

## **Audit report**

on the audit of the

annual financial statements as per December 31, 2018

of

**MESH PACK GmbH**

Klötze, Germany

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## **Principal Part**

## 1 Audit assignment

Our following report on the audit of the annual financial statements of **MESH PACK GmbH** as per December 31, 2018, is addressed to the audited company.

In the meeting of the shareholders of November 26, 2018, we have been appointed to audit the annual financial statements as per December 31, 2018.

Thereupon the managing director of the

**MESH PACK GmbH,**

**Klötze,**

(hereinafter also referred to as "MESH PACK GmbH" or "Company")

assigned us to audit the annual financial statements as per December 31, 2018, for the period January 1 to December 31, 2018, including the bookkeeping in accordance with the "International Financial Reporting Standards (IFRS)", the "International Accounting Standards (IAS)" and the "International Standards on Auditing (ISA)" based on the audit before in accordance with §§ 316 and 317 of the German Commercial Code.

According to the size characteristics designated in § 267 paragraph 1 of the German Commercial Code the company should be classified as a medium-sized business company and is thus subject to auditing pursuant to §§ 316 et seqq. of the German Commercial Code.

As no reasons for exclusion in accordance with § 319 of the German Commercial Code, §§ 49 and 53 of the ordinance governing the public accounting profession (WPO) as well as §§ 20 et seqq. of our professional charter were against our audit assignment, we confirmed the assignment on December 11, 2018.

We performed our audit in January and February 2019 with an inventory observation and a preliminary audit in December 2019 in the business office of MESH PACK GmbH. The assignment was given the finishing touch in our business office.

All explanations and supporting documents we requested were willingly provided. The management confirmed the completeness of the annual financial statements to us in writing on February 27, 2019.

We recorded the type and scope of our auditing activities in our working papers.

We hereby make the following report on our auditing activities.

We have enclosed the audited annual financial statements as per December 31, 2018, for the period January 1 to December 31, 2018, consisting of balance sheet (enclosure 1), statement of income (enclosure 2), notes (enclosure 3), analysis of fixed assets (enclosure 4), statement of changes in shareholders' equity (enclosure 5) and statement of cash flows (enclosure 6) to our report.

We have described the legal, economic and fiscal circumstances in chapter 5. 1. - 5. 3.

We prepared this audit report according to auditing standard 450 "Basic principles of adequate and orderly reporting in statutory audits" of the Institut der Wirtschaftsprüfer e.V., Düsseldorf (IDW = Institute of German Certified Public Accountants), in accordance with IFRS and ISA 700.

Our assignment is based on the general conditions of assignment for auditors and auditing companies in the version of January 1, 2017 enclosed as enclosure 7. The amount of our liability is determined in accordance with § 323 paragraph 2 of the German Commercial Code. No. 1 paragraph 2 and no. 9 of the general conditions of assignment are the decisive factors in relation to third parties.

This report on the audit of the annual financial statements is not intended for transmission to third parties. Insofar as it is transmitted to third parties or presented to third parties for their appraisal with our consent, the company undertakes to come to a written agreement with the relevant third parties that the agreed liability provisions should also apply to any entitlements of the third party vis-à-vis ourselves.

## **2 Basic determinations**

### **2.1 Situation of the company**

#### **Comments on the statutory representatives' assessment of the situation**

With regard to the German Commercial Code and the classification of the company as a medium-sized business company, the management has to prepare a status report of the company in addition to the annual financial statements as per the end of the year. Regarding to the regulations of the "International Financial Reporting Standards (IFRS)", the "International Accounting Standards (IAS)" and the "International Standards on Auditing (ISA)" a status report of the company is not a part of the annual financial statements.

Therefore, it is not our task as statutory auditors to comment the management's assessment of the situation in this audit report.

### **2.2 Irregularities**

There were no infringements or other irregularities in accordance with § 321 of the German Commercial Code.

### **3 Object, type and scope of the audit**

#### **3.1 Object of the audit**

Within the scope of the assignment given to us we audited the bookkeeping and the annual financial statements pursuant to § 317 of the German Commercial Code and the ISA for compliance with the relevant statutory provisions and the supplementary provisions of the articles of association.

The statutory representatives bear the responsibility for the rendering of accounts and the information provided to us as statutory auditors. Our task as statutory auditors is to evaluate these documents, including the bookkeeping and the information provided within the scope of our obligatory audit.

The audit of compliance with other statutory provisions only forms part of the tasks of our statutory audit insofar as these provisions generally result in repercussions on the annual financial statements.

A special audit to uncover irregularities in monetary and performance transactions (defalcation audit) was not the object of our statutory audit. Nor were there any indications during the course of our activity that would have made the special investigations in this respect necessary.

#### **3.2 Type and scope of the audit performance**

We determined the type and scope of the auditing activities in the assignment on hand within the scope of our personal responsibility according to our best judgement, which is limited by statutory provisions and ordinances, IDW auditing standards and ISA, as well as any expanding conditions for the assignment and the respective reporting duties.

We performed our audit of the annual financial statements in accordance with §§ 316 et seqq. of the German Commercial Code and the ISA, taking into account the basic principles for the adequate and orderly performance of statutory audits stipulated by the IDW. Accordingly the audit should be planned and performed in such a way as to allow a sufficiently certain assessment of whether the bookkeeping and annual financial statements are free of essential deficiencies. Within the scope of the audit, supporting documents of the information in the bookkeeping and the annual financial statements are assessed on a random sampling basis. The audit comprises the assessment of the applied accounting, valuation and breakdown principles and of the essential estimations of the management, as well as the appraisal of the overall account of the annual financial statements. In our opinion our audit forms a sufficiently certain basis for our audit judgement.

Within the scope of our risk-oriented auditing process, we first drew up an audit strategy, which was based on an estimation of the corporate environment and on information provided by the management on the essential corporate goals and business risks.

Our auditing activities to attain an audit trail included systematic and functional tests, analytical auditing activities and individual case audits.

We oriented our statement-based auditing activities towards the results of our evaluation of the accounting-based internal control system.

When auditing the accounting-based internal control system we proceeded as follows: we began with the external factors, the corporate goals, the business strategy and the control and monitoring processes at the corporate level and then analysed the business processes. In this second step of the process analysis we assessed to what extent the essential business risks, which influence our audit risk, are reduced by the structure of the operating workflows and the control and monitoring measures.

We took into account the determinations of the audit of the accounting-based internal control system in selecting the analytical audit activities and the individual case audits.

Insofar as we were of the opinion that effective functional controls were implemented and thus sufficient personnel, computer-driven or mechanical controls ensured the accuracy of the annual financial statements, we were able to largely restrict our statement-based audit activities with regard to individual cases, in particular in the field of routine transactions.

Insofar as we felt that the audit activities needed to be expanded, in addition to analytical auditing activities in the form of plausibility assessments we retraced individual business transactions based on documentary evidence and inspected said transactions to ensure the appropriate posting thereof.

In the individual company's auditing programme we determined the main focuses of our audit, type and scope of the auditing activities, as well as the temporal audit sequence and the use of employees. In so doing we observed the basic principles of materiality and risk orientation.

The critical auditing goals identified in our audit strategy led to the following main focuses of our audit:

- Inventories
- trade accounts receivable
- provisions

Confirmations by thirds parties were obtained as follows according to the following criteria:

- We assured ourselves of the accurate accounting of the trade accounts receivables and payables by obtaining account balance confirmations via the random sampling method.
- The account balances with affiliated companies were also reconciled via account balance statements.
- Bank confirmations were obtained from credit institutions.



In addition to the management the following persons acted as respondents:

Mrs. Schwerin (Head of Accounting),

as well as other responsible persons.

All explanations and supporting documentation we requested of the statutory representatives according to our best judgment to enable us to perform an adequate and orderly audit were provided willingly. Within the scope of a letter of representation the management confirmed to us in writing on February 27, 2019, that all asset values, obligations, risks and accruals subject to accounting had been included in the annual financial statements as per December 31, 2018, all outgoings and incomings were included, and all the necessary information had been provided. According to said declaration no events of particular significance had occurred after the end of the reporting date.

#### **4 Determinations and explanations on the accounting**

##### **4.1 Accordance of the accounting with the regulations**

###### **4.1.1 Bookkeeping and other audited documents**

The basis of our audit was the company's accounting system.

According to our determinations the records of the company's business transactions are complete, consecutive and timely. The table of accounts allows a clear and transparent organisation of the accounting material with sufficient breakdown depth for the company's needs. Insofar as accounting documents were inspected during our audit, these included all the necessary information for adequate and orderly documentation. The document file is organised alphabetically as well as numerically, thus enabling direct access to the receipts based on the information in the accounts.

A competent third party is thus able to gain insight into the company's net worth, financial and earnings position within a reasonable amount of time.

The organisation of the bookkeeping, the internal control system, the data flow and supporting documentation allows the complete, accurate, timely and organised capture and posting of business transactions.

According to the result of our audit the information gleaned from other audited documents lead to an adequate and orderly representation in the bookkeeping and in the annual financial statements.

According to the result of our audit the information gleaned from other audited documents did not lead to an adequate and orderly representation in the bookkeeping, in the annual financial statements and in the management report.

The bookkeeping is IT-supported using the DATEV system.

The procedural workflows in the accounting system did not change in the year under review.

The security of the data processed for the purposes of the IT-driven rendering of accounts is ensured.

According to our determinations the bookkeeping and the other audited documents comply with the statutory requirements for the entire year.

#### **4.1.2 Annual financial statements**

The annual financial statements as per December 31, 2018, submitted to us for audit complied with all applicable statutory provisions for the rendering of accounts, including the basic principles of adequate and orderly accounting and all size-dependent provisions bound by legal form or specific to particular economic sectors, as well as the standards of the articles of association.

According to our determinations the balance sheet as per December 31, 2018, and the statement of income of MESH PACK GmbH for the period of January 1 to December 31, 2018, were derived from the bookkeeping and from the other audited documents in an adequate and orderly manner. The relevant reporting, posting and valuation regulations regarding IAS 1 were just as completely complied with as the principle of continuity.

Required specific annotations and information were essentially included within the scope of specific rights of election in the notes to the annual financial statements.

Reference the adequacy and orderliness of the information provided in the notes, on which we make no other report elsewhere, we find that the reports in the notes by the statutory representatives have been executed completely and in the statutorily stipulated scope.

#### **4.2 Overall statement of the annual financial statements**

##### **4.2.1 Determination on the overall statement of the annual financial statements**

In the following we report on the result of our assessment, as to whether and to what extent the overall statement conveyed by the annual financial statements complies with the requirements of the IFRS/IAS.

As no peculiarities occurred, we find that, in compliance with the basic principles of adequate and orderly bookkeeping, the annual financial statements convey a true overall picture of the actual circumstances of the company's net worth, financial and earnings position.

It is not the object of our findings on the "overall statement of the annual financial statements" to describe the company's net worth and financial position and profit situation. We have, however, described and commented on such separately in section 4.3.

In conjunction with the finding on the adequacy and orderliness of the overall statement of the annual financial statements we include other explanations in this audit report, which are necessary to understand the overall statement of the annual financial statements as the overall statement "in compliance with the basic principles of adequate and orderly bookkeeping" is also influenced within the scope of that which is statutorily permissible by accounting and valuation decisions, as well as by fact structures.

In order to enable the addressees to make their own assessment of these measures and to indicate how they should orient their auditing and monitoring activity, in the following we will individually deal with:

- the essential valuation methods
- the overall influence, which the changes in the bases of valuation and fact structuring measures have on the overall statement of the annual financial statements; the changes in the bases of valuation include in particular changes in the execution of accounting and valuation rights of election and the exploitation of scopes of discretion.

As it seems to us to be necessary for the assessment of the overall statement of the annual financial statements by the addressees – in particular with regard to the explanation of the bases of valuation and the changes therein as well as the fact structuring measures – we break down sufficiently explain the items in the annual financial statements unless this information is included in the notes.

#### **4.2.2 Essential methods of valuation**

The methods of valuation in accordance of IAS 1 comprise the accounting and valuation methods, as well as the definitive factors for the valuation of assets and debts (parameters, assumptions and the exercising of scopes of discretion).

Value determining factors result in the book values reported in the annual financial statements by linking the existing inventory values of assets and debts on the balance sheet date.

Parameters are usually factors objectified by fair market values or generally accepted standard values, whereas assumptions of future developments are subjective factors of the valuation, the determination of which is at the statutory representative's discretion, taking into account the basic principles of the rendering of accounts.

Scopes of discretion are based on uncertain expectations in determining estimated values and the underlying assumptions thereof. This results in a spectrum of permissible valuation rates for many items.

Within the scope of explaining the accounting and valuation methods the exercising of accounting and valuation rights of election is of particular importance, as such decisions on the part of the statutory representatives allow influence to be exerted on the overall statement of the annual financial statements.

Essential methods of valuation are those, which alone or in interaction with other bases of valuation are important for the information of the report addressees, as they influence the overall statement of the annual financial statements.

To describe the essential methods of valuation we refer to the appropriate information in the notes, as their inclusion in the audit report on hand would only lead to repetition.

Neither the type nor scope of references made by us to the notes contravenes the requirement of reporting clarity.

The assessment of the economic expediency of the statutory representatives' accounting and valuation decisions is not incumbent upon us as statutory auditors. The addressees of the report should assess them as decisions made for business policy reasons.

#### **4.2.3 Changes in the methods of valuation**

In principle the selected valuation methods in accordance with IAS 1 should be preserved. The prohibition of arbitrariness applies to the entire rendering of accounts, including the exercising of reporting rights of election and the exploitation of scopes of discretion.

In accordance with IAS 1 and 8 interruptions in the constancy of reporting and valuation should be specified, justified and the repercussions explained in the notes.

Changes in the methods of valuation may relate to both changes in the accounting and valuation methods and changes in the value determining factors, in particular changes in the exploitation of scopes of discretion.

Also within the statutory permissible scope changes in the methods of valuation, in particular if they are targeted and unilateral, may have essential repercussions on the comparability and the overall statement of the annual financial statements.

Changes in the methods of valuation should be dealt with at this juncture, if these have an essential influence on the overall statement of the annual financial statements individually or together with fact structuring measures, i.e. on the picture of the investment company's net worth, financial and earning position conveyed by the annual financial statements.

A valuation of the statutory representatives' accounting and valuation decisions is unnecessary.

Accounting policy measures, which are covered by the essential developments of the economic situation would, however, necessitate notes and would have to be assessed by us as statutory auditors within the scope of our statements on the adequacy and orderliness of the annual financial statements.

There were no significant changes in the methods of valuation in the period under review.

The notes thus do not contain any information subject to reporting.

#### **4.2.4 Fact structuring measures**

Within the scope of the overall statement of the annual financial statements in the following we also deal with fact structuring measures. These are measures, which affect reporting and/or valuation of assets and debts, provided

- they deviate from the usual structure, which in our estimation complies with the expectations of the financial statement addressees, and
- the deviation from the usual structure has an essential effect on the overall statement of the annual financial statements.

No facts subject to reporting arising from fact structuring measures with essential affect on the overall statement of the annual financial statements occurred in the auditing period according to the result of our auditing activities.

#### **4.2.5 Breakdowns and explanations**

IAS 5 stipulates a breakdown of financial statement items, insofar as this is necessary to comprehend the overall statement of the annual financial statements, in particular to explain the methods of valuation and the changes therein as well as the fact structuring measures and the information is not included in the notes.

As far as we break down specific items of the annual financial statements in the following for the comprehension of the overall statement, we also explain what influence the changed exercising of a right of election or the implementation of a fact structuring has on the reporting, the valuation or the composition of individual financial statement items.

Within the scope of these breakdowns we also include information already contained in the annual financial statements in a deviating representation in our subsequent auditing report.

In addition to the statutorily required breakdowns and explanations we also make other breakdowns and explanations on the basis of the client's additional expectations.

Balance sheet structure overviews of the estate position, profit source analyses of the profit situation and cash flow statements of the financial position in our audit – supplemented by the business ratios on result, capital and asset structure – may constitute an essential support for the addressees.

Besides the existing comments on the overall statement, we also include economic evaluations in the form of consolidated tables, structural balance sheets, juxtapositions of consolidated, economically significant figures from the period under review with figures from the previous year, a cash flow statement and a cash flow analysis, in the independent “net worth and financial position and profit situation” section of our audit report, in order to clarify the company's situation and development in the period under review.

Our other breakdowns and clarifications also comprise an analysis of each individual item in the annual financial statements and thus serve to document the company's financial circumstances in the period under review. In addition, they also promote a more intense comprehension of the individual details of the annual financial statements, in that they enable deviations from the previous year to be rendered transparent and other important findings to be conveyed.

The breakdowns and clarifications of the annual financial statements included in the enclosures to the audit report on hand were subject to the audit according to the general basic principles and may not be accepted by us in a non-audited state from the company's documents. This resulted in an extension of our auditing activities within the scope of this statutory audit.

Breakdowns and clarifications of the essential items in the annual financial statements will be provided in the following for better comprehension of the description of the net worth, financial and income position, unless there is corresponding information in the notes. Insofar as the same clarifications would have to be identically repeated for several items in the same group, they are provided at the beginning of the report for ease of reading.

(all particulars are in Euro, unless otherwise stipulated)

List of essential asset items in the balance sheet as per December 31, 2018

(share of balance sheet total especially greater than 10 %)

	Balance sheet reporting as per 31.12.2018 EUR	Share of balance sheet total %	Change compared with 31.12.2017 %
Real estate, equivalent titles and buildings, including buildings on third-party real estate	2.036.943,47	28,7	-7,2
Technical equipment and machinery	861.820,00	12,1	-7,2
Inventories	2.855.104,42	40,2	1,8
Trade accounts and notes receivable	839.400,06	11,8	-28,6
<b>Total</b>	<b>6.593.267,95</b>	<b>92,9</b>	

A reconciliation of rounding off differences was waived.

The **real estate, equivalent titles and buildings including buildings on third-party real estate** comprise the following:

	31.12.2018 TEUR	31.12.2017 TEUR	Change TEUR
Real estate, equivalent titles	122,3	122,3	0,0
Buildings	1.737,0	1.880,3	-143,3
Rooms	39,4	40,8	-1,4
Land improvements	138,2	152,1	-13,9
<b>Total</b>	<b>2.036,9</b>	<b>2.195,5</b>	<b>-158,6</b>

The total depreciation for the period January 1 to December 31, 2018, for this balance sheet item amounts to TEUR 158,6 compared with TEUR 158,7 in the prior year.

In the period under review there were no additions and disposals.

The **technical equipment and machinery** comprise the following:

	31.12.2018 TEUR	31.12.2017 TEUR	Change TEUR
Machinery equipment	664,4	695,6	-31,2
Technical equipment	197,4	233,1	-35,7
<b>Total</b>	<b>861,8</b>	<b>928,7</b>	<b>-66,9</b>

The additions and bookings in the period under review with TEUR 195,3 were spare parts and capitalized cost of the raschel machines giving them a general overhaul increase the productivity substantially following the measures of the last year and technical equipment.

There were no disposals in the technical equipment and machinery in the period under review. The depreciation of this position amounts to TEUR 262,2 in the period under review compared with TEUR 210,7 of the prior year. No non-scheduled depreciation was necessary in the period under review.

In the period under review there were capitalised services on own account with TEUR 62,1.

In addition to this see the analysis of fixed assets (enclosure 4).

The **inventories** comprise the following:

	31.12.2018	31.12.2017	Change
	TEUR	TEUR	TEUR
Merchandise	97,1	181,0	-83,9
Raw materials and supplies	614,7	707,9	-93,2
Work-in-process	507,7	591,3	-83,6
Finished goods	1.635,6	1.323,7	311,9
Total	2.855,1	2.803,9	51,2

The merchandise includes the following:

	31.12.2018	31.12.2017	Change
	TEUR	TEUR	TEUR
Bale net wrap	72,0	171,9	-99,9
Other	25,1	9,1	16,0
Total	97,1	181,0	-83,9

The decrease of the stocks of bale net wrap follows the sales activities in 2018.



The raw materials and supplies include the following positions:

	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Change</b>
	<b>TEUR</b>	<b>TEUR</b>	<b>TEUR</b>
Granulate	142,5	327,7	-185,2
Masterbatch	86,4	66,5	19,9
Spare parts for machinery	122,7	122,7	0,0
Semi-finished bird protection netting	92,6	26,4	66,2
Supplies	170,5	164,6	5,9
<b>Total</b>	<b>614,7</b>	<b>707,9</b>	<b>-93,2</b>

The decrease and the increase of the positions of raw material were based on the production activities in the period under review.

The work-in-process concerns the following positions:

	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Change</b>
	<b>TEUR</b>	<b>TEUR</b>	<b>TEUR</b>
Foils and mono-filaments	259,4	276,8	-17,4
Christmas tree netting	142,3	132,0	10,3
Tubular netting	16,5	0,0	16,5
Bird protection netting	89,5	182,5	-93,0
<b>Total</b>	<b>507,7</b>	<b>591,3</b>	<b>-83,6</b>

Self-produced foils for the production of raschel bags and foils and mono-filaments for the production of Christmas tree -, tubular - and bird protection netting decreased with TEUR 17,4 (- 6,3 %) following the production activities at the end of the period under review. The development of the stock of work-in-process of bird protection netting decreased while the finished goods increased and were based on the preparation of the coming season 2019.

The finished goods comprise the following positions:

	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Change</b>
	<b>TEUR</b>	<b>TEUR</b>	<b>TEUR</b>
Raschel bags	703,8	604,5	99,3
Christmas tree netting	534,7	406,6	128,1
Tubular netting	6,0	17,0	-11,0
Extruded netting	0,0	25,9	-25,9
Bird protection netting	391,1	269,7	121,4
<b>Total</b>	<b>1.635,6</b>	<b>1.323,7</b>	<b>311,9</b>

The increase of the finished goods is determined especially by the increase of the stocks of raschel bags following the sales activities in the period under review and the increase of the Christmas tree and bird protection netting were based on the preparation of the coming season 2019.

The **trade accounts receivable** include gross receivables with the amount of TEUR 864,0 (31.12.2017: TEUR 1.302,9), which are individually value adjusted by the amount of TEUR 17,4 (31.12.2017: TEUR 116,0) and lump sum value adjusted by the amount of TEUR 7,2 (31.12.2017: TEUR 11,3).

The individual value adjustments essentially extended to disputable receivables with an amount of TEUR 110,8 (31.12.2017: TEUR 110,8) and the discount of costumers.

The lump sum value adjustment was created with the amount of 1% of the net receivables that were not individually value adjusted.

List of essential liability items in the balance sheet as per December 31, 2018

(share of balance sheet total especially greater than 10 %)

	reporting as per 31.12.2018 EUR	Share of balance sheet total %	compared with 31.12.2017 %
Share capital	1.240.000,00	17,5	-,
Other reserves	2.582.552,34	36,4	-,
Government grants related to fixed assets	596.714,00	8,4	-11,3
Total amounts due to credit institutions (long-term and current positions)	1.657.092,48	23,4	-15,1
<b>Total</b>	<b>6.076.358,82</b>	<b>85,6</b>	

**Share capital and other reserves**

The subscribed capital and the other reserves show no changes to the prior year; see the statement of changes in shareholders` equity (enclosure 5).

**Government grants related to fixed assets**

The government grants related to fixed assets are shown as a deferred income position in accordance with IAS 20 with the following development:

		<b>2018</b>	<b>2017</b>
		<b>EUR</b>	<b>EUR</b>
<b>government grants taxable:</b>	January 1,	433.159,00	491.453,00
	dissolving	-57.903,00	-58.294,00
total	December 31,	<u>375.256,00</u>	<u>433.159,00</u>
		<b>2018</b>	<b>2017</b>
		<b>EUR</b>	<b>EUR</b>
<b>government grants tax-free:</b>	January 1,	239.693,00	258.927,00
	dissolving	-18.468,00	-19.234,00
total	December 31,	<u>221.225,00</u>	<u>239.693,00</u>
<b>grand total</b>		<u>596.481,00</u>	<u>672.852,00</u>

The deferred income position will be dissolved in relation to the depreciation of the assets shown under other income.

The amounts due to credit institutions show the following development:

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b><u>Commerzbank AG</u></b>		
January 1,	317.713,39	196.443,03
increase	-241.750,95	163.878,36
amortization	-21.297,83	-42.608,00
December 31,	<u>54.664,61</u>	<u>317.713,39</u>
<b><u>Sparkasse Altmark West</u></b>		
January 1,	1.618.173,78	1.863.546,93
increase/decrease	223.588,83	-7.414,86
amortization	-239.334,74	-237.958,29
December 31,	<u>1.602.427,87</u>	<u>1.618.173,78</u>
<b><u>Mercedes-Benz Bank AG</u></b>		
January 1,	16.220,82	22.325,75
amortization	-16.220,82	-6.104,93
December 31,	<u>0,00</u>	<u>16.220,82</u>
<b><u>Grand total</u></b>	<b><u>1.657.092,48</u></b>	<b><u>1.952.107,99</u></b>

The decrease of the amounts due to credit institutions is especially determined by the amortization of the loans.

The amounts due to credit institutions show the following maturity:

<u>Maturity:</u>	31.12.2018 EUR	31.12.2017 EUR	Change EUR
due within 1 year			
current account	829.672,94	847.835,06	-18.162,12
current portion of long-term interest-bearing debts	218.945,02	274.106,34	-55.161,32
Total short term dept	1.048.617,96	1.121.941,40	-73.323,44
due after > 1 year < 5 years	321.853,52	463.541,59	-141.688,07
due after 5 years	286.621,00	366.625,00	-80.004,00
Total long-term interest-bearing debts	608.474,52	830.166,59	-221.692,07
<b>Grand total</b>	<b>1.657.092,48</b>	<b>1.952.107,99</b>	<b>-295.015,51</b>

From the amounts due to credit institutions TEUR 1.578,2 are secured by mortgage encumbered on the factory plant and buildings. In addition to this the machinery, technical equipment, fixtures, furniture, office equipment, the stocks and the accounts receivable are encumbered with an assignment of security in favour of banks valued as per December 31, 2018 with TEUR 78,9. The decrease of the long-term interest bearing debts follows the planned amortization of the debts.

#### 4.3 Net worth and financial position, profit situation

##### 4.3.1 Net worth position and capital structure

Net worth position and capital structure as well as the changes therein compared with the previous year result from the following summaries of the balance sheet figures in TEUR for the two balance sheet dates of December 31, 2018, and December 31, 2017.

**Development of the net worth position:**

	<u>31.12.2018</u>		<u>31.12.2017</u>		<b>Change</b>	
	TEUR	%	TEUR	%	TEUR	%
<b><u>Noncurrent assets</u></b>						
<b><u>Intangible assets</u></b>						
Concessions, industrial property rights and similar rights and values, as well as licences to such rights and values	16,4	0,2	14,1	0,2	2,3	16,3
Goodwill	0,0	0,0	0,0	0,0	0,0	0,0
	<u>16,4</u>	<u>0,2</u>	<u>14,1</u>	<u>0,2</u>	<u>2,3</u>	<u>16,3</u>
<b><u>Tangible assets</u></b>						
Real estate, equivalent titles and buildings, including buildings on third-party real estate	2.036,9	28,7	2.195,5	28,6	-158,6	-7,2
Technical plants and machinery	861,8	12,1	928,7	12,1	-66,9	-7,2
Other plants, operating and business equipment	61,4	0,9	80,5	1,0	-19,1	-23,7
Advanced payments on tangible assets and tangible assets in course	42,6	0,6	51,6	0,7	-9,0	-17,4
	<u>3.002,7</u>	<u>42,3</u>	<u>3.256,3</u>	<u>42,4</u>	<u>-253,6</u>	<u>-7,8</u>
<b>Total noncurrent assets</b>	<b><u>3.019,1</u></b>	<b><u>42,6</u></b>	<b><u>3.270,4</u></b>	<b><u>42,6</u></b>	<b><u>-251,3</u></b>	<b><u>-7,7</u></b>
<b><u>Current assets</u></b>						
<b><u>Inventories</u></b>						
merchandise	97,1	1,4	181,0	2,4	-83,9	-46,4
Raw materials and supplies	614,7	8,7	707,9	9,2	-93,2	-13,2
Work-in-process	507,7	7,2	591,3	7,7	-83,6	-14,1
Finished goods	1.635,6	23,1	1.323,7	17,2	311,9	23,6
	<u>2.855,1</u>	<u>40,2</u>	<u>2.803,9</u>	<u>36,5</u>	<u>51,2</u>	<u>1,8</u>
<b><u>Accounts receivable and other assets</u></b>						
Trade accounts receivable	839,4	11,8	1.175,6	15,3	-336,2	-28,6
Amounts due from affiliated companies	0,0	0,0	2,7	0,0	-2,7	-100,0
Other assets	73,4	1,0	99,6	1,3	-26,2	-26,3
Cash, Bundesbank balances, balances with credit institutions and cheques	1,5	0,0	0,6	0,0	0,9	150,0
	<u>914,3</u>	<u>12,9</u>	<u>1.278,5</u>	<u>16,7</u>	<u>-364,2</u>	<u>-28,5</u>
<b>Total current assets</b>	<b><u>3.769,4</u></b>	<b><u>53,1</u></b>	<b><u>4.082,4</u></b>	<b><u>53,2</u></b>	<b><u>-313,0</u></b>	<b><u>-7,7</u></b>
<b>Deferred income tax assets</b>	<b><u>306,9</u></b>	<b><u>4,3</u></b>	<b><u>324,6</u></b>	<b><u>4,2</u></b>	<b><u>-17,7</u></b>	<b><u>-5,5</u></b>
<b>Total Assets</b>	<b><u>7.095,4</u></b>	<b><u>100,0</u></b>	<b><u>7.677,4</u></b>	<b><u>100,0</u></b>	<b><u>-582,0</u></b>	<b><u>-7,6</u></b>

A reconciliation of rounding off differences was waived.

The share of the long-term committed assets in the total assets was unchanged with 42,6 % as per December 31, 2018, compared to the prior year.

The current assets decreased of TEUR 313,0 or 7,7 % down to TEUR 3.769,4 based especially on the decrease of the accounts receivable following the sales activities and payments of costumers at the end of the year.

The other assets include the following positions:

	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Change</b>
	<b>TEUR</b>	<b>TEUR</b>	<b>TEUR</b>
Claims for repayment of ecotaxes	42,5	45,9	-3,4
Loans to employees	4,7	2,3	2,4
turnover tax	1,7	1,6	0,1
Claims of refund expenses	0,0	18,5	-18,5
Other prepayments	3,4	21,0	-17,6
Bordered reduction of the EEG-Contribution	7,3	0,0	7,3
Other	13,8	10,3	3,5
<b>Total</b>	<b>73,4</b>	<b>99,6</b>	<b>-26,2</b>

The claims for repayment of ecotaxes are based on the German regulations. The claims of refund of expenses of the prior year has been cleared in the period under review. The other prepayments include especially prepayments for insurance, contribution and others. The bordered reduction of the EEG-Contribution follows the administrative decision of the public authorities and was based on the difference of the energy consumption in 2018 comparing to the primary plan at the beginning of the year.

The deferred income tax assets arise from temporary differences of depreciation of the goodwill. Based on the German commercial law the goodwill has to be depreciated over 5 years. The audit of the tax authorities has determined the depreciation of the goodwill for tax purposes over 15 years.

The other part of the deferred income tax assets is based on the forwarded loss of the prior years as a temporary difference and the probability that future taxable profits will be available against which the unused tax losses can be utilised.

The deferred taxes are calculated at the tax rates which are expected to apply at the time of realization, based on statutory regulations in force or already enacted in relations to future periods.

**Development of the capital structure:**

	<u>31.12.2018</u>		<u>31.12.2017</u>		<b>Change</b>	
	TEUR	%	TEUR	%	TEUR	%
<b><u>Shareholders' equity</u></b>						
Share capital	1.240,0	17,5	1.240,0	16,2	0,0	0,0
Other reserves	2.582,6	36,4	2.582,6	33,6	0,0	0,0
Profit carried forward	305,3	4,3	208,5	2,7	96,8	46,4
<b>Total shareholders' equity</b>	<b>4.127,9</b>	<b>58,2</b>	<b>4.031,1</b>	<b>52,5</b>	<b>96,8</b>	<b>2,4</b>
<b><u>Government grants related to fixed assets</u></b>						
	<b>596,7</b>	<b>8,4</b>	<b>672,8</b>	<b>8,8</b>	<b>-76,1</b>	<b>-11,3</b>
<b><u>Noncurrent liabilities</u></b>						
Other noncurrent provisions	36,3	0,5	37,4	0,5	-1,1	-2,9
Long-term interest-bearing debts	608,5	8,6	830,2	10,8	-221,7	-26,7
<b>Total noncurrent liabilities</b>	<b>644,8</b>	<b>9,1</b>	<b>867,6</b>	<b>11,3</b>	<b>-222,8</b>	<b>-25,7</b>
<b><u>Current Liabilities</u></b>						
Current provisions for personnel	72,6	1,0	63,1	0,8	9,5	15,1
Other current provisions	68,8	1,0	59,4	0,8	9,4	15,8
Accounts payable to banks	829,7	11,7	847,8	11,0	-18,1	-2,1
Current portion of long-term debts	218,9	3,1	274,1	3,6	-55,2	-20,1
Trade accounts and notes payable	180,9	2,5	417,5	5,4	-236,6	-56,7
Amounts due to affiliated companies	183,4	2,6	247,0	3,2	-63,6	-25,7
Other liabilities	171,7	2,4	197,0	2,6	-25,3	-12,8
<b>Total current liabilities</b>	<b>1.726,0</b>	<b>24,2</b>	<b>2.105,9</b>	<b>27,4</b>	<b>-379,9</b>	<b>-18,0</b>
<b><u>Total shareholders' equity and liabilities</u></b>						
	<b>7.095,4</b>	<b>100,0</b>	<b>7.677,4</b>	<b>100,0</b>	<b>-582,0</b>	<b>-7,6</b>

A reconciliation of rounding off differences was waived.

The shareholders' equity increased by TEUR 96,8 or 2,4 % to TEUR 4.127,9 determined by the net profit of the period under review.

The profit carried forward shows the following development:

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
January 1,	208.510,00	190.840,78
Net profit for the year	96.873,53	17.669,22
December 31,	305.383,53	208.510,00



The company's balance sheet equity ratio amounts to 58,2 % of the total shareholders` equity and liabilities compared with 52,5 % as per December 31, 2017. Putting the government grants related to fixed assets tax-free and the government grants taxable with 83,0 % to the equity position the equity ratio amounts to 65,1 % compared with 59,7 % to the prior year.

The development of the noncurrent liabilities with an decrease of TEUR 222,8 compared to the prior year is determined by the amortization of the bank loans in the period under review. In relation to the shareholders` equity and the liabilities the noncurrent liabilities show a relation of 9,1 % (31.12.2017: 11,3 %).

In addition to this, see the information in the notes to the financial statement as per December 31, 2018 (enclosures 3/4 u. 3/5).

The current liabilities decreased from TEUR 2.105,9 down to TEUR 1.726 with an amount of TEUR 379,9 (- 18,0 %) caused especially on the decrease of the trade accounts and notes payable and the amounts due to affiliated companies.

The amounts due to affiliated companies with TEUR 183,4 (31.12.2017 TEUR 247,0) are due to the Karatzis S.A., Heraklion/Crete, came from purchases of supplies, semi-finished products and merchandise and were reconciled with the mother company.

#### 4.3.2 Financial position

An overview of the origin and use of the financial resources of the audited company provides the following **statement of cash flows**, which represents the payment flows according to the indirect method:

	<u>1.1.-31.12.2018</u>	<u>1.1.-31.12.2017</u>
	EUR	EUR
Net profit for the period	96.873,53	17.669,22
Deferred income taxes	17.658,88	-12.324,18
Depreciation and amortization	473.480,96	429.576,47
Interest	92.271,81	92.477,35
Disolution of the government grants related to fixed assets	-76.138,00	-77.528,00
Change in long term provisions	-1.100,00	-800,00
<b>Gross cash provided by operating activities</b>	<b>603.047,18</b>	<b>449.070,86</b>
Increase of inventories	-51.186,40	-190.856,57
Decrease of trade accounts and notes receivable	336.229,87	99.510,55
Decrease of trade accounts and notes payable	-236.525,41	-22.011,51
Increase of current provisions	18.900,00	20.800,00
Changes in other working capital	-78.203,42	227.090,09
<b>Net cash provided by operating activities</b>	<b>592.261,82</b>	<b>583.603,42</b>
Cash outflow for investments in property, plant and Equipment	-222.178,16	-205.402,50
<b>Net cash used in investing activities</b>	<b>-222.178,16</b>	<b>-205.402,50</b>
Amortization of long-term interest-bearing debts	-276.853,39	-286.671,22
Interest paid/received	-92.271,81	-92.477,35
<b>Net cash used in financing activities</b>	<b>-369.125,20</b>	<b>-379.148,57</b>
<b>Change in shareholders` equity</b>	<b>0,00</b>	<b>0,00</b>
<b>Change in cash and cash equivalents due to business activities</b>	<b>958,46</b>	<b>-947,65</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>541,99</b>	<b>1.489,64</b>
<b>Liquid assets as per balance sheet</b>	<b>1.500,45</b>	<b>541,99</b>

The statement of cash flows of the period January 1 to December 31, 2018, shows the change of the liquid assets position with an increase of TEUR 1,0 determined by the gross cash provided by the operating activities during the period under review with TEUR 603,0 (2017: TEUR 449,1), the net cash provided by operating activities with TEUR 592,3 (2017: TEUR 583,6) and the net cash used in investing activities with investments in intangible and tangible assets with an amount of TEUR 222,2 (2017: TEUR 205,4) and in financing activities with TEUR 369,1 (2017: TEUR 379,1) determined by the amortization of the long-term interest bearing debts and paid interest in the period under review.

In addition to this, see the information in the notes to the annual financial statement as per December 31, 2018 (enclosure 3/9).

### 4.3.3 Profit situation

	1.1.-31.12.2018		1.1.-31.12.2017		Change	
	TEUR	%	TEUR	%	TEUR	%
<b>Net sales</b>	7.247,4	100,0	7.467,0	100,0	-219,6	-2,9
<b>Cost of sales</b>	-6.228,5	-85,9	-6.440,0	-86,2	211,5	-3,3
<b>Gross profit</b>	1.018,9	14,1	1.027,0	13,8	-8,1	-0,8
<b>Other income</b>	97,2	1,3	136,6	1,8	-39,4	-28,8
	1.116,1	15,4	1.163,6	15,6	-47,5	-4,1
<b>Selling and advertising expenses</b>	-622,6	-8,6	-663,9	-8,9	41,3	-6,2
<b>General administration expenses</b>	-279,8	-3,9	-303,4	-4,1	23,6	-7,8
<b>Other expenses</b>	-6,9	-0,2	-98,4	-1,4	91,5	-93,0
	-909,3	-12,7	-1.065,7	-14,3	156,4	-14,7
<b>operating profit</b>	206,8	2,7	97,9	1,3	108,9	111,2
<b>Interest income</b>	0,1	0,0	0,1	0,0	0,0	0,0
<b>Interest expenses</b>	-92,4	-1,3	-92,6	-1,2	0,2	-0,2
	-92,3	-1,3	-92,5	-1,2	0,2	-0,2
<b>Profit/Loss before income tax</b>	114,5	1,4	5,4	0,1	109,1	2.020,4
<b>Deferred taxes on income</b>	-17,6	-0,2	12,3	0,2	-29,9	-243,1
<b>Net profit for the period</b>	96,9	1,2	17,7	0,1	79,2	447,5
<b>Unappropriated retained profit at the beginning of the year</b>	208,5	2,9	190,8	2,6	17,7	9,3
<b>Unappropriated retained profit at the end of the period/year</b>	305,4	4,1	208,5	2,7	96,9	46,5

A reconciliation of rounding off differences was waived.

Compared to the prior year the net sales decreased of TEUR 219,6 (- 2,9%) determined especially by the decrease of the sales of the raschel bags TEUR 133,3 (- 3,8%), while the quantity decreased of 46,4 to (- 4,3%). In addition to this the sales of the Christmas tree netting decreased of TEUR 113,1 (- 5,1%), while the quantity decreased of 3.613 T-sqm (- 4,6%). The sales of the bird protection netting increased of TEUR 123,7 (+ 13,1%), while the quantity increased of 2.499 T-sqm (+ 20,1%). In addition to this the sales of the extruded net decreased of TEUR 95,3 (- 50,9%) while the quantity decreased of 53,3 to (- 51,3%), determined by further technical problems with several disruptions in the production in the first half year and the decision to finish the production of extruded net to the end of June 2018.

Furthermore the sales of the bale net wrap increased of TEUR 38,7 (+ 18,8%) while the quantity increased of 19,8 to (+ 30,6%). The sales of the tubular netting decreased of TEUR 35,4 (- 19,0%), while the quantity decreased of 5,3 to (- 16,0%)

Overall the gross profit in the period under review decreased of TEUR 8,1 (- 0,8%) from TEUR 1.027,0 down to TEUR 1.018,9, while the gross margin increased compared to the prior year from 13,8 % up to 14,1%, and shows especially the development of the sales prices of the products and the development of the purchase prices of the raw material. In addition to this the costs of energy decreased in the period under review comparing to the prior year of 7,4% based especially on the reduction of the energy price (- 3,6%) and the cost of the transfer of the energy. In the period under review there was furthermore a reduction of the EEG-contribution. The total operating performance of the company decreased in the period under review of TEUR 153,8 (- 2,0%) compared to the prior year.

The personnel costs increased comparing to the prior year of 4,1 % while the average of employees including the managing director and apprentices decreased compared to 2017 from 67 down to 66 determined especially by the increase of wages and salaries of the employees during the period under review following the further development of the minimum Wages by German law.

In addition the production line of extruded netting led once more to losses of over TEUR 50,0 determined especially by the price development of the extruded net products, the raw material and further technical problems of the production line which led to the end of the production of extruded net at the end of June.

The selling and advertising expenses amounted to TEUR 622,6 and show an decrease of TEUR 41,3 (- 6,2%) based especially on the development of the distribution cost and the paid commissions concerning the sales of Christmas tree and bird protection netting. The general and administration expenses amounted to TEUR 279,8 (- 7,8%). This position includes especially personnel cost of administration and the costs of bookkeeping, auditing, tax declaration. The decrease was especially influenced by the development of the cost of consulting in connection with ISO 9000 and energy management and personnel cost.

The other expenses of the prior year included the depreciation of trade accounts receivable concerning especially a Danish customer of TEUR 97,8.

The development of the interest expenses shows a little decrease of TEUR 0,2 determined especially by the amortization of the bank loans and the development of the current bank accounts financing the increase of the stocks in the period under review.

In view of these developments the result of the period under review increased compared to the prior year from +TEUR 17,7 up to +TEUR 96,9 (TEUR + 79,2). The EBITDA was TEUR 680,3 in the period under review (9,4% of the net sales) compared to the prior year of TEUR 527,4 (7,1% of the net sales).

## 5 Legal, economic and fiscal circumstances

### 5.1 Legal circumstances

#### Company law circumstances

<b>Company:</b>	MESH PACK GmbH
<b>Legal form:</b>	GmbH
<b>Principle place of business:</b>	Klötze (with the district Kusey)
<b>Address:</b>	Ing. A. Rudow Str. 1, 38486 Klötze
<b>Founded:</b>	6.6.1997
<b>Articles of association:</b>	<p>The version of 12.08.1998 applies with supplements regarding the capital increase of 20.12.2001, 17.04.2002 and most recently on 18.02.2004.</p> <p>In 2004 the company implemented a capital increase in the amount of EUR 10,000.00. In this connection the shareholder rendered an additional performance in the capital reserve by rededicating its shareholder loan in the amount of EUR 2.582.552.34.</p>
<b>Entry in the commercial register:</b>	<p>Stendal Local District Court, HRB 2655</p> <p>Excerpt from 31.7.1997 with last entry on 30.4.2004</p>
<b>Object of the company:</b>	Production of all types of knitwear and packaging and the distribution thereof
<b>Fiscal year:</b>	Legal year
<b>Duration of the company:</b>	The articles of association are concluded for an indefinite period of time.
<b>Registered capital:</b>	The registered capital amounts to EUR 1.240.000,00 fully paid in.

- Shareholders:** Sole shareholder is Karatzis Viomichanikes & Xenodocheiakes Epicheiriseis Anonymi Etaireia, which designates itself briefly as Karatzis S.A. for international trading purposes. The principal place of business is located in Heraklion, Crete.
- Management:** The managing director of the company since July 1, 2000 is Mr. Klaus Gerhold.
- Powers of attorney:** No general powers of attorney exist.

## 5.2 Economic circumstances

### General

The information showing in the audit report are provided partially as a tabular overview and partially in the supplementary form of textual clarifications, in order to fulfil the different requirements of the various groups of report recipients. Repetitions are accepted in the interests of the report recipients.

### Size classifications

In accordance with the size classifications cited in § 267 of the German Commercial Code the company is a medium-sized business company.

Amounts in EUR	31.12.2018	31.12.2017
Balance sheet total	7.095.433,28	7.677.447,97
Sales revenue	7.247.355,86	7.467.336,74
Average number of employees ( without managing director and apprentices)	63	63

### Employed persons

At December 31, 2018, 66 persons were employed in the company including the managing director and apprentices (31.12.2017: 65).

During the period under review an average of 66 persons were employed, including the managing director and apprentices (1.1.-31.12.2017: 67):

Employee groups	Number
Hourly-/ monthly-paid employees	56
Salaried employees	7
Managing Director	1
Apprentices	2
total	66

### **5.3. Fiscal circumstances**

Due to the activity and legal form the company is subject to corporation, business and turnover tax.

The company is subject to regulated taxation pursuant to §§ 16 – 18 of the Turnover Tax Law.

The business enterprise is subject to the obligation of the Corporate Income Tax Law and of the Business Tax Law.

The company is listed under tax no. 10610800098 at the Tax Office Salzwedel. In December 2015 a tax audit has started at the request of the Tax Office Salzwedel of October 7, 2015. The audit extends to the legal years 2011 up to 2014. The tax audit has been finished. The results of the tax audit were included in the prior years.

The tax returns up to and including 2017 was submitted to the tax office. The assessments have been made under the reserve of follow-up audit pursuant to § 164 of the Tax Code.

The last tax audit of the wage withholding tax has started in October 2014. This audit comprised the periods December 2009 to August 2014 and was finished by the end of January 2015. The tax audit gave as a result no significant negative determinations.

## **6 Distribution of the audit certificate and final remarks**

As result of our audit we have given the accompanying annual financial statements of the MESH PACK GmbH, Klötze, as per December 31, 2018 (enclosures 1 – 6) on February 28, 2019, the unqualified opinion, distributed as follows:

“We have audited the accompanying annual financial statements of MESH PACK GmbH, Klötze, which comprise the balance sheet as per December 31, 2018, and the income statement of the period January 1 – December 31, 2018, statement of changes in equity, cash flow statement and the related notes to the annual financial statements for the period then ended.

The management is responsible for the preparation of these annual financial statements and their fair presentation, free from material misstatement whether due to fraud or error, in accordance with International Financial Reporting Standards (IFRS).



This responsibility includes: determining the acceptability of the financial reporting framework (IFRS) identified as having been applied in preparing and presenting the annual financial statements; maintaining internal control, including establishing and maintaining adequate books and records, so that the annual financial statements are prepared and presented free from material misstatement whether due to fraud or error in accordance with IFRS; selecting and applying appropriate accounting policies that are consistent with IFRS; and making accounting estimates that are reasonable in the circumstances in accordance with IFRS.

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibility under ISA is to express an opinion, based on our audit, on whether these annual financial statements are fairly presented in accordance with IFRS. To meet this responsibility, ISA require that we plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement, in accordance with IFRS, whether due to fraud or error. Due to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements may not be detected; this risk resulting from fraud is generally greater than that resulting from error.

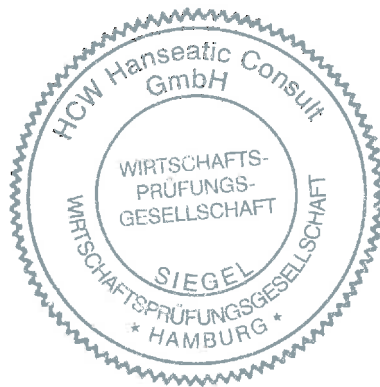
An audit in accordance with ISA involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The auditor's assessment of the risks of material misstatement of the annual financial statements forms the basis for further audit procedures selected. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the annual financial statements as a basis for designing further audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit in accordance with ISA also includes, in the context of the applicable financial reporting framework, evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation and disclosures.

We believe that we have obtained sufficient appropriate audit evidence to form an opinion, with reasonable assurance, on whether the annual financial statements are fairly presented in accordance with IFRS.

In our opinion, the annual financial statements present fairly the financial position of MESH PACK GmbH, Klötze, as per December 31, 2018, and its financial performance and cash flows for the period then ended in accordance with IFRS.”

Hamburg, February 28, 2019



HCW Hanseatic Consult GmbH  
Wirtschaftsprüfungsgesellschaft

Ulrich Starke  
German Public Auditor

## **Enclosures**

## MESH PACK GmbH, Klötze, Germany

Balance sheet as per December 31, 2018

Assets	31.12.2018		31.12.2017		Liabilities	31.12.2018		31.12.2017	
	EUR	EUR	EUR	EUR		EUR	EUR	EUR	EUR
<b>Noncurrent assets</b>					<b>Shareholders' equity</b>				
<u>Intangible assets</u>					Share capital	1.240.000,00		1.240.000,00	
Concessions, patents, licences	16.355,00		14.129,00		Other reserves	2.582.552,34		2.582.552,34	
Goodwill	1,00		1,00		profit carried forward	305.383,53		208.510,00	
		16.356,00		14.130,00	<b>Total shareholders' equity</b>		<b>4.127.935,87</b>		<b>4.031.062,34</b>
<u>Tangible assets</u>					<b>Government grants related to fixed assets</b>		<b>596.714,00</b>		<b>672.852,00</b>
Land	122.291,47		122.291,47		<b>Noncurrent liabilities</b>				
Buildings	1.914.652,00		2.073.253,00		Other noncurrent provisions	36.300,00		37.400,00	
Machinery and technical equipment	861.820,00		928.688,00		Long-term interest-bearing debts	608.474,52		830.166,59	
Automobiles, other transportation equipment	9.685,00		16.204,00		<b>Total noncurrent liabilities</b>		<b>644.774,52</b>		<b>867.566,59</b>
Fixtures, furniture and office equipment	51.686,00		64.267,00		<b>Current liabilities</b>				
Advance payments on tangible assets and tangible assets in course	42.600,00		51.559,80		Current provisions for personnel	72.600,00		63.100,00	
		3.002.734,47		3.256.263,27	Other current provisions	68.800,00		59.400,00	
<b>Total noncurrent assets</b>		<b>3.019.090,47</b>		<b>3.270.393,27</b>	Accounts payable to banks	829.672,94		847.835,06	
<b>Current assets</b>					Current portion of long-term debts	218.945,02		274.106,34	
Merchandise	97.062,89		181.045,88		Trade accounts and notes payable	180.932,47		417.457,88	
Raw materials and supplies	614.713,86		707.892,72		Amounts due to affiliated companies	183.396,36		247.021,57	
Work-in-process	507.688,32		591.248,77		Other liabilities	171.662,10		197.046,19	
Finished goods	1.635.639,35		1.323.730,65		<b>Total current liabilities</b>		<b>1.726.008,89</b>		<b>2.105.967,04</b>
		2.855.104,42		2.803.918,02	<b>Total shareholders' equity and liabilities</b>		<b>7.095.433,28</b>		<b>7.677.447,97</b>
Trade accounts and notes receivable		839.400,06		1.175.629,93					
Amounts due from affiliated companies		0,00		2.719,76					
Other assets		73.375,97		99.624,20					
Cash and bank deposits		1.500,45		541,99					
<b>Total current assets</b>		<b>3.769.380,90</b>		<b>4.082.433,90</b>					
<b>Deferred income tax assets</b>		<b>306.961,91</b>		<b>324.620,80</b>					
<b>Total assets</b>		<b>7.095.433,28</b>		<b>7.677.447,97</b>					

## MESH PACK GmbH, Klötze, Germany

### Statement of income of the period January 1 – December 31, 2018

	1.1.-31.12.2018		1.1.-31.12.2017
	EUR	EUR	EUR
1. Net sales	7.247.355,86		7.467.036,74
2. Cost of sales	<u>-6.228.461,89</u>		<u>-6.440.060,95</u>
3. Gross profit		1.018.893,97	1.026.975,79
4. Other income		97.175,14	136.639,44
5. Selling and advertising expenses	-622.562,59		-663.960,40
6. General administration expenses	-279.753,23		-303.400,07
7. Other expenses	<u>-6.949,06</u>		<u>-98.432,37</u>
		-909.264,88	-1.065.792,84
		<u>206.804,23</u>	<u>97.822,39</u>
8. Interest income	61,35		129,57
9. Interest expenses	<u>-92.333,16</u>		<u>-92.606,92</u>
		-92.271,81	-92.477,35
10. Profit before income tax		114.532,42	5.345,04
11. Deferred taxes on income		<u>-17.658,89</u>	<u>12.324,18</u>
12. Net profit/loss for the period		96.873,53	17.669,22
13. Unappropriated retained profit at the beginning of the year		208.510,00	190.840,78
14. Unappropriated retained earnings at the end of the period		<u>305.383,53</u>	<u>208.510,00</u>

## **MESH PACK GmbH, Klötze, Germany**

### **Notes to the annual financial statements as per December 31, 2018**

#### **I. General accounting policies**

The annual financial statements of the MESH PACK GmbH, Klötze, Germany, are prepared in accordance with the rules of the German Commercial Code (HGB) and/or the International Financial Reporting Standards (IFRS) which replaces the International Accounting Standards (IAS), but the standards continue to be referred to the IAS.

In the income statement and balance sheet certain items are combined for the sake of clarity as explained in the notes.

A distinction is made in the balance sheet between non-current and current assets and between long-term and short-term liabilities in accordance with IAS 1.

Receivables and Liabilities are classified as short-term if they mature within one year.

Receivables and payables in foreign currency were translated in EUR at closing rates.

The income statement is prepared using the cost-of-sales method.

There are no significant changes in recognition and valuation principles comparing to the prior year. In a few cases estimates and assumptions have to be made affecting the classification and valuation of assets, provisions, liabilities, income and expenses.

#### **II. Notes to the balance sheet**

##### **1. Intangible fixed assets**

Concessions, patents, licenses are valued at acquisition cost and depreciated by the straight-line method over 3 - 10 years.

The goodwill concerns to the takeover of the regular customers of the bird protection netting business of another company. The goodwill is valued at acquisition cost and depreciated by the straight-line method over 5 years.

##### **2. Tangible fixed assets**

Property, plant and equipment are valued at the cost of acquisition. The depreciable fixed assets are depreciated over their estimated useful lives.

Property, plant and equipment are depreciated by the straight-line method and if possible based on the tax regulations in 2009 and 2010 by the degressive method.

Depreciation for the period 1.1.-31.12.2018 has been allocated to the cost of sales, selling and advertising expenses or general administration expenses.

When assets are closed down, sold or abandoned, the difference between the net proceeds and the net carrying amount of the assets recognized as a gain or loss in other income or expenses, respectively.

The following depreciation periods, based on the estimated useful lives of respective assets, are applied:

Buildings	25 to 50 years
Outdoor infrastructure	20 years
Machinery and technical equipment	3 to 25 years
Automobiles, other transportation equipment	5 to 10 years
Fixtures, furniture and office equipment	3 to 10 years

The factory plant and buildings are encumbered with a mortgage in favor of banks with EUR 1.578.229,70 valued as per December 31, 2018, totally with EUR 1.578.229,70 (31.12.2017: EUR 1.578.229,70). The machinery, technical equipment, fixtures, furniture and office equipment are encumbered with an assignment of security in favour of a bank valued as per December 31, 2018, with EUR 54.664,64 (31.12.2017: TEUR 0,00). A car was encumbered with an assignment of security in favor of a bank valued as per December 31, 2018 with EUR 0,00 (31.12.2017: EUR 16.220,82).

For changes in property, plant and equipment see the enclosed analysis of fixed assets (enclosure no. 4).

### 3. Inventories

Inventories encompass merchandise, finished goods and work-in-process held for sale in the ordinary course of business or raw materials and supplies to be consumed in the production process or in the rendering of services.

Inventories are usually valued by the weighted-average method and recognized at the lower cost or net realizable value, meant : the estimated normal selling price less the estimated general administration and selling expenses.

The cost of production comprises the direct cost of materials, direct manufacturing expenses and appropriate allocations of fixed and variable material and manufacturing overhead, where they are a jointed to production.

Administrative costs are included where they are attributable to production.

The inventories are encumbered with an assignment of security in favor of banks valued as per December 31, 2018, with EUR 24.198,17 (31.12.2017: EUR 39.944,08).

### 4. Accounts receivable, other assets and cash and bank deposits

Trade accounts and notes receivable, amounts due from affiliated companies, other current receivables and cash and bank deposits are carried at amortized cost. Any necessary write-downs are made on the basis of the probability of default.

The accounts receivable are encumbered with an assignment of security in favor of banks valued as per December 31, 2018, with EUR 24.198,17 (31.12.2017: EUR 39.944,08).

As per December 31, 2018, there were no accounts receivable in foreign currency.

Allowance for doubtful accounts are made for trade accounts receivable as follows:

<u>allowance for doubtful accounts</u>	31.12.2018	31.12.2017
	EUR	EUR
single	17.400,00	116.000,00
lump sum	7.200,00	11.300,00
	<u>24.600,00</u>	<u>127.300,00</u>

The amounts due from affiliated companies comprised amounts due from the shareholder Karatzis S.A., Heraklion, and were confirmed and referred to refund expenses

31.12.2018	31.12.2017
EUR	EUR
0,00	2.719,76

Other assets comprise the following items :

	31.12.2018	31.12.2017
	EUR	EUR
Claims for repayment of ecotaxes	42.490,38	45.892,08
Loans to employees	4.682,62	2.317,75
Claims of refund expenses	0,00	18.501,86
Other prepayments	3.425,00	20.992,00
Bordered reduction of the EEG-Contribution turnover tax	7.314,65	0,00
Other	1.659,86	1.618,36
	13.803,46	10.302,15
	73.375,97	99.624,20

The claims for repayment of ecotaxes are based on the German regulations. The claims of refund of expenses of the prior year has been cleared in the period under review. The other prepayments include especially prepayments for insurance, contribution and others. The bordered reduction of the EEG-Contribution follows the administrative decision of the public authorities and is based on the difference of the energy consumption in 2018 comparing to the primary plan at the beginning of the year.

## 5. Deferred income tax assets

Deferred tax assets are calculated in accordance with IAS 12.

They arise from temporary differences of depreciation of the goodwill. Based on the German commercial law the goodwill is depreciated over 5 years. The tax audit has determined the depreciation of the goodwill for tax purposes over 15 years.

Another part of the decrease of the period 1.1. – 31.12.2018 is based on the forwarded loss of the prior years as a temporary difference and the probability that future taxable profits will be available against which the unused tax losses can be utilized.

The deferred taxes are calculated at the tax rates which are expected to apply at the time of realization, based on the statutory regulations in force or already enacted in relations to future periods.

The deferred income tax assets show the following development:

	2018	2017
	EUR	EUR
January 1,	324.620,80	312.296,62
decrease/increase	-17.658,89	12.324,18
December 31,	306.961,91	324.620,80

## 6. Changes in shareholders` equity



	31.12.2018 EUR	31.12.2017 EUR
Capital stock at the beginning of the year	1.240.000,00	1.240.000,00
Capital increase	0,00	0,00
Capital stock at the end of the year	<u>1.240.000,00</u>	<u>1.240.000,00</u>
Capital reserve at the beginning of the year	2.582.552,34	2.582.552,34
Increase of the capital reserve	0,00	0,00
Capital reserve at the end of the year	<u>2.582.552,34</u>	<u>2.582.552,34</u>
Unappropriated retained profit at the beginning of the year	208.510,00	190.840,78
Net profit for the period/year	96.873,53	17.669,22
Unappropriated retained profit at the end of the period/year	<u>305.383,53</u>	<u>208.510,00</u>
Total shareholders` equity	<u><u>4.127.935,87</u></u>	<u><u>4.031.062,34</u></u>

## 7. Government grants related to fixed assets

In accordance with IAS 20 government grants related to fixed assets are shown as a deferred income position with the following development:

		2018 EUR	2017 EUR
<b>government grants taxable:</b>	January 1,	433.159,00	491.453,00
	dissolving	-57.903,00	-58.294,00
total	December 31,	<u>375.256,00</u>	<u>433.159,00</u>
		<u><u>375.256,00</u></u>	<u><u>433.159,00</u></u>
		<b>2018 EUR</b>	<b>2017 EUR</b>
<b>government grants tax-free:</b>	January 1,	239.693,00	258.927,00
	dissolving	-18.468,00	-19.234,00
total	December 31,	<u>221.225,00</u>	<u>239.693,00</u>
		<u><u>221.225,00</u></u>	<u><u>239.693,00</u></u>
<b>grand total</b>		<u><u>596.481,00</u></u>	<u><u>672.852,00</u></u>

The deferred income position will be dissolved in relation to the depreciation of the assets shown in other income (see note 16).

## 8. Other noncurrent provisions

Other noncurrent provisions cover cost of guaranties for goods sold and are valued unchanged with 0,5 % of the net sales of one year.

## 9. Long-term interest-bearing debts

The long-term interest-bearing debts are due to banks, carried at amortized cost and secured by mortgage encumbranced on the factory plant and buildings and assignment of security of the stocks and accounts receivable (see note 2 and note 4) valued as per December 31, 2018, totally with EUR 608.474,52 (31.12.2017: EUR 830.166,59).

The long-term interest-bearing debts include as per December 31, 2018, items with maturity over 5 years with an amount of EUR 286.621,00 (31.12.2017: EUR 366.625,00).

#### 10. Current provisions for personnel

Current provisions of personnel are valued in accordance with IAS 37 and using the best estimate of the extend of the obligation.

The item include:

	31.12.2018	31.12.2017
	EUR	EUR
provision for vacation and overtime hours	64.000,00	58.500,00
workmen`s compensation board	5.900,00	4.600,00
contribution for severely disabled staff	2.700,00	0,00
	<u>72.600,00</u>	<u>63.100,00</u>

#### 11. Other current provisions

Other current provisions are valued in accordance with IAS 37 using the best estimate of the extend of the obligations and include:

	31.12.2018	31.12.2017
	EUR	EUR
Legal and consulting expenses	26.000,00	24.000,00
Outstanding invoices	40.400,00	33.000,00
Other	2.400,00	2.400,00
	<u>68.800,00</u>	<u>59.400,00</u>

The provision for outstanding invoices includes especially outstanding invoices for energy, legal cost, bonus for costumers and other accrued expenses.

#### 12. Current portion of long-term debts

The current portion of long-term debts are due to banks, carried at amortized cost and secured by mortgage encumbranced on the factory plant and buildings and by assignment of security of a car, the stocks and the accounts receivable (see note 2 and 4) valued as per December 31, 2018, totally with EUR 218.945,02 (31.12.2017: EUR 274.106,34 ).

#### 13. Accounts payable

The accounts payable to banks, trade accounts and notes payable, amounts due to affiliated companies and other current payables are recognized at payment or redemption amounts.

From the accounts payable to banks EUR 829.672,94 are secured by mortgage, encumbranced on the factory plant and by assignment of security of machinery, technical equipment, fixtures, furniture, office equipment and the stocks and accounts receivable.

The trade accounts and notes payable in the essential are secured by reservation of title.

The amounts due to affiliated companies comprise amounts due to the shareholder Karatzis S.A., Heraklion, are reconciled and follow the delivery of supplies, semi-finished products and merchandise (see note 27).

	31.12.2018 EUR	31.12.2017 EUR
The amounts due to affiliated companies	<u>183.396,36</u>	<u>247.021,57</u>

The other liabilities consist of :

	31.12.2018 EUR	31.12.2017 EUR
<u>Liabilities for</u>		
wages and salaries	100.276,51	96.497,68
turnover taxes	54.123,07	80.561,86
wage withholding tax	15.495,27	14.725,90
workers asset accumulation	240,00	200,00
direct insurance for personnel	140,00	170,00
other	1.387,25	4.890,75
	<u>171.662,10</u>	<u>197.046,19</u>

The liabilities in connection with wages and salaries had not been paid over by the closing date.

All liabilities are due within one year.

### III. Notes to the statement of income

#### 14. Net sales

Sales are recognized upon delivery of goods or rendering of services to third parties and are reported net of sales taxes and discounts.

The net sales show the following structure :

	1.1.-31.12.2018 EUR	1.1.-31.12.2017 EUR
Merchandise		
Domestic	200.560,70	178.400,12
European Union	53.008,92	35.914,70
Other	0,00	0,00
Total	<u>253.569,62</u>	<u>214.314,82</u>
Products		
Domestic	4.723.758,26	4.804.497,13
European Union	2.045.351,44	2.246.337,56
Other	38.074,91	10.088,50
Total	<u>6.807.184,61</u>	<u>7.060.923,19</u>
Other		
Domestic	172.855,33	183.482,18
European Union	8.378,31	4.698,75
Other	5.367,99	3.617,80
Total	<u>186.601,63</u>	<u>191.798,73</u>
Total	<u>7.247.355,86</u>	<u>7.467.036,74</u>

**15. Cost of sales**

Cost of sales comprises the direct cost of materials, direct manufacturing expenses and appropriate allocations of fixed and variable material and manufacturing overheads, where these are attributable to production.

Administrative costs are included where they are attributable to production.

Cost of sales consist of:

	1.1.-31.12.2018	1.1.-31.12.2017
	EUR	EUR
raw material, supplies and purchased merchandise	3.261.512,46	3.467.565,01
change of inventories	-228.348,25	-166.484,20
capitalized services	-62.131,96	-58.091,91
costs of received services	23.676,57	24.157,63
wages and salaries	1.651.875,04	1.583.217,91
social security levies	346.416,30	323.766,84
depreciation	408.382,95	356.680,49
repair and maintenance of machinery	210.209,75	245.599,07
repair and maintenance of buildings	18.040,86	23.816,40
energy of machinery	304.753,95	329.025,11
other energy	8.174,46	13.728,64
consumable material	32.170,84	28.202,60
ecotaxes	14.522,78	16.422,15
other	239.206,14	252.455,21
<b>Total</b>	<b>6.228.461,89</b>	<b>6.440.060,95</b>

**16. Other income**

Other income includes:

	1.1.-31.12.2018	1.1.-31.12.2017
	EUR	EUR
dissolution of the government grants related to fixed assets		
tax-free	18.539,00	19.234,00
taxable	57.599,00	58.294,00
dissolving of allowance for doubtful accounts	4.141,89	4.062,81
dissolving of provisions	0,00	1.039,39
wage continuum for employees	2.504,96	29.211,94
other operating income	14.390,29	24.797,30
<b>Total</b>	<b>97.175,14</b>	<b>136.639,44</b>

**17. Selling and advertising expenses**

Selling and advertising expenses consist of:

	1.1.-31.12.2018	1.1.-31.12.2017
	EUR	EUR
distribution costs	194.789,95	205.154,49
salaries and wages	134.181,33	132.855,57
social security levies	27.883,11	26.893,98
depreciation	60.037,14	66.914,37
advertising and representation expenses	19.709,64	13.359,12
fair expenses	4.717,73	10.960,98
travelling expenses	20.782,89	18.296,36
commissions	50.799,41	63.485,99
trade credit insurance	12.713,65	12.713,65
other	96.947,74	113.325,89
<b>Total</b>	<b>622.562,59</b>	<b>663.960,40</b>

**18. General administration expenses**

Administration expenses consist of:

	1.1.-31.12.2018	1.1.-31.12.2017
	EUR	EUR
salaries	74.577,65	80.049,57
social security levies	16.057,45	16.616,55
depreciation	5.060,87	5.981,61
financial statements/ reporting/ tax declarations/ tax audit/other audits	92.280,55	97.023,10
bookkeeping, clearing of salaries and wages	22.287,82	22.126,90
other	69.488,89	81.602,34
<b>Total</b>	<b>279.753,23</b>	<b>303.400,07</b>

**19. Other expenses**

Other expenses turn out the following items:

	1.1.-31.12.2018	1.1.-31.12.2017
	EUR	EUR
depreciation of trade or other accounts receivable prior years	0,00	98.061,10
depreciation of trade accounts receivable	6.749,06	0,00
donations	200,00	100,00
<b>Total</b>	<b>6.949,06</b>	<b>98.161,10</b>

**20. Deferred taxes on income**

see note 5.

#### IV. Additional information

##### 21. Employees

The average number of employees, classified in production and selling and administration was as follows:

	1.1.-31.12.2018 employees	1.1.-31.12.2017 employees
Production (hourly-and monthly-paid)	56	56
Selling and Administration	7	6
Management	1	1
Apprentice	2	4
Total	66	67

##### 22. Financial obligations

The financial obligations are based on leasehold and rent agreements and have the following maturities:

	31.12.2018 EUR	31.12.2017 EUR
due within one year	16.656,52	18.829,81
due > one year < five years	22.905,59	34.053,75
total	39.562,11	52.883,56

#### V. Notes to the statement of cash flows

##### 23. For the statement of cash flows see the enclosure no. 6

The statement of cash flows is prepared under the indirect method based on IAS 7.

##### 24. Net cash provided by operating activities

The cash flow statement starts from the net profit for year. The gross cash flow for the period 1.1.-31.12.2018 is the cash surplus from operating activities before any changes in working capital and current provisions.

##### 25. Net cash used in investing activities

Additions to property, plant and equipment and intangible assets in the period 1.1.-31.12.2018 resulted in a cash outflow of EUR 222,178,16 (2017: EUR 205.402,50).

##### 26. Net cash used in financing activities

In the period 1.1.- 31.12.2018 there was a net outflow by financing activities of EUR 183.231,55 (2017: EUR 379.148,57) consisting of amortization of bank loans with EUR 369.125,20 (2017: EUR 286.671,22) according to plan.

Furthermore in the period 1.1.- 31.12.2018 there were included paid interest with EUR 92.271,81 (2017: EUR 92.477,35).

## **VI. Notes to the relationship to affiliated companies**

### **27. Shareholder**

Shareholder of MESH PACK GmbH, Klötze, is Karatzis S.A., Heraklion/Kreta , Greece, with 100 %.

Regarding the amounts due from the shareholder see note 4 and regarding the amounts due to the shareholder see note 13.d

In the period 1.1.-31.12.2018 the company has purchased supplies, semi-finished products and merchandise from Karatzis S.A. with an amount of EUR 406.898,83 (1.1.-31.12.2017: EUR 447.270,71) and sales of finished products to Karatzis Russia Ltd. With an amount of EUR 28.398,30 (1.1.-31.12.2017: EUR 50.777,11).

## MESH PACK GmbH, Klötze, Germany

### Analysis of fixed assets as per December 31, 2018

#### A. ACQUISITION COST

##### C. Fixed Assets

	<u>Balance 01/01/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Bookings</u>	<u>Balance 31/12/2018</u>
I. Intangible Assets					
1. Research & Development Cost	156.529,94	6.958,37		0,00	163.488,31
2. Concessions, patents, licenses	421.906,46	0,00		0,00	421.906,46
3. Goodwill					
4. Payment on accounts and intangible assets in course	0,00	0,00		0,00	0,00
5. Others intangibles					
<b>Total</b>	<b>578.436,40</b>	<b>6.958,37</b>		<b>0,00</b>	<b>585.394,77</b>
II. Tangible Assets					
1. Land	122.291,47	0,00		0,00	122.291,47
2. Buildings and technical works	3.940.461,32	0,00		0,00	3.940.461,32
3. Machinery, technical installations and other mechanical equipment	10.084.933,20	64.706,00		130.620,73	10.280.259,93
4. Transportation equipment	54.670,45	0,00		0,00	54.670,45
5. Furniture and Fixtures	594.963,78	28.852,86		15.906,95	607.909,69
6. Payments on account and tangible assets in course	51.559,80	121.660,93		-130.620,73	42.600,00
	14.848.880,02	215.219,79		15.906,95	15.048.192,86
<b>Grand Total (ACI + ACII)</b>	<b>15.427.316,42</b>	<b>222.178,16</b>		<b>15.906,95</b>	<b>15.633.587,63</b>



**B. ACCUMULATED DEPRECIATIONS****C. Fixed Assets**

	Balance 01/01/2018	Depreciation	Disposals	Bookings	Balance 31/12/2018
<b>I. Intangible Assets</b>					
1. Research & Development Cost	142.400,94	4.732,37	0,00	0,00	147.133,31
2. Concessions, patents, licenses	421.905,46	0,00	0,00	0,00	421.905,46
3. Goodwill					
4. Payment on accounts and intangible assets in course					
5. Others intangibles					
<b>Total</b>	<b>564.306,40</b>	<b>4.732,37</b>	<b>0,00</b>	<b>0,00</b>	<b>569.038,77</b>
<b>II. Tangible Assets</b>					
1. Land					
2. Buildings and technical works	1.867.208,32	158.601,00	0,00	0,00	2.025.809,32
3. Machinery, technical installations and other mechanical equipment	9.156.245,20	262.194,73	0,00	0,00	9.418.439,93
4. Transportation equipment	38.466,45	6.519,00	0,00	0,00	44.985,45
5. Furniture and Fixtures	530.696,78	41.433,86	15.906,95	0,00	556.223,69
6. Payments on account and tangible assets in course	0,00	0,00	0,00	0,00	0,00
	<b>11.592.616,75</b>	<b>468.748,59</b>	<b>15.906,95</b>	<b>0,00</b>	<b>12.045.458,39</b>
<b>Grand Total (BCI +BACII)</b>	<b>12.156.923,15</b>	<b>473.480,96</b>	<b>15.906,95</b>	<b>0,00</b>	<b>12.614.497,16</b>

**C. NET BOOK VALUE**

	Balance 01/01/2018	Balance 31/12/2018
<b>C. Fixed Assets</b>		
<b>I. Intangible Assets</b>		
1. Research & Development Cost		16.355,00
2. Concessions, patents, licenses	14.129,00	
3. Goodwill	1,00	1,00
4. Payment on accounts and intangible assets in course		
5. Others intangibles		
<b>Total</b>	<b>14.130,00</b>	<b>16.356,00</b>
<b>II. Tangible Assets</b>		
1. Land	122.291,47	122.291,47
2. Buildings and technical works	2.073.253,00	1.914.652,00
3. Machinery, technical installations and other mechanical equipment	928.688,00	861.820,00
4. Transportation equipment	16.204,00	9.685,00
5. Furniture and Fixtures	64.267,00	51.686,00
6. Payments on account and tangible assets in course	51.559,80	42.600,00
	<b>3.256.263,27</b>	<b>3.002.734,47</b>
<b>Grand Total (CCI +CCII)</b>	<b>3.270.393,27</b>	<b>3.019.090,47</b>

## MESH PACK GmbH, Klötze, Germany

### Statement of changes in shareholders` equity for the period January 1 – December 31, 2018

	1.1.-31.12. 2018 EUR	1.1.-31.12. 2017 EUR
Capital stock at the beginning of the year	1.240.000,00	1.240.000,00
Capital increase	0,00	0,00
Capital stock at the end of the period	<u>1.240.000,00</u>	<u>1.240.000,00</u>
Capital reserve at the beginning of the year	2.582.552,34	2.582.552,34
Increase of the capital reserve	0,00	0,00
Capital reserve at the end of the period	<u>2.582.552,34</u>	<u>2.582.552,34</u>
Unappropriated retained profit at the beginning of the year	208.510,00	190.840,78
Net profit for the year	96.873,53	17.669,22
Unappropriated retained profit at the end of the year	<u>305.383,53</u>	<u>208.510,00</u>
Total shareholders` equity	<u><u>4.127.935,87</u></u>	<u><u>4.031.062,34</u></u>

## MESH PACK GmbH, Klötze, Germany

### Statement of cash flows for the period January 1 – December 31, 2018

	<u>1.1.-31.12.2018</u>	<u>1.1.-31.12.2017</u>
	EUR	EUR
Net profit for the period	96.873,53	17.669,22
Deferred income taxes	17.658,88	-12.324,18
Depreciation and amortization	473.480,96	429.576,47
Interest	92.271,81	92.477,35
Disolution of the government grants related to fixed assets	-76.138,00	-77.528,00
Change in long term provisions	-1.100,00	-800,00
<b>Gross cash provided by operating activities</b>	<b>603.047,18</b>	<b>449.070,86</b>
Increase of inventories	-51.186,40	-190.856,57
Decrease of trade accounts and notes receivable	336.229,87	99.510,55
Decrease of trade accounts and notes payable	-236.525,41	-22.011,51
Increase of current provisions	18.900,00	20.800,00
Changes in other working capital	-78.203,42	227.090,09
<b>Net cash provided by operating activities</b>	<b>592.261,82</b>	<b>583.603,42</b>
Cash outflow for investments in property, plant and Equipment	-222.178,16	-205.402,50
<b>Net cash used in investing activities</b>	<b>-222.178,16</b>	<b>-205.402,50</b>
Amortization of long-term interest-bearing debts	-276.853,39	-286.671,22
Interest paid/received	-92.271,81	-92.477,35
<b>Net cash used in financing activities</b>	<b>-369.125,20</b>	<b>-379.148,57</b>
<b>Change in shareholders` equity</b>	<b>0,00</b>	<b>0,00</b>
<b>Change in cash and cash equivalents due to business activities</b>	<b>958,46</b>	<b>-947,65</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>541,99</b>	<b>1.489,64</b>
<b>Liquid assets as per balance sheet</b>	<b>1.500,45</b>	<b>541,99</b>

# General Engagement Terms

for

## Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]  
as of January 1, 2017

### 1. Scope of application

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

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

### 2. Scope and execution of the engagement

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

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

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

### 3. The obligations of the engaging party to cooperate

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

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

### 4. Ensuring independence

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

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

### 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

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

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

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

### 7. Deficiency rectification

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

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: The German term "*Textform*" means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

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

### 8. Confidentiality towards third parties, and data protection

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

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

### 9. Liability

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

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

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

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

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

## 10. Supplementary provisions for audit engagements

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

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

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

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

## 11. Supplementary provisions for assistance in tax matters

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

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

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

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

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

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

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

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

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

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

## 12. Electronic communication

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

## 13. Remuneration

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

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

## 14. Dispute Settlement

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

## 15. Applicable law

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