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BTN Baran Telecom Networks GmbH Essen	Accounting / financial reports	Annual financial statements for the business year from 01/01/2019 to 12/31/2019	07/06/2020	100%

BTN Baran Telecom Networks GmbH

eat

Annual financial statements for the business year from 01/01/2019 to 12/31/2019

Management report for the financial year from January 1 to December 31, 2019

I. Foundations of society

1. Group membership

BTN Baran Telecom Networks GmbH (hereinafter “BTN” or “Company”), based in Essen, is a wholly-owned group company 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 2019 with over 900 employees worldwide in the first three quarters of sales of around € 74.7 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 telecommunication infrastructures and system technology systems in the fixed network and mobile communications sector as well as underground cable engineering. 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 as well as a project office in Belgium. Specifically, BTN operates offices in Berlin, Altenstadt / Hessen and 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 104 employees and one trainee at the beginning of 2019; At the end of 2019, 96 people and two trainees were employed. BTN generated total output of € 18.1 million in the 2019 financial year, compared to € 15.4 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.

II. Economic report

1. Overall economic development

The German economy grew for the tenth year in a row in 2019. Production in industry is tending to continue to decline, construction production is at a high level and services are expanding. The construction industry saw an increase of 3.8% in 2019.[2] The gross domestic product (GDP) grew by 2.7% compared to 2018 and thus slightly more subdued than the average growth of the past ten years. Compared to the previous year, price-adjusted GDP fell by 0.9% to 0.6%. Adjusted for seasonal effects, there is a decrease of 0.9% compared to the previous year to 0.6%. According to the latest calculations, price-adjusted GDP was 0.1% lower in the 2nd quarter of 2019 (calendar-adjusted: + 0.3%); in the first quarter of 2019 0.9% higher (calendar adjusted: + 1.0%) than in the previous year.[2]

By contrast, the producer price index for telecommunications services rose by an average of 1.5% in the first three quarters of 2019 compared to 2018. The comparative value achieved here in the previous year was 1.6%, only slightly above this year's figure.

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.

Significant technological developments created a backlog of reforms and investments, which in the long term guarantees a continued positive business environment.

One example is the rapid development of autonomous driving. Here, too, there is a noticeable delay in development in Germany that is preventing the introduction of this technology.

The upcoming restructuring of the entire industry due to the advancing global digitalization has increased the pressure to invest on political and administrative authorities in Germany in recent years. In our opinion, 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.[2]

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 was promoted in 2019 with the award of licenses for the 5G network.

The 5G cellular standard is considered to be the key technology of the future, especially with regard to capacity, connectivity and real-time. Thanks to its real-time capability, the safeguarding of data transmission and the increased bandwidth, 5G plays an important role in machine learning and artificial intelligence in wireless transmission scenarios. Together with other research institutions, the German Aerospace Center (DLR) received a grant of around € 12 million for the construction of an open 5G real-world laboratory in the Braunschweig-Wolfsburg region.

In the priority area of mobility, DLR is examining the three application cases road, rail and air. The Institute for Transport System Technology is researching remote-controlled rail operation via 5G for rail transport. In road traffic, rescue mobility is optimized with the support of a harmonized traffic light circuit and the creation of an emergency lane with networked and automated vehicles. Unmanned aerial vehicles also play a role in the new 5G real laboratory. Here the DLR institutes for flight guidance, traffic system technology and flight system technology work on the integration of drones into the airspace.

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

3. Human resources

The number of employees decreased in the 2019 financial year from 105 at the beginning of the year to 98 at the end of the 2019 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.

4. Environmental 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, which is checked annually and was also checked in May 2019. In April 2019 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 2019, 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 and supplies continues to behave in the opposite direction due to the new focus on underground cable engineering. As in the previous year, the share of material-intensive projects in the field of mobile communications was further reduced.

The expenses for subcontractor services increased from € 5.0 million in the previous year to € 6.9 million.

III. Situation of the company

1. Course of business

The forecast for the 2019 financial year made in the management report of the previous year was fully implemented and even exceeded. Accordingly, a total output of € 17.8 million and an annual profit of € 1.2 million were forecast for the 2019 financial year.

In fact, a total output of € 18.1 million was generated in the 2019 financial year, with € 11.3 million in the fixed network area, € 6.7 million in civil engineering (broadband expansion) and € 0.1 million in the Cellular area is omitted. The total output includes the inventory reduction of € 0.2 million that occurred in the 2019 financial year. In addition, other operating income of € 0.2 million was generated and an annual profit of € 1.7 million was achieved.

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

Project fluctuations were compensated for through targeted coordination and bundling of the Fixed Line West and Civil Engineering West areas. In the course of the 2019 financial year, a new, multi-year large-scale project in the field of operational and BOS radio (authorities and organization with security tasks) as well as several large-scale projects in the area of underground cable construction were started. This means that € 8.9 million was spent on projects that can be planned over many years. On the basis of framework agreements from BTN and in other orders with a lower volume, a total turnover of € 9.5 million was achieved.

In the operational area, BTN benefits from the reduced number of staff and the associated reduced costs and, by focusing on the core business, makes efficient use of the existing internal and external resources. Based on total output, the company achieved a slight decrease in gross profit after material and personnel expenses to 22.8% after 24.4% in the previous year.

The company carries out integrated financial planning over three fiscal years up to and including fiscal year 2024. New planning premises were set and the capacity-based framework planning for the clustering of projects was further developed.

In preparation for the introduction of a new ERP system, which is planned for 2020, kick-off meetings have already been held to restructure the necessary databases.

The realignment that began in 2018 will continue to be supported by all financing banks and participating financial services institutions; Any additional financial resources 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, 2019, totaling € 10.0 million (previous year € 10.3 million) fell slightly compared to the previous year due to lower incoming orders in the mobile communications area.

2. Earnings position for the 2019 financial year

Sales revenues increased by € 2.9 million to € 18.4 million compared to the previous year. Including an inventory reduction of € 233 thousand, the total output generated in the 2019 financial year increased by € 2.7 million compared to the previous year to € 18.1 million, together with other operating income of € 0.2 million and the inventory reduction of € 233 thousand the company generated income of € 18.3 million

The cost of materials amounts to € 8.5 million (previous year € 6.3 million) or 46.9% (previous year 41.0%) of total output. The gross profit, defined as total output less cost of materials, increased accordingly by € 0.5 million to € 9.6 million. The gross profit margin based on total output is 53.1% after 59.0% in the previous year. The main reason for the reduced gross profit margin is the increased involvement of subcontractors in the area of civil engineering.

Personnel expenses were reduced by € 0.2 million in the 2019 financial year and, adjusted for the 2019 financial year, amounted to 30.3% (previous year 34.5%) of total output. After deducting personnel expenses of € 5.5 million (previous year € 5.3 million) from the gross profit, € 4.1 million (previous year € 3.8 million) and thus 22.8% (previous year 24.4%) of gross profit remain.

Scheduled depreciation on property, plant and equipment amounts to € 0.2 million, unchanged from the previous year.

Other operating expenses decreased by € 0.2 million, mainly due to the lower use of temporary workers and lower legal, consulting and notary costs. In addition, depreciation of € 0.5 million was incurred on old projects in the previous year.

The financial result is still characterized by interest expenses of € 0.4 million for loans taken out from banks and from the group of companies. Overall, the financial result improved slightly by € 0.1 million. The pre-tax result

(EBT - earnings before taxes) is a key performance indicator for the company, which improved by € 13 thousand to € 1.3 million in the 2019 financial year compared to the previous year.

After taking into account current income taxes and other taxes, including income from deferred taxes of € 0.5 million from the increase in the recognition of deferred tax assets on tax loss carry-forwards, net income for the year was € 1.7 million after € 1.2 million in the previous year . The one-time income of € 1.1 million in the previous year from the sale and lease back transaction of the Essen commercial property is offset by one-time income of € 0.5 million in the 2019 financial year from the increase in the recognition of deferred tax assets.

3. Assets and financial position as of December 31, 2019

The balance sheet total decreased by € 0.8 million or 6.3% to € 11.2 million compared to the previous year. This includes € 1.8 million (previous year: € 1.3 million) deferred tax assets on existing tax loss carry-forwards, which are recognized as an accounting aid in exercising the capitalization option to recognize deferred tax assets.

Significant changes in assets resulted primarily from the elimination of the deficit of € 0.6 million not covered by equity due to the positive annual result and a € 0.7 million reduction in benefit receivables to € 3.3 million (previous year € 4.0) Million). In terms of liabilities, bank liabilities in particular were reduced by € 1.1 million and liabilities to affiliated companies and shareholders by € 1.6 million.

The long-term fixed assets amount to 4.5% with a lower balance sheet volume, almost unchanged compared to the previous year. In addition to fixed assets of € 0.5 million, the main asset items include inventories of € 5.0 million and receivables from services rendered of € 3.3 million; in total these items amount to 78.0% (previous year 77.7%); Without taking the deferred tax assets into account, even 92.8% (previous year 87.2%) of the balance sheet volume.

Investments of € 0.2 million were made in the 2019 financial year for the vehicle fleet and operating and office equipment.

Due to the generated net income of € 1.7 million at the end of the 2018 financial year, equity is positive at € 1.1 million after € - 0.6 million at the end of the previous year.

Bank liabilities were reduced by € 1.1 million; The same goes for intra-group liabilities by € 1.6 million. Advance payments received for orders rose by € 0.6 million and, compared to previous years, are no longer deducted from work in progress, but shown as liabilities. Other liabilities are down by € 0.1 million and mainly comprise payables from payroll accounting and sales tax.

4. Liquidity resources

As of December 31, 2019, the company had cash and cash equivalents of € 0.5 million (previous year: € 0.4 million); This includes short-term bank loans of € 2.3 million (previous year € 3.4 million), loans and accrued interest to the shareholders of € 1.4 million (previous year € 3.0 million) and loans including accrued interest to other group companies of € 2.2 million (previous year € 2.2 million).

As of December 31, 2019, the company still had free financing reserves totaling € 5.7 million (previous year: € 4.2 million) to finance its ongoing business, of which € 2.7 million (previous year: € 2.7 million) was provided by the Shareholder and € 3.0 million (previous year: € 1.5 million) from the financing banks and financial services institutions.

On February 17, 2020, the partner Baran International Ltd. renewed his letter of comfort to the company, which was limited to March 31, 2022 and limited to a maximum of € 2.0 million. This is included in the above-mentioned free financing reserve.

IV. Significant opportunities and risks of future development

1. Risk management system

BTN operates 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, business development and current risks are discussed promptly, 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 this risk management system is the 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, above all by reducing complexity 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 liquidity risks are recognized at an early stage as part of ongoing financial planning.

Corresponding insurances are in place for possible damage cases to ensure that financial risks are kept within limits. The scope of the insurance cover is continuously checked and adapted to the 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 for the 2019 financial year 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

In our opinion, the currently targeted universal basic service of 100 Mbit / s 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. In particular, the ongoing development of digitization is expected to result in a steadily increasing need for care.

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 is seen as 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 in the next few 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 were auctioned by the Federal Network Agency in 2019. With the planned expansion of the 5G network from 2020, the Federal Ministry of Transport has set itself the goal of establishing Germany in the standard.

After cooperation with the leading developing system technology suppliers in the 4G standard, BTN retains the know-how of the division through partial services for end customers in the mobile communications sector as well as in 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-standing 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 implementation errors that 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 2019 annual financial statements, which account for around 18% (previous year 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, the equity of BTN at the beginning of the fiscal year on January 1, 2019 still showed a deficit of € 0.6 million not covered by equity, after a turnaround was achieved in fiscal year 2018 through efficient management and the reduction of operational inefficiencies. The measures to restructure the company were continued and consolidated in the 2019 financial year. The shortfall not covered by equity could be reduced to zero. 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 2019, the earnings expectations foresee positive annual results also 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 of the shareholders through a letter of comfort and the positive annual result for 2019, the earnings expectations foresee positive annual results also 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 of the shareholders through a letter of comfort and the positive annual result for 2019, the earnings expectations foresee positive annual results also 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 17, 2020, the partner Baran International Ltd., Beit Dagan / Israel, once again undertook to provide the company with any additional funds required up to a maximum amount of € 2.0 million and limited until March 31, 2022 deliver.

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.

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 are being countered by reorganizing these areas in preparation for the ERP system planned for introduction in 2020. 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 by including guarantees in the forecast 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 2020 financial year is + 1.0% lower than expected. This forecast is based on political imponderables such as the trade conflict with China and an impending unregulated Brexit.

According to the International Monetary Fund, the global economic upturn remains intact despite a significant lowering of the forecast or increases to 1.7% in 2021.

Due to the planned high investment volumes in broadband supply and a planned 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 forecast for the 2019 financial year presented in the management report of the previous year provided for a net profit of € 1.2 million with a total output of € 17.8 million. While the annual net income of € 1.7 million actually achieved turned out to be better, in particular due to the capitalization of further deferred taxes on existing tax loss carryforwards of € 0.5 million, the total performance actually achieved in the 2019 annual financial statements was € 18.1 million due to increased performance in civil engineering above the forecast value.

The BTN business plan drawn up and approved in December 2019 provides for a total output of € 18.9 million for the 2020 financial year, with € 10.9 million for the FN area and € 7.9 million for civil engineering and construction. Broadband expansion and € 0.1 million in the mobile communications area.

Further measures in the realignment of BTN include efficient corporate management, the introduction of a new ERP system planned in 2019 and set in 2020, personnel changes and reinforcements in the project organization as well as a focus on core competencies and profitable projects in avoiding or Minimizing risky projects.

The corporate planning assumes a positive annual result at the EBT (earnings before taxes) level of € 1.6 million for the 2020 financial year on the basis of the current planning and the assumptions listed.

Essen, February 28, 2020

BTN Baran Telecom Networks GmbH

Managing directors

Ludger Steffens

[1] Source: Baran Group Ltd. Quarterly report as of September 30, 2019

[2] Source: Announcement by the Federal Ministry of Transport and Digital Infrastructure of October 22, 2015 - 1st amendment of July 3, 2018 - Revised version of November 15, 2018

Balance sheet as of December 31, 2019

assets

	December 31, 2019 €	December 31, 2018 €
A. Fixed assets		
I. Intangible Assets		
Purchased software	10,437.00	5,788.00
II. Tangible assets		
Factory and office equipment	490,219.97	522,626.97
III. Financial assets		
Holdings	5,000.00	5,000.00
	505,656.97	533,414.97
B. Current Assets		
I. Inventories		
1. Raw materials and supplies	115,369.07	148,324.46
2. Work in progress	4,846,543.70	4,607,853.97
	4,961,912.77	4,756,178.43
II. Receivables and other assets		
1. Accounts receivable from deliveries and services	3,285,850.08	4,017,084.18
2. Claims against companies with which there is a participation relationship	2,189.60	1,560.09
3. Other assets	59,193.37	213,788.32
	3,347,233.05	4,232,432.59
III. Cash on hand, bank balances	522,651.59	430,388.32
	8,831,797.41	9,418,999.34
C. Prepaid expenses	100,027.67	92,072.89
D. Deferred Tax Assets	1,786,834.23	1,309,894.00
E. Deficit not covered by equity	0.00	628,157.07
	11,224,316.28	11,982,538.27

liabilities

	December 31, 2019 €	December 31, 2018 €
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	-6,343,551.45	-7,579,598.57

	December 31, 2019 €	December 31, 2018 €
IV. Net income	1,710,140.46	1,236,047.12
	1,081,983.39	-628,157.07
V. Deficit not covered by equity	0.00	628,157.07
	1,081,983.39	0.00
B. Provisions		
1. Tax provisions	78,763.51	35,427.00
2. Other provisions	535,892.67	611,052.43
	614,656.18	646,479.43
C. Liabilities		
1. Liabilities to banks	2,318,102.24	3,371,499.32
2. Advance payments received on orders	1,337,283.16	733,191.80
3. Trade accounts payable	1,727,337.27	1,365,065.84
4. Liabilities to affiliated companies	2,177,686.02	2,216,636.56
5. Liabilities to shareholders	1,454,877.67	3,022,452.30
6. Other Liabilities	512,390.35	627,213.02
	9,527,676.71	11,336,058.84
	11,224,316.28	11,982,538.27

Income statement for the period from January 1 to December 31, 2019

	2019 €	2018 €
1. Sales	18,379,535.29	15,463,084.05
2. Reduction of the inventory of work in progress	-232,581.93	-50,876.50
3. Other operating income	191,740.62	1,401,170.77
4. Cost of materials		
a) Expenses for raw materials, consumables and supplies and for purchased goods	-1,635,049.31	-1,313,664.26
b) Expenses for purchased services	-6,875,839.19	-5,012,188.78
5. Personnel expenses		
a) Wages and salaries	-4,498,995.68	-4,368,942.15
b) Social security and pension expenses	-1,001,500.87	-953,382.66
6. Depreciation		
a) on intangible assets and property, plant and equipment	-203,664.22	-231,027.10
b) on current assets, insofar as these exceed the depreciation customary in the corporation	0.00	-533,391.55
7. Other operating expenses	-2,415,194.02	-2,640,739.09
8. Income from participations	7,874.01	6,219.98
9. Other Interest and Similar Income	3,231.86	3,253.58
10. Interest and Similar Expenses	-413,761.67	-476,298.17
11. Earnings before taxes	1,305,794.89	1,293,218.12
12. Taxes on income and earnings (income; previous year expenses)	431,527.68	-35,427.00
13. Profit after tax	1,737,322.57	1,257,791.12
14. Other taxes	-27,182.11	-21,744.00
15. Annual net income	1,710,140.46	1,236,047.12

Appendix for the financial year from January 1 to December 31, 2019

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, 2019, 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

The partner Baran International Ltd., Beit Dagan / Israel, issued another letter of comfort on February 17, 2020 for an amount of up to € 2,000 thousand and limited to March 31, 2022.

The accounting and valuation was therefore based on the positive development of earnings under the assumption of 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 € 800 are written off in full in the year of their acquisition. The departure is assumed in the year of acquisition.

Participations are capitalized at acquisition cost or the lower fair value on the balance sheet date.

The **raw materials, consumables and supplies** are valued at the average acquisition cost or the lower daily value on the balance sheet date. 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 **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.

The **realization of sales** depends on the agreed delivery and service conditions.

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.

As in the previous year, the capitalized deferred taxes increased by T € 477 in the reporting year are based exclusively on tax loss carryforwards.

Foreign currency conversion

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

Short-term foreign currency receivables and payables with a remaining term of up to one year are converted at the mean spot exchange rate on the balance sheet date. Long-term foreign currency items do not exist on the balance sheet date.

Notes on the balance sheet

Capital assets

The development of fixed assets including depreciation in the financial year is shown in the fixed asset schedule, which is part of this appendix.

Financial assets

BTN Baran Telecom Networks GmbH holds a share in the following participation:

	Share	Equity 12/31/2019	Annual result 2019
	%	T €	T €
netsphere 24 GmbH, Frammersbach	25.0	56.5	31.4

Receivables and other assets

The trade receivables contain security deposits customary in the industry in the amount of T € 69 (previous year: T € 55) with a remaining term of more than one year.

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

accruals

The **other provisions** primarily relate to personnel-related provisions as well as those for outstanding incoming invoices and relate to:

	December 31, 2019 T €	December 31, 2018 T €
outstanding incoming invoices	158	158
Vacation accruals	105	162
Employer's liability insurance association / levy for severely disabled persons	92	98
Working time accounts	59	55
Employee bonuses	45	38
Legal and consulting costs	23	65
Guarantee services	18th	16
other provisions	36	19th
	536	611

The provision for warranty services is measured at 0.1% of sales.

liabilities

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

Other liabilities include tax liabilities of € 349 thousand (previous year: € 418 thousand) and social security liabilities of € 14 thousand (previous year: € 12 thousand).

The remaining terms of the liabilities are as follows:

	December 31, 2019 or December 31, 2018			
		with a remaining term		
	Total amount	up to 1 year	of more than 1 year	d avon more than 5 years
1. Liabilities to banks	2,318	2,318	0	0
Previous year	3,372	2,640	732	0
2. Advance payments received on orders	1,337	1,337	0	0
Previous year	733	733	0	0
3. Trade accounts payable	1,727	1,376	351	0
Previous year	1,365	837	528	0
4. Liabilities to affiliated companies	2,178	2,178	0	0
Previous year	2,217	2,217	0	0
5. Liabilities to shareholders	1,455	1,455	0	0
Previous year	3,022	3,022	0	0
6. Other Liabilities	513	513	0	0
Previous year	627	627	0	0
	9,528	9,177	351	0
Previous year	11,336	10,076	1,260	0

Notes on the income statement

Other company income

Income from other periods amounts to T € 56 (previous year: T € 0); these are based on income from the disposal of assets and the release of provisions. Foreign currency gains are included at € 0.4 thousand (previous year: € 0.7 thousand).

Personnel expenses

Expenses for old-age pensions were € 1 thousand (previous year: € 0 thousand).

Depreciation

In the previous year, write-downs on assets of the current assets of T € 533 were incurred on receivables from services rendered, which exceeded the usual level and were therefore shown separately in the income statement.

Other operating expenses

The other operating expenses include foreign currency losses of € 0.8 thousand (previous year: € 0.4 thousand). As in the previous year, there are no out-of-period expenses.

Interest and similar expenses

The interest expenses are attributable to affiliated companies with € 217 thousand (previous year: € 246 thousand).

Taxes on income and earnings (income; previous year expenses)

In the 2019 financial year, there was a total income of € 432 thousand from income taxes compared to an expense of € 35 thousand in the previous year. This includes out-of-period income of T € 477 from deferred taxes on tax loss carryforwards of an extraordinary magnitude. In addition, current income taxes of € 6 thousand relating to other periods are included.

Other Information

Total remuneration of the managing director

The managing director of BTN Baran Telecom Networks GmbH in the 2019 financial year was Mr. Ludger Steffens, Nettetal; Engineer (FH) electrical engineering. Mr. Steffens is a full-time managing director.

Employee

The **average number of employees** in the 2019 financial year was 99, including 19 salaried employees and 80 industrial employees.

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

The deferred tax assets of € 1,787 thousand recognized on the balance sheet date are subject to the distribution block.

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, 2019:

	December 31, 2019 T €
Obligations from long-term rental and leasing contracts	
due by December 31, 2020	443
due between January 1, 2021 and December 31, 2024	1,128
due after January 1, 2025	820
	2,391

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.

Transactions with related companies and persons

The following transactions were carried out with related companies in the 2019 financial year:

Kind of Store	Shareholder T €	other affiliated companies T €
Receivables from financial transactions (interest expenses)	109	109

Supplementary report

No events of particular significance for the company's asset, financial or earnings position have occurred since the end of the 2019 financial year.

Proposal for the use of results

The management proposes to offset the net income of T € 1,710 for the 2019 financial year against the loss carryforward of T € 6,344 and to carry forward the accumulated loss of T € 4,634 to 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, 2020

BTN Baran Telecom Networks GmbH

Managing directors

Ludger Steffens

Development of fixed assets in the financial year from January 1 to December 31, 2019

	Acquisition and production costs			
	01/01/2019 €	Additions €	Disposals €	December 31, 2019 €
I. Intangible Assets				
Purchased software	154,910.46	10,599.00	0.00	165,509.46
II. Tangible assets				
Factory and office equipment	1,860,573.04	193,691.22	240,386.69	1,813,877.57
III. Financial assets				
Holdings	5,000.00	0.00	0.00	5,000.00

	Acquisition and production costs			
	01/01/2019	Additions	Disposals	December 31, 2019
	€	€	€	€
	2,020,483.50	204,290.22	240,386.69	1,984,387.03
	accumulated depreciation			
	01/01/2019	Additions	Disposals	December 31, 2019
	€	€	€	€
I. Intangible Assets				
Purchased software	149,122.46	5,950.00	0.00	155,072.46
II. Tangible assets				
Factory and office equipment	1,337,946.07	197,714.22	212,002.69	1,323,657.60
III. Financial assets				
Holdings	0.00	0.00	0.00	0.00
	1,487,068.53	203,664.22	212,002.69	1,478,730.06

	Residual book values	
	December 31, 2019	December 31, 2018
	€	€
I. Intangible Assets		
Purchased software	10,437.00	5,788.00
II. Tangible assets		
Factory and office equipment	490,219.97	522,626.97
III. Financial assets		
Holdings	5,000.00	5,000.00
	505,656.97	533,414.97

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, 2019 and the income statement for the financial year from January 1 to December 31, 2019 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, 2019.

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, 2019 and its earnings position for the financial year from January 1 to as of December 31, 2019 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 further described in the section "Responsibility of the auditor for the audit of the annual financial statements and the 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.

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 objective 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. 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 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, March 2, 2020

PricewaterhouseCoopers GmbH
auditing company

ppa. Paul Wieschebrock, auditor

ppa. Peter Wasserfuhr, auditor

The annual financial statements as of December 31, 2019 were adopted on April 27, 2020.
