accounting framework, the CUMI Group Accounting Policy as far as the Policy is in line with IFRS and the terms of the articles of association, where these concern the accounting.

Restrictions on Distribution and Use

Our audit report and our audit opinion are intended exclusively for CUMI AWUKO Abrasives GmbH, Hann. Münden, and CUMI Group, and may not be passed on to third parties or used by third parties without our consent.

Pursuant to No. 9 (2) of the General Engagement Terms, our liability for negligence for services that are not an element of a mandatory audit is limited to EUR 4.0 million.

Düsseldorf, 9 May 2022

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Exhibits

Balance Sheet as of 31 March 2022 - Assets

Balance Sheet as of 31 March 2022

CUMI AWUKO Abrasives GmbH Handel mit Schleifmitteln, Hann. Münden

IFRS ASSETS

	EUR	Financial Year EUR	Prior Year EUR
A. Noncurrent assets			
I. Intangible fixed assets			
1. Purchased licences, trademarks and similar rights and values as well as licenses to such rights and values	652,007.28		0.00
2. Goodwill	<u>140,000.00</u>		<u>0.00</u>
		792,007.28	0.00
II. Property, plant and equipment			
1. Properties, rights equivalent to real property and buildings, including buildings on third-party land	3,670,592.89		0.00
2. Technical equipment and machinery	870,631.44		0.00
3. Other equipment, operating and office equipment	228,671.81		0.00
4. Advance payments made and construction in progress	<u>5,621.53</u>		<u>21,098.94</u>
		4,775,517.67	21,098.94
B. Deferred tax assets			
		705,460.81	0.00
Total noncurrent asset		6,272,985.76	21,098.94
C. Current assets			
I. Inventories			
1. Raw materials, consumables and supplies	1,770,347.20		0.00
2. Work in progress	1,086,482.23		0.00
3. Finished goods and merchandise	731,118.93		0.00
4. Advance payments made	<u>401,095.22</u>		<u>330,000.00</u>
		3,989,043.58	330,000.00
II. Receivables and other assets			
1. Trade receivables	992,678.90		0.00
2. Other assets	<u>526,620.29</u>		<u>4,193.31</u>
		1,519,299.19	4,193.31
III. Cash on hand, central bank balances, bank balances, and checks			
		584,212.39	24,963.00
Total current assets		6,092,555.16	359,156.31
C. Prepaid expenses			
		25,304.06	0.00
		<u>12,390,844.98</u>	<u>380,255.25</u>

Balance Sheet as of 31 March 2022 - Liabilities

Balance Sheet as of 31 March 2022

CUMI AWUKO Abrasives GmbH Handel mit Schleifmitteln, Hann. Münden

TOTAL EQUITY AND LIABILITIES

	EUR	Financial Year EUR	Prior Year EUR
A. Equity			
I. Subscribed capital		25,000.00	25,000.00
II. Capital reserves		9,975,000.00	330,000.00
III. Accumulated losses brought forward		7,273.05	0.00
IV. Net loss for the financial year		1,652,598.29	7,273.05
Total equity		8,340,128.66	347,726.95
B. Provisions			
1. Other provisions		530,375.80	6,000.00
C. Liabilities			
1. Trade payables	950,149.91		0.00
2. Other liabilities	366,207.28		26,528.30
3. Liabilities due to shareholders	<u>2,203,983.33</u>		<u>0.00</u>
		3,520,340.52	26,528.30
		<u>12,390,844.98</u>	<u>380,255.25</u>

Statement of Profit and Loss for the period from 1 January to 31 March 2022

Income Statement from 1 January to 31 March 2022

CUMI AWUKO Abrasives GmbH Handel mit Schleifmitteln, Hann. Münden

IFRS	EUR	Financial Year EUR	Prior Year EUR
1. Sales		1,244,893.75	0.00
2. Increase in finished goods inventories and work in progress		1,236,309.82	0.00
3. Other operating income		75,943.14	0.00
4. Cost of materials			
a) Cost of raw materials, consumables and supplies, and of purchased merchandise		1,294,841.77	0.00
5. Personnel expenses			
a) Wages and salaries	803,819.18		4,000.00
b) Social security costs and expenses related to pension plans and for support	<u>337,860.21</u>		<u>1,000.00</u>
		1,141,679.39	5,000.00
6. Depreciation and amortization			
a) Of noncurrent intangible assets and property, plant and equipment		60,846.75	0.00
7. Other operating expenses		2,411,546.06	2,273.05
8. Interest and similar expenses		6,291.84	0.00
9. Taxes on income		-705,460.81	0.00
10. Net loss for the financial year		<u>1,652,598.29</u>	<u>-7,273.05</u>

Statement of Cash flow for the period from 1 January to 31 March 2022

Cash Flow Statement (indirect) from 1 January to 31 March 2022

CUMI AWUKO Abrasives GmbH Handel mit Schleifmitteln, Hann. Münden

IFRS	EUR	Financial Year EUR	Prior Year EUR
Profit or loss for the period		-1,652,598.29	-7,273.05
+ Depreciation, amortisation and write-downs of noncurrent assets		60,846.75	0.00
+ Increase in provisions		524,375.80	6,000.00
- Increase in inventories		3,659,043.58	330,000.00
- Increase in trade receivables		923,903.89	0.00
- Increase in other assets not attributable to investing or financing activities		489,617.49	4,193.31
+ Increase in trade payables		892,036.36	0.00
+ Increase in other assets not attributable to investing or financing activities		270,903.97	26,528.30
+ Interest expenses		3,983.33	0.00
+ Income tax expenses		-705,460.81	0.00
Income tax expense/income	705,460.81		0.00
Correction to non-cash-effective operations	-705,460.81		0.00
+/- Income taxes paid		0.00	0.00
Cash flow from the operating activities		-5,678,477.85	-308,938.06
- Cash outflows for investment in intangible fixed assets		801,450.00	0.00
- Cash outflows for investment in property, plant and equipment		4,805,822.76	21,098.94
Cash flow from the investing activities		-5,607,272.76	-21,098.94
Cash inflows in capital reserve		9,645,000.00	355,000.00
Cash inflows from borrowings from shareholder		2,203,983.33	0.00
- Interest paid		3,983.33	0.00
Cash flow from the financing activities		11,845,000.00	355,000.00
Changes cash-effective of cash funds (total cash flows)		559,249.39	24,963.00
+ Cash funds at beginning of period		24,963.00	0.00
		<u>584,212.39</u>	<u>24,963.00</u>

Statement of Changes in the Equity for the period from 1 January to 31 March 2022

Statement Of Changes In Equity as of 31 March 2022

CUMI AWUKO Abrasives GmbH Handel mit Schleifmitteln, Hann. Münden

IFRS	Subscribed capital	Unpaid uncalled contributions	Purchased treasury shares	Capital reserves	Revenue reserves	Total comprehensive income	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Issuance of shares	25,000.00						25,000.00
Profit or loss for the period						-7,273.05	-7,273.05
Reclassifications				330,000.00			330,000.00
Balance at 31/12/2021	25,000.00			330,000.00		-7,273.05	347,726.95

	Subscribed capital	Unpaid uncalled contributions	Purchased treasury shares	Capital reserves	Revenue reserves	Total comprehensive income	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance at 01/01/2022	25,000.00			330,000.00		-7,273.05	347,726.95
Profit or loss for the period						-1,652,598.29	-1,652,598.29
Reclassifications				9,645,000.00			9,645,000.00
Balance at 31/03/2022	25,000.00			9,975,000.00		-1,659,871.34	8,340,128.66

Legal and Tax Background

Corporate Law Relations

Company:	CUMI AWUKO Abrasives GmbH
Registered Seat:	Hann. Münden
Articles of Association:	Version of the Articles of Association of 8 February 2022, last amendment by resolution of the shareholder's meeting on 8 February 2022
Subject of the company:	the production of, marketing, sale, distribution and trade of abrasives, ceramics and refractory materials, and other related products, solutions in the area of material science.
Fiscal Year:	1 January until 31 December
Share Capital:	EUR 25,000 The capital contributions have been paid in full
Shareholders:	CUMI International Limited Limassol/Cyprus
Managing Directors:	Mr. Roman Doina, Bonn (until 16 December 2021) Mr. Robert Wehowsky
Commercial Register:	The Company is incorporated under number HRB 108158 in the commercial register at the district court Cologne. An uncertified extract from the Company's commercial register dated 20 April 2022 has been submitted to us.