RINGMETALL AG
ANNUAL REPORT 2018

RINGMETALL

CONTENTS

English translation of the German original version.
Ringmetall cannot be held responsible for any translation errors.

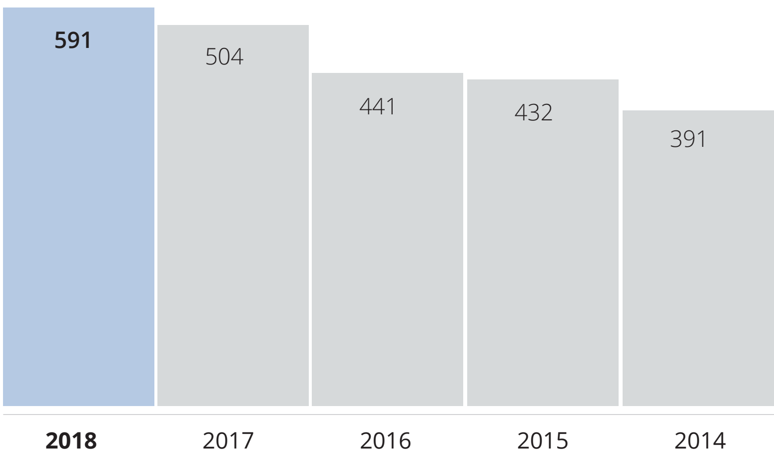
TO THE SHAREHOLDER

Key Figures of the Group

P&L KEY FIGURES kEUR	**2018**	2017	2016	2015*	2014*
Group Revenues	**110,567**	102,348	94,294	66,678	65,828
Total Output	**111,062**	102,388	94,645	67,703	66,129
Gross Profit	**46,125**	45,356	41,678	31,209	31,841
EBITDA	**10,431**	12,041	11,194	5,438	6,965
EBIT	**8,280**	10,035	9,267	1,372	2,946
Consolidated Net Profit	**5,156**	**7,135**	**5,701**	**-169**	**1,784**

BALANCE SHEET KEY FIGURES kEUR	**2018**	2017	2016	2015*	2014*
Fixed Assets	**48,499**	34,867	35,001	36,970	24,942
Current Assets	**32,982**	39,986	30,384	26,006	18,718
Equity	**48,537**	39,102	26,306	19,717	18,377
Equity Ratio	**59.0%**	51.6%	39.7%	30.9%	41.4%
Liabilities	**29,966**	33,291	37,310	42,076	24,222
Balance Sheet Total	**82,271**	**75,796**	**66,239**	**63,909**	**44,557**

according to IFRS (marked with * according to HGB)



OTHER KEY FIGURES

Employees
(Annual average)

The Management Board

CHRISTOPH PETRI

Christoph Petri studied Business Administration at the University of Nuremberg as well as the University of Sydney and completed his studies in 2006 as a Diplom-Kaufmann. He then began his career at a consulting and investment company focused on medium-sized companies in Munich. In 2011, he was appointed to the Management Board of Ringmetall, where he is the Spokesman and responsible for the strategic investment management as well as for Finance, Investor Relations, Sales and Marketing.

KONSTANTIN WINTERSTEIN

Konstantin Winterstein studied at the TU Darmstadt and at the TU Berlin, where he graduated in mechanical engineering in 1996. In 2004 he received an MBA at INSEAD in Fontainebleau and Singapore. From 1997 to 2014, he held various positions with the BMW Group. He has been a member of the Management Board of Ringmetall since 2014 and is responsible for operative investment management as well as Human Resources, IT, Technology and Production.

Letter from the Management Board

Dear Business Partners,
dear Shareholders,

2018 was an eventful year in many ways. The global economy, politics and, not least, the capital markets have presented our companies with a multitude of challenges to overcome. We are therefore all the more delighted that the past year, despite all the adverse circumstances, has once again been very successful for Ringmetall. Once again we have grown significantly. Once again, we have further consolidated and expanded our position as a leading specialist in the packaging industry in our core markets.

At EUR 110,6 million, Group revenues once again increased significantly and were 8.0 percent higher than in the previous year. As expected, earnings before interest, taxes, depreciation and amortization (EBITDA) were down on the previous year at EUR 10.4 million. This was due to one-time extraordinary expenses of about EUR 1.8 million, which were not yet estimable in terms of type and amount at the time of publication of the 2018 annual targets. They mainly include the conversion of the Group's accounting standards to IFRS, the change to the Regulated Market of the Frankfurt Stock Exchange (General Standard) including the prescribed preparation of a securities trading prospectus and the capital increase with subscription rights. In addition, as part of the acquisition of Nittel, we had to make a transaction-related brokerage commission, which, unlike the purchase price payment, was recognized directly in profit or loss. Furthermore, the production site in Sessenhausen was closed and the production relocated to another site. Taking these non-recurring charges into account, we were thus, in terms of both Group sales and EBITDA, within the communicated range of our annual targets.

A look at the two divisions shows that in the meantime both Industrial Packaging and Industrial Handling have contributed to the Group's success. The momentum that we took from the turnaround in the Industrial Handling area in 2017 served as a solid basis for the consolidation and expansion of our market position in 2018. Our product innovations are enjoying ever-increasing demand in the niche markets we address.

However, in addition to healthy organic growth, growth from regular acquisitions is also an important pillar of our expansion strategy. Although we were unable to bring all acquisition negotiations to our desired conclusion in 2018, we were able to do so in November 2018 with the acquisition of Nittel Halle report a particularly important transaction for us. Due to the leading position of the provider of inliners, we will position ourselves as a system supplier in the barrel industry in the future and will be able to realize attractive synergies in many respects. Further acquisitions in this subsegment of industrial casings are therefore planned.

Although we are generally very satisfied with the course of business, the economic and political conditions of the past year have also left their mark on our figures. The sharp decline in the US dollar against the euro in comparison to 2017, for example, meant that the strong operating performance of our US subsidiary, Self Industries, was less ambitious on paper. Although sales and earnings were still up significantly on the previous year. Converted into euros, however, the growth was much lower than in US dollars.

The sharp rise in steel prices also meant that our margins were lower than in the previous year. As a rule, the contracts with our customers are usually provided with price escalation clauses. Accordingly, we can pass on increasing raw material prices to our customers. However, the constant gross profit per clamping ring with a simultaneous increase in the selling price inevitably leads to lower earnings margins. In addition, over longer distances of 2018, the large steel price indices used as the basis for our price escalation clauses were not in line with the purchasing conditions actually prevalent on the market, which further negatively impacted our margins.

Last but not least, the political turmoil in Turkey and the resulting collapse of the Turkish lira had a negative impact on business in Turkey. This even led to our Group having to record a slight loss in this region in 2018. In the course of the fourth quarter, however, the situation calmed down noticeably. The significantly lower exchange rates now make it even more attractive to relocate further parts of production to the low-wage location Turkey in the future.

Overall, we assume that the current financial year will be marked by much less headwind than last year. We take note of the generally gloomy mood in various sectors of the economy with due respect, even though there are currently only slight recessive tendencies in the operating business. For this reason, the outlook for the financial year 2019 will initially be within a wider range than usual and will be specified later in the year. Accordingly, we expect Group revenues of between EUR 120.0 and 130.0 million and EBITDA of between EUR 12.0 and 14.0 million. This already includes a scenario based on a slight decline in steel prices. In addition, the revenues and earnings contribution of Nittel Halle GmbH, which was consolidated for the first time on January 1, 2019, is included. Possible effects from planned company acquisitions are not part of the forecast.

The most important thing, as usual at the end: Our sincere thanks go to our employees! Your daily commitment to the Ringmetall Group is the foundation on which we build our future, and we highly value your commitment. We look forward to forming a strong team with you in 2019 for a strong Ringmetall Group.

Yours sincerely
The Management Board of Ringmetall AG

Christoph Petri Konstantin Winterstein

The Supervisory Board

KLAUS F. JAENECKE | Chairman

Klaus Jaenecke began his career after studying business administration in Frankfurt, Paris and London in 1980 with a private equity firm in Mexico. This was followed by positions at the investment banks Kleinwort, Benson and Goldman Sachs in London and New York with a focus on mergers & acquisitions before he became self-employed in 1991 in this field in Munich. Klaus Jaenecke has been focusing on good corporate governance in industrial SMEs for many years and is chairman and member of several supervisory boards.

MARKUS WENNER | Deputy Chairman

Markus Wenner is Managing Partner of GCI Management Consulting GmbH, a consulting and investment company for medium-sized businesses. Before that, he worked for GSM Industries as an Investment Manager. After studying law in Germany and the USA, Markus Wenner began his career as a lawyer for the international commercial law firm Clifford Chance in the areas of mergers & acquisitions and corporate finance. Markus Wenner is the founder and co-owner of various companies and a member of various supervisory boards and advisory boards.

RALPH HEUWING | Member

Ralph Heuwing, after studying mechanical engineering at RWTH Aachen University and at MIT in Cambridge (USA) as well as MBA studies at INSEAD in France, started his engineering career at the Boston Consulting Group (BCG). In 2001 he was appointed Managing Director and Partner. Ralph Heuwing was Chief Financial Officer of the technology company Dürr from May 2007 to May 2017 and was responsible for the commercial areas of the Group, as well as IT and Global Sourcing and two of the five operating divisions of Dürr. He has been CFO of Knorr-Bremse in Munich since November 2017.

Report of the Supervisory Board

Dear Shareholders,

Although the year 2018 was marked by numerous global economic and political imponderables, the Ringmetall Group can look back on another successful year. And not just in terms of revenues and earnings. Ringmetall has also implemented a number of important internal growth steps. The accounting of the Group has been changed over to the international standard IFRS. In the middle of the year, the switch to the General Standard and thus the Regulated Market of the Frankfurt Stock Exchange took place and in advance the required securities prospectus was prepared. All these steps have made the company a good deal more mature. Last but not least, with the takeover of 100 percent of the business shares of Nittel Halle GmbH, Ringmetall has successfully advanced into a new product segment.

The Supervisory Board continuously monitored these steps as well as the general management of the Management Board in 2018. It discussed various scenarios of business development and advised the Management Board. The Supervisory Board was always able to convince itself of the legal, purpose and regularity of the activities of the Management Board. Based on a regular exchange, the Supervisory Board was involved in all major decisions of the Management Board and was comprehensively informed in writing and verbally about all material aspects of strategy, planning, business development, the risk situation and compliance.

In 2018, a total of four ordinary meetings of the Supervisory Board were held. There were also numerous phone calls and telephone conferences between the Management Board and the Supervisory Board. All Supervisory Board members attended the regular meetings of the Supervisory Board.

At the Supervisory Board meeting on 25 April 2018, the Supervisory Board was presented with the annual financial statements by the auditors Baker Tilly and discussed the future dividend policy with the Management Board. In addition, the current status of the preparation of the prospectus and the associated capital increase was discussed, as well as the implementation of the company to the "General Standard" market segment of the Regulated Market of the Frankfurt Stock Exchange. With regard to further M&A activities, possible takeover candidates were presented and discussed by the Executive Board. In addition, the prolongation of the management contract of Mr. Christoph Petri was finalized.

In addition to the current business development in all business segments, the meeting on 2 July 2018 focused on the discussion of the individual agenda items of the forthcoming Annual General Meeting. The board also presented the current state of the prospectus and the up-listing process. Furthermore, the current business development in the markets of China and Turkey was discussed in detail and appropriate steps discussed. In addition, the Management Board presented further details of possible M&A transactions in the context of a shortlist. Finally, the Supervisory Board discussed the forthcoming elections to the Supervisory Board.

On 30 August 2018, a constituent meeting of the newly elected Supervisory Board took place after the Annual General Meeting. Mr. Klaus F. Jaenecke, as a new member of the Supervisory Board, was elected Chairman of the Supervisory Board. Mr. Markus Wenner was re-appointed Deputy Chairman.

At its meeting on 28 November 2018, the Supervisory Board discussed and approved in particular the budget including the investment plan for the financial year 2019. Furthermore, a detailed discussion of the opportunities and risks arising from the acquisition of Nittel took place, and a negotiating mandate for the finalization of the transaction was granted. As part of the stock exchange segment change, the Supervisory Board dealt intensively with the topic of Corporate Governance of the Ringmetall Group. It is based on a responsible and sustainable interpretation of the value

creation concept as well as on the German Corporate Governance Code (DCGK). Deviations from the provisions of the Code have been published by the Management Board and the Supervisory Board of the Company as part of a declaration of compliance pursuant to Section 161 AktG.

The composition of the company's Management Board remained unchanged in the past financial year.

The members of the Supervisory Board were re-elected at the Annual General Meeting on August 30, 2018. For the member, Mr. Thilo von Selchow, who was not up for re-election for private reasons, Mr. Klaus F. Jaenecke was newly elected to the Supervisory Board. The long-serving members of the Supervisory Board, Mr. Markus Wenner and Mr. Ralph Heuwing, were again elected as members of the Supervisory Board. Since the new elections on 30 August 2018, the composition of the Supervisory Board has remained unchanged. The Supervisory Board did not form any committees in the year under review.

The Annual General Meeting on 30 August 2018, elected Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Nuremberg branch, as the auditor of the financial statements for the 2018 financial year. Baker Tilly GMbH & Co. KG Wirtschaftsprüfungsgesellschaft audited the annual financial statements and management report of Ringmetall AG, the consolidated financial statements and the Group management report for the 2018 financial year each with the unqualified audit opinion.

At the Supervisory Board meeting on 29 April 2019, the annual financial statements and consolidated financial statements were discussed in detail with the independent auditor. The auditor reported on the key findings of his audit of the annual financial statements of Ringmetall AG and the consolidated financial statements as well as the combined management report of Ringmetall AG and the Ringmetall Group and provided additional information on the last financial year and on risk management. In particular, he discussed the net assets, financial position and results of operations of Ringmetall AG and the Group. The Supervisory Board approved the result of the audit. Furthermore, the Supervisory Board also audited the annual financial statements as at 31. December 2018, the management report of Ringmetall AG, the consolidated financial statements and the Group management report. There were no objections, so the Supervisory Board approved the annual financial statements of Ringmetall AG and the consolidated financial statements. The annual financial statements were thus established.

The Management Board and the Supervisory Board have decided to propose to the Annual General Meeting on 14 June 2019 that the net profit of Ringmetall AG shall be distributed in the amount of EUR 0.06 (2017: EUR 0.06) per no-par-value share and to carry forward the remaining net profit for the year.

Finally, the Supervisory Board sincerely thanks all employees in the Group for their dedication and high level of commitment in the past financial year. Likewise, thanks are due to both of the members of the Management Board.

Jaenecke

Klaus F. Jaenecke
Chairman of the Supervisory Board

Ringmetall on the Capital Markets

After six consecutive extremely good years, the stock markets experienced a black year in 2018. Worries about the economy, international trade conflicts and the imminent threat of a rise in interest rates weighed heavily on the stock markets and led to falling prices. Investors experienced the most loss-making year since the 2008 international financial crisis.

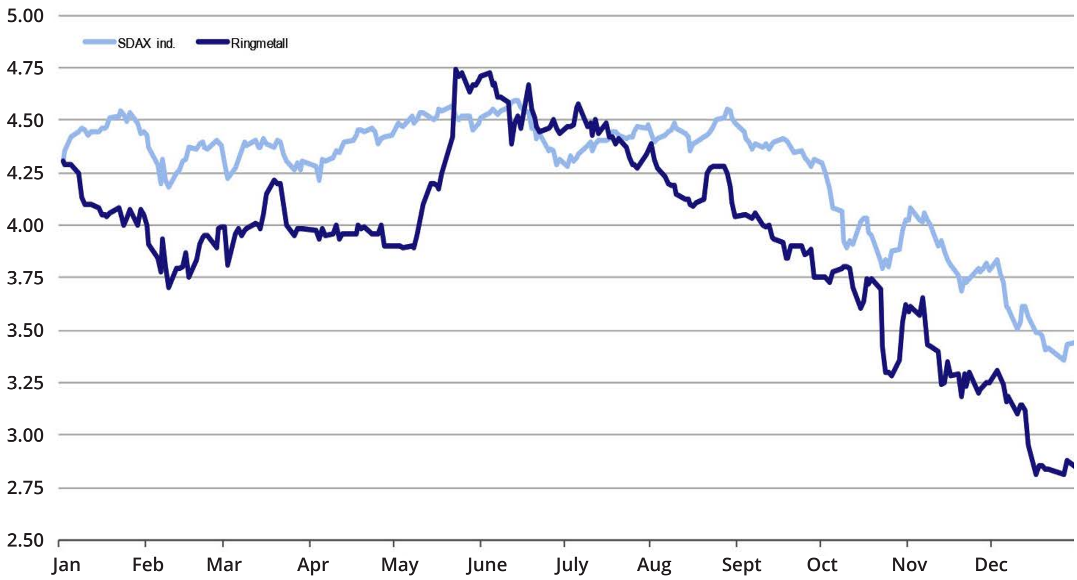
The German leading index DAX closed the year at 10,558.96 points, posting a loss of 18.3 percent. In international comparison, it was significantly worse than most other major indices. The European benchmark index Euro Stoxx 50 showed a slightly better development with a decline of 14.3 percent. The US Dow Jones Industrial Average index only lost 5.6 percent, while the US technology index Nasdaq 100 even lost only 1.0 percent year-on-year.

Above all, the trade conflict between the US and China fueled by US President Donald Trump had a negative impact on the markets. The broad mass of investors feared that an escalation of the dispute between the two largest economies in the world could hit hard to a significant economic slowdown and, above all, export-oriented German companies. In addition, markets weighed on fears of a disorderly Brexit, that is, Britain leaving the EU without an agreement. As the country is the fifth largest export market for German products, the uncertainty over the course of the year led to an increasingly poor sentiment towards German equities.

Last but not least, the market environment for equities also deteriorated against the background of the end of the ultra-loose monetary policy of the international central banks. The US Federal Reserve has been tightening monetary policy for some time now and is raising key interest rates in stages. The last increase before the end of the year 2018 caused a veritable sell-off on the global stock markets. Investors feared that rising interest rates could significantly negatively impact the economy. At the same time, higher interest rates make government and corporate bonds tend to be more attractive compared to equities.

Whereas shareholders of Ringmetall AG were delighted with a rising price for years, the share had to surrender to the generally negative trend on the stock markets in 2018. After the share price

PERFORMANCE OF THE RINGMETALL SHARE IN THE FINANCIAL YEAR 2018 COMPARED TO THE SDAX



developed well into the second quarter and hit a new historic high on 23 May 2018 at EUR 4.93 on an intraday basis, it declined significantly in the further course of the year. The Ringmetall Share concluded the year at a price of EUR 2.81 and a minus of 29.9 percent compared to the previous year-end. The German small-cap index SDAX lost only 14.3 percent over the same period.

The economic development of the Group was very solid and the planned internationalization of its investor base continued to progress well in 2018. One particular focus of Investor Relations work in the past year was to make the share increasingly known in Anglo-Saxon countries. Through telephone conferences with British investors and roadshows in London, Ringmetall succeeded in attracting numerous institutional investors and convincing them to invest. At the same time, initial contacts with US funds from the Chicago, New York and San Francisco regions were established and deepened in several discussions. On 27 July 2018, the company announced the conduction of the capital increase, in the volume of up to 5 percent of the share capital, with subscription rights, which had been pre-announced in the Ad Hoc release of April 30, 2018. In the period from 31 July to 14 August 2018, the company's existing shareholders were offered a total of 1,384,240 new shares with dividend entitlement from 1 January 2018 at a price of EUR 4.10 per young share in a ratio of 20: 1 (20 old shares entitled to purchase a new share) for subscription. The capital increase was slightly oversubscribed and the company received gross issue proceeds of EUR 5,675,384.00 from the capital increase.

Following the approval of the securities prospectus by the German Federal Financial Supervisory Authority (BaFin) on 27 July, the company filed for the admission of the shares to the Regulated Market on the Frankfurt Stock Exchange and the switch from the Frankfurt Stock Exchange to the Regulated Market on the Frankfurt Stock Exchange as of 31 July 2018. The segment change was completed as planned.

At the Annual General Meeting on 30 August 2018, 65.6 percent of the company's share capital of EUR 29,069,040.00 was represented by the shareholders present. As in previous years, all agenda items that had been voted on were passed almost unanimously. In the context of the forthcoming elections to the Supervisory Board, the former Supervisory Board Chairman Thilo von Selchow was not available for re-election due to private reasons. The Management Board of Ringmetall AG would like to thank Mr. von Selchow for his intensive support of the Group and wishes him continued success and personally all the best. Mr. Klaus F. Jaenecke, an entrepreneur from Munich and, among others, Chairman of the Supervisory Board of Hansgrohe SE, Schiltach, was newly elected to the Supervisory Board. The other members of the Supervisory Board, Ralph Heuwing and Markus Wenner, were confirmed in their offices during the election. The election is in all three cases valid until the Annual General Meeting, which resolves on the discharge for the financial year 2022. For the 2017 financial year, the company paid a dividend of EUR 0.06 per share, or EUR 0.01 more per share than in the 2016 financial year.

In May 2018, MainFirst Bank AG published its first report on the share of Ringmetall AG as part of a paid equity research mandate. In addition to Montega Research AG, a second independent research house is thus now publishing reports on the company, contributing to forming an opinion on the capital market. Both analysts are currently recommending to buy the share of Ringmetall stock in their reports.

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COMBINED MANAGEMENT REPORT FOR THE FISCAL YEAR 2018

The Ringmetall Group

BUSINESS MODEL AND STRUCTURE

Ringmetall is one of the world's leading specialist suppliers in the packaging industry with a focus on packaging elements in the field of industrial drums. The company emerged in 2015 after rebranding and realigning the business model of its predecessor, H.P.I. Holding. This in turn was founded in 1997 as an investment company.

Active in the business units Industrial Packaging and Industrial Handling

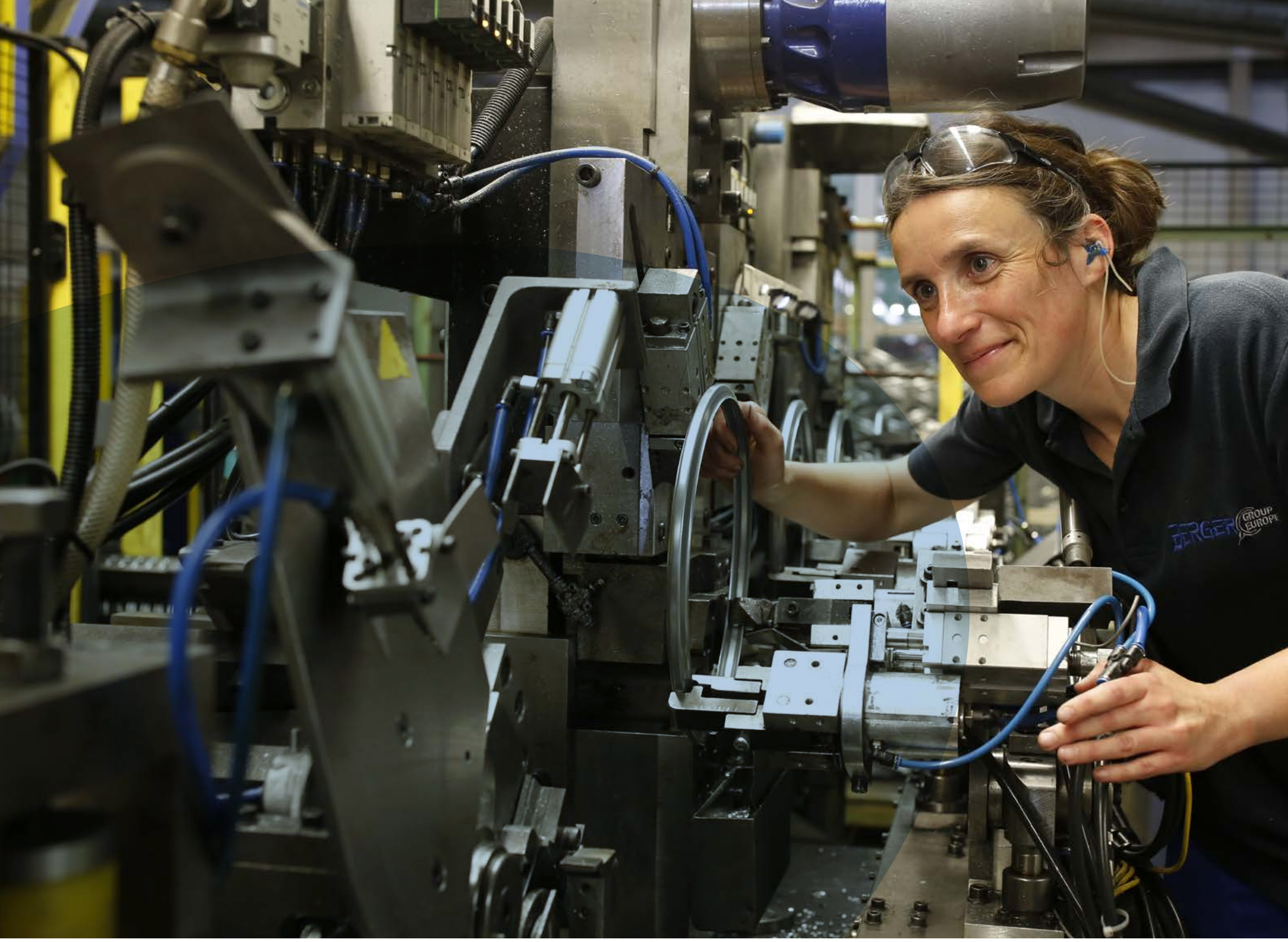
Since rebranding the company and realigning the business model, Ringmetall has been operating as a specialized industrial holding in the two business divisions Industrial Packaging and Industrial Handling. Ringmetall develops, manufactures and markets product solutions for use in the chemical, petrochemical, pharmaceutical, food, logistics and agricultural sectors.

Over 2,000 different drum clamping ring variants on offer

In the Industrial Packaging division, Ringmetall develops, produces and distributes packaging elements for the drum industry. The range of products in the area of industrial packaging mainly includes closure clamping rings and form liners (from 2019), but also covers, gaskets, handles, complete closure units as well as requirement-specific special components in various dimensions and quality levels. The product group of the clamping rings represents the most important revenue driver of the Ringmetall Group. Ringmetall produces more than 2,000 different variants of the company's main product, the drum clamping ring. In the market for industrial drums, the company concentrates primarily on the special requirements of so-called open top drums and here especially steel drums, plastic drums, fiber drums and pails. Since the acquisition of Nittel at the end of 2018 and the associated entry into the market (since 2019) for inner casings for industrial drums, the Group for the first time also offers product solutions in the field of closed top drums.

In the Industrial Handling business unit, Ringmetall develops, produces and distributes vehicle attachment parts for special vehicles in freight logistics and warehouse logistics as well as in the agricultural sector. In addition to attachments for tractors, agricultural machinery and trucks, these include mainly those for forklifts and industrial trucks. The product range of the Industrial Handling division mainly includes restraint systems and trailer coupling systems. However, lift mast parts, clutch and brake pedals with special requirement profiles, hydraulic components and complex welded assemblies are also part of the product range.

Ringmetall and its subsidiaries, which are assigned to the two divisions, are linked to one another via a holding structure. The holding company's Munich-based parent company, Ringmetall AG, combines key corporate functions that are primarily concerned with corporate financing, investor relations, strategy and corporate development as well as the preparation and execution of corporate acquisitions. In addition to the holding company, the group consisted of a total of 20 companies at the end of 2018. Of these, ten are operationally active, two are pure intermediate holdings as well as four are administrative units and two are dormant.



SUBSIDIARIES AND GROUP BRANDS

The individual subsidiaries operate largely independently of each other on the market. On the basis of regular management meetings, the Management Board members together with the Managing Directors of the largest subsidiaries discuss strategic approaches to the further development of the Ringmetall Group.

The measures developed in this way will then first be tested for practicability in some areas. After successful implementation, best practices are implemented in the individual national companies.

The development and production of the products takes place at a total of twelve production sites worldwide. In Germany, these include the locations Attendorn (North Rhine-Westphalia), Berg (Rhineland-Palatinate) and Ernsgaden (Bavaria). Abroad are locations in Valmadrera and Albavilla (Italy), Peterlee (United Kingdom), Reus (Spain), Balcik (Turkey), Changshu (China) and locations in the United States in Birmingham (Alabama), Houston (Texas) and Shippensburg (Pennsylvania). There are furthermore office locations.

International headquarters of the company and the holding company is Munich, Germany. As an internationally positioned group, all subsidiaries are united under the umbrella brand Ringmetall. The subsidiaries are again economically active under their names as regional and national brands. These companies include Berger Group Europe (August Berger Metallwarenfabrik), Self Industries, S.G.T., Cemsan and HSM Hans Sauermann. The subsidiaries are partially subdivided into national companies from which they operate internationally.

The international headquarters of Ringmetall AG is the Bavarian capital Munich

COMPANY HISTORY

Ringmetall was founded in 1997 under the name of the predecessor company "H.P.I. Holding AG". Initially present on the market as an investment company, the company acquired, founded and sold numerous companies from 1998 onwards. From 2011, the company's new management began to focus its business activities increasingly on industrial packaging and the handling of industrial goods. In 2015, the company changed its name to Ringmetall AG, which also marks the completion of the repositioning of the company as a specialist supplier in the packaging industry.

The essential steps from the foundation to the present structure of the Ringmetall Group are as follows:

1997
- Foundation of the company under the former name "H.P.I. Holding AG"

1998
- Acquisition of August Berger Metallwarenfabrik GmbH & Co. KG, Germany
- Entry into the specialty packaging business

2007
- IPO of the company in the unregulated market of the Frankfurt Stock Exchange

2012
- Expansion into China in the field of industrial packaging
- Acquisition of S.G.T. S.r.l., leading manufacturer of clamping rings in Italy
- Acquisition of Cemsan MPI Limited Sirketi (controlling stake), leading manufacturer of clamping rings in Turkey
- Switch to the Entry Standard of the Frankfurt Stock Exchange

2013
- Foundation of Berger Italia S.r.l. and acquisition of the clamping ring section of an Italian company
- Acquisition of HSM Sauermann GmbH & Co. KG, German metalworking specialist
- Expansion of the Industrial Handling division

2015
- Acquisition of Self Industries Inc., leading manufacturer of clamping rings in the USA
- Positioning as a leading specialty packaging company and rebranding as Ringmetall AG
- Acquisition of Metallwarenfabrik Berger GmbH, Germany
- Extension of the product range by barrel lids
- Acquisition of the remaining 40 percent of the minority shareholder of CEMSAN MPI Limited Sirketi, Turkey

2016
- Acquisition of a further 29 percent stake in the Italian subsidiary S.G.T. S.r.l.
- Acquisition of a smaller clamping ring production in the USA

2017

- Acquisition of Latza GmbH, clamping ring and closure manufacturer from Germany (as of 1.8.2017)
- Foundation of Berger Hong Kong Limited, China, as an intermediate holding company for the subsidiary in China
- Acquisition of HongRen Packaging Equipment, clamping ring manufacturer in China, and contribution to the existing subsidiary in China (as of 1.1.2017)

2018

- Switch to the Regulated Market of the Frankfurt Stock Exchange, General Standard
- Acquisition of Nittel Halle GmbH, leading producer of formliners from Germany (as of 1.1.2019)

MARKETS AND CUSTOMERS

Global market for industrial packaging to continue to grow through 2023

The global industrial packaging market was valued by research firm Allied Market Research for 2016 at a total of USD 53,743 million. The market is expected to grow to USD 69,787 million by 2023, which corresponds to a compound annual growth rate (CAGR) of 3.9 percent from 2017 to 2023.

The segmentation of the market by product type is internationally common according to Drums, IBCs, Sacks, Pails and Crates/Totes. Furthermore, a segmentation according to the type of material used for the products and here generally according to the main material groups Paperboard, Plastic, Metal, Wood and Fiber.[1]

Moreover, the market is still differentiated according to the main customer industries in which industrial packaging is used. These are typically divided into Chemical & Pharmaceutical, Building & Construction, Food & Beverage, Oil & Lubricants, Agriculture & Horticulture and Others.

In 2016, the market for industrial packaging divided into product groups as follows: Drums 19.6 percent, IBCs 14.7 percent, Sacks 25.9 percent, Pails 14.2 percent, Crates/Totes 25.6 percent. The products of the Industrial Packaging division of the Ringmetall Group are currently used in these product groups in the areas of Drums and Pails. By 2023, market researchers expect a CAGR in the field of Drums in terms of unit volume of 6.1 percent and in the area of Pails of 4.3 percent.

With a breakdown of the market by area of application, Chemical & Pharmaceuticals accounted for 30.3 percent in 2016, Building & Construction 15.8 percent, Food & Beverage 27.3 percent, Oil & Lubricants 13.1 percent, Agriculture & Horticulture 6.9 Percent, Others 6.6 percent. Products from the Industrial Packaging unit are currently used mainly in the industrial areas Chemical & Pharmaceutical and Food & Beverage.

The remaining industrial sectors only play a very minor role. Industrial packaging for the chemical and pharmaceutical industries is expected to grow in terms of sales volumes of 4.0 percent by 2023 respectively 4.4 percent for the food industry.

Key drivers of growth in the industrial packaging market include increasing globalization and global population growth. Both drivers benefit from the worldwide increase in exports and imports, which typically involve long-distance shipments, increasing the need for high-quality, resilient and secure industrial packaging. In addition, when applied in the chemical and pharmaceutical sectors, the shipped goods generally react sensitively to atmospheric influences and pose a threat to their environment. For this reason, a large number of drums and IBCs are constantly needed to ship and store chemicals.

In the food industry, similar factors are crucial, except that it is less the need to protect the environment from the packaged good, but much more often the packaged good to the environment. Oxygen, light and moisture often lead to decomposition processes, which make food unsuitable for consumption and should therefore be prevented by appropriate industrial packaging.

On a global scale, the key growth markets are Asia-Pacific, with an expected CAGR of 4.3 percent by 2023, LAMEA (Latin America, Middle East and Africa) with an expected CAGR of 3.4 Percent by 2023, followed by North America with an expected 2.6 percent, and Europe with an expected 1.8 percent CAGR. Ringmetall is currently active primarily in the markets of Europe and North America, and is increasingly expanding its business in the growth markets Asia-Pacific and LAMEA.

With the two largest customers of the Industrial Packaging division, both large internationally operating drum manufacturers, Ringmetall made around 43 percent of the division's turnover in 2018. The remainder of the division's revenue was distributed to more than 50 customers. The not inconsiderable concentration of a significant revenue share on two customers is also seen as an advantage by Ringmetall, as both supplier and customers are, as globally active companies due to their large share of sales in their respective industries, in a mutual dependency.

Ringmetall has consistently expanded its position in the market for industrial packaging with a fo-

1 Source: Allied Market Research , Global Industrial Packaging Market 2015-2023

cus on the drum clamping ring as a safety-relevant part of industrial drums through organic growth and acquisitions in recent years. With a total of twelve production sites in North America, Europe and Asia, the Ringmetall Group is the only supplier in the world to be able to offer drum clamping rings in a global availability with almost constant product quality and at marketable prices. Ringmetall's annual revenue share of worldwide sales of drum clamping rings is above 50 percent. Among the competitors in the field of industrial packaging are, due to a lack of global suppliers, mainly regional suppliers. This is especially the case when looking at the drum clamping ring, the main product of the division.

Due to the lower global market coverage and the significantly lower sales volumes of the regional competitors, as well as the increased technical know-how of the Ringmetall Group - measured by the variety of machines used in production - Ringmetall is, from its own point of view, in a generally favorable competitive situation. On the part of the competitors, the company sees no danger that the positioning of Ringmetall in the market could come under sustained pressure.

With the acquisition of Nittel, the leading producer of form inliners in Germany, completed on 1 January 2019, the Ringmetall Group is increasingly establishing itself on the market as a system supplier for industrial brum packagings. Based on its many years of industry know-how and its resilient network of key industry customers, Ringmetall will continue to promote the increasing use of inliners in the drum industry, also in the context of increasing environmental awareness and the need for sustainable business. In parallel, the company plans to actively drive forward the consolidation of the from inliner market and to conduct further acquisitions in this segment of the packaging market.

In the markets that are of importance to the Industrial Handling business unit, the Ringmetall Group sees itself to be positioned rather as a specialized niche provider. As capital goods, material handling vehicles such as forklifts and warehouse equipment – so-called industrial trucks – are in stronger demand in economically good times than in periods of economic weakness.

The market for this vehicle class tends to follow the general business cycle with a delay of six to nine months. Measured by new orders, the European forklift truck market has grown with a CAGR of a good ten percent since 2009. The main drivers are above all the strong growth in e-commerce, which requires higher investments in storage and logistics capacities, as well as a persistently high investment backlog on the customer side.

Leading manufacturers of material handling equipment expect growth trend to continue in 2019

In 2018, the world market for material handling equipment once again registered strong growth compared with the previous year, with an increase of 10 percent, respectively 143,000 forklift trucks. Leading manufacturers in the industry, such as Jungheinrich and Kion, expect the growth trend to continue in 2019 as well. However, given the lower regional and global growth forecasts compared to the previous year, they expect declining momentum and a low to mid single-digit percentage growth rate.

In the second market, which is important for the development of the industrial handling business - the agricultural machinery sector - demand tends to follow the evolution of prices for the world's most important food products. The development of the market volume for agricultural machinery in the EU is therefore highly correlated with the development of the price index of the Food & Agricultural Organization (FAO) of the United Nations.

Ringmetall has a niche position in its Industrial Handling division in the product areas of restraint systems for forklift trucks, brake and clutch pedals, trailer hitches for trucks, electric trucks and tractor units in agriculture and forestry, holders for hydraulic components, lift masts for industrial trucks, cast housings and complex welded assemblies. In recent years, however, the company has increasingly invested in the development of own products and sees itself well positioned in the competitive environment due to steadily rising customer demand. Its competitors include numerous medium-sized companies and groups that generally sell similar products on the market.

COMPETITIVE STRENGTHS

(Unaudited section)

The statements regarding the competitive strengths were not examined by the independent auditor and are excluded from the audit opinion respectively are not the subject of the audit opinion, which is reproduced in the auditor's opinion.

Ringmetall has well-developed internal structures and resilient industry networks

Ringmetall has well-developed internal structures, resilient industry networks and customer relationships that have grown over many years. As a result, the management of the Ringmetall Group has good experience with regard to the expectations and needs of its customers. The strengths of Ringmetall are versatile and can be summarized as follows:

Many years of industry experience

The subsidiaries of the Group have many years of experience in all areas of their business. They are therefore familiar with a variety of problems that may arise from the development, production and marketing of the product range. The experience of the employees in the handling of production machines and in the course of production processes ultimately manifests itself in a consistently high quality of the products with only a low production scrap and associated costs.

In-house developed machinery

Due to the high degree of specialization, which is necessary, for example, to provide a comprehensive product portfolio of barrel clamping rings, high demands are placed on the machinery of Ringmetall. The production machines are designed in their construction specifically for the needs of a mass production of technically demanding goods and in this form not freely acquirable on the market. They are tailored to the specific product requirements and are largely assembled by the subsidiaries themselves from individual components and adapted to their purpose. In this way it is possible for Ringmetall to always offer its customers a product optimized for the specific application from a range of more than 2,000 different clamping rings. The Ringmetall Group also regularly develops new products in close cooperation with its customers to better meet the demands of everyday use.

Worldwide network of production sites

Ringmetall's customers include large international corporations that expect their suppliers to maintain a consistently high level of product quality and optimum product availability. With twelve production sites in seven countries on three continents, Ringmetall is the only producer of clamping rings that, due to its international network of locations, can quickly and globally supply the industry demand for clamping rings at a consistent quality standard and at standard market prices. Due to the size and international allocation of its own machinery, Ringmetall can react at any time to short-term fluctuations in demand on the part of its customers, thus ensuring that the quantity of delivered products optimally orients itself to the customer's current demand situation.

High quality and price transparency

The quality and reliability of Ringmetall's offer has led to growing and resilient customer relationships over the years. The cooperation of both parties has established a basic understanding of mutual economic dependence. Clear rules were made about the composition of product prices, which allow both sides a high degree of transparency and predictability. The components supplied by Ringmetall for the industrial drum correspond in their costs to only a very small part of the total price for a complete drum unit. In addition, most of the final price for the delivered end product is attributable to the cost of materials (in general steel). The margin attributable to a single product is therefore in a comprehensible and customer-acceptable relationship to the quality and reliability delivered by Ringmetall. For new competitors, therefore, it would be an extraordinary challenge to step into these grown customer relationships and establish themselves as a competitor of Ringmetall in the market. Due to the supposedly low price sensitivity on the part of the customer, the development of a competitive position in the market would therefore offer itself mainly in the areas of product quality, product innovation and product availability. In all three areas, however, Ringmetall sees itself as optimally positioned and well equipped in the event of a changed competitive situation.

Investment in innovation

Ringmetall regularly invests in the development of new products and machines. The development effort is in a healthy relationship to the sales development of the company and consists largely of personnel costs for the involved development engineers and production technicians. In 2018, the development of a new machine generation was driven forward in the area of Industrial Packaging. The new design of the machines enables a production worker to operate two machines at the same time. At the same time, the assembly of the machine components allows a significant reduction of the changeover times, which occurs regularly when changing the production between different types of clamping rings. In addition, investments were made in new software for production monitoring.

Since 2016, Ringmetall has invested heavily in the development of its own products in the area of Industrial Handling. In the past, the company had positioned itself primarily as a contract producer and so-called "extended workbench" on the market. Due to the low degree of specialization, however, the company found it increasingly difficult to position its products on the market to cover costs. By investing in self-developed product solutions that are closely aligned with customer demand, the company has succeeded in generating new demand in the market and helping the division to return to greater profitability.

Industrial Handling division invests more heavily in the development of its own products

MARKETING

Ringmetall's Industrial Packaging products are highly specialized niche products that are used exclusively as supply products by a limited number of customers, namely manufacturers and users of industrial drums. For this reason, Ringmetall relies on a close and growing personal customer relationship in product marketing.

A classic consumer goods marketing approach that relies on investing in rich product information materials, advertisements or mailing campaigns is not pursued. Nevertheless, Ringmetall's sales team maintains close contact with key industry decision-makers by attending trade shows attended by Group customers.

In the same way, the Ringmetall Group is involved in the marketing of its products in the field of Industrial Handling. Here, the marketing is done exclusively through the direct approach of customers by the development engineers of the subsidiary HSM. In personal meetings, the company markets its own development expertise and then develops suitable product solutions that are based on the respective specifications of the vehicle manufacturers.

EMPLOYEES

On an annual average, Ringmetall employed a total of 591 full-time equivalent (FTE) employees in 2018. Of these, 131 were employed in administrative positions and 460 in production. In addition, Ringmetall regularly employs temporary workers to cope with potential sales fluctuations as a result of changing general economic conditions as well as the industry-specific low sales visibility, ie the lead time with which orders are placed until delivery, usually a maximum of two weeks. In this way demand peaks are cushioned and utilization figures are maximized economically. However, due to the increasingly lower availability of skilled workers in the German labor market and a good order situation, Ringmetall is increasingly taking on well-trained temporary workers in permanent employment contracts. In this way, at the same time dedicated workers should be given a more predictable working life.

Ringmetall has developed and implemented modern approaches to employee recruitment

Ringmetall has developed and implemented modern approaches to employee recruitment and improving the working environment. For example, employees receive special premium payments in the form of fuel vouchers for regular work and low sick leave. In addition, employees can save overtime and leave on a separate temporary work account and use it in the form of a sabbatical lasting up to three months.

As part of in-house training, individual production employees are regularly trained in quality assurance programs for a period of two to three months, and thus continuously sensitized to the particular importance of consistently high production quality. Also, for example, by the use of employees in changing production areas always new knowledge imparted. This leads to an increase in deployment flexibility and reduces the risks that can arise from a possibly resulting monotony in everyday work.

There is also a continuous transfer of knowledge between the Ringmetall sites. Employees are regularly sent to other locations for work for several months in order to gain new impressions about the Group and to standardize best practice approaches at individual production steps on an international level. This approach has proved particularly successful in order to quickly transfer knowledge to newly acquired subsidiaries. The posting is also partly consciously carried out in non-Group companies outside the industry in order to give employees the opportunity to gain new impressions and to independently generate ideas for suggestions for the company suggestion system. In addition, middle management is regularly supported in internal and external seminars. External trainers use coaching to teach modern approaches to employee leadership, ensuring an equally productive and pleasant work environment at Ringmetall.

To create a Group-wide corporate identity, Ringmetall relies on a uniform external appearance and promotes an improved sense of togetherness in the workforce through the production of image films. Strategic and financial corporate goals are communicated openly and regularly at all hierarchical levels. The Code of Conduct, which is binding throughout the Group, ensures that Ringmetall provides its employees with a uniform mission statement, and that they pursue a common set of values and goals regardless of their national origin and possible differences between the cultures.


52
38
26.4
32.2

OVERALL ECONOMIC SITUATION

The Federal Ministry for Economic Affairs and Energy BMWi continues to see the German economy on a growth course in accordance with its annual economic report for 2019.[2] However, the headwind increased mainly from the foreign trade environment. Overall, it is assumed that the underlying economic momentum in 2019 should slow markedly compared with the previous year. Gross domestic product (GDP) rose by 1.5 percent in 2018, adjusted for price. According to the report, the Federal Government expects lower growth of 1.0 percent for the current financial year 2019. Nevertheless, demand for workforce continues to remain high and employment continues to grow. According to preliminary data from the Federal Statistical Office, the number of employed persons in 2018 was 44.8 million.[3] For 2019, the federal government expects a further increase of around 0.4 million. The inflation rate accelerated to 1.9 percent in 2019, but remained within the range of the target of the European Central Bank. Adjusted for energy and food prices (core inflation), the annual average inflation rate in 2018 was 1.5 percent.

Global economic growth for 2018 calculated at 3.7 percent

While the European economy continues to see growth in the International Monetary Fund, the global economic outlook for January 2019 as a whole suggests a slowdown in momentum.[4] For the growth of Eurozone GDP, the organization estimates a figure of 1.8 percent for 2018, after 2.4 percent in the previous year. Accordingly, for the years 2019 and 2020, the IMF expects a slowdown in growth to 1.6 and 1.7 percent, respectively. Especially for Germany, Italy and France as well as a possible Brexit for Great Britain, the possible growth rates have been revised downwards. A similar picture is drawn on a global scale. Overall, global economic growth for 2018 will be calculated at 3.7 percent, with growth slowing to 3.5 percent in 2019 and 3.6 percent in 2020, respectively.

The German Engineering Federation (VDMA) assumes a similar scenario in a publication from March 2019.[5] According to estimates by the VDMA economists, global machinery sales in 2018 increased by 4 percent to EUR 2.6 trillion. For 2019, the association expects a price-adjusted decline in sales growth in mechanical engineering to about 3 percent.[6]

The German Chemical Industry Association (VCI), on the other hand, expects a significant decline in industry sales of 3.1 percent for the full year 2018.[7] As a result, slowing demand for chemicals from industrial customers in Germany and Europe forced companies to severely curtail their production. Growth slowed down also outside Europe. The VCI now expects a decline in chemical production by 3.5 percent in 2019. Although producer prices are expected to increase by 1 percent over the year, industry sales are expected to fall by 2.5 percent to EUR 198.5 billion.

BUSINESS PERFORMANCE OF THE GROUP

Ringmetall continued to grow in the 2018 financial year. In addition, the structural measures already initiated in previous years were gradually developed in order to safeguard and expand the competitiveness of the Group in the long term, thus ensuring further growth in the medium and long term.

The presented consolidated financial statements as of December 31, 2018 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as applied in the European Union.

Industrial Packaging business

The Industrial Packaging business unit once again reported above-average sales growth in 2018. This was favored on the one hand by the positive macroeconomic development over much of the 2018 financial year and, on the other hand, by the dynamic development of the customer industries, especially the chemical industry, until partially the

2 Source: https://www.bmwi.de/Redaktion/DE/Publikationen/Wirtschaft/jahreswirtschaftsbericht-2019.pdf?__blob=publicationFile&v=12, S. 63 ff
3 Source: https://www.destatis.de/DE/Presse/Pressemitteilungen/2019/01/PD19_001_13321.html
4 Source: https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019
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second half of the year. Moreover, the trend of rising commodity prices in the main sales markets in Europe continued until the second quarter of 2018. In the US, this trend continued even into the fourth quarter. This resulted – mainly in the first half of the year – in rising sales prices and thus additional sales growth.

Furthermore, the acquisition of the main production facilities of the Chinese manufacturer of clamping rings and drum closure systems Hong-Ren, which was successfully signed in 2017 as part of an asset deal, was completed economically and integrated into the Group since February 2018. In addition to drum clamping rings for various applications, Hong-Ren products also include lever closures for industrial drums. To leverage synergies, the relocation of Hong-Ren's production to the Chinese site of the Ringmetall Group in Changshu has been completed. The objective of further expanding the business relationships with customers, of further optimizing the company's high-quality products and of establishing steadily increasing quality awareness in the Chinese market for hazardous goods packaging, has been gradually more and more fulfilled by Ringmetall in 2018.

In July 2017, Ringmetall announced the acquisition of 100 percent of the business interest in Latza GmbH, based in Attendorn, Germany. As part of the acquisition, Ringmetall has acquired the entire production facility, including a property with production areas of around 3,000 sqm and all production machinery. Since August 2017, the company has been consolidated. This acquisition allowed Ringmetall to initiate some synergies in the course of the financial year. The effects of this will materialize completely in the course of the 2019 financial year. In the reporting year, for example, the administration and production planning were integrated into August Berger Metallwarenfabrik. Parts of the ring production were relocated to the locations in Berg, Germany, as well as Italy. Thus, especially in Italy, the production can take place to a large extent on fully automatic systems. This shift in ring production enabled the integration and modernization of the lid production. Thus, the production in the formerly rented location in Sessenhausen could be closed at the end of November 2018.

Also in November 2018, Ringmetall announced the acquisition of Nittel Halle GmbH. Due to restrictions under company law, Ringmetall will only be able to exercise control over the business operations from January 2019 onwards, meaning that it will not be included in the Group until January 2019. As part of this acquisition, Ringmetall is acquiring the entire production plant, including a property with production areas of around 7,150 m² as well as administrative areas of around 620 m² and all production machines. Based in Halle an der Saale, Germany, the company manufactures a total of more than 4,000 different types of inner linings for industrial drums, in particular round bottom bags and form inliners. Currently, the company produces around 10 million inner linings per year, generating annual sales of around EUR 13 million with approximately 140 employees. The EBITDA margin was slightly below the Group level of the Ringmetall Group. In addition to the production site in Halle and the sales location in Raunheim, Ringmetall also acquired shares in the foreign companies in France (Nittel SARL, 80 percent), the Netherlands (Nittel BV, 50 percent) and the UK (Nittel UK Ltd, 50 percent). The companies are consolidated from 1 January 2019. The acquisition was financed from available free cash.

Industrial Handling business

In the Industrial Handling business unit, the positive trend with regard to in-house developed products continued. Demand, especially in the area of forklift truck restraint systems, was also increased in 2018. Likewise, sales of supply products for the agricultural machinery industry continued to increase. Above all, stabilizer bars were in demand here. On the other hand, the expectations for the 2018 financial year could not be met with regard to clutches.

In the Industrial Handling business unit, the positive trend with regard to in-house developed products continued

In order to finance the further internal and external growth of Ringmetall, a cash capital increase with shareholders' subscription rights amounting to around five percent of the share capital was successfully carried out in August / September 2018. The subscription ratio for the new shares was 20:1. The subscription price was set at EUR 4.10 per new share. As part of the transaction, the share capital of Ringmetall AG was increased from EUR 27,684,800.00 by EUR 1,384,240.00 to EUR 29,069,040.00 against cash contributions. In total, gross issue proceeds of EUR 5,674,400.00 were generated from the capital increase.

RESULTS OF OPERATIONS OF THE GROUP

	2018		2017		Change	
	kEUR	**%**	kEUR	%	kEUR	%
Revenue	**110,567**	**99.6**	**102,348**	**100.0**	**8,219**	**8.0**
Change in inventories of finished goods and work in progress	495	0.4	40	0.0	455	1,137.5
Total output	111,062	100	102,388	100.0	8,674	8.5
Other income	1,512	1.4	1,199	1.2	313	26.1
Cost of materials						
Raw materials and consumables and goods ordered	54,366	49.0	46,603	45.5	7,763	16.7
Cost of purchased services	10,571	9.5	10,429	10.2	142	1.4
Personnel expenses	21,703	19.5	20,101	19.6	1,602	8.0
Depreciations	2,151	1.9	2,006	2.0	145	7.2
Other operating expenses	15,503	14.0	14,413	14.1	1,090	7.6
Operating expenses	104,294	93.9	93,552	91.4	10,742	11.5
EBITDA	**10,431**	**9.4**	**12,041**	**11.8**	**-1,610**	**-13.4**
EBIT	**8,280**	**7.5**	**10,035**	**9.8**	**-1,755**	**-17.5**
Finance income	12	0.0	19	0.0	-7	-36.8
Finance costs	637	0.6	1,119	1.1	-482	-43.1
Financial result	**-625**	**-0.6**	**-1,100**	**-1.1**	**475**	**-43.2**
Net income for the year from continuing operations before taxes	**7,655**	**6.9**	**8,935**	**8.7**	**-1,280**	**-14.3**
Income tax expense	2,499	2.3	1,800	1.8	699	38.8
Consolidated net income for the year	**5,156**	**4.6**	**7,135**	**7.0**	**-1,979**	**-27.7**

Group revenues in 2018 amounted to EUR 110.6 million (2017: EUR 102.3 million). Group revenues thus reached the upper end of the forecast for the reporting year, amounting to between EUR 108.0 and 112.0 million and thus meeting the expectations of the Management Board. The Industrial Packaging division accounted for revenues of EUR 97.4 million (2017: EUR 88.3 million), or a revenue share of 88.3 percent (2017: 86.3 percent). Of the Group's revenue, EUR 35.0 million (2017: EUR 34.3 million) was attributable to Germany and EUR 75.6 million (2017: EUR 68.0 million) to foreign countries. The increase in the Industrial Packaging segment resulted in 3.6 percentage points respectively EUR 3.2 million from acquisition effects, 3.4 percentage points respectively EUR 3.0 million from the effects of steel price development and at 3.2 percentage points respectively EUR 2.9 million from organic growth. At EUR 13.2 million, the Industrial Handling segment accounted for slightly less than in the previous year (2017: EUR 14.1 million). Sales development in the Industrial Handling segment almost exclusively results from organic business development.

The **cost of materials** rose to EUR 64.9 million in the reporting year (2017: EUR 57.0 million) and, at 58.5 percent of total output, was significantly above the previous year's level (2017: 55.7 percent). The fact that increased raw material prices could not be fully passed on to customers is reflected in the higher expense ratio of 49.0 percent (2017: 45.5 percent). This applies analogously for both segments. By contrast, the decline in the ratio of purchased services to revenue was largely attributable to the Industrial Handling segment.

The increase in **other operating expenses,** which amounted to EUR 15.5 million (2017: EUR 14.4 million), resulted from a number of non-operating expenses. A significant portion of these expenses in the amount of EUR 1.5 million resulted from the conversion of Group accounting from HGB to IFRS as well as the preparation of a prospectus in connection with the segment switch concluded in the reporting year, by which the shares of Ringmetall AG have been listed in the Regulated Market of the Frankfurt Stock Exchange (General Standard). There were also one-off expenses in connection with the closure of the Sessenhausen site and the relocation of the production to other locations. In addition, as part of the preparation of the Nittel acquisition, commission expenses were incurred for M&A advisers and other external consultants. In Industrial Handling, the decline in other operating expenses was in line with the ratio of revenue development.

Earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 10.4 million were EUR 1.6 million or 13.4 percent below the previous year's level. As shown, there were a number of non-operating expenses in the year under review, which had a negative impact on earnings. Therefore, a corresponding deduction was made from the operating result at Group level, presented as adjusted EBITDA ("aEBITDA"). These one-time special effects amounted to EUR 1.8 million. Thus, the aEBITDA amounts to EUR 12.2 million. In the management report for the 2017 financial year, a slightly higher result for 2018 was forecast than in the previous year. This expectation was achieved taking into account the special effects described above.

Depreciation and amortization from the Group's operating business amounted to EUR 2.2 million (2017: EUR 2.0 million).

Earnings before taxes fell to EUR 7.7 million in the reporting year (2017: EUR 8.9 million). This is primarily due to the one-time special effects and the development of raw material prices.

The **financial result** amounted to EUR -0.6 million (2017: EUR -1.1 million). This included interest income to a negligible extent. Except for an interest expense of around EUR 19 thousand, the financial result resulted from the Industrial Packaging segment and from Ringmetall AG. The cash flow generated in connection with the capital increase made it possible, in addition to the scheduled repayment of loans, to acquire Nittel.

After deducting income taxes, consolidated **net profit** amounted to EUR 5.2 million (2017: EUR 7.1 million).

FINANCIAL SITUATION OF THE GROUP

ASSETS	31.12.2018		31.12.2017		Change	
	kEUR	**%**	kEUR	%	kEUR	%
Intangible assets	582	0.7	321	0.4	261	81.3
Goodwill	22,599	27.5	22,211	29.3	388	1.7
Property, plant and equipment	12,515	15.2	12,189	16.1	326	2.7
Other non-current assets	12,803	15.6	146	0.2	12,657	8,669.2
Deffered tax assets	790	1.0	943	1.2	-153	-16.2
Total non-current assets	**49,289**	**59.9**	**35,810**	**47.2**	**13,479**	**37.6**
Inventories	11,610	14.1	10,950	14.4	660	6.0
Trade and other receivables	13,763	16.7	12,460	16.4	1,303	10.5
Other current assets	1,510	1.8	918	1.2	592	64.5
Current tax receivables	163	0.2	322	0.4	-159	-49.4
Cash and bank balances	5,936	7.2	14,936	19.7	-9,000	-60.3
Non-current assets held for sale	0	0.0	400	0.5	-400	-100.0
Total current assets	**32,982**	**40.1**	**39,986**	**52.8**	**-7,004**	**-17.5**
Total assets	**82,271**	**100**	**75,796**	**100**	**6,475**	**8.5**

EQUITY AND LIABILITIES	31.12.2018		31.12.2017		Change	
	kEUR	%	kEUR	%	kEUR	%
Share capital	29,069	35.3	27,685	36.5	1,384	5.0
Capital reserves	16,664	20.3	12,532	16.5	4,132	33.0
Currency translation differences recognized outside profit or loss	-1,306	-1.7	-2,131	-2.8	770	-36.1
Consolidated profit carried forward (2017: Consolidated loss carried forward)	3,153	3.8	-56	-0.1	3,209	-5,730.4
Non-controlling interests	1,012	1.2	1,072	1.4	-60	-5.6
Total equity	**48,537**	**59.0**	**39,102**	**51.6**	**9,435**	**24.1**
Provisions for post-employment benefits	773	0.9	806	1.1	-33	-4.1
Financial liabilities	10,752	13.1	12,809	16.9	-2,057	-16.1
Deferred tax liabilities	783	1.0	462	0.6	321	69.5
Total non-current liabilities	**12,308**	**15.0**	**14,265**	**18.8**	**-1,957**	**-13.7**
Other provisions	2,212	2.7	2,135	2.8	77	3.6
Current tax liabilities	442	0.5	349	0.5	93	26.6
Financial liabilities	6,601	8.0	7,301	9.6	-700	-9.6
Trade payables	10,390	12.6	9,684	12.8	706	7.3
Other liabilities	1,781	2.2	2,920	3.9	-1,139	-39.0
Liabilities directly related to non-current assets held for sale	0	0.0	228	0.3	-288	-100.0
Total current liabilities	**21,426**	**26.0**	**22,429**	**29.6**	**1,003**	**-4.5**
Total liabilities	**33,734**	**41.0**	**36,694**	**48.4**	**-2,960**	**-8.1**
Total equity and liabilities	**82,271**	**100**	**75,796**	**100**	**6,475**	**8.5**

Group total assets up significantly as of 31.12.2018

As of 31 December 2018, the Group's **balance sheet total** increased significantly to EUR 82.3 million (31.12.2017: EUR 75.8 million). The main changes on the assets side were in non-current assets, with an increase of EUR 13.5 million, as well as in cash and bank balances, down by EUR 9.0 million. On the liability side, equity increased by EUR 9.4 million, while non-current financial liabilities fell by EUR 2.1 million and other liabilities by EUR 1.1 million.

At EUR 49.3 million, the total of **non-current assets** is significantly higher than in the previous year (31.12.2017: EUR 35.8 million). The increase of EUR 12.7 million in other non-current assets is primarily due to the down payment on the business interest in Nittel Halle GmbH. The payments due in connection with the acquisition were made before the end of 2018. The EUR 0.3 million increase in intangible assets primarily reflects further progress in standardizing the Group-wide ERP system and investments in system-based production controlling. The changes in goodwill resulted only from exchange rate effects. Due to restrictions under company law, Ringmetall was still unable to exercise control over the shares in Nittel at the end of the year, meaning that first-time consolidation took place at the beginning of 2019 and the prepayment on the acquisition was recognized as of the balance sheet date.

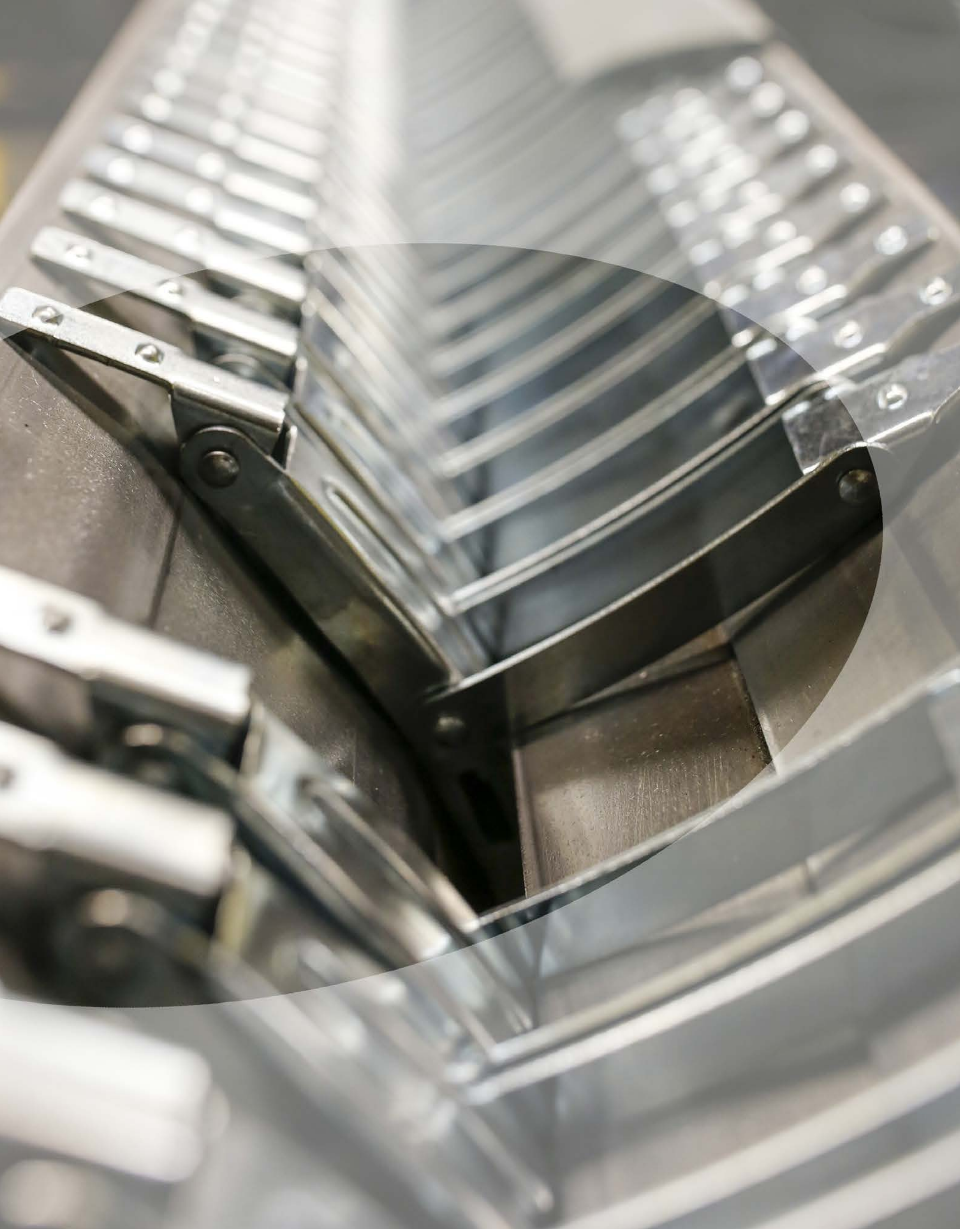
Company was able to meet its financial obligations at any time

The total of **current assets** amounts to EUR 33.0 million (31.12.2017: EUR 40.0 million). Inventories accounted for EUR 11.6 million (31.12.2017: EUR 11.0 million), trade receivables and other assets for EUR 15.3 million (31.12.2017: EUR 13.4 million) , Cash and cash equivalents amounted to EUR 5.9 million as of the balance sheet date (31.12.2017: EUR 14.9 million). The main reason for this decrease is the need for liquid funds for the acquisition of the business interest in Nittel, which was financed from own funds. This shows that the company has always been able to meet its financial obligations.

Group equity increased to EUR 48.5 million (31.12.2017: EUR 39.1 million). The equity ratio at the end of the reporting year was 59.0 percent (31.12.2017: 51.6 percent). To increase equity, a capital increase was carried out in the financial year, increasing subscribed capital by EUR 1.4 million and capital reserves by EUR 4.1 million. The already high equity ratio was thus further increased in 2018.

Despite the high level of investments, **financial liabilities** reduced again significantly in 2018, from EUR 20.1 million to EUR 17.4 million as of 31 December 2018. This includes current financial liabilities amounting to EUR 6.6 million (31.12.2017 : EUR 7.3 million).

Short-term liabilities (excluding financial liabilities) / provisions of the Group in the amount of EUR 14.8 million fell slightly by EUR 0.3 million compared to the previous year. This was due to other liabilities, as both other provisions and trade payables increased.



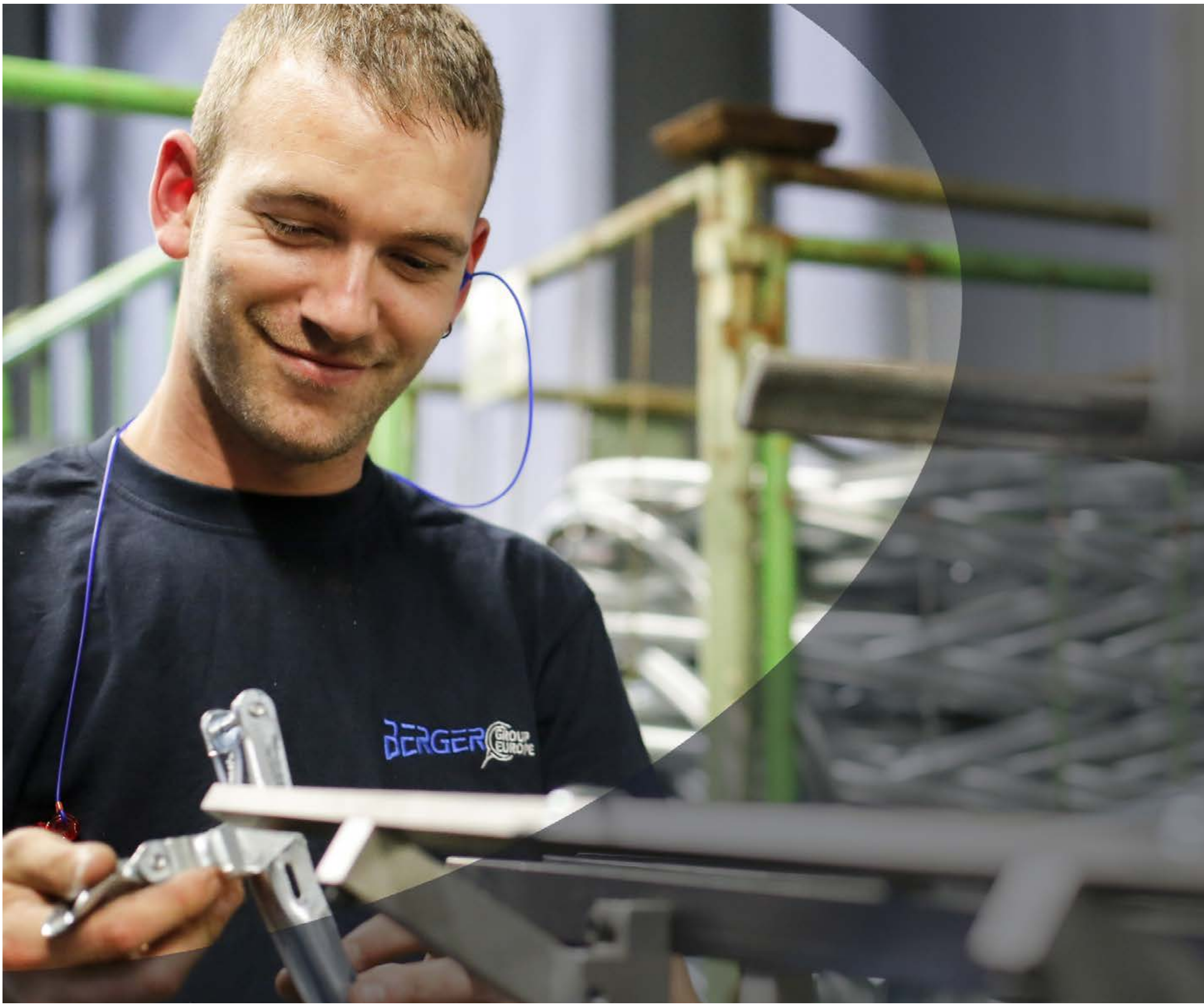
RESULTS OF OPERATIONS OF THE AG

	2018 kEUR	2017 kEUR	Change kEUR	Change %
Sales	940	940	0	0.0
Other operating income	21	79	-58	-73.4
Personnel expenses	-948	-889	-59	6.6
Amortization and write-downs of intangible fixed assets and depreation and write-downs of tangible fixed assets	-3	-4	1	-25.0
Other operating expenses	-2,305	-1,304	-1,001	76.8
Income from investments	1,180	878	302	34.4
Profits received under profit-pooling, profit transfer or partial profit transfer agreements	8,220	3,253	4,967	152.7
Other interest and similar income	52	19	33	173.7
Write-downs of financial assets and investments classified as current assets	-326	0	-326	>100.0
Interest and similar expenses	-12	-50	38	-76.0
Earnings before taxes	**6,819**	**2,922**	**3,897**	**133.4**
Taxes on income	-405	231	-636	-275,3
Earnings after taxes	**6,414**	**3,153**	**3,261**	**103.4**
Other taxes	-39	-7	-32	457.1
Net income for the year	6,375	3,146	3,229	102.6
Retained profits brought forward from the previous year	6,028	4,543	1,485	32.7
Retained Earnings	**12,403**	**7,689**	**4,714**	**61.3**

The company generated a net profit of EUR 6.4 million in the financial year 2018. This was EUR 3.1 million higher than the previous year's net income. The following facts have significantly influenced the annual result:

The intragroup services amounting to EUR 0.9 million corresponded to the previous year's revenue of EUR 0.9 million. Personnel expenses increased by EUR 0.1 million to EUR 1.0 million. Other operating expenses increased by EUR 1.0 million to EUR 2.3 million, mainly as a result of the use of third-party services. This was due to expenses in connection with the segment switch on the stock exchange, the changes in accounting to IFRS at Group level as well as expenses for consulting and services in the preparation of company acquisitions. Income from investments increased by EUR 0.3 million to EUR 1.2 million. The increase resulted from the business interest in HSM Sauermann GmbH & Co. KG. There was a significant increase in income from the profit and loss transfer. In 2018, these amounted to EUR 8.2 million compared to EUR 3.3 million in the previous year. After the income tax expense of EUR 0.4 million, the annual result was EUR 6,4 million (2017: EUR 3.1 million).

In the 2018 financial year, the company generated net profit of EUR 6.4 million



FINANCIAL SITUATION OF THE AG

	31.12.2018 total		31.12.2017 total		Change total	
	kEUR	**%**	kEUR	%	kEUR	%
Assets						
Property, plant and equipment	5	0.0	7	0.0	-2	-28.6
Financial assets	32,463	51.8	32,775	62.6	-312	-1.0
Fixed assets	**32,468**	**51.8**	**32,782**	**62.6**	**-314**	**-1.0**
Receivables from affiliated companies	29,464	47.0	11,078	21.2	18,386	166.0
Other fixed assets	180	0.3	75	0.1	105	140.0
Cash on hand, Bank balances	277	0.4	7,813	15.0	-7,536	-96.5
Current Assets	**29,921**	**47.7**	**18,966**	**36.3**	**10,955**	**57.8**
Deferred income	31	0.0	15	0.0	16	106.7
Deferred tax assets	282	0.4	566	1.1	-284	57.8
Other assets	**313**	**0.5**	**581**	**1.1**	**-268**	**-46.1**
	62,707	**100**	**52,329**	**100**	**10,373**	**19.8**
Equity						
Share capital	29,069	46.4	27,685	52.9	1,384	5.0
Capital reserves	17,042	27.2	12,751	24.4	4,291	33.7
Revenue reserves						
legal reserves	1,155	1.8	1,155	2.2	0	0.0
Other revenue reserves	1,728	2.8	1,728	3.3	0	0.0
Net profit of the year	12,403	19.8	7,689	14.7	4,714	61.3
Equity capital	**61,357**	**97.9**	**51,007**	**97.5**	**10,390**	**20.4**

	31.12.2018 total		31.12.2017 total		Change total	
	kEUR	**%**	kEUR	%	kEUR	%
Provisions						
Provisions for taxes	89	0.1	44	0.1	45	102.3
Other provisions	514	0.8	515	1.0	-1	-0.2
Total Provisions	**603**	**1.0**	**559**	**1.1**	**44**	**7.9**
Liabilities						
Liabilities to banks	0	0.0	600	1.0	-600	-100.0
Trade payables	682	1.1	133	0.3	549	412.8
Liabilities to affiliated companies	0	0.0	3	0.0	-3	-100.0
Other liabilities	20	0.0	28	0.1	-8	-28.6
Total liabilities	**702**	**1.1**	**763**	**1.4**	**-61**	**-8.0**
Debt capital	**1,305**	**2.1**	**1,322**	**2.5**	**-17**	**-1.3**
	62,702	**100**	**52,329**	**100**	**10,373**	**19.8**

The balance sheet total of EUR 62.7 million was significantly higher than the previous year's figure of EUR 52.3 million. The assets mainly increased in the receivables from affiliated companies amounting to EUR 29.5 million (31.12.2017: EUR 11.1 million). This was mainly due to the payments made in December 2018 in connection with the acquisition of Nittel. In this respect, Ringmetall AG has transferred the necessary liquidity to Fidum Verwaltungs GmbH. This resulted in receivables from Fidum Verwaltungs GmbH of EUR 10.5 million as at 31 December 2018 (31.12.2017: EUR 0.0 million). This is primarily due to the large decline in cash and bank balances to EUR 0.3 million (December 31, 2017: EUR 7.8 million). As already mentioned, the income from investments and profit transfers has increased significantly. This resulted in a noticeable increase in receivables from affiliated companies. The increase in subscribed capital by EUR 1.4 million and the capital reserve by EUR 4.3 million is due to the capital increase carried out in 2018. In addition, the holding result increased equity by EUR 6.4 million to a total of EUR 61.0 million. The equity ratio was 97.9 percent (December 31, 2017: 97.5 percent). Due to repayments made, liabilities to banks were reduced from EUR 0.6 million to EUR 0.0 million.

Balance sheet total of EUR 62.7 million significantly above previous year's figure

GENERAL FINANCIAL SITUATION

As the presentation of the asset situation shows, the capital structure of both the Group and Ringmetall AG improved in favor of the equity ratio by the capital increase as well as the generated result in the in the reporting year.

While the Group's equity ratio increased from 51.6 percent to 9.0 percent, Ringmetall AG achieved another increase in the equity ratio to around 97.9 percent in the reporting year, up from 97.5 percent in the previous year. The financial situation of Ringmetall AG was characterized by the mentioned capital increase and the cash outflow in connection with Nittel. Overall this led to a significant decrease in cash and cash equivalents of EUR 7.5 million to EUR 0.3 million.

Cash flow from operating activities declined by 24.9 percent to EUR 8.3 million in the reporting year

kEUR	**2018**	2017
Cash flow from operating activities	**8,249**	**10,984**
Cash flow from investment activities		
Inflows from the disposal of property, plant and equipment, of noncurrent assets held for sale, of financial assets and of intangible assets	695	1,692
Outflows for investments in property, plant and equipment and investments in intangible assets	-4,513	-1,328
Outflows for additions to the scope of consolidation in the previous year and in the current financial year	-11,373	-5,472
	-15,191	**-5,108**
Cash flow from financing activities		
Inflows from capital contributions	5,834	9,432
Inflows from borrowing financial loans and Outflows for the redemption of financial loans/leases	-5,864	-3,818
Outflows to owners (dividend payment)	-2,020	-1,770
	-2,050	**3,844**
Cash change in cash and cash equivalents		
Effect of exchange rates on cash	-8,992	9,720
Cash and cash equivalents at beginning of period	84	-141
Cash and cash equivalents at end of period	14,844	5,265
	5,936	**14,844**
Composition of cash and cash equivalents		
Cash and cash equivalents	5,936	14,936
Current liabilities to bank	0	-92
	5,936	**14,844**

2018 after EUR 11 million in the previous year. In addition to the non-recurring extraordinary expenses described above, the increase in inventories and trade receivables had a negative impact on cash flow.

At EUR -15.2 million, cash flow from investing activities was several times higher than the previous year's figure of EUR -5.1 million. Particularly noteworthy are payments for additions to the scope of consolidation in the amount of EUR 11.4 million, compared to EUR 5.5 million in the previous year. The payments in the reporting year mainly relate to the acquisition of Nittel, which will be consolidated from January 2019. The increase in payments for investments in property, plant and equipment and intangible assets from EUR 1.3 million in the previous year to EUR 4.5 million in 2018 illustrates the strategy adopted by the Executive Board to sustainably modernize the Group.

The cash flow from financing activities amounted to EUR -2.1 million in 2018 after EUR 3.8 million in the previous year. The capital increase in 2018 amounted to approximately five percent of the share capital compared to approximately ten percent of the share capital in 2017. Furthermore, the payment for the acquisition of Nittel was made from free cash. Thus, the balance of proceeds from borrowing and repayments and interest of EUR -5.9 million was significantly lower than the previous year's EUR -3.8 million. In 2017, the payment for the acquisition of Latza was partially funded by the borrowing of financial loans.

Cash and cash equivalents as of 31 December 2018, amounted to EUR 5.9 million, which represents a decline of 60.0 percent compared to the previous year-end figure of EUR 14.8 million.

INVESTMENTS

The most significant investments in the year under review included::

- Down payment on the acquisition of the business interest of Nittel based in Halle (Germany). Investments, excluding transaction costs, amounted to EUR 12.7 million, with part of the purchase price due at a later date.
- Investment in new software for production monitoring of around EUR 0.2 million..
- Investment in a new press for lids amounting to around EUR 0.2 million.
- Investments in two milling machines for the respective toolmaking at the locations in Italy and the USA. Investments amounted to EUR 0.1 million.

The investments were financed from current cash flow.

INTERNAL CONTROL SYSTEM / FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

The Group has an internal management information system for planning, management and reporting. The management information system ensures the transparency of the current business development and ensures the permanent comparison with the corporate planning. The budgeting covers a period of three years, of which one year is planned in great detail. In addition to the corporate strategy, revenues and EBITDA are the primary benchmarks for operational management. With regard to Ringmetall AG, the focus for operational management is on liquidity and earnings before taxes.

With regard to the comparison of the forecast with the actual figures for the financial performance indicators revenues and EBITDA, reference is made to the statements in the financial situation and results of operations as well as within the outlook.

Customer satisfaction with regard to quality and service of elementary importance

For Ringmetall customer satisfaction with quality and service is of elementary importance. The global quality management system ensures a high quality standard. Each national company is responsible for the quality of its products and services. The companies are supported by the superordinate central quality management. Thus, central requirements for the systems are given, internal quality audits are carried out and training measures are monitored. The complaint rate for the Industrial Packaging division rose slightly from 0.2 percent to 0.23 percent in the year under review. This includes complaints that were caused by primary products and/or external services.

In the Industrial Handling business unit, the planning of the raw materials required for production is even more significant than in the area of industrial packaging. As a result, continuous monitoring of order intake and order backlog in the Industrial Handling business unit is fundamental.

The number of employees (FTE) is given special attention, in addition to the reporting date review, with regard to their development over defined periods of time. The assessment of the extent of employee turnover is set in context to external influencing factors, such as location-related macroeconomic trends. Overall, Ringmetall observes an extremely low employee turnover across the Group. Due to the persistently high employment situation, of course, Ringmetall is also confronted with the shortage of skilled workers. This applies in particular to locations that are located in economically strong regions, such as the German sites in the regions of Karlsruhe (Berg site) and Ingolstadt (Ernsgaden site). As of 31 December 2018, the Industrial Packaging segment had around 530 FTE (31.12.2017: 460 FTE) and the Industrial Handling segment around 70 FTE (31.12.2017: 80 FTE).

Overall, Ringmetall continued to grow dynamically in the past fiscal year

OVERALL ASSESSMENT

Overall, Ringmetall continued to grow dynamically in the past fiscal year, increasing revenues within the range published in the forecast. At EUR 110.6 million, the Group's revenue was 8.0 percent – up on the previous year and thus in the upper half of the forecast range of EUR 108.0 to 112.0 million. The aEBITDA was slightly above the previous year at EUR 12.2 million. Compared to the forecast of EUR 12.5 to 13.5 million, however, the aBITDA was slightly below expectations. This was mainly due to the one-off extraordinary expenses described above, which included the conversion of accounting to IFRS and the change in the stock exchange segment. EBITDA in the financial year amounted to EUR 10.4 million. The Executive Board regards the business development of Ringmetall as fundamentally very positive. Only a few macroeconomic effects, such as the development of steel prices and the development of the US dollar and the Turkish lira against the euro, had an unfavorable effect on the company. These effects had a negative impact already in 2017 and continue to be particularly important in view of the global political situation.

The Executive Board continues to assess the economic development of the divisions as very satisfactory. In the Industrial Packaging area, the stable market positioning of Ringmetall and the optimally aligned sales structures have a particularly positive effect on sales and earnings growth. The investments made will also have a lasting positive effect in the future. In the area of industrial handling, the Executive Board considers the steps initiated in the previous year to be very successful and accordingly rates the current developments as sustainable.

Overall, the Management Board considers the development of Ringmetall AG and its success as Management Holding to be very good. Targeted investments and management of the operating divisions within the Group enabled the results described above to be achieved in the reporting year. The earnings situation, before taking into account the one-time special effects, as well as the assets and financial position of Ringmetall AG have developed well and form a good starting point for future acquisitions and thus for the economic development of the Group.

STRUCTURE AND PROCESSES OF THE RISK AND OPPORTUNITY MANAGEMENT SYSTEM

The Group's business segments are exposed to economic fluctuations and market cycles in the respective regions and industries. Group-wide identification and analysis of risks and opportunities are therefore an elementary component of sustainable and responsible Group management. In order to achieve the strategic goals, it is essential to identify, evaluate and manage risks and opportunities in good time. The management system implemented at Ringmetall therefore actively integrates the management of the individual business units and subsidiaries into corporate management. The foundations and specifications of the opportunity and risk management system are specified at Group level. Responsibility for the implementation of the individual requirements is borne by the Executive Board and the middle management of the individual subsidiaries.

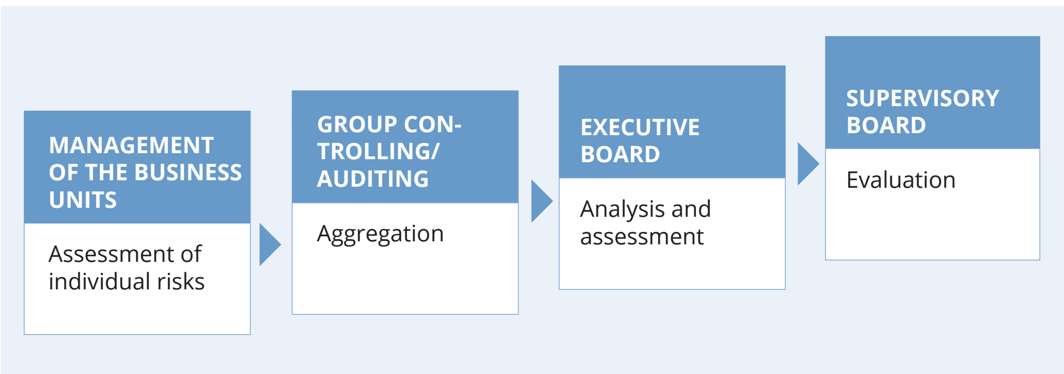
The Group-wide risk management system was further developed in 2018 as well. In addition to the continuation of internal audits, the software-based risk assessment solution introduced last year was further developed. The software provides clearly defined categories to optimally support targeted risk evaluation and addressing. This ensures the most complete possible recording of risks and increases the group-wide comparability of individual risk scenarios. A central goal is to identify all strategic, operational, legal and financial potential negative deviations (risks) at an early stage so that they can be controlled and monitored accordingly. Potential positive deviations (opportunities) are analyzed and recorded separately, using further processes.

Organization of the Risk Management

Holistic system of different control instances

The risk management system of the Ringmetall Group, through the involvement of the Supervisory Board, Management Board, Group Controlling / Internal Audit and the management of the divisions and subsidiaries, represents a holistic system of different supervisory authorities. The assignment of the central core tasks of the individual instances is as follows:

PROCESS OF RISK REPORTING



Further development of the opportunity and risk management system

The continuous further development of the opportunity and risk management system takes place in close cooperation between the Management Board and the Supervisory Board. A key element is the assessment of opportunities and risks.

The management of the divisions identifies and records the risks of the operating units via the software-based risk management system. As part of the recording, a first evaluation is made by assigning to predefined categories. The aggregation, further evaluation and presentation of the risks takes place centrally at Group level. The risk assessment is the product of the likelihood of the occurrence and the assessed potential extent of damage. In central management meetings with the board, mitigating measures are identified, evaluated and assigned responsibilities. Building on this, the final evaluation is carried out by the Management Board, followed by submission to the Supervisory Board.

In addition, acute risks arising from day-to-day operations, which at a high probability of occurrence carry a high damage potential, are communicated immediately to Group Controlling and the Management Board. Analogous to the procedure described above, measures are then taken to limit and mitigate the risks thus identified.

The risk management system is divided into integrated planning, reporting and control systems. This subdivision makes it possible to detect significant risks at an early stage, to evaluate them and then to take appropriate measures to counter them. The monthly report informs the respective Managing Directors and the Management Board about the status of the companies.

Internal guidelines for the approval of investments by the Management Board or Supervisory Board above a certain order volume represent a further measure of risk prevention. Also, contracts to be concluded or obligations to be entered that deviate from the normal case (for example, a particularly high order value, comparatively long contract duration) are in advance to be agreed by Group Controlling, the Management Board and, if necessary, a lawyer.

As part of internal audits, regular audits are carried out at the individual companies on site. Key components include the review of the recoverability, valuation and completeness of balance sheet items as well as compliance with internal guidelines. The Reporting is done directly to the Management Board.

Evaluation of Risks

For a clear assessment of the extent to which identified potential risks must be classified as material, the risks are classified according to their estimated probability of occurrence and its impact. At this stage an assessment is made within the framework of the so-called gross consideration, which means without any possible or already initiated countermeasures being included in the assessment. The scales for measuring the evaluation criteria are illustrated below.

Degree of potential impact		Probability of occurrence					
	5.0	low	medium	medium	medium high	high	high
	2.0	low	low	medium	medium high	medium high	high
	1.0	low	low	medium	medium	medium high	high
	0.5	low	low	low	medium	medium	medium high
	0.2	low	low	low	low	medium	medium high
	0.1	low	low	low	low	low	medium
		0.1	0.2	0.5	1	2	12
		1	2	3	4	5	6

Probability of occurrence of the risk			Quantification
1	Unlikely	Once every 10 years	< kEUR 100
2	Seldom	Once every 5 years	> kEUR 200
3	Occasionally	Once every 2 years	> kEUR 500
4	Regulary	Once a year	> kEUR 1.000
5	Frequently	Twice a year	> kEUR 2.000
6	Very frequently	Monthly	> kEUR 5.000

Handling and Monitoring of Risks

As part of the risk assessment, the responsibilities are assigned to the risks. At the same time, an analysis is made of the effectiveness of possible countermeasures and the general sustainability of a risk, taking into account all the circumstances. The analysis is always carried out taking into account the interests of all involved target groups such as customers, employees or investors.

The assessment of the effectiveness and thus the monitoring of the respective countermeasures is the responsibility of the relevant persons. In addition to the documentation in the context of the next risk assessment, information will be provided in the context of management meetings, provided that there has been a significant negative change in the previous assessment.

Key Features of the Internal Control and Risk Management System, relating to the Group Accounting Prozess

As part of the Group-wide control system of the Ringmetall Group, the Internal Control System ("ICS") is a central component with regard to the accounting. Ensuring compliance with regulations relevant to the Ringmetall Group - internally and externally - and guidelines is the central objective. These regulations and guidelines are binding for all subsidiaries of the Group. Possible effects of new regulations on the Ringmetall Group are analyzed together with external consultants. The implementation and corresponding monitoring is then carried out by internal authorities.

Continuous optimization of control processes and systems in the IT sector

The existing control processes and systems in the field of IT are also optimized by a steadily progressive centralization. Also, the centralized group ERP system, which has already been introduced in most subsidiaries, is being steadily implemented. Access rights are clearly regulated and monitored centrally. The group also uses the know-how of selected external specialists in the area of IT.

The preparation of the individual financial statements and the reporting to the central finance department is usually carried out by the accounting department of the national companies. Occasionally these are supported by local, external specialists. Appropriate regulations and guidelines are issued by the central finance department of the Ringmetall Group.

For the preparation of the consolidated financial statements, the reported data of the individual companies are imported into a consolidation tool. The reported financial statements are reviewed by the corporate headquarters. If necessary, an adjustment is made to the accounting guidelines of the Ringmetall Group. By means of these systems and controls, Ringmetall ensures with reasonable certainty a legally compliant financial reporting process.

The central financial area of the Ringmetall Group monitors liquidity, interest rate and currency risks throughout the Group. Ensuring liquidity is also the responsibility of the headquarters.

If required, appropriate hedges are concluded to reduce the interest rate risk on loans with variable interest rates. Forward exchange transactions are concluded only if substantial cash flows are expected in foreign currency on the assessment of corporate headquarters and there are risks due to high volatility. According to the internal guidelines, no transactions with financial instruments are used for speculative purposes.

OVERALL RISK

Slight decline in the number of all identified individual risks

Compared to the end of 2017, the overall risk situation is almost unchanged. The number of identified individual risks, irrespective of the classification, declined slightly. However, this development results exclusively from the categories "medium" and below.

Significant individual Risks

Individual risks are presented below, which from a current point of view could have a lasting effect on consolidated earnings over a period of 12 months. These risks were rated "high", "medium high" or "medium" in the analysis. Unless mentioned separately, the assessment of a potential impact on the financial and earnings position has changed only insignificantly compared to the previous year.

Overall Market Risk

A market risk arises from the fact that the macroeconomic and sector-specific development is negative in comparison to the planning or forecast. Periodic fluctuations in macroeconomic activity may also have an impact on, among other things, the global transport of goods and the industrial trucks market relevant for the Industrial Handling segment. In times of high economic and political uncertainty, customers have a tendency to postpone or cancel investments altogether. The Ringmetall Group always strives to organize the cost structure so that it can respond to fluctuations in demand. However, sustained declines in revenues would have a negative impact on earnings.

Even though the general economic situation in Germany and other European countries is considered to be stable in the opinion of the Management Board, new scenarios of financial crises and an economic downturn can not currently be ruled out.

Ringmetall is active with a factory in Turkey. Although this plant generates sales with foreign countries, the focus remains on the local Turkish market. The continuing political crisis within Turkey and Turkey with foreign countries is putting pressure on both the Turkish currency and the Turkish economy. As a consequence, the Turkish subsidiary suffered a sustained loss of revenue.

The risk relative to Turkey is currently rated as "medium high".

Competitive Risks

Immanent in a multi-vendor market is the risk of not achieving the planned targets, especially earnings targets, due to increasing competitive pressure. Competition in the markets relevant to the Ringmetall Group is taking place also very much over price. This pressure on prices and margins can be exacerbated if the effective steel purchase prices and the steel indices develop in opposite directions. The high quality and service demands of our customers represent a growth or market entry barrier for our competitors, especially in the Industrial Packaging segment. Nevertheless, further competitive pressure may arise here in the future as well.

The Ringmetall Group uses a variety of ways to minimize competitive risks and to further strengthen and expand its own market position. The increase in efficiency in the production facilities and the development of alternative sources of supply for raw materials are fundamental in this respect. Furthermore, Ringmetall is investing in product innovations and is constantly looking for opportunities to expand and strengthen its market position in growth regions.

Overall, the competition risks are classified as "medium high".

Risks associated with "digitization / Industry 4.0" - Competitiveness

The topic areas of "digitization" and "Industry 4.0" pose a number of new challenges for industrial companies around the world, and according to the current state of knowledge, it is not possible to estimate to what extent this could lead to disruptive changes for the business model In the future, the topic and the resulting challenges will be dealt with in detail, including the development of new software (LEANFOCUS) for production monitoring Production facilities were sustainably promoted in the past financial year, but the Management Board can not yet conclusively assess whether the current investments are extensive enough to meet future requirements to defend, and thus to expand, the current competitive position. However, Ringmetall's risk remains unimaginable due to the not fully apparent effects of possible economic changes that could result from the topics of "digitization" and "Industry 4.0." However, due to the successful investments in 2018, the risk is downgraded Comparison to last year from "medium high" to "medium"

Importance of Large Customers

In the 2018 financial year, Ringmetall generated around 45 percent of its revenues with its three largest customers - all international groups of companies. The remaining sales revenues were generated by the company with significantly more than 50 customers.

In the Industrial Packaging segment in particular, the not inconsiderable concentration of a significant share of revenue in two customers (around 43 percent of the 2018 segment revenue) is also seen as an advantage. Both suppliers and customers, as global companies, are interdependent due to their large share of sales in their respective industries. Irrespective of this, a loss of one or more key customers or a significant decline in the orders of these customers could lead to a significant decline in sales.

When considering all relevant factors, the risk of dependency on major customers is classified as "medium", in the previous year as "medium high".

Risks from raw materials and primary products

Ringmetall's business activities require a great deal of different raw materials, which are sourced from different suppliers and then further processed. This mainly affects steel and various components such as closures for the finished goods. For this purpose, Ringmetall is negotiating with different suppliers in order to obtain what, from the company's own perspective, can be regarded as the most favorable offer and to avoid any dependencies. Framework agreements were concluded with some suppliers, usually with a maximum duration of three months, to ensure continuous supply and a certain level of price stability on the purchasing side. In this context, customers in turn observe the developments in commodity prices in the different markets and are therefore also the basis for pricing.

The risk is considered "medium" for the reasons presented.

Warranty risks

Ringmetall randomly checks its products prior to sale as part of its internal quality management system. In principle, however, it can not be ruled out that defective products must be replaced, repaired or reduced in price within the scope of the statutory warranty obligations. The quality management system is constantly being further developed and regularly reviewed by internal and external parties.

Taking into account the existing measures, the risk of material warranty cases is assessed as "medium".

Delivery risks due to damage to equipment

Ringmetall has several production sites in Germany and other countries in the Industrial Packaging segment. Whereas in the segment Industrial Handling only one location in Germany is producing. On the basis of an analysis of the facilities and means of production, critical points were identified and, if technically or economically feasible, appropriate alternatives were created. Nevertheless, delays in delivery or destruction can occur in the worst case. In the Industrial Packaging segment, Ringmetall has a large number of fully automated systems for the production of heavy-duty clamping rings and very large quantities of clamping ring types as well as other automatic production systems for closures and other applications. Even though each of these clamping rings can also be manufactured on conventional systems in several locations, the failure of a fully automated system could lead to delivery delays.

Quality management and defined processes

Ringmetall counters these production risks with quality management and its defined processes, including systematic maintenance. Therefore, the risk is classified as "medium".

Risks due to failure of IT systems

Ringmetall relies on information technology ("IT") systems and networks or electronic data processing systems for its business and operational activities, which store and process sensitive business information and other proprietary information, which are susceptible to failure by fire, Floods, power outages, telecommunications failures, viruses, burglaries and similar events or security breaches.

Ringmetall has taken action to address risks by implementing advanced security technologies

Ringmetall has taken action to address these risks by implementing advanced security technologies, internal controls, resilient networks and data centers, and a recovery process. Thus, this risk is classified as "medium" in the overall assessment.

Personnel risks

For Ringmetall, motivated and qualified specialists and executives are fundamental for sustainable business success. To counteract the risks of a corresponding shortage, Ringmetall has improved its recruitment process in recent years and implemented a number of measures to increase its attractiveness as an employer. Both internal and external continuing education and training opportunities have been sustainably optimized. The opportunities for international assignments were also significantly expanded and internal career prospects significantly improved.

The classification of this risk is highly dependent on the location. Overall, the risk is classified as "moderate" from a group perspective.

BREXIT

A final political solution with regard to a possible withdrawal of Great Britain from the European Union is currently not foreseeable. Nobody can conclusively judge how far-reaching the consequences would be if no solution is found. One of the key measures we are taking at our UK site is to build stockpiles of raw materials and semi-finished products to maximize our supply capability. If the potential BREXIT results in a clouding of the economic situation in England or in the European economy, there is a risk that the development of earnings will fall short of planning.

In view of the size of the location in England, compared to the entire group, the risk is classified as "medium" by the Management Board.

OVERALL ASSESSMENT

The Management Board essentially assesses the risk position of Ringmetall as unchanged. No individual risks were identified which could jeopardize the continued existence of the Ringmetall Group. This also applies to an overall view of all risks. The countermeasures decided upon for essential risks as well as internal controls are regularly analyzed by the Management Board.

OPPORTUNITIES

In principle, the opportunities offered by Ringmetall in the course of the strategy process are determined or assessed in workshops. Opportunities are considered to be developments that can lead to a positive deviation from the strategic planning and thus to an additional improvement of the asset, financial and earnings position. The order of odds does not necessarily correlate with the current assessment of their importance to the group..

Global Economic Development / Globalization - Industrial Packaging

The global industrial packaging market was valued by research firm Allied Market Research for 2016 at a total of USD 53,743 million. The market is expected to grow to USD 69,787 million by 2023, representing an average annual growth rate (CAGR) of 3.9 percent from 2017 to 2023.

The products of Industrial Packaging are currently used mainly in the Chemical & Pharmaceutical and Food & Beverage industries. Industrial packaging for the chemical and pharmaceutical industries is expected to grow by 2023 in terms of sales volumes of 4.0 percent and 4.4 percent respectively for the food industry.

One of the main growth drivers in the industrial packaging market is increasing globalization and global population growth.[8] Both drivers benefit from the worldwide increase in exports and imports, which typically involve long-distance shipments, increasing the need for high-quality, resilient and secure industrial packaging. In addition, when applied in the chemical and pharmaceutical sectors, the shipped goods generally react sensitively to atmospheric influences and pose a threat

8 source: Allied Market Research, Global Industrial Packaging Market 2015-2023

to their environment. For this reason, a large number of drums and intermediate bulk containers (IBCs) are constantly needed to ship and store chemicals. In the food industry, similar factors are crucial, except that it is less the need to protect the environment from the packaged good, but much more often the packaged good to the environment. Oxygen, light and moisture often lead to decomposition processes, which make food unsuitable for consumption and should therefore be prevented by appropriate industrial packaging.

Global growth markets - Industrial Packaging

On a global scale, the key growth markets are Asia-Pacific, with an expected CAGR of 4.3 percent by 2023, LAMEA (Latin America, Middle East and Africa) with an expected CAGR of 3.4 Percent by 2023, followed by North America with an expected 2.6 percent and Europe with an expected 1.8 percent CAGR.[9] Ringmetall is currently active primarily in the markets of Europe and North America, and is increasingly expanding its business in the growth markets Asia-Pacific and LAMEA.

9 source: Allied Market Research, Global Industrial Packaging Market 2015-2023

Global Economic Development - Logistics / International Goods Traffic

In the markets that are important for the Industrial Handling business segment, Ringmetall sees itself more as a specialized niche provider. As capital goods, materials handling vehicles such as forklifts and warehouse equipment - so-called industrial trucks - are in stronger demand in economically good times than in periods of economic weakness. The market for such vehicles tends to follow the general business cycle with a delay of six to nine months.

In 2018, the world market for material handling equipment again showed strong growth compared with the previous year.

In 2018, the world market for material handling equipment once again registered strong growth compared with the previous year, with an increase of 10 percent and 143,000 forklift trucks, respectively. The main drivers are above all the strong growth in e-commerce, which requires higher investments in storage and logistics capacities, as well as an investment backlog on the customer side. Leading manufacturers in the industry, such as Jungheinrich and Kion, expect the growth trend to continue in 2019 as well.

Global Economic Development - Increase in the World Population

In the second market, which is important for the development of the industrial handling business - the agricultural machinery sector - demand tends to follow the evolution of prices for the world's most important food products. The development of the market volume for agricultural machinery in the EU is therefore highly correlated with the development of the price index of the Food & Agricultural Organization (FAO) of the United Nations. The steady increase in the world's population is leading to continued growth in demand for food. As a consequence, this will also lead to rising food prices in many areas. As mentioned, this can lead to an increase in demand for agricultural machinery.

Development of own products - Industrial Handling

Ringmetall has a niche position in its Industrial Handling division in the product areas of restraint systems for forklifts, brake and clutch pedals, trailer hitches for trucks, electric trucks and tractor units in agriculture and forestry, holders for hydraulic components, lift mast parts for industrial trucks, cast housings and complex welded assemblies. In recent years, the company has invested more heavily in the development of its own products and sees itself well positioned in the competitive environment due to steadily rising customer demand. In 2019, the planned further investments in plants as well as in the further development of own products will be continued.

Synergies and efficiencies

Ringmetall continuously examines its internal and external processes for potential to leverage intra-Group synergies or increase efficiencies. For example, production processes are regularly analyzed in order to increase the utilization of machines, to reduce changeover times or to optimize employee qualifications. The further development of production facilities or the relocation of production parts to locations optimized according to regional criteria are also being continuously advanced.

RISK REPORTING ON THE USE OF FINANCIAL INSTRUMENTS

The significant risks of the Group arising from the financial instruments include cash flow risks as well as liquidity and default risks. The aim of corporate policy is to avoid or limit these risks as much as possible. The handling of these risks has already been dealt with in detail in the risk report in the corresponding sections. If necessary, Ringmetall uses derivative financial instruments to hedge against interest rate and market risks. In addition, securities and derivatives are traded on a limited basis as part of the reinvestment activities. A detailed description can be found in the notes to the consolidated financial statements.

Outlook

In preparing the forecast report, Ringmetall is guided by the statements and forecasts of the current publications of leading institutions such as the Federal Ministry for Economic Affairs and Energy (BMWi), the European Central Bank (ECB) and the International Monetary Fund (IMF) in conjunction with the forecasts of leading business associations, such as the German Engineering Federation (VDMA) and the German Chemical Industry Association (VCI). In addition, the general perceptible mood on the capital markets and the current mood on the part of the customer influence the decision-making process.

The Management Board of Ringmetall AG acknowledges the generally clouded sentiment in various sectors of business with due respect, even though there are currently only slight recessive tendencies noticeable in the operative business. As a result, the company's Management Board continues to expect a fundamentally positive development in the relevant target markets. For the current financial year 2019 and beyond, the company plans to further consolidate and expand its market and competitive position. On average, therefore, Ringmetall expects unchanged organic sales growth of three to five percent for the coming years.

Inorganic growth through the acquisition of relevant companies or parts of companies continues to be a key driver for the further growth of the Ringmetall Group. Although the market is showing that valuation levels for corporate acquisitions are at an overall higher level, the Management Board does not expect any further rise in these valuation levels due to the perceived slowdown in the general mood in the economy. Moreover, in the event that key indicators of economic growth continue to deteriorate, the Management Board expects the valuation levels to decline, which should in principle have a positive effect on Ringmetall's negotiating position. The Management Board of Ringmetall continues to pursue a very conservative attitude in its fundamental approach in the course of corporate acquisitions. Based on its many years of experience in such transactions and the dominant position from a buyer's point of view in individual key market areas, the company considers its chances to be able to conclude transactions to tend to have lower valuation levels than expected in the current market conditions. In the past, Ringmetall has repeatedly proven that the company continues to invest sustainably in purchased parts of the company and secures jobs over the long term. Especially in the acquisition of medium-sized companies Ringmetall therefore enjoys in contract negotiations usually a significant advance of trust from potential sellers. Both in the area of acquisitions against the background of further international expansion and acquisitions for the vertical expansion of the product range, there are attractive growth potentials for Ringmetall. The expansion of the business model into adjacent industries is also considered to be a fundamentally possible growth option if the company also rates the opportunity / risk ratio as attractive. On this basis, in addition to further acquisitions in the Industrial Packaging division, particularly in the sub-segment of so-called inliners for industrial drums and tanks, the Management Board also views acquisitions in the Industrial Handling division as still attractive options.

Against the backdrop of the generally perceived subdued mood in the relevant target markets, the outlook for the financial year 2019 is initially within the scope of a wider range than usual and will be specified in the further course of the year. Accordingly, the Management Board expects consolidated revenues for the full year 2019 to be between EUR 120.0 and 130.0 million and EBITDA between EUR 12.0 and 14.0 million. This already includes a scenario based on a slight decline in steel prices. In addition, the revenue and earnings contribution of Nittel, which was consolidated for the first time on 1 January 2019, is included. Possible effects from planned company acquisitions are not part of the forecast. With regard to Ringmetall AG, the Executive Board expects a slight increase in earnings before taxes compared to the reporting year as well as a stable financial position.

For the full year 2019, the Management Board expects consolidated sales of between EUR 120.0 million and EUR 130.0 million respectively

Further investments in the development of new production machinery

In the current financial year, Ringmetall will continue to invest in the development of new production machines and the further automation of production machines using industrial robots. Above all, the expansion of production capacities in the sub-division of inliners for industrial casks and tanks will be in the foreground in 2019. This is planned, on the one hand, through the organic creation of capacities and, on the other hand, through the expansion of capacities in the course of company acquisitions in this segment. In addition, the company will continue to invest in improving production processes and the overall product quality. For the planned steps, the company sees itself well positioned from a financial perspective as well as from the point of view of the available management capacities.

REMUNERATION REPORT

Transparent reporting on the remuneration of the Management Board and Supervisory Board is one of the core elements of good corporate governance for the Company. For further information on corporate governance, please refer to the website of Ringsmetall and the Declaration of Conformity published there.

In the following, we inform you about the principles of the remuneration system as well as the structure and amount of benefits.

Management Board

The compensation of the Management Board is determined by the Supervisory Board and regularly reviewed. The existing remuneration system ensures remuneration of the Executive Board that is commensurate with the duties and responsibilities. In addition to personal performance, the economic situation, the success and the future prospects of the Group are taken into account.

The total compensation consists of a fixed and a performance-related variable component that is independent of performance. If the targets are fully met, the fixed salary component amounts to around 60 percent and the variable part to around 40 percent of the total compensation. The amount of the bonus depends on the extent to which the goals agreed at the beginning of the financial year between the Supervisory Board and the Management Board have been achieved.

In addition, the remuneration of the Management Board may include non-cash benefits, which essentially include the values for the use of the company car to be applied in accordance with the tax guidelines.

The fixed compensation structure also includes statutory social security contributions for the two board members. These taxes are recognized in personnel expenses.

EXECUTIVE BOARD KEUR	Occupation	Total expenditure 2018	not performance-based	performance-based
Mr. Christoph Petri (Chairman of the board)	Merchant	270	160	110
Mr. Konstantin Winterstein	Engineer	293	183	110
Total expenditure		**563**	**343**	**220**

EXECUTIVE BOARD KEUR	Beruf	Total remuneration 2018	not performance-based	performance-based
Mr. Christoph Petri (Chairman of the board)	Merchant	230	160	70
Mr. Konstantin Winterstein	Engineer	253	183	70
Total remuneration (cash effective)		**483**	**343**	**140**

The former member of the Management Board, Jörg Rafael, received performance-related, cash-effective remuneration for 2018 for his previous employment amounting to kEUR 46. Of this amount, kEUR 31 was recognized as an expense in 2018.

The remuneration of the members of the Management Board during the financial year amounted to:

The Supervisory Board

The remuneration of the Supervisory Board is set out in the Articles of Association and is determined by the Annual General Meeting. Accordingly, the members of the Supervisory Board receive compensation in each financial year, which consists of

In 2018 members of the Supervisory Board received a total of kEUR 113

fixed compensation and reimbursement of travel expenses. In 2018, the members of the Supervisory Board received a total of EUR 113 thousand.

Information according to § 315a and 289a HGB

Composition of the subscribed capital

The subscribed capital of Ringmetall AG as of 31 December 2018 amounts to approximately EUR 29 million. It is divided into 29,069,040 no-par-value registered shares with a pro rata amount of the share capital of EUR 1.00 each. The development of subscribed capital can be found in the notes to the consolidated financial statements.

Each share conveys one vote and, if applicable, with the exception of any non-dividend-bearing young shares, the same share of the profit in accordance with the dividend distribution decided by the Annual General Meeting. The rights and obligations arising from the shares result from the statutory provisions, in particular from §§ 12, 53a ff., 118 ff. And 186 AktG. As of 31 December 2018, there were no shares in treasury.

Restrictions affecting voting rights or the transfer of shares

The company has no rights from its own shares. In the cases of section 136 of the German Stock Corporation Act, the voting rights of the affected shares are excluded by law.

Statutory regulations and provisions of the Articles of Association regarding the appointment and dismissal of members of the Management Board and amendments to the Articles of Association

Appointment of Management Board members generally limited to three years

Appointment and dismissal of the members of the Management Board are based on §§ 84, 85 German Stock Corporation Act. Pursuant to § 84 of the German Stock Corporation Act, the members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. However, the Supervisory Board of Ringmetall AG has decided to limit the appointment of members of the Executive Board to three years as a rule. A repeated appointment or extension of the term of office, each for a maximum of five years, is permitted.

According to § 6 of the Articles of Association, the Management Board consists of one or more persons. The number of members is determined by the Supervisory Board. Pursuant to § 84 (2) of the German Stock Corporation Act, the Supervisory Board may appoint a member of the Management Board as Chairman. If a required member of the Management Board is missing, the member is appointed by court order in urgent cases at the request of one of the parties pursuant to § 85 (1) of the German Stock Corporation Act. The Supervisory Board may revoke the appointment to the Management Board and the appointment as Chairman of the Management Board pursuant to Section 84 (3) of the German Stock Corporation Act if there is good cause for doing so.

The Articles of Incorporation can only be amended by a resolution of the Annual General Meeting in accordance with § 179 of the German Stock Corporation Act. Unless mandatory provisions of the law provide otherwise, resolutions of the Annual General Meeting - with the exception of elections - are passed in accordance with § 133 of the German Stock Corporation Act, § 17 (1) of the Articles of Association by a simple majority of the votes cast and possibly by a simple majority of the represented capital. For a change in the corporate purpose, a majority of 75 percent of the represented share capital is required pursuant to § 179 (2) of the German Stock Corporation Act; the option of determining a larger capital majority for this purpose is not used in the Articles of Association. Amendments to the Articles of Association, which only affect the wording, may be adopted by the Supervisory Board in accordance with § 17 (2) of the Articles of Association. Changes to the Articles of Association become effective pursuant to § 181 (3) of the German Stock Corporation Act with entry in the commercial register.

Authorizations of the Executive Board to issue or buy back shares

At the Annual General Meeting on 29 August 2014, the Executive Board was authorized until 31 July 2019, with the approval of the Supervisory Board, to increase share capital by a total of up to EUR 10,200,000.0 by issuing new bearer shares (ordinary shares) once or several times against cash contributions and/or contributions in kind, whereby the subscription right of the shareholders may be excluded in certain cases (Authorized Capital 2014/I). By resolution of the Supervisory Board of 14 August 2018, the share capital was increased from EUR 27,684,800.00 by EUR 1,384,240.00 to EUR 29,069,040.00. The Authorized Capital of 29 August 2014 (Authorized Capital 2014/I) amounts to EUR 6,735,760.00 after partial utilization.

At the Annual General Meeting on 31 August 2015, the Executive Board was authorized until 30 August 2020, with the approval of the Supervisory Board, to increase the share capital by a total of up to EUR 3,120,000.00 by issuing new bearer shares (ordinary shares) once or several times against cash contributions and/or contributions in kind, whereby the subscription right of the shareholders can be excluded (Authorized Capital 2015/I). The Authorized Capital of 31 August 2015 (Authorized Capital 2015/I) amounts to EUR 832,000.00 after partial utilization.

At the Annual General Meeting on 30 August 2016, the Executive Board was authorized until 31 July 2021, to increase the share capital against cash contributions and/or contributions in kind by a total of up to EUR 3,432,000.00, with the approval of the Supervisory Board, whereby the shareholders' subscription rights can be excluded (Authorized Capital 2016/I). The authorized capital of 30 August 2016 (Authorized Capital 2016/I) amounts to EUR 915,200 after partial utilization.

At the Annual General Meeting on 30 August 2018, the Executive Board was authorized until 31 July 2023, with the approval of the Supervisory Board to increase the share capital against cash contributions and/or contributions in kind by up to EUR 3,975,200, whereby the shareholders' subscription rights can be excluded (Authorized Capital 2018/I).

Significant agreements under the condition of a change of control

In the 2018 financial year, Ringmetall AG has not concluded any agreements that contain provisions for the event of a change of control, as may occur, inter alia, as a result of a takeover bid.

THE RINGMETALL GROUP

Consolidated Balance Sheets

As of 31.12.2018

ASSETS kEUR	Note	31.12.2018	31.12.2017
Non-current assets			
Intangible assets	16	582	321
Goodwill	15,16	22,599	22,211
Property, plant and equipment	17	12,515	12,189
Other non-current assets	18	12,803	146
Deferred tax assets	13	790	943
Total non-current assets		**49,289**	**35,810**
Current assets			
Inventories	20	11,610	10,950
Trade and other receivables	21	13,763	12,460
Other current assets	22	1,510	918
Current tax receivables	22	163	322
Cash and bank balances	23	5,936	14,936
Non-current assets held for sale	19	–	400
Total current assets		**32,982**	**39,986**
Total assets		**82,271**	**75,796**

LIABILITIES kEUR	Note	**31.12.2018**	31.12.2017
Equity			
Share capital	24	29,069	27,685
Capital reserves	24	16,664	12,532
Currency translation differences recognized outside profit or loss		-1,361	-2,131
Consolidated loss carryforward		3,153	-56
Non-controlling interests	24	1,012	1,072
Total equity		**48,537**	**39,102**
Non-current liabilities			
Provisions for post-employment benefits	25	773	806
Financial liabilities	27	10,752	12,809
Deferred tax liabilities	13	783	462
Total non-current liabilities		**12,308**	**14,077**
Current liabilities			
Other provisions	26	2,212	2,135
Current tax liabilities		442	349
Financial liabilities	27	6,601	7,301
Trade payables	28	10,390	9,684
Other liabilities	28	1,781	2,920
Liabilities directly related to non-current assets held for sale*	19, 27	–	228
Total current liabilities		**21,426**	**22,617**
Total liabilities		**33,734**	**36,694**
Total assets		**82,271**	**75,796**

* The liabilities reported as non-current liabilities in the previous year in direct connection with non-current assets held for sale were reclassified to current liabilities in the year under review. The previous year's figure was adjusted accordingly.

Consolidated Income Statement

From 1.1. to 31.12.2018

kEUR	Note	**2018**	2017
Revenue	10	110,567	102,348
Other income	10	1,512	1,199
Change in inventories of finished goods and work in progress		495	40
		112,574	**103,587**
Cost of materials	11	-64,937	-57,032
Cost of personnel	11	-21,703	-20,101
Other expenses	11	-15,130	-14,060
Other taxes	11	-373	-353
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**10,431**	**12,041**
Depreciation, amortization and write-downs	16,17	-2,151	-2,006
Earnings before interest and taxes (EBIT)		**8,280**	**10,035**
Finance income	12	12	19
Finance costs	12	-637	-1,119
Net income for the year from continuing operations before taxes		**7,655**	**8,935**
Income tax expense	13	-2,499	-1,800
Consolidated net income for the year		**5,156**	**7,135**
Consolidated net income for the year attributable to:			
Shareholders of Ringmetall AG		4,847	6,766
Non-controlling interests		309	369
Earnings per share			
Basic earnings per share (EUR)	14	0.17	0.27
Diluted earnings per share (EUR)	14	0.17	0.27

Consolidated Statement of Comprehensive Income

From 1.1. to 31.12.2018

kEUR	Note	**2018**	2017
Consolidated net income for the year		5,156	7,135
Items in other comprehensive income that could affect expenses or income in the future:			
Foreign business currency translation differences	6	760	-1,897
Items of other comprehensive income that will not be recognized as expenses or income in the future:			
IFRS 15	6	22	0
Result from the revaluation of the severance payment obligation	25	18	0
Income tax attributable to components of other comprehensive income	25	7	0
Other comprehensive income		**807**	**-1,897**
Group comprehensive income		**5,963**	**5,238**
Total comprehensive income attributable to:			
Shareholders of Ringmetall AG		5,506	4,866
Non-controlling interests		357	372

Consolidated Cash Flow Statement

From 1.1. to 31.12.2018

kEUR	Note	**2018**	2017
1. Cash flow from operating activities			
Consolidated net income	14	5,156	7,135
Write-downs on non-current assets		2,151	2,006
Tax expense and deferred taxes	13	2,499	1,800
Gain (-)/loss (+) on asset disposals	10	-400	-521
Net interest income		626	1,100
Cash flow before interest, taxes and refinancing		**10,032**	**11,520**
Increase (-)/decrease (+) in inventories and trade and other receivables		-1,963	-77
Increase (+)/decrease (-) in provisions		44	394
Increase (-)/decrease (+) in trade payables, other liabilities and accruals		705	1,705
Increase (+)/decrease (-) in the statement of financial position – non-cash		1,202	-852
Cash flow before interest and taxes		**10,020**	**12,690**
Income taxes paid		-1,771	-1,706
Cash flow from operating activities		**8,249**	**10,984**
2. Cash flow from investment activities			
Inflows from the disposal of property, plant and equipment		35	1,677
Inflows from the disposal of non-current assets held for sale		660	–
Proceeds from imposals of intangible assets		–	15
Outflows for investments in property, plant and equipment		-2,450	-1,096
Outflows for investments in intangible assets		-2,063	-232
Outflows for additions to the scope of consolidation in the previous year		-250	-2,170
Outflows for additions to the scope of consolidation in the current financial year		–	-3,302
Outflows for additions to the scope of consolidation in the following financial year		-11,123	–
Cash flow from investment activities		**-15,191**	**-5,108**

kEUR	Anhangangabe	**2018**	2017
3. Cash flow from financing activities			
Inflows from capital contributions		5,834	9,432
Inflows from borrowing financial loans		–	2,831
Outflows for the redemption of financial loans/leases		-5,208	-5,587
Outflows to owners (dividend payment)		-2,020	-1,770
Interest paid and received		-656	-1,062
Cash flow from financing activities		**-2,050**	**3,844**
4. Cash and cash equivalents at end of period			
Cash change in cash and cash equivalents (sub-totals 1-3)		-8,992	9,720
Effect of exchange rates on cash		84	-141
Finanzmittelfonds am Anfang der Periode		14,844	5,265
Cash and cash equivalents at end of period		**5,936**	**14,844**
5. Composition of cash and cash equivalents			
Cash and cash equivalents	23	5,936	14,936
Current liabilities to banks		–	-92
Cash and cash equivalents at end of period		**5,936**	**14,844**

* Due to a better presentation, interest paid and received was reported under cash flow from financing activities and not under cash flow from operating activities. The previous year's figures have been adjusted accordingly.

Consolidated Statement of Changes in Equity

As of 31.12.2018

kEUR	Note	Share capital	Capital reserves	Currency translation reserve
As of 1.1.2017 (IFRS)		**25,168**	**5,573**	**-231**
Consolidated net profit for 2017				
Capital increase		2,517	6,959	
Dividend payments/distributions				
Other comprehensive income				-1,900
Other changes				
Change in scope of consolidation				
Total transactions with owners of the company		**2,517**	**6,959**	**-1,900**
As of 31.12.2017 (IFRS)		**27,685**	**12,532**	**-2,131**
As of 1.1.2018 (IFRS)		**27,685**	**12,532**	**-2,131**
Consolidated net profit for 2018	14			
Capital increase	24	1,384	4,132	
Dividend payments/distributions	6, 25			
Other comprehensive income				770
Change in scope of consolidation				
Total transactions with owners of the company		**1,384**	**4,132**	**770**
As of 31.12.2018 (IFRS)		**29,069**	**16,664**	**-1,361**

Revaluation of severance obligation	Effect of first-time adoption of IFRS 15	Consolidated loss carryforward	Total	Non-controlling interests	Total equity
0	0	-5,365	25,145	1,161	26,306
		6,766	6,766	369	7,135
			9,476		9,476
		-1,258	-1,258	-512	-1,770
			-1,900	3	-1,897
		-12	-12		-12
		-187	-187	51	-136
0	0	5,309	12,885	-89	12,796
0	0	-56	38,030	1,072	39,102

0	0	-56	38,030	1,072	39,102
		4,847	4,847	309	5,156
			5,516		5,516
		-1,661	-1,661	-359	-2,020
25	22		817	-10	807
		-24	-24		-24
25	22	3,162	9,495	-60	9,435
25	22	3,106	47,525	1,012	48,537

NOTES

1. GENERAL INFORMATION

Ringmetall AG (hereafter: “Ringmetall”) is a leading specialist supplier in the packaging industry with worldwide production and sales locations. The main activities of Ringmetall and its subsidiaries are allocated to the Industrial Packaging and Industrial Handling business units. An overriding function in the organizational structure is taken over by Ringmetall as the managing holding company. It unites central corporate functions in itself.

It was registered on 2 December 1997 in the Commercial Register Munich (HRB 118683) of the Munich District Court as H.P.I. Holding Aktiengesellschaft. The headquarters of the company are located in Munich. The address is Innere Wiener Straße 9, 81667 Munich.

In the financial year 2018, Ringmetall completed a change of the stock market segment into the Regulated Market (General Standard) of Deutsche Börse. On 26 July 2018, Ringmetall published a prospectus for the public offering of 1,384,240 new bearer ordinary shares of no par value for admission to the Regulated Market (General Standard) on the Frankfurt Stock Exchange.

The consolidated financial statements of Ringmetall are prepared in euros. Unless otherwise stated, details are given in kEUR. The amounts are commercially rounded.

2. PRINCIPLES OF ACCOUNTING

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. In addition, the commercial law provisions to be applied pursuant to § 315e (1) HGB were taken into account in the preparation of the consolidated financial statements. The principles of recognition, measurement and disclosure are applied uniformly by all companies within the scope of consolidation.

The presentation in the consolidated income statement is based on the total cost method. In order to improve presentation and information, the income statement was supplemented by the subtotals “Earnings before interest, taxes, depreciation and amortization (EBITDA)” and “Operating profit (EBIT)”.

The Management Board of Ringmetall AG has prepared the consolidated financial statements for 2018 at 29 April 2019 approved for publication [Date of approval for submission to the Supervisory Board by the Management].

Details of significant accounting policies, including changes in accounting policies, are given in Note 6.

3. PRESENTATION CURRENCY

These consolidated financial statements are prepared in euros, the functional currency of Ringmetall AG (parent company) and presented in thousands of euros (kEUR), which may result in rounding differences.

4. DECISIONS AND ESTIMATES

In certain cases, it is necessary to apply estimates and premise-sensitive accounting principles. These include complex and subjective assessments, as well as the use of assumptions, some of which concern issues that are inherently uncertain and may be subject to change. Such estimation and premise-sensitive accounting policies may change over time and have a significant impact on the net assets, financial position and results of operations of Ringmetall. In addition, they may include estimates that Ringmetall may have otherwise made in the same reporting period for equally reasonable reasons. Ringmetall points out that future events often deviate from forecasts and estimates routinely require adjustments.

4.1 Judgments, Assumptions and Estimates

IInformation about judgments in the application of accounting policies, as well as information about assumptions and estimation uncertainties that materially affect the amounts recognized in the consolidated financial statements or that could materially affect the presentation of the Group's net assets, financial position and results of operations, are set out in the notes below contain:

- Note 8 - Acquisition of subsidiaries: Asset Deals in the case of incomplete information at the time of determining the fair values,
- Note 15 - Impairment of goodwill,
- Note 13 - Appropriation of deferred tax assets: uncertainty regarding future taxable profit,
- Notes 25 and 26 - Provisions: material assumptions about the likelihood and extent of inflows or outflows, and interest rate determination;
- Note 34 - Events after the balance sheet date.

All estimates and judgments are reviewed on an ongoing basis and are based on past experience and other factors, including expectations of future events that may affect the Company financially, and are considered appropriate under the circumstances.

In financial year 2018, no adjustments were made as a result of identified errors or changes in previous estimates.

4.2 Determination of fair values

The consolidated financial statements have been prepared on the historical cost basis, but a number of accounting standards require the determination of fair value for financial and non-financial assets and liabilities.

The Group has defined a control framework concept for determining the fair values. This includes in-house monitoring of all significant fair value measurements.

When determining the fair value of an asset or liability, the Group uses as far as possible observable market data. Based on the input factors used in the valuation techniques, the fair values are classified into different levels in the fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Valuation parameters that are not quoted prices included in Level 1, but which can be observed for the asset or liability either directly (ie as price) or indirectly (ie as a derivative of prices).
- Level 3: Valuation parameters for assets or liabilities that are not based on observable market data.

If the inputs used to determine the fair value of an asset or liability can be classified in different levels of the fair value hierarchy, the fair value measurement is allocated in its entirety to the level of the fair value hierarchy that corresponds to the lowest input factor which is essential to the overall evaluation.

The Group recognizes reclassifications between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred.

Further information on the assumptions used to determine the fair values is given in the following notes:

- Note 6 and 30 - Financial Instruments.

5. DIRECTORY OF THE SUBSIDIARIES

For accounting policies, see Note 6.

Listed below are all subsidiaries of Ringmetall.

The consolidated financial statements as of December 31, 2018 include all companies in which Ringmetall AG can exercise direct or indirect control over financial and business policy. Subsidiaries are included in the consolidated financial statements by full consolidation from the date on which control is transferred to the Group. They are deconsolidated at the point at which control ends.

Subsequent subsidiaries are included in the consolidated financial statements as of December 31, 2018 by Ringmetall AG by way of full consolidation:

NAME OF THE COMPANY	Office	Country	Share in capital (%)
August Berger Metallwarenfabrik GmbH	Berg	Germany	100
Fieder Verwaltungs GmbH	Munich	Germany	100
Berger Closures Limited	Peterlee	Great Britain	75.57
Hollandring (BV) Besloten Vennootschap	Vaassen	Netherlands	100
Berger Group Europe Iberica, S.L.	Reus	Spain	100
CEMSAN Metal Parca Imalat Limited Sirketi	Dilovasi-Kocaeli	Turkey	100
S.G.T. S.r.l.	Albavilla	Italy	80
Berger Closing Rings (Changshu) Co., Ldt.*	Changshu	China	100
Berger Italia S.r.l.	Valmadrera	Italy	100
Metallwarenfabrik Berger GmbH	Sessenhausen	Germany	100
Berger US Inc.	Birmingham	USA	100
Self Industries Inc.**	Birmingham	USA	100
HSM Hans Sauermann GmbH & Co. KG	Ernsgaden	Germany	100
Latza GmbH	Attendorn	Germany	100
Berger Hong Kong Limited	Hong Kong	China	80
Societé Civile Immobiliére (SCI) Berger France***	Niederlauterbach	France	100
Fidum Verwaltungs GmbH	Munich	Germany	100

* Shares are held through Berger Hong Kong Limited, Hong Kong.
** Shares are held through Berger US Inc., Birmingham.
*** 51 percent are held by Fieder Verwaltungs GmbH, Munich.

Subsequent subsidiaries are not included in the consolidated financial statements as of 31 December 2018 by Ringmetall AG:

NAME OF THE COMPANY	Office	Country	Share in capital (%)
Berger Verwaltungs GmbH	Berg	Germany	100
HSM Hans Sauermann Verwaltungs GmbH	Ernsgaden	Germany	100

6. MAJOR ACCOUNTING AND VALUATION METHODS

6.1 Changes in accounting policies

As of 1 January 2018, the Group applied IFRS 15 and IFRS 9 for the first time. Due to the transitional methods adopted by the Group in applying these standards, the comparative information in these financial statements has not been restated to the new standards, with the exception of the separately recognized impairment losses on trade receivables and other financial assets.

The following new standards were to be applied for the first time for the financial year 2018, without this having a significant impact on the presentation of the consolidated financial statements of Ringmetall:

IFRS 9 "Financial Instruments"

The classification of financial assets is based on the two criteria "Business Model" and "SPPI".
The measurement of financial liabilities has remained unchanged under IFRS 9 compared to IAS 39.

Reconciliation - Classification and Evaluation

The following table summarizes the impact of changes in classification and measurement assets, excluding impairment for items affected by IFRS 9, from IAS 39 as of 31 December 2017 to IFRS 9 as of 1 January 2018:

	IAS 39	IFRS 9	IAS 39	IFRS 9
	Valuation category	Valuation category	book value 31.12.2017	book value 1.1.2018
Assets				
Other non-current financial assets	L&R	AC	146	146
Trade receivables	L&R	AC	12,460	12,460
Other current financial assets	AfS	FVPL	400	400
Cash and cash equivalents	L&R	AC	14,936	14,936
Total			**27,942**	**27,942**
Liabilities				
Non-current liabilities	L&R	FLAC	12,809	12,809
Trade payable	L&R	FLAC	9,684	9,684
Current financial liabilities	L&R	FLAC	7,301	7,301
Total			**29,794**	**29,794**

Reconciliation – Impairment

The conversion of the value adjustment model from IAS 39 as of 31 December 2017 to IFRS 9 as of 1 January 2018 had no significant impact. As a result, the impairment was waived as of January 1, 2018 for “AC” and “FVOCIr” financial assets. Existing adjustments to financial assets measured at fair value before 1 January 2018 have been retained unchanged.

The amendments to IFRS 9 had no significant impact on the presentation of the net assets, financial position and results of operations of the present consolidated financial statements, see the illustration above.

As at 31 December 2017, an impairment loss in accordance with IAS 39 of kEUR 270 was recognized on the impairment account. The revaluation has had no impact. As of 1 January 2018, expected credit losses according to IFRS 9 amounting to kEUR 270 were taken into account on the impairment account.

IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 “Revenue from Contracts with Customers” replaces a large number of existing regulations on revenue recognition in various standards and interpretations. The objective of IFRS 15 is to use a five-step model to set out principles that companies use to report on the nature, amount, timing and uncertainty of revenues and resulting cash flows from a contract with a customer has.

The first application was according to the modified retrospective method, i.e. the cumulative differences between old and new rights in the amount of kEUR 22 were posted to other comprehensive income as of 1 January 2018. In financial year 2018, there was a total earnings effect before taxes of kEUR 5.

In the case of ring metal, adjustments result from the realization of sales revenues from delivery transactions via consignment stores, which according to the new standard (see IFRS 15.B77ff.) Are no longer subject to the regulations for consignment warehouses.

As a result, Ringmetall has experienced changes in the timing of revenue recognition for deliveries to the consignment stock of customers. To date, revenue recognition has been carried out in accordance with IAS 18 (decisive factor was the transfer of the significant property-related risks and rewards [risk and reward]), an asset is considered transferred under IFRS 15 if the customer has gained control over the asset.

By delivering Ringmetall's products to the consignment stock, customers immediately acquire physical possession of the assets, which means that the power of disposal is transferred. This leads to a temporal advance of the realization date and thus to an earlier recognition of the sales revenues.

The disclosure of assets not yet invoiced to customers ("Contract Assets" in accordance with IFRS 15 "Appendix A") is generally recognized under "Assets from customer contracts". Advance payments received, acc. IFRS 15 are to be classified as "Contract Liabilities" are reported under "Liabilities from customer contracts". If the removal from the consignment warehouse takes place on the part of the customer, the product delivery is billed to the customer and the contract asset is written off in favor of a claim from delivery and service. The same applies to the sales transactions in accordance with IFRS 15.35 c. When the actual delivery of the products to the customer occurs, the contract is invoiced and the contract asset is written off in favor of a trade receivable. Since both items are of minor importance in relation to trade receivables or trade payables or prepayments received and are therefore not classified as material, no explicit disclosure is made in the balance sheet but rather in the respective balance sheet item Section of the notes to the consolidated financial statements.

Overall, the application of IFRS 15 has not had a material impact on the presentation of the net assets, financial position and results of operations of the present consolidated financial statements.

For further information on the application of new accounting policies, please refer to section 35 of this Annex.

6.2 Principles of consolidation

Inclusion of subsidiaries

In addition to Ringmetall AG, all significant subsidiaries over which Ringmetall AG can exercise control are included in the consolidated financial statements by way of full consolidation. Mastery is when the company:

- exercises power over the investee,
- is exposed to fluctuating returns on their participation, and
- can influence the returns on the basis of their power of disposal.

The results of the subsidiaries acquired in the course of a financial year are recognized in the consolidated income statement and other comprehensive income as of the actual date of acquisition.

If necessary, the annual financial statements of the subsidiaries are adjusted in order to align the accounting policies with the methods used in the Group.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated in full as part of consolidation.

Non-controlling interests in the earnings and equity of subsidiaries are disclosed separately in the consolidated income statement, the statement of comprehensive income, the statement of changes in equity and the balance sheet.

Increase in the Group's stake in existing subsidiaries

Changes in the investment quotas of Ringmetall AG to subsidiaries that do not lead to a loss of control over this subsidiary are accounted for as equity transactions. The non-controlling interests are adjusted to the changed share ratio of the shareholders. A difference between the amount of this adjustment and the fair value is to be set off against the equity attributable to the shareholders of the parent company.

Acquisition of business operations (Business Combinations)

The acquisition of business operations is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. This is determined as the sum of the fair values of the assets transferred at the time of acquisition, the liabilities assumed by the former owners of the acquired company and the equity instruments issued by the Group in exchange for the control of the acquired company. Acquisition-related costs are expensed.

The acquired identifiable assets and assumed liabilities are always measured at their fair values.

To the extent that the sum of the consideration transferred, the amount of all non-controlling interests in the acquired company and the fair value of the equity interest previously held by the acquirer in the acquired company exceeds the revalued net assets of the acquisition object at the acquisition date, goodwill is recognized. A negative difference arising in the opposite case must be recognized directly in profit or loss.

Non-controlling interests currently conferring ownership rights and granting the holder, in the event of liquidation, the right to receive a proportionate share of the net assets of the enterprise are measured on receipt of the relevant proportion of the net identifiable assets.

If the first-time recognition of a business combination at the end of a financial year has not yet been completed, Ringmetall will declare provisional amounts for the items that have not yet been determined conclusively.

If new information becomes available within the valuation period to clarify the circumstances at the time of acquisition, the provisional amounts are adjusted or additional assets or liabilities are recognized, if necessary.

6.3 Foreign currency

The assets and liabilities of foreign subsidiaries whose functional currency is not the euro are converted by Ringmetall at the average spot exchange rate at the end of the reporting period. In contrast, expenses and income are translated at annual average rates. The differences resulting from the translation are recognized in equity and reclassified to profit or loss when the gain or loss on the sale of a foreign subsidiary is recognized. The items of the consolidated cash flow statement are translated at average rates during the year, whereas cash and cash equivalents are translated at the average spot exchange rate at the end of the reporting period.

Translation differences from monetary items are recognized in profit or loss in the period in which they occur.

Goodwill arising from the acquisition of a foreign operation and adjustments to the fair value of the identifiable assets and liabilities are treated as assets or liabilities of the foreign operation and translated at the closing rate. Resulting translation differences are recognized in equity.

The exchange rates used for translation of the major currencies in the Group are shown in the table below:

1 EURO		Balance sheet closing rate		P&L average rate	
		31.12.2018	31.12.2017	**31.12.2018**	31.12.2017
Great Britain	GBP	0.9011	0.8879	0.8865	0.8755
China	CNY	7.8691	7.7997	7.8137	7.6564
Turkey	TRY	6.0365	4.5339	5.5620	4.1319
USA	USD	1.1443	1.1979	1.1785	1.1345

All sub-segments operate almost completely in their respective country-specific home market, so that transactions in foreign currency are of minor importance. As far as financing is required, these is usually made in local currency.

6.4 Revenue recognition

Ringmetall generates its sales almost exclusively through the manufacture and sale of clamping rings and their associated closures (Industrial Packaging segment) as well as the production and marketing of vehicle components for special vehicles in logistics and warehouse logistics and agriculture (Industrial Handling segment). It is delivered exclusively to corporate customers. Contracts are concluded with these customers, which form the basis for the supply relationship.

The performance obligations are fulfilled at the time when the customer has obtained full power over the goods. At this point in time, the sales revenues are realized. The time of the transfer of power of disposal is usually determined on the basis of the agreed order conditions, in particular the Incoterms. In the case of transactions via consignment warehouses, the transfer of power of disposal is already carried out with consignment to the consignment warehouse for certain contracts, so that the economic power of disposal over the legal ownership is transferred to the consignment customer.

The proceeds from the sale are measured at the fair value of the consideration received or to be received, these are the prices agreed in the customer contracts. Payments are usually due in 30 to 60 days - in individual cases due to country-specific conditions also in up to 90 days - and do not include any financing components.

6.5 Financial income and financing expenses

Interest income is recognized if it is probable that the economic benefit will flow to the Group and the amount of the income can be reliably determined. Interest income is deferred according to the outstanding nominal amount using the relevant effective interest rate. The effective interest rate is the interest rate at which the expected future cash inflows over the life of the financial asset are discounted to the net carrying amount of that asset on initial recognition.

Dividend income from shares is recognized when the legal entitlement of the Company to receive payment has been incurred.

Finance costs are recognized in profit or loss in the period in which they are incurred.

6.6 Income taxes

Income tax expense represents the total of current tax expense and deferred tax.

Current or deferred taxes are recognized in the consolidated income statement. If current or deferred taxes result from the first-time recognition of a business combination, the tax effects are included in the accounting for the business combination.

A. Current Taxes

Current tax expense is calculated on the basis of taxable income for the year. The taxable income differs from the net income from the Consolidated Income Statement in respect of expenses and income that will be taxable or deductible in later years or never. The Group's liability for current taxes is calculated on the basis of current or future tax rates.

B. Deferred Taxes

Deferred taxes are recognized in the consolidated financial statements for the differences between the carrying amounts of the assets and liabilities and the corresponding tax bases in the calculation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences; Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available for which the deductible temporary differences can be utilized. Such deferred tax assets and deferred tax liabilities are not recognized when the temporary differences from goodwill or from initial recognition (other than business combinations) of other assets and liabilities resulting from incidents that do not give rise to taxable income touch the net income.

Deferred taxes on loss carryforwards are recognized if the losses can be utilized for tax purposes within the next five years.

Deferred tax liabilities are formed for taxable temporary differences arising from investments in subsidiaries, unless the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets resulting from temporary differences relating to investments in subsidiaries are recognized only to the extent that it is probable that sufficient taxable income will be available to use the claims arising from the temporary differences. In addition, it must be assumed that these temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is tested each year on the balance sheet date and reduced in value if it is no longer probable that sufficient taxable income will be available to fully or partially realize the claim.

Deferred tax liabilities and claims are determined on the basis of expected tax rates and tax laws that are expected to apply at the time the liability is settled or the asset is realized. The measurement of deferred tax assets and liabilities reflects the tax consequences of the manner in which the Group expects to settle the liability or realize the asset as of the reporting date.

6.7 Earnings per share

The undiluted earnings per share are calculated by dividing the net profit attributable to the shareholders of the parent company by the weighted average number of shares in circulation during the financial year. Diluted earnings per share are calculated on the assumption that all potentially dilutive financial instruments and share-based compensation plans are converted or exercised.

6.8 Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is valued using the average cost method. The production costs include directly attributable individual and overhead costs.

The net realizable value represents the estimated selling price of inventories less all estimated expenses still required for completion and disposal.

6.9 Property, plant and equipment

A. Land and buildings

Land and buildings held for the production or supply of goods or for the provision of services or for administrative purposes are valued at acquisition or production cost less accumulated straight-line depreciation and impairments. Depreciation on buildings is recognized in profit or loss. For buildings and related leasehold improvements, 5-50 years are used as the useful life. Land is not depreciated.

B. Other facilities

Technical equipment and machinery, office furniture and equipment and other equipment are reported at acquisition or production cost less accumulated depreciation and recognized impairments.

Depreciation is carried out in such a way that the acquisition or production costs of assets are amortized on a straight-line basis over their useful life. The expected useful lives, residual values and depreciation methods are reviewed on each reporting date. All necessary changes in estimates are taken into account by adjusting the depreciation plan for the future.

The following useful lives were used to determine the depreciation of property, plant and equipment:

- Technical equipment and machines: 3-10 years
- Other equipment, operating and office equipment: 3-15 years

The depreciation rules presented also apply to assets held by Ringmetall under finance leases. However, if there is no reasonable assurance that ownership will be transferred to the lessee at the end of the lease, the assets will be amortized over the shorter of the lease term and the expected useful life.

6.10 Intangible assets

A. Acquired intangible assets

Acquired intangible assets with a determinable useful life are valued at acquisition cost less accumulated depreciation and impairment. Depreciation is charged on a straight-line basis over the expected useful life and recognized as an expense. The estimate of the expected useful life and the method of depreciation are reviewed on each reporting date and adjusted, if necessary, for the future.

The useful lives of software used to calculate depreciation are between three and five years.

B. Intangible assets acquired in the context of a business connection

Intangible assets acquired as part of a business combination are recognized separately from goodwill and measured at their fair value at the acquisition date.

In subsequent periods, intangible assets acquired as part of a business combination, as well as individually acquired intangible assets, are valued at their acquisition costs less accumulated depreciation and impairments.

C. Goodwill

As part of the first-time application of IFRS, the goodwill calculated in previous years in accordance with the principles of the German Commercial Code (HGB) was retained in accordance with the simplification rules as of 1 January 2016.

At the time of acquisition, Ringmetall uses the goodwill resulting from a business combination in the amount of the difference between the revalued net assets of the acquired business on the one hand and the consideration given at the fair values of any shares held before the business combination and the value of the uncontrolled shareholders ,

For impairment testing purposes, goodwill is, upon acquisition, allocated to the Group's cash-generating units (or groups thereof) that are expected to benefit from the synergies of the combination.

The cash-generating units considered are essentially identical to the legal units of the respective sub-divisions.

Cash-generating units to which part of the goodwill has been allocated are to be tested for impairment at least once a year. If there is evidence of unit impairment, it may be necessary to perform impairment tests more frequently. If the recoverable amount of a cash-generating unit is less than the carrying amount of the unit, the impairment loss is initially allocated to the carrying amount of goodwill allocated to the unit and then pro rata to other assets based on the relative ratio of its carrying amounts. The recoverable amount is the higher of the value in use and the fair value less costs to sell.

Any impairment loss on goodwill is recognized directly in the income statement. An impairment loss recognized for goodwill may not be reversed in future periods.

When a cash-generating unit is sold, the outgoing pro rata book value of the goodwill is taken into account when determining the disposal gain.

6.11 Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet if Ringmetall becomes a party to the financial instrument. In the year under review, the Company applied the standard IFRS 9 "Financial Instruments" and the resulting changes to other IFRS standards for financial years beginning on or after1 January 2018 for the first time. Due to the transitional provisions of IFRS 9, it may not be necessary to adjust comparative figures.

Accordingly, the Company has applied the requirements of IFRS 9 to instruments accounted for as of 1 January 2018 and not to those already derecognized prior to 1 January 2018.

Until the conversion to IFRS 9, the financial assets and liabilities were classified in the categories according to IAS 39 and reported accordingly. Potential first-time application effects would thus be reflected in the equity of the opening balance sheet for the 2018 financial year.

With the application of IFRS 9, there are now new requirements for:

- the classification and measurement of financial assets and financial liabilities,
- the impairment of financial assets as well as
- the accounting for hedging relationships.

Classification and measurement of financial assets and financial liabilities

IFRS 9 provides for the classification of financial assets (debt instruments only) using both the business model used for the financial assets concerned and the contractual cash flow characteristics of the individual financial asset (Solely Payments of Principal and Interest (SPPI) criterion) , An order for this test is not specified.

Business models

According to IFRS 9, the following three business models are possible:

- "Hold to Collect" - financial assets held with the aim of collecting the contractual cash flows;
- "Hold to Collect and Sell" - financial assets held with the aim of both collecting and selling the contractual cash flows,
- "Other" - financial assets held for trading or which do not meet the criteria of the other two categories.

The assessment of the business model requires an audit based on facts and circumstances at the time of this review. The basic model at Ringmetall is "holding intention". Despite being assigned to this business model, unplanned sales are possible in the normal course of business.

In principle, the Company may, upon initial recognition of a financial asset, exercise the following irrevocable options:

- the Company may irrevocably resolve to recognize in other comprehensive income changes in the fair value of an investment in equity instruments that are neither held for trading nor contingent consideration recognized by a transferee in a business combination in accordance with IFRS 3; and
- the Company may irrevocably resolve to designate a financial asset that would have been either measured at amortized cost or at fair value through profit or loss using the above criteria, at fair value through profit or loss, provided this eliminates any mismatch in valuation or recognition or significantly reduced.

The exercise of the fair value options does not apply to Ringmetall.

Financial assets at amortized cost (AC)
A financial asset that is a debt instrument is classified as an amortized cost (AC) and is subsequently measured when the financial asset is held in a "holding-intention" business model and the contractual cash flows are the SPPI. Meet criterion. In addition, a possible fair value option may not have been used, but this is only possible if it avoids valuation and recognition inconsistencies.

Here, the financial asset is initially recognized at fair value. Subsequent measurement is performed using the effective interest method, adjusted for any impairments using the expected credit loss model (ECL model).

Financial assets at fair value with changes in value recognized directly in equity (FVOCIr)
A financial asset that is a debt instrument is classified and valued as a fair value through other comprehensive income with recycling if the financial asset is held in a "hold and sell" business model and the contractual cash flows are the SPPI. Meet criterion. In addition, a possible fair value option may not have been used, but this is only possible if it avoids valuation and recognition inconsistencies.

Here, the financial asset is measured at fair value, with all changes in fair value recognized in other comprehensive income, ie in equity. The interest components (using the effective interest method) and currency translation effects are recognized in profit or loss.

The unrealized gains and losses are only reclassified to the income statement upon disposal of the financial asset.

Financial assets at fair value with change in value in the income statement (FVPL)
Any financial asset (debt instrument) held for trading purposes or which does not qualify for the "holding intention" or "holding and selling" business model is, like derivatives and equity instruments, assigned to the "Other" business model and carried at fair value through profit or loss (" Fair Value through Profit and Loss - FVPL ").

In addition, each financial asset (debt instruments), even if it complies with the business model of "holding intention" or "holding and selling intent" that does not meet the SPPI criterion, must be measured at fair value through profit or loss.

Financial instruments are included and held for trading if they are principally for the purpose of short-term disposition in the short term.

Financial liabilities
Financial liabilities are measured at amortized cost using the effective interest method.

Impairment and risk provisioning in accordance with IFRS 9
The impairment provisions under IFRS 9 are applied to debt instruments measured in AC or FVOCIr, trade receivables, contract assets and off-balance-sheet commitments such as loan commitments and financial guarantees ("impairment-relevant financial instruments").

The approach to determining impairments and risk provisioning changes from a model of credit default occurrence (under IAS 39) to an expected credit default model (ECL model under IFRS 9), in which the loan loss provisioning on initial recognition of the impairment-related financial instrument is based on the prevailing expectations of potential credit losses at that time.

For trade receivables and contractual assets under IFRS 15, Ringmetall uses the simplified approach. For this purpose, the necessary impairments in a value adjustment table are determined on the basis of historical default rates on maturity categories, supplemented by current information and expectations. Trade receivables are grouped by geographical area, as the terms of payment differ from one geographic location to another.

Otherwise, the simplified impairment model of IFRS 9 is used.

Step-by-step approach to determining the expected failures

IFRS 9 provides for a three-stage approach to the valuation allowance for impairment-relevant financial instruments that were classified as non-credit-impaired at the time of their formation or acquisition. A time-sliced calculation of the ECL is performed using the probability-of-default (PD), the expected exposure-at-default (EAD) and loss-given default (LGD), taking into account the effective interest rate as part of discounting.

This approach can be summarized as follows:

Level 1: A value adjustment is made in the amount of the expected losses within 12 months. This corresponds to the portion of expected losses from default events that are expected within 12 months of the balance sheet date, unless an increase in default risk has occurred since the initial recognition.

Level 2: An impairment loss is recognized in the amount of the expected losses over the entire remaining term, if there is a significant increase in the credit risk since the initial recognition. This corresponds to the portion of expected losses from default events that are expected within the remaining time to maturity after the balance sheet date and accordingly leads to a higher level of loan loss provisions compared to level 1 if the remaining term exceeds 12 months.

Level 3: Here, the likelihood of occurrence regarding the expectation of value adjustment is 100 percent and has thus already occurred or is assumed to be certain. These are creditworthiness impaired financial assets. This can also be given on access.

Significant increase in default risk

The determination of whether there has been a significant increase in the credit risk since initial recognition is determined by Ringmetall on the basis of reasonable and reliable forward-looking information that is available without undue burden. In particular, probabilities of default calculated by rating agencies are taken into account for the credit rating.

Notwithstanding the above, a significant increase is assumed to be refutable if a debtor is more than 30 days behind.

The assessment of a significant increase in credit risk since initial recognition is the basis for the classification in Level 1 or Level 2 of the ECL model.

Impairment-relevant financial instruments in level 3

A default on a financial asset is determined on the basis of recoverable cash flows.

Notwithstanding the above, a failure is presumably suspected if a debtor is more than 60 days behind. Due to the customer structure, payment delays are not uncommon and usually do not result in value adjustments.

Derivatives

Derivatives are generally allocated to the category "Other" and are recognized and recognized in the income statement at their fair value. Valuation effects are recognized in profit or loss. The evaluation are generally accepted valuation models, such as the Black-Scholes model or the Heath-Jarrow-Morton model framework.

Hedge accounting is not used by Ringmetall.

6.12 Equity

An equity instrument is a contract that gives rise to a residual claim on the assets of a company after deducting all debts.

Financial instruments issued by Group companies are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definitions.

6.13 Impairment of property, plant and equipment and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of property, plant and equipment and intangible assets to determine whether there are indications of impairment of these assets. If such indications are identifiable, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. If the recoverable amount for the individual asset can not be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. In determining the value in use, the estimated future cash flows are discounted at a pre-tax interest rate.

If the estimated recoverable amount of an asset or cash-generating unit falls below the carrying amount, the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount. The impairment loss is recognized immediately in profit or loss.

If the impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the most recent estimate of the recoverable amount. The increase in carrying amount is limited to the amount that would have resulted if no impairment loss had been recognized for the asset or cash-generating unit in previous years. A reversal is recognized immediately in profit or loss.

6.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits with an initial maturity of up to three months, and checks, bills of exchange, and on-the-go payments. The cash and cash equivalents are measured at fair value..

6.15 Assets held for sale

Non-current assets or disposal groups are classified as held for sale if the related carrying amount is predominantly realized through a disposal transaction and not through continued use. This is assumed if the divestment process is completed within one year of such classification. Non-current assets and disposal groups classified as held for sale are valued at the lower of their original carrying amount and the fair value less costs to sell.

6.16 Provisions

Provisions are formed when the Group has a present obligation (legal or constructive) from a past event, the settlement of which is likely to be associated with the outflow of resources and the amount of which can be reliably estimated

The recognized provision amount is the best estimate at the reporting date for the benefit to be granted to meet the current obligation. If a provision is valued on the basis of the cash flows estimated to meet the obligation, these cash flows are discounted if the time value of money is material.

6.17 Pension-like provisions

Provisions for severance pay obligations are measured in accordance with IAS 19, taking into account the country-specific mortality tables, the age- and gender-specific characteristics probability and other demographic parameters.

6.18 Leases

Leases are classified as finance leases if the lease agreement transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Ringmetall is the lessee. Assets held under a finance lease are initially recognized by the entity at fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognized as a financial liability within the consolidated balance sheet. The lease payments are divided into interest expenses and the repayment of the lease obligation, so that a constant interest on the remaining liability is achieved. Interest expenses are recognized directly in the consolidated income statement. Rental payments under operating leases are recognized as other expenses on a straight-line basis over the term of the lease.

6.19 Research and development costs

The initial valuation of internally generated intangible assets is at cost. Research costs are not part of the cost of sales and are recognized as an expense in the period in which they are incurred.

Own work capitalized is subject to a limited useful life and amortized over its expected useful life (usually within 3 to 10 years).

In the financial year, only insignificant expenses were recognized in the consolidated income statement for research and development. These expenses were incurred in connection with the further development of production.

7. EXTENSION OF THE SCOPE OF CONSOLIDATION

Fidum Verwaltungs GmbH was included in the Group for the first time as of 1 January 2018 as part of full consolidation. As of 1 January 2018, the company has a balance sheet total of kEUR 3. Due to the fact that the subsidiary has not yet conducted any of its own business activities, no revenue was generated in the financial year 2018 and only a net loss of kEUR 24 was realized. Fidum Verwaltungs GmbH will act as an intermediate holding company in the future.

The first-time consolidation did not have any significant effects on the net assets, financial position and results of operations of the Group, which is why a detailed presentation of the first-time consolidation is not provided here.

8. ACQUISITION OF ASSETS OF CHANGZHOU HONG-REN PACKAGING EQUIPMENT CO. LTD.

In February 2018, Changzhou Hong-Ren Packaging Equipment Co. Ltd. acquired long-term assets in the form of production facilities. and contribution to the existing subsidiary in China as part of an asset deal. For the investments a purchase price of kEUR 407 was paid.

A detailed presentation of the acquisition is waived as the transaction and its effects are considered immaterial.

9. BUSINESS SEGMENTS

The Executive Board is the responsible corporate body in accordance with IFRS 8. For corporate management purposes, the Group is subdivided into the business segments “Industrial Packaging” and “Industrial Handling”, based on the products offered by the segments.

Both segments also represent the reportable segments.

The business segment “Industrial Packaging” specializes in the development, production and marketing of packaging elements for the barrel industry. The product range, which concentrates exclusively on industrial barrels, includes not only the clamping ring, cover and seal, but also handles, locking units and special components for specific requirements.

The second business segment “Industrial Handling” produces application-oriented vehicle attachment parts for special vehicles in freight logistics and warehouse logistics. This segment develops and produces restraint systems, lift mast parts and clutch and brake pedals for tractors, trucks and, above all, industrial trucks. But also complex welded assemblies and trailer coupling systems as well as hydraulic components are part of the product range.

The Executive Board assesses the business segments on the basis of EBITDA. EBITDA represents earnings before interest, taxes, depreciation and amortization.

Revenues

Sales between the segments are carried out at market prices. Sales of external customer, who will be reported to the board, will follow the same principles as measured in the income statement.

	2018			2017		
kEUR	Segment revenues	Intersegmental revenues	Revenues from external clients	Segment revenues	Intersegmental revenues	Revenues from external clients
Industrial Packaging	107,278	9,897	97,381	96,945	8,658	88,287
Industrial Handling	13,183	0	13,183	14,077	16	14,061
Other	951	948	3	1,027	1,027	0
Total	**121,412**	**10,845**	**110,567**	112,049	9,701	102,348

All revenues from external customers result from the sale of goods. The first-time application of IFRS 15 resulted in adjustment effects for the Group, which are attributable exclusively to the Industrial Packaging segment. Revenues are realized on a time-related basis in both the Industrial Packaging and Industrial Handling segments. Please refer to Note 6.1 for further explanations on IFRS 15 Initial Conversion Effects.

Segment results

kEUR	2018	2017
Industrial Packaging	10,833	12,086
Industrial Handling	1,274	1,161
Other	-1,674	-974
EBITDA before consolidation	**10,433**	**12,273**
Consolidation effects on EBITDA	0	-232
EBITDA	**10,433**	**12,041**
Depreciation Property, plant and equipment	-1,982	-1,907
Amortization intangible assets	-170	-99
EBIT	**8,280**	**10,035**
Financing result	-625	-1,100
Earnings before income taxes	**7,655**	**8,935**
Income tax expense	-2,499	-1,800
Net results	**5,156**	**7,135**

Financial assets

The amounts of the assets reported to the Executive Board are valued in the same way as in the consolidated financial statements. These assets are allocated to the segments according to the business activity. Geographical allocation is not important for the board.

kEUR	**31.12.2018**	31.12.2017
Industrial Packaging	21,371	24,518
Industrial Handling	1,920	1,735
Other	9,682	19,049
Segment assets	**32,973**	**45,302**
Reconciliation consolidated balance sheet	-13,274	-17,907
Not distributed:		
Property, plant and equipment	12,515	12,189
Intangible assets	582	321
Goodwill	22,599	22,211
Deferred tax assets	790	943
Inventory	11,610	10,950
Current tax receivables	163	322
Others assets	14,313	1,065
Non-current assets held for sale	0	400
Assets according to consolidated balance sheet	**82,271**	**75,796**

Segment assets consist of trade receivables and bank balances.

Liabilities

Segment liabilities are valued in the same way as in the consolidated financial statements. These liabilities are allocated to the segments according to the business activity.

kEUR	**31.12.2018**	31.12.2017
Industrial Packaging	27,693	41,123
Industrial Handling	1,470	960
Other	9,238	2,197
Segment liabilities	**38,401**	**44,280**
Reconciliation consolidated balance sheet	-14,493	-15,414
Not distributed:		
Financial liabilities leasing	1,045	807
Financial liabilities other loans	2,790	349
Pension provisions	773	806
Deferred tax liabilities	783	462
Other liabilities	1,781	2,920
Other provisions	2,212	2,135
Current tax liabilities	442	349
Liabilities according to consolidated balance sheet	**33,734**	**36,694**

Segment liabilities consist of trade payables and financial liabilities.

Group-wide information

The total non-current assets, which are not deferred taxes, are distributed among the following countries:

	31.12.2018 Total non-current assets that are not deferred taxes				
kEUR	**Total**	Germany	USA	Italy	Other
Property, plant and equipment	12,515	8,263	890	1,949	1,413
Intangible assets	582	284	0	50	248
Goodwill	22,599	6,530	11,835	4,135	99
Other non-current assets	12,803	12,793	0	10	0
Total non-current assets excluding deferred taxes	**48,499**	**27,870**	**12,725**	**6,144**	**1,760**

	31.12.2017 Total non-current assets that are not deferred taxesd				
kEUR	**Total**	Germany	USA	Italy	Other
Property, plant and equipment	12,189	7,872	736	2,150	1,431
Intangible assets	321	195	0	39	86
Goodwill	22,211	6,530	11,447	4,135	99
Other non-current assets	146	137	0	10	0
Total non-current assets excluding deferred taxes	**34,867**	**14,734**	**12,183**	**6,334**	**1,616**

Revenues from transactions with non-Group customers in Germany amount to kEUR 35,032 (2017: kEUR 34.304). Revenues from transactions with non-Group customers in the USA amount to kEUR 29,059 (2017: kEUR 26,168). Revenues from foreign customers based outside Germany and the USA amount to kEUR 46,476 (2017: 41,876.

Revenues of kEUR 22,811 (2017: kEUR 21,682) and kEUR 18,676 (2017: kEUR 17,276) respectively are based on transactions with two customers.

10. REVENUES AND OTHER OPERATING INCOME

10.1 Revenues

kEUR	2018	2017
Clamping rings, lids, etc.	97,381	88,287
Vehicle attachment parts, etc.	13,183	14,061
Other	3	-
Total	**110,567**	**102,348**

The main activity of the Group is the production and sale of clamping rings and the associated closures (Industrial Packaging segment) as well as the production and marketing of vehicle attachment parts for special vehicles in logistics and warehouse logistics as well as agriculture (Industrial Handling segment).

The Group generated revenue from contracts with customers in accordance with IFRS 15 amounting to kEUR 110,564. All revenues in both segments will be generated and recorded with point in time relation in the reporting year, as in the previous year.

10.2 Other operating income

kEUR	2018	2017
Income from the reversal of provisions and value adjustments on receivables	634	84
Profit / loss on disposal of property, plant and equipment	400	521
Income from exchange rate differences	321	38
Other own work capitalized	121	94
Rental income	16	27
Other income	20	435
Total	**1,512**	**1,199**

11. OPERATING EXPENSES

11.1 Cost of material

kEUR	2018	2017
Expenses for raw materials and supplies	54,366	46,603
Expenses for services received	10,571	10,429
Total	**64,937**	**57,032**

Expenses for services received include in particular expenses for agency staff.

11.2 Cost of personnel

kEUR	2018	2017
Wages and salaries	17,901	16,561
Social security contributions	3,802	3,540
Total	**21,703**	**20,101**

The social security contributions include expenses for pension insurance in Germany in the amount of kEUR 980 (2017: kEUR 856).

The average number of employees increased from 504 to 591 in 2018 compared to 2017.

11.3 Other expenses

kEUR	2018	2017
Expenses for the issue of goods	3,801	3,645
Expenses for consultancy and other external services	2,989	2,084
Expenses related to buildings	2,555	1,952
Expenses for administration and EDP	1,937	2,334
Expenses for machinery and tools	1,767	2,277
Other taxes	373	353
Other expenses	2,081	1,768
Total	**15,503**	**14,413**

Other expenses include expenses for operating leases amounting to kEUR 1,803 and expenses from currency translation amounting to kEUR 224.

12. INVESTMENT AND FINANCIAL RESULT

12.1 Financial income

kEUR	2018	2017
Interest income	**12**	**19**

Interest income essentially results from income from bank balances.

12.2 Financing costs

kEUR	2018	2017
Interest on current account and bank loans (not from related parties)	636	1,105
Interest from obligations under finance leases	1	2
Interest effect from the compounding of provisions	–	12
Total	**637**	**1,119**

The decline in interest on current account and bank loans mainly results from the scheduled repayment of existing loan liabilities.

13. INCOME TAXES

Ringmetall AG is subject to domestic corporation tax and trade tax. The corporate income tax rate to be applied for the financial years 2018 and 2017 is 15 percent. In addition, a solidarity surcharge of 5.5 percent will be charged. The trade income tax is 17.15 percent of the taxable income.

Domestic subsidiaries are also subject to domestic corporation tax, the solidarity surcharge and trade tax in the case of corporations. The domestic partnership is subject only to trade tax. The trade income tax is between 10.5 percent and 17.15 percent of the taxable income, depending on the individual assessment rate.

In the case of foreign subsidiaries, the tax rates valid on the balance sheet date or already legally enacted are used to calculate income taxes and deferred taxes. Depending on the country, the tax rates are between 19.0 percent and 33.3 percent.

13.1 Income taxes recognized in profit and loss

Income taxes break down as follows:

kEUR	2018	2017
Actual tax expense		
Current year	-2,044	-1,796
Adjustments for previous years	7	-91
	-2,037	**-1,887**
Deferred tax expense		
thereof from occurrence or reversal of temporary differences	-325	-87
thereof loss carryforwards	-137	174
	-462	**87**
Tax expense	**-2,499**	**-1,800**

Deferred tax income mainly relates to temporary differences in the recognition and valuation of assets and liabilities in accordance with IFRS as well as from consolidation processes recognized in profit or loss and changes in the loss carryforwards that do not result from changes in the scope of consolidation. They are calculated on the basis of the tax rates that apply or are expected under the current legal situation in the individual countries at the time of realization.

13.2 Reconciliation of the effective tax rate

The consolidated tax rate for financial year 2018 is unchanged from the previous year at 32.98 percent.

The reconciliation from expected to reported tax result is shown below:

kEUR	**2018**	**%**	2017	%
Profit before taxes	7,655		8,935	
Taxes based on the domestic tax rate of the parent company	-2,524	-33.0	-2,946	-33.0
Differences in tax rates	467	6.1	189	2.1
Change of tax rates	57	0.7	353	4.0
Non-deductible expenses	-259	-3.4	-130	-1.5
Non-taxable income	96	1.3	63	0.7
Losses and temporary differences for which no tax assets could be recognized	-251	-3.3	-326	-3.6
Actual taxes relating to other periods	7	0.1	-91	-1.0
Reduction of deferred tax expense due to previously unrecognized tax losses	–	–	594	6.6
Tax effect from permanent differences	-164	-2.1	147	1.6
Reduction of the actual tax expense due to previously unrecognized tax losses	–	–	386	-4.3
Other tax effects	72	0.9	-39	-0.4
Effective tax expense	**-2,499**	**-32.6**	**-1,800**	**-20.1**

The increase in the effective tax rate in the reporting year compared to the previous year is mainly attributable to the reduction in deferred tax expense included in the previous year due to previously unrecognized tax losses.

13.3 Unrecognized deferred tax assets

At the end of the reporting period, the Group has unrecognized deferred taxes on loss carryforwards amounting to kEUR 658 (2017: kEUR 439). Deferred tax assets were not capitalized due to corporate planning taking into account usability and recoverability.

Ringmetall AG does not take deferred tax liabilities into account for retained profits of subsidiaries if these profits are expected to be permanently invested. In the event that these profits are distributed or the company sells its interest in the respective subsidiary, an additional tax liability could arise. Due to the dividend policy of the company, this deferred tax liability is immaterial and therefore not recognized as a liability.

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13.4 Change in deferred taxes during the year

The deferred tax assets and liabilities show the following development:

Deferred tax assets kEUR	**2018**	2017
Intangible assets	341	390
Property, plant and equipment	68	95
Inventory	96	18
Other current assets	11	9
Real estate held for sale	–	-12
Finance lease	30	41
Other current liabilities	1	1
Other current provisions	23	24
Tax loss carryforwards	474	612
Total	**1,044**	**1,178**
Netting of deferred tax assets and liabilities	-254	-235
Deferred tax assets after netting	**790**	**943**

Deferred tax liabilities kEUR	**2018**	2017
Intangible assets	230	-
Property, plant and equipment	614	606
Trade receivables	158	-
Other current assets	–	38
Financial liabilities	10	20
Finance lease	25	33
Total	**1,037**	**697**
Netting of deferred tax assets and liabilities	-254	-235
Deferred tax liabilities after nettin	**783**	**462**

Deferred taxes are capitalized to the extent that there is a likelihood that future income will be generated in line with business expectations.

For a domestic subsidiary, the Group generated tax losses in the financial year 2018 and in 2017. For the unrecognized deferred tax assets of this company in the amount of kEUR 172, Ringmetall AG assumes that the future taxable income will be sufficient to enable the deferred tax assets to be realized. Today's assessment of the recoverability of deferred tax assets may change and require valuation allowances.

13.5 Deferred taxes recognized directly in equity

kEUR	**2018**	2017
Current taxes:		
Expenses in connection with share issues	78	22
Total deferred taxes recognized directly in equity	**78**	**22**

14. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

14.1 Net income from continuing operations

kEUR	**2018**	2017
Shareholders of the parent company	4,847	6,766
Non-controlling shareholders	309	369
Consolidated net profit	**5,156**	**7,135**

14.2 Earnings per share

	2018	2017
a) Undiluted earnings per share	Euro per share	Euro per share
from continuing operations	0.17	0.27
from discontinued operations	-	-
Total undiluted earnings per share	**0.17**	**0.27**

The results and the weighted average number of ordinary shares included in the calculation of undiluted earnings per share are shown below.

	2018	2017
Group earnings attributable to the shareholders of Ringmetall AG	4,847	6,766
Weighted average number of ordinary shares to calculate undiluted earnings per share	28,204	25,423
b) Diluted earnings per share	Euro per share	Euro per share
from continuing operations	0.17	0.27
from discontinued operations	-	-
Total diluted earnings per share	**0.17**	**0.27**

The presentation of the previous year has been adjusted. The calculation does not use the entire consolidated annual result, but the consolidated annual result attributable to the shareholders of Ringmetall AG.

There were no employee options, convertible bonds or other matters that would dilute earnings per share in the reporting year, so that basic earnings per share and diluted earnings per share are identical.

15. GOODWILL

15.1 Reconciliation of the book value

kEUR	2018	2017
Acquisition cost	24,364	23,830
Accumulated impairment losses	-1,765	-1,619
	22,599	**22,211**
Acquisition cost		
Balance at beginning of year	23,830	24,016
Additional amounts recognized from business combinations	0	1,140
Effects of exchange rate differences	534	-1,326
Balance at end of year	**24,364**	**23,830**
Accumulated impairment losses		
Balance at beginning of year	1,619	1,619
Impairment losses recognized during the year	-	-
Effects of exchange rate differences	146	-
Balance at end of year	**1,765**	**1,619**

The accumulated impairment losses of kEUR 1,272 relate to CEMSAN Metal Parca Imalat Limited Sirketi and kEUR 493 to Metallwarenfabrik Berger GmbH. These impairments - made in previous years - are the result of regular goodwill impairment tests.

15.2 Assignment of goodwill to cash-generating units

The goodwill resulting from a business combination is recognized at cost less any necessary impairments and is reported separately in the consolidated balance sheet. For impairment testing purposes, goodwill is generally allocated to those cash-generating units (CGUs) of the Group that are expected to benefit from the synergies of the merger.

At the relevant measurement date, the recoverable amount of each cash-generating unit is determined on the basis of a value in use calculation using cash-flow forecasts based on financial plans determined and approved by management. This was based on detailed planning for one year, which was continued in a simplified process with an average growth potential of 1.5 percent to 2 percent for another two years. Periods not included in the planning calculations are mapped using the residual value (terminal value). For the cash flows after the three-year period, it is assumed that they are subject to a growth rate of 0 percent (2017: 0 percent) (growth rate). The cash flows are discounted using the risk-adjusted interest rate of the respective cash-generating units of 7.1 percent to 10.7 percent (previous year: 5.6 percent to 8.3 percent), which is the weighted average cost (WACC) of capital) according to corporate taxes. The weighted average cost of capital includes a cost of capital of 8.2 percent (2017: 7.5 percent to 11.5 percent) and a borrowing cost rate of 2.2 percent (2017: 3.6 percent). The calculation is based on the capital asset pricing model (CAPM), taking into account current market expectations. To determine risk-adjusted interest rates for impairment testing purposes, specific peer group information was used for beta factors, capital structure data and borrowing cost rates.

The goodwill as of the balance sheet date is composed as follows:

kEUR	**2018**	2017
August Berger Metallwarenfabrik GmbH	578	578
HSM Hans Sauermann GmbH & Co. KG	3,973	3,973
Berger Italia S.r.l.	2,658	2,658
S.G.T. S.r.l.	1,477	1,477
Self Industries Inc.	11,835	11,447
Berger Closures Limited	99	99
Metallwarenfabrik Berger GmbH	838	838
Latza GmbH	1,141	1,141
Total	**22,599**	**22,211**

Basic assumptions for the calculation of the value in use of the business units
The following explains the basic assumptions on the basis of which management has prepared its cash flow forecasts to verify the recoverability of goodwill.

There are estimation uncertainties in the following assumptions on which the value in use of the cash-generating units is based:

Business Plan - The business plan was prepared by management based on estimates of future business development. These assessments were based on empirical values of the past.

Gross Profit Margin Plans - Gross margins are determined on the basis of the average gross margins achieved in the immediately preceding financial year and increased taking into account the expected increase in efficiency.

Increase in prices of raw materials / goods - In order to take account of the price increase, it was for the most part assumed that the Group will be able to pass on price increases for raw materials / goods purchases above the selling prices. The basic assumptions made are in line with those of external information sources.

Sensitivity of the assumptions made - The values in use have significantly exceeded the carrying amounts of cash-generating units.

Management believes that no reasonably possible change in any of the underlying assumptions used to determine the value in use of the cash-generating units could result in the carrying amount of the cash-generating unit exceeding its recoverable amount.

16. INTANGIBLE ASSETS AND GOODWILL

16.1 Reconciliation of the book value

For accounting policies, see notes 6.9 A and 6.9 B.

2018 kEUR	Software	Goodwill	Intangibles in origination	**Total**
Acquisition and production costs				
As of 1.1.2018	**870**	**23,830**	**47**	**24,747**
Changes in the scope of consolidation	-	-	-	-
Additions	431	-	11	442
Transfers	36	-	-36	-
Disposals	-63	-	-	-63
Currency translation	-2	534	-11	521
As of 31.12.2018	**1,272**	**24,364**	**11**	**25,647**
Accumulated depreciation and impairment charges				
As of 1.1.2018	**-597**	**-1,619**	-	**-2,216**
Changes in the scope of consolidation	-	-	-	-
Additions	-170	-	-	-170
Transfers	-	-	-	-
Disposals	63	-	-	63
Currency translation	3	-146	-	-143
As of 31.122018	**-701**	**-1,765**	**-**	**-2,466**
Book values				
As of 31.12.2018	**571**	**22,599**	**11**	**23,181**

2017 kEUR	Software	Goodwill	Intangibles in origination	**Total**
Acquisition and production costs				
As of 1.1.2017	**682**	**24,015**	**-**	**24,697**
Changes in the scope of consolidation	-	1,140	-	1,140
Additions	203	-	47	250
Transfers	-	-	-	-
Disposals	-11	-	-	-11
Currency translation	-4	-1,325	-	-1,329
As of 31.12.2017	**870**	**23,830**	**47**	**24,747**
Accumulated depreciation and impairment charges				
As of 1.1.2017	**-513**	**-1,619**	**-**	**-2,132**
Changes in the scope of consolidation	-	-	-	-
Additions	-98	-	-	-98
Transfers	-	-	-	-
Disposals	12	-	-	12
Currency translation	2	-	-	2
As of 31.12.2017	**-597**	**-1,619**	**-**	**-2,216**
Book values				
As of 31.12.2017	**273**	**22,211**	**47**	**22,531**

17. PROPERTY, PLANT AND EQUIPMENT

17.1 Reconciliation of the book value

For accounting policies, see Note 6.8.

2018 kEUR	Land and buildings	Technical equipment and machinery	Other systems, POE*	Property, plant and equipment in origination	**Total**
Acquisition and production costs					
As of 1.1.2018	**9,077**	**35,890**	**6,183**	**178**	**51,328**
Changes in the scope of consolidation	-	-	-	-	-
Additions	67	1,497	499	387	2,450
Transfers	-	374	56	-430	-
Disposals	-34	-547	-197	-	-778
Currency translation	-9	-196	-24	-	-229
As of 31.12.2018	**9,101**	**37,018**	**6,517**	**135**	**52,771**
Accumulated depreciation and impairment charges					
As of 1.1.2018	**-4,191**	**-29,718**	**-5,230**	**-**	**-39,139**
Changes in the scope of consolidation	-	-	-	-	-
Additions	-228	-1,343	-410	-	-1,981
Transfers	-	43	-43	-	-
Disposals	17	538	189	-	744
Currency translation	4	102	14	-	120
As of 31.12.2018	**-4,398**	**-30,378**	**-5,480**	**-**	**-40,256**
Book values					
As of 31.12.2018	**4,703**	**6,640**	**1,037**	**135**	**12,515**

* plant and office equipment

2017 kEUR	Land and buildings	Technical equipment and machinery	Other systems, POE*	Property, plant and equipment in origination	**Total**
Acquisition and production costs					
As of 1.1.2017	**7,930**	**34,734**	**6,065**	**74**	**48,803**
Changes in the scope of consolidation	2,327	1,207	172	-	3,706
Additions	182	838	288	185	1,493
Transfers	1	59	21	-81	-
Disposals	-1,100	-613	-323	-	-2,036
Currency translation	-263	-335	-40	-	-638
As of 31.12.2017	**9,077**	**35,890**	**6,183**	**178**	**51,328**
Accumulated depreciation and impairment charges					
As of 1.1.2018	**-3,417**	**-28,064**	**-5,034**	**-**	**-36,515**
Changes in the scope of consolidation	-719	-1,008	-159	-	-1,866
Additions	-171	-1,395	-340	-	-1,906
Transfers	-	-	-	-	-
Disposals	96	588	290	-	974
Currency translation	20	161	13	-	194
As of 31.12.2017	**-4,191**	**-29,718**	**-5,230**	**-**	**-39,139**
Book values					
As of 31.12.2017	**4,886**	**6,172**	**953**	**178**	**12,189**

* plant and office equipment

18. OTHER LONG-TERM ASSETS

Other non-current assets include the following items:

kEUR	2018	2017
Down payments on business combinations	12,743	0
Other non-current financial assets	60	146
Total	**12,803**	**146**

Provisions for business combinations include the first purchase price installment for Nittel and prepayments for Nittel intangible assets. For further information, reference is made to Note 34 of this Annex. Other non-current financial assets mainly include shares in affiliated companies that are not consolidated.

19. LONG-TERM ASSETS HELD FOR SALE

kEUR	2018	2017
Land held for sale	–	400
Debt in connection with assets held for sale:		
Liabilities to banks	–	228

The fair value of the land held for sale is determined or rejected by the price offered by a potential buyer on the real estate market.

The land designated as available for sale in the previous year, which had been allocated to the Industrial Packaging segment, was sold in the 2018 financial year following negotiations conducted over a longer period.

20. INVENTORIES

kEUR	2018	2017
Raw materials and supplies	6,367	6,115
Work in progress	2,190	1,757
Finished goods	3,032	3,047
Advance payments	21	31
Total	**11,610**	**10,950**

In some cases, the stock of inventories is subject to retention of title by the suppliers. No stocks were pledged as collateral.

The total amount of inventories includes value adjustments of kEUR 211 (2017: kEUR 171). The impairment losses recognized in the income statement amount to kEUR 40 (2017: kEUR 161).

21. RECEIVABLES FROM DELIVERIES AND SERVICES AND OTHER RECEIVABLES

Trade receivables are amounts owed by customers for goods sold in the ordinary course of business. They are generally payable within 30 to 60 days - in individual cases due to country-specific conditions also in up to 90 days - and are therefore classified as short-term. Trade receivables are recognized on initial recognition at the amount of the unconditional consideration. They contain no financing components. The Group holds trade accounts receivable to collect the contractual cash flows and values them at amortized cost.

Trade receivables include assets from customer contracts amounting to EUR 239 thousand as of December 31, 2018.

The corresponding carrying amounts at the end of the year are as follows:

kEUR	**2018**	2017
Trade receivables	13,841	12,730
Impairments for expected credit losses	-78	-270
Total	**13,763**	**12,460**

The risk of bad debts is limited by credit checks and a dunning process. In the operating business, outstanding receivables are monitored on a site-by-location, decentralized, ongoing basis.

The expected credit losses are calculated using a impairment table. Based on recent experience with credit losses on trade receivables, the expected credit losses were estimated. Trade receivables have been grouped by geography because the terms of payment differ from one geographic location to another.

In the financial year 2018 as in previous years only insignificant trade receivables arose.

Age structure of overdue but not impaired claims:

kEUR	**2018**	2017
60 to 90 days	402	1,709
91 to 180 days	138	889
More than 180 days	-	-
Total	**540**	**2,598**

Changes in the allowance for expected credit losses

kEUR	2018	2017
Balance at beginning of year	270	323
Impairment on expected credit losses	37	36
Amounts received from depreciated receivables during the financial year	-132	-27
Reversals	-98	-58
Changes in exchange rate	1	-4
Balance at end of year	**78**	**270**

Age structure of impaired receivables (nominal values)

kEUR	2018	2017
60 to 90 days	30	220
91 to 180 days	10	115
More than 180 days	86	47
Total	**126**	**382**

22. OTHER CURRENT ASSETS AND SHORT-TERM TAX LIABILITIES

kEUR	2018	2017
Deferrals	138	262
Other receivables	1,372	656
Other current non-financial assets	**1,510**	**918**
Other current financial assets	0	400
Current tax receivables	163	322

23. PAYMENT / PAYMENT EQUIVALENTS

The cash and cash equivalents as of 31 December 2018 are composed as follows:

kEUR	2018	2017
Bank balances and cash on hand	5,936	14,936
Balance at end of year	**5,936**	**14,936**

Bank balances earn interest at variable interest rates for daily call-off balances. Cash equivalents are short-term investments for different periods of time ranging from one day to three months, depending on the Group's cash requirements. These bear interest at the applicable interest rates for short-term deposits. The fair value of cash and cash equivalents corresponds to the nominal value.

24. EQUITY

The development of equity in the financial year 2018 can be seen from the consolidated equity statement.

24.1 Subscribed capital

kEUR	2018	2017
Subscribed capital	29,069	27,685
The subscribed capital is composed as follows:		
Bearer shares of EUR 1 eac	29,069,040	27,685,000

a) Fully paid ordinary shares

kEUR	No. of shares	Subscribed Capital	Premium
As of 1.1.2017	25,168,000	25,168	5,573
Capital increase	2,516,800	2,517	6,959
As of 31.12.2017	27,684,800	27,685	12,532
Capital increase	1,384,240	1,384	4,132
As of 31.12.2018	**29,069,040**	**29,069**	**16,664**

The fully paid up ordinary shares have a nominal value of EUR 1, have one vote each and are entitled to dividend

.

Ringmetall AG does not hold any own shares.

In the financial year 2018, the share capital was increased by EUR 1,384,240.00 to EUR 29,069,040.00 by resolution of the Supervisory Board dated 14 August 2018 pursuant to § 5 of the Articles of Association (share capital, authorized capital) from EUR 27,684,800.00. 1,384,240 no-par-value bearer shares with a notional share in the capital stock of EUR 1.00 were issued.

At the Annual General Meeting on 29 August 2014, the Executive Board was authorized until 31 July 2019, with the approval of the Supervisory Board, to issue the capital stock by a single or multiple issue of new bearer shares (ordinary shares) in return for cash contributions and/or contributions in kind of up to EUR 10,200,000.00, whereby the subscription right of the shareholders can be excluded in certain cases (Authorized Capital 2014/I). By resolution of the Supervisory Board dated 14. August 2018, the share capital was increased from EUR 27,684,800.00 by EUR 1,384,240.00 to EUR 29,069,040.00. The Authorized Capital of 29 August 2014 (Authorized Capital 2014/I) amounts to EUR 6,735,760.00 after partial utilization.

At the Annual General Meeting on 31 August 2015, the Executive Board was authorized until 30 August 2020, with the approval of the Supervisory Board, to increase share capital by a total of up to EUR by issuing new bearer shares (ordinary shares) once or several times in return for cash contributions and/or contributions in kind 3,120,000.00, whereby the subscription right of the shareholders can be excluded (Authorized Capital 2015/I). The Authorized Capital of 31 August 2015 (Authorized Capital 2015/I) still amounts to EUR 832,000.00 after partial utilization.

At the Annual General Meeting on 30 August 2016, the Executive Board was authorized until 31 July 2021, to increase the share capital against cash contributions and/or contributions in kind by a total of up to EUR 3,432,000.00, with the approval of the Supervisory Board, whereby the subscription right of shareholders was excluded (Authorized Capital 2016/I). The authorized capital of 30 August 2016 (Authorized Capital 2016/I) amounts to EUR 915,200.00 after partial utilization.

At the Annual General Meeting on 30 August 2018, the Executive Board was authorized until 31 July 2023, with the approval of the Supervisory Board, to increase the share capital against cash contributions and/or contributions in kind by up to EUR 3,975,200.00 whereby the shareholders' subscription rights can be excluded (Authorized Capital 2018/I).

24.2 Capital reserve

kEUR	**2018**	2017
Balance at beginning of year	12,532	5,573
Additions from premiums	4,291	7,047
Costs associated with the capital increase	-159	-88
Balance at end of year	**16,664**	**12,532**

The capital reserve mainly comprises premiums from the issue of shares.

24.3 Other result

Other comprehensive income relates to the differences from the translation of foreign financial statements of foreign subsidiaries into profit or loss and the effects of the reappraisal as part of the recognition of severance payments and the effects of the first-time adoption of IFRS 15.

Deferred taxes are calculated on the reappraisal in connection with the recognition of severance payments, which are generally not recognized in the profit and loss statement but in other comprehensive income in the statement of comprehensive income.

24.4 Non-controlling shareholders

kEUR	2018	2017
Balance at beginning of year	1,072	1,161
Share in the net result	309	369
Distributions	-359	-512
Other changes	-10	54
Balance at end of year	**1,012**	**1,072**

25. PENSION-RELATED RESERVATIONS

Pensions and similar obligations include the disclosure of obligations based on the legal basis in Italy at the Group companies S.G.T. S.r.l. Albavilla, Italy, and Berger Italia S.r.L. Valmadrera, Italy, based. These are the so-called "Trattamento di Fine Rapporto (TFR)" or severance payments made by Italian companies to employed employees. Employees in Italy are basically entitled to a severance discount. In this context, it does not depend on the reason of "separation from the employee". A claim to payment from TFR arises with each employment relationship. It is a public-law supplementary pension claim that is non-negotiable.

The corresponding funds for the TFR must be accounted for by the companies as a provision for future corporate liabilities. When paying out the TFR, therefore, there are primarily no expenses due to the provisioning charge; there is only a cash outflow. The TFR takes u.a. Reference to salary levels received by the employee. To secure the obligations, the Group holds corresponding restricted cash through an insurance institution; However, the provisions are not netted.

25.1 Assessment of severance pay obligations

The provision for severance pay obligations corresponds to the total amount of the individual claims accumulated by the employees on the respective valuation date less any prepayments already paid out and corresponds to the amount that would be due at the end of the respective employment relationship on the valuation date.

The severance payment obligations are measured in accordance with IAS 19. There are corresponding actuarial reports for the Group companies S.G.T. S.r.l. Albavilla, Italy, and Berger Italia S.r.L. Valmadrera, Italy, on the valuation dates 31 December 2018 and 31 December 2017.

In accordance with the requirements of IAS 19, special consideration is given at what time the corresponding severance payment obligations are incurred and a quantification is carried out taking into account an average present value calculation.

The underlying parameters are sex and qualification as well as age and seniority. As part of the valuation process, the future obligations in terms of amount and timing are calculated taking into account the economic and demographic conditions and premises. With regard to the demographic parameters, a further distinction is made in the case constellations termination, occupational disability and death.

In the calculations according to IAS 19, the severance payment obligations are determined on the basis of the defined remaining term of the TFR cash flows and the remaining average expected remaining working life in years for the respective valuation dates with the respectively specified and underlying assumptions and assumptions.

In determining the foreign obligations, mortality tables of the respective country were used. The fluctuation probability was estimated according to age and gender. The expected returns on plan assets were cautiously estimated based on past values.

	Foreign countries 2018	Foreign countries 2017
Discount rate	1.57 %	1.30 %
Inflation rate	2.00 %	2.00 %
Income development	3.31%	3.12 %
Annual payment amounts	10-70 kEUR	12-21 kEUR
Remaining term of TFR cash flows	17 or 19 years	18 years
Average expected remaining working time	13.47-17.16 years	12.70-17.44 years

25.2 Development of severance pay obligations

The provision for severance payments developed as follows:

kEUR	**2018**	2017
As of 1.1.	806	762
Current service cost	-81	-32
Interest expense	11	9
Reappraisal	-25	9
Other changes	62	58
As of 31.12.	**773**	**806**

The annual expense for the addition of severance pay obligations is allocated to personnel expenses in the consolidated income statement in accordance with the total cost method. The interest expense is shown within the financial result. The result from the remeasurement of the severance payment obligation as well as the deferred taxes are shown in equity under other comprehensive income.

The following effects would have arisen on the provision for severance pay obligations set up as at 31 December 2018 and 31 December 2017, if the calculation parameters (discount rate 1.57 percent, previous year 1.30 percent - 1.31 percent) changed as follows:

Sensitivity analysis of severance pay obligations

kEUR	2018	2017
Discount rate 1.32% (-0.25%)	+21	+24
Discount rate 1.82% (+0.25%)	-20	-23

26. OTHER PROVISIONS

For accounting policies, see Note 6.15.

2018 kEUR	Vacation pay / Overtime	Other personnel	Consultancy	Warranty risks	Other	Total
As of 1.1.	**782**	**735**	**186**	**118**	**340**	**2,135**
Provisions used	(320)	(385)	(34)	-	(180)	(919)
Increase in provisions	524	484	75	10	307	1,400
Release of provisions	-	-	(152)	(118)	(134)	(404)
Currency adjustment	-	-	-	-	-	-
As of 31.12.	**986**	**834**	**75**	**10**	**307**	**2,212**

2017 kEUR	Vacation pay / Overtime	Other personnel	Consultancy	Warranty risks	Other	Total
As of 1.1.	**603**	**675**	**240**	**72**	**196**	**1,786**
Provisions used	(573)	(661)	(240)	(20)	(177)	(1,671)
Increase in provisions	752	759	191	68	302	2,072
Release of provisions	-	(26)	-	-	-	(26)
Currency adjustment	-	(12)	(5)	(2)	(7)	(26)
As of 31.12.	**782**	**735**	**186**	**118**	**314**	**2,135**

Personnel-related provisions include, in particular, provisions for vacation entitlements, earned overtime and premiums and provisions for redundancy payments. The increase mainly results from increased vacation and overtime claims as well as the increase in employee numbers.

Other personnel-related provisions mainly include provisions for management bonuses.

The provision for advice includes expected obligations in connection with benefits received. A substantial part includes deferred costs due to the change of the stock market segment and the audit of the consolidated financial statements as well as consulting services in connection with the acquisition of Nittel GmbH.

The provision for warranty risks is based on the Management Board's best estimate of future outflows and primarily takes into account individual transactions.

27. FINANCIAL LIABILITIES

27.1 Terms and liabilities

kEUR	Note	**31.12.2018**	31.12.2017
Non-current liabilities			
Bank loans	**27.2**	**8,671**	**12,203**
Other loans		1,270	-
Liabilities from finance leases	**27.4**	811	606
Total		**10,752**	**12,809**
Current liabilities			
Bank loans	**27.2**	**4,847**	**6,979**
thereof: liabilities directly related to non-current assets held for sale		-	228
Other loans		1,520	349
Liabilities from finance leases	**27.4**	234	201
Total		**6,601**	**7,529**

Information on the extent to which the Group is exposed to interest rate, currency and liquidity risks is presented in note 30.4.

The breakdown of debts in the short and long term is based on the defined repayment schedules.

27.2 Secured bank loans

The outstanding loans have the following conditions:

					31.12.2018		31.12.2017	
kEUR		Currency	Interest rate	Maturity year	Nominal value	Book value	Nominal value	Book value
August Berger Metallwarenfabrik GmbH	A	EUR	EURIBOR +2.25 %	2020	6,500	6,463	9,500	9,423
	B	EUR	EURIBOR +2.25 %	2020	5,000	4,973	5,000	4,959
	C	EUR	EURIBOR +2.25 %	2020	1,000	1,000	2,500	2,500
Cemsan		TRY / EUR	30.00 %	2019	292	292	551	551
SGT s.r.l.		EUR	2.60 %	2023	210	210	257	257
Berger China		CNY /EUR	6.09 %	2019-2023	534	534	540	540
Latza GmbH		EUR	1.12 %	2019	21	21	42	42
		EUR	1.26 %	2019	25	25	74	74
Total					**13,582**	**13,518**	**19,301**	**19,182**

The bank loans are secured by land and buildings in the amount of kEUR 1,602 and other fixed assets in the amount of kEUR 1,816 and current assets in the amount of kEUR 10,164. The stated values correspond to the book values from the individual financial statements.

27.3 Violations of covenants from financial liabilities

The Group has entered into a syndicated loan agreement for the acquisition of companies. The documents to be submitted are based on the previously relevant German Commercial Code (HGB). The coordination with the underwriting banks on the necessary adjustments to the agreements in the consortium agreement regarding documents and deadlines to be submitted has not yet been fully completed.

However, the consortium banks have already confirmed that the approach adopted by the Group will be accepted as being in accordance with the contract.

27.4 Finance lease liabilities

At the end of the reporting period, finance lease liabilities relate exclusively to financed assets in the form of technical equipment and machinery (kEUR 1,045). The Group rents these assets and machinery as part of a finance lease. The average lease term is five years (2017: five years). The Group has the option of purchasing the investments at par at the end of the contractually agreed period.

The interest rates underlying the finance lease liabilities were determined on the day the contract was concluded and ranged between 0.47 percent and 2.37 percent (previous year: 3.9 percent and 5.7 percent) p.a. The maturities range between 2019 and 2025 (2017: 2018 and 2023).

The liabilities from finance leases are due as follows:

kEUR	Future minimum payments		Interest payments		Present value of future minimum payments	
	2018	2017	**2018**	2017	**2018**	2017
Less than 1 year	250	211	16	10	234	201
Between 1 and 5 years	758	555	29	16	729	540
More than 5 years	83	68	1	1	82	67
Total	**1,091**	**834**	**46**	**27**	**1,045**	**807**

The present value of the future minimum payments corresponds to the book value in the balance sheet.

Conditional rental payments did not exist in the reporting period as well as in the previous year.

28. LIABILITIES FROM DELIVERIES AND SERVICES AND OTHER LIABILITIES

CURRENT: kEUR	**31.12.2018**	31.12.2017
Trade payables	10,390	9,684
Other liabilities	1,781	2,920
Total	**12,171**	**12,604**

For accounting policies, see Note 6.11.

For information on the currency and liquidity risks of the Group with regard to trade payables and other liabilities, see Note 30.4.

29. CAPITAL MANAGEMENT

The aim of the Group is to maintain a strong capital base in order to maintain the trust of investors, creditors and the markets and to ensure the sustainable development of the Company.

The Board aims for a balance between increasing the return, optimizing the ratio of equity to debt, and the advantages of a stable capital base.

The Group monitors capital using a ratio of adjusted net debt to equity. Adjusted net debt principally includes interest-bearing liabilities to banks less cash and cash equivalents.

The ratio of the equity ratio is as follows:

kEUR	**2018**	2017
Interest-bearing loans and bonds	13,518	19,182
Minus cash and cash equivalents	-5,936	-14,936
Net debt	**7,582**	**4,246**
Equity	**48,537**	**39,102**
Total assets	**82,271**	**75,796**
Equity ratio	0.59	0.52

30. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

30.1 Classifications and fair values

The following table shows the carrying amounts and classification of financial assets and financial liabilities in accordance with IFRS 9.

kEUR	IFRS 9 Valuation category	**IFRS 9 Book value 31.12.2018**	IFRS 9 Book value 01.01.2018
Assets			
Other non-current financial assets	AC	60	146
Trade receivables	AC	13,763	12,460
Other current financial assets	FVPL	-	400
Cash and cash equivalents	AC	5,936	14,936
Total		**19,759**	**27,942**
Liabilities			
Non-current financial liabilities	FLAC	10,752	12,809
Trade payables	FLAC	10,389	9,684
Current financial liabilities	FLAC	6,601	7,301
Total		**27,742**	**29,794**

30.2 Derivative financial instruments

The following table shows the carrying amounts and fair values of derivative financial instruments, including their levels in the fair value hierarchy.

		Book value		Fair value			
31.12.2018 kEUR	Note	Fair value hedging in-struments	**Total**	Level 1	Level 2	Level 3	**Total**
Financial liabilities at fair value Interest rate swaps used for hedging transactions	30.3	-33	-33	-	-33	-	-33
Total		**-33**	**-33**	**-**	**-33**	**-**	**-33**

		Book value		Fair value			
31.12.2017 kEUR	Note	Fair value hedging in-struments	**Total**	Level 1	Level 2	Level 3	**Total**
Financial liabilities at fair value Interest rate swaps used for hedging transactions	30.3	-38	-38	-	-38	-	-38
Total		**-38**	**-38**	**-**	**-38**	**-**	**-38**

It is assumed that the current value of short-term assets and liabilities corresponds to the book value.

Bank loans earn almost all of their interest at EURIBOR plus a margin. This margin has changed only insignificantly compared to the time the contract was concluded. Therefore, the fair value does not differ significantly from the book value. This applies analogously to the existing finance leases. Existing interest rate swaps are used exclusively for economic hedging purposes.

30.3 Determination of fair value

Evaluation Techniques and essential, non-observable Input Factors

The following tables show the valuation techniques used to determine Level 2 and Level 3 fair values and the significant unobservable inputs used:

Financial Instruments valued by the fair Value

Kind	Valuation Method
Interest rate swaps	Market comparison procedure: The fair values are based on standardized calculations by a reputed German bank, whereby only observable market inputs are used.

Financial Instruments not valued by the Fair Value

Kind	Valuation Method	Significant unobservable inputs
Other financial liabilities*	Discounted cash flows in a DCF method using market interest rates and term of the liability	Margin surcharge on interest

* *Other financial liabilities include secured and unsecured bank loans, unsecured bonds and finance lease liabilities. As the fair value corresponds to the carrying amount of financial instruments that are not measured at fair value, no further disclosures are made.*

30.4 Financial risk management

The Group is exposed to the following risks from the use of financial instruments:

- Default risk (see B)
- Liquidity risk (see C)
- Market risk (see D).

A. Principles of Risk Management

The Management Board is responsible for setting up and controlling Group risk management. The Management Board has set up an internal expert committee responsible for monitoring and further developing the Group's risk management guidelines. This body regularly reports to the Board on its activities. The principles of the risk management system can be applied to the financial risks, in this regard reference is made to the risk report in the group management report.

The Group's risk management policies have been developed to identify and analyze the risks of the Group, to introduce appropriate risk limits and controls, and to monitor the evolution of risks and compliance with limits. The risk management guidelines and the risk management system are regularly reviewed in order to be able to respond to changes in the market conditions and activities of the Group. The existing training and management standards as well as the associated processes should ensure a target-oriented control environment in which all employees understand their respective tasks and responsibilities.

The Supervisory Board monitors adherence to the guidelines and processes of Group risk management by the Executive Board and the effectiveness of the risk management system with regard to the risks to which the Group is exposed.

B. Credit Risk

Default risk is the risk of financial loss if a customer or the contracting party of a financial instrument fails to meet its contractual obligations. The default risk basically arises from trade receivables. The receivables are mainly trade receivables from the sale of goods. These are all short-term claims that are usually settled within one to two months.

The book values of the financial assets correspond to the maximum default risk.

The default risk of the Group is mainly influenced by the individual characteristics of the customers. However, the Board also considers the characteristics of the entire customer base, including the default risk of the industry and the countries in which the customers operate, as these factors can also affect the risk of default.

The majority of the Group's customers are global corporations. For none of these customers was it necessary to recognize an impairment. To monitor the risk of default, attention is paid primarily to the time billing, which is usually carried out by the customer and the payment of the time.

The Management Board estimates on an individual basis whether overdue amounts are still recoverable in full. This assessment is based on past payment history, credit assessment based on published financials, if any, and the amount of existing receivables. Overall, the Group has suffered bad debts only to a minor extent.

Cash and cash equivalents

As of 31 December 2018, the Group held cash and cash equivalents of kEUR 5,936 (2017: kEUR 14,936). This sum therefore represents the maximum default risk with respect to these assets. Cash and cash equivalents are held by various banks or financial institutions in the countries in which the Group operates, but the major part is in Germany.

Derivates

The Group concludes interest rate swaps to cover the interest rate risk. Derivatives are entered into with the German banks or financial institutions, with which the floating-rate loans were also agreed.

C. Liquidity Risk

The liquidity risk describes the risk that the Group will not be able to meet its obligations on time to maturity. Liquidity risks from financial liabilities do not arise, as the Group has the reporting date, cash and cash equivalents of EUR 5,936 (2017: EUR 14,936). In addition, cash flows are expected with a high degree of certainty, which can serve the interest and principal payments and the financial liabilities thereof in an equivalent term to maturity. In final responsibility for liquidity risk management lies with the Board, the medium an adequate framework for the management of short-term, and has established long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

IFRS 7 continues to require a maturity analysis for both derivative and non-derivative financial liabilities. The following maturity analysis shows how the undiscounted cash flows associated with the liabilities as of 31 December 2018 and 31 December 2017 affect the future liquidity situation of the Group.

Importance of Liquidity Risk

The contractual maturities of the financial liabilities at the balance sheet date, including estimated interest payments, are shown below. These are undiscounted gross amounts including estimated interest payments, but without showing the impact of offsetting.

2018 kEUR	Book value	Nominal value	**Total**	< 1 year	< 5 years	> 5 years
Bank loans incl. interest rate swaps	13,551	13,615	13,615	4,887	8,728	0
Liabilities from finance leases	1,045	1,091	1,091	250	758	83
Total	**14,596**	**14,706**	**14,706**	**5,137**	**9,486**	**83**

2017 kEUR	Book value	Nominal value	**Total**	< 1 year	< 5 years	> 5 years
Bank loans incl. interest rate swaps	19,206	19,325	19,325	6,993	12,328	4
Liabilities from finance leases	807	834	834	211	555	68
Total	**20,013**	**20,159**	**20,159**	**7,204**	**12,883**	**72**

As indicated in Note 27, the Group has mainly bank loans that contain conditions. A future breach of conditions may result in the loan being repaid earlier than indicated in the table above.

The interest payments on floating rate loans and bonds in the table above, if capped by swaps, are set at a fixed rate. They reflect the market conditions for forward rates at the end of the financial year. These can change with the change in market interest rates.

D. Market Risk

Market risk is the risk that market prices, such as exchange rates, interest rates or stock prices, will change, affecting the Group's income or the value of the financial instruments held. The goal of market risk management is to manage and control market risk within acceptable bandwidths while optimizing returns.

To manage market risks, the Group acquires and sells derivatives or enters into financial liabilities. All transactions are carried out within the guidelines of the Risk Management Committee. At the end of the period under review, the Group does not see any risk concentrations for its companies.

Currency Risk

Various business transactions in the Group are denominated in foreign currency. Therefore, risks arise from exchange rate fluctuations. Exchange rate risks are managed through targeted control of cash flows in foreign currencies and, in individual cases, through currency forwards.

The carrying amount of the Group's monetary assets and liabilities denominated in foreign currencies at the reporting date is:

	31.12.2018		31.12.2017	
kEUR	**Assets**	**Liabilities**	Assets	Liabilities
USD	4,204	1,279	3,491	1,114
GBP	1,235	326	1,600	172
TRY	750	407	570	1,047
CNY	653	842	404	878
HKD	1	-	501	-

The following table shows the impact of an assumed change in exchange rates by +/- 1000 basis points, with the other variables remaining the same for monetary assets and liabilities denominated in foreign currencies:

kEUR	**31.12.2018**				31.12.2017			
	Assets		**Liabilities**		Assets		Liabilities	
	Basis points				Basis points			
	-1000	**+1000**	**-1000**	**+1000**	-1000	+1000	-1000	+1000
USD	-420	420	128	-128	-349	349	111	-111
GBP	-123	123	33	-33	-160	160	17	-17
TRY	-75	75	41	-41	-56	56	105	-105
CNY	-65	65	84	-84	-40	40	88	-88
HKD	-	-	-	-	-50	50	-	-

Interest Rate Risk
The Group is essentially exposed to interest rate risk as part of the financing of acquisitions. Variable rate bank loans listed in note 27.2 result in an interest rate cash flow risk.

The following table shows the effects of an assumed change in interest rates by +/- 25 basis points each, with the remaining variables for August Berger Metallwarenfabrik GmbH's bank loans remaining constant on the income statement:

					31.12.2018 Basis points		31.12.2017 Basis points	
kEUR		Currency	Interest rate	Maturity year	**+25**	**-25**	**+25**	**-25**
August Berger Metallwarenfabrik GmbH	A	EUR	EURIBOR +2.25 %	2020	119	-119	200	-200
	B	EUR	EURIBOR +2.25 %	2020	125	-125	125	-125
	C	EUR	EURIBOR +2.25 %	2020	25	-25	25	-25
Total					**269**	**-269**	**350**	**-350**

These liabilities are generally hedged with interest rate swaps. The maturity of interest rate swaps is between 1 and 3 years (2017: 1 - 4 years).

Due to the variable interest rate, the interest rate risk would only marginally affect the carrying amount of the liabilities to banks.

The following table shows the effect of an assumed interest rate change of +/- 100 basis points on the income statement for all other variables for the derivative financial instruments:

kEUR	31.12.2018		31.12.2017	
Interest rate level	+100 Basis points	-100 Basis points	+100 Basis points	-100 Basis points
Derivative financial instruments	**11**	**-25**	**34**	**-49**

31. OPERATING LEASES

For accounting policies, see Note 6.

Leases as lessee

The operating leases mainly relate to land, technical equipment and machinery as well as various office equipment. The agreement on the land contains a clause in the contract, according to which the agreed rent is checked at regular intervals.

kEUR	**2018**	2017
Non-cancellable rental leases		
Up to 1 year	2,071	2,235
Between 1 and 5 years	5,182	4,859
Longer than 5 years	1,258	2,343
Total	**8,511**	**9,437**

The mandatory first-time application of IFRS 16 “Leases”, which replaces IAS 17, is effective for annual periods beginning on or after 1 January 2019. Further details see under note 35.

32. RELATED COMPANIES AND PERSONS

32.1. Business transactions with key management personnel

As an Ultimate Controlling Party, the shareholders of Ringmetall are considered. Related parties are non-consolidated subsidiaries as well as persons exercising significant influence over the financial and operating policies of the Ringmetall Group. The latter include all persons in key positions and their close family members. In the Ringmetall Group, these are the members of the Management Board and the Supervisory Board.

A. BUSINESS EVENTS WITH MEMBERS OF THE MANAGEMENT IN KEY POSITIONS

The members of the Executive Board hold 54.3 percent (31 December 2018) of the voting rights in the company.

The aggregate value of transactions and outstanding balances related to key management and firm members over which they have control or significant influence were as follows:

:

	Sale of goods / services		Purchase of goods / services	
kEUR	**2018**	2017	**2018**	2017
Ringmetall AG	-	-	71	58
Subsidiaries of Ringmetall AG	-	1	36	174
Total	**-**	**1**	**107**	**232**

	Receivables from related parties		Payables to related parties	
kEUR	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
Ringmetall AG	-	-	-	16
Subsidiaries of Ringmetall AG	-	-	9	-
Total	**-**	**-**	**9**	**16**

B. BUSINESS EVENTS WITH MEMBERS OF THE SUPERVISORY BOARD

The aggregate value of transactions and outstanding balances related to members of the Supervisory Board and companies over which they have control or significant influence were as follows:

	Values of business transactions		Balances outstanding as of 31.12.	
kEUR	**2018**	2017	**2018**	2017
Remuneration	113	112	76	110
Reimbursement of travel and other expenses	3	3	-	1
Total	**116**	**115**	**76**	**111**

C. BUSINESS EVENTS WITH OTHER RELATED PARTIES

	Sale of goods / services		Purchase of goods / services	
kEUR	**2018**	2017	**2018**	2017
Ringmetall AG	-	-	-	-
Subsidiaries of Ringmetall AG	2	1	-	303
Total	**2**	**1**	**-**	**303**

	Receivables from related parties		Payables to related parties	
kEUR	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
Ringmetall AG	-	-	-	-
Subsidiaries of Ringmetall AG	-	-	-	60
Total	**-**	**-**	**-**	**60**

33. EMPLOYEES

In the financial year 2018, the Group employed an average of 591 people (2017: 504 employees).

34. EVENTS AFTER THE BALANCE SHEET DATE

In December 2018, the Ringmetall Group completed negotiations to acquire the Nittel Group and acquired 100 percent of the shares of Nittel GmbH & Co. KG (including the investment portfolio), 100 percent of Nittel GmbH and 50 percent of Nittel UK Limited. Due to company-law regulations in the purchase agreement, Ringmetall only gained control and control of the group as of 1 January 2019. For these, a purchase price of EUR 12.7 million was agreed, which is payable in various installments. The first tranche of EUR 10.5 million was already paid in December 2018 and recognized as such in the consolidated financial statements. At the time of the preparation of the consolidated financial statements, it was not possible to finalize the allocation of the purchase price to the acquired assets and liabilities. Ringmetall currently assumes that the acquisition will result in single-digit million goodwill. If there were no restrictions under company law, the business combination would have been consolidated for the first time as of 31 December 2018. This would not have had any impact on EBITDA, net income or earnings per share.

With the addition of Nittel Halle GmbH to the Group from 1 January 2019, Ringmetall is expanding its product portfolio by a total of more than 4,000 different types of barrel liners, such as round-arch sacks and formliners. In addition to a production facility in Halle, Nittel also has a sales location in Raunheim as well as shares in foreign subsidiaries in France, the Netherlands and the United Kingdom. The company, which will in future be assigned to the Industrial Packaging segment, will produce around 10 million inner linings per year with approximately 140 employees. In fiscal year 2017, Nittel Halle GmbH generated around EUR 12.7million in sales and a net result of EUR 0.5 million.

There were no further events after the balance sheet date, which have to be disclosed.

35. NEW STANDARDS AND INTERPRETATIONS WHICH HAVE NOT BEEN APPLIED

Ringmetall applies the principles of the Framework as well as all IFRS of the International Accounting Standards Board (IASB) adopted and endorsed by the EU as of 31 December 2018 as well as the mandatory interpretation rules of the International Financial Reporting Interpretations Committee of the IASB (IFRIC) on.

First-time adoption of accounting rules

The following new standards and interpretations or changes to existing standards and interpretations were to be applied for the first time for the 2018 financial year:

Standard / Change / Interpretation		Date of entry into force	Impact on Ringmetall
IAS 40	Transfer of Investment Property	1.1.2018	insignificant
IFRS 2	Share -based Payment (Classification and Valuation of share-based transactions)	1.1.2018	insignificant
IFRS 4	Implementation of IFRS 9 with IFRS 4 Insurance Contracts	1.1.2018	insignificant
IFRS 9	Financial instruments	1.1.2018	see explanations
IFRS 15	Revenues from contracts with customers	1.1.2018	see explanations
IFRIC 22	Transactions in foreign currency and prepayments	1.1.2018	insignificant
Div.	Annual improvements 2014-2016: Amendments to IFRS 1 and IAS 16	1.1.2018	insignificant

Adopted, not yet applied accounting rules

From today's perspective, the IASB has adopted the following new or amended standards, which are fundamentally relevant to Ringmetall. However, as these standards are not yet mandatory or, in some cases, pending adoption by the EU, they have not been applied in the consolidated financial statements as of 31 December 2018. The new standards or amendments to existing standards are to be applied for financial years beginning on or after the respective effective date. Premature application is usually not, even if individual standards allow it.

Standard / Change / Interpretation		Date of entry into force	Impact on Ringmetall
IAS 19	Change: Revaluation of a plan change, fulfillment, or reduction	1.1.2019	insignificant
IAS 28	Change: Long-term investments in associated companies and joint ventures	1.1.2019	insignificant
IFRS 9	Change: Prepayment regulations with negative compensation	1.1.2019	insignificant
IFRS 16	Leases	1.1.2019	see explanations
IFRS 17	Insurance contracts	1.1.2021	insignificant
IFRIC 23	Uncertainty regarding income tax treatment	1.1.2019	insignificant
Div.	Annual improvements 2015-2017: Amendments to IFRS 3 and IAS 12	1.1.2019	insignificant

The following new standard issued by the IASB, which was not yet mandatory in the present consolidated financial statements, was not voluntarily applied by Ringmetall ahead of time.

IFRS 16 "Leases"

Standard IFRS 16 regulates the recognition, measurement, presentation and disclosure requirements for leases. For lessees, the standard provides for accounting according to the right-of-use approach. This standard supersedes IAS 17 (risk-weighted reward accounting) and is mandatory for annual periods beginning on or after 1 January 2019.

Under IFRS 16, lessees are required to recognize virtually all leases on the balance sheet in a single model similar to the accounting for finance leases under IAS 17, as the distinction between operating and finance leases is removed. The only exceptions to the recognition requirement are short-term and low-value leases.

The new standard implies that at the beginning of a lease, an asset (the right to use the leased asset) and a financial liability for rental payments are recognized. Lessees must separately recognize the interest expense for the lease liability and the depreciation expense for the right of use of the leased asset.

The first-time adoption of the new standard as of 1 January 2019 is based on the modified retrospective approach and assesses the assets as if IFRS 16 had always been applied, but assets are capitalized in the amount of the lease liability at the net present value of the lease payments outstanding at the time of initial application.

In fiscal 2018, the Group made a detailed assessment of the impact of IFRS 16. To summarize, the first-time application of IFRS 16 as it stands is expected to have the following effects:

Impact on the balance sheet	kEUR
Assets (rights of use of the leased asset)	
Buildings on land not owned	9,347
fork-lift trucks	299
cars	318
	9,964
Liabilities	
Leasing liabilities	**9,962**

Due to the first-time application of IFRS 16, the operating result of the Group will improve, whereas interest expenses will increase. This is due to the change in accounting for expenses from leases, which were classified as operating leases in accordance with IAS 17.

36. RIGHT OF ELIGIBILITY ACCORDING TO §§ 264 ABS. 3 BZW. 264B HGB

Subsequent domestic subsidiaries in the legal form of a corporation or commercial partnership will use the exemption regulations in accordance with § 264 (3) and § 264b HGB and therefore refrain from drawing up and disclosing their financial statements 2018:

- August Berger Metallwarenfabrik GmbH, Berg (installation and disclosure)
- HSM Hans Sauermann GmbH & Co. KG, Ernsgaden (Disclosure)

37. ACCORDING TO § 315E HGB

The Management Board proposes, to distribute a dividend of EUR 1,661,088.00, i.e. 6 cents per share, to the shareholders of Ringmetall AG out of the net profit of EUR 7,689,055.29. The remaining amount of EUR 6,027,967.29 will be carried forward to new account.

At the Annual General Meeting on August 30, 2018, the shareholders of Ringmetall AG elected Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft as the auditor. The fee for the audit of the consolidated financial statements including the audit of domestic companies as of December 31, 2018 as well as the audit services within the scope of the securities prospectus, calculated by the auditor for the financial year amounts to a total of kEUR 311 (fee in the previous year kEUR 130). In addition to the aforementioned audit services and other auditing services, additional expenses of kEUR 72 (2017: kEUR 80) are included for other services.

38. ORGANS OF THE COMPANY

A. MEMBERS OF THE BOARD OF MANAGEMENT

Christoph Petri	
Spokesman of the Management Board	since 01.04.2011
Domicile	Hamburg, Germany
Education	Merchant

Supervisory board mandates and memberships in comparable supervisory bodies according to §285 No. 10 HGB at:
- Montega AG

Konstantin Winterstein	
Member of the Management Board	since 01.10.2014
Domicile	Munich, Germany
Education	Engineer

Supervisory board mandates and memberships in comparable supervisory bodies according to §285 No. 10 HGB at:
- Clariant AG, Schweiz

The remuneration of the Management Board in the 2018 financial year is made up as follows:

kEUR	**2018**			2017		
	Total remuneration	**thereof not performance-related**	**thereof performance-related**	Total remuneration	thereof not performance-related	thereof performance-related
Mr. Christoph Petri (Spokesman of the Management Board)	270	160	110	207	150	57
Mr. Konstantin Winterstein	293	183	110	235	178	57
Total	**563**	**343**	**220**	**442**	**328**	**114**

The former member of the Management Board, Mr. Jörg Rafael, receives performance-related remuneration for his former employment amounting to kEUR 31 for the 2018 financial year. In the 2017 financial year, Mr. Jörg Rafael received a non-performance-related remuneration of kEUR 106 and a performance-related remuneration of kEUR 16.

B. MEMBERS OF THE SUPERVISORY BOARD

Klaus F. Jaenecke, Munich	
Chairman	seit 30.08.2018
Profession	Managing Director of Jaenecke & Cie. GmbH & Co. KG, Munich
Remuneration in 2018:	kEUR 20

Supervisory board mandates and memberships in comparable supervisory bodies according to §285 No. 10 HGB at:

- Hansgrohe SE, Schiltach
- HMT Investmentclub SE & Co. KGaA, Grünwald
- Wintersteiger AG, Ried am Inn, Austria
- Heinrich Otto KG, Reichenbach a.d. Fils

Thilo von Selchow	
Member	since 01.09.2015
Chairman	from 30.06.2016, resignation 30.08.2018
Profession	Managing Director of Thilo von Selchow GmbH
Remuneration in 2018:	kEUR 37

Markus Wenner, Munich	
Member	since 01.09.2014
Deputy Chairman	since 30.06.2016
Profession	Managing Director of GCI Management Consulting GmbH
Remuneration in 2018:	kEUR 33

Supervisory board mandates and memberships in comparable supervisory bodies according to §285 No. 10 HGB at:

- Traumhaus AG, Wiesbaden
- Metriopharm AG, Zug, Schweiz
- Value-Holdings Capital Partners AG, Gersthofen
- Wolftank Adisa Holding AG, Innsbruck, Österreich
- TeleService Holding AG, Munich
- vPE Wertpapierhandels-Bank AG, Munich
- Elbe Finanzgruppe AG, Dresden

Ralph Heuwing. Munich	
Member	since 30.08.2016
Profession	Member of the Management Board of Knorr-Bremse AG
Remuneration in 2018:	kEUR 23
Supervisory board mandates and memberships in comparable supervisory bodies according to §285 No. 10 HGB in: • ManagementCapital Holding AG, Munich	

39. GERMAN CORPORATE GOVERNANCE CODE

The Management Board and the Supervisory Board of Ringmetall AG have issued a statement in accordance with Section 161 AktG and made it permanently available to shareholders on the Ringmetall website at http://ringmetall.de/wp-content/uploads/2019/01/RMG_Entsprechenserklaerung_zum_Corporate_Governance_Kodex.pdf.

Munich, 24. April 2019

Christoph Petri	Konstantin Winterstein
Spokesman of the Management Board	Member of the Management Board

Independet Auditor’s Report

To Ringmetall AG, Munich

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Audit opinion

We have audited Ringmetall AG and its subsidiaries’ (the Group) consolidated financial statements, which comprise the consolidated balance sheet as at 31st December 2018, the consolidated income statement, statement of recognized income, consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1st January to 31st December 2018 as well as the notes, including a summary of accounting and valuation policies. In addition, we have audited the combined management report of Ringmetall AGf or the financial year from 1st January to 31st December 2018.

In accordance with the German legal requirements we have not audited the content of section “Competitive Strengths” within the combined management report, further within the section “Other statutory information” the declaration in respect of the German Corporate Governance Codex and the assurance within the “Declaration of the Legal Representative”.

In our opinion, based on the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material re-spects, with the requirements pursuant to IFRS as endorsed for the EU and the additional request of Art. 325e paragraph 1 German commercial law and, in compliance with these requirements, give a true and fair view of the net assets and financial position of the Group as at 31st December 2018, and of its financial performance for the financial year from 1st January to the 31st December 2018, and
- the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future developments.
  Our audit opinion on the combined management report does not cover the content of section “Competitive Strenths” as well as the declaration according to the Corporate Governance Codex as well as the “Declaration of the Legal Representative”.

Pursuant to § 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for our audit opinion

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and in accordance with the EU-Auditor resolution (Nr. 537/2014; mentioned as “EU-APrVO”) and with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the combined Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1, 2018 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1.) Issues and problem
2.) Auditing procedure and findings
3.) Reference to further information

Below we present the key audit matters:

A. Impairment of goodwill

1.) In the consolidated financial statements, Ringmetall reports goodwill of EUR 22.6 million, or 27.5 percent of the balance sheet total.

The reported goodwill is tested for impairment on an annual basis in order to determine a possi-ble write-down on the fair value of these assets. The impairment test takes place at the level of the respective cash-generating unit (CGU). For this purpose, Ringmetall calculates a fair value for each CGU using the discounted cash flow method. The starting point are cash flow forecasts, which are based on a one-year detailed plan with simplified progression for the next four financial years and the terminal value without any further increase in growth. The result of these valuations largely depends on how the legal representatives assess future cash inflows in the respective CGU and on the discount rates used. The valuation is therefore associated with significant uncertainties. Against this background and due to the overall substantial impact of possible impairments of goodwill on the assets, liabilities, financial position and profit or loss of the Ringmetall Group as well as the complexity of assessment, the valuation of goodwill was particular importance for us.

2.) As part of our review of the determination of a possible impairment requirement on goodwill, we assessed, among other things, the procedure and the determination criteria for the differentiation of the CGUs. In addition, we reviewed the methodological procedure for the impairment test and the calculation of fair values based on the DCF method. In doing so, we subjected the valuation of the underlying valuation parameters and the assumptions of the underlying planning to a critical appraisal and plausibility, as well as reconstructing the result. Taking into account the available information, the valuation parameters and assumptions used by the legal representatives are, in our opinion, altogether suitable for checking the recoverability of goodwill.

3.) The information provided by Ringmetall on goodwill can be found in section "16. Goodwill" of the notes to the consolidated financial statements.

B. Recognition and valuation of trade receivables

1.) Trade receivables in the amount of TEUR 13,763 are reported in the consolidated financial statements of Ringmetall AG. These are 16.7 % of the balance sheet total. This balance sheet item made up a major part of total assets. Ringmetall accepts full del credere liability for business reasons. The assessment of the creditworthiness of customers as well as a comprehensive consideration of other factors is therefore of considerable importance in the assessment of trade receivables. These estimates are discretionary and based on past experience and future expectations. In view of the level of trade receivables, the reasonable assessment of the creditworthiness of customers as well as the due consideration of possible impairments is of considerable significance in the consolidated financial statements of Ringmetall AG.

2.) We assessed the process of checking the recoverability of trade receivables as part of a system audit and on the basis of test-related audit procedures, in particular with regard to credit monitoring. After a review, we also reconstructed the identification of risky claims in order to be able to deal with individual cases and i.a. verify the underlying assumptions and data used to determine the impairment of the receivables.

   We consider the processes and assumptions made to assess trade receivables to be appropriate.

3.) For further information on trade receivables, please refer to the information in Note "21. Trade receivables and other receivables" as well as the comments on IFRS 9 under section" 6.1. Change in accounting policies" in the notes to the consolidated financial statements.

Other information

The legal representatives and the Supervisory Board are responsible for the other information. The other information comprises

- Letter from the Management Board
- Report of the Supervisory Board
- Declaration concerning the German Governance Codex
- The section Competitive Strengths within the combined management report
- The assurance within the Declaration of the Legal Representative

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated

Responsibilities of the legal representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) they have considered necessary to enable the preparation of a combined management report in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides a true and fair view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and accurately presents the opportunities and risks of future developments, as well as to issue an auditor's report that includes our audit opinion on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates and applicable disclosures made.
- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to the related disclosures in the consolidated financial statements in the auditor's report and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions

are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be expected to affect our independence, and where applicable, the applied safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preclude public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 30th August 2018. We were engaged by the Supervisory Board on 30th November 2018. We have been the auditor of the Ringmetall AG without interruption since the financial year 2017.

We declare that the audit opinion expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Responsible Auditor

The German Public Auditor responsible for the engagement is Andrea Meyer.

Nürnberg, 29. April 2019

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Edenhofer
- German Public Auditor -

Meyer
- German Public Auditor -

Ringmetall AG, Munich

DECLARATION OF THE LEGAL REPRESENTATIVES

"We assure to the best of our knowledge that, in accordance with the applicable accounting principles, the financial statements and the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the company or of the group and that the business performance, including the results of operations, in the combined management report, and the position of the company or of the group is presented in such a way as to give a true and fair view and to describe the material opportunities and risks of the anticipated development of the company or the group."

Munich, 30. April 2019

Christoph Petri
Vorstandssprecher

Konstantin Winterstein
Vorstand

ANNUAL REPORT THE RINGMETALL AG

Balance Sheet

as of 31.12.2018

ASSETS EUR		31.12.2018	31.12.2017
A. Fixed assets			
I. Intangible assets 1. Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets		1.00	1.00
II. Tangible assets 1. Other equipment, operating and office Equipment		4,813.00	7,335.00
III. Finanzanlagen			
1. Shares in affiliated companies	32,462,826.05		32,713,388.64
2. Equity investments	0.00		61,533.87
		32,462,826.05	32,774,922.51
B. Current assets			
I. Receivables and other assets			
1. Receivables from affiliated companies	29,463,891.36		11,077,891.82
2. Other assets	179,830.92		74,983.14
		29,643,722.28	11,152,874.96
II. Cash-in-hand and bank balances		276,958.47	7,812,862.39
C. Prepaid expenses		31,099.39	15,024.54
D. Deferred tax assets		282,340.00	565,726.78
		62,701,760.19	**52,328,747.18**

LIABILITIES EUR		31.12.2018	31.12.2017
A. Equity			
I. Subscribed capital		29,069,040.00	27,684,800.00
II. Capital reserves		17,041,911.50	12,750,767.50
III. Revenue reserves			
1. Legal reserves	1,154,800.00		1,154,800.00
2. Other revenue reserves	1,727,585.77		1,727,585.77
		2,882,385.77	2,882,385.77
IV. Net retained profits		12,402,724.73	7,689,055.29
B. Provisions			
1. Steuerrückstellungen	89,216.39		43,603.61
2. sonstige Rückstellungen	513,717.50		514,964.00
		602,933.89	558,567.61
C. Liabilities			
1. Liabilities to banks	0.00		600,000.00
2. Trade payables	682,545.16		132,690.41
3. Liabilities to affiliated companies	0.00		2,830.79
4. Other liabilities	20,219.14		27,649,81
		702,764.30	763,171.01
		62,701,760.19	**52,328,747.18**

AG Income Statement

from 1.1. to 31.12.2018

PROFIT & LOSS STATEMENT EUR		2018	2017
1. Sales		940,000.00	940,000.00
2. Operating Result		940,000.00	940,000.00
3. Other operating income		21,269.57	79,483.90
4. Personnel expenses			
a) Wages and salaries	-901,427.55		-853,373.03
b) Social security, post-employment and other employee benefit costs	-47,197.60		-35,859.58
		-948,625.15	-889,232.61
5. Amortization and write-downs			
a) of intangible fixed assets and depreciation and writedowns of tangible fixed assets		-2,958.89	-4,261.70
6. Other operating expenses		-2,305,124.23	-1,304,148.91
7. Income from investments		1,179,538.04	877,867.26
8. Profits received under profit-pooling, profit transfer or partial profit transfer agreements		8,220,532.17	3,253,506.82
9. Other interest and similar income		52,347.48	19,431.36
10. Write-downs of financial assets and investments classified as current assets		-325,562.59	0.00
11. Interest and similar expenses		-12,431.75	-50,370.41
12. Taxes on income		-404,885.39	230,583.28
13. Earnings after taxes		**6,414,099.26**	**3,152,858.99**
14. Other taxes		-39,341.82	-7,278.00
16. Net income for the year		**6,374,757.44**	**3,145,580.99**
16. Retained profits brought forward from the previous year		6,027,967.29	4,543,474.30
17. Net retained profits		**12,402,724.73**	**7,689,055.29**

NOTES OF THE AG

I. PRELIMINARY NOTE

The annual financial statements of Ringmetall Aktiengesellschaft, Munich, as at 31 December 2018 were prepared in accordance with the commercial law provisions of §§ 242 et seq. HGB and the supplementary provisions for large corporations. As a capital market-oriented company within the meaning of section 264d HGB, the company is considered a large company in accordance with section 267 (3) sentence 2 HGB. In addition, the provisions of the German Stock Corporation Act were observed. The company is registered at the district court of Munich under the commercial register number HRB 118683.

II. ACCOUNTING AND VALUATION PRINCIPLES

Purchased intangible assets and property, plant and equipment were measured at cost less depreciation due to use.

The financial assets consist of shares in affiliated companies and participations. The valuation is carried out at the cost of acquisition or - based on expected permanent impairments - at the lower fair value. Insofar as the conditions for a permanent impairment are met, unscheduled depreciation is carried out.

The valuation of receivables and other assets is carried out at nominal value. Receivables are valued taking into account all identifiable risks.

Cash and cash equivalents are stated at nominal value.

Prepaid expenses relate to expenses before the balance sheet date that represent expenses for a certain period after this date. The resolution is linear according to the passage of time.

Deferred taxes

Deferred taxes result from temporal valuation differences between the commercial and tax balance sheets. The capitalization also takes into account existing corporation tax and trade tax loss carryforwards that are expected to be realized within the next five years.

Deferred tax assets, which represent future tax relief, result from loss carryforwards.The exercise of the option to capitalize deferred tax assets results in a distribution block of EUR 282 thousand.

The deferred tax liabilities, which represent a future tax burden, result from the balance sheet item fixed assets. The recognition of deferred tax assets and liabilities is netted.

The deferred tax assets amount to kEUR 302 and the deferred tax liabilities to kEUR 20. The applied tax rate for the deferred taxes is 32.975% for corporation tax, solidarity surcharge and trade tax.

Equity is reported at nominal value. It consists of the subscribed capital, the capital reserve, the retained earnings and the retained profit.

Provisions take into account all identifiable risks and contingent liabilities based on a prudent business judgment with the required settlement amount.

The liabilities are stated at the settlement amount.

With regard to foreign currency translation, it should be noted that the assets and liabilities affected are translated at the middle exchange rate prevailing at the time of valuation. Subsequent valuation of assets and liabilities denominated in foreign currencies with a residual maturity of more than one year is carried out in accordance with the imparity principle, whereby exchange losses are not capitalized and price gains are not taken into account.

The preparation of the financial statements was based on assumptions and estimates that affected the recognition, recognition and measurement of the assets, liabilities and expenses. The underlying assumptions and estimates essentially relate to the calculation of deferred taxes and the measurement of provisions.

III. INFORMATION ON CERTAIN BALANCE SHEET ITEMS AND THE INCOME STATEMENT

Fixed assets

The breakdown and development of fixed assets as well as depreciation and amortization for the financial year are shown in the schedule of assets (Appendix to the Notes). The list of shareholdings pursuant to section 285 no. 11 HGB i. V. m. Section 16 (4) AktG is presented in a separate annex.

Appurtenance

As in the previous year, receivables from affiliated companies represent other assets in full, and have a remaining term of up to one year. Liabilities to affiliated companies, as in the previous year, represent other liabilities in full.

Equity

The share capital amounts to EUR 29,069,040.00 and is divided into 29,069,040 no-par-value bearer shares (one no-par-value share thus corresponds to an imputed share in the capital stock of EUR 1.00 each). In the financial year 2018, the share capital was increased from EUR 27,684,800.00 by EUR 1,384,240.00 to EUR 29,069,040.00 by resolution of the Supervisory Board dated 14 August 2018 pursuant to § 5 of the Articles of Association (share capital, authorized capital). 1.384.240 no-par-value bearer shares with a notional share in the capital stock of EUR 1.00 were issued.

At the Annual General Meeting on 29 August 2014, the Executive Board was authorized until 31 July 2019, with the approval of the Supervisory Board, to issue the capital stock by a single or multiple issue of new bearer shares (ordinary shares) in return for cash contributions and/or contributions in kind of up to EUR 10,200,000.00, whereby the subscription right of the shareholders can be excluded in certain cases (Authorized Capital 2014 / I). By resolution of the Supervisory Board dated 14.08.2018, the share capital was increased from EUR 27,684,800.00 by EUR 1,384,240.00 to EUR 29,069,040.00. The Authorized Capital of 29 August 2014 (Authorized Capital 2014 / I) amounts to EUR 6,735,760.00 after partial utilization.

At the Annual General Meeting on 31 August 2015, the Executive Board was authorized until 30 August 2020, with the approval of the Supervisory Board, to increase share capital by a total of up to EUR 3,120,000.00 by issuing new bearer shares (ordinary shares) once or several times in return for cash contributions and/or contributions in kind, whereby the subscription right of the shareholders can be excluded (Authorized Capital 2015/I). The authorized capital of 31 August 2015 (Authorized Capital 2015/I) amounts to EUR 832,000.00 after partial utilization.

At the Annual General Meeting on 30 August 2016, the Executive Board was authorized until 31 July 2021, to increase the share capital against cash contributions and/or contributions in kind by a total of up to EUR 3,432,000.00, with the approval of the Supervisory Board, whereby the subscription right of shareholders was excluded (Authorized Capital 2016/I). The authorized capital of 30 August 2016 (Authorized Capital 2016/I) amounts to EUR 915,200 after partial utilization.

At the Annual General Meeting on 30 August 2018, the Executive Board was authorized until 31 July 2023, with the approval of the Supervisory Board, to increase the share capital against cash contributions and/or contributions in kind by up to EUR 3,975,200, whereby the shareholders' subscription rights can be excluded (Authorized Capital 2018/I).

The capital reserve results from gains on the sale of treasury shares and the premium from capital increases. From the capital increase of the financial year 2018, EUR 4,291,144.00 were added to the capital reserve.

The balance sheet profit 2018 develops as follows:

EUR	31.12.2018
Profit carryforward	7,689,055.29
Distribution	-1,661,088.00
Net income	6,374,757.44
Balance sheet profit	**12,402,724.73**

On 30 August 30 2018, the Annual General Meeting resolved to use the unappropriated retained earnings for 2017 in the amount of EUR 7,689 thousand as follows: Distribution of a dividend of 6 cents per no-par-value share. Total distribution of kEUR 1,661. The remaining balance sheet profit of kEUR 6,028 was carried forward to new account.
As of the balance sheet date, there were non-distribution-related amounts of kEUR 282, which relate exclusively to deferred tax assets.

Accruals

Other provisions mainly include personnel expenses, expenses for auditing and acquisition costs and costs of the Supervisory Board compensation.

Liabilities

The maturity of the liabilities is shown in the following statement of liabilities:

Type of liability as at 31.12.2018 EUR		Amount	thereof with a remaining maturity up to 1 year	thereof with a remaining maturity more than 5 years	Secured by mortgage or similar rights	Type of security
to banks	**2018**	**00.00**	**00.00**	**00.00**	**00.00**	
	2017	600,000.00	600,000.00	00.00	600,000.00	1)
from trade payables	**2018**	**682,545.16**	**682,545.16**	**00.00**		
	2017	132,690.41	132,690.41	00.00		
to affiliates	**2018**	**00.00**	**00.00**	**00.00**		
	2017	2,830.79	2,830.79	00.00		
Other liabilities	**2018**	**20,219.14**	**20,219.14**	**00.00**		
	2017	27,649.81	27,649.81	00.00		
Total	**2018**	**702,764.30**	**702,764.30**	**00.00**	**00.00**	1) Pledging of shares
	2017	763,171.01	763,171.01	00.00	600,000.00	

Other liabilities include tax liabilities in the amount of kEUR 15 (2017: kEUR 18).

As in the previous year, **sales revenues** were generated exclusively in Germany.

Other operating income includes **non-period income,** which mainly results from the reversal of provisions, in the amount of kEUR 3 (2017: kEUR 32).

Other operating expenses include **prior-period expenses,** which mainly result from losses on receivables, amounting to kEUR 451 (2017: kEUR 7).

Currency translation

Other operating income includes income from currency translation in the amount of kEUR 0 (2017: kEUR 25), and other operating expenses include expenses from currency translation of kEUR 0 (2017: kEUR 0).

Income from investments

Income from investments relates to income from the investment in HSM Hans Sauermann GmbH & Co. KG and Société Civile Immobilière (SCI) Berger France.

Income from profit transfer agreements

Income from profit transfer agreements relates to the profit transfer of August Berger Metallwarenfabrik GmbH, Berg.

Interest income

Interest income includes interest from affiliated companies of kEUR 49 (2017: kEUR 14).

Write-downs of financial assets and marketable securities of kEUR 326 (2017: kEUR 0) relate to depreciation on shares in affiliated companies.

Interest expense

Interest expenses include interest to affiliated companies of kEUR 0 (2017: kEUR 6).

Taxes on income and earnings

Taxes on income include expenses from deferred taxes in the amount of kEUR 283 (2017: income kEUR 346).

IV. OTHER INFORMATION

Contingencies

Contingent liabilities pursuant to Section 251 HGB exist for liabilities from warranty agreements to banks for affiliated companies in the amount of kEUR 25,000. Based on the current net assets, financial position and results of operations as well as the future planning, no claims are made from these contingent liabilities.

Other financial obligations

Other financial obligations result from continuing obligations (rental and leasing transactions) with an expense of kEUR 44 per year. The total obligation until the end of the term amounts to kEUR 167. The rental and leasing business serves to improve the liquidity situation and the equity ratio. These are also the main advantages of the business. Risks exist in the contractual relationship through the contracts, since any significant technical progress in leased and leased assets may not be compensated by new purchases.

Number of employees

The average number of commercially employed employees during the financial year is 3.

Organs

MANAGEMENT BOARD:	Main Profession	Total remuneration in 2018 kEUR	thereof not performance-related kEUR	thereof performance-related kEUR
Mr. Christoph Petri (Spokesman of the Management Board)	Merchant	270	160	110
Mr. Konstantin Winterstein	Engineer	293	183	110
Total remuneration		**563**	**343**	**220**

The members of the Management Board, Christoph Petri and Konstantin Winterstein, are members of the administrative and supervisory bodies of the following companies and companies:

Christoph Petri:

Member of the Supervisory Board of Montega AG

Konstantin Winterstein:

Member of the Board of Directors of Clariant AG, Switzerland

Member of the Advisory Board of Finatem Fonds Management Verwaltungs GmbH, Frankfurt

Member of the Advisory Board of Gothaer Fahrzeugtechnik GmbH, Gotha

The former member of the Management Board, Jörg Rafael, receives performance-related remuneration for 2018 for his previous employment amounting to kEUR 31. Expenses for ongoing consulting services amount to kEUR 100.

Supervisory Board		Main Profession	Remuneration in 2018 kEUR	Mitgliedschaft in weiteren Aufsichtsräten/ Kontrollgremien
Klaus F. Jaenecke since 30.08.2018	Chairman	Managing Director of Jaenecke & Cie. GmbH & Co. KG, Munich	20	Hansgrohe SE, Schiltach HMT Investmentclub SE & Co. KGaA, Grünwald Wintersteiger AG, Ried im Innkreis, Austria Heinrich Otto KG, Reichenbach a.d. Fils
Thilo von Selchow until 30.08.2018	Chairman	Managing Director of Thilo von Selchow GmbH	37	
Markus Wenner	Deputy Chairman	Managing Director of GCI Management Consulting GmbH	33	Traumhaus AG, Wiesbaden Wolftank Adisa Holding AG, Innsbruck, Austria TeleService Holding AG, Munich Elbe Finanzgruppe AG, Dresden vPE Wertpapierhandels-Bank AG, Munich Value-Holdings Capital Partners AG, Gersthofen Metriopharm AG, Zug, Switzerland
Ralph Heuwing		Member of the Management Board of Knorr Bremse AG	23	Management Capital Holding AG, Munich

With regard to the auditor's fee, reference is made to the consolidated financial statements of Ringmetall AG..

Consolidated Financial Statements

As the parent company, Ringmetall Aktiengesellschaft, Munich, prepares the consolidated financial statements for the largest and smallest group of companies. It is submitted to the operator of the electronic Federal Gazette and published in the electronic Federal Gazette.

Proposal for the use of results

The Supervisory Board and the Management Board propose to distribute a dividend of 6 cents per share and to carry the remaining amount forward to new account.

Corporate Governance - Corporate Governance Statement

The declaration on corporate governance in accordance with Section 315d HGB in conjunction with Section 289f HGB with the declaration on German Corporate Governance (Section 161 AktG) has been issued and can be viewed permanently on the company's homepage at http://ringmetall.de/investor-relations/corporate governance.

Supplementary report

The Ringmetall Group concluded negotiations for the purchase of parts of the Nittel Group in December 2018 and 100 percent of Nittel Halle GmbH, Halle (Saale) 50 percent of Nittel UK Limited, Southport, United Kingdom, 50 percent of Nittel BV, Moerdijk, Netherlands and 80 percent of Nittel France SAR, Merignac, France. Due to company law regulations in the purchase agreement, Ringmetall only gained control and control of the group as of 1 January 2019. For these, a purchase price of EUR 12.7 million was agreed, which is payable in various tranches. To finance this tranche, Ringmetall AG granted a loan to one of its subsidiaries in the year under review. To finance the remaining purchase price, Ringmetall will also extend this part as a loan to affiliated companies in 2019.

Munich, den

Christoph Petri	Konstantin Winterstein
Spokesman of the Management Board	Member of the Management Board

Additional Information to the Annex

Business interests as of 31.12.2018

	Location	Country	Share in capital (%)		Equity kEUR	Net result kEUR
Inland						
August Berger Metallwarenfabrik GmbH	Berg	Germany	100.00		16,000	0
Berger Verwaltungs GmbH	Berg	Germany	100.00		20	-2
Fieder Verwaltungs GmbH	Munich	Germany	100.00		0	24
Fidum Verwaltungs GmbH	Munich	Germany	100.00		52	-24
Latza GmbH	Attendorn	Germany	100.00	2)	360	-430
Metallwarenfabrik Berger GmbH	Attendorn	Germany	100.00	2)	737	221
HSM Hans Sauermann GmbH & Co. KG	Ernsgaden	Germany	100.00		964	875
HSM Hans Sauermann Verwaltungs GmbH	Ernsgaden	Germany	100.00		53	3
Abroad						
Société Civile Immobilière (SCI) Berger France	Niederlauterbach	France	49.00	1)	548	294
Berger Closures Limited	Peterlee	Great Britain	75.57	2)	1,523	759
Hollandring (BV) Besloten Vennootschap	Vaassen	Netherlands	100.00	2)	195	-11
Berger Group Europe Iberica, S.L.	Reus	Spain	100.00	2)	1,094	309
CEMSAN Metal Parca Imalat Limited Sirketi	Dilovasi-Kocaeli	Turkey	100.00	2)	-561	-922
S.G.T. S.r.l.	Albavilla	Italy	80.00		3,364	853
Berger Closing Rings (Changshu) Co., Limited	Changshu	China	80.00	2), 4)	-223	-236
Berger Italia S.r.l.	Valmadrera	Italy	100.00	2)	4,093	1,055
Berger US Inc.	Birmingham	USA	100.00	2)	13,546	0
Self Industries Inc.	Birmingham	USA	100.00	2), 3)	14,754	2,039
Berger Hong Kong Limited	Hong Kong	China	80.00	2)	1,399	1

1) the remaining 51 percent are held by Fieder Verwaltungs GmbH
2) held indirectly via August Berger Metallwarenfabrik GmbH
3) held indirectly via Berger US Inc.
4) held indirectly via Berger Hong Kong Limited.

The currency translation for the companies was as follows:

	Währung	EURO
Berger Closures Limited		
Equity at average exchange rate:	1 GBP	= 1.10973 EUR
Net income for the year at year's average exchange rate:	1 GBP	= 1.12803 EUR
CEMSAN Metal Parca Imalat Limited		
Equity at average exchange rate:	1 TL	= 0.16566 EUR
Net income for the year's average exchange rate:	1 TL	= 0.17979 EUR
Berger Closing Rings (Changshu) Co. Limited		
Equity at average exchange rate:	1 CNY	= 0.12708 EUR
Net income for the year at year's average exchange rate:	1 CNY	= 0.12798 EUR
Berger US Inc., Self Industries Inc. and Berger Hong Kong Limited		
Equity at average exchange rate:	1 USD	= 0.87393 EUR
Net income for the year at year's average exchange rate:	1 USD	= 0.84856 EUR

Development of capital assets

in the financial year 2018

CAPITAL ASSETS EUR	Acquisition cost / Production costs			
	As of 01.01.2018	Additions	Disposals	As of 31.12.2018
I. Intangible assets				
Purchased licenses, industrial property rights and similar rights and assets as well as licenses to such rights and assets	10,640.00	-	-	10,640.00
Total intangible assets	**10,640.00**	**-**	**-**	**10,640.00**
II. Property, plant and equipment				
Other plant, factory and office equipment	24,289.45	436.89	436.89	24,289.45
Total property, plant and equipment	**24,289.45**	**436.89**	**436.89**	**24,289.45**
III. Investments				
1. Shares in affiliated companies	34,915,864.82	75,000.00	-	34,990,864.82
2. Holdings	61,533.87	-	61,533.87	-
Total financial assets	**34,977,398.69**	**75,000.00**	**61,533.87**	**34,990,864.82**
Total capital assets	**35,012,328.14**	**75,436.89**	**61,970.76**	**35,025,794.27**

Depreciations				Book values	
As of 01.01.2018	Additions	Disposals	As of 31.12.2018	As of 31.12.2018	As of 31.12.2017
10,639.00	-	-	10,639.00	1.00	1.00
10,639.00	**-**	**-**	**10,639.00**	**1.00**	**1.00**
16,954.45	2,958.89	436.89	19,476.45	4,813.00	7,335.00
16,954.45	**2,958.89**	**436.89**	**19,476.45**	**4,813.00**	**7,335.00**
2,202,476.18	325,562.59	-	2,528,038.77	32,462,826.05	32,713,388.64
-	-	-	-	-	61,533.87
2,202,476.18	**325,562.59**	**-**	**2,528,038.77**	**32,462,826.05**	**32,774,922.51**
2,230,069.63	**328,521.48**	**436.89**	**2,558,154.22**	**32,467,640.05**	**32,782,258.51**

Independet Auditor's Report

To Ringmetall AG, Munich

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Audit opinion

We have audited Ringmetall AG annual financial statements, which comprise the balance sheet as at 31st December 2018 and the income statement for the financial year from 1st January 2018 to 31st December 2018 including a summary of accounting and valuation policies. In addition, we have audited the combined management report of Ringmetall AG for the financial year from 1st January 2018 to 31st December 2018.

In accordance with the German legal requirements we have not audited the content of the non-financial report contained in section "Competetive Strength" of the combined management report, further within the section "Other statutory information" the declaration in respect of the German Corporate Governance Codex also as the declaration on the Company's management pursuant to § 289f Sec. 4 HGB of the combined management report.

In our opinion, based on the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the net assets and financial position of the Company as at 31st December 2018 and of its financial performance for the financial year from 1st January to 31st December 2018 in compliance with German Legally Required Accounting Principles, and
- the combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future developments.

Our audit opinion on the combined management report does not cover the content of the aforementioned non-financial report and the statement on German corporate governance also as the Section Y "Competitive Strengths" and the declaration on the Company's management pursuant to § 289f Sec. 4 HGB of the combined management report.

Pursuant to § 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the financial statements and of the combined management report.

Basis for our audit opinion

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our [audit] opinion on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1st January to 31st December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We have structured our presentation of these key audit matters as follows:

1.) Facts and problems
2.) Audit approach and findings
3.) Reference to further information

From our perspective, the following matters were of most significance during our audit:

A. Valuation of shares in affiliated companies

1.) In the annual financial statements, shares in affiliated companies in the amount of TEUR 32,463 are reported under the balance sheet item "Financial assets". This is 51.8% of the balance sheet total. The shares in affiliated companies are subject to an annual impairment test in order to determine a possible writedown requirement due to permanent impairment. The impairment test is carried out at the level of each legal entity. Based on corporate planning, Ringmetall AG calculates an income value as well as an enterprise value using the discounted cash flow method (DCF method). The corporate planning includes a detailed planning phase of one year with simplified progression for the next four financial years and the terminal value without any further increase in growth. The outcome of these valuations largely depends on how the legal representatives assess the future cash inflows from customer relationships and on the considered discount rates. Thus the valuation is subject to significant uncertainties. Against this background and due to the material impact of an possible impairment of financial assets on the financial positions and performance of Ringmetall AG and due to the large number of subsidiaries and the complexity of the valuation, the valuation of shares in affiliated companies was within the scope of our audit of particular importance.

2.) As part of our audit of the valuation of financial assets, we examined, among other things, the methodology of the impairment test and the determination of the present value of future cash flows and income. In doing so, we critically appraised the plausibility of the valuation parameters and plausibly reconstructed the result. The valuation parameters and assumptions used by the legal representatives, considering the information available, are, from our point of view, altogether suitable for reviewing the valuation of the financial assets. Overall, the underlying data and parameters represent an appropriate basis for identifying an impairment requirement.

3.) The information provided by the Company on financial assets is included in the sections "Accounting Policies" and "Disclosures on Certain Balance Sheet Items and the Income Statement" of the notes and in the Statement of Movements in non-current assets.

B. Recognition and valuation of receivables from affiliated companies

1.) Receivables from affiliated companies in the amount of kEUR 29,464 are reported in the annual financial statements of the company. This is 47.0% of the balance sheet total. The receivables from affiliated companies are an integral part of the total assets. The assessment of the creditworthiness of the affiliated companies and a comprehensive consideration of the related assessment of the economic development of the affiliated companies, which is in many cases discretionary, are thus of considerable importance within the framework of the valuation of receivables from affiliated companies and thus at the same time a significant significance in the annual financial statements of Ringmetall AG. In our view, this issue is of particular importance for the audit.

2.) In the course of our audit, we first agreed the process of verifying the balance sheet identity and then using statement-related audit procedures to ensure that the receivables correspond to the corresponding liabilities of the respective affiliated companies. In addition, we reviewed the creditworthiness assessment based on the corporate planning of the respective subsidiary and critically assessed the underlying planning and assumptions of this planning. At our discretion, we also tracked the identification of potentially risky claims.

    We consider the processes and assumptions made to assess the receivables from affiliated companies to be appropriate.

3.) The information provided by the Company on receivables from affiliated companies is included in the section "Disclosures on specific balance sheet items and the income statement" of the notes.

Other information

The legal representatives and the Supervisory Board are responsible for the other information. The other information comprises

- Letter from the Management Board
- Report of the Supervisory Board
- Governance Codex
- The section Competitive Strengths within the combined management report
- The assurance within the Declaration of the Legal Representative

Our audit opinion on the annual financial statements and on the combined management report does not cover the other information and, consequently, we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the legal representatives and the Supervisory Board for the Annual Financial Statements and the Combined Management Report

The legal representatives are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the net assets, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting on a going concern basis, provided no actual or legal circumstances conflict therewith.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides a true and fair view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) they have considered necessary to enable the preparation of a combined management report in accordance with the applicable German legal requirements and to be able to provide sufficient appropriate evidence for the statements made in the combined management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides a true and fair view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and accurately presents the opportunities and risks of future developments, as well as to issue an auditor's report that includes our audit opinion on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the combined management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of accounting estimates and applicable disclosures made.
- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to the related disclosures in the annual financial statements in the auditor's report and in the management report or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial

statements give a true and fair view of the net assets, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the combined management report with the annual financial statements, its conformity with German commercial law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be expected to affect our independence, and where applicable, the applied safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preclude public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 30th August 2018. We were engaged by the Supervisory Board on 30th November 2018. We have been the auditor of the Ringmetall AG without interruption since the financial year 2017.

We declare that the audit opinion expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (longform audit report).

Responsible Auditor

The German Public Auditor responsible for the engagement is Andrea Meyer.

Nürnberg, 29. April 2019

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Edenhofer
- German Public Auditor -

Meyer
- German Public Auditor -

Ringmetall AG, Munich

Others

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