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**BTN Baran Telecom Networks GmbH**

**eat**

**Annual financial statements for the business year from 01/01/2017 to 12/31/2017**

## Management report for the 2017 financial year

### I. Foundations of society

**1. Group membership**

BTN Baran Telecom Networks GmbH (hereinafter "BTN" or "Company") is a 100% subsidiary of the Baran Group Ltd., Beit Dagan / Israel. With its consulting and engineering, infrastructure, industry and telecommunications divisions, the Baran Group generated sales of around US $ 128 million in the first three quarters of 2017 with over 900 employees worldwide.

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**

Today's BTN was founded in 1957 as a service provider for "everything that has to do with cables" under the name "West Montage Kabel und Netzwerk GmbH" at the time. In 2008, under the name BTN, the mobile communications business area was founded from the western assembly. The BTN in its current structure was created in 2011 through the merger of the mobile communications business area of BTN and the fixed network business area of West Montage under the company name BTN.

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 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 "TK" - 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 infrastructure, antenna systems 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 cross-departmental bundling of its know-how. BTN plans and implements extensive projects for clients with radio coverage, copper and fiber optic (fiber optic) connections, including underground cabling and integration of the required system components.

The company has several regional offices across Germany and a project office in Belgium. Specifically, BTN operates offices in Potsdam, Altenstadt / Hessen and Gemmenich / Belgium in addition to its headquarters in Essen, in order to be able to offer planning, installation, fault clearance and maintenance work in Germany and Belgium.

At the beginning of 2017, BTN had a total of 142 employees including four trainees - at the end of 2017, 97 employees including two trainees were employed. BTN achieved a total output of € 14.1 million in the past financial year 2017 after € 18.5 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 responding to the increasing demands of the market due to new products and changing customer requirements with appropriate product training by manufacturers and further training measures for the employees concerned. 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 also carried out. In the 2017 financial year, BTN spent around € 39 thousand on training and further education measures for employees.

## II. Economic report

**1. Overall economic development**

The German economy again grew solidly and steadily in 2017. The gross domestic product (GDP) grew to 2.2% compared to 2016, which is again stronger than the average growth of 1.2% over the last ten years. The producer price index for telecommunication services, on the other hand, decreased by an average of 1.57% compared to 2016 in quarters I to III / 2017). (Source: Federal Statistical Office https://www.destatis.de)

**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.

Fast and secure broadband supply is the basis for a successful economy.

The nationwide coverage with a bandwidth of at least 50 Mbit / sec in Germany, as the federal government is aiming for with its funding program for municipalities and districts by the end of 2018, is still a major challenge.

The federal program provides a total of € 4 billion in funding for broadband expansion. Since November 2015, districts and municipalities in underserved areas have received subsidies of up to 70% of the investment amount.

The maximum amount per project is € 15 million; however, the federal program can be combined with federal state funding programs. In addition, in January 2017 a special program “Commercial Areas” started. The federal government is providing € 350 million to connect undersupplied commercial and industrial areas and 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. (Source: Federal Government)

Deutsche Bahn is also investing heavily in the expansion and renewal of its infrastructure and will probably continue to do so over the next few years.

**3. Human resources**

The number of employees decreased in the 2017 financial year from 142 employees at the beginning of 2017 to 97 employees at the end of the financial year. The decrease of 45 employees is mainly due to a comprehensive restructuring. This restructuring focused in particular on the areas of MF and FN in the northeast in order to center the strong anchoring in the core regions.

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 the areas of MF, 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. The BTN certification in accordance with SCC **: 2011 highlights the importance of occupational health and safety and environmental protection as an integral part of business activity at a high quality level. In addition to this, the company carries the RAL quality marks 905 telecommunications construction and 962/2 cable line underground construction.

**5. Procurement**

BTN positions itself in the provision of core services with its own resources and long-term partners, supplemented by selective coverage in the event of peak loads with additional contractual partners. The resulting lower market dependency improved the negotiating position in this strong segment. The high expenses for subcontracting services and materials were reduced by € 6.1 million compared to the previous year. In the area of purchasing, the focus is on binding long-term partners through framework agreements and focusing procurement on individual suppliers, in order to be able to achieve corresponding sales-dependent discounts through high procurement quantities. For this purpose, early requirement reports from the individual projects and a supra-regional purchasing coordination with a central purchasing department at the headquarters in Essen.

## III. Situation of the company

**1. Course of business**

The forecast for the 2017 financial year made in the management report of the previous year was only partially implemented. Accordingly, a total output of € 20.6 million and an annual profit of € 0.3 million were forecast for the 2017 financial year.

In fact, total output of € 14.1 million was generated in the 2017 financial year, of which € 9.9 million was attributable to the fixed network area, € 2.2 million to broadband expansion and € 2.0 million to the mobile area. An annual surplus of T € 95 was achieved.

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

Due to a lack of own and subcontractor capacities, especially in the area of broadband expansion, planned projects could not be accepted. The positive market environment accordingly led to further price increases among subcontractors. These price increases could be passed on to the customers with a time delay within the existing framework and project contracts. The renegotiations resulted in project delays.

Current contracts with a recognizable risk of loss have been terminated by BTN. Changes in the personnel structure were also implemented.

The resources planned in 2016 were therefore not available in the 2017 financial year to process originally planned projects.

The overall performance, which was lower than planned, was largely offset by a reduction in personnel and other expenses with optimized use of scarce resources by focusing on the core markets. It was also possible to carry out the project implementation primarily with in-house staff and thus with higher own added value.

Preparations were made for the introduction of a new ERP system in order to achieve efficiency effects in control and administration both at the BTN level and in the individual projects in all areas. There was also a reduction in operational inefficiencies and a simultaneous build-up of operational competencies.

BTN has been realigning the company with external support since the end of 2016 and is implementing the coordinated measures as planned.

The realignment is supported by all financing banks and financial services 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 order backlog totaling € 9.9 million as of the December 31, 2017 balance sheet date (previous year: € 7.0 million) has increased compared to the previous year, which is mainly due to the realignment of the company.

**2. Earnings position for the 2017 financial year**

The total output fell by a total of € 4.4 million to € 14.1 million compared to the previous year, primarily due to the ongoing necessary restructuring. The decline in sales even amounts to € 7.0 million; on the other hand, the change in work in progress resulted in € 2.6 million.

The cost of materials amounts to € 5.2 million or 36.8% of the total output after € 11.3 million or 61.2% in the previous year. Accordingly, the gross profit increased by € 1.7 million to € 8.9 million. The gross profit margin based on total output is 63.2% after 38.8% in the previous year. The reasons for the high cost of materials and the poor gross profit margin in the previous year were large loss orders in the previous year, while in the 2017 financial year more effective project implementation with in-house staff and thus higher own added value led to a significant margin improvement.

Personnel expenses were reduced by € 1.8 million in the 2017 financial year, mainly as a result of organizational adjustments that were carried out with the corresponding staff reductions.

Other operating expenses could be reduced by € 1.1 million, mainly due to savings in vehicle fleet and consulting expenses.

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 income and other taxes totaling € 21 thousand, an annual surplus of € 95 thousand was achieved.

**3. Assets and financial position as of December 31, 2017**

The company's total assets decreased by € 2.1 million to € 12.3 million compared to the previous year. Without taking into account the deficit of € 1.9 million not covered by equity, the balance sheet volume falls by € 2.0 million to € 10.5 million. The decline in the balance sheet volume is primarily due to the lower volume of business of € 2.3 Million lower trade receivables. This contrasts with a low build-up of work in progress of € 0.1 million and an increase in cash and cash equivalents of € 0.2 million. Fixed assets fell by € 0.2 million, primarily due to depreciation; The long-term fixed assets with a lower balance sheet volume (without taking into account the shortfall not covered by equity) are 12.4% after 11.9%. In addition to fixed assets of € 1.3 million and inventories of € 4.6 million, the main assets are trade accounts receivable of € 1.9 million; in total, these items comprise 73.9% (previous year 80.6%) of the balance sheet total without taking into account the deficit not covered by equity. The long-term fixed assets with a lower balance sheet volume (without taking into account the shortfall not covered by equity) are 12.4% after 11.9%. In addition to fixed assets of € 1.3 million and inventories of € 4.6 million, the main assets are trade accounts receivable of € 1.9 million; in total, these items comprise 73.9% (previous year 80.6%) of the balance sheet total without taking into account the deficit not covered by equity. The long-term fixed assets with a lower balance sheet volume (without taking into account the shortfall not covered by equity) are 12.4% after 11.9%. In addition to fixed assets of € 1.3 million and inventories of € 4.6 million, the main assets are trade accounts receivable of € 1.9 million; in total, these items comprise 73.9% (previous year 80.6%) of the balance sheet total without taking into account the deficit not covered by equity. 9%. In addition to fixed assets of € 1.3 million and inventories of € 4.6 million, the main assets are trade accounts receivable of € 1.9 million; in total, these items comprise 73.9% (previous year 80.6%) of the balance sheet total without taking into account the deficit not covered by equity. 9%. In addition to fixed assets of € 1.3 million and inventories of € 4.6 million, the main assets are trade accounts receivable of € 1.9 million; in total, these items comprise 73.9% (previous year 80.6%) of the balance sheet total without taking into account the deficit not covered by equity.

Investments of T € 108 were made in the 2017 financial year for fixtures and fittings as well as intangible assets.

At the end of the 2017 financial year, equity was negative at € 1.9 million after € 2.0 million at the end of the previous year.

The decrease in other short-term provisions by € 0.6 million is mainly due to completed projects and the lower number of employees.

While bank liabilities fell by € 0.3 million, the advance payments received - deducted from inventories - remained almost the same at € 0.8 million. The other liabilities show a decrease of € 0.4 million compared to the previous year and mainly relate to liabilities from wages and salaries.

**4th Liquidity**

As of December 31, 2017, the company had cash and cash equivalents of € 1.2 million (previous year: € 1.0 million); This includes bank loans of € 4.3 million (previous year € 4.5 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, 8 million (previous year € 2.8 million).

In accordance with the approval of the financing banks and financial services institutions, as of December 31, 2017, the company still had free financing reserves totaling € 3.4 million (previous year: € 3.2 million), of which € 2.7 million (previous year: € 2.7 million) to finance its ongoing business 2.7 million) on the part of the shareholder and € 0.7 million (previous year: € 0.5 million) on the part of the financing banks and financial service institutions.

## IV. Significant opportunities and risks of future development

**1. Risk management system**

BTN operates an active risk management, which is expanded and adapted with the measures of the restructuring concept. 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 defined and their effects are monitored accordingly.

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

**2. Opportunities for future development**

The nationwide basic supply with 50 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.

For years there has been a further development in public transport (local public transport) and in Deutsche Bahn. 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 as early as 2018. 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 as the leading country 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 is initially planned for two years. With the collected know-how on the 4G network, the following transition networks 4.5G and the contacts from these projects, BTN is planning a steadily increasing execution volume for the start of the implementation of the 5G network.

Another opportunity lies in gaining 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 planning and implementation errors that are likely to result in losing 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.

**3.2 Economic Risks**

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 showed a deficit of € 2.0 million as of December 31, 2016, which is not covered by equity. In 2017, a turnaround was achieved through efficient management and the reduction of operational inefficiencies. The deficit not covered by equity could be reduced by T € 95 and amounted to € 1.8 million as of December 31, 2017. Based on the implemented measures and the consistent involvement of the financing banks and financial service institutions, The company's financing is secured until the end of 2018 based on the commitments made by the shareholders through a letter of comfort and the positive annual result achieved. The earnings expectations foresee positive annual results for the fiscal years up to 2020. With a view to the positive earnings expectation, based on the figures for economic development as of June 30, 2018, further medium-term planning will be discussed with the financiers in order to carry out further coordination on the continued financing beyond December 31, 2018 on this basis. The earnings expectations foresee positive annual results for the fiscal years up to 2020. With a view to the positive earnings expectation, based on the figures for economic development as of June 30, 2018, further medium-term planning will be discussed with the financiers in order to carry out further coordination on the continued financing beyond December 31, 2018 on this basis. The earnings expectations foresee positive annual results for the fiscal years up to 2020. With a view to the positive earnings expectation, based on the figures for economic development as of June 30, 2018, further medium-term planning will be discussed with the financiers in order to carry out further coordination on the continued financing beyond December 31, 2018 on this basis.

In addition to the loans and credit lines granted as part of the restructuring, the partner Baran International Ltd., Beit Dagan / Israel, undertook in a letter of comfort dated February 14, 2018, to provide the company with any additional funds required up to a maximum amount of € 2.0 million and to be made available until March 31, 2020, so that any deviations from the plan to the restructuring concept are secured.

On the basis of these measures, BTN prepared the annual financial statements as of December 31, 2017 under the going concern premise.

**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 were countered with a reorganization of these areas in preparation for the ERP system planned for introduction in 2018. General IT risks are countered with appropriate user authorizations and access controls.

Default risks in the area of receivables are countered by regular analyzes of the age structure of the receivables together with a pronounced dunning process.

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.

We have installed a system for identifying risks that enables us to ensure the economic success of our company and to react to any changes or developments that could endanger the continued existence of the company.

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").

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

Significant investments are initially applied for at group level as part of an approval process and then approved. Default risks in the area of receivables are countered through regular analyzes of the age structure. Any liquidity risks are recognized at an early stage as part of ongoing financial planning.

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

Overall, there are currently no apparent risks that could jeopardize the continued existence or future development of our company.

### V. Supplementary report

There were no significant reportable events after the balance sheet date.

### VI. Forecast report

According to the federal government, the growth forecast for the 2018 financial year is + 2.5% higher than expected.

Due to the planned high investment volume in broadband supply and the 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 2017 provides for a total output of € 17.9 million for the 2018 financial year, with € 13.0 million for the FN area, € 2.5 million for civil engineering and with The mobile communications area accounts for € 2.4 million.

Further measures in the realignment of BTN include efficient corporate management, the planned introduction of a new ERP system, 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.

On the basis of the current planning based on the prepared restructuring concept, the corporate planning assumes an annual profit of € 1.1 million for the 2018 financial year under the assumptions listed.

**Essen, February 28, 2018**

**BTN Baran Telecom Networks GmbH**

***Managing directors***

***Ludger Steffens***

## Balance sheet as of December 31, 2017

### assets

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | € | € |
| A. Fixed assets | | |
| I. Intangible Assets | | |
| Purchased software | 6,786.00 | 1,327.00 |
| II. Tangible assets | | |
| 1. Land and buildings including buildings on third-party land | 760,848.79 | 813,664.79 |
| 2. Factory and office equipment | 525,293.97 | 674,155.97 |
| | 1,286,142.76 | 1,487,820.76 |
| III. Financial assets | | |
| 1. Shares in affiliated companies | 1.00 | 1.00 |
| 2. Holdings | 5,000.00 | 5,000.00 |
| | 5,001.00 | 5,001.00 |
| | 1,297,929.76 | 1,494,148.76 |

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | € | € |
| B. Current Assets | | |
| I. Inventories | | |
| 1. Raw materials and supplies | 158,421.83 | 166,188.56 |
| 2. Work in progress | 5,192,122.02 | 5,052,677.45 |
| 3. Advance payments received on orders | -778,150.00 | -771,853.00 |
| | 4,572,393.85 | 4,447,013.01 |
| II. Receivables and other assets | | |
| 1. Accounts receivable from deliveries and services | 1,870,032.56 | 4,144,115.48 |
| 2. Claims against companies with which there is a participation relationship | 4,379.20 | 4,379.20 |
| 3. Other assets | 97,293.86 | 87,043.73 |
| | 1,971,705.62 | 4,235,538.41 |
| III. Cash on hand, bank balances | 1,192,184.53 | 977,540.26 |
| | 7,736,284.00 | 9,660,091.68 |
| C. Prepaid expenses | 129,546.99 | 73,536.09 |
| D. Deferred Tax Assets | 1,309,894.00 | 1,277,386.00 |
| E. Deficit not covered by equity | 1,864,204.19 | 1,959,613.07 |
| | 12,337,858.94 | 14,464,775.60 |

## liabilities

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | € | € |
| 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 | -7,675,007.45 | -3,408,727.86 |
| IV. Annual surplus (previous year annual deficit) | 95,408.88 | -4,266,279.59 |
| | -1,864,204.19 | -1,959,613.07 |
| V. Deficit not covered by equity | 1,864,204.19 | 1,959,613.07 |
| | 0.00 | 0.00 |
| B. Provisions | | |
| Other provisions | 618,096.59 | 1,225,332.82 |
| C. Liabilities | | |
| 1. Liabilities to banks | 4,258,085.74 | 4,522,746.95 |
| 2. Trade accounts payable | 1,258,531.64 | 2,145,435.37 |
| 3. Liabilities to affiliated companies | 2,816,636.56 | 2,816,636.56 |
| 4. Liabilities to shareholders | 3,022,452.30 | 3,022,452.30 |
| 5. Other Liabilities | 364,056.11 | 732,171.60 |
| | 11,719,762.35 | 13,239,442.78 |
| | 12,337,858.94 | 14,464,775.60 |

## Income statement for the period from January 1 to December 31, 2017

| | 2017 | 2016 |
|---|---|---|
| | € | € |
| 1. Sales | 13,981,253.72 | 20,956,755.47 |
| 2. Increase (previous year decrease) in work in progress | 139,447.57 | -2,433,327.43 |
| 3. Other operating income | 153,469.59 | 209,628.95 |
| 4. Cost of materials | | |
| a) Expenses for raw materials and supplies | | |
| and for purchased goods | -1,779,224.59 | -3,327,759.16 |
| b) Expenses for purchased services | -3,423,107.32 | -8,003,286.35 |
| 5. Personnel expenses | | |
| a) Wages and salaries | -5,033,152.47 | -6,483,278.93 |
| b) Social security and pension expenses | -1,059,878.13 | -1,390,861.31 |
| 6. Amortization of intangible assets | | |
| of fixed assets and property, plant and equipment | -275,724.92 | -330,036.52 |
| 7. Other operating expenses | -2,092,915.47 | -3,208,799.50 |
| 8. Income from participations | 5,400.00 | 5,500.00 |
| 9. Other Interest and Similar Income | 238.75 | 2,289.27 |
| 10. Interest and Similar Expenses | -499,505.50 | -328,487.84 |
| | 116,301.23 | -4,331,663.35 |

| | 2017 | 2016 |
|---|---|---|
| | € | € |
| 11. Income from taxes on income and earnings | 27,343.85 | 95,679.76 |
| 12. Profit after tax | 143,645.08 | -4,235,983.59 |
| 13. Other taxes | -48,236.20 | -30,296.00 |
| 14. Annual surplus (previous year annual deficit) | 95,408.88 | -4,266,279.59 |

## Appendix for the financial year from January 1 to December 31, 2017

### 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, 2017, 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) in the version of the Accounting Directive Implementation Act (BilRUG), 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 .

### 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 in accordance with the expected useful life of the assets.

**Low-value assets** with acquisition costs of up to € 410 each have been written off in full since January 1, 2010. The departure is assumed in the same year.

**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.

With **unfinished services**the directly attributable individual costs, proportionate appropriate material and production overheads, general administrative costs including depreciation and partial profit realization are included in the production costs. The inclusion of the partial profits takes place in certain, usually longer-term projects with the lower value from the degree of completion in relation to the agreed sales and the costs incurred so far, including a pro-rata profit mark-up. In addition, work in progress is valued at production cost in accordance with Section 255 (2) sentence 2 of the German Commercial Code. 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.

### Notes on the balance sheet

**Capital assets**

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

**Financial assets**

**Share in affiliated companies**

Baran Switzerland AG, Baar / Switzerland

| currency | Share capital | Equity | Annual deficit | Due date * |
|---|---|---|---|---|
| CHF | 120,000 | -1,393,975 | - 1,040,208 | 09/30/2015 |

* unaudited degree

The Board of Directors of Baran Switzerland AG filed for insolvency proceedings on October 9, 2015; the company is therefore in liquidation. In previous years, the book value of the investment was devalued to a memorable book value of € 1.

**Participation**

netsphere 24 GmbH, Frammersbach

| currency | Share capital | Equity | Annual surplus | Deadline |
|---|---|---|---|---|
| EUR | 25,000 | 46,736 | 21,523 | December 31, 2016 |

**Stocks**

The unfinished services relate to services that have not yet been billed but have already been performed in the areas of fixed network systems, underground cable construction and the installation of telecommunications infrastructures in the area of mobile communications.

**Receivables and other assets**

The trade receivables contain security deposits customary in the industry in the amount of T € 45 (previous year: T € 106) with a remaining term of more than one year. As in the previous year, all other receivables and other assets have a remaining term of less than one year.

The receivables from companies with which there is a participation relate exclusively to other assets.

The other assets relate to advances (€ 15 thousand, previous year: € 21 thousand), creditors with debit balances (€ 45 thousand, previous year € 41 thousand) and foreign input tax claims (€ 29 thousand, previous year € 22 thousand).

**Deferred tax assets**

The deferred tax assets of € 1,310 thousand are based exclusively on tax loss carryforwards.

**Equity**

The share capital of T € 1,500 has been paid up in full.

**accruals**

The **other provisions** relate specifically to:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | T € | T € |
| Vacation accruals | 153 | 167 |
| Outstanding incoming invoice | 145 | 608 |
| BG / tax for severely disabled persons | 100 | 144 |
| Working time account | 51 | 66 |
| Legal and consulting costs | 40 | 104 |
| Guarantee services | 14th | 9 |
| Outstanding bonus payments | 3 | 98 |
| Other provisions | 112 | 29 |
| | 618 | 1,225 |

**liabilities**

The trade payables contain security deposits of T € 468 (previous year: T € 463) customary in the industry.

The liabilities to affiliated companies of T € 2,817 (previous year: T € 2,817) consist exclusively of financing activities.

The liabilities to shareholders of € 3,022 thousand (previous year: € 3,022 thousand) consist exclusively of financing activities.

Of these liabilities to shareholders and other affiliated companies, T € 3,628 were subordinated to Sparkasse Essen as of December 31, 2017, due to subordination declarations.

The other liabilities mainly include sales tax liabilities of T € 129 (previous year: T € 419), payables from wages and salaries of T € 117 (previous year: T € 163), liabilities from income tax of T € 49 (previous year: T € 77) and accounts receivable from T € 69 (previous year T € 65). In total, the other liabilities include T € 178 (previous year: T € 496) from taxes and T € 0 (previous year: T € 9) for social security.

The remaining terms of the liabilities are as follows:

| | | December 31, 2017 | | |
|---|---|---|---|---|
| | | with a remaining term of | | |
| | Total amount | up to 1 year | 1 to 5 years | more than 5 years |
| 1. Liabilities to banks | 4,258 | 4,055 | 203 | 0 |
| Previous year | 4,523 | 4,226 | 297 | 0 |
| 2. Trade accounts payable | 1,259 | 881 | 378 | 0 |
| Previous year | 2.145 | 2.145 | 0 | 0 |
| 3. Liabilities to affiliated companies | 2,817 | 2,817 | 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 | 364 | 364 | 0 | 0 |
| Previous year | 732 | 732 | 0 | 0 |
| | 11,720 | 11,139 | 581 | 0 |
| Previous year | 13,239 | 12,942 | 297 | 0 |

Of the liabilities to banks, € 293 thousand (previous year: € 381 thousand) are secured by land charges in the amount of € 1,534 thousand (previous year: € 1,534 thousand).

Zusätzlich sind die Kredite gegenüber der Sparkasse Essen (bereits seit 2014) und der Commerzbank AG (am 15. Januar 2015) durch die Baran Group Ltd. bzw. Baran International Ltd. abgesichert. Gegenüber der Commerzbank AG besteht darüber hinaus eine Bankbürgschaft der israelischen Hapoalim-Bank über T€ 500 von der Baran Group Ltd.

Ferner hat die BTN Baran International Ltd., Beit Dagan / Israel, an BTN eine Liquiditätsgarantie über T€ 2.000 mit Wirkung bis zum 31. März 2020 gewährt.

## Erläuterungen zur Gewinn- und Verlustrechnung

**Sonstige betriebliche Erträge**

Die sonstigen betrieblichen Erträge enthalten im Wesentlichen Erträge aus der privaten PKW-Nutzung von T€ 125 (Vorjahr T€ 167). Wesentliche periodenfremde Erträge liegen wie bereits im Vorjahr nicht vor. Fremdwährungsgewinne sind mit T€ 0 (Vorjahr T€ 1) enthalten.

**Sonstige betriebliche Aufwendungen**

The other operating expenses relate in particular to vehicle costs, expenses for general operating and office supplies, room costs, travel expenses, legal and consulting costs, expenses for marketing activities and insurance premiums. The 2017 financial year includes expenses not relating to the period in the amount of € 8 thousand (previous year: € 0 thousand). Foreign currency losses are included at € 1 thousand (previous year: € 1 thousand).

**Other interest and similar income**

The interest income results from affiliated companies with T € 0 (previous year T € 2).

**Interest and similar expenses**

Interest expenses of T € 246 (previous year: T € 87) result from affiliated companies, of which T € 246 (previous year: T € 87) from shareholders.

**Income from taxes on income and earnings**

The income from taxes on income and earnings relate to tax back payments of T € 5 not relating to the accounting period, which are offset by income from the change in deferred tax assets of T € 32.

## Supplementary report

There were no significant reportable events after the balance sheet date.

## Other Information

**Total remuneration of the managing director**

**Managing Director** of the company was in financial year 2017, respectively, as sole managing

until April 3, 2017

> Mr. Dominik Hoffmann, Berlin; Graduate engineer (FH),
> MBA

as well as from April 3, 2017

> Mr. Ludger Steffens, Nettetal; Engineer (FH) electrical

engineering.

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 2017 financial year was 111 (previous year 158), of which 23 (previous year 23) were salaried employees and 88 (previous year 135) were industrial employees.

**Other financial obligations and off-balance sheet transactions**

The other financial obligations result from rental and leasing contracts for company vehicles and office equipment and are as follows as of December 31, 2017:

| | December 31, 2017 |
|---|---|
| | T € |
| Obligations from long-term rental and leasing contracts | |
| due by December 31, 2018 | 351 |
| due between January 1, 2019 and December 31, 2022 | 418 |
| due after January 1, 2023 | 0 |
| | 769 |

The rental and leasing contracts reduce the company's capital commitment and thus improve the balance sheet and financing structure.

**Amounts blocked from distribution within the meaning of Section 268 (8) HGB**

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

**Appropriation of earnings**

The net income for the 2017 financial year of T € 95 will be carried forward.

**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 is part of the Baran Group Ltd., Beit Dagan / Israel, which prepares the consolidated financial statements for the largest 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** .

**Essen, February 28, 2018**

**BTN Baran Telecom Networks GmbH**

***Managing directors***

***Ludger Steffens***

## Development of fixed assets in the financial year from January 1 to December 31, 2017

| | Acquisition and production costs | | | |
|---|---|---|---|---|
| | 01/01/2017 | Accesses | Departures | December 31, 2017 |
| | € | € | € | € |
| I. Intangible Assets | | | | |
| Purchased software | 145,553.34 | 8,341.18 | 0.00 | 153,894.52 |
| II. Tangible assets | | | | |
| 1. Land and buildings | 1,166,888.79 | 0.00 | 0.00 | 1,166,888.79 |
| including the buildings | | | | |
| foreign land | | | | |
| 2. Factory and office equipment | 1,896,239.26 | 99,541.74 | 215,990.07 | 1,779,790.93 |
| | 3,063,128.05 | 99,541.74 | 215,990.07 | 2,946,679.72 |
| III. Financial assets | | | | |
| 1. Shares in affiliated companies | 79,509.69 | 0.00 | 0.00 | 79,509.69 |
| 2. Holdings | 5,000.00 | 0.00 | 0.00 | 5,000.00 |
| | 84,509.69 | 0.00 | 0.00 | 84,509.69 |
| | 3,293,191.08 | 107,882.92 | 215,990.07 | 3,185,083.93 |
| | Accumulated depreciation | | | |
| | 01/01/2017 | Accesses | Departures | December 31, 2017 |
| | € | € | € | € |
| I. Intangible Assets | | | | |
| Purchased software | 144,226.34 | 2,882.18 | 0.00 | 147,108.52 |
| II. Tangible assets | | | | |
| 1. Land and buildings | 353,224.00 | 52,816.00 | 0.00 | 406,040.00 |

| | Accumulated depreciation | | | |
|---|---|---|---|---|
| | 01/01/2017 | Accesses | Departures | December 31, 2017 |
| | € | € | € | € |
| including the buildings | | | | |
| foreign land | | | | |
| 2. Factory and office equipment | 1,222,083.29 | 220,026.74 | 187,613.07 | 1,254,496.96 |
| | 1,575,307.29 | 272,842.74 | 187,613.07 | 1,660,536.96 |
| III. Financial assets | | | | |
| 1. Shares in affiliated companies | 79,508.69 | 0.00 | 0.00 | 79,508.69 |
| 2. Holdings | 0.00 | 0.00 | 0.00 | 0.00 |
| | 79,508.69 | 0.00 | 0.00 | 79,508.69 |
| | 1,799,042.32 | 275,724.92 | 187,613.07 | 1,887,154.17 |

| | Residual book values | |
|---|---|---|
| | December 31, 2017 | December 31, 2016 |
| | € | € |
| I. Intangible Assets | | |
| Purchased software | 6,786.00 | 1,327.00 |
| II. Tangible assets | | |
| 1. Land and buildings | 760,848.79 | 813,664.79 |
| including the buildings | | |
| foreign land | | |
| 2. Factory and office equipment | 525,293.97 | 674,155.97 |
| | 1,286,142.76 | 1,487,820.76 |
| III. Financial assets | | |
| 1. Shares in affiliated companies | 1.00 | 1.00 |
| 2. Holdings | 5,000.00 | 5,000.00 |
| | 5,001.00 | 5,001.00 |
| | 1,297,929.76 | 1,494,148.76 |

## 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, 2017 and the income statement for the financial year from January 1 to December 31, 2017 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, 2017.

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, 2017, as well as its earnings position for the financial year from January 1 to as of December 31, 2017 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 made by the managing director in the management report under Section IV.3.2 "Economic risks". There it is stated that the further development of the business activity of BTN Baran Telecom Networks GmbH depends in particular on the restructuring concept explained in the management report and the measures to be taken in this context being implemented as planned and the external financial institutions extending their loans beyond December 31, 2018 grant beyond. In addition, the assumptions of corporate planning, particularly with regard to sales and earnings targets, must occur. The recoverability of the capitalized deferred taxes on tax loss carryforwards of € 1.3 million also partly depends on this. It should also be taken into account that the shareholder Baran International Ltd., Beit Dagan / Israel, undertook in a letter of comfort dated February 14, 2018, to provide the company with additional funds up to an amount of € 2.0 million by December 31. March 2020. Our audit opinions on the annual financial statements and the management report have not been modified in this regard. It should also be taken into account that the shareholder Baran International Ltd., Beit Dagan / Israel, undertook in a letter of comfort dated February 14, 2018, to provide the company with additional funds up to an amount of € 2.0 million by December 31. March 2020. Our audit opinions on the annual financial statements and the management report have not been modified in this regard. It should also be taken into account that the shareholder Baran International Ltd., Beit Dagan / Israel, undertook in a letter of comfort dated February 14, 2018, to provide the company with additional funds up to an amount of € 2.0 million by December 31. March 2020. Our audit opinions on the annual financial statements and the management report have not been modified in this regard. to provide the company with additional funds up to an amount of € 2.0 million by March 31, 2020 if required. Our audit opinions on the annual financial statements and the management report have not been modified in this regard. to provide the company with additional funds up to an amount of € 2.0 million by March 31, 2020 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 representative for the annual financial statements and the management report

The legal representative is 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 in compliance with German principles of proper accounting Society mediates. Furthermore, the legal representative is responsible for the internal controls which he has determined to be necessary in accordance with the German principles of proper accounting,

When preparing the annual financial statements, the legal representative is responsible for assessing the company's ability to continue business operations. Furthermore, he is responsible for disclosing matters relating to the going concern of the company, if relevant. In addition, he is responsible for accounting for the going concern basis on the basis of the accounting principle, unless actual or legal circumstances conflict with this.

In addition, the legal representative is 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 representative is responsible for the precautions and measures (systems) that he has deemed necessary to enable the preparation of a management report in accordance with the applicable German legal regulations,

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 representative as well as the acceptability of the estimated values presented by the legal representative and related information.

- we draw conclusions about the appropriateness of the accounting principle applied by the legal representative for going concern and, based on 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 business 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 representative in the management report. On the basis of sufficient, suitable audit evidence, we particularly review the significant assumptions underlying the future-oriented information provided by the legal representative 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, 2018**

**PricewaterhouseCoopers GmbH**
**auditing company**

***Siegfried von Parzotka-Lipinski, auditor***

***ppa. Peter Wasserfuhr, auditor***

The annual financial statements have not yet been adopted.