

EUROFORGE AISBL
Brussels

Expert opinion on the assessment of a sector selected by EUROFORGE
to meet the requirements in margin number 18 (C/2026/196)

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A. ASSIGNMENT AND EXECUTION OF THE ASSIGNMENT**I. Expert opinion assignment**

In a letter dated 19 March 2026, EUROFORGE AISBL, Brussels, commissioned us to prepare an expert opinion for the European Commission as part of the so-called electricity price compensation for the sector with products within the PRODCOM classification 25.50.12.xx, where the position xx acts as a placeholder for all positions under group 25.50.12.

For the purposes of this report, the following 8-digit codes from the PRODCOM classification have been assigned to PRODCOM code 25.50.12:

**PRODUCT PRODUCT (Labels)
(Codes)**

- 25501210 Drop forged (and precision forged) steel parts for land vehicles excluding locomotives and rolling stock
- 25501220 Drop forged (and precision forged) steel parts for transmission shafts, camshafts, crankshafts, cranks, bearing housings and plain shaft bearings (excluding bearing housings incorporating ball or roller bearings)
- 25501230 Parts of piston engines and mechanical engineering of HS 8483 (drop forging of steel)
- 25501240 Parts of mechanical and technical equipment and implements for farming, forestry and market gardening (drop forging of steel)
- 25501250 Drop forged steel parts for pulley tackle and hoists, winches and capstans, jacks, fork-lift trucks, other trucks fitted with lifting/handling equipment, lifts, escalators, conveyors and teleferics
- 25501260 Parts of mechanical engineering and apparatus of HS 8426, 8429, 8430 (drop forging of steel)
- 25501270 Drop forged steel parts for machinery and appliances (excluding for piston engines, turbojets, gas turbines, lifting or handling equipment, construction industry machinery)
- 25501280 Drop forged steel parts for locomotives or rolling stock, aircraft, spacecraft, electrical machinery and equipment, optical, photographic, cinematographic, measuring, checking or precision apparatus
- 25501290 Parts of machineries, apparatus and vehicles of HS 84, 85, 86, 87, 88, 90 (drop forging of non-ferrous metal)

The work was carried out – with interruptions – in March and April 2026 at our companies' offices in Hanover. The expert opinion was then drafted.

The "General Terms and Conditions for Auditors and Auditing Companies" in the version dated January 1, 2024, attached as an appendix, are decisive for the execution of the assignment and the responsibilities, also in relation to third parties. Liability for claims for damages asserted against us by the client or third parties due to a breach committed in the performance of this assignment is limited to EUR 4 million (in words: four million euros) for each individual case of damage or breach, regardless of whether the breach was gross or slight negligence.

II. Questions relating to the expert opinion assignment

The commission to prepare this expert opinion included the following questions and tasks:

- Does the industry in accordance with PRODCOM Classification, 25.50.12.xx meet the criteria of margin number 18 of the Commission Communication amending the guidelines for certain aid measures in relation to the greenhouse gas emission allowance trading scheme after 2021 (C/2026/196)?
- The assessment should comply with the requirements published by the Federal Ministry for Economic Affairs and Energy (hereinafter also referred to as BMWF) in its circular dated January 28, 2026.

III. Nature and scope of our activities

Our assessment covers those actions that we deem necessary to determine that sector 25.50.12.xx meets the criteria set out in margin number 18 (C/2026/196). The criteria in margin number 18 (C/2026/196) are a trade intensity of more than 20%, an intensity of indirect emissions of more than 0.32 kg CO₂ /EUR, and an indicator for the displacement of indirect CO₂ emissions of more than 0.064.

As part of our assessment, we conducted a study on the fulfillment of the above criteria by sector 25.50.12.xx in accordance with our mandate. For details on how the assessment was conducted, please refer to our comments in section D.

IV. Use of the assessment

This expert opinion is intended exclusively for EUROFORGE AISBL and persons authorized by it for this purpose. Insofar as the report is to be passed on to the European Commission, ministries, or comparable institutions within the framework of verification in accordance with margin number 18 (C/2026/196), this is only permitted for the purpose of presenting the verification architecture and technical plausibility checks. Any further disclosure, publication, or use for other purposes requires our prior written consent. Third parties cannot derive any rights or claims from the expert opinion, unless expressly agreed otherwise in individual cases.

V. Independence and quality assurance of the experts

The undersigned experts are professionals who are bound by professional law to act independently (Section 1 BRAO and Section 43 WPO¹).

In this context, we have applied and maintain in particular the national legal regulations and professional pronouncements – in particular the Professional Code of Conduct for Auditors and Certified Public Accountants (BS WP/vBP) and the IDW Quality Assurance Standard "Requirements for Quality Management in Auditing Practices (IDW QMS 1)" published by the Institute of Public Auditors (IDW) and accordingly maintain a comprehensive quality assurance system that includes documented regulations and measures relating to compliance with professional conduct requirements, professional standards, and relevant statutory and other legal requirements. In addition, we have observed the requirements of the IESBA Code of Ethics.

We have prepared our report in accordance with the pronouncements of the Institute of Public Auditors in Germany e.V., Düsseldorf (hereinafter: IDW), the Chamber of Public Auditors KdöR, and the International Auditing and Assurance Standards Board (hereinafter: IAASB) as part of the International Federation of Accountants (hereinafter: IFAC). As an auditing firm, we apply the requirements of *the IDW Quality Management Standard: Requirements for Quality Management in Auditing Practice (IDW QMS 1 (09.2022))*. We have complied with the professional obligations set out in the German Auditing Act and the Professional Code of Conduct for Auditors/Certified Public Accountants, including the requirements for independence.

¹ Revised by announcement of November 5, 1975 (Federal Law Gazette I 2803); last amended by Art. 23 of the Act of December 22, 2025 (Federal Law Gazette I No. 349).

VI. Proof of expertise and presentation of references

The undersigned experts have many years of relevant expertise at the interface between energy and state aid law requirements, regulatory documentation requirements, and the data- and audit-related derivation of sectoral and company-related key figures. Expert Dr. Lietz has been working as a lawyer in energy, climate, and environmental law for many years and is responsible for the legal classification and interpretation of the relevant requirements. Expert Korte is a certified public accountant and tax advisor and managing director of an auditing firm specializing in energy law audits. He is responsible for the methodological design, data logic, and audit-related plausibility checks of the information used. He has many years of experience in the field of applying for and auditing energy law privileges (in particular special compensation regulations, electricity price compensation, and BECV).

In addition, the consultants have advised over 20 different sectors on the extension of the eligible sectors to the industrial electricity tariff (Industriestrompreis) and on electricity price compensation.

A key area of reference is his work in the context of the retrospective recognition of BECV procedures. Here, the law firm supported a total of 17 industry associations – either in the context of an upstream survey and assessment of the prospects of success or up to the point of application. In the course of these procedures, data from over 100 companies on trading intensity and emission intensity was collected, structured, and prepared in accordance with official requirements. The procedure established in this process includes, in particular, the definition and justification of boundaries, ensuring data consistency and plausibility, and the comprehensible documentation of the methodology and results. This experience is directly transferable to expert opinion requirements in the context of electricity price compensation.

B. REQUIREMENTS IN MARGIN NUMBER 18 (C/2026/196)

In its communication of January 5, 2026 (C/2026/196), the European Commission states in paragraph 18 (C/2026/196) that Member States may include additional sectors, i.e., sectors not listed in Annex I to the Commission Communication - Guidelines on certain State aid measures in relation to the greenhouse gas emission allowance trading scheme post-2021 (2020/C 317/04), may grant corresponding aid under the electricity price compensation scheme². The prerequisite here is that the respective Member State must demonstrate to the European Commission that these additional sectors have a trade intensity of more than 20% and an indirect emissions intensity of more than 0.32 kg CO₂ /EUR, as well as an indicator for the displacement of indirect CO₂ emissions of more than 0.064. According to the European Commission, the criteria are to be determined in accordance with the working document of the Commission services (SWD (2020) 190 final).

In addition, the BMW group specified further requirements in a circular email dated January 28, 2026. These include requirements that

- the three key figures must be verified for at least the last three years for which complete data is available,
- the evidence must have been verified by an independent expert. In addition, requirements for the status of independent expert were specified and
- the data used must be representative of the sector in question. This is the case if the data used covers more than 70% of the sector in question.

² German implementation of the Commission Communication - Guidelines for certain aid measures in relation to the greenhouse gas emission allowance trading scheme after 2021 (2020/C 317/04).

C. SUBJECT MATTER, TYPE, AND SCOPE OF THE ASSESSMENT

I. Execution of the assignment

The subject of our assessment was sector 25.50.12.xx of the PRODCOM classification as defined in section A.

The legal representatives of the EUROFORGE AISBL, as our clients, are responsible for defining the subject matter of the assessment.

Our task is to issue an opinion on the basis of our assessment on the commissioned sector 25.50.12.xx and its compliance with the requirements of margin number 18 (C/2026/196), including the associated information.

With regard to our independence, we refer to our comments in Section A.V.

Accordingly, we must comply with professional obligations and plan the assessment in such a way that the results of the assessment meet the requirements of margin number 18 (C/2026/196) and are free from material errors.

We believe that the evidence we have obtained is sufficient and appropriate to serve as the basis for our expert opinion and its conclusion.

II. Opinion methodology

At the beginning of our assessment, we conducted a strategic analysis of the aspects relevant to the assessment of sector 25.50.12.xx and the fulfillment of the criteria in margin number 18 (C/2026/196). Part of our strategic analysis was an assessment report, which we prepared on the basis of information and reports on the (economic) conditions in the sector. The assessment report included questions relating to:

- the structure of trade and supply relationships for products manufactured in sector 25.50.12.xx,
- the structure of the value chain within the sector and the sector's sales markets,
- the energy requirements and energy mix within the sector, with particular regard to electricity consumption.

As part of our assessment of the sector, we first obtained an up-to-date overview of the economic and legal environment of the sector, including the parameters relevant for fulfilling the criteria in margin number 18 (C/2026/196). To this end, we conducted discussions with industry representatives and also drew on general and sector-specific reporting. We used these findings as a basis for our further assessment.

The aim of the steps described above was, in particular, to identify the risks that could lead to significant – intentional or unintentional – miscalculations, modeling errors, and the use of proxies and benchmarks in the assessment of sector 25.50.12.xx in advance, and thus to avoid them and take appropriate measures.

III. Data sources and data access

For the assessment of PRODCOM sector 25.50.12.xx and the fulfillment of the criteria required by margin number 18 (C/2026/196), we carried out our work in accordance with the requirements of margin number 18 (C/2026/196) (see section B.) and the supplementary requirements of the BMWE.

For the assessment of sector 25.50.12.xx, we identified the data to be collected and the corresponding sources based on the knowledge gained from our strategic analysis. As a result of the requirement in Communication C/2026/196 that the assessment of the sector must be carried out in such a way that the selection considered is representative of the sector within the European Union, we decided to use Eurostat's official statistics as the primary source for data collection.

For all data sets used, we ensured that the classification, parameters, and unit system used were consistent over the period under review. Where necessary, appropriate measures were taken to harmonize the data.

The following Eurostat data sets were mainly used to collect the data:

- Enterprise statistics by size class and NACE Rev. 2 activity (from 2021 onwards)
- Enterprises by detailed NACE Rev. 2 activity and special aggregates
- Investment, expenditure, and purchases of enterprises by NACE Rev. 2 activity
- Complete energy balances
- Breakdown of final energy consumption in industry by NACE Rev. 2 economic activity - quantities
- Final energy consumption broken down by NACE Rev. 2 economic activity - quantities
- Energy statistics - Gas and electricity prices (from 2007)
- EU trade since 1988 by HS2-4-6 and CN8

- Excerpts from the EEA greenhouse gas data viewer for the years 2021-2023 and corresponding Eurostat evaluations of electricity generation volumes

We created a copy for each data extract. This copy shows the time of retrieval, the parameters used for retrieval, and the values obtained.

The analysis of sector 25.50.12.xx is carried out at PRODCOM level. Official statistics typically only provide figures for NACE 2 and NACE 4 levels.

Against this background, a corresponding survey of turnover, gross value added (at factor cost) and electricity consumption in sector 25.50.12.xx was carried out at EU level under the leadership of the EUROFORGE AISBL. We have taken the results of this survey into account in our assessment. Where any ambiguities or questions arose on our part during the assessment, the respective companies provided us with corresponding explanations or corrections. The questions and comments regarding the survey relate primarily to the confirmation of the figures or the units used (e.g. TEUR instead of EUR or MWH instead of kWh).

With regard to the requirement for sector coverage of at least 70% at Union level, we refer to our comments in section C.IV.

The anonymised results of the survey are attached to our report as an appendix.

In accordance with the requirements of margin number 18 (C/2026/196), we evaluated the data for the last three years for which complete data was available. At the time of our work, complete data was available for the years 2021, 2022, and 2023. For the year 2024, a significant portion of the data had not yet been published, or the published data contained significant gaps. The same applies to the year 2025. As a result of the requirements for data assessment, the reference period 2021-2023 was therefore used as a basis, as this is the first three-year period that meets the requirements for data availability.

IV. Data preparation and data gaps

Data preparation involves converting raw data into a uniform calculation basis. This includes, in particular, the standardization of units, checking the consistency of time series, handling missing values within Eurostat data sets, and implementing the sector's delimitation logic.

The assessment of compliance with state aid criteria — in particular the determination of indirect emission intensities — requires the availability of disaggregated economic and energy-consumption data at a sufficiently granular sectoral level. Specifically, the calculation of the indirect emission intensity necessitates data on (i) gross value added at factor cost and (ii) electricity consumption, each reported at the level of the relevant sub-sector 25.50.12.xx.

Official statistics published by national and European statistical offices do not provide these variables at the required level of granularity. While official data sources regularly publish aggregated figures at the NACE 2-level and, in certain cases, at the NACE 4-level, data disaggregated to the PRODCOM level are not systematically available in publicly accessible statistical databases. This structural data gap in official statistics is well-documented and constitutes a fundamental limitation for assessments that require precise sectoral demarcation at the subsector 25.50.12.xx.

Necessity of data collection

In the context of the present expert opinion, the sector under review falls within NACE division 25 (Manufacture of fabricated metal products, except machinery and equipment), specifically at the 6-digit sub-classification level (PRODCOM 25.50.12.xx). Given that the relevant economic indicators for this sub-classification are not retrievable from official statistical sources, a purpose-specific primary data collection was indispensable to ensure methodological soundness and analytical validity.

The necessity of conducting a dedicated survey is furthermore grounded in the specific requirements of margin number 18 (C/2026/196). The verification of eligibility criteria, particularly those relating to indirect emission intensity thresholds, cannot be adequately performed on the basis of aggregated sector data, as such data may mask significant intra-sectoral heterogeneity in both economic structure and energy consumption patterns. The use of company-level data collected directly from the undertakings active in the relevant sector is therefore both methodologically justified and substantively required.

In order to close the identified data gaps, a structured primary data collection was conducted in the form of a standardised digital questionnaire. The survey was directed at undertakings operating within the relevant sector (PRODCOM 25.50.12.xx) and covered the reference period from financial year 2021 through financial year 2023.

The questionnaire was distributed through two complementary channels:

- Direct outreach to individual undertakings identified as active in the relevant sector on the basis of available trade registers, sectoral databases, and publicly accessible company information.

- Distribution via sectoral industry associations, which were requested to forward the questionnaire to their respective member companies. This channel was employed to maximise the reach of the survey and to ensure adequate sectoral coverage, including undertakings that may not have been directly identifiable through other means.

The combination of direct outreach and distribution via industry associations reflects best practice in sector-level primary data collection. It allows the survey to capture both large, individually identifiable undertakings and smaller companies that are most effectively reached through established sectoral networks. The involvement of industry associations also lends the data collection a degree of institutional legitimacy, which is considered to have contributed positively to the participation rate.

The questionnaire requested the following information for each reference year (2021, 2022, and 2023):

- Revenue (turnover) as reported in the respective annual financial statements, net of value added tax and other taxes directly linked to turnover;
- The total annual production of products with Prodcom codes that can be classified under sector 25.50.12.xx ;
- Gross value added at factor cost, calculated in accordance with standard national accounting conventions as the difference between output value and intermediate consumption, adjusted for subsidies and taxes on production;
- Total electricity consumption (in kWh), covering all consumption at operational sites attributable to the relevant economic activity under PORDCOM 5.50.12.xx.

Respondents were provided with methodological guidance notes accompanying the questionnaire in order to ensure consistent interpretation of the requested variables, in particular with regard to the scope of the gross value added calculation and the allocation of electricity consumption to specific activities. Where necessary, respondents

were offered the opportunity to seek clarification from the survey team prior to submission.

The data collection yielded responses from more than 140 undertakings. The volume of responses represents a meaningful participation rate within the sector and provides a sufficiently broad empirical basis for the subsequent analytical steps. A detailed assessment of the representativeness of the survey sample, including coverage with respect to total sectoral output and employment, is provided in the following section of this report.

The survey did not yield complete data sets from all contacted undertakings. Certain companies did not respond to the questionnaire. No imputation or statistical extrapolation procedures were applied to address these gaps. The analysis is therefore based exclusively on complete observations, defined as company-year combinations for which all three requested variables gross value added at factor cost and electricity consumption, are simultaneously available.

This conservative approach was deliberately chosen in order to preserve data integrity and to avoid the introduction of methodological assumptions that could affect the robustness of the calculated intensity of the indirect emissions. While the exclusion of incomplete observations may reduce the effective sample size relative to the total number of survey contacts, it ensures that the underlying data are of verifiable quality and that the resulting intensity measures are not distorted by estimated or model-derived values.

The decision not to apply imputation is also consistent with the evidentiary of margin number 18 (C/2026/196), under which intensity values must be derived from actual, documented company data rather than statistical estimates. Any application of imputation techniques would introduce an additional layer of methodological uncertainty that could be difficult to defend in the context of a formal compliance assessment.

Observations excluded due to incompleteness are not considered to introduce systematic bias into the analysis. The patterns of non-response and partial response do not appear to be systematically correlated with the economic or energy characteristics of the underlying undertaking, for instance, there is no indication that non-responding companies are disproportionately concentrated among high- or low-intensity producers. This assumption is further examined in the representativeness assessment contained in the subsequent section of this report.

Determination of trade intensity

The calculation of trade intensity relies on three indicators: imports from non-EU countries, exports to non-EU countries, and intra-EU turnover. Establishing these indicators for NACE Rev. 2 code 25.50, however, presents considerable methodological difficulties. Foreign trade statistics are compiled from customs data and are therefore structured around CN commodity codes. In order to assign the relevant products to economic sectors, a conversion to PRODCOM code level is necessary, for which an official EU correspondence table is required. For the forged products under consideration, however, no such conversion exists. This gap is most likely attributable to the wide product variety within the forging sector, which means that individual products may fall under a large number of different CN codes.

It is reasonable to assume that this methodological obstacle was already present when trade intensity was originally assessed for the carbon leakage list of the fourth trading period. A possible indication of this is the stated trade intensity of 37.9%. Notably, the same figure appears for NACE Rev. 2 codes 25.61 ("Treatment and coating of metals") and 25.62 ("Machining") — two codes that similarly do not require a direct CN code mapping. Since the precise derivation of this figure cannot be reconstructed from publicly available sources, the present expert opinion proceeds on the assumption that it was based on a proxy value derived from the trade intensity of the broader NACE 25 sector. To test this hypothesis and to validate the proxy value calculation for the years 2021–2023, the 37.9% figure from the Carbon Leakage List is recalculated below.

As a preliminary remark, it should be noted that the data underlying the Carbon Leakage List refer to the years 2013–2015. As set out above, a direct and unambiguous mapping of CN codes to NACE codes is not available. As a pragmatic starting point, all CN codes in the range 73–83 (excluding series 77, which is not represented in the data) are therefore used to determine export and import values, following the translation provided by the Federal Statistical Office. The translation also references additional code series which would in principle warrant inclusion, along with several further codes that would presumably need to be assigned to NACE Rev. 2 codes 25.50, 25.61, and 25.62. However, including all of these series would systematically overestimate imports and exports within NACE Rev. 2 code 25. They are therefore excluded from the totals, resulting in a methodology that more closely approximates actual foreign trade flows.

Case 1: Trade Intensity NACE 25 vs CN 73-83 ex 77 (Turnover)

Turnover constitutes another key input for the trade intensity calculation. For this purpose, the Eurostat dataset `sbs_na_ind_r2` is used, which contains historical data from the structural business statistics. This methodology is referred to throughout as Case 1. For the period 2021–2023, the analogous Eurostat dataset `sbs_ovw_act`, likewise drawn from the structural business statistics, is used in place of `sbs_na_ind_r2`, as the latter does not cover this more recent period. This yields an average EU trade intensity of 29.36% for 2021–2023, a figure that comfortably exceeds the 20% threshold required by the European Commission and differs only marginally from the value calculated for 2013–2015.

That said, the primary objective of the proxy derivation is to replicate as closely as possible the 37.9% figure established by the EU for the earlier period. For this reason, the analysis considers a number of further methodological variants.

Case 2: Trade Intensity NACE 25 vs CN 73-83 ex 77 (Sold Production)

A potential methodological concern with case 1 is the combination of product-level data, specifically, extra-EU exports and imports sourced from the Eurostat ds-datasets, with company-level data such as the turnover figures drawn from the structural business statistics. An alternative means of determining total market size at the product level would be to use the value of production sold, which can be retrieved from the Eurostat database in the same manner as the foreign trade data. Since the underlying dataset is consistent across years, it also provides a suitable basis for more recent periods, resulting in an average trade intensity of 39.69% for 2021–2023. This figure substantially exceeds the 20% threshold and deviates only slightly from the value established for the earlier reference period.

Notwithstanding the strong replication performance of case 2, the question remains as to how well the aggregate of CN codes 73–83 captures NACE Rev. 2 code 25 as a whole.

Case 3: Trade Intensity NACE 24.2+24.4+24.5+25 vs CN 73-83 ex 77 (Turnover)

A more granular review of the CN codes reveals that the current selection includes products more properly attributable to NACE Rev. 2 code 24. By way of illustration, CN code 7303 ("Tubes, pipes and hollow profiles of cast iron") and related codes are more appropriately classified under NACE Rev. 2 code 24.2 ("Manufacture of tubes, pipes, hollow profiles and related fittings, of steel"). The same applies to NACE Rev. 2 codes 24.4 and 24.5. A conservative methodology should therefore exclude these codes. Since exclusion via the CN codes and the associated foreign trade values is not feasible, the scope of the denominator in the trade intensity formula is instead broadened to include the corresponding turnover figures. This counteracts the overestimation of trade values in the numerator. Using turnover as the most conservative measure of market size, the resulting average trade intensity for 2021–2023 is 21.90%; still above the 20% threshold required by the European Commission.

Case 4: Trade Intensity NACE 24.2+24.4+24.5+25 vs CN 73-83 ex 77 (Sold Production)

Case 4 adopts the same assumptions as case 3, but replaces turnover with production value as the measure of market size. Under these conditions, the trade intensity rises to 28.97%, placing it well above the required 20% threshold.

Determination of uniform EU-wide emission factor

In accordance with the guidelines in the Commission staff working document (SWD (2020) 190 final), a uniform EU-wide emission factor must be used to calculate the intensity of indirect emissions. Official statistics do not provide a uniform EU-wide emission factor for electricity generation.

We have therefore determined a corresponding emission factor for the period 2021-2023 based on official publications by the European Environment Agency (EEA) and Eurostat, following the approach taken by the EEA. We proceeded as follows:

CO₂emission intensity is calculated as the ratio of CO₂emissions from electricity generation to gross electricity generation.

The greenhouse gas intensity of total electricity generation is calculated as the ratio of CO₂ equivalent emissions from total electricity generation (both from main activity producers and self-producers) to total electricity generation, including electricity from nuclear power plants and renewable energy sources.

For main producers, CO₂e emissions from electricity generation (i.e., excluding emissions from heat generation) were estimated as follows:

a) Estimation of the conversion input for gross heat generation using the formula:

(ESTAT code TI_EHG_MAPH_E) + (ESTAT code GHP_MAPCHP) / (apparent efficiency for pure heat generation); The apparent efficiency for heat generation is: (ESTAT code

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GHP_MAPH) / (ESTAT code TI_EHG_MAPH_E). If the apparent efficiency is zero (i.e., no pure heat generation), the default efficiency is 0.9.

b) Estimate the conversion input for electricity generation by subtracting the estimated conversion input for gross heat generation from the total conversion input for electricity and heat generation according to the following formula:

(ESTAT codes TI_EHG_MAPE_E) + (ESTAT codes TI_EHG_MAPCHP_E) + (ESTAT codes TI_EHG_MAPH_E) – (result of a);

iii) Multiplying the ratio of b) and the conversion input for electricity and heat generation (ESTAT codes TI_EHG_MAPE_E, TI_EHG_MAPCHP_E, and TI_EHG_MAPH_E) by the total CO₂ e emissions from public electricity and heat generation (1A1a from the EEA data viewer). Formula:

(EEA data viewer 1A1A) * ((the result of b) / (the result of a)).

The reported CO₂ e emissions in class 1A1a do not include CO₂ e emissions from autoproducers. Emissions from electricity generation by autoproducers were estimated by multiplying the ratio between energy input for autoproducers and energy input for main activity producers by the CO₂ e emissions of main activity producers (as calculated in steps a to c above). The energy input for electricity generation by autoproducers was estimated using the same method as for main activity producers (a and b above), using ESTAT codes GHP_APH and GHP_APCHP for gross heat production and TI_EHG_APE_E, TI_EHG_APCHP_E and TI_EHG_APH_E were used for the conversion input for electricity and heat generation.

For nuclear energy and renewable energies (including the biodegradable fraction of municipal waste), a CO₂ e emission factor of zero was applied, as the method does not take into account greenhouse gas emissions during the life cycle. This also applies to

solid biofuels: according to the reporting guidelines of the Climate Change Convention³, emissions related to biofuels must be reported as a note in greenhouse gas inventories, assuming that emissions from harvesting are reported as changes in carbon stocks in the land use, land use change, and forestry sector, rather than in the energy sector.

However, this should not be interpreted as confirmation of the standard CO₂ neutrality or sustainability of biofuels.

The denominator of the greenhouse gas intensity of total electricity generation is the sum of the electricity generated by producers of the main activity (ESTAT: GEP_MAPE and GEP_MAPCHP) and self-producers (ESTAT: GEP_APE and GEP_APCHP).

Calculation formula: $(CO_2 e * ((ei_MAP - dh_MAP) / ei_MAP)) * ((ei_AP - dh_AP) / (ei_MAP - dh_MAP)) + CO_2 e * ((ei_MAP - dh_MAP) / ei_MAP)) / (GEP/85.98)$, where:

- CO₂ e stands for "CO₂ equivalent emissions – fuel combustion in public electricity and heat production (A1A1)" from the EEA greenhouse gas data viewer. The values do not include CO₂ e emissions from biomass combustion or upstream emissions (e.g., fugitive emissions due to methane leaks or emissions from construction).
- "ei_MAP" stands for "energy use of main activity producers" and includes "TI_EHG_MAPE_E," "TI_EHG_MAPCHP_E," and "TI_EHG_MAPH_E";
- "ei_AP" stands for "energy use of autoproducers" and includes "TI_EHG_APE," "TI_EHG_APCHP_E," and "TI_EHG_APH_E."
- "dh_MAP" stands for "derived heat of main activity producers" and is based on the formula "TI_EHG_MAPH_E" + "GHP_MAPCHP" / (apparent efficiency for

³ <https://unfccc.int/process-and-meetings/transparency-and-reporting/reporting-and-review-under-the-convention/greenhouse-gas-inventories-annex-i-parties/reporting-requirements>

pure heat generation); the apparent efficiency for heat generation is: "GHP_MAPH" / "TI_EHG_MAPH_E";

- "dh_AP" stands for "derived heat from own producers" and is based on the formula "TI_EHG_APH_E" + "GHP_MAPCHP" / (apparent efficiency for pure heat generation); the apparent efficiency for heat generation is: "GHP_APH" / "TI_EHG_APH_E";
- "GEP" stands for "gross electricity production" and includes "GEP_MAPE," "GEP_MAPCHP," "GEP_APE," and "GEP_APECHP";
- 0.9 represents the assumed efficiency of heat generation and is only used if the apparent efficiency calculated on the basis of Eurostat data is zero. A proportional distribution of CO₂ emissions between heat and electricity is assumed.
- 85.98 represents the conversion factor from kilotons of oil equivalent to GWh.

Our entire approach and the underlying calculations are presented in a transparent manner in the calculation file attached as an appendix.

Based on this approach, the EU-wide emission factor is 0.626 tCO₂/MWh. Based on the work of ADE and COMPASS LEXECON, the EU-wide uniform emission factor for the reference year 2017 for the purposes of electricity price compensation is 0.610 tCO₂/MWh.⁴

⁴ Combined retrospective evaluation and prospective impact assessment support study on Emission Trading System (ETS) State Aid Guidelines; <https://op.europa.eu/en/publication-detail/-/publication/1685cb63-f6fc-11ea-991b-01aa75ed71a1>

V. Representativeness of the survey

A central methodological requirement in the context of the present expert opinion is the demonstration that the data collected through the primary survey provide a sufficiently representative basis for the derivation of sector-level intensity values. Representativeness is understood here in a substantive sense: the survey sample must cover a sufficiently large share of the total economic activity of the relevant sector such that the calculated indirect emission intensities can be regarded as reliably reflecting the characteristics of the sector as a whole, rather than those of a selected subset of undertakings.

In line with the requirements of margin number 18 (C/2026/196) and the supplementary comments from the Federal Ministry of Economics (BMWE), representativeness has been assessed on the basis of production volume coverage, i.e., the share of total sectoral production (measured in metric tonnes) accounted for by the undertakings that participated in the survey and provided complete data for all three reference years. This production-based metric is considered the most appropriate indicator in the present context, as it directly reflects the physical scale of economic activity in a manufacturing sector and is less susceptible to distortion through differences in pricing, product mix, or accounting conventions than revenue-based alternatives.

The required minimum coverage rate is stipulated by the applicable state aid guidelines at 70 % of total sectoral production. This threshold must be met across the reference period (2021–2023) in order for the survey-derived intensity values to be accepted as the basis for the eligibility assessment.

The reference figure for total sectoral production in PRODCOM subsector 25.50.12.xx was derived from Eurostat production and sales statistics. As noted in the preceding section, official statistics do not report production volumes at the PRODCOM level directly. The total sectoral production figure was therefore obtained through a structured derivation from available Eurostat data on sales volumes and production output

reported at higher levels of aggregation, adjusted for the specific product scope of the sub-classification under review.

The resulting reference figure for total sectoral production is 3,800,840 metric tonnes. This figure represents the best available estimate of the total annual production volume of the sector at the PRODCOM 25.50.12.xx level and constitutes the denominator for the coverage rate calculation. Given that this reference figure is itself derived rather than directly observed in official statistics, a consequence of the data availability constraints described in Section 1.1, it is acknowledged that it carries a degree of inherent uncertainty. However, the derivation methodology was applied consistently and conservatively, and the resulting figure is considered a reliable approximation for the purposes of the present assessment.

The survey respondents reported their production volumes alongside the economic and energy data requested in the questionnaire. For the purposes of the representativeness assessment, the production volume attributed to the survey sample is defined as the aggregate production volume reported by those undertakings that provided complete data sets, i.e., full responses for revenues, gross value added at factor cost, electricity consumption, and production volume, for all three reference years (2021, 2022, and 2023).

The aggregate production volume of the complete-response sample amounts to 2,768,706 metric tonnes. This figure is consistent across all three reference years, as the same set of undertakings provided complete data for the entire reference period. The stability of the respondent base over time is a positive indicator of data quality, as it avoids distortions that could arise from varying sample composition between years.

The production-based coverage rate is calculated as the ratio of the aggregate production volume of the survey sample to the total sectoral production reference figure:

$$\text{Coverage rate} = 2,768,706 \text{ t} \div 3,800,840 \text{ t} = 72.8 \%$$

The resulting coverage rate of 72.8 % exceeds the minimum threshold of 70 % stipulated by the applicable state aid framework. The survey sample therefore satisfies the representativeness requirement and provides a valid basis for the derivation of sector-level indirect emission intensities.

The extent to which the threshold has been exceeded is within an acceptable range, so it can be assumed that the necessary representativeness is met in all cases. This is acknowledged, and it is noted that the coverage rate is sensitive to the accuracy of the total sectoral production reference figure. However, given the conservative derivation methodology applied to the Eurostat data, it is considered unlikely that the true total production volume is materially lower than the figure used, which would reduce the coverage rate below the threshold. Any downward revision of the reference figure would in fact increase the coverage rate, further strengthening the representativeness assessment.

Beyond the quantitative coverage criterion, the quality of the representativeness assessment depends on whether the survey sample is systematically biased with respect to the characteristics relevant to the calculation of indirect emission intensities in particular, whether responding undertakings differ systematically from non-responding undertakings in terms of their energy intensity, production structure, or economic efficiency.

No evidence of systematic selection bias has been identified in the present survey. The following observations support this assessment:

- The survey was distributed through both direct outreach and industry associations, ensuring broad coverage across different company size categories and sub-segments within PRODCOM 25.50.12.xx. There is no indication that the distribution channels systematically favoured undertakings with particular energy or production characteristics.

- The responding undertakings account for approximately 72.8 % of total sectoral production, which implies that the non-responding segment represents a relatively small share of the sector. Even under conservative assumptions about the characteristics of non-respondents, it is unlikely that their inclusion would materially alter the calculated sector-level intensity values.
- The consistency of the respondent base across all three reference years (2021–2023) reduces the risk of time-varying sample composition effects, which could otherwise introduce bias into trend assessments or multi-year averages.

The responding undertakings exhibit a high degree of internal diversity that is considered to render the sample broadly representative of the sector in its full complexity.

A key indicator of this diversity is the broad coverage of PRODCOM sub-groups represented within the survey sample. The sector under review encompasses a wide spectrum of production activities that differ substantially in terms of product geometry, processing intensity, and energy requirements. At one end of the spectrum, the production of large-scale metal components and structural parts is characterised by high thermal energy demands, with gas-fired heating processes playing a central role in primary shaping and heat treatment operations. At the other end, the manufacture of smaller, precision-engineered metal parts typically relies more heavily on electricity-intensive processes, including machining, stamping, and surface treatment. These two production paradigms involve structurally different energy carrier mixes and, consequently, different indirect emission intensity profiles.

It is nonetheless acknowledged that the absence of data from non-responding undertakings limits the ability to formally test for non-response bias. This constitutes an inherent limitation of any voluntary survey-based data collection and is consistent with the data availability constraints described above. In the absence of evidence to the contrary, it is assumed that non-response is not systematically correlated with the variables used to calculate indirect emission intensities.

The fact that the survey sample spans this full range of production types, from manufacturers of large structural components to producers of small precision parts, means that both energy carrier patterns are well represented in the underlying data.

A further consideration reinforcing the overall robustness of the assessment relates to the magnitude of the calculated indirect emission intensity relative to the applicable eligibility threshold of 0.32 kgCO/EUR₂. The sector's indirect emission intensity, as derived from the survey data, lies substantially above this threshold.

In conclusion, the survey sample meets the production-based representativeness requirement stipulated by the applicable state aid framework, with a coverage rate of 72.8 % against a required minimum of 70 %. The data collected are considered to provide a reliable and sufficiently representative basis for the derivation of indirect emission intensities at the sector level.

VI. Calculation of key figures

We determined the values for trade intensity, indirect emissions intensity, and the value resulting from the multiplication of the two values in accordance with the requirements of margin number 18 (C/2026/196) (see explanations in section B.) as part of our assessment. To calculate the above values, we used the data we collected and the values determined during modeling. For information on how the data was determined, please refer to the explanations in Section D.V. For information on modeling in the event of data gaps, please refer to our explanations in Section D.IV.

With regard to the presentation of the method used to determine and calculate the key figures, we refer to the attached appendices and, in particular, to the calculation file. All calculation steps are presented in a comprehensible manner in the calculation file and the other appendices.

D. RESULT OF THE ASSESSMENT

Our assessment shows that sector 25.50.12.xx meets the relevant criteria in margin number 18 (C/2026/196).

The intensity of indirect emissions in sector 25.50.12.xx is above the threshold value of 0.32 kg CO₂ /EUR. The trade intensities of the sector under consideration also exceed the threshold value of 20%. The indicator for the displacement of indirect CO₂ emissions (ICLI) is also above the minimum value of 0.064.

Requirements	$\text{Trade intensity} = \frac{\text{Export} + \text{Import}}{\text{Turnover EU} + \text{Import}} > 20,00\%$	$\text{Emission intensity} = \frac{\text{Electricity consumption} * \text{Emission-factor}}{\text{Gross value added}} > 0,32 \text{ kgCO}_2/\text{EUR}$	$\text{ICLI} > 0,064$
Sector 25.50.12 - Trade intensity (Case 1)	$\text{Trade intensity} = \frac{\text{Export} + \text{Import}}{\text{Turnover EU} + \text{Import}} = 29,36\%$	$\text{Emission intensity} = \frac{\text{Electricity consumption} * \text{Emission-factor}}{\text{Gross value added}} = 0,52 \text{ kgCO}_2/\text{EUR}$	$\text{ICLI} = 0,1513$
Sector 25.50.12 - Trade intensity (Case 2)	$\text{Trade intensity} = \frac{\text{Export} + \text{Import}}{\text{Turnover EU} + \text{Import}} = 21,90\%$	$\text{Emission intensity} = \frac{\text{Electricity consumption} * \text{Emission-factor}}{\text{Gross value added}} = 0,52 \text{ kgCO}_2/\text{EUR}$	$\text{ICLI} = 0,1129$
Sector 25.50.12 - Trade intensity (Case 3)	$\text{Trade intensity} = \frac{\text{Export} + \text{Import}}{\text{Turnover EU} + \text{Import}} = 39,69\%$	$\text{Emission intensity} = \frac{\text{Electricity consumption} * \text{Emission-factor}}{\text{Gross value added}} = 0,52 \text{ kgCO}_2/\text{EUR}$	$\text{ICLI} = 0,2045$
Sector 25.50.12 - Trade intensity (Case 4)	$\text{Trade intensity} = \frac{\text{Export} + \text{Import}}{\text{Turnover EU} + \text{Import}} = 28,97\%$	$\text{Emission intensity} = \frac{\text{Electricity consumption} * \text{Emission-factor}}{\text{Gross value added}} = 0,52 \text{ kgCO}_2/\text{EUR}$	$\text{ICLI} = 0,1493$

Figure 1: Results from the expert opinion regarding the subsector 25.50.12.xx

E. CLASSIFICATION AND CONCLUSIONS

The purpose of this assessment is to classify PRODCOM sector 25.50.12.xx, as designated by the EUROFORGE AISBL within the state aid framework for electricity price compensation and thus to answer the question of whether the eligibility criteria set out in paragraph 18 (C/2026/196) can be applied at Union level.

Based on our assessment for the years 2021 to 2023, which is based on officially available data and is representative at Union level, it appears that sector 25.50.12.xx meets the thresholds specified in margin number 18 (C/2026/196). As shown above, sector 25.50.12.xx meets the criteria for trade intensity, indirect emissions intensity, and ICLI for the relevant three-year period 2021-2023.

The evidence was compiled in accordance with the requirements of paragraph 18 (C/2026/196) and the supplementary explanations provided by the BMW. In particular, the data collection was based on consistent, official statistics across the EU (in particular Eurostat) and the evaluation was limited to the last three years for which complete data was available at the time of our work.

Where Eurostat publications were not available in the granularity required for the analysis, or where individual data points were missing (e.g., due to outstanding reports from individual member states or confidentiality flags), these issues were resolved through modeling based on the available Eurostat data or converted into a calculation basis suitable for the calculation. The model assumptions were chosen in such a way that the results remain normalized to the Eurostat total values and consistency is ensured over the period under review. The data preparation and modeling steps applied serve to establish a calculation basis that is comparable and comprehensible across the EU and are thus aligned with the requirements for representativeness and comprehensibility within the meaning of margin number 18 (C/2026/196).

Against the background of the above results and the methodology used, it can be concluded that the sector 25.50.12.xx examined meets the eligibility criteria set out in paragraph 18 (C/2026/196).

This report thus provides the technical basis for assessing the plausibility of the sectoral consideration under state aid law in the context of the German electricity price compensation scheme. The final assessment under state aid law and the decision on the classification and the resulting legal consequences are not incumbent upon us as independent experts, but rather upon the European Commission within the framework of the respective notification or review procedure.

Hanover, 17 April, 2026

RGC Testat GmbH
Wirtschaftsprüfungsgesellschaft



Korte
Wirtschaftsprüfer
Steuerberater

RITTER GENT COLLEGEN
Rechtsanwälte PartG mbB



Dr. Lietz
Rechtsanwältin

Appendix

Calculation file for determining trade intensity, indirect emissions intensity, and ICLI

Gross value added of the sectors examined/considered

Turnover of the sectors examined/considered

Imports and exports of the sector examined

Electricity consumption of the sectors examined/considered

Determination of a uniform EU-wide emission factor

Benchmark studies and proxy values

Anonymised results of the data collection

The above-mentioned annexes are attached to this report as separate files and are therefore considered part of this report.

General Engagement Terms

for

Wirtschaftsprüferinnen, Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]

as of January 1, 2024

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (Wirtschaftsprüferinnen/Wirtschaftsprüfer) or German Public Audit Firms (Wirtschaftsprüfungsgesellschaften) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing (Textform) or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties. A German Public Auditor is also entitled to invoke objections (Einwendungen) and defences (Einreden) arising from the contractual relationship with the engaging party to third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (Grundsätze ordnungsmäßiger Berufsausübung). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (betriebswirtschaftliche Prüfungen), the consideration of foreign law requires an express agreement in writing (Textform).

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information submitted as well as the explanations and statements provided in statement as drafted by the German Public Auditor or in a legally accepted written form (gesetzliche Schriftform) or any other form determined by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in a legally accepted written form (gesetzliche Schriftform) or in writing (Textform) as part of the work in executing the engagement, only that

presentation is authoritative. Draft of such presentations are non-binding. Except as otherwise provided for by law or contractually agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing (Textform). Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of, a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's consent be issued in writing (Textform), unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for subsequent performance (Nacherfüllung) in writing (Textform) without delay. Claims for subsequent performance pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: Handelsgesetzbuch], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: Wirtschaftsprüferordnung], § 203 StGB [German Criminal Code: Strafgesetzbuch]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, claims for damages due to negligence arising out of the contractual relationship between the

engaging party and the German Public Auditor, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: Produkthaftungsgesetz], are limited to € 4 million pursuant to § 54 a Abs. 1 Number 2 WPO. This applies equally to claims against the German Public Auditor made by third parties arising from, or in connection with, the contractual relationship.

(3) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(4) The maximum amount under paragraph 2 relates to an individual case of damages. 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 regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million.

(5) A claim for damages expires if a suit is not filed within six months subsequent to the written statement (Textform) of refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

(6) § 323 HGB remains unaffected by the rules in paragraphs 2 to 5.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report (Bestätigungsvermerk), he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's consent, issued in a legally accepted written form (gesetzliche Schriftform), and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any material errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing (Textform), ongoing tax advice encompasses the following work during the contract period:

- a) preparation and electronic transmission of annual tax returns, including financial statements for tax purposes in electronic format, for income tax, corporate tax and business tax, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing (Textform).

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (Steuerberatungvergütungsverordnung) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (Textform).

(6) Work relating to special individual issues for income tax, corporate tax, business tax and valuation assessments for property units as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (Textform) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (Verbraucherschlichtungsstelle) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (Verbraucherstreitbeilegungsgesetz).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.