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Surname	Area	information	V. date	relevance
BTN Baran Telecom Networks GmbH Essen	Accounting / financial reports	Annual financial statements for the business year from 01/01/2018 to 12/31/2018	06/24/2019	100%

BTN Baran Telecom Networks GmbH

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Annual financial statements for the business year from 01/01/2018 to 12/31/2018

Management report for the financial year from January 1 to December 31, 2018

I. Foundations of society

1. Group membership

BTN Baran Telecom Networks GmbH (hereinafter “BTN” or “Company”), based in Essen, is a 100% subsidiary of Baran Group Ltd., Beit Dagan / Israel. With the business consulting and engineering, infrastructure, industry and telecommunications, the Baran Group generated in the financial year 2018 with over 900 employees worldwide revenues of approximately US $ 68.8 million [1].

BTN's shareholders are Baran International Ltd., Beit Dagan / Israel, with a share of 51.5% and Baran Group BV, Amsterdam / Netherlands, with a share of 48.5%.

2. Business model

BTN is a manufacturer-independent telecommunications, infrastructure and technology service provider and offers its customers a wide range of services, especially in the areas of planning, project management, construction, installation, commissioning and maintenance of telecommunications infrastructures and system technology systems in the fixed network and mobile communications sector as well as underground cable engineering, on. The clients of these diverse services are in particular operators of public and private communication networks, public administrations and authorities as well as the manufacturers of system components.

BTN's business activities include the fixed network and electrical installations (“FN”), broadband expansion in connection with underground cable construction (“TB”) and mobile communications (“MF”). In the FN division, the company plans, builds, maintains and suppresses interference in complex information technology "IT" / telecommunications "TC" networks with copper and fiber optic technology.

The TB division plans and implements turnkey projects to expand broadband coverage in Germany, but also cable systems on railway lines.

The MF division plans and realizes services for new, but also already existing, mobile radio locations as roof and mast locations. The provision of services includes the sub-areas of planning, antenna system as well as installation, commissioning and integration of mobile radio system technology and transmission technology. In addition, complex special projects such as in-house systems in hotels and modern office complexes or tunnel supplies are planned and implemented.

BTN is responding to the increasingly complex telecommunication structures of its clients with a cross-departmental bundling of its know-how and a focused orientation.

The company is controlled from the headquarters in Essen and has several regional offices throughout Germany and a project office in Belgium. Specifically, BTN operates offices in Potsdam, Altenstadt / Hesse and in Gemmenich / Belgium in addition to its headquarters in Essen in order to be able to offer flexible services in Germany and Belgium.

BTN had a total of 97 employees and two trainees at the beginning of 2018; 104 people and one trainee were employed at the end of 2018. BTN generated total output of € 15.4 million in the 2018 financial year after € 14.1 million in the previous year.

3. Research and Development

Like the Baran Group, BTN does not have its own research and development activities. BTN is increasingly responding to the increasing demands of the market due to new products and changing customer requirements with product training by manufacturers and further training measures for the employees required. This takes place in the form of our own training courses, for example according to the customer's planning and implementation specifications, but also in the form of fiber optic splicing courses or measurement technology courses for manufacturers of materials and measuring devices. Furthermore, training courses on licensing aspects in broadband

expansion or on operating construction machines are carried out. BTN spent around € 29 thousand in the 2018 financial year on training and further education measures for employees.

II. Economic report

1. Overall economic development

Overall, the German economy once again grew solidly and steadily in 2018. The gross domestic product (GDP) grew by 1.5% compared to 2017 and thus again faster than the average growth of 1.2% over the last ten years. In contrast, the producer price index for telecommunications services rose by an average of 1.6% in quarters I to III / 2018 compared to 2017. Including construction-related services and construction-related engineering services, the producer price index rose by 2.0%.[2]

2. Industry development

The digitization of work and production, new technologies, changed consumer behavior and the so-called "Internet of Things" lead to a steadily growing need for broadband data access. Private investments and state funding programs for communication infrastructure result in a growing market environment for telecommunications in Germany in the medium and long term.

Substantial technological advancements created a reform and investment backlog that guarantees a developing business environment over the long term.

One example is the rapid development of autonomous driving. Here, too, the backlog in Germany stands in the way of the introduction of this technology.

The upcoming restructuring of the entire industry as a result of the advancing global digitalization has increased the pressure to invest on political and administrative authorities in Germany in recent years. Fast and secure broadband supply is the basis for a successful economy.

According to the 2017 coalition agreement, the government coalition formulated the goal of nationwide expansion of gigabit networks. The target date was set for the year 2025 and a total volume of € 10 billion to € 12 billion in subsidies was planned by 2021. Furthermore, it was planned to create incentives for the private-sector fiber optic expansion.

The specific funding was updated with the revision of the “Funding Guideline for Supporting Broadband Expansion in the Federal Republic of Germany” on November 15, 2018.

The maximum amount per project is € 30 million; however, the federal program can be combined with federal state funding programs. The basic funding rate is 50%, but can be increased in structurally weak areas. Furthermore, a possible increase in the cost of projects in the future is taken into account and technology upgrades (replacement of copper with fiber optic technology) are also promoted.

With regard to the revised funding guidelines, the special call for commercial and industrial areas of January 16, 2017 was renewed on November 15, 2018.

With this, the federal government provides targeted budgets to connect underserved commercial and industrial areas as well as ports to the fiber optic network. In addition to the connection of individual companies, the publicly accessible areas of the commercial and industrial areas are equipped with free W-LAN.[3]

The private expansion of broadband networks is being promoted accordingly by regional and supra-regional energy suppliers and municipal utilities.

Mobile phone coverage in rural areas is to be promoted through the issuing of licenses for the 5G network, which is due in 2019.

Deutsche Bahn is also investing heavily in expanding and renewing its infrastructure.

3. Human resources

The number of employees rose in the 2018 financial year from 99 at the beginning of the year to 105 at the end of the 2018 financial year.

The remuneration of the employees is based on individual agreements and differs in the hourly wages with corresponding surcharges depending on the area of application for the areas FN and TB. In construction and project management, procurement and administration, remuneration is based on fixed salaries. BTN is not bound by a collective agreement. In 2018 BTN focused on building up a qualified workforce for the realigned project portfolio.

4. Environment and occupational safety

In addition to a quality management system, BTN uses an occupational health and safety management system (ASM system) in accordance with SCC** : 2011 - Safety Certificate Contractors - using an occupational health and safety management manual. Through the certification of the BTN according to SCC** : In 2011, the importance of occupational, health and environmental protection as an integral part of entrepreneurial activity at a high quality level will be made clear. In addition to this, the company carries the RAL quality marks 905 telecommunications construction and 962/2 cable line underground construction. In April 2018 BTN was again certified according to DIN: ISO 9001: 2015.

5. Procurement

With the goal of market independence, BTN positions itself in the long term in the provision of core services with its own resources and long-term partners.

In 2018, the services purchased from subcontractors rose disproportionately to the increased volume of services. BTN was able to benefit from the contracts already concluded in the previous year with additional resources. The material consumption of raw materials, consumables and supplies is contrary due to the new focus on underground cable construction. The proportion of material-intensive projects in the field of mobile communications was reduced.

The expenses for subcontracting services increased from € 3.4 million in the previous year to € 5.0 million.

III. Situation of the company

1. Course of business

The forecast for the 2018 financial year made in the management report of the previous year was only partially implemented. Accordingly, a total output of € 17.9 million and an annual profit of € 1.1 million were forecast for the 2018 financial year.

In fact, a total output of € 15.4 million was generated in the 2018 financial year, of which € 10.1 million was attributable to the fixed network area, € 4.7 million to broadband expansion and € 0.6 million to the mobile area. There was also a decrease in inventory of T € 51, other operating income of € 1.4 million was generated and an annual profit of € 1.2 million was achieved.

The main causes for the plan / actual deviations are as follows:

An unprofitable major order was terminated in the mobile communications sector. As a result, total output decreased by € 1.7 million in mobile communications and by € 0.6 million in the fixed network.

Further project fluctuations were balanced out through targeted coordination and bundling of the Fixed Line West and Civil Engineering West areas. In the course of the 2018 financial year, two new, multi-year large-scale projects in the area of train protection and three large-scale projects in the area of underground cable construction were started. This means that € 7.2 million was spent on projects that can be planned over many years. A total turnover of € 8.2 million was achieved on the basis of framework agreements from BTN and other orders with a lower volume.

The overall performance, which was lower than planned due to the early termination of a major order, was mainly influenced by the sale of the company building (sale and lease back) in Essen and the hidden reserves of € 1.1 million that were discovered. In the operational area, BTN benefits from the reduced number of staff and the associated reduced costs and, by focusing on the core business, uses the existing internal and external resources more efficiently.

As part of the continuation of the restructuring measures, the company carried out an integrated financial planning with a going concern forecast for three subsequent years up to and including the financial year 2021. New planning premises were set and a capacity-based framework planning for the clustering of projects was developed.

The preparation for the introduction of an ERP system, which is planned for 2019, was continued by reorganizing the personnel data through outsourcing and a clear project data structure.

For BTN, the so-called consortium reservation was lifted in November 2018, earlier than planned, with the continuation of certain coordinated measures on the part of the financing institutes, so that the company's restructuring phase has officially ended.

The realignment is supported by all financing banks and participating financial service institutions; Any additional financial resources that may be required are made available by the shareholders so that the necessary financial resources for the company are secured.

The total order backlog as of December 31, 2018, totaling € 10.3 million (previous year: € 9.9 million) has increased slightly compared to the previous year due to increased incoming orders in the civil engineering sector.

2. Earnings position for the 2018 financial year

Sales revenues increased by € 1.5 million to € 15.5 million compared to the previous year. Including an inventory reduction of € 51 thousand, the total output generated in the 2018 financial year rose by € 1.3 million compared to the previous year to € 15.4 million, together with other operating income, which amounted to € 1.3 million and after deduction of the related expenses of € 1.1 million originate from the sale and lease back of the Essen commercial property, the company generated income of € 16.8 million.

The cost of materials amounts to € 6.3 million (previous year € 5.2 million) or 41.0% (previous year 36.8%) of total output. Accordingly, the gross profit, defined as total output less cost of materials, increased by € 0.2 million to € 8.9 million. The gross profit margin based on total output is 59.0% after 63.2% in the previous year. The reason for the reduced gross profit margin is an increased involvement of subcontractors in the field of civil engineering.

Despite the increase in the number of employees, personnel expenses were reduced by € 0.8 million in the 2018 financial year and, adjusted for the 2018 financial year, amounted to 34.5% (previous year 43.2%) of total output. After deducting personnel expenses of € 5.3 million (previous year: € 6.1 million), there remains € 3.8 million (previous year: € 2.8 million) and thus 24.4% (previous year 20.0%) of the gross profit.

In addition to the scheduled depreciation on intangible assets and property, plant and equipment of € 0.2 million (previous year: € 0.3 million), there were depreciation of old projects in the order book in excess of the usual depreciation of € 0.5 million.

The other operating expenses increased by € 0.5 million, mainly due to increased costs for leasing equipment, increased use of temporary workers, increased disposal costs for excavated soil in civil engineering projects and due to increased legal, advisory and notary costs in the course of the early termination of the restructuring and the Building sales.

The financial result is still characterized by interest expenses of € 0.5 million for loans taken out from banks and from the group of companies.

After taking into account current income taxes and other taxes totaling € 57 thousand, an annual surplus of € 1.2 million was achieved after € 0.1 million in the previous year.

3. Assets and financial position as of December 31, 2018

The balance sheet total decreased by € 1.1 million to € 11.2 million compared to the previous year; Without including the deficit of € 0.6 million (previous year: € 1.9 million) not covered by equity, the balance sheet volume increased by € 148 thousand to € 10.6 million. In addition, € 1.3 remained unchanged compared to the previous year Million deferred tax assets on existing tax loss carryforwards as accounting aid.

Significant changes in assets resulted primarily from a reduction in property, plant and equipment (€ 0.8 million) in connection with the sale of the Essen commercial property, a lower level of work in progress due to the write-down of old projects (€ 0.6 million) and a sharp rise in receivables from services rendered (€ 2.1 million). In terms of liabilities, bank liabilities in particular were reduced by € 0.9 million and liabilities to affiliated companies by € 0.6 million.

With a lower balance sheet volume (without taking into account the deficit not covered by equity), the long-term fixed assets amount to 5.0% after 12.4% in the previous year. In addition to fixed assets of € 0.5 million and inventories of € 4.0 million, the main asset items are receivables from services rendered of € 4.0 million; in total, these items comprise 80.7% (previous year 73.9%) of the balance sheet total without taking into account the deficit not covered by equity.

Investments of € 0.2 million were made in the 2018 financial year for operating and office equipment.

Equity was negative at € 0.6 million at the end of the 2018 financial year after € 1.9 million at the end of the previous year.

While the bank liabilities fell by € 0.9 million, the advance payments received - which are deducted from the inventories - are slightly lower than in the previous year at € 0.7 million. The other liabilities show an increase of € 0.3 million compared to the previous year and mainly relate to liabilities from payroll accounting and sales tax due to an increased amount of invoices at the end of the financial year.

4. Liquidity resources

As of December 31, 2018, the company had cash and cash equivalents of € 0.4 million (previous year: € 1.2 million); This includes bank loans of € 3.4 million (previous year € 4.3 million), shareholder loans including accrued interest of € 3.0 million (previous year € 3.0 million) and loans from other affiliated companies including accrued interest of € 2, 2 million (previous year € 2.8 million).

As of December 31, 2018, the company still had free financial reserves totaling € 4.2 million (previous year: € 3.4 million) to finance its ongoing business, of which € 2.7 million (previous year: € 2.7 million) was provided by the Shareholder and € 1.5 million (previous year: € 0.7 million) from the financing banks and financial services institutions.

As of February 12, 2019, the partner Baran International Ltd. issued a letter of comfort to the company until March 31, 2021 and with a maximum limit of € 2.0 million, which is included in the above-mentioned free financing reserve.

IV. Significant opportunities and risks of future development

1. Risk management system

After successfully completing the restructuring, BTN continues to operate an active risk management system, which is constantly being expanded and adapted. BTN's reporting is based on monthly key figure analyzes and target / actual comparisons. In regular meetings with the key decision-makers, but also with the shareholders, the business development and current risks are discussed promptly and countermeasures are determined and their effects are monitored accordingly.

The company has set up an early warning system for the detection of risks, the current evaluations of which make it possible to secure the economic success of our company and to react to any changes or developments that could endanger the existence of the company and to take appropriate countermeasures promptly.

The core of our risk management system is our detailed financial and budget planning at the beginning of the financial year. The planning is adjusted to the actual results as part of a continuous planning ("forecast").

Customers are analyzed in a monthly cluster plan - complexity reduction by grouping all BTN projects according to uniform criteria

As part of the monthly reports to the group parent company, the target / actual deviations from the budgeted figures are analyzed and explained.

Any further liquidity risks are identified early on as part of ongoing financial planning.

We have taken out appropriate insurance for possible damage cases, which ensure that financial risks are limited. The scope of the insurance cover is continuously checked and adapted to new circumstances.

All identifiable risks are manageable for the company and all known risks are covered by appropriate provisions. Overall, there are currently no apparent risks that could jeopardize the continued existence or future development of our company.

Based on these measures, BTN prepared the annual financial statements as of December 31, 2018 from the point of view of going concern.

The opportunities and risks listed below are explained according to their importance.

2. Opportunities for future development

The nationwide basic supply with 100 Mbit / s currently being sought will not meet the future requirements of telecommunications users. In the short, medium and long term, further expansion stages for fiber optic networks with Gbit transmission rates will be necessary. This need for care is steadily increasing, particularly due to the ongoing development of digitalization.

Due to the existing investment backlog in the area of public transport (local public transport) and at Deutsche Bahn, increased investments are to be expected; Deutsche Bahn continues to be one of the largest investors in the German market.

The expansion of the digital authority radio network in tunnels, train stations and publicly used areas must continue to be planned and implemented. The expansion volume is put at over € 1 billion over the next eight years.

Basically, the technology in the mobile communications sector is about to make a quantum leap to the next 5G standard with an expected 100 times higher data rate. This technology has been standardized since 2017. Furthermore, the corresponding frequencies are to be auctioned by the Federal Network Agency in 2019. With the planned start of expansion of the 5G network in 2020, the Federal Ministry of Transport has set itself the goal of establishing Germany in the standard.

In preparation for the long-term expansion, BTN has been working with the leading developing system technology supplier in the 4G standard since 2017. The collaboration was initially planned for two years and was restricted in the course of the financial year due to low profitability and insufficient expansion volume. BTN retains and expands the know-how of the division through partial services for end customers in the mobile communications sector as well as in the context of the profitable fixed network sector.

Another opportunity lies in the possible acquisition of market shares from "low-cost" providers, whose offers in many cases do not meet market requirements and where our long-term, existing customer relationships can be used and expanded.

Furthermore, there are opportunities due to the high quality standards of BTN, which are being expanded and implemented sustainably in order to win and implement new projects.

BTN will expand the existing capacity of its own resources and partnerships through sustainable procurement management.

3. Risks of future development

3.1 Project Risks

BTN is exposed to risks due to planning and implementation errors, which are likely to result in unplanned costs and lost orders and thus negatively affect the company's earnings.

However, the company counters execution risks in the project area by focusing on profitable projects that correspond to the company's core competencies and so-called “forecast-oriented project controlling”. The internal instruction and control system, based on the quality management and ASM systems, actively counteracts these risks. We counter service risks by continuously optimizing our know-how and service portfolio.

Several project orders with larger order volumes that were processed in previous years have not yet been completed due to ongoing legal disputes and pending legal proceedings. There are still assets from these previous year's projects in the 2018 annual financial statements, which account for around 22% of the balance sheet volume. The accounting is based on current assessments of the attending lawyers, so that the management assumes a positive course of the proceedings.

3.2 Economic Risks and Financing Aspects

Risks on the cost side are price increases for purchased services and materials as well as increases in wage costs and consumables costs, which the customer often cannot pass on to the end customer in the case of existing contracts.

Due to the loss history, BTN's equity as of December 31, 2017 still showed a deficit of € 1.9 million that is not covered by equity. A turnaround was achieved in the 2017 financial year thanks to efficient management and the reduction of operational inefficiencies. The measures to restructure the company continued in the 2018 financial year and solidified the turnaround. The shortfall not covered by equity was reduced by a further € 1.3 million to € 0.6 million. On the basis of the measures implemented and the consistent involvement of the financing banks and financial services institutions, the commitments made by the shareholders in the form of a letter of comfort and the positive annual result for 2018, the earnings expectations foresee positive annual results for the future financial years; these are based on medium-term integrated financial planning, have been checked for plausibility and discussed with all banks. the commitments made by the shareholders in the form of a letter of comfort and the positive annual result for 2018, the earnings expectations foresee positive annual results for the future financial years; these are based on medium-term integrated financial planning, have been checked for plausibility and discussed with all banks. the commitments made by the shareholders in the form of a letter of comfort and the positive annual result for 2018, the earnings expectations foresee positive annual results for the future financial years; these are based on medium-term integrated financial planning, have been checked for plausibility and discussed with all banks.

In a letter of comfort dated February 12, 2019, the partner Baran International Ltd., Beit Dagan / Israel, undertook to provide the company with any additional funds required up to a maximum amount of € 2.0 million and limited until March 31, 2021 put.

The further development of the business activities of BTN Baran Telecom Networks GmbH depends in particular on the fact that the sales and earnings targets on which the current corporate planning is based occur and that the external financial institutions continue to grant their loans.

3.3 Economic and Industry Risks

The development of the global economic environment plays a crucial role in business development.

Risks result primarily from increasing competition or structural shifts on the part of customers. Thanks to long-term customer relationships, BTN can guarantee that this risk will be minimized through trusting cooperation.

Significant changes in the customer structure can occur due to the loss of customers and mergers of customers.

In the mobile communications sector, there is a risk of increased volatility due to the selection of 5G providers and the upcoming award of 5G licenses for 2019. BTN counters this risk by concentrating on the processing of projects for long-term contract customers.

There is also the risk of finding suitable skilled workers in a technically highly demanding environment, which BTN counters through targeted recruiting and continuous employee advancement.

3.4 Other risks

For the following risks, either the probability of occurrence is assessed as low or an effective hedge is assumed.

Information technologies form the basis of almost all of BTN's business and communication processes. Failures or malfunctions of IT systems can have far-reaching impairments in all stages of the company's value chain, which can have a significant impact on business development (IT risks). There are also possible risks from the loss of data or the theft of trade secrets. The smooth provision of IT applications and IT services is very important at BTN.

Appropriate processes and organizational structures have been established to ensure this. Emergency plans exist in the event of major disruptions or data loss. IT-based risks in the area of project controlling and financial accounting were countered with a reorganization of these areas in preparation for the ERP system planned for introduction in 2019. General IT risks are countered with appropriate user authorizations and access controls.

Default risks in the operative business and especially in the area of receivables are minimized through regular analyzes of the age structure of the receivables together with a pronounced dunning process and are taken into account in the medium-term planning with a risk discount of 1%. The risk of the required guarantees having an impact on liquidity is taken into account in the forecast up to 2021 by including guarantees in the credit lines.

Investments must be applied for as part of a prescribed procedure and then approved. Before signing major contracts, these are subjected to a legal review.

V. Forecast report

According to the federal government, the growth forecast for the 2019 financial year is + 1.0% lower than expected. This forecast is based on a weakened global economy and the current problems surrounding the upcoming Brexit.

According to the federal government, the general upswing remains intact despite a significant lowering of the forecast or increases to 1.6% in 2020.

Due to the planned high investment volumes in broadband supply and a renewal of the rail infrastructure, we see realistically good growth opportunities in the German market for the business areas to be served by our company.

The BTN business plan drawn up and approved in December 2018 provides for a total output of € 17.8 million for the 2019 financial year, with € 11.8 million for the FN area, € 5.7 million for broadband expansion and with € 0.2 million is attributable to the mobile communications area.

Further measures in the realignment of BTN include efficient corporate management, the introduction of a new ERP system planned for 2019, personnel changes and reinforcements in the project organization as well as a focus on core competencies and profitable projects while avoiding or minimizing risky projects.

Based on the current planning and the assumptions listed, corporate planning assumes an annual profit of € 1.2 million for the 2019 financial year.

Essen, February 28, 2019

BTN Baran Telecom Networks GmbH

Managing directors

Ludger Steffens

[1] Source: Baran Group Ltd. Quarterly report as of September 30, 2018

[2] Source: Federal Statistical Office https://www.destatis.de - Figures based on 2015 [3] Source: Announcement by the Federal Ministry of Transport and Digital Infrastructure from October 22, 2015 - 1st amendment from 3. July 2018 - Revised version from November 15, 2018

Balance sheet as of December 31, 2018

assets

	December 31, 2018 €	December 31, 2017 €
A. Fixed assets		
I. Intangible Assets		
Purchased software	5,788.00	6,786.00
II. Tangible assets		
1. Land and buildings including buildings on third-party land	0.00	760,848.79
2. Factory and office equipment	522,626.97	525,293.97
	522,626.97	1,286,142.76
III. Financial assets		
1. Shares in affiliated companies	0.00	1.00
2. Holdings	5,000.00	5,000.00
	5,000.00	5,001.00
	533,414.97	1,297,929.76
B. Current Assets		
I. Inventories		
1. Raw materials and supplies	148,324.46	158,421.83
2. Work in progress	4,607,853.97	5,192,122.02
3. Advance payments received on orders	-733,191.80	-778,150.00
	4,022,986.63	4,572,393.85
II. Receivables and other assets		
1. Accounts receivable from deliveries and services	4,017,084.18	1,870,032.56
2. Claims against companies with which there is a participation relationship	1,560.09	4,379.20
3. Other assets	213,788.32	97,293.86
	4,232,432.59	1,971,705.62
III. Cash on hand, bank balances	430,388.32	1,192,184.53
	8,685,807.54	7,736,284.00
C. Prepaid expenses	92,072.89	129,546.99
D. Deferred Tax Assets	1,309,894.00	1,309,894.00
E. Deficit not covered by equity	628,157.07	1,864,204.19
	11,249,346.47	12,337,858.94

liabilities

	December 31, 2018 €	December 31, 2017 €
A. Equity		
I. Drawn capital	1,500,000.00	1,500,000.00
II. Capital reserve	4,215,394.38	4,215,394.38
III. Loss carryforward	-7,579,598.57	-7,675,007.45
IV. Net income	1,236,047.12	95,408.88
	-628,157.07	-1,864,204.19
V. Deficit not covered by equity	628,157.07	1,864,204.19
	0.00	0.00

	December 31, 2018 €	December 31, 2017 €
B. Provisions		
1. Other provisions	35,427.00	0.00
2. Other provisions	611,052.43	618,096.59
	646,479.43	618,096.59
C. Liabilities		
1. Liabilities to banks	3,371,499.32	4,258,085.74
2. Trade accounts payable	1,365,065.84	1,258,531.64
3. Liabilities to affiliated companies	2,216,636.56	2,816,636.56
4. Liabilities to shareholders	3,022,452.30	3,022,452.30
5. Other Liabilities	627,213.02	364,056.11
	10,602,867.04	11,719,762.35
	11,249,346.47	12,337,858.94

Income statement for the period from January 1 to December 31, 2018

	2018 €	2017 €
1. Sales	15,463,084.05	13,981,253.72
2. Reduction (previous year increase) in work in progress	-50,876.50	139,447.57
3. Other operating income	1,401,170.77	153,469.59
4. Cost of materials		
a) Expenses for raw materials, consumables and supplies and for purchased goods	-1,313,664.26	-1,779,224.59
b) Expenses for purchased services	-5,012,188.78	-3,423,107.32
5. Personnel expenses		
a) Wages and salaries	-4,368,942.15	-5,033,152.47
b) Social security and pension expenses	-953,382.66	-1,059,878.13
6. Depreciation		
a) on intangible assets and property, plant and equipment	-231,027.10	-275,724.92
b) on current assets, insofar as these exceed the depreciation customary in the corporation	-533,391.55	0.00
7. Other operating expenses	-2,640,739.09	-2,092,915.47
8. Income from participations	6,219.98	5,400.00
9. Other Interest and Similar Income	3,253.58	238.75
10. Interest and Similar Expenses	-476,298.17	-499,505.50
	1,293,218.12	116,301.23
11. Taxes on income and earnings (previous year income)	-35,427.00	27,343.85
12. Profit after tax	1,257,791.12	143,645.08
13. Other taxes	-21,744.00	-48,236.20
14. Net income	1,236,047.12	95,408.88

Appendix for the financial year from January 1 to December 31, 2018

General explanations

BTN Baran Telecom Networks GmbH is based in Essen and is entered in the commercial register at the Essen District Court (HR B No. 23246).

As of December 31, 2018, the company is a medium-sized corporation within the meaning of Section 267 of the German Commercial Code (HGB).

The annual financial statements are prepared in accordance with the accounting regulations for corporations of the Commercial Code (HGB), taking into account the law on limited liability companies (GmbHG).

The company makes use of the size-dependent relief in Section 288 (2) HGB.

The income statement has been prepared using the total cost method in accordance with Section 275 (2) HGB.

The fiscal year is the calendar year.

In the interest of better clarity and clarity, the notes to be made under the items of the balance sheet and profit and loss account in accordance with the statutory provisions as well as the notes to be made either in the balance sheet or profit and loss account or in the appendix are listed in the appendix .

Letter of comfort

As of December 31, 2018, our company reported a deficit not covered by equity of € 628 thousand (previous year: € 1,864 thousand) and is therefore still over-indebted in the balance sheet. In order to avoid the consequences of actual over-indebtedness under insolvency law, the partner Baran International Ltd., Beit Dagan / Israel, has again issued a letter of comfort on February 12, 2019 to ensure solvency and avert over-indebtedness under insolvency law for an amount of up to € 2,000 thousand and limited to submitted by March 31, 2021.

The accounting and valuation is therefore based on the assumption that the company will continue as a going concern (Section 252 (1) No. 2 HGB).

Accounting and valuation principles

The **intangible assets and tangible assets** are valued at acquisition cost, less the accumulated scheduled depreciation. Scheduled depreciation is carried out on a straight-line basis according to the expected useful life of the assets. The useful lives are between one and five years for intangible assets and between one and twenty years for property, plant and equipment.

Low-value assets with acquisition costs of up to € 410 each (up to December 31, 2017) or € 800 (from January 1, 2018) are written off in full in the year of acquisition. The departure is assumed to be the year of acquisition.

Shares in affiliated companies and **participations** are capitalized at acquisition cost or the lower fair value.

The **raw materials, consumables and supplies** are **valued** at average acquisition costs or the lower daily values. Risks resulting from storage duration and reduced usability are taken into account by means of appropriate value deductions.

The **work in progress**are valued on the basis of individual calculations at production costs, whereby in addition to the directly attributable material costs, production wages and special costs, reasonable material and production overheads, general administrative costs and depreciation are taken into account. In the case of certain longer-term projects, partial profits are included with the lower value from the degree of completion in relation to the agreed sales and the production costs incurred to date, including a proportionate profit mark-up. Borrowing costs are not included in the production costs. Any necessary devaluations to the lower fair value are made.

The **advance payments received for orders** were deducted from the inventories.

The **receivables and other assets** are stated at their nominal value. Special risks in trade accounts receivable are taken into account by creating individual value adjustments; the general credit risk is taken into account through a general bad debt allowance.

The **cash in hand and credit balances at banks** are shown at their nominal value.

The **prepaid** expenses include expenses for a certain period after the balance sheet date that were already paid before the balance sheet date.

The **subscribed capital** is reported at nominal value.

The **provisions** are recognized in accordance with Section 253 (1) sentence 2 of the German Commercial Code (HGB) in the amount of the settlement amount that is necessary based on a reasonable commercial assessment.

The **liabilities** are shown at the settlement amount.

Expenses and income are accrued to the year.

Deferred taxes are recognized on the differences in the balance sheet items in the commercial balance sheet and the tax balance sheet, provided that these are expected to decrease in later financial years. In addition, deferred tax assets are formed on the existing corporation and trade tax loss carryforwards, provided that losses are expected to be offset within the next five years.

In the event of an excess of deferred taxes on the balance sheet date, use is made of the option to capitalize under Section 274, Paragraph 1, Clause 2 of the German Commercial Code. The calculation of deferred taxes is based on an effective tax rate of 32.625% (15.825% for corporation tax including solidarity surcharge and 16.8% for trade tax), which is expected to arise when the differences are reduced.

Foreign currency conversion

Business transactions in foreign currencies are generally recorded using the historical rate at the time of the initial posting.

Kurzfristige Fremdwährungsforderungen und -verbindlichkeiten mit einer Restlaufzeit von bis zu einem Jahr werden zum Devisenkassamittelkurs am Bilanzstichtag umgerechnet. Langfristige Fremdwährungsposten existieren zum Bilanzstichtag nicht.

Erläuterungen zur Bilanz

Anlagevermögen

Die Entwicklung des Anlagevermögens einschließlich der Abschreibungen im Geschäftsjahr ist im Anlagenspiegel dargestellt, der Bestandteil dieses Anhangs ist.

Finanzanlagen

Die BTN Baran Telecom Networks GmbH hält einen Anteil an folgender Beteiligung:

	Anteil %	Buchwert 31.12.2017 T€	Eigenkapital 31.12.2017 T€	Jahresergebnis 2017 T€
netsphere 24 GmbH, Frammersbach	25,0	5,0	50,0	24,9

Forderungen und sonstige Vermögensgegenstände

Die Forderungen aus Lieferungen und Leistungen enthalten branchenübliche Sicherheitseinbehalte in Höhe von T€ 55 (Vorjahr T€ 45) mit einer Restlaufzeit von mehr als einem Jahr.

The receivables from companies with which a participation relationship exists relate exclusively to services provided.

accruals

The **other provisions** relate specifically to:

	December 31, 2018 T €	December 31, 2017 T €

	December 31, 2018 T €	December 31, 2017 T €
Vacation accruals	162	153
outstanding incoming invoices	158	145
Employer's liability insurance association / levy for severely disabled persons	98	100
Legal and consulting costs	65	40
Working time accounts	55	51
Employee bonuses	38	3
Guarantee services	16	14th
other provisions	19th	112
	611	618

liabilities

The liabilities to affiliated companies of, like the liabilities to shareholders, relate exclusively to financing activities.

The other liabilities include tax liabilities of € 418 thousand (previous year: € 178 thousand) and social security liabilities of € 12 thousand (previous year: € 0).

The remaining terms of the liabilities are as follows:

	December 31, 2018			
		with a remaining term of		
	Total amount	up to 1 year	1 to 5 years	more than 5 years
1. Liabilities to banks	3,372	2,640	732	0
Previous year	4,258	4,055	203	0
2. Trade accounts payable	1,365	837	528	0
Previous year	1,259	881	378	0
3. Liabilities to affiliated companies	2,217	2,217	0	0
Previous year	2,817	2,817	0	0
4. Liabilities to shareholders	3,022	3,022	0	0
Previous year	3,022	3,022	0	0
5. Other Liabilities	627	627	0	0
Previous year	364	364	0	0
	10,603	9,343	1,260	0
Previous year	11,720	11,139	581	0

The liabilities to banks are secured in full by letters of comfort from Baran International Ltd., Beit Dagan / Israel, to the banks, each limited until March 31, 2021. There is also a bank guarantee from the Israeli Hapoalim Bank for Commerzbank AG T € 500 from the Baran Group Ltd.

Notes on the income statement

Other company income

The other operating income mainly contains income from the sale of facilities of € 1.3 million in connection with the sale of the commercial property in Essen (sale and lease back). As in the previous year, there are no income from other periods. Foreign currency gains are included at T € 0.7 (previous year: T € 0.4).

Depreciation

The depreciation on assets of the current assets in the amount of T € 533, insofar as these exceed the expenses usual in the corporation, relate to the derecognition of services provided in previous years.

Other operating expenses

The other operating expenses include foreign currency losses of € 0.4 thousand (previous year: € 1 thousand). As in the previous year, there are no out-of-period expenses.

Interest and similar expenses

Of the interest expenses, € 246 thousand (previous year: € 246 thousand) result to affiliated companies.

Other Information

Total remuneration of the managing director

The managing director of BTN Baran Telecom Networks GmbH in the 2018 financial year was Mr. Ludger Steffens, Nettetal; Engineer (FH) electrical engineering. Mr. Steffens is a full-time managing director.

In accordance with Section 286 (4) of the German Commercial Code (HGB), there is no indication of the **managing director's** remuneration.

Employee

The **average number of employees** in the 2018 financial year was 101, including 20 salaried employees and 81 industrial employees.

Other financial obligations and off-balance sheet transactions

The other financial obligations result from rental and leasing contracts for office buildings, company vehicles and office equipment and are as follows as of December 31, 2018:

	December 31, 2018 T €
Obligations from long-term rental and leasing contracts	
due by December 31, 2019	552
due between January 1, 2020 and December 31, 2023	1,015
due after January 1, 2024	1,247
	2,814

The other financial obligations are mainly based on the leasing of the commercial property in Essen from January 1, 2019, after it was sold in December 2019 (sale and lease back). The agreed rental period is ten years; the annual rent including ancillary costs is T € 204.

The advantages of renting are that less capital is tied up and greater flexibility in order to be able to react to changed market conditions if necessary. However, there are risks insofar as follow-up rental agreements may not be able to be agreed.

Amounts blocked from distribution within the meaning of Section 268 (8) of the German Commercial Code

The deferred tax assets of € 1,310 thousand recognized on the balance sheet date are subject to the distribution block.

Supplementary report

There have been no events of particular significance for the company's net assets, financial position and results of operations after the end of the 2018 financial year.

Proposal for the use of results

The management proposes that the annual surplus of the 2018 financial year of T € 1,236 be carried forward to a new account.

Group affiliation

The shareholders of BTN Baran Telecom Networks GmbH are Baran International Ltd., Beit Dagan / Israel, with 51.5% and the BARAN Group BV, Amsterdam / Netherlands, with 48.5%. The company belongs to the group of the Baran Group Ltd., Beit Dagan / Israel, which prepares the consolidated financial statements for the largest and smallest group of companies in which our company is included. The consolidated financial statements are available from this company at the web address: www.barangroup.com and in the TASE (Tel Aviv Stock Exchange) register under Issuer Number 00286013 / Corporation Number 520037250.

Essen, February 28, 2019

BTN Baran Telecom Networks GmbH

Managing directors

Ludger Steffens

Development of fixed assets in the financial year from January 1 to December 31, 2018

	Acquisition and production costs			
	01/01/2018 €	Additions €	Disposals €	December 31, 2018 €
I. Intangible Assets				
Purchased software	153,894.52	2,616.74	1,600.80	154,910.46
II. Tangible assets				
1. Land and buildings including buildings on third-party land	1,166,888.79	0.00	1,166,888.79	0.00
2. Factory and office equipment	1,779,790.93	183,344.36	102,562.25	1,860,573.04
	2,946,679.72	183,344.36	1,269,451.04	1,860,573.04
III. Financial assets				
1. Shares in affiliated companies	79,509.69	0.00	79,509.69	0.00
2. Holdings	5,000.00	0.00	0.00	5,000.00
	84,509.69	0.00	79,509.69	5,000.00
	3,185,083.93	185,961.10	1,350,561.53	2,020,483.50
	accumulated depreciation			
	01/01/2018 €	Additions €	Disposals €	December 31, 2018 €
I. Intangible Assets				
Purchased software	147,108.52	3,612.74	1,598.80	149,122.46
II. Tangible assets				
1. Land and buildings including buildings on third-party land	406,040.00	52,816.00	458,856.00	0.00
2. Factory and office equipment	1,254,496.96	174,598.36	91,149.25	1,337,946.07
	1,660,536.96	227,414.36	550,005.25	1,337,946.07
III. Financial assets				
1. Shares in affiliated companies	79,508.69	0.00	79,508.69	0.00

	accumulated depreciation			
	01/01/2018	Additions	Disposals	December 31, 2018
	€	€	€	€
2. Holdings	0.00	0.00	0.00	0.00
	79,508.69	0.00	79,508.69	0.00
	1,887,154.17	231,027.10	631,112.74	1,487,068.53

	Residual book values	
	December 31, 2018	December 31, 2017
	€	€
I. Intangible Assets		
Purchased software	5,788.00	6,786.00
II. Tangible assets		
1. Land and buildings including buildings on third-party land	0.00	760,848.79
2. Factory and office equipment	522,626.97	525,293.97
	522,626.97	1,286,142.76
III. Financial assets		
1. Shares in affiliated companies	0.00	1.00
2. Holdings	5,000.00	5,000.00
	5,000.00	5,001.00
	533,414.97	1,297,929.76

INDEPENDENT AUDITOR'S REPORT

To BTN Baran Telecom Networks GmbH, Essen

Examination Opinions

We have prepared the annual financial statements of BTN Baran Telecom Networks GmbH, Essen, - consisting of the balance sheet as of December 31, 2018 and the income statement for the financial year from January 1 to December 31, 2018 as well as the notes, including the presentation of the Accounting and valuation methods - checked. In addition, we have audited the management report of BTN Baran Telecom Networks GmbH for the financial year from January 1 to December 31, 2018.

In our opinion based on the knowledge gained during the audit

- the attached annual financial statements comply in all material respects with German commercial law regulations and, in compliance with German generally accepted accounting principles, give a true and fair view of the company's assets and financial position as of December 31, 2018 as well as its earnings position for the financial year from January 1 to as of December 31, 2018 and

- the attached management report gives an overall accurate picture of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any objections to the correctness of the annual financial statements and the management report.

Basis for the examination results

We carried out our audit of the annual financial statements and the management report in accordance with Section 317 of the German Commercial Code (HGB) and in compliance with the generally accepted German auditing principles established by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these regulations and principles is described in more detail in the section “Auditor's Responsibility for the Audit of the Annual Financial Statements and Management Report” of our auditor's report. We are independent of the company in accordance with the German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We are of the opinion that the audit evidence we have obtained is sufficient and suitable to serve as a basis for our audit opinions on the annual financial statements and the management report.

Note on highlighting a fact

We draw your attention to the statements in the management report under Section IV.3.2 "Economic risks and financing aspects". There it is stated that the further development of the business activities of BTN Baran Telecom Networks GmbH depends in particular on the fact that the sales and earnings targets on which the current corporate planning is based occur and that the external financial institutions continue to grant their loans. The recoverability of the capitalized deferred taxes on tax loss carryforwards of € 1.3 million also depends on this. To protect against possible planning uncertainties, however, it must be taken into account that the partner Baran International Ltd., Beit Dagan / Israel, committed in a letter of comfort dated February 12, 2019 to provide the company with additional funds up to an amount of € 2.0 million if required to be made available by March 31, 2021. Our audit opinions on the annual financial statements and the management report have not been modified in this regard. has committed in a letter of comfort dated February 12, 2019 to provide the company with additional funds up to an amount of € 2.0 million by March 31, 2021 if required. Our audit opinions on the annual financial statements and the management report have not been modified in this regard. has committed in a letter of comfort dated February 12, 2019 to provide the company with additional funds up to an amount of € 2.0 million by March 31, 2021 if required. Our audit opinions on the annual financial statements and the management report have not been modified in this regard.

Responsibility of the legal representatives for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements, which comply with the German commercial law in all essential respects, and for ensuring that the annual financial statements give a true and fair view of the assets, financial and earnings position of the Society mediates. Furthermore, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with the German principles of proper accounting,

When preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. Furthermore, they are responsible for disclosing matters relating to the going concern of the company, if relevant. In addition, they are responsible for accounting for

going concern based on the accounting principle, unless actual or legal circumstances conflict with this.

In addition, the legal representatives are responsible for the preparation of the management report, which as a whole provides an accurate picture of the company's position, is consistent with the annual financial statements in all material respects, complies with German legal requirements and accurately presents the opportunities and risks of future development . Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary

Auditor's responsibility for the audit of the annual financial statements and the management report

Our aim is to obtain sufficient certainty as to whether the annual financial statements as a whole are free of material - intended or unintentional - misrepresentation, and whether the management report as a whole gives an accurate picture of the company's position and, in all material matters, with the annual financial statements as well is in line with the knowledge gained during the audit, complies with German legal requirements and accurately presents the opportunities and risks of future development, and issues an auditor's report,which contains our audit opinions on the annual financial statements and the management report.

Adequate security is a high level of security, but no guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code (HGB) in compliance with the German principles of proper auditing established by the Institute of Auditors (IDW) will always reveal a material misrepresentation. Misrepresentations may result from violations or inaccuracies and are considered material when it could reasonably be expected

During the examination, we exercise our due discretion and maintain a critical attitude. Furthermore

- we identify and assess the risks of material - intentional or unintentional - misrepresentations in the annual financial statements and management report, plan and carry out audit procedures in response to these risks and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions. The risk that material misrepresentations are not discovered is higher in the case of violations than inaccuracies, since violations result in fraudulent cooperation, forgeries, intentional incompleteness, misleading representations or

- We gain an understanding of the internal control system relevant to the audit of the annual financial statements and the precautions and measures relevant to the audit of the management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of providing an audit opinion on the effectiveness of these Systems of society.

- we assess the appropriateness of the accounting methods used by the legal representatives as well as the acceptability of the estimated values presented by the legal representatives and related information.

- we draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances, the significant doubts about the company's ability to continue as a going concern can raise. If we conclude that there is material uncertainty, we are required to to draw attention in the auditor's report to the relevant information in the annual financial statements and in the management report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances can, however, mean that the company can no longer continue its business activities. to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances can, however, mean that the company can no longer continue its business activities. to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances can, however, mean that the company can no longer continue its business activities.

- We assess the overall presentation, structure and content of the annual financial statements, including the information, as well as whether the annual financial statements present the underlying business transactions and events in such a way that the annual financial statements, in compliance with German generally accepted accounting principles, provide a true and fair view of the asset, financial and the company's earnings.

- we assess the consistency of the management report with the annual financial statements, its compliance with the law and the picture it provides of the company's position.

- we perform audit procedures on the future-oriented information presented by the legal representatives in the management report. On the basis of sufficient suitable audit evidence, we particularly review the significant assumptions on which the future-oriented information is based on the legal representatives and assess the appropriate derivation of the future-oriented information from these assumptions. We do not issue an independent audit opinion on the future-oriented information or the underlying assumptions. There is a significant unavoidable risk

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

Düsseldorf, February 28, 2019

PricewaterhouseCoopers GmbH
auditing company

ppa. Paul Wieschebrock, auditor

ppa. Peter Wasserfuhr, auditor

The annual financial statements as of December 31, 2018 were adopted on May 10, 2019.