RINGMETALL AG
ANNUAL REPORT 2019

RINGMETALL

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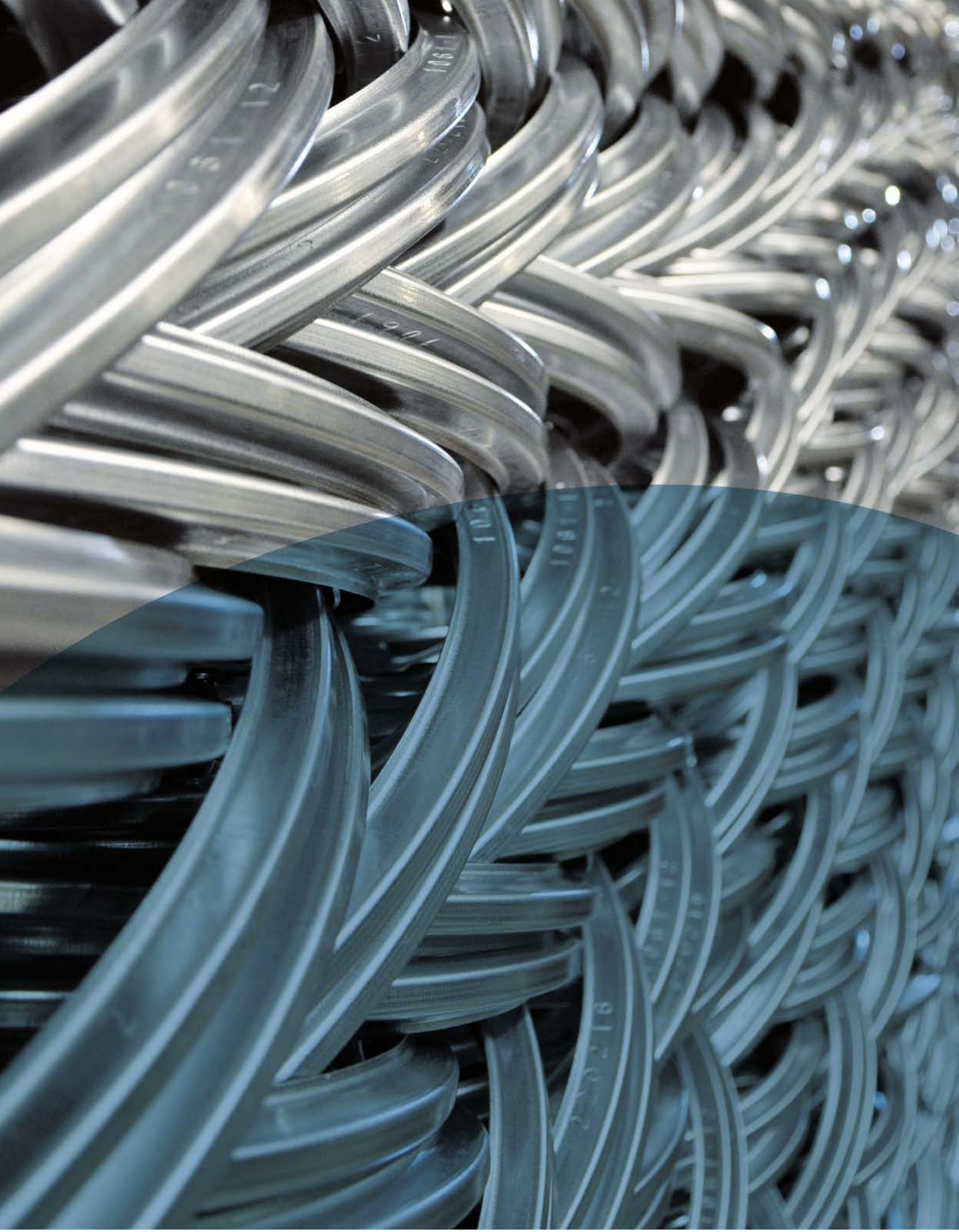


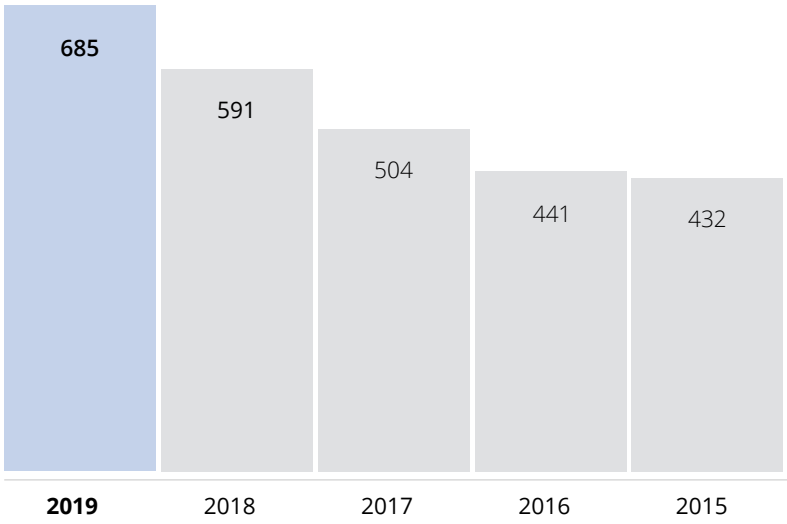
TO THE SHAREHOLDER

Key Figures of the Group

P&L KEY FIGURES EUR '000	**2019**	2018	2017	2016	2015*
Group Revenues	**120,581**	110,567	102,348	94,294	66,678
Total Output	**120,563**	111,062	102,388	94,645	67,703
Gross Profit	**55,455**	49,517	45,356	41,678	31,209
EBITDA	**10,029**	10,431	12,041	11,194	5,438
EBIT	**4,969**	8,280	10,035	9,267	1,372
Consolidated Net Profit	**3,022**	**5,156**	**7,135**	**5,701**	**-169**

BALANCE SHEET KEY FIGURES EUR '000	**2019**	2018	2017	2016	2015*
Fixed Assets	**63,979**	48,499	34,867	35,001	36,970
Current Assets	**34,004**	32,982	39,986	30,384	26,006
Equity	**49,999**	48,537	39,102	26,306	19,717
Equity Ratio	**50.0%**	59.0%	51.6%	39.7%	30.9%
Liabilities	**43,590**	29,966	33,291	37,310	42,076
Balance Sheet Total	**100,002**	**82,271**	**75,796**	**66,239**	**63,909**

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 and the University of Sydney and graduated in 2006 with a degree in business administration. Subsequently, he started his career at a consulting and investment company in Munich focused on medium-sized businesses. In 2011, he was appointed to the Management Board of Ringmetall, where he is Spokesman of the Board and responsible for strategic investment management as well as for finance, investor relations, sales and marketing.

KONSTANTIN WINTERSTEIN

Konstantin Winterstein studied at TU Darmstadt and TU Berlin, where he graduated in mechanical engineering in 1996. In 2004 he received an MBA from INSEAD in Fontainebleau and Singapore. From 1997 to 2014 he held various positions at the BMW Group. Since 2014, he has been a member of the Management Board of Ringmetall and is responsible for operational investment management as well as for human resources, IT, technology and production.

Letter from the Management Board

Dear business partners,
dear shareholders,

It seems strange these days to be dealing so intensively with the development of our company in the past financial year when we are currently moving in times of so much uncertainty. COVID-19 has a considerable influence on all our lives and therefore requires our full attention. Before we go into detail about how the Ringmetall Group is currently preparing for this crisis and which developments we are anticipating in 2020, let us nevertheless summarize the most important key points of the business year 2019 in retrospect.

Against the background of the generally subdued mood in large parts of the economy, we have already started the business year 2019 with headwinds. After an initially promising start into the year, from mid-February onwards the order situation showed a very mixed picture, with significant fluctuations from month to month and from region to region. These fluctuations made it almost impossible to take countermeasures on the production side with efficiency measures and thus adjust the cost side to the development of sales. It was not until September that the situation gradually stabilized, allowing us to plan better and leading to a moderate stabilization of the earnings situation again. The situation continued to ease in the fourth quarter.

At EUR 120.6 million, our consolidated revenue in 2019 was 9.1 percent higher than in the previous year. This growth was exclusively of an inorganic nature and is attributable to the acquisitions of Nittel and Tesseraux. With these transactions we began last year to step into the attractive market for inliners, i.e. inner liners for industrial packaging. If we look purely at the organic business development, we had to record a slight decline in sales of 4.7 percent overall. Earnings before interest, taxes, depreciation and amortisation (EBITDA) were also slightly lower at EUR 10.0 million. With this development, we were roughly in the middle of the expected ranges of EUR 115.0 to 125.0 million and EUR 8.5 to 11.0 million respectively, both in terms of revenue and earnings. For the sake of order, however, it

should be noted at this point that these are the ranges that were reduced as a result of the economic development in July 2019.

On closer examination of the individual segments, the positive effect of our acquisitions is once again very clearly evident in the Industrial Packaging division, with revenue growth of 12.3 percent to EUR 109.4 million. While sales in the clamping rings business were subject to a clear cyclical trend due to the cyclical decline in demand from the chemical industry and the general decline in steel prices, the stable development of our acquisitions showed that the expansion of our product range to include inliners led to a noticeable reduction in the cyclical fluctuation of our business. We are planning further acquisitions in this industry in the future. EBITDA in the Industrial Packaging segment developed in line with segment revenues, increasing by 12.4 percent to EUR 12.2 million.

In the Industrial Handling segment, we were hit disproportionately hard by the general economic situation in 2019 and additional special effects on the customer side. Demand for our proprietary products remained strong compared to the market as a whole. In the OEM segment, the postponement of the launch of a new generation of industrial trucks by a major customer resulted in a significant shift in call-off orders. This resulted in a 14.9 percent decline in segment revenue to EUR 11.2 million and a disproportionately high decline in segment EBITDA of 53.1 percent to EUR 0.6 million.

In general, it can be said that the Ringmetall Group has developed satisfactorily overall, especially in the second half of the year, in view of the environment prevailing in 2019. This fundamentally positive development also continued in the first quarter of 2020. However, for a few weeks now, it has been overshadowed by the impending economic risks associated with the increasing global spread of COVID-19. Numerous industries have already been severely affected by the measures taken against the spread of the virus. Among them are many industries that are the main customers of our products. First and foremost the automotive industry. At present, our situation is such that demand for our products has risen significantly compared with previous months. However, we assume that Ringmetall will also suffer economic losses due to the virus in the further course of the year. However, we are not currently able to estimate the extent to which these losses could be felt.

We have therefore already taken extensive precautions to minimize the potential impact of the crisis on our company and also on our customers. In principle, there is a risk that individual production sites could be affected by significant production cutbacks or even complete production downtimes. This could be the case, on the one hand, due to delivery problems on the part of our suppliers, who supply us with the steel or other pre-products required for production. On the other hand, several or all of the employees at a location could also be absent due to health or quarantine reasons, making it considerably more difficult or impossible to maintain production. Furthermore, delivery may be delayed due to logistical problems, for example if truck drivers are absent for health reasons or border controls stop delivery traffic. On the positive side, however, it should be noted that in many regions, ring metal has already been classified by the responsible authorities as an important supplier to system-relevant industries. This ensures that we can continue to produce in our plants even in the event of officially ordered plant closures, as recently in Italy.

We have countered these problems above all by significantly increasing our safety stocks of production equipment at each of our sites. We now keep the stock of steel strip and pre-products - such as lever fasteners - required for four weeks of production instead of the previous two weeks. In addition, we have created the possibility of producing special components, which

were previously only produced at one site, at other sites if required. Furthermore, we take care not to mix the workforces of the shifts and thus, in the event of an employee becoming ill, to only have to carry out quarantine measures for a clearly defined part of the workforce. Finally, we have again significantly increased the hygiene measures in all our plants in order to keep the risk of infection at the workplace as low as possible.

Within the framework of the outlook for fiscal year 2020 already published with the preliminary business figures on 5 March 2020, the Management Board, based on a conservative assessment of the market environment, expects consolidated sales of EUR 125.0 to 135.0 million and earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 11.0 to 13.0 million. These assumptions are based on an unchanged steel price and unchanged exchange rates of the euro to the US dollar, Turkish lira and British pound compared to the end of 2019. They do not include effects from acquisitions expected in 2020, including the resulting transaction costs. The Management Board continues to assess the market environment for company acquisitions as good.

This assessment does not include possible economic effects from the risks mentioned above that could arise for our Company from the further spread of COVID-19. In the event of a virus-induced broader economic downturn, the Management Board also expects negative effects on the operating performance of the Ringmetall Group. However, as these are neither evident nor assessable at the present time and, moreover, a positive business development is to be recorded in the first quarter of 2020, the Management Board is sticking to its forecasts published at the beginning of March.

Especially in times like these, we would like to take this opportunity to thank our employees for their daily commitment and dedication to our company. We are confident that we will overcome this global crisis together and are doing everything in our power to be a reliable employer and business partner for them and our customers. Stay healthy!

Sincerely

The Management Board of Ringmetall AG

Christoph Petri *Konstantin Winterstein*

The Supervisory Board

KLAUS F. JAENECKE | Chairman

After studying business administration in Frankfurt, Paris and London, Klaus Jaenecke began his career in 1980 at an investment company 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 and acquisitions before he set up his own business in this field in Munich in 1991. For many years Klaus Jaenecke has concentrated on good corporate governance in medium-sized industrial companies and is chairman and member of several supervisory boards.

MARKUS WENNER | Deputy Chairman

Markus Wenner is managing partner of GCI Management Consulting, a consulting and investment company for medium-sized businesses. Prior to 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 business 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 and advisory boards.

RALPH HEUWING | Member

After studying mechanical engineering at RWTH Aachen University and MIT in Cambridge (USA) and an MBA at INSEAD in France, Ralph Heuwing started his career as a consultant with the Boston Consulting Group (BCG). In 2001 he was appointed Managing Director and Partner. Ralph Heuwing was Chief Financial Officer of the Dürr Technology Group from May 2007 to May 2017 and was responsible for the Group's commercial divisions, IT and Global Sourcing as well as two of Dürr's five operating business units. From November 2017 to April 2020 he was CFO of Knorr-Bremse in Munich.

Report of the Supervisory Board

Dear business partners,
dear shareholders,

even if the year 2019 continued to be marked by a slowing global economy and geopolitical as well as economy political factors, the Ringmetall Group can look back on another successful fiscal year. In particular, the new product segment of inliners was successfully installed with the acquisition of 100 percent of the shares of Tesseraux Spezialverpackungen GmbH shortly after the acquisition of Nittel Halle GmbH. Shortly before the end of the year, Ringmetall strengthened its market position in the USA by acquiring the operational assets from Sorini Ring Manufacturing Inc. based in Chicago, Illinois.

The Supervisory Board continuously monitored these steps as well as the general management of the Management Board in 2019. In doing so, it discussed various business development scenarios with the Management Board and provided advice. The Supervisory Board was always able to assure itself of the legality, appropriateness and regularity of the activities of the Management Board. On the basis of a regular exchange of information, the Supervisory Board was involved in all important decisions of the Management Board and was informed comprehensively in written and oral form about all key aspects of strategy, planning, business development, the risk situation and compliance.

The Supervisory Board held a total of five ordinary and one extraordinary meetings in 2019. In addition, there were numerous telephone conversations and conference calls between the Management Board and the Supervisory Board. All members of the Supervisory Board participated in the ordinary meetings of the Supervisory Board, with the exception of an excused absence of Mr. Heuwing on 12 September 2019.

On 11 April 2019, the Supervisory Board dealt not only with the current course of business in all business areas, but also with the discussion of the individual agenda items of the forthcoming Annual General Meeting and the annual financial statements.

At the Supervisory Board meeting on 29 April 2019, the annual financial statements, the consolidated financial statements and the combined management report were discussed in detail with the independent auditor. The auditor reported on the main results 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 supplementary information on the last financial year and on risk management. In doing so, he particularly dealt with the results of operations and the financial situation of Ringmetall AG and the Group. The Supervisory Board approved the results of the audit. The Supervisory Board approved the results of the audit. Furthermore, the Supervisory Board as well examined the annual financial statements of Ringmetall AG as at 31 December 2018, the consolidated financial statements and the combined management report. There were no objections, so that the Supervisory Board approved the annual financial statements of Ringmetall AG and the consolidated financial statements. The annual financial statements were thus adopted.

The Management Board and the Supervisory Board have decided to propose to the Annual General Meeting on 14 June 2019 that unappropriated profit of Ringmetall AG be used to pay a dividend of EUR 0.06 (2018: EUR 0.06) per dividend-entitled share and to carry forward the remainder to new account.

Report of the Supervisory Board

In the extraordinary meeting on 12 June 2019, the Supervisory Board approved the acquisition of Tesseraux Spezialverpackungen GmbH. On 14 June 2019, a meeting of the Supervisory Board was held following the Annual General Meeting. In particular, a number of personnel decisions to strengthen the organization were discussed. At the meeting on 12 September, in addition to the development of business activities, the decision to purchase additional shares in Nittel B.V. was discussed and the asset deal Sorini Ring Manufacturing Inc. was presented. In the meeting of 2 December 2019, the strategic orientation, the growth through acquisitions and the strengthening of the internal organization were discussed in detail. After extensive discussion, the Supervisory Board also approved the budget and the investment plan 2020 as well as the medium-term planning. Another focal point of the meeting was the discussion of risk management.

In the course of the year the Supervisory Board dealt intensively with the issue of corporate governance in the Ringmetall Group. It is oriented towards a responsible and sustainable interpretation of the value creation concept and is based on the German Corporate Governance Code (DCGK) in its current version. Deviations from the requirements of the Code have been published by the Executive Board and the Supervisory Board of the company in a declaration of compliance in accordance with § 161 AktG.

The composition of the Company's Executive Board remained unchanged in the past fiscal year. Since the new elections on 30 August 2018, the composition of the Supervisory Board has also remained unchanged. The Supervisory Board did not form any committees in the year under review.

The Annual General Meeting on 14 June 2019 elected Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Nuremberg branch, as the auditor of the financial statements and consolidated financial statements for the 2019 fiscal year. Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft audited the annual financial statements, the consolidated financial statements and the combined management report of Ringmetall AG for the fiscal year 2018 and issued an unqualified audit certificate.

In conclusion, the Supervisory Board would like to expressly thank all employees in the Group for their commitment and high level of motivation in the past fiscal year. The same thanks also go to the two members of the Management Board of the company.

Klaus F. Jaenecke
Chairman of the Supervisory Board

Ringmetall on the Capital Markets

Contrary to all prophecies 2019 was, in retrospect, an extremely successful year for the stock markets. There were numerous topics that brought worry lines to the forehead of investors. Fears of recession, the Brexit, growing populism in Europe and not least the US-Chinese trade war kept investors on permanent alert. In the end, however, the stock markets benefited from the fact that the central banks resumed their expansive monetary policy in the face of weak economic signals. In addition, a partial settlement in the US-Chinese trade dispute and the Tories' victory in the British elections in the fourth quarter provided additional impetus for the rise in share prices. It is therefore not surprising that many indices reached new highs at the end of the year.

The DAX closed the year at 13,249 points, 25.5 percent higher than the previous year. It thus outperformed the European benchmark index Euro Stoxx 50, which rose by 25.0 percent, and the US benchmark index Dow Jones Industrial Average, which gained 23.4 percent. However, the SDAX, the selection index for shares with smaller market capitalization, performed even better, closing the year 28.5 percent higher than the previous year.

Despite an overall satisfactory operating development, the share price of Ringmetall AG from June of last year onwards was clearly decoupled from the recovery phase on the international stock markets. This development was mainly influenced by the news situation regarding some of the largest customers of ring metal products from the chemical industry and the industrial truck industry. Leading companies from these highly cyclical industries were forced to lower their outlook for the full year 2019 several times in the course of the year, which led to increased uncertainty among investors. As a result of the reduction in its own outlook for the full year published in July 2019, Ringmetall's share price only moved sideways for the rest of the year within a fluctuation range between around EUR 2.50 and EUR 2.80. At the end of the year, the share closed at EUR 2.64, down 8.3 percent on the previous year.

SHARE PRICE PERFORMANCE OF RINGMETALL AG COMPARED TO THE SDAX 2019

Particularly against the background of the prevailing uncertainty among investors, the company stepped up its investor relations activities and again held numerous meetings with existing and interested investors in 2019. At the roadshows in Germany and in other European countries as well as in regular telephone conferences, analysts' and investors' interest in the development of Ringmetall remained at a high level.

On 21 August 2019, the private bank M.M.Warburg started coverage of the Ringmetall share as part of an unpaid mandate and has since then been monitoring the company's development in regularly published studies. As of 31 December 2019, Ringmetall AG was thus actively supported by a total of three institutions:

The Company's 22nd Annual General Meeting was held on 14 June 2019 in the familiar surroundings of the Haus der Bayerischen Wirtschaft in Munich. Of the Company's share capital of EUR 29,069,040.00, 66.9 percent was represented at the Annual General Meeting at the time of voting on the proposed resolutions. In the voting on the individual items on the agenda, these were passed almost unanimously in accordance with the management's proposal. This also included the resolution on the authorization to acquire own shares, which now enables the company to acquire own shares up to a total of ten percent of the current share capital until 31 May 2024. In addition, an amendment to the Articles of Association was resolved, under which the remuneration of the members of the Supervisory Board will in future be paid in four equal instalments, each at the end of a calendar quarter.

In the 2019 financial year, no transactions were conducted on the capital market that would have resulted in a change in the number of outstanding shares. Accordingly, the number of shares outstanding as of 31 December 2019 was 29,069,040 shares, unchanged from 31 December 2018.

Institution	Analyst	Recommendation	Price target EUR
MainFirst	Florian Pfeilschifter	Buy	3.50
Montega	Patrick Speck	Buy	3.30
Warburg Research	Cansu Tatar	Buy	3.70

as of 31 December 2019

COMBINED MANAGEMENT REPORT FOR THE FISCAL YEAR 2019

The Ringmetall Group

BUSINESS MODEL AND STRUCTURE

Ringmetall is one of the world's leading specialist suppliers in the packaging industry with a primary focus on packaging elements in the industrial drum sector. The company emerged from its predecessor, H.P.I. Holding AG, in 2015 by changing its name and adapting its business model. This in turn was founded in 1997 as an investment company.

Active in the business units Industrial Packaging and Industrial Handling

Since the renaming of the company and the adjustment of the business model, Ringmetall has been active as a specialized industrial holding company in the two business areas Industrial Packaging and Industrial Handling. Ringmetall develops, produces and markets product solutions for applications in the chemical, petrochemical and pharmaceutical industries, the food industry, the logistics sector and in the agricultural sector.

Over 2,500 variants of clamping rings and over 4,000 different inliners.

In the Industrial Packaging division Ringmetall develops, produces and markets packaging elements for industrial drums and multi-component systems. The product range in the Industrial Packaging division mainly includes clamping rings as well as inner liners, so-called inliners and bag-in-box systems. In addition, the company also produces drum lids, gaskets and handles, complex closure units as well as requirement-specific special components in various dimensions and quality levels. The product group of clamping rings represents the proportionally largest sales driver of the Ringmetall Group, followed by inliners and bag-in-box systems. In total, Ringmetall produces over 2,500 different variants of clamping rings and over 4,000 different variants of inliners.

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 entering the market for inliners for industrial drums and multi-component systems at the beginning of 2019, the Group is also offering product solutions in the field of closed top drums and for food applications (bag-in-box systems) for the first time.

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

Ringmetall and its subsidiaries assigned to the two business units are linked together by a holding structure. The parent company of the holding company, Ringmetall AG, located in Munich, combines central group functions which are mainly concerned with group financing, investor relations, strategy and corporate development as well as the preparation and implementation of company acquisitions. In addition to the holding company, the Group comprised a total of 22 companies at the end of 2019. Of these, 15 companies are operationally active, three companies are purely intermediate holding companies, three companies are administrative units and one company is dormant.

SUBSIDIARIES AND GROUP BRANDS

The individual subsidiaries operate on the market largely independently of one another. On the basis of regular management meetings, the Management Board of the Holding discuss strategic approaches to the further development of the

Ringmetall Group together with the managing directors of the largest subsidiaries.

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

The development and manufacture of the products takes place at a total of 15 production sites worldwide. In Germany, these include Attendorn (North Rhine-Westphalia), Berg (Rhineland-Palatinate), Bürstadt (Hesse), Ernsgaden (Bavaria) and Halle (Saxony-Anhalt). Outside Germany, there are locations in Valmadrera and Albavilla (Italy), Peterlee (Great Britain), Reus (Spain), Balcik (Turkey), Changshu (China), as well as locations in the USA in Birmingham (Alabama), Houston (Texas) and Shippensburg (Pennsylvania), and since the end of December 2019 Chicago (Illinois). Furthermore there are office locations.

The 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 in turn economically active as regional and supra-regional brands under their own names. These companies include Berger Global, Berger USA, Cemsan, SGT, Sorini, Nittel, Tesseraux and HSM. Some of the subsidiaries are 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. The Company, which initially appeared on the market as an investment company, acquired, founded and sold numerous companies from 1998 onwards. From 2011, the new management of the Company began to focus its business activities increasingly on industrial packaging and the handling of industrial goods. In 2015, the Company was renamed Ringmetall AG, which also marks the completion of the repositioning of the Company as a specialist supplier in the packaging industry.

The main steps from the foundation to the current positioning of the Ringmetall Group are is 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 Berger US Inc. (formerly 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 40.0 percent of the minority shareholder of CEMSAN MPI Limited Sirketi, Turkey

2016

- Acquisition of a further 29.0 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)

2019

- Acquisition of Tesseraux GmbH, leading manufacturer of aluminium inliners and bag-in-box systems (as of 1.7.2019)
- Acquisition of a further 30.0 percent of the shares in Nittel B.V., Holland
- Acquisition of Sorini Ring Manufacturing Inc., clamping ring manufacturer from the USA, as part of an asset deal and transfer of business activities to the existing US subsidiary (as of 31.12.2019)

MARKETS AND CUSTOMERS

Global market for industrial packaging to continue to grow through 2024

The global market for industrial packaging was assessed by the market research company Smithers as having a total volume of USD 56.2 billion for 2019. The market is expected to grow to USD 66.0 billion by 2024, which corresponds to a compound annual growth rate (CAGR) of 3.3 percent.

The segmentation of the market by product type is generally based internationally on the breakdown of drums, IBCs, sacks, pails and crates. In addition, a segmentation is made according to the type of material used for the products and here usually according to the main material groups paperboard, plastics, metal, wood and fibre.

In addition, the market is still differentiated according to the main industries on the customer side in which industrial packaging is used. These are generally divided into the application areas Chemical & Pharmaceutical, Building & Construction, Food & Beverage, Oil & Lubricants, Agriculture & Horticulture and Others.

Among the main growth drivers in the industrial packaging market are increasing globalization and worldwide population growth. Both drivers favour the worldwide increase in exports and imports, which generally involve shipping over long distances, thus increasing the demand for high-quality, resilient and safe industrial packaging. Moreover, in the chemical and pharmaceutical sectors, the goods shipped are generally sensitive to atmospheric influences and pose a threat to their environment. For this reason, a large number of drums and IBCs are constantly required to ship and store chemicals.

Similar factors are decisive in the food industry, except that here it is less the environment that needs to be protected from the packaged goods and much more often the packaged goods from the environment. Oxygen, light and humidity often lead to decomposition processes that make food unfit for consumption and which should therefore be prevented by appropriate industrial packaging.

At a global level, the most important growth markets are the Asia-Pacific and LAMEA (Latin America, Middle East and Africa). Ringmetall is currently mainly active in the European and North American markets and is increasingly expanding its business in the growth markets of Asia-Pacific and LAMEA.

With the two largest customers of the Industrial Packaging division, major internationally operating drum manufacturers, Ringmetall made about 40 percent of the division's sales in 2019 (2018: 43 percent). The remaining sales of the business unit were distributed among several hundred customers. Ringmetall also sees the not insignificant concentration of a significant share of sales on two customers as an advantage, since both suppliers and customers as globally operating companies are mutually dependent in their respective industries due to their large share of sales.

In the market for industrial packaging, the Ringmetall Group has secured its position as the global market leader in the niche segment for drum clamping rings in recent years through targeted acquisitions, with a market share of well over 50 percent. In addition, the company has been expanding into the attractive market for inner liners for industrial drums and multi-component systems since 2019. Here, the company has now advanced to become the European market leader and plans to further expand its position through acquisitions in the future.

Its competitors in the field of drum clamping rings are exclusively regional suppliers with annual sales in the mid single-digit million range. In the market for inliners, there are few competitors of approximately similar size compared to Ringmetall who, similar to the competitive situation in the clamping ring sector, do not have a global reach.

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

In the markets that are important for the Industrial

Handling business unit, the Ringmetall Group sees itself more as a specialized niche supplier. As capital goods, material handling vehicles such as forklift trucks and warehousing equipment - so-called industrial trucks - are in greater demand in good economic times than in weak economic phases. The market for this vehicle class tends to follow the general economic cycle with a delay of six to nine months.

According to the portal statista 2019, the global market for material handling equipment declined by 2.0 percent year-on-year, measured in terms of incoming orders, with 1.50 million units sold (2018: 1.54 million units). In Europe, demand fell by 6.3 per cent to 0.49 units (2018: 0.52 million units) and in the USA by as much as 7.9 per cent to 0.26 million units (2018: 0.28 million units). Only the Asian market grew by 4.9 percent to 0.67 million units, following 0.64 million units in the previous year. Leading manufacturers in the industry expect a further significant decline in sales figures for 2020 due to the economic situation.

In the market for agricultural machinery, which is also important for the development of the Industrial Handling business unit, demand tends to follow the development of prices for the world's most important food types. 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. After 161.5 points in the previous year, this rose by 12.4 percent to 181.5 points in the course of 2019.

Ringmetall holds a niche position in its Industrial Handling division in the product areas of restraint systems for forklift trucks, brake and clutch pedals, trailer couplings for tractors in agriculture and forestry, brackets for hydraulic components, lift mast parts for industrial trucks, cast housings and complex welded assemblies. In recent years, however, the company has invested more heavily in the development of its own products and considers itself well positioned in the competitive environment due to steadily increasing customer demand. Its competitors include numerous medium-sized companies and groups that sell basically similar products on the market.

COMPETITIVE STRENGTHS

(Unaudited section)

The comments on competitive strengths and barriers to market entry have not been audited by the independent auditor and are either excluded from the audit opinion or not covered by the audit opinion, which is reproduced in the audit report.

Ringmetall has well-developed internal structures and resilient industry networks

As the global market leader in the product area of drum clamping rings, Ringmetall has mature internal structures, resilient industry networks and customer relationships that have grown over decades. The special characteristics of the industrial packaging sector in general and the barrel industry in particular contribute to the Group's distinct competitive strengths and make it difficult for potential new competitors to enter the market.

Machinery developed in-house

The production of packaging elements for the industrial sector requires a high degree of specialisation in all areas of the value chain. In the product area of drum closure systems as well as in the product area of drum inliners and bag-in-box systems, the Ringmetall Group produces almost exclusively on machines developed in-house or on highly customized machines. Individual modules of the machinery are certainly purchased as standard components from well-known mechanical engineering companies. However, the assembly of these individual components to the machines used in production is almost exclusively carried out by internal specialist engineers and mechanical engineers. Ringmetall produces for its customers a comprehensive product range of over 2,500 different clamping rings and over 4,000 different inner liners and bag-in-box systems from a single source. The companies of the Ringmetall Group continuously develop new products in close cooperation with their customers in order to meet the constantly changing production requirements at any time.

15 production sites in 7 countries on 3 continents

Global production network

With 15 production sites in 7 countries on 3 continents, Ringmetall is the only company in the world that succeeds in supplying its internationally positioned customers on a global level with a consistently high product quality. The individual national companies produce reliably and in desired quantities according to clearly defined specifications. The functionality of the supply chains and compliance with production standards are systematically coordinated and monitored. Our customers have access to trusted contact persons through our regional branches, who guarantee the professional processing of orders across the individual subsidiaries and also provide solutions for complex issues.

"Just in time" production and delivery

Modern production in a variety of industries is oriented towards keeping stocks of both primary products and finished goods as low as possible. This "just in time" approach has accordingly also found its way into the packaging industry. Customers of the Ringmetall Group therefore also expect short delivery times for packaging elements in line with their acute order situation. As a rule, the lead time is a maximum of five to ten working days in relation to clamping rings, covers and seals. In the case of inner liners and bag-in-box systems, the delivery times are much more individual, also due to seasonal products. As a globally positioned company, Ringmetall is in a position to meet individual customer orders in any batch size and to guarantee on-time delivery to any location worldwide.

Certification and regulation

Industrial packaging materials are used in most cases for the transport of goods which, as a rule, must not be exposed to the environment. Particularly high demands are therefore placed on industrial drums, on the one hand to protect the environment from the contents of the drums, and on the other hand to protect the contents of the drums from environmental influences. Products of Ringmetall are therefore in most cases part of a packaging unit, whose components are clearly defined and provided with a so-called UN certification by the United Nations. The certification also includes the indication of all manufacturer information of the individual packaging components. Since the certifications are preceded by extensive tests, which are associated with a corresponding expenditure of time and money, the replacement of individual components of a packaging unit is usually not economical. Product manufacturers and product users are accordingly linked to each other throughout the life cycle of a product.

Quality and price transparency

The quality and reliability of Ringmetall's range of products and services have led to long-standing and reliable customer relationships. In the cooperation of both parties a basic understanding of mutual economic dependence has been established. Thus, clear rules have been established regarding the composition of product prices, which allow both parties a high degree of transparency and planning. The components supplied by Ringmetall for the industrial barrel correspond in their costs to only a very small part of the total price for a complete barrel. Furthermore, in the product area of clamping rings, most of the final price for the delivered end product is accounted for by the material costs (usually steel). The margin attributable to an individual product is therefore in a comprehensible and customer-accepted relationship to the quality and reliability delivered by Ringmetall. It would therefore be an extraordinary challenge for new competitors to enter into these established customer relationships and to establish themselves on the market as competitors of Ringmetall. Due to the supposedly low price sensitivity on the part of the customer, the development of a competitive position in the market would therefore mainly be offered through the areas of product quality, product innovation and product availability. However, Ringmetall considers itself to be optimally positioned in all three areas at the same time and well prepared in case of a changed competitive situation.

Investment in innovation

Ringmetall constantly increases its investments in the development of new products and production facilities. In addition to the continuous optimization of process flows in all areas, targeted measures to modernize machines and the IT infrastructure, investments are also made in the know-how and resources of internal development engineers

and production technicians. However, the gradually increasing development expenditure is always in a healthy proportion to the Company's sales development. This consists mainly of personnel costs for the development engineers and production technicians involved. In addition, costs are incurred for the materials used and, in some cases, for external consulting.

In the coming years, the Ringmetall Group will benefit sustainably from the development of a new, fundamentally new machine generation for the production of clamping rings. The combination of the machine components allows a significant reduction of changeover times, which regularly occur when changing production between different types of clamping rings, while at the same time reducing personnel expenses and production waste. Furthermore, the introduction of a software for production monitoring developed in cooperation leads to a supplementary digital production monitoring and production control.

The concentration on self-developed products, which is increasingly being pursued in the industrial handling sector as well, closely oriented to customer demand, ensures Ringmetall a steadily increasing demand on the market and the sustainability of its own profitability.

MARKETING

Ringmetall's products in the industrial packaging sector are highly specialized niche products which are used exclusively as supplier products by a manageable number of customers, mainly manufacturers and users of industrial drums. For this reason, Ringmetall relies on a close and grown personal customer relationship in product marketing.

A classic marketing approach for consumer goods manufacturers, which relies on investments in extensive product information material, advertising or mailing campaigns, is not pursued. Nevertheless, the Ringmetall sales team maintains close contact with the most important decision-makers in the industry by visiting trade fairs where customers of the Group are represented. Since entering the market for drum liners and bag-in-box systems, the company has also invested to an appropriate extent in its own trade fair appearances at trade fairs relevant to the industry, such as FachPack, the European Coatings Show or Brau Beviale, all of which are held in Nuremberg (Germany). In some cases, participation takes the form of a joint trade fair appearance by several subsidiaries with the products inner casings, bag-in-box systems, clamping rings and lids.

In the industrial handling sector, marketing is exclusively done by directly addressing customers through development engineers of the subsidiary HSM. The company markets its own development competencies in personal meetings and then develops suitable product solutions based on the respective specifications of the vehicle manufacturers.

Total investment in targeted marketing activities rose slightly to EUR 0.1 million in fiscal 2019.

EMPLOYEES

Increasingly taking on well-trained temporary workers in permanent employment

Ringmetall employed an average of 685 employees in 2019 (2018: 591 employees). Of these, 142 employees (2018: 131 employees) were employed in administrative positions and 543 employees (2018: 460 employees) in production. The increase in the number of employees is primarily related to the acquisitions made in the fiscal year. In addition, Ringmetall regularly employs temporary staff in order to be able to react to sales fluctuations due to changing general economic conditions.

However, the low sales visibility in the industry - i.e. the time lag between incoming orders and delivery of goods - of up to ten working days at the most, also makes the use of temporary workers indispensable. In this way, peaks in demand are cushioned and capacity utilisation figures are optimised economically. Due to the increasingly limited availability of skilled labor on the German labor market and an unchanged good order situation, albeit fluctuating strongly in some cases during the fiscal year, Ringmetall is increasingly taking on well-trained temporary workers in permanent employment. In this way, committed employees are enabled to plan their working life more easily and social responsibility is taken into account, of which Ringmetall is very much aware in this area.

In recruiting employees and improving the working climate, Ringmetall has further developed existing modern approaches and is constantly breaking new ground. For example, employees receive separate bonus payments in different forms for regular work and low sickness absence. In addition, employees can save up overtime and vacation days in a separate temporary employment account and use them in the form of a sabbatical lasting up to three months. In addition, the home office option is already being actively used at some locations.

New knowledge constantly being imparted and know-how retained in the company

As part of in-house training, individual production employees are regularly trained for a period of two to three months in special programs in the area of quality assurance and are thus continuously sensitized to the special importance of consistently high production quality. In addition, new knowledge is constantly being imparted and know-how is retained in the company in the long term, for example through the deployment of employees in changing production areas ("job rotation"). This leads to an increase in the flexibility of deployment as well as employee qualification and reduces the risks that can arise from a possible monotony in the daily work routine.

There is also a continuous transfer of knowledge between the Ringmetall sites. Employees are repeatedly sent to other locations for work assignments lasting several months in order to gain new impressions of the Group and to standardize best practice approaches for individual production steps at an international level. This approach has proved particularly effective in ensuring that knowledge is transferred between the individual companies as quickly as possible following corporate acquisitions. In addition, the teams for Group-wide projects are increasingly composed of employees from different international locations. In addition, middle management is regularly given special support in the form of internal and external seminars. External training personnel convey modern approaches to employee management in coaching sessions, thus constantly enhancing an equally productive and pleasant working atmosphere at Ringmetall.

In order to create a group-wide corporate identity, Ringmetall relies on a uniform external appearance and promotes an improved feeling of togetherness within the workforce by producing image films. Strategic and financial corporate goals are openly and regularly communicated at all hierarchical levels. By means of the Code of Conduct, which is binding throughout the Group, it is ensured that Ringmetall communicates a uniform mission statement to its employees and that they pursue uniform values and goals regardless of national origin and possible differences between cultures.

Sustainability report

(Unaudited section)

The statements on sustainability have not been audited by the independent auditor and are excluded from the audit opinion or are not the subject of the audit opinion, which is reproduced in the audit report.

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Ringmetall has always taken responsibility for the way in which its economic activities shape its environment in an ecological and social way. This arises from the conviction that the careful use of resources and the respectful treatment of fellow human beings is on the one hand appropriate from an ethical and moral point of view, and on the other hand is in every respect the only form of conduct that ensures the success of the company in the long term. For this reason, the company is fully committed to the ten principles of the UN Global Compact.

In order to make the values behind these principles comprehensible and binding for all employees, the company has published rules of conduct in the form of a Code of Conduct. The company monitors compliance with the Code on an ongoing basis. In addition, the company has established internal structures through which employees can obtain information about the Code and can help shape the further development of the Code by submitting questions and suggestions.

HUMAN RIGHTS

Adherence to the group-wide compliance guidelines with regard to the observance of human rights is a top priority at Ringmetall. Every employee is bound at all times neither to violate these fundamental rights in his own actions nor to tolerate violations by others within his sphere of influence. The companies of the Ringmetall Group ensure that this also applies to suppliers in their business activities and regularly check this in the course of plant inspections. If the company discovers that other companies or their employees in the Ringmetall Group's value chain are committing human rights violations and these are not immediately remedied, this will result in the immediate termination of the business relationship. The same applies to the company's own employees, whose employment relationship is immediately warned or terminated in the event of violations.

Fully committed to the ten principles of the UN Global Compact

EMPLOYEES

Ringmetall fully recognizes the right of its employees to freedom of association and the recognition of collective bargaining. This includes the right to join trade unions and to elect employee representatives. The company categorically rejects all forms of forced and child labour and expects the same behaviour from its suppliers and customers. Ringmetall therefore fully supports the conventions of the International Labour Organization (ILO) No. 138 and 182 as a minimum standard for protection against child labour. Ringmetall actively advocates equal treatment of all employees with regard to ethnic origin, gender, sexual orientation or religion and supports any measures that promote diversity within the Ringmetall Group.

Furthermore, Ringmetall endeavours to make its working conditions equally attractive for employees. However, due to the physically demanding work in the metal-processing subsidiaries, the proportion of female staff here is less than 50 percent, whereas in the plastics processing companies it is well over 50 percent. At the same time, Ringmetall tries to respond as well as possible to the family needs of its employees through flexible working time models or the possibility of a "home office". In addition, well-equipped social and relaxation rooms are available for work breaks and are also given appropriate attention in the modernisation planning of locations.

ENVIRONMENT

The careful use of resources has a special significance within the Ringmetall Group. Above all, all reusable materials are recycled, which is the case for more than 95 percent of all raw materials used for our products. Only non-recyclable composite materials (especially aluminium composite foils)

are excluded from this and are disposed of professionally by specialist companies.

Furthermore, Ringmetall is consistently converting its power supply to contracts based on renewable energy sources. Currently, one of the 15 production sites almost exclusively purchases "green electricity". By 2022, all electricity supply contracts are planned to be converted accordingly, insofar as this is possible depending on regional conditions. Furthermore, Ringmetall already produces electricity from solar energy itself at two locations by using photovoltaic systems. Parts of the company's fleet of company cars have already been converted to electromobility or hybrid drive.

The Ringmetall Group is aware of the special necessity of environmentally friendly and resource-saving measures. All modernization measures of the group are therefore always reviewed with regard to the possible use of such measures. This also applies, among other things, to the new administration building currently being planned at the Berg site, where attention is paid to maintaining high energy standards during implementation. From 2020 onwards, the company will collect data on its total CO_2 emissions and plans to reduce these consistently and noticeably until climate neutrality is achieved.

Apart from CO_2 emissions, the production of the company's main products does not generate any environmentally harmful by-products. Water is only used to a small extent in production - apart from being used for the daily needs of the staff - and here almost exclusively as a coolant in closed circuits.

A Group-wide environmental management system is currently being developed. Certification in this respect is to take place for the first time in 2021.

ANTI-CORRUPTION

In compliance management, Ringmetall attaches particular importance to ensuring that the groups of employees significantly affected have the necessary knowledge both with regard to the relevant legal regulations and the applicable internal compliance regulations. Within the framework of the group-wide Code of Conduct, employees are given comprehensive information on this as well as internal contacts within the company.

Against the background of the increasing size of the Ringmetall Group, the company plans to organize targeted training measures in the coming years with regard to the compliance guidelines. At present, information is still provided by direct supervisors in the course of individual contacts with employees or by the human resources managers in the course of recruitment procedures.

STAKEHOLDER MANAGEMENT

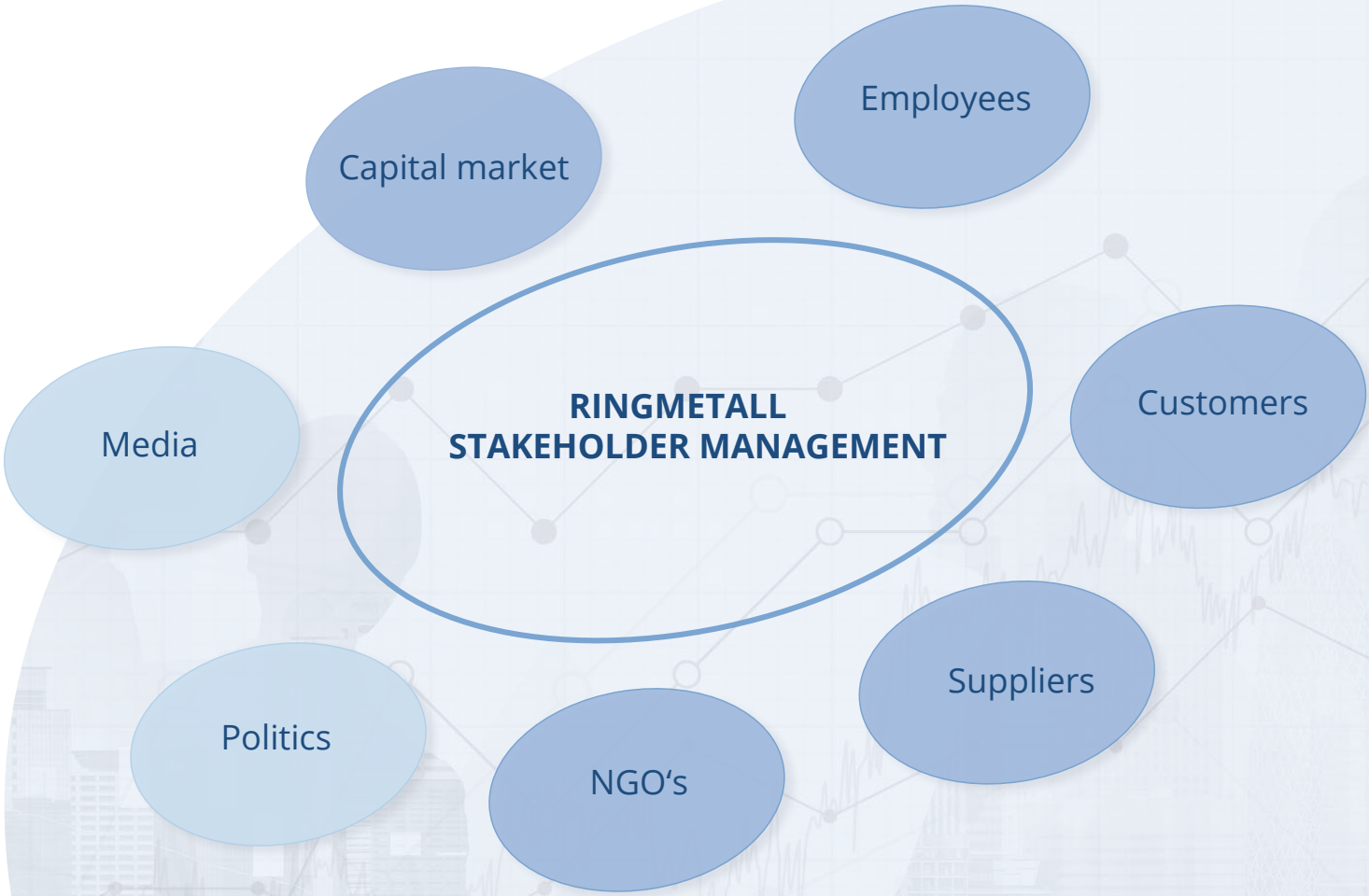
The Ringmetall Group communicates openly and transparently with its internal and external stakeholders and actively seeks regular exchange with these target groups. Due to the size of the company, stakeholder groups have evolved in the past with whom current topics are discussed regularly and those with whom contact is made on a case-by-case basis. In particular, the exchange with employees, customers, suppliers, the media and the capital market takes place on a very regular basis. At clearly defined intervals, company representatives discuss current company develop-

ments, answer questions and collect reviews and suggestions, from which concrete measures can then be taken to consistently develop Ringmetall further. In addition, however, the company is also in contact with representatives of non-profit organizations or politics if a need for discussion develops. Ringmetall is consistently developing the exchange with its stakeholders in order to ensure that the expectations of the individual groups are also incorporated into the strategic development of the company in the future.

NON-FINANCIAL STATEMENT

As part of this combined management report, Ringmetall publishes a non-financial statement summarized for Ringmetall AG and the Group in accordance with Sections 315b, 315c HGB in conjunction with Sections 289b to 289e HGB. The contents of the non-financial statement can be found throughout the combined management report, but especially in the sections "The Ringmetall Group" and "Sustainability Report". These contents were not part of the audit of the consolidated financial statements and the combined management report.

Ringmetall is consistently developing the exchange with its stakeholders



Economic report

OVERALL ECONOMIC SITUATION

The following section refers to publications by public bodies and associations where the economic impact of COVID-19 in relation to the year 2020 cannot yet be anticipated, or not sufficiently anticipated. The following section does thus not contain any statements about the overall economic development in 2020.

Growth the German economy significantly below the average of recent years

According to the Annual Economic Report 2020 of the Federal Ministry of Economics and Energy (BMWi), the German economy grew in 2019 for the tenth year in a row and somewhat more strongly than expected. However, with an increase of 0.6 percent, growth was significantly below the average of recent years. According to initial preliminary calculations by the Federal Statistical Office, an average of around 45.3 million people were in employment in 2019, which is around 402,000 or 0.9 percent more than in the previous year. Last year, inflation in Germany weakened further to 1.4 percent and thus remained below the European Central Bank's target for the euro zone. Adjusted for energy and food prices, it stood at 1.5 percent, above the long-term average of 1.3 percent.

In its January 2020 World Economic Outlook, the International Monetary Fund (IMF) expects the global economy to grow by a total of 2.9 percent in 2019. With this assumption, however, the IMF slightly reduces its estimate for 2019 from the previous 3.0 percent. The IMF is particularly pleased that global production and trade have bottomed out. In addition, more positive news about the trade negotiations between the USA and China and lower fears of BREXIT without an agreement were conducive to the economic situation.

The German Chemical Industry Association (VCI) draws a weak balance for 2019 and sees the chemical economy in a difficult environment. For 2019, the association expects a significant decline in production of 7.5 percent and industry sales of 5.0 percent compared to 2018 to EUR 193.0 billion. The industry's overseas and European business suffered from the global economic downturn and the trade disputes between China and the USA. At the same time, domestic demand for chemical products from industrial customers fell.

The German Engineering Federation (VDMA) made a similar statement in its publication of March 12, 2020 on global sales of machinery and equipment. Here, economists point to a year-on-year decline in production of 2.8 percent for 2019 following an unexpectedly weak final quarter (minus 7.0 percent).

BUSINESS PERFORMANCE OF THE GROUP

Against the background of a generally subdued economic environment, the Ringmetall Group has developed satisfactorily overall in 2019. Although there was an organic decline in sales, consolidated revenues increased significantly overall. This was due to company acquisitions with which Ringmetall was able to secure access to the attractive market of industrial packaging inner liners, so-called inliners.

The present consolidated financial statements as of 31 December 2019 were prepared in accordance with the International Financial Reporting Standards ("IFRS") as applied in the European Union.

Industrial Packaging Division

The Industrial Packaging division again recorded above-average revenue growth in 2019. The increase resulted exclusively from the acquisitions made in the fiscal year, which contributed EUR 16.6 million to consolidated revenues. On a comparable basis, a decline in sales was recorded compared to the previous year. This was due to a decline in demand for drum clamping rings as a result of the economic situation and declining steel prices. In regional terms, this trend was observed in all markets in which Ringmetall is active, albeit to varying degrees.

In November 2018 the takeover of Nittel Halle GmbH was announced. Due to corporate law requirements and the resulting transfer of control, the company was included in the Group as of 1 January 2019. As part of this acquisition, Ringmetall acquired the entire production operation, including a property with production space of around 7,150 sqm, administrative space of around 620 sqm and all production facilities. Based in Halle an der Saale, Germany, the company manufactures a total of more than 4,000 different types of inliners for industrial drums, in particular round bottom sacks and form inliners. In addition to the production site in Halle and the sales site in Raunheim, Ringmetall also acquired the shares in the foreign companies in France (Nittel SARL, share 80.0 percent), the Netherlands (Nittel B.V., share 50.0 percent) and Great Britain (Nittel UK Ltd., share 50.0 percent). The companies were consolidated from 1 January 2019, with Nittel UK Ltd. being included at equity. A further 30.0 percent of Nittel B.V. was acquired effective 1 October 2019. After Nittel B.V. was initially included at equity, it has been fully consolidated since the increase in shareholding.

Acquisition of 100 percent of the business shares of Tesseraux Spezialverpackungen GmbH

In June 2019 Ringmetall announced the acquisition of 100 percent of the business shares of Tesseraux Spezialverpackungen GmbH, based in Bürstadt, Germany. Thus, within a few months Ringmetall has acquired a further supplier of inliners. The company has been consolidated in the Group since 1 July 2019. Tesseraux's products include above all aluminium liners, round bottom liners and bag-in-box systems.

In addition, the acquisition of Sorini Ring Manufacturing Inc., a clamping ring producer located in the Chicago area, USA, was announced in January 2020. The acquisition took place within the framework of an asset deal. It was financially closed as of December 31, 2019 and the business activities were integrated into the Group as part of Berger USA. With 37 employees, Sorini most recently generated annual sales of around USD 6 million. Through this transaction, Ringmetall gains access to new customers in the market for reconditioning of industrial drums in the USA.

Industrial Handling Division

In the Industrial Handling segment, the positive development of 2018 initially continued. All product areas recorded a positive development in the first two quarters. However, this weakened towards the middle of the year and, as expected, stagnated in the second half of the year, following the general trend in the mechanical engineering sector. Overall, sales of coupling systems for the year as a whole remained largely unchanged compared with the previous year. However, particularly in the areas of restraint systems for forklift trucks and other supplier products for industrial trucks, declining demand from several important customers had a similar effect on the company's own business, so

RESULTS OF OPERATIONS OF THE GROUP

	2019		2018		Change	
	EUR '000	**%**	EUR '000	%	EUR '000	%
Revenue	**120,581**	**100.0**	**110,567**	**99.6**	**10,014**	**9.1**
Change in inventories of finished goods and work in progress	-18	0.0	495	0.4	-513	-103.7
Total output	120,563	100	111,062	100	9,501	8.6
Other income	702	0.6	1,512	1.4	-810	-53.6
Cost of materials						
Raw materials and consumables and goods ordered	58,424	48.5	54,366	49.0	4,058	7.5
Cost of purchased services	6,684	5.5	7,179	6.5	-495	-6.9
Personnel expenses	30,956	25.7	25,095	22.6	5,861	23.4
Depreciations	5,060	4.2	2,151	1.9	2,909	135.2
Other operating expenses	15,258	12.7	15,503	14.0	-245	-1.6
Operating expenses	**116,382**	**96.5**	**104,294**	**93.9**	**12,088**	**11.6**
Result from investments accounted for using the equity method	86	0.1	0	0.0	86	100.0
EBITDA	**10,029**	**8.3**	**10,431**	**9.4**	**-402**	**-3.9**
EBIT	**4,969**	**4.1**	**8,280**	**7.5**	**-3,311**	**-40.0**
Finance income	14	0.0	12	0.0	2	16.7
Finance costs	1,124	0.9	637	0.6	487	76.5
Financial result	**-1,110**	**-0.9**	**-625**	**-0.6**	**-485**	**77.6**
Net income for the year from continuing operations before taxes	**3,859**	**3.2**	**7,655**	**6.9**	**-3,796**	**-49.6**
Income tax expense	837	0.7	2,499	2.3	-1,662	-66.5
Consolidated net income for the year	**3,022**	**2.5**	**5,156**	**4.6**	**-2,134**	**-41.4**

that the year 2019 closed with a decline in sales. By contrast, a slight increase in demand was recorded in the Agricultural Equipment business unit. Overall, however, fiscal 2019 fell short of expectations. However, there were signs of a slight recovery in all product areas towards the end of the year, so that a moderate increase in incoming orders is expected for 2020.

Group revenue in 2019 amounted to EUR 120.6 million (2018: EUR 110.6 million). It were thus roughly in the middle of the forecast for the year under review of EUR 115.0 to 125.0 million. Due to the economic development combined with negative reports from various end users of clamping rings and inliners as well as industry associations, the original bandwidths of the forecast were reduced in July 2019. At EUR 109.4 million (2018: EUR 97.4 million), the Industrial Packaging division accounted for 90.7 percent of total revenues (2018: 88.1 percent). EUR 38.0 million (2018: EUR 35.0 million) of Group revenues were generated in Germany and around EUR 82.6 million (2018: EUR 75.6 million) in foreign markets. Of the growth in the Industrial Packaging segment, 17.1 percentage points or EUR 16.6 million resulted from acquisition effects, -0.9 percentage points or EUR -0.9 million from the effects of steel price developments and -3.8 percentage points or EUR -3.7 million from organic growth. At EUR 11.2 million, the Industrial Handling segment's share of total revenues was significantly lower than in the previous year (2018: EUR 13.2 million). The development of revenue in the Industrial Handling segment resulted exclusively from organic business development.

The **cost of materials** rose to EUR 65.1 million in the reporting year (2018: EUR 61.5 million) and, at 54.0 percent of total revenue, was below the previous year's figure (2018: 55.4 percent). Without the companies Nittel (including Nittel B.V. and Nittel SARL) and Tesseraux, which were consolidated for the first time in 2019, the cost of materials ratio would have been 55.9 percent. Before the acquisitions in 2019, the ratio in the Industrial Packaging segment rose by 0.2 percent to 56.9 percent. This slight change shows that changes in raw material prices were largely reflected in the selling prices. The increase in Industrial Handling amounts to 1.3 percent to 47.6 percent. As described in the accounting policies included in the notes to the consolidated financial statements, expenses for temporary workers are reported under personnel expenses. This also applies to the prior year.

Compared to the previous year, other **operating expenses** fell from EUR 15.5m to EUR 15.3m. Non-operating expenses in particular were significantly lower, due, for example, to the absence of the costs for preparing the securities prospectus in the previous year. In this respect, the expenses for consulting and external services in particular fell by EUR 0.6 million and other expenses by EUR 0.7 million. On the other hand, primarily the expenses increased, resulting in a significant rise in total operating performance. These include expenses for the issue of goods, which increased by EUR 1.6 million.

At EUR 10.0 million, earnings before interest, taxes, depreciation and amortisation **(EBITDA)** were EUR 0.4 million or 3.9 percent down on the previous year. EUR 12.2 million of this amount is attributable to the Industrial Packaging segment and EUR 0.6 million to the Industrial Handling segment. EBITDA generated in the fiscal year by the Nittel companies and Tesseraux (consolidated from July 1, 2019) amounted to EUR 1.5 million. The companies, which formed the Industrial Packaging segment before the acquisitions in 2019, generated an EBITDA of EUR 10.7 million in 2019, slightly down EUR 0.1 million on the previous year. The main reasons for this development are revenues and the increase in personnel expenses in relation to total output. The significant decline in demand from the chemical industry combined with declining steel prices led to lower sales revenues. As already explained, the at times comparatively high fluctuations in order intake made it difficult to plan personnel deployment appropriately in the long term. In the Industrial Handling segment, the general negative economic trend had a significant impact on business development and thus on EBITDA. At EUR 0.6 million, EBITDA is significantly lower than in the previous year (EUR 1.3 million). However, the Ringmetall Group as a whole achieved the adjusted EBITDA expectation communicated by the Executive Board during the course of the year.

Group **depreciation and amortization** amounted to EUR 5.1 million (2018: EUR 2.2 million). This significant increase includes the effects from the first-time application of IFRS 16 totaling EUR 1.7 million.

Earnings before income taxes declined to EUR 3.9 million in the reporting year (2018: EUR 7.7 million).

The **financial result** amounted to EUR -1.1 million (2018: EUR -0.6 million) and is almost exclusively

Consolidated net income for the year amounted to EUR 3.0 million

generated at segment level in Industrial Packaging and at holding level in Ringmetall AG. The financial result includes interest income to an insignificant extent. With the exception of an interest expense of around EUR 17 thousand (2018: EUR 19 thousand), the financial result resulted from the Industrial Packaging segment and Ringmetall AG. With regard to the acquisitions, a bank loan was taken out solely to finance the acquisition of Tesseraux. Primarily as a result of this transaction and the loan liabilities which Nittel brought into the Group, interest expenses increased compared to the previous year.

After deduction of income taxes, **consolidated net income** for the year amounted to EUR 3.0 million (2018: EUR 5.2 million).

FINANCIAL SITUATION OF THE GROUP

	31.12.2019		31.12.2018		Change	
ASSETS	**EUR '000**	**%**	EUR '000	%	EUR '000	%
Intangible assets	3,589	3.6	582	0.7	3,007	516.7
Goodwill	32,917	32.9	22,599	27.5	10,318	45.7
Property, plant and equipment	27,154	27.2	12,515	15.2	14,639	117.0
Investments accounted for using the equity method	185	0.2	0	0.0	185	100.0
Other non-current assets	133	0.1	12,803	15.6	-12,670	-99.0
Deffered tax assets	2,019	2.0	790	1.0	1,229	155.5
Total non-current assets	**65,998**	**66.0**	**49,289**	**59.9**	**16,709**	**33.9**
Inventories	14,113	14.1	11,610	14.1	2,503	21.6
Trade receivables	14,758	14.8	13,763	16.7	995	7.2
Other current assets	785	0.8	1,510	1.8	-725	-48.0
Current tax receivables	757	0.8	163	0.2	594	364.4
Cash and bank balances	3,591	3.6	5,936	7.2	-2,345	-39.5
Total current assets	**34,004**	**34.0**	**32,982**	**40.1**	**1,022**	**3.1**
Total assets	**100,002**	**100**	**82,271**	**100**	**17,731**	**21.6**

	31.12.2019		31.12.2018		Change	
EQUITY AND LIABILITIES	**EUR '000**	**%**	EUR '000	%	EUR '000	%
Share capital	29,069	29.1	29,069	35.3	0	0.0
Capital reserves	16,664	16.7	16,664	20.3	0	0.0
Currency translation differences recognized outside profit or loss	-890	-0.9	-1,361	-1.7	471	-34.6
Revaluation of severance payment obligations and others	23	0.0	47	0.1	-24	-51.1
Consolidated result carryforward	4,069	4.1	3,106	3.8	963	31.0
Non-controlling interests	1,064	1.1	1,012	1.2	52	5.1
Total equity	**49,999**	**50.0**	**48,537**	**59.0**	**1,462**	**3.0**
Provisions for post-employment benefits	830	0.8	773	0.9	57	7.4
Financial liabilities	8,201	8.2	10,752	13.1	-2,551	-23.7
thereof liabilities from finance leases	*6,076*	*6.1*	*811*	*1.0*	*5,265*	*649.2*
Deferred tax liabilities	2,633	2.6	783	1.0	1,850	236.3
Total non-current liabilities	**11,664**	**11.7**	**12,308**	**15.0**	**-644**	**-5.2**
Other provisions	2,950	2.9	2,212	2.7	738	33.4
Current tax liabilities	698	0.7	442	0.5	256	57.9
Financial liabilities	22,765	22.8	6,601	8.0	16,164	244.9
thereof liabilities from finance leases	*2,187*	*2.2*	*234*	*0.3*	*1,953*	*834.6*
Trade payables	10,359	10.4	10,390	12.6	-31	-0.3
Other liabilities	1,567	1.6	1,781	2.2	-214	-12.0
Total current liabilities	**38,338**	**38.3**	**21,426**	**26.0**	**16,912**	**78.9**
Total liabilities	**50,002**	**50.0**	**33,734**	**41.0**	**16,268**	**48.2**
Total equity and liabilities	**100,002**	**100**	**82,271**	**100**	**17,731**	**21.6**

Group total assets up significantly as of 31.12.2019

The Group's **total assets** increased significantly by 21.6 percent to EUR 100.0 million as at 31 December 2019 (31.12.2018: EUR 82.3 million). A significant effect here results from the expansion of the scope of consolidation in 2019. Less the advance payment on the shares, which is shown in the balance sheet as of 31 December 2018, Nittel, together with Nittel B.V. and Nittel SARL, results in an increase in total assets of EUR 4.7 million. The acquisition and first-time consolidation of Tesseraux increased total assets by EUR 8.8 million. The balance sheet extension as of 31 December 2019 resulting from the acquisition of Sorini's assets amounts to EUR 2.3 million. On the liabilities side, equity improved by EUR 1.5 million, while current financial liabilities rose by EUR 16.2 million and non-current liabilities fell by EUR 0.6 million. Furthermore, the effects of the initial and subsequent accounting of the new leasing standard IFRS 16, which are described in detail in the notes, had a lasting effect on the consolidated balance sheet.

At EUR 66.0 million, **total non-current assets** are significantly higher than in the previous year (31.12.2018: EUR 49.3 million). The increase of EUR 10.3 million in goodwill is mainly due to the acquisitions made in the fiscal year. These, combined with the application of IFRS 16, are primarily responsible for the significant increase in property, plant and equipment of EUR 14.6 million and intangible assets of EUR 3.0 million. Within property, plant and equipment, rights of use (IFRS 16) were capitalized for the first time in the amount of EUR 6.2 million. At the end of 2018, the advance payment on the shares in Nittel was made together with the disclosure within other non-current assets in the total amount of EUR 12.7 million, which will consequently no longer be reported in the balance sheet as of December 31, 2019. At Nittel, the project to introduce a uniform ERP system for the Group is conducted. As of 31 December 2019, EUR 0.1 million are therefore recognized within intangible assets. Of the increase in deferred tax assets of EUR 1.2 million, the bulk of the increase resulted from usable loss carryforwards of domestic companies.

Total current assets amount to EUR 34.0 million (31.12.2018: EUR 33.0 million). Of this amount, inventories accounted for EUR 14.1 million (31.12.2018: EUR 11.6 million) and trade receivables and other assets for EUR 15.5 million (31.12.2018: EUR 15.3 million). Cash and cash equivalents amounted to EUR 3.6 million at the balance sheet date (31.12.2018: EUR 5.9 million). Within current assets, too, the most significant changes result from the expansion of the scope of consolidation. Nittel, Nittel B.V. and Tesseraux report inventories of EUR 2.4 million and trade receivables of EUR 2.6 million as of 31 December 2019.

Consolidated equity improved to EUR 50.0 million (31.12.2018: EUR 48.5 million). The equity ratio at the end of the reporting year was 50.0 percent (31.12.2018: 59.0 percent). Thus, the equity ratio remains good, albeit significantly lower than in the previous year. In addition to the effects of the application of IFRS 16, the acquisitions mentioned above therefore have an equally lasting impact on the development of the equity ratio. This is all the more so as the first-time consolidation of Tesseraux was not carried out until 1 July 2019 and the assets of Sorini were not consolidated until 31 December 2019, so that the earnings contribution of these companies only had a pro rata or no effect on consolidated earnings.

Financial liabilities as of 31 December 2019 increased significantly from EUR 17.4 million to EUR 31.0 million due to the high investments in 2019 and the financial liabilities to be recognized in the balance sheet in accordance with IFRS 16. At EUR 7.2 million, the main effect within investments is due to the acquisition of Tesseraux, especially as the positive cash relevant effects of the acquisition as of 1 July 2019 were only partially reflected in the total cash flow.

Leasing liabilities in accordance with IFRS 16, which were recognised for the first time as at 31 December 2019, amounted to EUR 7.2 million. Also due to the rapid integration of the new companies, the finalization of the subsequent syndicated financing was postponed to the 2020 financial year in agreement with the syndicate banks. As a consequence, around EUR 14.9 million are reported as current liabilities, which are economically to be regarded as long-term.

The Group's **current liabilities** (excluding financial liabilities) as well as provisions in the amount of EUR 15.6 million (2018: EUR 14.8 million) increased by EUR 0.8 million year-on-year. This is exclusively due to the expansion of the scope of consolidation. Without these transactions, trade payables would have fallen by EUR 0.9 million and other provisions by EUR 0.5 million.

RESULTS OF OPERATIONS OF THE AG

	2019 EUR '000	2018 EUR '000	Change	
			EUR '000	%
Sales	1,110	940	170	18.1
Other operating income	47	21	26	123.8
Personnel expenses	-1,236	-948	-288	30.4
Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets	-4	-3	-1	33.3
Other operating expenses	-1,583	-2,305	722	-31.3
Income from investments	340	1,180	-840	-71.2
Profits received under profit-pooling, profit transfer or partial profit transfer agreements	3,603	8,220	-4,617	-56.2
Other interest and similar income	246	52	194	373.1
Write-downs of financial assets and investments classified as current assets	0	-326	326	-100.0
Interest and similar expenses	-164	-12	-152	1,266.7
Earnings before taxes	**2,359**	**6,819**	**-4,460**	**-65.4**
Taxes on income	547	-405	952	-235.1
Earnings after taxes	**2,906**	**6,414**	**-3,508**	**-54.7**
Other taxes	3	-39	42	-107.7
Net income for the year	**2,909**	**6,375**	**-3,466**	**-54.4**
Retained profits brought forward from the previous year	10,659	6,028	4,631	76.8
Retained Earnings	**13,568**	**12,403**	**1,165**	**9.4**

The Company generated a **net profit** of EUR 2.9 million in the 2019 financial year. This was EUR 3.5 million below the net profit for the previous year. The following circumstances had a significant impact on the net profit:

Intercompany services amounting to EUR 1.1 million were slightly above the previous year's figure of EUR 0.9 million. The slight increase is due to extended services, particularly in the area of production-specific process optimisation and plant development, as well as product innovations. In order to offer these services Ringmetall has invested specifically in know-how. Therefore, personnel expenses increased by EUR 0.3 million to EUR 1.2 million. Other operating expenses fell by EUR 0.7 million to EUR 1.6 million, mainly due to a significant reduction in external services and expenses incurred in the previous year in connection with the sale of a former production site in France. Several years ago, this production was relocated to the site in Berg, Germany. Income from investments decreased by EUR 0.8 million to EUR 0.3 million. This income stems exclusively from Fidum Verwaltungs GmbH, which holds the shares in Nittel and Tesseraux. Income from profit and loss transfers fell significantly. In 2019, this amounted to EUR 3.6 million compared to EUR 8.2 million in the previous year. The reason for this development is August Berger Metallwarenfabrik GmbH and its subsidiaries. EUR 0.2 million in withholding taxes paid in previous years were refunded in 2019. These are related to dividends from the subsidiary in the USA. In addition, deferred tax assets on loss carryforwards in the amount of EUR 0.4 million were capitalized. In total, net income for the year amounted to EUR 2.9 million (2018: EUR 6.4 million).

In the 2019 financial year, the company generated net profit of EUR 2.9 million

FINANCIAL SITUATION OF THE AG

	31.12.2019 total		31.12.2018 total		Change total	
	EUR '000	**%**	EUR '000	%	EUR '000	%
Assets						
Property, plant and equipment	9	1.3	5	0.0	4	80.0
Financial assets	45,367	62.6	32,463	51.8	12,904	39.8
Fixed assets	**45,376**	**62.6**	**32,468**	**51.8**	**12,908**	**39.8**
Receivables from affiliated companies	26,294	36.3	29,464	47.0	-3,170	-10.8
Other fixed asset	87	0.1	180	0.3	-93	-51.7
Cash on hand, Bank balances	22	0.0	277	0.4	-255	-92.1
Current Assets	**26,403**	**36.4**	**29,921**	**47.7**	**-3,518**	**-11.8**
Deferred income	15	0.0	31	0.0	-16	-51.6
Deferred tax assets	683	0.9	282	0.4	401	142.2
Other assets	**698**	**1.0**	**313**	**0.5**	**385**	**123**
	72,477	**100**	**62,702**	**100**	**9,775**	**15.6**
Equity						
Share capital	29,069	40.1	29,069	46.4	0	0.0
Capital reserves	17,042	23.5	17,042	27.2	0	0.0
Revenue reserves						
legal reserves	1,155	1.6	1,155	1.8	0	0.0
Other revenue reserves	1,728	2.4	1,728	2.8	0	0.0
Net profit of the year	13,568	18.7	12,403	19.8	1,165	9.4
Equity capital	**62,561**	**86.3**	**61,397**	**97.9**	**1,164**	**1.9**

	31.12.2019 total		31.12.2018 total		Change total	
	EUR '000	**%**	EUR '000	%	EUR '000	%
Provisions						
Provisions for taxes	10	0.0	89	0.1	-79	-88.8
Other provisions	699	1.0	514	0.8	185	36.0
Total Provisions	**709**	**1.0**	**603**	**1.0**	**106**	**17.6**
Liabilities						
Liabilities to banks	8,385	11.6	0	0.0	8,385	100.0
Liabilities to banks	115	0.2	682	1.1	-567	-83.1
Other liabilities	707	1.0	20	0.0	687	3,435.0
Total liabilities	**9,207**	**12.7**	**702**	**1.1**	**8,505**	**1,211.5**
Debt capital	**9,916**	**13.7**	**1,305**	**2.1**	**8,611**	**659.9**
	72,477	**100**	**62,702**	**100**	**9,775**	**15.6**

Balance sheet total of EUR 72,5 million significantly above previous year's figure

The acquisitions successfully implemented in the fiscal year are reflected in the development of total assets. At EUR 72.5 million, this was significantly higher than the previous year's figure of EUR 62.7 million. The assets increased mainly in the item financial assets in the amount of EUR 45.4 million (31.12.2018: EUR 32.5 million). This is related to the acquisitions of Nittel (consolidated since 1 January 2019), Tesseraux (consolidated since 1 July 2019) and the acquisition of a further 30.0 percent of the shares in Nittel B.V. in October 2019. In this respect Ringmetall AG transferred the necessary liquidity to Fidum Verwaltungs GmbH and converted it into capital there. As a consequence, the receivables from affiliated companies have also decreased, especially since the income from investments and profit transfers have decreased significantly. In 2019, the changes within equity result from the holding company result and the dividend paid. As a result of the proportionately stronger increase in financial assets compared to equity, the equity ratio fell to 86.3 percent (31.12.2018: 97.9 percent). Thus Ringmetall AG continues to have a very good equity ratio. The increase in liabilities to banks to EUR 8.4 million (31.12.2018: EUR 0.0 million) results in particular from the financing of the acquisition of the indirectly held shares in Tesseraux.

GENERAL FINANCIAL SITUATION

As the presentation of the financial situation of the Group and Ringmetall AG shows, the equity ratio remains good or very good. Primarily due to the significant increase in the balance sheet totals in connection with the acquisitions consolidated in the fiscal year, however, the respective equity ratio has decreased compared to the previous year.

The Group's equity ratio fell from 59.0 percent to 50.0 percent. At Ringmetall AG, the ratio fell from 97.9 percent in the previous year to 86.3 percent in the year under review.

EUR '000	**2019**	2018
Cash flow from operating activities	**9,560**	**8,249**
Cash flow from operating activities		
Inflows from the disposal of property, plant and equipment, of noncurrent assets held for sale, of financial assets and of intangible assets	109	695
Outflows for investments in property, plant and equipment and investments in intangible assets	-2,299	-4,513
Outflows for additions to the scope of consolidation in the previous year and in the current financial year	-10,167	-11,373
	-12,357	**-15,191**
Cash flow from financing activities		
Inflows from capital contributions	-	5,834
Inflows from the borrowing of financial loans	9,006	-
Inflows from borrowing financial loans and Outflows for the redemption of financial loans/leases	-7,245	-5,864
Outflows to owners (dividend payment)	-2,161	-2,020
	-400	**-2,050**
Cash change in cash and cash equivalents		
Effect of exchange rates on cash	-3,197	-8,992
Cash and cash equivalents at beginning of period	36	84
Changes in cash and cash equivalents due to changes in the scope of consolidation	816	-
Cash and cash equivalents at end of period	5,936	14,844
	3,591	**5,936**
Composition of cash and cash equivalents		
Cash and cash equivalents	3,591	5,936
Current liabilities to bank	-	-
	3,591	**5,936**

As the cash flow statement shows, the cash inflow from operating activities could not compensate for the cash flows from financing and investing activities, so that cash and cash equivalents decreased by EUR 2.3 million to EUR 3.6 million.

In fiscal year 2019, cash flow from operating activities increased by 15.9 percent to EUR 9.6 million, compared to EUR 8.2 million in the previous year. Even though consolidated net income was down on the previous year due to the effects described above, there were various significant effects in the year under review that had a positive impact on cash flow from operating activities. In addition to a significant increase in depreciation and amortization of fixed assets from EUR 2.2 million to EUR 5.1 million, assets acquired from company acquisitions, also amounting to EUR 5.1 million, should be mentioned in particular. The corresponding cash flows are shown under cash flow from financing activities.

Despite the first-time consolidation of the Nittel companies, Tesseraux and Sorini in the 2019 financial year, cash flow from investing activities declined by EUR 2.8 million year-on-year to EUR 12.4 million. At EUR 10.2 million, most of the payment for the acquisition of the Nittel companies was already made in December 2018. EUR 7.2 million of the total payments of EUR 9.9 million for acquisitions in the reporting year are attributable to the acquisition of Tesseraux and EUR 2.3 million to the acquisition of Sorini. At EUR 2.0 million, payments for investments in property, plant and equipment were around EUR 0.5 million lower than in the previous year. Some planned investments were postponed to the 2020 financial year, as technical development had not yet been completed for individual plant components.

The cash flow from financing activities amounted to EUR -0.4 million in 2019 after EUR -2.1 million in the previous year. Following the capital increase carried out in 2018 with a volume of around five percent of share capital and a cash inflow of EUR 5.8 million, no comparable measure was carried out in the year under review. The cash inflows from taking out financial loans totalling EUR 9.0 million include EUR 7.2 million for financing the acquisition of Tesseraux. The payment for the acquisition of Sorini in December 2019 was made from free cash and cash equivalents.

As a result of the effects described above, the Group's cash and cash equivalents decreased from EUR 5.9 million to EUR 3.6 million as of the balance sheet date due to the minor impact of exchange rates and the cash and cash equivalents (EUR 0.8 million) acquired as part of company acquisitions.

The Group was able to meet its payment obligations at all times. Overall, the development of the financial position is in line with management expectations and is considered stable and sound.

Due to Ringmetall AG's function as a financing and management holding company, its financial position developed similarly to that of the Group. The financial position was significantly influenced by the financing activities in connection with the acquisitions made. As a result, liabilities to banks in particular increased by EUR 8.4 million. Overall, cash and cash equivalents decreased from EUR 0.3 million to EUR 0.0 million. Ringmetall AG was able to meet all its payment obligations at all times.

INVESTMENTS

The most significant investments in the year under review were:

- Acquisition of business shares in Tesseraux Spezialverpackungen GmbH, Bürstadt (Germany); excluding transaction costs, the investment amounted to EUR 7.2 million.
- Acquisition of the assets of Sorini Manufacturing Corporation, Illinois (USA) for EUR 2.3 million.
- Investment in components for the new generation of machines for the production of clamping rings amounting to around EUR 0.3 million.
- Investment in a new CNC lathe amounting to EUR 0.1 million as well as in various other production facilities and machines amounting to EUR 0.3 million.
- Various investments in the improvement of our production halls amounting to EUR 0.1 million.

- Purchase of transport boxes for clamping rings at several locations amounting to EUR 0.1 million.
- Apart from the acquisition of the share in Tesseraux, the investments were financed from current cash flow.

INTERNAL CONTROL SYSTEM / FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

Customer satisfaction with regard to quality and service of elementary importance

The Group has an internal management information system for planning, controlling and reporting. The management information system ensures transparency regarding current business developments and guarantees permanent comparison with corporate planning. The planning calculation covers a period of three years, one year of which is planned in great detail. In addition to the corporate strategy, sales and EBITDA are the main reference figures for operational management. With regard to Ringmetall AG, the focus for operative control is on liquidity and earnings before taxes.

With regard to the comparison of the forecast with the actual values for the financial performance indicators sales and EBITDA, reference is made to the statements in the net assets and results of operations and within the forecast report.

Customer satisfaction with regard to quality and service is of fundamental importance to Ringmetall. The global quality management system ensures a high standard of quality. Each national company is responsible for the quality of its products and services. The companies are supported in this by the superordinate central quality management. Thus, central specifications for the systems are given, internal quality audits are carried out and training measures are monitored. The existing processes at Nittel and Tesseraux were specifically supplemented in order to be in line with the Group-wide system. In the year under review, the complaint rate for Industrial Packaging increased slightly from 0.2 percent to 0.3 percent. This figure includes complaints caused by preliminary products and/or external services. The rate is thus at the upper end of the planning range, which had taken into account a certain increase caused by new Group companies.

In the Industrial Handling segment, the planning of raw materials required for production is even more important than in the Industrial Packaging segment. For this reason, the continuous monitoring of incoming orders and the order backlog is elementary in the Industrial Handling division.

The number of employees (FTE) is given special attention, not only with regard to the reporting date, but also with regard to their development over defined periods of time. The assessment of the extent of employee turnover is placed in the context of external factors, such as site-related macroeconomic trends. All in all, Ringmetall observes an extremely low employee fluctuation throughout the Group compared with the rest of the industry. However, due to the continuing high employment situation, Ringmetall is also confronted with a shortage of skilled workers. This applies in particular to locations located in economically strong regions, such as the German locations in the Karlsruhe (Berg location) and Ingolstadt (Ernsgaden location) regions. As of 31 December 2019, the Industrial Packaging segment employed around 617 FTE (31.12.2018: 530 FTE) and the Industrial Handling segment around 53 FTE (31.12.2018: 55 FTE).

OVERALL ASSESSMENT

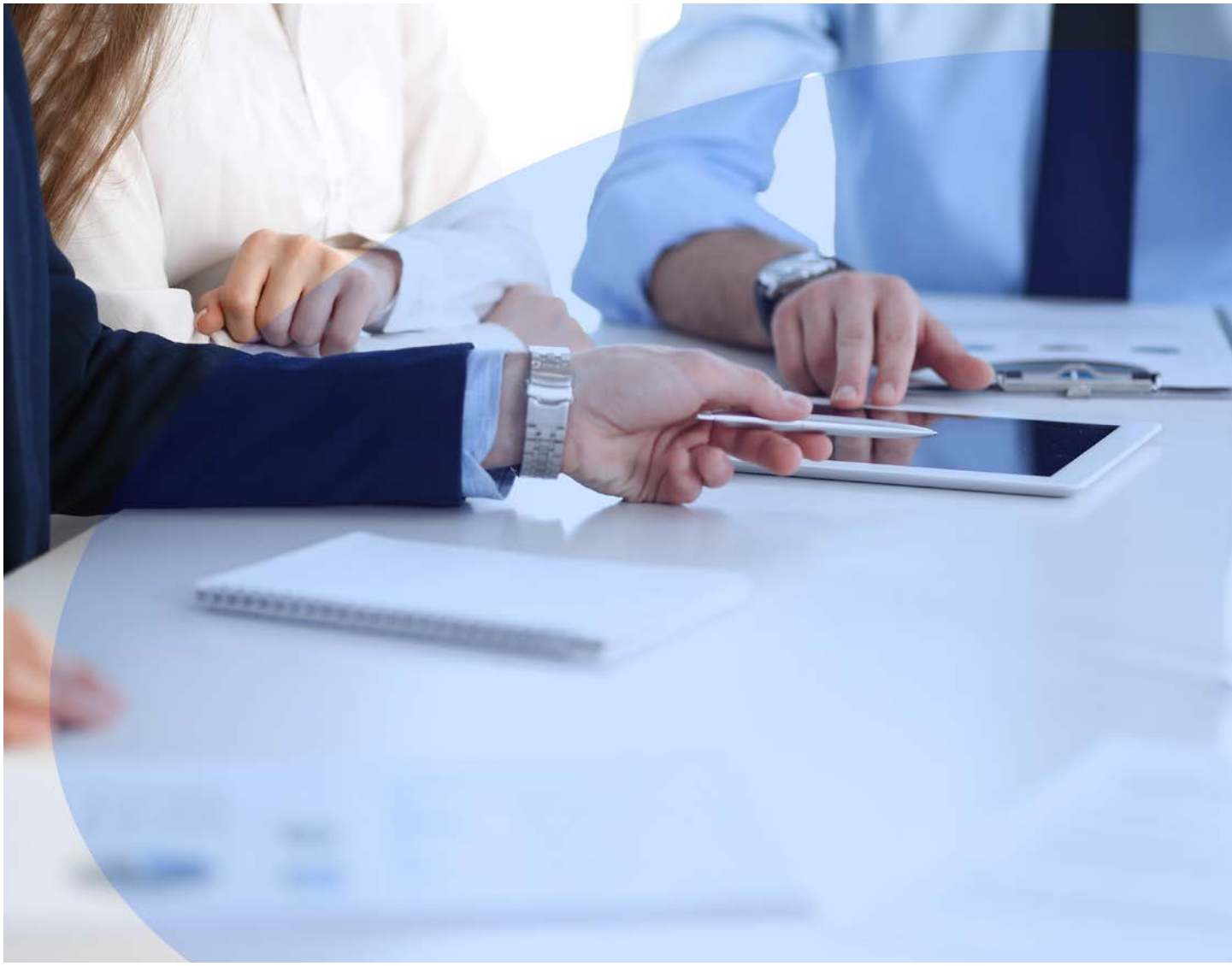
Against the background of a changeable and generally restrained economic environment, Ringmetall developed well in the past fiscal year. At EUR 120.6 million, consolidated sales were up 9.1 percent on the previous year and thus in the middle of the adjusted forecast range of EUR 115.0 to 125.0 million. At EUR 10.0 million, EBITDA was 3.9 percent below the previous year and thus in the upper half of the forecast range of EUR 8.5 to 11.0 million. The development was mainly influenced by the acquisitions of Nittel and Tesseraux, which took place on 1 January 2019 and 1 July 2019 respectively. The fall in steel prices had a -0.9 percent reduction in segment sales for Industrial Packaging over the year as a whole. A purely organic view of sales development also showed a decline of -3.8 percent in the Industrial Packaging segment and -14.9 percent in the Industrial Handling segment.

Business performance was subject to significant fluctuations in incoming orders for most of the year. This made it much more difficult to respond to the tense economic environment by adjusting production capacities to an adequate extent. The Group's profit margins were correspondingly lower. The tendency for steel prices to favor margins only slightly weakened this trend.

In the Industrial Packaging division, expansion into the market for inliners and bag-in-box systems via acquisitions led to a noticeable decrease in cyclicality. Accordingly, the sales trend was less strongly affected by the decline in orders from the chemical industry. In the Industrial Handling division, the company had to cope with a significant decline in sales, which was connected with the postponed launch of a new product line by a major customer. The negative development was further exacerbated by a decline in demand for industrial trucks due to the economic situation.

Despite the fact that the overall business trend was below original expectations, the Management Board considers the company's ultimate performance of the Group and the AG in 2019 to be satisfactory. The acquisitions made are developing in line with expectations and the Ringmetall Group believes that it is very well positioned, both strategically and financially, to meet the challenges of the year 2020 appropriately. In addition, the Management Board assesses the opportunities for inorganic growth through further acquisitions as good overall.

Management Board considers the company's performance in 2019 to be satisfactory




Monthly Report of Financial Situation

STRUCTURE AND PROCESSES OF THE RISK AND OPPORTUNITY MANAGEMENT SYSTEM

The Group's divisions are exposed to economic fluctuations and market cycles in the respective regions and industries. The Group-wide identification and analysis of risks and opportunities is therefore a fundamental component of sustainable and responsible Group management. The timely identification, evaluation and management of risks and opportunities is of fundamental importance for the achievement of strategic goals. The management system implemented at Ringmetall therefore actively integrates the management of the individual business units and subsidiaries into the corporate management. The principles and guidelines of the opportunity and risk management system are specified at group level. In addition to the Management Board, the general management and middle management of the individual subsidiaries are responsible for implementing the individual specifications.

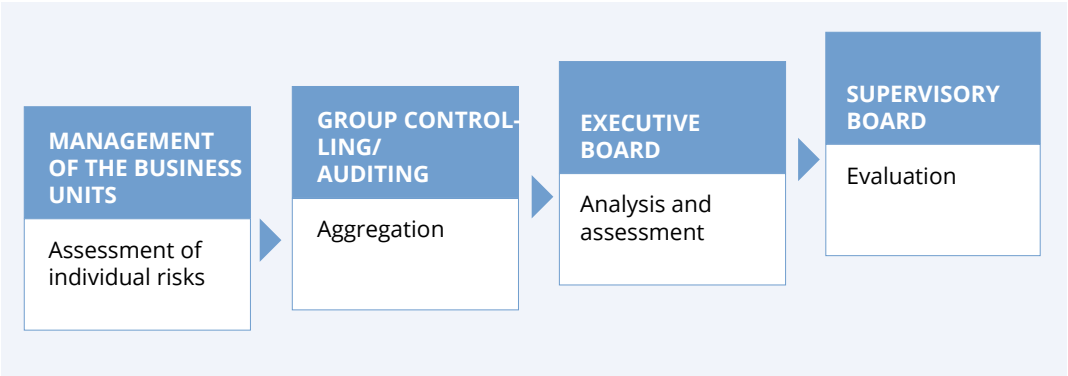
The risk management system established throughout the Group was also systematically further developed in 2019. In addition to the continuation of internal audits, the established software-based solution for risk assessment was further developed in a targeted manner. The software specifies clearly defined categories in order to optimally support the targeted evaluation and addressing of risks. This ensures that risks are recorded as completely as possible and increases the Group-wide comparability of individual risk scenarios. A central objective is to identify all strategic, operational, legal and financial potential negative deviations (risks) at an early stage so that they can be managed and monitored accordingly. Potential positive deviations (opportunities) are analyzed and recorded separately by means of further processe

ORGANIZATION OF THE RISK MANAGEMENT

Holistic system of different control instances

The risk management system of the Ringmetall Group represents a holistic system of different control instances through the involvement of the Supervisory Board, the Management Board, Group Controlling / Internal Audit and the management of the business units and subsidiaries. The allocation 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 ongoing development of the opportunity and risk management system is carried out in close coordination between the Management Board and the Supervisory Board. A core element is the assessment of opportunities and risks.

The management of the business segments determines and records the risks of the operating units via the software-based risk management system. As part of the recording process, an initial assessment is made by assigning them to predefined categories. The aggregation, further assessment and presentation of risks is performed centrally at Group level. The risk assessment is the product of the probability of occurrence and the assessed potential extent of damage. At meetings between central management and the Management Board, mitigating measures are identified, evaluated and responsibilities assigned. Based on this, the final assessment is made by the Management Board and then submitted to the Supervisory Board.

In addition, acute risks from day-to-day operations, which are highly likely to occur and have a high potential for damage, are communicated immediately to Group Controlling and the Management Board. In line with the procedure described above, measures are then decided upon to limit and mitigate the risks identified in this way.

The risk management system is divided into integrated planning, reporting and control systems. This subdivision makes it possible to identify and evaluate significant risks at an early stage and to subsequently take appropriate measures to counteract them. Monthly reports inform the respective general managers 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 risk prevention measure. Contracts to be concluded or obligations to be entered into that deviate from the normal case (e.g. a particularly high order value, comparatively long contract duration) must also be agreed in advance with Group Controlling, the Management Board and, if necessary, with a lawyer.

As part of internal audits, local audits are carried out at the individual companies as required. The main components of these audits are the review of the recoverability, valuation and completeness of balance sheet items and compliance with internal guidelines. Reports are submitted 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, risks are classified according to their estimated probability of occurrence and their impact. At this stage, an assessment is carried out within the framework of the so-called gross assessment, i.e. without possible or already initiated countermeasures being included in the assessment. The scales for measuring the assessment 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	< 100 EUR'000
2	Seldom	Once every 5 years	> 200 EUR'000
3	Occasionally	Once every 2 years	> 500 EUR'000
4	Regulary	Once a year	> 1.000 EUR'000
5	Frequently	Twice a year	> 2.000 EUR'000
6	Very frequently	Monthly	> 5.000 EUR'000

HANDLING AND MONITORING OF RISKS

Responsibilities are assigned to the risks as part of the risk assessment. At the same time, the effectiveness of possible countermeasures and the general acceptability of a risk are analysed, taking all given circumstances into account. The analysis always takes into account the interests of all target groups involved, such as customers, employees or investors.

The assessment of the effectiveness and thus the monitoring of the respective countermeasures is the responsibility of those responsible. In addition to documentation in the context of the next risk assessment, information is provided in the context of management meetings if there is a significant negative change in the assessment previously made.

KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM, RELATING TO THE GROUP ACCOUNTING PROCESS

Within the group-wide control system of the Ringmetall Group, the internal control system ("ICS") is a central component in relation to accounting. The central goal is to ensure compliance with regulations - internal and external - and guidelines relevant to the Ringmetall Group. These regulations and guidelines are binding for all subsidiaries of the Group. Possible effects of new regulations on the Ringmetall Group are analysed together with external consultants. The implementation and corresponding monitoring is then carried out by internal bodies.

Continuous optimization of control processes and systems in the IT sector

The existing control processes and systems in the area of IT are also being optimized by a continuously advancing centralization. The central Group ERP system, which has already been introduced in most of the subsidiaries, is also being implemented continuously. Access authorizations are clearly regulated and are monitored centrally. The Group also uses the know-how of selected external specialists in the IT area.

The preparation of the individual financial statements and reporting to the central finance department is usually carried out by the accounting departments of the national subsidiaries. In some cases, these are supported by local, external specialists. The central finance department of the Ringmetall Group issues corresponding regulations and guidelines.

To prepare 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 group headquarters. If necessary, an adjustment is made to the accounting guidelines of the Ringmetall Group. By means of these systems and controls, Ringmetall guarantees with sufficient certainty that the group accounting process complies with the law.

The central finance department of the Ringmetall Group monitors the liquidity, interest and currency risks throughout the group. It is also responsible for securing liquidity. In order to reduce the interest rate risk for variable interest rate loans, appropriate hedging transactions are concluded if necessary. Forward exchange transactions are only entered into if, in the opinion of the Group's head office, significant cash flows in foreign currency are to be expected and risks exist due to high exchange rate fluctuations. In accordance with internal guidelines, no transactions with financial instruments are used for speculative purposes.

OVERALL RISK

Decline in the number of all identified individual risks

Compared with the end of 2018, the number of individual risks, irrespective of their classification, has declined despite an increased scope of consolidation. There was only an increase in the "medium-high" risk category. However, this is primarily due to the new companies in the Group in 2019. In total, the risk situation is slightly worse than in 2018 due to the higher mathematical weighting of the "medium-high" risk class.

Ringmetall carries out regular reviews with regard to general risks that could result from general changes in the market, the customer and supplier environment or adjustments in regulatory areas. This includes, among other things, changed requirements for our products due to technical possibilities or legal requirements as well as changed entry barriers for new suppliers. However, risks arising from general social demands on the Group as well as legal and political developments are also regularly analyzed.

SIGNIFICANT INDIVIDUAL RISKS

The following section shows individual risks which, from a current perspective, could have a sustained impact on consolidated net income over a period of 12 months. These risks were rated "high", "medium" or "medium" in the analysis. Unless specifically mentioned, the assessment of a possible impact on the financial and earnings position has changed only insignificantly compared to the previous year.

Overall market risk

A market risk results from the fact that the overall economic and industry-related development is negative in comparison to the planning or forecast. Periodic fluctuations in overall economic activity can also have an impact on the worldwide transport of goods and the market for industrial trucks relevant to the Industrial Handling segment. As in the previous year, we find ourselves in times of high economic and political uncertainty. In such times, customers have a tendency to postpone investments or even cancel them altogether. Customers may also consolidate within industries. The Ringmetall Group always takes care to design its cost structure in such a way that it can react to fluctuations in demand. However, sustained declines in sales revenues would have a negative impact on earnings.

Even if the general economic situation in Germany and other European countries is stable, albeit at a lower level than in previous fiscal years, the Management Board believes that renewed financial crisis scenarios and an economic downturn cannot be ruled out at present. Excluded from this assessment are developments in connection with a further spread of COVID-19, which are currently not quantifiable.

Ringmetall is active with one plant in Turkey. The production focus of this site is on the local Turkish market, even though cross-border sales potential has already been identified. Due to the continuing political uncertainties within Turkey as well as the rather increasing political uncertainties between Turkey and abroad, both the Turkish currency and the Turkish economic situation remain under pressure. As a consequence, sales revenues of the Turkish subsidiary in 2019 remained at the same low level as in the previous fiscal year. However, the annual result was increased slightly, primarily due to appropriate cost management and efficiency improvements in production.

As no sustained improvement in the political environment is currently foreseeable, the risk in relation to Turkey was upgraded from "medium high" in the previous year to "high".

Competitive risks

Immanent in a market with several suppliers is the risk of not achieving the planned targets in general and profit targets in particular due to increasing

competitive pressure. Competition in the markets relevant to the Ringmetall Group is also very much driven by price. This price and margin pressure can intensify due to various effects. If the steel price indices, which serve as a basis for price negotiations, and the effectively realizable steel purchase prices develop in opposite directions, this can have a lasting negative effect on the margins in the clamping rings segment. The high quality and service standards of our customers represent a barrier to growth and market entry for our competitors, especially in the Industrial Packaging segment. Nevertheless, additional competitive pressure may arise here as well in the future. In this respect, the risk in the inliner segment is to be classified higher than in the clamping rings segment, also due to the much higher transportability of the products.

The Ringmetall Group takes various ways to minimize competitive risks or to further strengthen and expand its own market position. Increasing efficiency in the production facilities, further expanding cooperation between the production sites and developing alternative sources of supply for raw materials are elementary in this respect. Furthermore, Ringmetall invests in product innovations and is constantly looking for opportunities to expand and strengthen its market position in growth regions.

Overall, the competitive risks are still classified as "medium".

Risks associated with "digitization / Industry 4.0" - Competitiveness

The topics of digitization and "Industry 4.0" present industrial companies worldwide with a number of new challenges. From Ringmetall's point of view, it is still not possible to adequately assess the extent to which this could result in disruptive changes for the business model. Ringmetall is making sustained investments in the digitization and automation of internal company processes and production steps. Ringmetall will continue to deal with this topic and the resulting challenges in detail in the future. The development of a new software for production monitoring ("LEANFOCUS"), which was successfully completed in 2018, will be continuously supplemented with additional tools and rolled out successively at additional production sites. Significant progress was also made in the past financial year in the development and modernisation of specific production facilities. Despite comprehensive measures, it is still not possible for the Management Board to conclusively assess whether the investments are extensive enough to meet future requirements and thus to defend and expand the current competitive position. Due to the not fully discernible effects of possible economic changes that could result from the topics "digitization" and "Industry 4.0", Ringmetall continues to see a risk in this regard that is still classified as "medium".

Cluster risks from major customers

Ringmetall generated around 41 percent (2018: 45 percent) of its sales revenues in fiscal year 2019 with its three largest customers - all of which are globally active corporate groups. The company generated the remaining sales revenues with significantly more than 80 customers.

Expansion of the Industrial Packaging segment through acquisitions in the "Inliner" sector

Particularly in the Industrial Packaging segment, however, the not insignificant concentration of a significant share of sales on two customers (around 40 percent of segment sales in 2019) should also be seen as an advantage. As globally operating companies, both suppliers and customers are in mutual dependency with the Ringmetall Group due to their large share of sales in their respective industries. Since the end of 2018, Ringmetall has invested sustainably in the expansion of the Industrial Packaging segment through the acquisition and integration of companies in the "Inliner" sector. Even if the two major customers mentioned above continue to represent significant sales shares, their percentage share of total Group sales is consequently declining. Irrespective of this, the loss of one or more major customers or a significant decline in orders from these customers could lead to a significant drop in sales.

Taking all relevant factors into account, the risk of dependence on major customers is still classified as "medium".

Risks from raw materials and intermediate products

Within the scope of its business activities, Ringmetall has a high demand for different raw materials, which

are purchased from different suppliers and then processed further. This applies in particular to steel and various components such as closures for the finished products. For this purpose Ringmetall negotiates with various suppliers in order to obtain the most favourable offer in its own opinion and also to avoid becoming dependent. Framework agreements, generally with a maximum duration of three months, have been concluded with some suppliers to ensure continuous supply and a certain price stability on the purchasing side. In this context, the customers, for their part, observe the development of raw material prices in the various markets and therefore also form the basis for pricing.

For the reasons outlined above, the risk is assessed as "medium".

Downtime of production facilities

Neuralgic points identified and alternatives created

In the Industrial Packaging segment Ringmetall has several production sites in Germany and other countries. The inliners offered as a result of the expansion of the scope of consolidation are currently manufactured at two locations in Germany. In the Industrial Handling segment, production continues to take place at only one location in Germany. On the basis of an analysis of the plants and production equipment, neuralgic points were identified and, if technically or economically feasible, appropriate alternatives were created. Nevertheless, in the worst case scenario, damage or destruction could lead to delays in delivery. In the Industrial Packaging segment, Ringmetall has a large number of fully automated plants for the production of heavy clamping rings and clamping ring types with a very high number of pieces as well as further automatic production plants for closures, various inliners and bag-in-box systems and other applications. Although each of these clamping rings can also be produced on conventional equipment at several locations, the failure of a fully automated system could lead to delays in delivery. This applies analogously to most of the mentioned inliners.

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

Risks due to downtime of IT systems

Ringmetall relies on information technology for its business and operational activities, i.e. IT systems and networks or electronic data processing systems. Sensitive business information and other protected information is also stored and processed in these systems and networks. Due to the continuous expansion of the group, the ever more intensive use of information technology, also in production, as well as increasing demands on data storage and processing, the relevance of IT systems is constantly growing. These systems are susceptible to failures due to fire, flooding, power failures, failure of telecommunications equipment, viruses, break-ins and similar events or security breaches.

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

Personnel risks

For Ringmetall, motivated and qualified specialists and managers are elementary for sustained entrepreneurial success. In order to counteract the risks arising from a corresponding shortage, Ringmetall repeatedly uses supplementary channels to further improve its recruitment process and constantly implements further measures to increase its attractiveness as an employer. Due to the constant expansion of the consolidation group, the opportunities for specialists and executives to be deployed are increasing sustainably, both in terms of technical aspects and location opportunities. Also due to the constantly growing requirements, the internal and external further education and training opportunities are being expanded unchanged. The range of international assignments was again expanded, and internal career prospects were enhanced. The diversity of working time models was optimized, also to offer employees with special family situations the necessary flexibility.

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

No-Deal BREXIT

A final decision has been made with regard to the withdrawal of Great Britain from the European Union, but a final political and economic solution regarding future relations is not yet foreseeable. No one can judge conclusively how far-reaching the consequences would be if no viable solution were to be found, particularly with regard to trade relations. One of the main measures we have taken at our site in England is to build up stocks of raw materials and semi-finished products in order to guarantee our ability to deliver as far as possible. If the BREXIT, which has now been decided upon, should lead to a deterioration of the economic situation in England or even 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 site in England compared to the Group as a whole, the risk is still classified as "medium" by the Management Board.

COVID-19 Pandemic

In general, the Ringmetall Group has developed satisfactorily overall, especially in the second half of the year, given the environment prevailing in 2019. This fundamentally positive development also continued in the first quarter of 2020. However, for a few weeks now, it has been overshadowed by the impending economic risks that the increasing global spread of COVID-19 is bringing with it. Numerous industries have already been severely affected by the measures taken against the spread of the virus. Among them are many industries that are among the main consumers of our products. However, it is currently impossible to estimate the extent to which potential COVID-19-related losses could be incurred.

Extensive precautions have been taken to minimize the potential impact of the crisis on the Company and its customers. There is a general risk that individual production sites could be affected by significant production restrictions or even complete production downtimes. This could be the case, on the one hand, due to delivery problems on the part of our suppliers, who supply us with the steel or other primary products required for production. On the other hand, several or all of the skilled workers at a location could also be lost due to health or quarantine reasons, making it considerably more difficult or impossible to maintain production. Furthermore, delivery may be delayed due to logistical problems, for example if truck drivers are absent for health reasons or border controls stop delivery traffic. On a positive note, however, Ringmetall has already been classified by the responsible authorities in many regions as an important supplier to system-relevant industries. This ensures that the Company can continue to produce in our plants even in the event of officially ordered factory closures, as recently in Italy.

Ringmetall has been classified as an important supplier to system-relevant industries

Ringmetall has countered these problems above all by significantly increasing the so-called "safety stocks" of production equipment at each site. This means that the stock of steel strip and pre-products - such as lever fasteners - required for four weeks of production instead of the previous two weeks is now kept in stock. In addition, the possibility has been created of being able to produce special components, which were previously only produced at only one site, at other sites if required. Furthermore, care is taken not to mix the workforces of the different shifts, so that in the event of an employee becoming ill, quarantine measures only have to be carried out for a clearly defined part of the workforce. The hygiene measures in the plants were also significantly increased once again in order to keep the risk of infection at the workplace as low as possible.

In general, the inorganic growth component, i.e. growth through company acquisitions, continues to form a central part of the corporate strategy. The Management Board continues to assess the environment as positive. However, the impact of COVID-19 on public life, and in particular on travel opportunities, and thus the limited opportunities for personal contact with potential sellers, have led to the suspension of all discussions and negotiations in this regard until further notice. Accordingly, a resumption of the talks can only be expected once the situation regarding COVID-19 has eased.

The potential risks with regard to COVID-19 are classified by the Management Board as "medium".

Overall assessment

The Management Board assesses the risk situation of Ringmetall as essentially unchanged in relation to the risks inherent in the business model. However, these are extended by the additional risks relating to COVID-19, which cannot be fully assessed. No individual risks have been identified that could endanger the continued existence of the Ringmetall Group. This applies analogously to an overall view of all risks. The countermeasures decided on for significant risks as well as internal controls are regularly analysed by the Management Board. Excluded from this assessment are developments in connection with the further spread of COVID-19, which are currently not quantifiable. In this respect, we refer to the comments in the forecast report in particular.

OPPORTUNITIES

Besides the risks mentioned, a number of opportunities arise from the Ringmetall Group's business model and market position. Opportunities are deemed to be those developments which may lead to a positive deviation from strategic planning and thus to an additional improvement in the asset and capital structure, financial position and results of operations. The sequence of opportunities does not necessarily correlate with the current assessment of their significance to the Group.

Company acquisitions

Company acquisitions are a central component of Ringmetall's business model and represent the biggest growth driver. They give the company the opportunity to grow specifically in certain regions of the world and in certain product areas. Since the organic growth of the industries in which Ringmetall is active is in the single-digit range and the barriers to market entry are always high, acquisitions are virtually the only way to accelerate growth significantly. Only very selectively does the Company decide to expand into a new market by setting up its own branches. The only example from the past is the entry into the Chinese market, which is due to the special conditions of this market.

Around 70 percent of sales growth has been generated by acquisitions since the Company was founded to date. Accordingly, the Company has a correspondingly routine approach to the M&A process. From process initiation, through due diligence and financing, to the final integration of an acquisition. In 2019, the Ringmetall Group entered the market for inliners through acquisitions and has already acquired a dominant market position in Europe. Through further active consolidation of the market, Ringmetall has the opportunity to take the leading position worldwide in the market for inliners in the future.

Entering new markets

In order to grow faster than the market and thus to generate synergies even beyond the mere size of the Company, the development of new markets is an important component of Ringmetall's strategic corporate development. Due to the low chances - caused by the high market entry barriers - to develop new markets quickly through organic growth, Ringmetall usually develops these markets through acquisitions. The development is divided into three main thrusts:

– new customer groups and sales regions
– new production sites and regions
– new products and product groups

Ringmetall sees high chances in the opening up of new markets to expand its own well-established structures by further structures and to establish its own best practice approach in these as well. In this way Ringmetall is able to achieve margin improvements by leveraging synergies and efficiency increases in new markets and to make these markets even more attractive.

Further development of produktion technologies

As a niche supplier in the market for industrial packaging, Ringmetall has a highly specialized machine park. All production machines have been developed in-house or are assembled from standard components and are highly adapted to the respective application. The further development of production machines up to their completely new development accordingly represents an important part of the value-added chain of Ringmetall. On the one hand, this enables the Company to keep the market entry barriers for potential competitors

at a high level. On the other hand, they represent an important means of making production more efficient, thus increasing production output and improving production efficiency. Ringmetall invests around two percent of Group Revenues per year in the optimization and further development of its own machinery.

Synergies and efficiency Improvements

Ringmetall continuously examines the internal and external processes for potentials to leverage internal group synergies or to increase efficiency. For example, production processes are regularly analyzed in order to increase the utilization of machines, reduce changeover times or optimize employee qualifications. The further development of production facilities or the relocation of production parts to locations optimized according to regional aspects are also continuously advanced. In addition, the ongoing digitalization of the production industries also offers Ringmetall the opportunity to benefit additionally from efficiency improvements as a result of the investments made here.

RISK REPORTING WITH REGARD TO THE USE OF FINANCIAL INSTRUMENTS

The main risks to which the Group is exposed as a result of its financial instruments comprise cash flow risks as well as liquidity and default risks. The aim of corporate policy is to avoid or limit these risks as far as possible. The handling of these risks has already been discussed in detail in the risk report in the relevant sections. If necessary, Ringmetall uses derivative financial instruments to hedge against interest and market risks. In addition, securities and derivatives are traded to a limited extent as part of its accumulation activities. A detailed description can be found in the notes to the consolidated financial statements.

Forecast report

The Management Board assumes consolidated sales of EUR 125.0 to 135.0 million

In preparing the forecast report, Ringmetall is guided by the statements and forecasts currently published by opinion-leading institutions such as the Federal Ministry of Economics and Energy (BMWi), the European Central Bank (ECB) and the International Monetary Fund (IMF) in conjunction with the forecasts of leading trade associations such as the German Engineering Federation (VDMA) and the German Chemical Industry Association (VCI). In addition, the generally perceptible mood on the capital markets and the current mood on the customer side are taken into account in the decision-making process.

While the BMWi and the IMF still generally assumed a consolidating economic environment for 2020 at the beginning of the year, the VDMA and the VCI were rather cautious about the future prospects of the industries they represent. However, the special challenges for the economy arising from current developments regarding COVID-19 and which may still arise in the further course of the year have not been included in these forecasts, or only to a limited extent. For the Ringmetall Group, too, these can only be predicted with extreme difficulty and great uncertainty. Although the business at the beginning of the year 2020 shows a consistently positive development until April, the Management Board does not expect this development to continue unchanged in the further course of the year.

In order to be as well prepared as possible for potential market changes with regard to COVID-19, the Ringmetall Group has taken a number of preventive measures and can also benefit from measures taken by national authorities. First and foremost, the granting of extensive special permits and production approvals by several of the national competent authorities should be mentioned here, which should ensure that the company remains capable of production without any changes even if COVID-19 continues to have an increasing influence on public life and the economy. The classification as part of system-relevant industries ensures that the Ringmetall Group, with its 15 plants in seven countries worldwide, can continue to produce in its plants even in the event of officially ordered plant closures, as recently in Italy. In order to be able to continue to supply in the event of a short-term supply bottleneck, the company has significantly increased the stock of raw materials and pre-products in its production facilities. In addition, detailed plans have been developed to rapidly relocate parts of production to other sites in the global network of production facilities, if necessary. At the same time, hygiene measures in the plants were further increased and precautions were taken to minimize the risk of infection for personnel in both production and administration.

In general, the inorganic growth component, i.e. growth through company acquisitions, continues to be a central part of the corporate strategy. In general, the Management Board continues to assess the environment as positive. However, the impact of COVID-19 on public life, and in particular on travel opportunities, and thus the limited opportunities for personal contact with potential sellers, have led to the suspension of all discussions and negotiations in this regard until further notice. Accordingly, a resumption of the talks can only be expected once the situation regarding COVID-19 has eased.

With the publication of preliminary figures on the course of business on 5 March 2020, the Company published an outlook for the full year 2020. Accordingly, based on a conservative assessment of the market environment, the Management Board of Ringmetall AG assumes consolidated sales of EUR 125.0 to 135.0 million and earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 11.0 to 13.0 million. With regard to Ringmetall AG, the Management Board expects a slight increase in earnings before taxes compared to the year under review and a stable financial situation.

The assumptions are based on an unchanged steel price and unchanged exchange rates of the euro against the US dollar, Turkish lira and pound sterling compared to the end of 2019. They do not include the effects of possible acquisitions, including the resulting transaction costs. Scenarios regarding a COVID-19-induced broader economic downturn are not included in the published outlook for business development in 2020. However, Ringmetall regularly tries to anticipate possible sustainable negative developments by means of stress tests. If significant effects on the forecast are reliably apparent, Ringmetall will communicate this accordingly.

The Management Board therefore maintains the forecast for business development published on 5 March 2020 in unchanged form and assesses the targets contained therein as still achievable.

Other statutory information

REMUNERATION REPORT

Transparent reporting on the remuneration of the Management Board and Supervisory Board

For the company, transparent reporting on the remuneration of the Management Board and Supervisory Board is one of the core elements of good corporate governance. In the following we provide information on the principles of the remuneration system as well as on the structure and amount of benefits.

Management Board

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

The total remuneration is generally made up of a non-performance-related fixed component and a performance-related variable component. If targets are fully achieved, the fixed salary component amounts to around 60 percent of the total remuneration, the variable component to around 40 percent. The amount of the bonus depends on the extent to which the targets agreed between the Supervisory Board and the Management Board at the beginning of the financial year have been achieved.

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

The fixed remuneration structure also includes statutory social security contributions for the social insurance of the two members of the Board of Management. These charges are recorded under personnel expenses.

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

MANAGEMENT BOARD EUR'000	Occupation	Total expenditure 2019	not performance-based	performance-based	Total expenditure 2018	not performance-based	performance-based
Mr.Christoph Petri (Spokesman of the board)	Merchant	284	185	99	270	160	110
Mr. Konstantin Winterstein	Engineer	298	199	99	293	183	110
Total expenditure		**582**	**384**	**198**	**563**	**343**	**220**

MANAGEMENT BOARD EUR'000	Occupation	Total remuneration 2019	not performance-based	performance-based	Total remuneration 2018	not performance-based	performance-based
Mr. Christoph Petri (Spokesman of the board)	Merchant	241	185	56	230	160	70
Mr. Konstantin Winterstein	Engineer	255	199	56	253	183	70
Total remuneration (cash effective)		**496**	**384**	**112**	**483**	**343**	**140**

The former member of the Management Board Jörg Rafael received non-performance-related, cash and expense-related remuneration of EUR 32 thousand for 2019 for his former activities.

The Supervisory Board

The remuneration of the Supervisory Board is regulated in the Articles of Association and is determined by the Annual General Meeting. Accordingly, the members of the Supervisory Board receive remuneration in each fiscal year, which consists of a fixed salary and reimbursement of travel expenses. In 2019, the members of the Supervisory Board received a total of EUR 130 thousand (2018: EUR 113 thousand).

Declaration on corporate governance

The declaration on corporate governance (Section 289a of the German Commercial Code) includes the declaration of compliance with the German Corporate Governance Code, information on corporate governance practices and a description of the working methods of the Management Board and Supervisory Board. The explanations in this regard have been made permanently available on the Company's website at www.ringmetall.de/investor-relations/corporate-governace. A separate presentation in the combined management report is therefore not provided.

Disclosures pursuant to sections 315a and 289a of the German Commercial Code (hgb)

Composition of the subscribed capital

The subscribed capital amounts to 29,0 Mio EURO as at 31 December 2019

The subscribed capital of Ringmetall AG amounts to EUR 29,069,040 as at 31 December 2019. It is divided into 29,069,040 registered shares with a proportionate amount of the share capital of EUR 1.00 each. The development of the subscribed capital can be seen in the notes to the consolidated financial statements.

Each share represents one vote and, with the exception of any new shares not entitled to dividends, the same proportion of the profit according to the dividend distribution resolved by the Annual General Meeting. The rights and obligations arising from the shares are derived from the statutory provisions, in particular from Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act. As of 31 December 2019, no shares were held in treasury

Restrictions concerning voting rights or the transfer of shares

The Company is not entitled to any rights from its own shares. In the cases of Section 136 of the German Stock Corporation Act, the voting rights from the shares concerned are excluded by law.

Legal provisions and provisions of the articles of association on the appointment and dismissal of members of the board of management and on amendments to the articles of association

The appointment and dismissal of members of the Management Board is based on Sections 84 and 85 of the German Stock Corporation Act. In accordance with section 84 of the German Stock Corporation Act, the members of the Management Board are appointed by the Supervisory Board for a maximum term of office of five years. However, the Supervisory Board of Ringmetall AG has decided to limit the appointment of members of the Management Board to three years as a rule. Reappointment or extension of the term of office, in each case for a maximum of five years, is permissible.

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 Section 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 upon application by one of the parties involved in accordance with section 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 in accordance with section 84 (3) of the German Stock Corporation Act if there is good cause.

Pursuant to section 179 of the German Stock Corporation Act, the Articles of Association may only be amended by a resolution of the Annual General Meeting. Unless mandatory provisions of the law stipulate otherwise, resolutions of the Annual General Meeting - with the exception of elections - are passed in accordance with section 133 of the German Stock Corporation Act, section 17 (1) of the Articles of Association with a simple majority of the votes cast and, if applicable, with a simple majority of the capital represented. A majority of 75.0 percent of the share capital represented is required for a change in the object of the company in accordance with Section 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. Pursuant to Section 17, Paragraph 2 of the Articles of Association, the Supervisory Board may resolve on amendments to the Articles of Association that merely affect the wording. In accordance with section 181 (3) of the German Stock Corporation Act, amendments to the Articles of Association take effect upon entry in the Commercial Register.

Authorizations of the Management Board to issue or buy back shares

At the Annual General Meeting on 31 August 2015, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital by 30 August 2020 by a total of up to EUR 3,120,000.00 by issuing new no-par value bearer shares (ordinary shares) on one or more occasions against cash and/or non-cash contributions, whereby the subscription rights of sharehold-

ers may be excluded (Authorised Capital 2015/I). After partial utilization, the authorized capital as of 31 August 2015 (Authorized Capital 2015/I) still amounts to EUR 832,000.00.

At the Annual General Meeting on 30 August 2016, the Management Board was authorized until 31 July 2021, with the approval of the Supervisory Board, to increase the share capital against cash and/or non-cash contributions by a total of up to EUR 3,432,000.00, whereby shareholders' subscription rights may be excluded (Authorised Capital 2016/I). The authorised capital of 30 August 2016 (Authorised Capital 2016/I) still amounts to EUR 915,200.00 after partial utilisation.

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

At the Annual General Meeting on 14 June 2019, the Management Board was authorized pursuant to section 71 (1) no. 8 of the German Stock Corporation Act (Aktiengesetz) to acquire, with the approval of the Supervisory Board, own shares up to a total of 10.0 percent of the current share capital of EUR 29,069,040.00 until 31 May 2024. Together with treasury shares already held by the Company or attributable to the Company pursuant to sections 71 a et seq. of the German Stock Corporation Act, the shares acquired under this authorization may at no time exceed 10 percent of the share capital. The authorization may be exercised in whole or in part, in this case several times, for one or more purposes. The authorization may not be used for trading in own shares.

Material agreements sublject to the condition of a change of control

Ringmetall AG did not conclude any agreements in fiscal year 2019 that contain provisions for the event of a change of control, such as may occur in the event of a takeover bid.

DEPENDENT REPORT IN ACCORDANCE WITH SECTION 312 OF THE AKTG

The Management Board has prepared a dependency report in accordance with section 312 of the German Stock Corporation Act (AktG) and has issued the following conclusion:

"The Management Board of Ringmetall AG declares that, according to the circumstances known to it at the time when the legal transactions were carried out or measures taken or omitted, the company received appropriate consideration for each legal transaction and was not disadvantaged by the fact that measures were taken or omitted."

STATEMENT OF THE LEGAL REPRESENTATIVES

"To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements and the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal opportunities and risks associated with the expected development of the Company and the Group".

Munich, 28 April 2020

Christoph Petri
Spokesman of the
Management Board

Konstantin Winterstein
Member of the
Management Board

THE RINGMETALL GROUP

Consolidated Balance Sheet

As of 31.12.2019

ASSETS EUR '000	Notes	**31.12.2019**	31.12.2018
Non-current assets			
Intangible assets	15	3,589	582
Goodwill	14, 15	32,917	22,599
Property, plant and equipment	16	27,154	12,515
Investments accounted for using the equity method	5	185	0
Other non-current assets	17	133	12,803
Deferred tax assets	12	2,019	790
Total non-current assets		**65,998**	**49,289**
Current assets			
Inventories	18	14,113	11,610
Trade and other receivables	19	14,758	13,763
Other current assets	20	785	1,510
Current tax receivables	20	757	163
Cash and bank balances	21	3,591	5,936
Total current assets		**34,004**	**32,982**
Total assets		**100,002**	**82,271**

LIABILITIES EUR '000	Notes	**31.12.2019**	31.12.2018
Equity			
Share capital	22	29,069	29,069
Capital reserves	22	16,664	16,664
Currency translation differences recognized outside profit or loss	22	-890	-1,361
Revaluation of severance payment obligations and others	22	23	47
Consolidated result carryforward		4,069	3,106
Non-controlling interests	22	1,064	1,012
Total equity		**49,999**	**48,537**
Non-current liabilities			
Provisions for post-employment benefits	23	830	773
Financial liabilities	25	8,201	10,752
Deferred tax liabilities	12	2,633	783
Total non-current liabilities		**11,664**	**12,308**
Current liabilities			
Other provisions	24	2,950	2,212
Current tax liabilities		698	442
Financial liabilities	25	22,765	6,601
Trade payables	26	10,359	10,390
Other liabilities	26	1,567	1,781
Total current liabilities		**38,338**	**21,426**
Total liabilities		**50,002**	**33,734**
Total assets		**100,002**	**82,271**

Consolidated Profit & Loss Statement

From 1.1. to 31.12.2019

EUR '000	Notes	**2019**	2018
Revenue	9	120,581	110,567
Other income	9	702	1,512
Change in inventories of finished goods and work in progress	18	-18	495
		121,265	**112,574**
Cost of materials	10	-65,108	-61,545
Cost of personnel	10	-30,956	-25,095
Other expenses	10	-14,940	-15,130
Other taxes	10	-318	-373
Result from investments accounted for using the equity method	5	86	0
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**10,029**	**10,431**
Depreciation, amortization and write-downs	15,16	-5,060	-2,151
Earnings before interest and taxes (EBIT)		**4,969**	**8,280**
Finance income	11	14	12
Finance costs	11	-1,124	-637
Net income for the year from continuing operations before taxes		**3,859**	**7,655**
Income tax expense	12	-837	-2,499
Consolidated net income for the year		**3,022**	**5,156**
Consolidated net income for the year attributable to:			
Shareholders of Ringmetall AG	13	2,707	4,847
Non-controlling interests		315	309
Earnings per share			
Basic earnings per share (EUR)	13	0.09	0.17
Diluted earnings per share (EUR)	13	0.09	0.17

Consolidated Statement of Comprehensive Income

From 1.1. to 31.12.2019

EUR '000	Notes	**2019**	2018
Consolidated net income for the year		3,022	5,156
Items in other comprehensive income that could affect expenses or income in the future:			
Foreign business currency translation differences	6, 22	479	760
Items of other comprehensive income that will not be recognized as expenses or income in the future:			
IFRS 15	6	-	22
Result from the revaluation of the severance payment obligation	23	-60	18
Income tax attributable to components of other comprehensive income		36	7
Other comprehensive income		**455**	**807**
Group comprehensive income		**3,477**	**5,963**
Total comprehensive income attributable to:			
Shareholders of Ringmetall AG		3,154	5,606
Non-controlling interests		323	357

Consolidated Statement of Cash Flows

From 1.1. to 31.12.2019

EUR '000	Notes	**2019**	2018
1. Cash flow from operating activities			
Consolidated net income	13	3,022	5,156
Write-downs on non-current assets	15, 16	5,060	2,151
Tax expense and deferred taxes	12	837	2,499
Gain (-)/loss (+) on asset disposals	9	-38	-400
Result from at equity	5	-86	-
Net interest income	11	1,110	626
Cash flow before interest, taxes and refinancing		**9,905**	**10,032**
Increase (-)/decrease (+) in inventories and trade receivables		-3,498	-1,963
Increase (+)/decrease (-) in provisions		795	44
Increase (-)/decrease (+) in trade payables, other liabilities and accruals		-245	705
Assets acquired from company acquisitions		5,139	-
Increase (+)/decrease (-) in the statement of financial position – non-cash		-880	1,202
Cash flow before interest and taxes		**11,216**	**10,020**
Income taxes paid		-1,656	-1,771
Cash flow from operating activities		**9,560**	**8,249**
2. Cash flow from investment activities			
Inflows from the disposal of property, plant and equipment		71	35
Inflows from the disposal of non-current assets held for sale		-	660
Proceeds from imposals of intangible assets		38	-
Outflows for investments in property, plant and equipment		-2,008	-2,450
Outflows for investments in intangible assets		-291	-2,063
Outflows for additions to the scope of consolidation in the previous year		-250	-250
Outflows for additions to the scope of consolidation in the current financial year		-9,917	-
Outflows for additions to the scope of consolidation in the following financial year		-	-11,123
Cash flow from investment activities		**-12,357**	**-15,191**

EUR '000	Notes	**2019**	2018
3. Cash flow from financing activities			
Inflows from capital contributions		-	5,834
Inflows from borrowing financial loans		9,006	-
Outflows for the redemption of financial loans		-4,439	-4,978
Payments from the redemption of leasing		-1,868	-230
Outflows to owners (dividend payment)		-2,161	-2,020
Interest paid and received*		-938	-656
Cash flow from financing activities		**-400**	**-2,050**
4. Cash and cash equivalents at end of period			
Cash change in cash and cash equivalents (sub-totals 1-3)		-3,197	-8,992
Effect of exchange rates on cash		36	84
Changes in cash and cash equivalents due to changes in the consolidation group		816	-
Cash and cash equivalents at the beginning of the period		5,936	14,844
Cash and cash equivalents at end of period**		**3,591**	**5,936**
5. Composition of cash and cash equivalents			
Cash and cash equivalents	21	3,591	5,936
Current liabilities to banks		-	-
Cash and cash equivalents at end of period		**3,591**	**5,936**

* For better understanding, interest paid and received is shown under cash flow from financing activities and not under cash flow from operating activities.
** Of the cash and cash equivalents, an amount of EUR 213 thousand (2018: EUR 407 thousand) is attributable to non-controlling interests..

Consolidated Equity

As of 31.12.2019

EUR '000	Notes	Share capital	Capital reserves	Currency translation reserve
As of 01.01.2018 (IFRS)		**27,685**	**12,532**	**-2,131**
Consolidated net profit for 2018				
Capital increase		1,384	4,132	
Dividend payments/distributions				
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**
As of 01.01.2019 (IFRS)		**29.069**	**16.664**	**-1.361**
Consolidated net profit for 2019	13			
Capital increase	22			
Dividend payments/distributions				
Other comprehensive income	6, 22			471
Change in scope of consolidation				
Total transactions with owners of the company		**0**	**0**	**471**
As of 31.12.2019 (IFRS)		**29,069**	**16,664**	**-890**

Revaluation of severance obligation	Effect of first-time adoption of IFRS 15	Consolidated result carryforward	Total	Non-controlling interests	Total equity
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**

25	**22**	**3,106**	**47,525**	**1,012**	**48,537**
		2,707	**2,707**	315	**3,022**
			0		**0**
		-1,744	**-1,744**	-417	**-2,161**
-24			**447**	8	**455**
			0	145	**145**
-24	**0**	**963**	**1,410**	**52**	**1,462**
1	**22**	**4,069**	**48,935**	**1,064**	**49,999**

Notes for the Fiscal Year 2019

1. GENERAL INFORMATION

Ringmetall AG (hereinafter referred to as "Ringmetall") is a leading specialist supplier in the packaging industry with production and sales locations worldwide. The main activities of Ringmetall and its subsidiaries are assigned to the business units Industrial Packaging and Industrial Handling. A superordinate function in the organizational structure is assumed by Ringmetall as managing holding company. It combines central group functions.

It was entered in the Munich Commercial Register (HRB 118683) of the Munich Local Court on 2 December 1997 as H.P.I. Holding Aktiengesellschaft. The Company's registered headquarters are in Munich. The address is Innere Wiener Strasse 9, 81667 Munich.

The consolidated financial statements of Ringmetall are prepared in euros. Unless otherwise stated, all figures are given in EUR thousands. Amounts are rounded according to commercial rounding.

2. PRINCIPLES OF ACCOUNTING

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU. In addition, the provisions of German commercial law applicable under Section 315e (1) of the German Commercial Code (HGB) were also 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. To improve presentation and information, the income statement has been extended to include the subtotals "Earnings before interest, taxes, depreciation and amortisation (EBITDA)" and "Earnings before interest and taxes (EBIT)".

The Management Board of Ringmetall AG approved the consolidated financial statements 2019 for publication on 28 April 2020 [date of approval for presentation to the Supervisory Board by the management].

Details of the significant accounting policies, including changes in accounting policies, can be found in Note 6.

The Management Board assumes that the company will continue as a going concern. The consolidated financial statements give a true and fair view of the financial position, net assets and results of operations.

3. PRESENTATION CURRENCY

These consolidated financial statements are prepared in euros, the functional currency of Ringmetall AG (parent company) and presented in EUR thousands, 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

Information about discretionary decisions in the application of accounting policies as well as information about assumptions and estimation uncertainties that have a material effect on the amounts recognized in the consolidated financial statements or whose change could have a material impact on the presentation of the Group's financial position and results of operations is provided in the notes below:

- Note 6 - Effects of new standards and interpretations not yet applied,
- Note 7 - Acquisition of subsidiaries/asset deals: where information is incomplete at the time of fair value measurement,
- Note 12 - Recognition of deferred tax assets: Uncertainty regarding future taxable income,
- Note 14 - Impairment of goodwill,
- Note 19 - Impairment for expected credit losses for financial assets measured at amortised cost,
- Notes 23 and 24 - Provisions: key assumptions concerning the probability and extent of the inflow or outflow of economic benefits and in determining the interest rate,
- Note 32 - Events after the balance sheet date

All estimates and discretionary decisions 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 which are considered appropriate under the given circumstances.

No adjustments were made in the 2019 financial year as a result of errors identified or changes to previous estimates.

4.2 Determination of fair values

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

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

In determining the fair value of an asset or liability, the Group uses market observable data as far as possible. Based on the input factors used in the valuation techniques, the fair values are allocated to 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 are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation parameters for assets or liabilities that are not based on observable market data.

If the input factors used to determine the fair value of an asset or liability can be allocated to different levels of the fair value hierarchy, the fair value measurement in its entirety is allocated to the level of the fair value hierarchy corresponding to the lowest input factor that is material to the measurement as a whole.

The Group records 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 in determining fair values is provided in the notes below:

- Notes 6 and 28 - Financial instruments.

5. DIRECTORY OF THE SUBSIDIARIES

See note 6 for information on accounting policies.

All Ringmetall subsidiaries are listed below.

The consolidated financial statements as at 31 December 2019 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 way of full consolidation from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ends.

The following subsidiaries are held by Ringmetall AG (directly / indirectly) and are fully consolidated in the consolidated financial statements as at 31 December 2019:

NAME OF THE COMPANY	Office	Country	Share in capital (%)
August Berger Metallwarenfabrik GmbH	Berg	Germany	100
Berger Closing Rings (Changshu) Co., Ldt.	Changshu	China	100
Berger Group Europe Iberica, S.L.	Reus	Spain	100
Berger Group US Inc. (formerly Berger US Inc.)	Birmingham	USA	100
Berger Italia S.r.l.	Valmadrera	Italy	100
Berger US Inc. (formerly Self Industries Inc.)	Birmingham	USA	100
Cemsan Metal Parts Manufacturing Industry and Trade Company	Dilovasi-Kocaeli	Turkey	100
Fidum Verwaltungs GmbH	Munich	Germany	100
Fieder Verwaltungs GmbH	Munich	Germany	100
Hollandring (BV) Besloten Vennootschap	Vaassen	Netherlands	100
HSM GmbH & Co. KG	Ernsgaden	Germany	100
Latza GmbH	Attendorn	Germany	100
Nittel Halle GmbH	Halle (Saale)	Germany	100
Tesseraux Spezialverpackungen GmbH	Bürstadt	Germany	100
Berger Hong Kong Limited	Hong Kong	China	80
Nittel B.V.	Moerdijk	Netherlands	80
Nittel France SARL	Merignac	France	80
S.G.T. S.r.l.	Albavilla	Italy	80
Berger Closures Limited	Peterlee	UK	75.57

If non-controlling shareholders are holding interests in one of the subsidiaries listed above, Ringmetall refers to the disclosures in the consolidated income statement with regard to the share of earnings. No further financial data is disclosed as these are of minor importance for the Group as a whole.

Nittel Halle GmbH, Halle (Germany), Nittel B.V. (Netherlands), Nittel France SARL (France) as well as Tesseraux Spezialverpackungen GmbH, Bürstadt (Germany) are consolidated for the first time in the financial year. For further explanations, especially regarding the calculation of goodwill, please refer to section 7.

For the first time in the Group, the investment in an associated company is reported; in this respect we refer to the further explanations in section 7.

As of 31 December 2019, the following company is included at equity:

NAME AND REGISTERED OFFICE OF THE COMPANY	Country	Share in capital (%)
Nittel UK Ltd., Southport Merseyside	UK	50.0

Subsequent subsidiaries are not included in the consolidated financial statements as of 31 December 2019 by Ringmetall AG:

COMPANY	Office	Country	Share in capital (%)
Berger Verwaltung GmbH i.L.*	Berg	Germany	100
HSM Verwaltungs GmbH	Ernsgaden	Germany	100

* The company is no longer operational and is in liquidation.

6. MAJOR ACCOUNTING AND VALUATION METHODS

6.1 Changes in accounting policies

The accounting and valuation methods were basically retained unchanged from the previous year.

AMENDMENTS TO STANDARDS AND INTERPRETATIONS IN THE REPORTING PERIOD

The following International Financial Reporting Standards (IFRS) and interpretations (IFRIC) as well as amendments to standards and interpretations were applicable for the first time in the financial year:

- IFRS 16, Leases
- IFRIC 23, Uncertainty about the treatment of income taxes
- Amendments to IAS 28, Non-current Investments in associated companies and Joint Ventures
- Amendments to IFRS 9, prepayment regulations with negative settlement
- Annual improvements to IFRSs, cycle 2015 - 2017 with amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23
- Amendments to IAS 19, plan amendments, curtailments and settlements

AMENDMENTS TO STANDARDS WHOSE APPLICATION WAS NOT YET MANDATORY IN THE FISCAL YEAR

The IASB has adopted the following new or amended standards which are fundamentally relevant from today's perspective. However, as their application is not yet mandatory or their adoption by the EU is still pending in some cases, Ringmetall has not applied these standards in the consolidated financial statements as of 31 December 2019.

The new standards or amendments to existing standards are to be applied for fiscal years beginning on or after the respective effective dates. Early application does not usually take place, even if individual standards permit this.

- Amendments to IFRS 3 Business Combinations (effective from 1 January 2020)
- Amendments to IAS 1 and IAS 8 regarding the definition of material (effective from 1 January 2020)
- Amendments to IFRS 17 Insurance Contracts (effective from 1 January 2023)
- Changes to references to the framework in various IFRS standards (to be applied from 1 January 2020)

Of the standards, clarifications and interpretations to be applied with effect from 1 January 2019, IFRS 16, Leases, in particular, had an impact on the net assets, financial position and results of operations of the Group and is presented below.

The first-time application of all other amended accounting standards listed had no or no significant impact on the presentation of the net assets, financial position and results of operations or on earnings per share.

IFRS 16: Information on first-time adoption of the new leasing standard under the modified retrospective approach
As of 1 January 2019, Ringmetall is applying IFRS 16, Leases, for the first time. IFRS 16 replaces IAS 17, which was valid until 31 December 2018, and abolishes the previous classification of leases as operating and finance leases for lessees. Instead, IFRS 16 introduces a uniform accounting model according to which lessees are obliged to recognize an asset in the form of a right of use for all leases and a lease liability for the outstanding rental payments. As a result, all leases must in future be recognised in the consolidated balance sheet.

IFRS 16 provides an option to waive recognition of the right of use and the lease liability for leases with a term of up to twelve months (short-term leases) and for leases of low-value assets. Ringmetall makes use of these options. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term of the lease.

The rights of use reported under property, plant and equipment are carried at cost less accumulated depreciation and any necessary impairment losses. The cost of a right of use is determined as the present value of all future lease payments plus lease payments made at or before the commencement of the lease term and, if specified in the lease agreement, the costs of entering into the agreement and the estimated costs of dismantling or restoring the leased asset. If the lease payments to be taken into account also include the transfer of ownership of the underlying asset at the end of the lease term, including the exercise of an option to purchase, the asset is depreciated over its economic life. Otherwise, the right of use is depreciated over the term of the lease.

The initial recognition of lease liabilities allocated to financing liabilities is determined as the present value of the lease payments to be made. In subsequent measurement, the carrying amount of the lease liability is compounded and reduced by the lease payments made.

The depreciation of rights of use is allocated to depreciation in accordance with IFRS 16. The interest on the lease liabilities is included in interest expenses. The leasing expenses of leasing contracts classified as operating leases were previously fully recognised under other operating expenses in accordance with IAS 17.

Ringmetall has decided to apply IFRS 16 in accordance with the method described in IFRS 16.C5(b), namely in accordance with the modified retrospective approach. Accordingly, the previous year's figures have not been adjusted. For those leases that were classified as finance leases in the consolidated financial statements as of 31 December 2018 in accordance with IAS 17, the carrying amount of the respective rights of use and lease liabilities at the time of first-time application of IFRS 16, i.e. as of 1 January 2019, corresponds to the carrying amounts in accordance with IAS 17 as of 31 December 2018 (IFRS 16.C11).

Ringmetall applies the following lessee relief granted by IFRS 16 in the transition to the new standard:

- In the case of leases previously classified as operating leases in accordance with IAS 17, the lease liability is recognized at the present value of the lease payments outstanding, discounted at the marginal borrowing rate as of 1 January 2019. The associated right of use is generally recognized in the amount of the lease liability.
- Leases that expire no later than 31 December 2019, are accounted for as current leases, irrespective of the original term of the lease.
- Initial direct costs are not taken into account when measuring the right of use at the time of initial application.
- Current knowledge is taken into account when determining the term of contracts with extension or termination options

As part of the transition to IFRS 16, assets for the rights of use of leased assets of EUR 7,383 thousand (including EUR 1,202 thousand finance leases, which were already recognised in accordance with IAS 17 as of 31 December 2018) and lease liabilities of EUR 7,226 thousand (including EUR 1,045 thousand finance leases, which were already recognised in accordance with IAS 17 as of 31 December 2018) were reported as of 1 January 2019. The marginal borrowing rates used to determine the lease liabilities as of 1 January 2019 range between 2.25 and 5.12 percent.

Based on the other financial obligations from rental and lease agreements as of 31 December 2018, the following reconciliation to the opening balance sheet value of the lease obligations as of 1 January 2019 was made:

Reconciliation leasing liabilities EUR '000	**2019**
Operating lease liabilities as of 31 December 2018	8,511
Liabilities from operating leases as of 31 December 2018*	7,084
Current leases	321
Leases of assets of minor value	32
Discounting Marginal borrowing rate at the time of first-time application of IFRS 16	550
Leasing liabilities newly recognised by IFRS 16 as of 1 January 2019	**6,181**
Finance lease liabilities existing at 31 December 2018	1,045
thereof current liabilities	*234*
Total lease liabilities as of 1 January 2019 according to IFRS 16	**7,226**
thereof current liabilities	*1,528*

* Corrected value (previous year's values including tax, net values to reconcile to leasing liabilities)

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. Control exists if the company:

- can exercise control over the associated company,
- is exposed to fluctuating returns from its investment, and
- can influence the level of returns due to their power of disposal.

The results of the subsidiaries acquired in the course of a financial year are accordingly recorded in the consolidated income statement and other consolidated earnings from the actual date of acquisition. If necessary, the annual financial statements of the subsidiaries are adjusted to bring the accounting and valuation methods into line with those used in the Group.

All intercompany assets, liabilities, equity, income, expenses and cash flows in connection with business transactions between Group companies are eliminated in full during consolidation.

Non-controlling interests in the earnings and equity of subsidiaries are reported 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 shareholding in existing subsidiaries

Changes in Ringmetall AG's interest in subsidiaries that do not result in a loss of control over this subsidiary are accounted for as equity transactions. The non-controlling interests are adjusted to the changed proportion of shares held by shareholders. Any difference between the amount of this adjustment and the fair value is offset 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 purchase 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 transferred assets 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 control of the acquired company. Acquisition-related costs are expensed as incurred.

The identifiable assets acquired and liabilities assumed are generally measured at fair value.

If the sum of the consideration transferred, the amount of all non-controlling interests in the acquiree and the fair value of the equity interest in the acquiree previously held by the acquirer exceeds the revalued net assets of the acquiree at the acquisition date, goodwill is recognised. Any negative difference arising in the opposite case must be recognised immediately as income in profit or loss.

Non-controlling interests that currently convey ownership rights and grant the holder the right to receive a pro rata share of the net assets of the company in the event of liquidation are initially measured at the proportionate share of the identifiable net assets.

If the initial accounting for a business combination is not yet complete at the end of a fiscal year, Ringmetall discloses provisional amounts for the items that have not yet been finally determined.

If new information becomes known within the measurement period that illuminates the circumstances at the time of acquisition, the amounts provisionally recognized are adjusted or additional assets or liabilities are recognized if necessary.

FIRST-TIME APPLICATION OF STANDARDS

Investments accounted for using the equity method

Associated companies within the meaning of IAS 28 are included in the Group for the first time. An associated company is a company over which Ringmetall has a significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the company. There is neither control nor joint control of the decision-making processes. The results, assets and liabilities of associated companies are included in these financial statements using the equity method. Under this method, investments in associates are initially recognized in the consolidated balance sheet at cost, adjusted for changes in the Group's share of the associate's profit or loss and other comprehensive income after the date of acquisition. Any excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The goodwill asso-

ciated with the associated company is allocated according to its economic affiliation; as a rule, it is included in the carrying amount of the share. This is neither subject to scheduled amortization nor to a separate impairment test. After applying the equity method, Ringmetall determines on each balance sheet date whether it is necessary to recognize an impairment loss on its shares in the associated companies.

Please refer to section 7 of these notes for further information on associated companies.

6.3 Foreign currency

Ringmetall translates the assets and liabilities of foreign subsidiaries whose functional currency is not the euro at the mean spot exchange rate at the end of the reporting period. Expenses and income, on the other hand, are translated at annual average exchange rates. The differences resulting from the translation are reported in equity and reclassified with effect on income when the gain or loss on the sale of a foreign subsidiary is recognized. The items in the consolidated cash flow statement are translated at average exchange rates during the year, while cash and cash equivalents are translated at the mean spot exchange rate at the end of the reporting period.

Translation differences from monetary items are generally recognised in the income statement in the period in which they occur.

Goodwill arising on the acquisition of a foreign operation and adjustments to the fair values of identifiable assets and liabilities are treated as assets or liabilities of the foreign operation and translated at the closing rate. Resulting exchange differences are recognised in equity.

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

		Balance sheet closing rate		**P&L average rate**	
1 euro		**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
Great Britain	GBP	0.8538	0.9011	0.8757	0.8865
China	CNY	7.8247	7.8691	7.7155	7.8137
Turkey	TRY	6.6605	6.0365	6.3743	5.562
USA	USD	1.1199	1.1443	1.1177	1.1785

All subdivisions operate almost entirely in their respective country-specific home markets, so that transactions in foreign currencies are of secondary importance. Where financing is required, it is usually 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 Personnel expenses

Temporary staff is reported under personnel expenses since the 2019 financial year. This allocation of temporary workers is more in line with the economic approach in the Group than the allocation in cost of materials. The previous year's figures have been adjusted to improve comparability.

6.6 Financial income and financing expenses

Interest income is recognized if it is probable that the economic benefits will flow to the Group and the amount of income can be reliably measured. Interest income is accrued in accordance with the outstanding nominal amount using the relevant effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the net carrying amount of that asset when first recognised.

Dividend income from shares is recognized when the Company's legal right to receive payment is established.

Finance costs are recognised in the income statement in the period in which they are incurred.

6.7 Income taxes

Income tax expense represents the sum of current tax expense and deferred taxes.

Current or deferred taxes are recorded in the consolidated income statement. If current or deferred taxes result from the initial accounting for a business combination, the tax effects are included in the accounting for the business combination.

A.Current taxes

The current tax expense is determined on the basis of the taxable income for the year. The taxable income differs from the net income for the year as shown in the consolidated income statement with regard to expenses and income that will be taxable or tax-deductible in later years or never. The Group's liability for current taxes is calculated on the basis of the tax rates that have been enacted or will shortly be enacted.

B. Deferred taxes

Deferred taxes are recognized for the differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used 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 against which the deductible temporary differences can be utilized. Such deferred tax assets and deferred tax liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the net profit for the year.

Deferred taxes on losses carried forward are formed if the losses can be used for tax purposes within the next five years.

Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries, unless the Group can 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 arising from temporary differences relating to investments in subsidiaries are only recognized to the extent that it is probable that sufficient taxable income will be available to allow the benefit of the temporary differences to be utilized. It must also be assumed that these temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed 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 allow the claim to be fully or partially realised.

Deferred tax liabilities and tax assets are calculated on the basis of expected tax rates and tax laws that are expected to apply when the liability is settled or the asset realised. The measurement of deferred tax assets and liabilities reflects the tax consequences that will arise from the manner in which the Group expects to settle the liability or realise the asset on the balance sheet date.

In order to determine deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of deferred tax assets. To this end, the planned operating results and the effects on income from the reversal of taxable temporary differences are taken into account. However, since future business developments are uncertain and in some cases cannot be influenced by Ringmetall, the measurement of deferred taxes is subject to uncertainty.

6.8 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.

6.9 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.

6.10 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.

6.11 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.

6.12 Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when Ringmetall becomes a party to the contractual provisions of the financial instrument.

Classification and measurement of financial assets and financial liabilities

IFRS 9 provides for the classification of financial assets (only debt instruments) both on the basis of the business model used for the financial assets concerned and on the basis of the contractual cash flow characteristics of the individual financial asset (Solely Payments of Principal and Interest (SPPI) criterion). There is no prescribed sequence for this examination.

Business models

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

- Hold to Collect - financial assets that are held with the aim of collecting the contractual cash flows,
- Hold to Collect and Sell - financial assets that are held with the intention of both collecting and selling the contractual cash flows,
- Other ("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 examination based on facts and circumstances at the time of this assessment. The basic model for Ringmetall is "intention to hold". Despite allocation to this business model, unplanned sales are possible in the normal course of business.

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

- the company can irrevocably decide to recognise changes in the fair value of an investment in equity instruments that are neither held for trading nor represent contingent consideration recognised by an acquirer in a business combination in accordance with IFRS 3 in other comprehensive income; and
- the entity may irrevocably elect to designate a financial asset that would have been measured either at amortised cost or at fair value through profit or loss using the above criteria, if this eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets at amortised cost (AC)

A financial asset that is a debt instrument is classified as "at amortised cost" (AC) and is subsequently measured accordingly if the financial asset is held in a "held for trading" business model and the contractual cash flows meet the SPPI criterion. In addition, a possible fair value option may not have been applied, although this is only possible if it avoids measurement and recognition inconsistencies.

Here, the financial asset is initially recognized at fair value. In subsequent measurement, it is recognised using the effective interest method, adjusted for any impairment 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 measured as FVOCIr (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 meet the SPPI criterion. In addition, a possible fair value option may not have been applied, although this is only possible if it avoids measurement and recognition inconsistencies.

Here, the financial asset is measured at fair value, with all changes in fair value being recognized in other comprehensive income, i.e. in equity. The interest components (using the effective interest method) and currency translation effects are recognised in the income statement.

Unrealized gains and losses are not reclassified to the income statement until the financial asset is disposed of.

Financial assets at fair value with change in value in the income statement (FVPL)
Every financial asset (debt instrument) that is held for trading or does not fall within the "intention to hold" or "intention to hold and sell" business models is allocated to the "Other" business model, as are derivatives and equity instruments, and measured at fair value through profit and loss (FVPL).

In addition, every financial asset (debt instruments), even if it corresponds to the "intention to hold" or "intention to hold and sell" business model that does not meet the SPPI criterion, must be measured at fair value through profit or loss.

Financial instruments are included here and held for trading purposes if they exist primarily for the purpose of selling them in the short term with a view to short-term profit-taking.

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

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

The approach used to determine impairments and risk provisions is based on an expected credit default model (ECL model under IFRS 9), under which risk provisions are recognised upon initial recognition of the financial instrument relevant for impairment on the basis of the expectations of potential credit defaults prevailing at that time.

For trade receivables and contractual assets under IFRS 15, the simplified approach is used for Ringmetall. For this purpose, the necessary impairments are determined in a value adjustment table on the basis of historical default rates on maturity categories, supplemented by current information and expectations. Trade receivables are grouped according to geographical areas, as the payment terms vary depending on the geographical area.

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

Step-by-step approach for determining expected defaults
IFRS 9 prescribes a three-step approach for the impairment of impairment-relevant financial instruments that were classified as not impaired in creditworthiness at the time they were created or acquired. This involves a time-slice-based calculation of the ECL using the probability-of-default (PD), the expected exposure-at-default (EAD) and loss-given-default (LGD), taking into account the effective interest rate in the context of discounting.

This approach can be summarised as follows:

Level 1: A value adjustment is made in the amount of the expected defaults within 12 months. This corresponds to the portion of expected defaults from default events expected within 12 months of the balance sheet date, provided there has been no increase in the default risk since initial recognition.

Level 2: A value adjustment in the amount of the expected defaults within the entire remaining term is formed if there has been a significant increase in the default risk since initial recognition. This corresponds to the portion of expected defaults from default events that are expected within the remaining term after the balance sheet date and leads accordingly to higher risk provisioning compared to Level 1 if the remaining term is longer than 12 months.

Level 3: Here the probability of occurrence with regard to the expected value adjustment is 100 percent and has therefore already occurred or is assumed to be certain. These are financial assets with impaired credit ratings. This can also be the case at the time of acquisition.

Significant increase in default risk

The determination of whether there has been a significant increase in the default risk since initial recognition is based on adequate and reliable forward-looking information that is available without undue expense. In particular, probabilities of default determined by rating agencies are taken into account in assessing creditworthiness.

Notwithstanding the above, a significant increase is rebuttably presumed if a debtor is more than 30 days in arrears.

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

Impairment-relevant financial instruments in Level 3

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

Irrespective of the above information, a default is rebuttably presumed if a debtor is more than 60 days in arrears. Due to the customer structure, it is not unusual for payment terms to be exceeded and this does not generally lead to impairments.

Derivates

Derivatives are generally allocated to the "Other" category and are measured and recognised at fair value through profit or loss. Valuation effects are recognised in profit or loss. The valuation is based on generally accepted valuation models, such as the Black-Scholes model or the Heath-Jarrow-Morton model framework.

Hedge accounting is not used for Ringmetall or only to an insignificant extent.

6.13 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.

6.14 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.

6.15 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances with an initial maturity of up to three months, as well as cheques, bills of exchange and payments in transit. Cash and cash equivalents are measured at amortised cost.

6.16 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.

6.17 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.

6.18 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..

6.19 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.

6.20 Research & 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. EXPANSION OF THE SCOPE OF CONSOLIDATION / ACQUISITION OF ASSETS

Acquisition of subsidiaries

Acquisition of Nittel

In December 2018, Ringmetall Group concluded the purchase negotiations and acquired 100 percent of Nittel Halle GmbH, 80.0 percent of Nittel France SARL as well as 50.0 percent each of Nittel UK Ltd and Nittel B.V.. A total purchase price of EUR

12.7 million, payable in various tranches, was agreed. Due to company law provisions in the purchase agreement Ringmetall did not gain control of the Nittel Group until 1 January 2019. Thus, the first consolidation was effective as of 1 January 2019.

With the Nittel companies belonging to the group as of 1 January 2019 Ringmetall extends the product portfolio by a total of more than 4,000 different types of drum liners, such as round bottom sacks and form inliners. In addition to a production site in Halle (Saale), Nittel also has a sales office in Raunheim and shares in sales subsidiaries in France, the Netherlands and Great Britain. With around 120 employees, the company produces around 10.0 million inliners annually. The Nittel companies were allocated to the Industrial Packaging segment.

Overall, the acquisition of Nittel represents a uniform company acquisition within the meaning of IFRS 3. The acquired identifiable assets and liabilities are measured at fair value. All hidden reserves and liabilities were disclosed in this purchase price allocation. The purchase price allocation essentially comprises the determination of the fair value of all acquired assets and liabilities. The difference between the identifiable assets and liabilities acquired resulted in the total identifiable net assets acquired. The positive difference between the purchase price and the total identifiable net assets acquired resulted in goodwill.

Acquisition Nittel Companies	**Acquisition as of 1.1.2019**		**Amendment to 1.10.2019**		**Overall presentation**	
EUR '000	**Book value**	**Fair value**	**Book value**	**Fair value**	**Book value**	**Fair value**
Intangible assets and property, plant and equipment	2,967	5,902	0	105	2,967	6,007
Investments	495	495	-	-	495	495
Inventory	1,064	1,199	35	35	1,099	1,234
Receiables and other assets	1,046	1,046	82	82	1,128	1,128
Cash & cash equivalents	553	553	18	18	571	571
Prepaid expenses	2	2	-	-	2	2
Other provisions	-363	-363	-9	-9	-372	-372
Financial liabilities	-1,788	-1,788	-28	-28	-1,816	-1,816
All other liabilities	-1,004	-1,004	-16	-16	-1,020	-1,020
Deferred taxes	-	-315	-		-	-315
Total identifiable net assets	**2,972**	**5,727**	**82**	**187**	**3,052**	**5,914**
Goodwill						
Purchase price		12,700		414		13,114
Total identifiable net assets		5,727		187		5,914
Positive difference		**6,973**		**227**		**7,200**
Net paid cash		-9,607		-396		-10,003

In total, payments amounting to EUR 11,844 thousand were made for the Nittel companies by the end of 2019, not including interest.

The goodwill results mainly from the expected synergies in market development as well as from the expected earnings potential of the newly acquired production site in Halle (Saale).

The subsidiaries Nittel Halle GmbH as well as Nittel SARL are included in the consolidated financial statements since 1 January 2019 within the scope of full consolidation according to IFRS 10.

In the full year 2019 Nittel Halle GmbH with an average of 115 employees realized revenues of EUR 12.2 million and earnings before taxes of EUR 0.6 million. In the above presentation of the purchase price allocation as of 1 January 2019 the shares in Nittel B.V. (50.0 percent) are included in financial assets in the amount of EUR 209 thousand. This transaction represents a business combination achieved in stages as defined by IFRS 3.41.

Ringmetall holds 50.0 percent of the shares in Nittel UK Ltd. Ringmetall holds 50.0 percent of the shares in Nittel UK Ltd. In the above presentation of the purchase price allocation these are included in the item financial assets.

Acquisition of Tesseraux

After the purchase of the Nittel companies, Ringmetall has taken over another supplier in the field of so-called inliners. The notarization of the acquisition of 100 percent of the shares in Tesseraux Spezialverpackungen GmbH, based in Bürstadt (Germany), was notarized on 12 June 2019. As of 1 July 2019, Ringmetall had assumed control and monitoring.

The company's products mainly include aluminium liners, round bottom liners and bag-in-box systems. With the acquisition Ringmetall has acquired one of the main competitors in the inliner sector, which also has a range of complementary products and technical production know-how. The acquisition underlines the strategy of consistently further consolidating the market for inliners.

The acquisition of Tesseraux represents a further uniform corporate acquisition within the meaning of IFRS 3. The identifiable assets acquired and liabilities assumed were measured at fair value. All hidden reserves and liabilities were disclosed in this purchase price allocation. The purchase price allocation essentially comprises the determination of the fair value, all acquired assets and liabilities. The difference between the identifiable assets and liabilities acquired results in the total identifiable net assets acquired. The positive difference between the purchase price and the total identifiable net assets acquired resulted in goodwill.

Acquisition Tesseraux EUR '000	**Carrying amount before purchase price allocation**	**Fair value according to purchase price allocation**
Intangible assets and property, plant and equipment	1,348	4,675
Inventory	1,462	1,548
Receiables and other assets	676	676
Cash & cash equivalents	202	202
Prepaid expenses	12	12
Other provisions	-240	-240
All other liabilities	-698	-698
Deferred taxes		-1,077
Total identifiable net assets	**2,762**	**5,098**
Purchase price		
Cash outflow		7,230
Goodwill		
Purchase price		7,230
Total identifiable net assets		5,098
Positive difference		**2,132**
Net paid cash		-7,028

The goodwill results mainly from the expected synergies with the previously acquired Nittel companies, especially in the areas of market development and production.

Since taking control, the company has generated revenues of EUR 4.4 million and earnings before taxes of EUR 0.2 million. In the full year 2019, i.e. including the months prior to the assumption of control, the company generated sales revenues of EUR 8.2 million and earnings before taxes of EUR 0.5 million with an average of 51 employees.

Acquisition of Sorini

At the end of December 2019, the acquisition and takeover of the entire package of non-current assets and liabilities of Sorini Ring Manufacturing Inc. took place. In the course of the takeover, both the employees and the existing production know-how were transferred to the American subsidiary. Due to the acquired production facilities, production know-how and the expected synergy effects with the existing production units, the acquisition of Sorini represents a business combination under IFRS 3. The identifiable assets acquired and liabilities assumed were measured at fair value. All hidden reserves and liabilities were disclosed in this purchase price allocation. The purchase price allocation essentially comprises the determination of the fair value of all acquired assets and liabilities. The difference between the identifiable assets and liabilities acquired results in the total identifiable net assets acquired. A positive difference between the purchase price and the total identifiable net assets acquired resulted in positive goodwill.

Acquisition Sorini EUR '000	**Carrying amount before purchase price allocation**	**Fair value according to purchase price allocation**
Plant and equipment	47	1,161
Inventory	308	308
Total identifiable net assets	**355**	**1,469**
Purchase price		
Cash outflow		2,273
Goodwill		
Purchase price		2,273
Total identifiable net assets		1,469
Positive difference		**804**
Net paid cash		-2,273

In the entire fiscal year before the takeover, the company generated revenues of EUR 5.6 million and break-even earnings with around 37 employees.

The fair values shown are also applied in the local tax balance sheet. Due to the initial consolidation as of 31 December, no revenues and no earnings were consolidated.

8. BUSINESS SEGMENTS

The Management Board is the responsible corporate body according to IFRS 8. For management purposes, the Group is divided 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" is specialized in the development, production and marketing of packaging elements for the drum industry. The product range, which focuses exclusively on industrial drums, includes the clamping ring, lid and seal, as well as handles, closure units and special components specific to the requirements. Since 2019, the production and distribution of drum inner casings has also been part of the product portfolio.

The second business segment "Industrial Handling" produces and markets application-oriented vehicle attachments for special vehicles in freight logistics and warehouse logistics. This segment develops and produces restraint systems, lift mast components and clutch and brake pedals for tractors, trucks and, above all, industrial trucks. But complex welded assemblies and trailer coupling systems as well as hydraulic components are also 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.

Sales

Sales between the segments are carried out at market prices. Sales to external customers, which are reported to the Management Board, are measured according to the same principles as in the income statement.

	2019			2018		
EUR '000	Segment revenues	Intersegmental revenues	Revenues from external clients	Segment revenues	Intersegmental revenues	Revenues from external clients
Industrial Packaging	118,100	8,744	109,356	107,278	9,897	97,381
Industrial Handling	11,225	0	11,225	13,183	0	13,183
Other	1,110	1,110	0	951	948	3
Total	**130,435**	**9,854**	**120,581**	121,412	10,845	110,567

Please refer to note 9.1 for further information on revenues.

Segment results

EUR '000	**2019**	2018
Industrial Packaging	12,172	10,833
Industrial Handling	598	1,274
Other	-2,740	-1,674
EBITDA before consolidation	**10,029**	**10,433**
Consolidation effects on EBITDA	0	0
EBITDA	**10,029**	**10,433**
Depreciation Property, plant and equipment and intangible assets	-5,060	-2,153
EBIT	**4.969**	**8,280**
Financing result	-1,110	-625
Earnings before income taxes	**3,859**	**7,655**
Income tax expense	-837	-2,499
Net results	**3,022**	**5,156**

Assets

The amounts of assets reported to the Management Board are measured in the same way as in the consolidated financial statements. These assets are allocated to the segments in accordance with their business activities. Geographical allocation is not of importance to the Management Board here.

EUR '000	**31.12.2019**	31.12.2018
Industrial Packaging	26,675	21,371
Industrial Handling	1,351	1,920
Other	26,156	9,682
Segment assets	**54,183**	**32,973**
Reconciliation consolidated balance sheet	-35,833	-13,274
Not distributed:		
Property, plant and equipment	27,154	12,515
Intangible assets	3,589	582
Goodwill	32,917	22,599
Deferred tax assets	2,019	790
Inventory	14,113	11,610
Current tax receivables	757	163
Others assets	1,103	14,313
Assets according to consolidated balance sheet	**100,002**	**82,271**

Segment assets are composed 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 in accordance with their business activities.

EUR '000	**31.12.2019**	31.12.2018
Industrial Packaging	53,965	27,693
Industrial Handling	2,472	1,470
Other	8,506	9,238
Segment liabilities	**64,943**	**38,401**
Reconciliation consolidated balance sheet	-33,286	-14,493
Not distributed:		
Financial liabilities leasing	8,263	1,045
Financial liabilities other loans	1,404	2,790
Pension provisions	830	773
Deferred tax liabilities	2,632	783
Other liabilities	1,567	1,781
Other provisions	2,950	2,212
Current tax liabilities	698	442
Liabilities according to consolidated balance sheet	**50,002**	**33,734**

Segment liabilities comprise trade accounts payable and financial liabilities.

Group-wide information

The total non-current assets that are not deferred taxes are attributable to the following countries:

	31.12.2019 Total non-current assets that are not deferred taxes				
EUR '000	**Total**	Germany	USA	Italy	Other
Property, plant and equipment	27,154	17,834	3,883	3,748	1,689
Intangible assets	3,589	3,327	0	53	210
Goodwill	32,917	14,704	12,820	4,135	1,257
Other non-current assets and accounted for using the equity method Shareholdings	318	210	0	108	0
Total non-current assets excluding deferred taxes	**63,979**	**36,076**	**16,703**	**8,044**	**3,156**

	31.12.2018 Total non-current assets that are not deferred taxes				
EUR '000	**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**

The regional breakdown of sales revenues with non-Group customers is as follows:

	2019				2018			
EUR '000	Germany	USA	Italy / UK	Other	Germany	USA	Italy / UK	Other
Industrial Packaging	27,499	30,830	9,186	41,763	22,769	29,059	8,690	36,941
Industrial Handling	10,452	0	0	851	12,260	0	0	845
Other	0	0	0	0	3	0	0	0
Total	**37,951**	**30,830**	**9,186**	**42,614**	**35,032**	**29,059**	**8,690**	**37,786**

In the Industrial Packaging segment, sales of EUR 23,010 thousand (2018: EUR 22,811 thousand) and EUR 20,637 thousand (2018: EUR 18,676 thousand) are based on transactions with two customers. In the Industrial Handling segment, sales of EUR 6,084 thousand (2018: EUR 8,150 thousand) were generated with one customer.

9. REVENUES AND OTHER OPERATING INCOME

9.1 Revenues

EUR '000	**2019**	2018
Clamping rings, lids, etc.	92,758	97,381
Drum inliners	16,598	0
Vehicle attachment parts, etc	11,225	13,183
Other	0	3
Total	**120,581**	**110,567**

The Group's main activity is the manufacture and sale of clamping rings, associated closures and, since 2019, drum inliners (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).

The Group generated revenues of EUR 120,581 thousand from contracts with customers in accordance with IFRS 15. As in the previous year, all sales revenues in both segments are generated and recognized in the year under review.

As of 31 December 2019, the balance sheet shows assets from customer contracts designated as trade receivables totaling EUR 14,478 thousand, of which EUR 13,685 thousand is attributable to the Industrial Packaging segment and EUR 793 thousand to the Industrial Handling segment. Assets from customer contracts in the Industrial Packaging segment include contract assets of EUR 424 thousand (2018: EUR 239 thousand).

9.2 Other operating income

EUR '000	**2019**	2018
Income from the reversal of provisions and value adjustments on receivables	124	634
Income from exchange rate differences	95	321
Rental income	81	16
Insurance income	58	0
Profit / loss on disposal of property, plant and equipment	38	400
Other own work capitalized	21	121
Other income	285	20
Total	**702**	**1,512**

The other income of EUR 285 thousand is made up of a large number of small amounts.

10. OPERATING EXPENSES

10.1 Cost of material

EUR '000	**2019**	2018
Expenses for raw materials and supplies	58,424	54,366
Expenses for services received	6,684	7,179
Total	**65,108**	**61,545**

The cost of purchased services includes in particular the cost of energy and third-party services. In the previous year, the cost of purchased services included the cost of temporary workers in the amount of EUR 3,392 thousand. These are now reported separately under personnel expenses for the year under review and the previous year.

10.2 Cost of personnel

EUR '000	**2019**	2018
Wages and salaries	22,252	17,901
Social security contributions	5,110	3,802
Temporary workers	3,594	3,392
Total	**30,956**	**25,095**

Temporary staff have been reported under personnel expenses since the 2019 financial year. This allocation of temporary workers is more in line with the economic approach in the Group than the allocation in cost of materials. The previous year's figures have been adjusted to improve comparability. The change in presentation represents a change in the consolidated financial statements which, in our opinion, is not material. There is no effect on the result or on the key performance indicators. For this reason, a three-column presentation has been dispensed with.

Social security contributions include expenses for pension insurance in the amount of EUR 929 thousand (2018: EUR 980 thousand).

The average number of employees increased from 591 to 685 in 2019 compared to 2018.
The average number of temporary workers employed is 141 in 2019 (2018: 108 temporary workers).

10.3 Other expenses and other taxes

EUR '000	**2019**	2018
Expenses for the issue of goods	5,371	3,801
Expenses for administration and EDP	2,432	1,937
Expenses for consultancy and other external services	2,425	2,989
Expenses related to buildings	1,841	2,555
Expenses for machinery and tools	1,447	1,767
Other expenses	1,424	2,081
Other taxes	318	373
Total	**15,258**	**15,503**

In the previous year, other expenses mainly included expenses for operating leases in the amount of EUR 1,803 thousand. In the 2019 financial year, expenses for leasing amounted to EUR 108 thousand. These result from short-term leases and leases for low-value assets. As a result of the first-time application of IFRS 16, lease expenses were deducted from rental expenses and rights of use were capitalized, provided that the related rental agreements met the recognition criteria of IFRS 16 and no relief provisions were applied. Without this adjustment, rental expenses in 2019 would have been EUR 1,810 thousand higher.

11. INVESTMENT AND FINANCIAL RESULT

11.1 Financial income

EUR '000	**2019**	2018
Interest income	**14**	**12**

Interest income essentially results from income from bank balances.

11.2 Financing costs

EUR '000	**2019**	2018
Interest on current account and bank loans (not from related parties)	833	636
Interest from obligations under finance leases	175	1
Interest effect from the compounding of provisions	116	0
Total	**1,124**	**637**

The significant increase in financing expenses is due on the one hand to interest expenses for leases in accordance with IFRS 16 in the amount of EUR 175 thousand, and on the other hand to an increase in interest on current account and bank loans as a result of raising loan liabilities for investments in financial assets.

12. INCOME TAXES

Ringmetall AG is subject to domestic corporate income tax and trade tax. The corporate income tax rate to be applied for fiscal years 2019 and 2018 is 15.0 percent. A solidarity surcharge of 5.5 percent is also levied. In 2019, the trade income tax will remain unchanged from the previous year at 17.2 percent of taxable income.

The domestic subsidiaries are also subject to domestic corporate income tax, the solidarity surcharge and trade tax, insofar as they are corporations. The domestic partnership is only subject to trade tax. Depending on the individual rate of assessment, trade income tax is between 10.5 and 17.2 percent of taxable income.

In the case of foreign subsidiaries, the tax rates applicable on the balance sheet date or those that have already been legally resolved are used to calculate deferred taxes. Depending on the country, the tax rates range between 15.0 and 33.3 percent.

In the Group, several years have not yet been finally assessed for tax purposes. Ringmetall is of the opinion that it has made sufficient provisions for these open assessment years. It cannot be ruled out that tax payments may be made which exceed the provisions made in the financial statements.

Furthermore, due to future case law or changes in the opinion of the tax authorities, it cannot be ruled out that tax payments may be made for past years.

12.1 Income taxes recognized in profit and loss

The taxes on income and earnings are composed as follows:

EUR '000	**2019**	2018
Actual tax expense		
Current year	-1,711	-2,044
Adjustments for previous years	72	7
	-1,639	**-2,037**
Deferred tax income		
thereof from occurrence or reversal of temporary differences	318	-325
thereof loss carryforwards	484	-137
	802	**-462**
Tax expense	**-837**	**-2,499**

The Deferred tax income (2018: deferred tax expense) mainly relates to temporary differences in the recognition and measurement of assets and liabilities under IFRS and from consolidation processes affecting income and changes in the level of loss carryforwards. They are determined on the basis of the tax rates that apply or are expected to apply in the individual countries at the time of realization according to the current legal situation will be.

12.2 Reconciliation of the effective tax rate

The Group tax rate for the 2019 financial year is unchanged from the previous year at 33.0 percent. The reconciliation from the expected to the reported tax result is shown below:

EUR '000	**2019**	**%**	2018	%
Profit before taxes	3,859		7,655	
Taxes based on the domestic tax rate of the parent company	-1,273	-33.0	-2,524	-33.0
Differences in tax rates	427	11.1	467	6.1
Change of tax rates	-	-	57	0.7
Non-deductible expenses	-142	-3.7	-259	-3.4
Non-taxable income	-	-	96	1.3
Losses and temporary differences for which no tax assets could be recognized	-146	-3.8	-251	-3.3
Actual taxes relating to other periods	72	1.9	7	0.1
Reduction of deferred tax expense due to previously unrecognized tax losses	-	-	-	-
Tax effect from permanent differences	-	-	-164	-2.1
Reduction of the actual tax expense due to previously unrecognized tax losses	-	-	-	-
Foreign tax benefit	238	6.2	-	-
Other tax effects	-12	-0.3	72	0.9
Effective tax expense	**-837**	**-21.7**	**-2,499**	**-32.6**

The decrease in the effective tax rate in the year under review compared with the previous year is mainly due to the foreign tax concession and the tax rate differences.

12.3 Unrecognized deferred tax assets

At the end of the reporting period, the Group had unrecognised taxes on losses carried forward amounting to EUR 1,074 thousand (2018: EUR 658 thousand). Deferred tax assets were not capitalized on the basis of corporate planning, taking into account usability and recoverability.

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

12.4 Change in deferred taxes during the year

The deferred tax assets and liabilities show the following development:

Deferred tax assets EUR '000	**2019**	2018
Intangible assets	659	341
Property, plant and equipment	991	68
Inventory	130	96
Other current assets	30	11
Real estate held for sale	30	30
Leasing liabilities	4	1
Other current liabilities	36	0
Other current provisions	23	23
Tax loss carryforwards	964	474
Total	**2,867**	**1,044**
Netting of deferred tax assets and liabilities	-848	-254
Deferred tax assets after netting	**2,019**	**790**

Deferred tax liabilities EUR '000	**2019**	2018
Intangible assets	1,080	230
Property, plant and equipment	1,952	614
Trade receivables	132	158
Financial liabilities	4	10
Leasing liabilities	313	25
Total	**3,481**	**1,037**
Netting of deferred tax assets and liabilities	-848	-254
Deferred tax liabilities after nettin	**2,633**	**783**

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

The Group generated tax losses at two domestic subsidiaries in the 2019 financial year and in 2018. In the case of the deferred tax assets of these companies, which have not been written down in value and amount to EUR 903 thousand, Ringmetall AG assumes that future taxable income will be sufficient to probably realize the deferred tax assets. The current assessment regarding the recoverability of deferred tax assets may change and valuation allowances may be necessary.

The net amount of deferred taxes developed as follows:

EUR '000	**2019**	2018
Deferred tax assets, net at 1. January	7	481
Changes in the consolidated group	-1,464	-
Change in deferred taxes due to Revaluation of severance payment obligations, recognised in other comprehensive income	36	-
Change in deferred taxes due to the implementation of IFRS 15	-	-8
Currency translation effects	5	-4
Deferred tax expenses/income	802	-462
Deferred tax assets, net at 31. December	**-614**	**7**

13. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

13.1 Net income from continuing operations

EUR '000	**2019**	2018
Shareholders of the parent company	2,707	4,847
Non-controlling shareholders	315	309
Consolidated net profit	**3,022**	**5,156**

13.2 Earnings per share

	2019	2018
a) Undiluted earnings per share	Euro per share	Euro per share
from continuing operations	0.09	0.17
from discontinued operations	-	-
Total undiluted earnings per share	**0.09**	**0.17**

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

	2019	2018
Group earnings attributable to the shareholders of Ringmetall AG	2,707	4,847
Weighted average number of ordinary shares to calculate undiluted earnings per share	29,069	28,204
b) Diluted earnings per share	Euro per share	Euro per share
from continuing operations	0.09	0.17
from discontinued operations	-	-
Total diluted earnings per share	**0.09**	**0.17**

The consolidated net income for the year attributable to Ringmetall AG shareholders is used in the calculation.

In the year under review, there were neither employee options, convertible bonds nor other circumstances that would lead to a dilution of earnings per share, so that basic earnings per share and diluted earnings per share are identical.

14. GOODWILL

14.1 Reconciliation of the book value

EUR '000	**2019**	2018
Acquisition cost	34,682	24,364
Accumulated impairment losses	-1,765	-1,765
	32,917	**22,599**
Acquisition cost		
Balance at beginning of year	24,364	23,830
Additional amounts recognized from business combinations	10,136	0
Effects of exchange rate differences	182	534
Balance at end of year	**34,682**	**24,364**
Accumulated impairment losses		
Balance at beginning of year	1,765	1,619
Impairment losses recognized during the year	0	0
Effects of exchange rate differences	0	146
Balance at end of year	**1,765**	**1,765**

The accumulated impairment losses relate to Cemsan Limited in the amount of EUR 1,272 thousand and Metallwarenfabrik Berger GmbH in the amount of EUR 493 thousand, which was merged with Latza GmbH in 2019. These impairments - made in previous years - are the result of the regular impairment tests of goodwill.

14.2 Assignment of goodwill to cash-generating units

Goodwill resulting from a business combination is recognised at cost less any necessary impairment losses and is reported separately in the consolidated balance sheet. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units (CGU) that is expected to benefit from the synergies of the combination.

As of each measurement date, the recoverable amount of each cash-generating unit is determined based on a value-in-use calculation using cash flow projections based on financial budgets determined and approved by management. This was based on detailed planning for one year, which was extrapolated in a simplified extrapolation with an average growth potential of 1.5 percent to 2.0 percent for two further years. Periods not included in the planning calculations are represented by recognition of the terminal value. Cash flows after the three-year period are assumed to be subject to a growth rate of 0.0 percent (2018: 0.0 percent). 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 (2018: 7.1 percent to 10.7 percent), which is based on the weighted average cost of capital (WACC). The weighted average cost of capital is based on a cost of capital of 9.0 percent (2018: 8.2 percent) and a cost of debt of 1.6 percent (2018: 2.2 percent). The calculation is based on the capital asset pricing model (CAPM), taking into account current market expectations. Specific peer group information for beta factors, capital structure data and cost of debt capital were used to determine the risk-adjusted interest rates for the purpose of the impairment test.

Goodwill is composed as follows as of the balance sheet date:

EUR '000	**2019**	2018
August Berger Metallwarenfabrik GmbH	834	578
Berger Closures Limited	176	99
Berger Italia S.r.l.	2,658	2,658
Berger US Inc.	12,820	11,835
HSM GmbH & Co. KG	3,973	3,973
Latza GmbH	1,261	1,141
Metallwarenfabrik Berger GmbH	-	838
Nittel Companies	7,200	-
S.G.T. S.r.l.	1,862	1,477
Tesseraux Spezialverpackungen GmbH	2,132	-
Total	**32,917**	**22,599**

All reported goodwill results mainly from synergies in market development. This can, for example, consist of the development of new regions or new products. There is also earnings potential from acquired production sites.

Goodwill was realized in the course of the acquisition of Latza GmbH (hereinafter referred to as "Latza") in fiscal year 2017. Since the acquisition of the company, various steps have been taken within the Group to restructure the Latza division. Compared to the time of the acquisition, production and sales of a large number of clamping rings within the BERGER Group were relocated to other sites. As a result, about 37 percent of the clamping ring production will remain at the Attendorn site, measured in terms of the number of units.

These measures will result in a redistribution of the goodwill of Latza GmbH to the companies which will take over the clamping ring production on a pro rata basis. Part of the goodwill of Latza amounting to EUR 718 thousand was distributed to August Berger Metallwarenfabrik GmbH (+ EUR 256 thousand), Berger Closures Limited (+ EUR 77 thousand) and S.G.T. S.r.l. (+ EUR 385 thousand). EUR 423 thousand remained with Latza GmbH.

Metallwarenfabrik Berger GmbH was merged with Latza as of 1 January 2019. Since the business operations are being continued by Latza, goodwill in the amount of EUR 838 thousand was transferred accordingly.

Basic assumptions for calculating the value in use of the business units

The basic assumptions on which management has based its cash flow projections for the purpose of testing goodwill for impairment are explained below.

Estimation uncertainties exist with regard to the following assumptions - on which the calculation of the value in use of the cash-generating units is based:

Business plan - The business plan was prepared on the basis of management's estimates of future business development. These estimates were based on past experience.

Planned gross profit margins **-** The gross profit margins are determined on the basis of the average gross profit margins achieved in the immediately preceding financial year and increased taking into account the expected increase in efficiency.

Price increases of raw materials/goods - In order to account for price increases, it was assumed that the Group would be able to pass on price increases in raw materials/goods purchased through selling prices. The basic assumptions made are consistent with those of external information sources.

Sensitivity of the assumptions made

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

Management is of the opinion that no reasonably possible change in any of the basic assumptions made to determine the value in use of the cash-generating units could lead to the carrying amount of the cash-generating unit exceeding its recoverable amount.

15. INTANGIBLE ASSETS AND GOODWILL

15.1 Reconciliation of the book value

For accounting policies, see note 6.11.

2019 EUR '000	Software	Goodwill	Intangibles in origination	**Total**
Acquisition and production costs				
As of 1.1.2019	**1,272**	**24,364**	**11**	**25,647**
Changes in the scope of consolidation	3,362	10,136	-	13,498
Additions	291	-	-	291
Transfers	11	-	-11	-
Disposals	-240	-	-	-240
Currency translation	-4	259	-	255
As of 31.12.2019	**4,692**	**34,759**	**0**	**39,451**
Accumulated depreciation and impairment charges				
As of 1.1.2019	**-701**	**-1,765**	**-**	**-2,466**
Changes in the scope of consolidation	-	-	-	-
Additions	-606	-	-	-606
Transfers	-	-	-	-
Disposals	202	-	-	202
Currency translation	2	-77	-	-75
As of 31.12.2019	**-1,103**	**-1,842**	**-**	**-2,945**
Book values				
As of 31.12.2019	**3,589**	**32,917**	**-**	**36,506**

2018 EUR '000	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 31.12.2018	**-701**	**-1,765**	**-**	**-2,466**
Book values				
As of 31.12.2018	**571**	**22,599**	**11**	**23,181**

16. PROPERTY, PLANT AND EQUIPMENT

16.1 Reconciliation of the book value

For accounting policies, see notes 6.10 A and 6.10 B.

2019 EUR '000	Land and buildings	Technical equipment and machinery	Other systems, POE*	Property, plant and equipment in origination	**Total**
Acquisition and production costs					
As of 31.12.2018	**9,101**	**37,018**	**6,517**	**135**	**52,771**
Adjustment to IFRS 16	5,772	-	409	-	**6,181**
As of 1.1.2019 according to IFRS 16	**14,873**	**37,018**	**6,926**	**135**	**58,952**
Changes in the scope of consolidation	4,424	5,243	366	-	10,033
Additions	614	982	677	631	2,904
Transfers	23	250	51	-325	-1
Disposals	-133	-1,654	-650	-	-2,437
Currency translation	31	25	-5	-	52
As of 31.12.2019	**19,833**	**41,864**	**7,366**	**441**	**69,504**
Accumulated depreciation and impairment charges					
As of 31.12.2018	**-4,398**	**-30,378**	**-5,480**	**-**	**-40,256**
Adjustment to IFRS 16	-	-	-	-	-
As of 1.1.2019	**-4,398**	**-30,378**	**-5,480**	**-**	**-40,256**
Changes in the scope of consolidation	-	-	-	-	-
Additions	-1,739	-2,032	-683	-	-4,454
Transfers	-	-16	16	-	0
Disposals	133	1,653	618	-	2,404
Currency translation	-15	-30	-	-	-45
As of 31.12.2019	**-6,019**	**-30,802**	**-5,529**	**-**	**-42,350**
Book values					
As of 31.12.2019	**13,814**	**11,062**	**1,837**	**441**	**27,154**
Stand zum 1.1.2019 gemäß IFRS 16l	**10,475**	**6,640**	**1,446**	**135**	**18,696**

* plant and office equipment

2018 EUR '000	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

The rights of use capitalised as a result of the first-time application of IFRS 16 in the 2019 financial year are reported in the respective asset class in which the asset underlying the lease would have been reported.

For reasons of clarity, the development of the carrying amounts of the rights of use is shown in the following table:

2019 EUR '000	Land and Buildings	Technical equipment and machinery	Operating and office equipment	**Total**
Rights of use				
As of 1.1.2019 according to IFRS 16	**5,772**	**1,548**	**435**	**7,755**
Changes in the consolidated group	1,231	405	104	1,740
Additions	486	297	113	896
As of 31.12.2019	**7,489**	**2,250**	**652**	**10,391**
Accumulated depreciation				
As of 1.1.2019 according to IFRS 16	**0**	**-364**	**-7**	**-371**
Changes in the consolidated group	0	0	0	0
Additions	-1,396	-285	-209	-1,890
As of 31.12.2019	**-1,396**	**-649**	**-216**	**-2,261**
Book values				
As of 31.12.2019	**6,093**	**1,601**	**436**	**8,130**

The marginal borrowing rates used to determine the lease liabilities and thus also the rights of use at the time of booking in the 2019 financial year range between 1.18 and 5.89 percent.

As of 31 December 2019, there were no indications of any impairment of the rights of use.

EUR 1,708 thousand of the total amortization of rights of use in fiscal year 2019 relates to rights of use that were recognized as leases for the first time. Until 31 December 2018, these agreements would have been classified as operating leases in accordance with IAS 17 and recognised accordingly under other operating expenses. Depreciation of EUR 181 thousand relates to rights of use that were classified as financing leases as of 31 December 2018.

17. OTHER NON-CURRENT ASSETS

Other non-current assets include the following items:

EUR '000	**2019**	2018
Down payments on business combinations	0	12,743
Other non-current financial assets	133	60
Total	**133**	**12,803**

Other non-current financial assets mainly comprise shares in affiliated companies that are not consolidated and assets in connection with pension provisions carried as liabilities.

The prepayments on business combinations reported in the previous year included the first purchase price installment to Nittel for the acquisition of the company.

18. INVENTORIES

EUR '000	**2019**	2018
Raw materials and supplies	8,066	6,367
Work in progress	1,640	2,190
Finished goods	4,407	3,032
Advance payments	0	21
Total	**14,113**	**11,610**

Finished goods include merchandise amounting to EUR 843 thousand, which is not included in the change in inventories. Some of the inventories are subject to retention of title by suppliers. No inventories were pledged as collateral.

The total amount of inventories includes impairment losses of EUR 29 thousand (2018: EUR 211 thousand). The income from the reversal of write-downs recognised in the income statement amounts to EUR 182 thousand (2018: expenses for write-downs of EUR 40 thousand). These result primarily from the sale or consumption of previously written-down inventories.

19. TRADE 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 up to 90 days due to country-specific conditions - and are therefore classified as current. Trade receivables are initially recognized at the amount of the unconditional consideration. They do not contain any financing components. The Group holds trade receivables to collect the contractual cash flows and measures them at amortized cost.

The corresponding carrying amounts at year-end are as follows:

EUR '000	**2019**	2018
Trade receivables	15,016	13,841
Impairments for expected credit losses	-258	-78
Total	**14,758**	**13,763**

The risk of bad debts is limited by credit checks and a dunning system. In the operating business, outstanding receivables are continuously monitored on a location-related, i.e. decentralized, basis.

The expected credit losses on trade receivables are calculated using a value adjustment table. Based on previous experience with credit losses on trade receivables, the expected credit losses over the entire term of the contract during which the ring metal is exposed to the risk of default were estimated. Trade receivables were grouped by geographical area, as payment terms vary according to the geographical area.

In fiscal year 2019, as in previous years, only insignificant trade receivables losses were incurred.

Age structure of overdue but not impaired receivables:

EUR '000	**2019**	2018
60 to 90 days	111	402
91 to 180 days	121	138
More than 180 days	11	0
Total	**243**	**540**

Changes in the allowance for expected credit losses:

EUR '000	**2019**	2018
Balance at beginning of year	**77**	**270**
Impairment on expected credit losses	1	0
Amounts received from depreciated receivables during the financial year	**78**	**270**
Adjustment for expected credit losses	193	37
Amounts received during the financial year from depreciated receivables	-7	-132
Reversals	-7	-98
Changes in exchange rate	0	1
Balance at end of year	**258**	**78**

Age structure of impaired receivables (nominal values):

EUR '000	**2019**	2018
0 to 30 days	75	-
31 to 60 days	134	-
60 to 90 days	52	30
91 to 180 days	63	10
More than 180 days	11	86
Total	**335**	**126**

20. OTHER CURRENT ASSETS AND CURRENT TAX RECEIVABLES

EUR '000	**2019**	2018
Deferrals	234	138
Other receivables	551	1,372
Other current non-financial assets	**785**	**1,510**
Other current financial assets	0	0
Current tax receivables	757	163

21. CASH AND CASH EQUIVALENTS

The cash and cash equivalents as of 31 December 2019 are composed as follows:

EUR '000	**2019**	2018
Bank balances and cash on hand	3,591	5,936
Balance at end of year	**3,591**	**5,936**

Bank balances bear interest at variable rates for balances redeemable on demand. Cash equivalents are short-term investments for different periods of between one day and three months, depending on the Group's cash requirements. They bear interest at the applicable interest rates for short-term deposits. The fair value of cash and cash equivalents corresponds to the nominal value.

22. EQUITY

The development of equity in the financial year 2019 can be seen from the consolidated equity statement.

22.1. SUBSCRIBED CAPITAL

EUR '000	**2019**	2018
Subscribed capital	29,069	29,069
The subscribed capital is composed as follows:		
Bearer shares of EUR 1 eac	29,069,040	29,069,040

a) Fully paid ordinary shares

EUR '000	No. of shares	Subscribed Capital	Premium
As of 1.1.2018	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
Capital increase	0	0	0
As of 31.12.2019	**29,069,040**	**29,069**	**16,664**

The fully paid-up ordinary shares have a nominal value of EUR 1.00, carry one voting right each and are entitled to dividends.

Ringmetall AG does not hold any treasury shares.

In fiscal year 2018, by resolution of the Supervisory Board on 14 August 2018, the share capital was increased by EUR 1,384,240.00 from EUR 27,684,800.00 to EUR 29,069,040.00 in accordance with Article 5 of the Articles of Association (share capital, authorised capital). A total of 1,384,240 no-par value bearer shares with a notional interest in the share capital of EUR 1.00 were issued.

At the Annual General Meeting on 29 August 2014, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital by 31 July 2019 by a total of up to EUR 10,200,000.00 through the issue of new no-par value bearer shares (ordinary shares) on one or several occasions against cash and/or non-cash contributions, whereby the subscription right of shareholders can be excluded in certain cases (authorised capital 2014/I). By resolution of the Supervisory Board on 14 August 2018, the share capital was increased by EUR 1,384,240.00 from EUR 27,684,800.00 to EUR 29,069,040.00. The authorised capital of 29 August 2014 (Authorised Capital 2014/I) still amounts to EUR 6,735,760.00 after partial utilisation.

At the Annual General Meeting on 31 August 2015, the Management Board was authorised 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 no-par value bearer shares (ordinary shares) on one or several occasions against cash and/or non-cash contributions, whereby the subscription rights of shareholders may be excluded (Authorised Capital 2015/I). After partial utilization, the authorized capital as of 31 August 2015 (Authorized Capital 2015/I) still amounts to EUR 832,000.00.

At the Annual General Meeting on 30 August 2016, the Management Board was authorised until 31 July 2021, with the approval of the Supervisory Board, to increase the share capital against cash and/or non-cash contributions by a total of up to EUR 3,432,000.00, whereby shareholders' subscription rights may be excluded (Authorised Capital 2016/I). The authorised capital of 30 August 2016 (Authorised Capital 2016/I) still amounts to EUR 915,200.00 after partial utilisation.

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

22.2 CAPITAL RESERVE

EUR '000	**2019**	2018
Balance at beginning of year	16,664	12,532
Additions from premiums	-	4,291
Costs associated with the capital increase	-	-159
Balance at end of year	**16,664**	**16,664**

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

22.3 CURRENCY TRANSLATION RESERVE

EUR '000	**2019**	2018
Balance at beginning of year	-1,361	-2,131
Changes in the financial year	471	770
Balance at end of year	**-890**	**-1,361**

The currency translation reserve contains the differences from the currency translation of the financial statements of foreign subsidiaries without effect on income. The portion from currency translation recognized directly in equity attributable to non-controlling shareholders amounts to EUR 8 thousand (2018: EUR -10 thousand) and is included in the non-controlling interest.

22.4 OTHER RESULT

The other changes in equity not affecting income relate to the differences from the currency translation of the financial statements of foreign subsidiaries and the effects of revaluation in connection with the recognition of severance payment obligations.

Deferred taxes are calculated on the revaluation in connection with the recording of severance payment obligations. As a rule, these are not recorded in the income statement, but as other comprehensive income in the statement of comprehensive income.

22.5 NON-CONTROLLING SHAREHOLDERS

EUR '000	**2019**	2018
Balance at beginning of year	1,012	1,072
Share in the net result	315	309
Distributions	-417	-356
Other changes	154	-13
Balance at end of year	**1,064**	**1,012**

23. PROVISIONS SIMILAR TO PENSIONS

Under pensions and similar obligations, obligations based on statutory regulations in Italy at the Group companies S.G.T. S.r.l. Albavilla, Italy, and Berger Italia S.r.L. Valmadrera, Italy, are disclosed. These are so-called "Trattamento di Fine Rapporto (TFR)" or severance payment obligations that the Italian companies have towards the employees. Employees in Italy are generally entitled to a severance payment discount. The reason for the "separation from the employee" is not relevant in this context. A payment claim from TFR arises with every employment relationship. It is a public-law supplementary claim to pension benefits that is not negotiable.

The corresponding funds for the TFR must be reported by the companies as a provision for future company liabilities. The payment of the TFR therefore does not primarily result in any expenses due to the use of the provision; there is merely an outflow of liquidity. Among other things, the TFR refers to the amount of salary received by the employee. To cover its obligations, the Group holds corresponding restricted cash through an insurance institution; however, the provisions are not shown netted.

23.1 Valuation of severance payment obligations

The provision for severance obligations corresponds to the total amount of the individual entitlements accumulated by employees on the respective valuation date, less any advance payments already made, and corresponds to the amount that would be due if the respective employment relationship were terminated on the valuation date.

The severance payment obligations are measured in accordance with IAS 19. Corresponding actuarial reports are available for the Group companies S.G.T. S.r.L. Albavilla, Italy, and Berger Italia S.r.L. Valmadrera, Italy, as of the measurement dates 31 December 2019 and 31 December 2018.

In accordance with the requirements of IAS 19, the timing of the corresponding severance payment obligations in particular is taken into account and quantified on the basis of an average present value calculation.

Gender and qualifications as well as age and length of service are used as the underlying parameters. As part of the valuation procedure, future obligations are calculated in terms of amount and timing, taking into account economic and demographic conditions and premises. With regard to the demographic parameters, a further distinction is made between the case constellations of termination, occupational disability and death.

In the calculations in accordance with IAS 19, severance obligations are determined for the respective valuation dates using the respective fixed or underlying premises and assumptions on the basis of the fixed remaining term of the TFR cash flows and the remaining average expected remaining working life in years.

Foreign obligations were determined on the basis of mortality tables for the respective country. The probability of fluctuation was estimated based on age and gender. The expected return on plan assets was estimated prudently on the basis of past values.

	Foreign countries 2019	Foreign countries 2018
Discount rate	0.77%	1.57%
Inflation rate	2.00%	2.00%
Income development	3.00%	3.31%
Annual payment amounts	27-47 EUR'000	10-70 EUR'000
Remaining term of TFR cash flows	12.64-17.54 years	13.47-17.16 years
Average expected remaining working time	17 or 20 years	17 or 19 years

23.2 Development of severance payment obligations

The provision for severance payment obligations developed as follows:

EUR'000	**2019**	2018
As of 1.1.	773	806
Current service cost	-74	-81
Interest expense	6	11
Reappraisal	60	-25
Other changes	65	62
As of 31.12.	**830**	**773**

The annual expense for the addition to the severance payment obligation is allocated to personnel expenses in the consolidated income statement according to the nature of expense method. The interest expense is presented within the financial result. The result from the revaluation of the severance payment obligation and the deferred taxes on it are shown under other comprehensive income in equity.

The following effects on the provision for severance payment obligations formed on 31 December 2019 and 31 December 2018 would have resulted if the calculation parameters (discount factor 0.8 percent, 2018: 1.6 percent) had changed as follows

Sensitivity analysis of severance payment obligations (2018: variance +/- 0.25%).

EUR '000	**2019**	2018
Discount rate 0.27% (-0.50%)	+45	+21
Discount rate 1.27% (+0.50%)	-41	-20

24. OTHER PROVISIONS

For accounting policies, see note 6.17.

2019 EUR '000	Vacation pay / Overtime	Other personnel	Consultancy	Warranty risks	Other	**Total**
As of 1.1.	**986**	**834**	**75**	**10**	**307**	**2,212**
Provisions used	119	18	33	76	85	331
Increase in provisions	(1,026)	(852)	(65)	0	(288)	(2,231)
Release of provisions	923	1,083	383	91	391	2,871
Currency adjustment	(206)	152	(18)	(111)	(50)	(233)
As of 31.12.	**796**	**1,235**	**408**	**66**	**445**	**2,950**

2018 EUR '000	Vacation pay / Overtime	Other personnel	Consultancy	Warranty risks	Other	**Total**
As of 1.1.	**782**	**735**	**186**	**118**	**314**	**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)
As of 31.12.	**986**	**834**	**75**	**10**	**307**	**2,212**

The personnel-related provisions include in particular accrued amounts for vacation entitlements and overtime earned. The decrease is mainly due to lower vacation and overtime entitlements.

Other personnel-related provisions include provisions for management bonuses. The increase results mainly from the expansion of the scope of consolidation.

The provision for consulting includes probable obligations in connection with services received. A significant portion includes accrued costs due to the introduction of new ERP software, the audit of the consolidated financial statements and tax consulting.

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

25. FINANCIAL LIABILITIES

25.1 Terms and liabilities schedule

EUR '000	Notes	31.12.2019	31.12.2018
Non-current liabilities			
Bank loans	25.2	**2,125**	**8,671**
Other loans		0	1,270
Liabilities from lease agreements	25.4	6,076	811
Total		**8,201**	**10,752**
Current liabilities			
Bank loans	25.2	**19,174**	**4,847**
Other loans		1,404	1,520
Liabilities from lease agreements	25.4	2,187	234
Total		**22,765**	**6,601**

Information on the extent to which the Group is exposed to interest rate, currency and liquidity risks is presented in note 28.4.

The classification of liabilities into current and non-current is based on the defined repayment schedules.

25.2 Secured bank loans

The outstanding loans have the following terms:

					31.12.2019		31.12.2018	
EUR '000		Currency	Interest rate	Maturity year	Nominal value	Book value	Nominal-value	Book value
Ringmetall AG		EUR	3.50%	2020	7,935	7,935		
		EUR	7.50%	2020	450	450		
August Berger Metallwarenfabrik GmbH	A	EUR	EURIBOR +1.75 %	2020	10,000	9,975	12,500	12,436
	B	EUR						
	C	EUR						
Cemsan Metal Parts Manufacturing Industry and Trade Company		TRY / EUR	18.00%		260	260	292	292
SGT s.r.l.		EUR	2.50%	2020	160	160	210	210
Berger Closing Rings (Changshu) Co., Ltd.		CNY /EUR	6.09%	2019-2023	558	558	534	534
Berger Italia s.r.l.		EUR	0.60%	REVOLV-ING	2	2		
Latza GmbH		EUR			–	–	21	21
		EUR			–	–	25	25
Nittel Halle GmbH	A	EUR	1.80% - 1.90%	2021	722	722		
	B	EUR	2.25% - 2.35%	2022	936	936		
Tesseraux Spezialver-packungen GmbH		EUR	1.85%	REVOLV-ING	300	300		
Total					**21,324**	**21,299**	**13,582**	**13,518**

The bank loans are secured by land and buildings in the amount of EUR 1,613 thousand (2018: EUR 1,602 thousand), other non-current assets in the amount of EUR 2,545 thousand (2018: EUR 1,816 thousand) and current assets in the amount of EUR 9,745 thousand (2018: EUR 10,164 thousand). The figures stated correspond to the carrying amounts in the individual financial statements.

25.3 Violations of covenants from financial liabilities

The Group has concluded a syndicated loan agreement for the acquisition of companies. The documents to be submitted under this agreement are based on the previously relevant German commercial law regulations (HGB). The Coordination with the syndicate banks on the necessary adjustments to the agreements in the syndicate agreement with regard to documents to be submitted, key figures to be observed and dates is not yet fully completed and has been moved to 2020.

However, the syndicate banks have already signalled that the approach taken by the Group is accepted as being in accordance with the contract.

25.4 Liabilities from leasing

At the end of the reporting period, the liabilities from leases relate to assets financed in the form of buildings on third-party land, technical equipment and machinery, and operating and office equipment. The lease term is generally based on the economic useful life of the assets. In the case of leases for buildings on third-party land, however, the corporate strategy circumstances are taken into account.

With regard to the interest rates used for discounting, see the comments on rights of use in section 16.

The maturities of the lease liabilities range between 2020 and 2025 (2018: between 2019 and 2025) and are due as follows:

	Future minimum payments		Interest payments		Present value of future minimum payments	
EUR '000	**2019**	2018	**2019**	2018	**2019**	2018
Less than 1 year	2,273	250	86	16	2,187	234
Between 1 and 5 years	6,016	758	229	29	5,579	729
More than 5 years	503	83	7	1	497	82
Total	**8,792**	**1,091**	**322**	**46**	**8,263**	**1,045**

The increase in lease liabilities is the result of the first-time application of IFRS 16, which has already been described elsewhere.

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

As in the previous year, there were no contingent rents in the reporting period.

26. TRADE PAYABLES AND OTHER LIABILITIES

CURRENT: EUR '000	**31.12.2019**	31.12.2018
Trade payables	10,359	10,390
Other liabilities	1,567	1,781
Total	**11,926**	**12,171**

For the Group's currency and liquidity risks with regard to trade payables and other liabilities, see note 28.4.

27. CAPITAL MANAGEMENT

The Group's objective is to maintain a strong capital base in order to maintain the confidence of investors, creditors and the markets and to ensure the sustainable development of the Company.

The Management Board strives to strike a balance between increasing returns, while optimizing the ratio of equity to debt, and the advantages of a stable capital base.

The Group monitors capital with the help of a ratio of adjusted net debt to equity. Adjusted net debt principally comprises interest-bearing liabilities to banks, less cash and cash equivalents.

The ratio of the equity ratio is as follows:

EUR '000	**2019**	2018
Interest-bearing loans and bonds	21,299	13,518
Minus cash and cash equivalents	-3,591	-5,936
Net debt	**17,708**	**7,582**
Equity	**49,999**	**48,537**
Total assets	**100,002**	**82,271**
Equity ratio	50.0%	59.0%

28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

28.1 Classifications and fair values

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

EUR '000	IFRS 9 Valuation category	**IFRS 9 Book value 31.12.2019**	IFRS 9 Book value 01.01.2019
Assets			
Other non-current financial assets	AC	133	60
Trade receivables	AC	14,758	13,763
Cash and cash equivalents	AC	3,591	5,936
Total		**18,482**	**19,759**
Liabilities			
Non-current financial liabilities	FLAC	8,201	10,752
Trade payables	FLAC	10,359	10,389
Current financial liabilities	FLAC	22,765	6,601
Total		**41,325**	**27,742**

28.2 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			
31.12.2019 EUR '000	Notes	Fair value hedging instru-ments	**Total**	Level 1	Level 2	Level 3	**Total**
Financial liabilities at fair value Interest rate swaps used for hedging transactions	28.3	-18	-18	-	-18	-	-18
Total		**-18**	**-18**	**-**	**-18**	**-**	**-18**

31.12.2018 EUR '000	Notes	Book value Fair value hedging instru-ments	 **Total**	Fair value Level 1	 Level 2	 Le-vel 3	 **Total**
Financial liabilities at fair value Interest rate swaps used for hedging transactions	28.3	-33	-33	-	-33	-	-33
Total		**-33**	**-33**	**-**	**-33**	**-**	**-33**

It is assumed that the fair value of current and non-current assets and current and non-current liabilities corresponds to the carrying amount.

Almost all bank loans bear interest at EURIBOR plus a margin. This margin has changed only insignificantly compared to the time the agreement was concluded. Therefore, the fair value does not differ significantly from the carrying amount. This applies analogously to the existing leases. Existing interest swaps are used exclusively for economic hedging purposes.

28.3 Determination of fair value

Valuation techniques and significant unobservable input factors.
The following tables show the valuation techniques used to determine fair values for Level 2 and Level 3 and the significant unobservable input factors used:

Financial instruments measured at 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.

Nicht zum beizulegenden Zeitwert bewertete Finanzinstrumente

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.*

28.4 Financial risk management

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

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

A. Risk management principles

The Management Board is responsible for the establishment and control of Group risk management. To this end, the Management Board has set up an internal specialist committee responsible for monitoring and further developing the Group's risk management guidelines. This body reports regularly to the Management Board on its activities. The principles of the risk management system can be applied to financial risks; in this respect, reference is made to the risk report in the Group management report.

The Group's risk management guidelines were developed to identify and analyse the Group's risks, to introduce appropriate risk limits and controls and to monitor the development of risks and compliance with limits. The risk management guidelines and the risk management system are reviewed regularly to reflect changes in market conditions and the Group's activities. The existing training and management standards and related processes are designed to ensure a target-oriented control environment in which all employees understand their respective tasks and responsibilities.

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

B. Default risk

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

The carrying amounts 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 Management Board also takes into account the characteristics of the entire customer base, including the default risk of the industry and countries in which the customers operate, as these factors can also influence the default risk.

The majority of the Group's customers are global corporations. It has not been necessary to recognise an impairment loss for any of these customers. In order to monitor the default risk, particular attention is paid to the timing of billing, which is usually done by the customer, and the timing of payment of the bill.

The Management Board estimates on an individual basis whether overdue amounts are still recoverable in full. This estimate is based on past payment history, an assessment of creditworthiness based on published financial figures, if available, and the amount of existing receivables. Overall, the Group has only a minor amount of bad debts.

Cash and cash equivalents

As of 31 December 2019, the Group held cash and cash equivalents of EUR 3,591 thousand (2018: EUR 5,936 thousand). This sum thus represents the maximum default risk with regard to these assets. Cash and cash equivalents are held at various banks or financial institutions in the countries in which the Group operates, but the majority of them are located in Germany.

Derivatives

The Group enters into interest rate swaps to cover the interest rate risk. These are entered into with German banks or financial institutions with which variable interest rate loans are also agreed.

C. Liquidity risk

Liquidity risk describes the risk that the Group will not be able to meet its obligations punctually when due. There are no liquidity risks from financial liabilities, as the Group had cash and cash equivalents of EUR 3,591 thousand (2018: EUR 5,936 thousand) as of the balance sheet date. In addition, cash flows are expected with a high degree of certainty, which will be able to service the interest and redemption payments and the financial liabilities from them with equivalent maturities. Ultimate responsibility for

liquidity management lies with the Management Board, which has established an appropriate concept for managing short, medium and long-term financing and liquidity requirements. The Group manages liquidity risks by holding appropriate reserves and by constantly monitoring the forecast and actual cash flows and reconciling the maturity profiles of financial assets and liabilities.

IFRS 7 also requires a maturity analysis for both derivative and non-derivative financial liabilities. The following maturity analysis shows the extent to which the undiscounted cash flows in connection with the liabilities as of 31 December 2019 and 31 December 2018 affect the future liquidity situation of the Group.

Significance of liquidity risk

The following table shows the remaining contractual maturities of financial liabilities on the balance sheet date, including estimated interest payments. These are undiscounted gross amounts including estimated interest payments, but without presentation of the effect of offsetting.

2019 EUR '000	Book value	Nominal value	**Total**	< 1 year	1 to 5 years	> 5 years
Bank loans incl. interest rate swaps	21,317	21,342	21,342	19,217	2,125	-
Liabilities from Lease agreements	8,263	8,792	8,792	2,273	6,016	503
Total	**29,580**	**30,134**	**30,134**	**21,490**	**8,141**	**503**
2018 EUR '000	Book value	Nominal value	**Total**	< 1 year	1 to 5 years	> 5 years
Bank loans incl. interest rate swaps	13,551	13,615	13,615	4,887	8,728	0
Liabilities from Lease agreements	1,045	1,091	1,091	250	758	83
Total	**14,596**	**14,706**	**14,706**	**5,137**	**9,486**	**83**

As indicated in note 25.2, the Group mainly has bank loans that are subject to covenants. Any future breach of covenants may result in the loan being repaid earlier than indicated in the table above.

The interest payments on floating rate loans and borrowings in the table above have been recorded at a fixed interest rate where they are covered by swaps. They reflect market conditions for forward interest rates at the end of the financial year. These can change with changes in market interest rates.

D. Market risk

Market risk is the risk that market prices, such as exchange rates, interest rates or share prices, will change and thereby affect the Group's income or the value of the financial instruments held. The aim of market risk management is to manage and control the market risk within acceptable bandwidths while at the same time optimising returns.

To manage market risk, the Group acquires and sells derivatives and enters into financial liabilities. All transactions are conducted within the guidelines of the Risk Management Committee. At the end of the reporting period, no risk concentrations are seen for the Group's 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 by specifically controlling cash flows in foreign currency and, in individual cases, by means of forward exchange transactions.

The carrying amount of the Group's monetary assets and liabilities denominated in foreign currency is as follows as of the balance sheet date:

	31.12.2019		31.12.2018	
EUR '000	**Assets**	**Liabilities**	Assets	Liabilities
USD	3,570	1,641	4,204	1,279
GBP	992	233	1,235	326
TRY	471	364	750	407
CNY	761	845	653	842
HKD	-	-	1	-

The following table shows the effect on the income statement of an assumed change in exchange rates of +/-1000 basis points with all other variables held constant for monetary assets and liabilities denominated in foreign currency:

EUR '000	**31.12.2019**				31.12.2018			
	Assets		**Liabilities**		Assets		Liabilities	
	Basis points				**Basis points**			
	-1000	**+1000**	**-1000**	**+1000**	-1000	+1000	-1000	+1000
USD	-357	357	-164	164	-420	420	128	-128
GBP	-99	99	-23	23	-123	123	33	-33
TRY	-47	47	-36	36	-75	75	41	-41
CNY	-76	76	-85	85	-65	65	84	-84
HKD	-	-	-	-	-	-	-	-

Interest rate risk

The Group is mainly exposed to interest rate risk in connection with the financing of acquisitions. An interest-related cash flow risk results from bank loans with variable interest rates, which are listed in note 25.2.

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

					31.12.2019 Basis points		31. 12.2018 Basis points	
EUR '000		Currency	Interest rate	Maturity year	**+25**	**-25**	**+25**	**-25**
	A	EUR	EURIBOR +1.75%	2020	46	-46	119	-119
	B	EUR	EURIBOR +1.75%	2020	125	-125	125	-125
August Berger Metallwarenfabrik GmbH	C	EUR	EURIBOR +1.75%	2020	50	-50	25	-25
Total					**221**	**-221**	**269**	**-269**

These liabilities are generally hedged with interest rate swaps. The maturity of the interest rate swaps is between 1 and 2 years (2018: 1 - 3 years). The fair value of the interest rate swaps recognized in the balance sheet changed from EUR -33 thousand as of 31 December 2018 to EUR -18 thousand as of 31 December 2019. The difference was recognized in the income statement under financial result.

Due to the variable interest rate, the risk of interest rate changes would only have a minor impact on the carrying amount of liabilities to banks.

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

EUR '000	**31.12.2019**		31.12.2018	
Interest rate level	+100 Basis points	-100 Basis points	+100 Basis points	-100 Basis points
Derivative financial instruments	**-2**	**-16**	**11**	**-25**

29. LEASING CONTRACTS

See note 6 for information on accounting policies.

The sharp decline in operating leases is the result of the first-time application of IFRS 16 as of 1 January 2019. With the exception of short-term leases or such leases for low-value assets, all leases are now accounted for. The following therefore lists those leases that are not shown in the balance sheet but for which Ringmetall is the lessee.

EUR '000	2019	2018
Non-cancellable rental leases		
Less than 1 year	108	2.071
Between 1 and 5 years	90	5.182
More than 5 years	-	1.258
Total	**198**	**8.511**

30. RELATED COMPANIES AND PERSONS

30.1. Business transactions with key management personnel

At Ringmetall, the shareholders are always regarded as the ultimate controlling party.

The existing syndicate agreement between the main shareholders was newly concluded and extended. According to this extension the two main shareholders together represent the ultimate controlling party of Ringmetall.

Related parties are non-consolidated subsidiaries and persons who exercise significant influence on the financial and business policy 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 Executive Board and the Supervisory Board.

The group of related companies and persons did not change in fiscal year 2019 compared to December 31, 2018. In the period under review, no new contracts were concluded with key management personnel, members of the Supervisory Board or other related parties, nor were any material changes made to existing contracts that have a material impact on the net assets, financial position and results of operations of the company.

A. BUSINESS TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The members of the Management Board hold 56.6 percent (31 December 2019) of the voting rights of the company.

The aggregate value of transactions and outstanding balances relating to key management personnel and companies over which they have control or significant influence were as follows:

	Sale of goods / services		Purchase of goods / services	
EUR '000	2019	2018	2019	2018
Ringmetall AG	-	-	75	71
Subsidiaries of Ringmetall AG	-	-	25	36
Total	**0**	**0**	**100**	**107**

EUR '000	Receivables from related parties		Payables to related parties	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
Ringmetall AG	-	-	12	-
Subsidiaries of Ringmetall AG	-	-	-	9
Total	**0**	**0**	**12**	**9**

B. BUSINESS TRANSACTIONS WITH MEMBERS OF THE SUPERVISORY BOARD

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

EUR '000	Values of business transactions		Balances outstanding as of 31.12.	
	2019	2018	**2019**	2018
Remuneration	130	113	39	76
Reimbursement of expenses	-	3	-	-
Total	**130**	**116**	**39**	**76**

C. BUSINESS TRANSACTIONS WITH OTHER RELATED PARTIES

EUR '000	Sale of goods / services		Purchase of goods / services	
	2019	2018	**2019**	2018
Ringmetall AG	-	-	-	-
Subsidiaries of Ringmetall AG	-	2	-	-
Total	**0**	**2**	**0**	**0**

EUR '000	Receivables from related parties		Payables to related parties	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
Ringmetall AG	-	-	-	-
Subsidiaries of Ringmetall AG	-	-	-	-
Total	**0**	**0**	**0**	**0**

Transactions with associated companies		
EUR '000	Nittel B.V. until 30.09.2019	Nittel UK Ltd. 2019
Revenues	627	1,324
Other operating income	-	32
	627	**1,356**

In addition, the Group has receivables from Nittel UK Ltd. in the amount of TEUR 280 as of the balance sheet date.

31. EMPLOYEES

In the 2019 financial year, the Group had an average of 685 employees (2018: 591 employees).

	Employees	Workers	Total
Average number of employees 2018	**131**	**460**	**591**
Acquisitions	46	146	192
Admin	89	28	117
Sales	23	0	23
Production	30	515	545
Average number of employees 2019	**142**	**543**	**685**

32. EVENTS AFTER THE BALANCE SHEET DATE

While the BMWi and the IMF still generally assumed a consolidating economic environment for 2020 at the beginning of the year, the VDMA and the VCI were rather cautious about the future prospects of the industries they represent. However, the special challenges for the economy arising from current developments regarding COVID-19 and which may still arise in the further course of the year have not been included in these forecasts, or only to a limited extent. For the Ringmetall Group as well, these can only be predicted with extreme difficulty and great uncertainty. Although the business at the beginning of the year 2020 shows a consistently positive development until April, the Executive Board does not expect this development to continue unchanged in the further course of the year. If significant effects on the net assets, financial position and results of operations become reliably apparent, Ringmetall will communicate this accordingly.

In order to be as well prepared as possible for potential market changes with regard to COVID-19, the Ringmetall Group has taken a number of preventive measures and can also benefit from measures taken by national authorities. First and foremost, the granting of extensive special permits and production approvals by several of the national competent authorities should be mentioned here, which should ensure that the company remains capable of production without any changes even if COVID-19 continues to have an increasing influence on public life and the economy. The classification as part of system-relevant industries ensures that the Ringmetall Group, with its 15 plants in seven countries worldwide, can and may continue to produce in its plants even in the event of officially ordered plant closures, as recently in Italy.

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

The following domestic subsidiaries in the legal form of a corporation or partnership will make use of the exemption provisions pursuant to Sec. 264 (3) and Sec. 264b HGB and will therefore refrain from preparing and publishing their annual financial statements for 2019:

- August Berger Metallwarenfabrik GmbH, Berg (preparation and disclosure)
- HSM GmbH & Co. KG, Ernsgaden (disclosure)

34. ACCORDING TO § 315E HGB

Due to the current economic environment and the incalculable effects of COVID-19 on the business development of the Ringmetall Group, the Management Board has decided not to publish a proposal for the appropriation of profits with regard to a dividend distribution at the current time. In principle, it is planned to continue to adhere to the prevailing dividend policy. However, should COVID-19 have a noticeable negative impact on sales in the coming weeks and months, which is not expected at present, it is not considered expedient to determine an appropriation of funds upon publication of the annual report.

Fee of the auditor of the consolidated financial statements

At the Annual General Meeting on 14 June 2019, the shareholders of Ringmetall AG resolved to acquire Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft as auditors. The fee charged by the auditor for the fiscal year for the audit of the consolidated financial statements including the audit of domestic companies as of 31 December 2019, as well as the subsequent charges from the previous year totaled EUR 245 thousand (2018: EUR 311 thousand). In addition to the above-mentioned audit services, other expenses of EUR 100 thousand (2018: EUR 72 thousand) for other services are included.

35. EXECUTIVE BODIES OF THE COMPANY

A. MEMBERS OF THE MANAGEMENT BOARD

Christoph Petri	
Spokesman of the Management Board	since 01.04.2011
Domicile	Hamburg, Germany
Profession	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
Profession	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 fiscal years 2018 and 2019 contains exclusively short-term benefits and is made up as follows:

EUR '000	**2019**			2018		
	Total remune-ration	**thereof not perfor-mance-related**	**thereof perfor-mance-related**	Total remune-ration	thereof not perfor-mance-related	thereof perfor-mance-related
Mr. Christoph Petri (Spokesman of the Management Board)	284	185	99	270	160	110
Mr. Konstantin Winterstein	298	199	99	293	183	110
Total	**582**	**384**	**198**	**563**	**343**	**220**

In the 2019 financial year, a total of EUR 496 thousand (2018: EUR 483 thousand) was paid out to the members of the Management Board.

The former member of the Management Board, Mr. Jörg Rafael, receives performance-related remuneration for his former employment amounting to EUR 40 thousand (2018: EUR 31 thousand) for the 2019 financial year.

B. MEMBERS OF THE SUPERVISORY BOARD

Klaus F. Jaenecke, Munich	
Chairman	since 30.08.2018
Profession	Managing Director of Jaenecke & Cie. GmbH & Co. KG, Munich
Remuneration in 2019:	60 EUR '000
Supervisory board mandates and memberships in comparable supervisory bodies according to §285 No. 10 HGB at: • Hansgrohe SE, Schiltach • Wintersteiger AG, Ried im Innkreis, Austria	

Markus Wenner, Munich	
Member	since 01.09.2014
Deputy Chairman	since 30.06.2016
Profession	Managing Director of GCI Management Consulting GmbH
Remuneration in 2019:	40 EUR '000

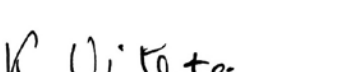
Markus Wenner, Munich	
Supervisory board mandates and memberships in comparable supervisory bodies according to §285 No. 10 HGB at: • Traumhaus AG, Wiesbaden • Wolftank Adisa Holding AG, Innsbruck, Austria • TeleService Holding AG, Munich • aifinyo AG, Dresden • Value-Holdings Capital Partners AG, Gersthofen • Metriopharm AG, Zurich, Switzerland	

Ralph Heuwing, Munich	
Member	since 30.08.2016
Profession	Member of the Management Board of Knorr-Bremse AG
Remuneration in 2019:	30 EUR'000
Supervisory board mandates and memberships in comparable supervisory bodies according to §285 No. 10 HGB in: • Management Capital Holding AG, Munich	

36. GERMAN CORPORATE GOVERNANCE CODE

The Management Board and the Supervisory Board of Ringmetall AG have issued a declaration pursuant to § 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders on Ringmetall's website (www.ringmetall.de) under Investor Relations.

Munich, 28 April 2020



Christoph Petri
Spokesman of the Management Board

Konstantin Winterstein
Member of the Management Board

Independent auditor's report

To Ringmetall AG, Munich

REORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit opinion

We have audited Ringmetall AG and its subsidiaries' (the Group) consolidated financial statements, comprising the consolidated balance sheet as of 31 December 2019, 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 January 1 through December 31, 2019 as well as the notes, including a summary of significant accounting and valuation methods. In addition, we have audited Ringmetall AG's group management report for the financial year from January 1 through December 31, 2019. In accordance with German legal requirements we have not audited the explanations included in sections "Competitive strength and market entry barriers", "Sustainability report" and "Non-financial statement" within the group management report as well as the legal representatives' compliance statement contained in the summarized management report.

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

- the attached consolidated financial statements comply, in all material respects, with the requirements pursuant to IFRS as applicable in the EU and the additional requirements pursuant to Art. 315e Sec. 2 HGB (German Commercial Code) and, in compliance with these requirements, give a true and fair view of the net assets and financial position of the Group as of December 31, 2019, and of its profit situation for the financial year from January 1 through December 31, 2019, and
- the attached group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group 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 group management report does not cover the content of the above-referenced compliance statement, the legal representatives' responsibility statement, and the presentation in the section "Competitive strength and market entry barriers", the "sustainability report" as well as the "non-financial statement" in the summarized management report.

Pursuant to Art. 322 Sec. 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 group management report.

Basis for our audit opinion

We have conducted our audit of the annual financial statements and of the management report in accordance with Art. 317 HGB and the EU Audit Regulation (No. 537/2014, hereinafter referred to as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for the Audit of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; "IDW"). Our responsibilities under these requirements and principles are further described in the section "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the summarized Management Report" of our auditor's report. We are independent of the Group companies in accordance with the requirements pursuant to European law as well as German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Furthermore, in accordance with Article 10 Sec. 2 lit. f of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 Sec. 1 of the EU Audit Regulation. We believe the audit evidence we have obtained is sufficient and appropriate in order to provide a basis for our audit opinion on the consolidated financial statements and on the summarized 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, 2019 through December 31, 2019. These matters were

addressed in in connection with 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:

- Accounting of leases pursuant to IFRS 16
- Recognition of the acquisition of subsidiaries

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

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

Below, we present the key audit matters:

A. Accounting of leases pursuant to IFRS 16

1.) For fiscal years starting on or after January 1, 2019, lease relationships are subject to the new standard IFRS 16 "Leases" which substantially amends the requirements for the recognition of leases in the lessee's balance sheet. In light of the above, the correct application of the new accounting standard is of particular importance. Ringmetall AG's consolidated financial statements as of December 31, 2019 show, due to the new accounting standard, rights of use in the amount of KEUR 8,130 and leasing liabilities in the amount of KEUR 8,263. Depreciations of rights of use recognized in the consolidated financial statements amount to KEUR 1,890 and for leasing liabilities, interest expenses in the amount of KEUR 175 have been recognized.

2.) In a first step, we evaluated the accounting and valuation process for lease agreements. Furthermore, we have compared the collected data with the contractual basis for the most significant lease agreements and for a random sample. Moreover, we critically evaluated further relevant valuation parameters such as the discounting interest rate and, in case of termination rights, the contract's estimated term. For valuation purposes, we examined the applied valuation model by means of an independent recalculation. We furthermore examined whether the disclosures required for leases are included in the consolidated notes. We were able to trace the contract data and valuation parameters used and valuations made by the legal representatives.

3.) Ringmetall's statements on the accounting of leases pursuant to IFRS 16 are included in the section "IFRS 16: Information on the first-time application of the new lease standard according to the modified retrospective approach" in note No. 6.1 "Changes of accounting and valuation methods" as well as in notes No. 6.19 "Leasing relationships", No. 16 "Tangible assets", No. 25.4 "Lease liabilities" and No. 29 "Leases" in the consolidated notes.

B. Recognition of the acquisition of subsidiaries in the balance sheet

1.) During the fiscal year 2019, Ringmetall AG acquired several legal entities or operations in Germany and abroad constituting business combinations pursuant to IFRS 3 "Business combinations".

    Such acquisitions with a purchase price of KEUR 22,617 and an acquired net value of KEUR 12,481 resulted in a total goodwill of KEUR 10,136. The acquired assets and liabilities are generally recognized at fair value as of the date of acquisition.

    Due to the company acquisitions' overall significant effects on Ringmetall AG's net assets, financial position and profit situation as well as the valuation's complexity, this constitutes a key audit matter.

2.) Within the scope of our audit of the company acquisitions' recognition in the balance sheet we have, in a first step, inspected and understood the respective contractual agreements of the company acquisitions and compared them with the acquisition date assumed by the company or assessed their correct determination, and compared the purchase prices paid as consideration for the shares received with the evidence for the effected payments presented to us. We have evaluated the underlying opening balance sheet values for the aforementioned company acquisitions. In addition, we used checklists in order to verify the completeness of the disclosures in the notes required by IFRS 3. We were able to satisfy ourselves that the acquisitions have been recognized correctly.

3.) For further presentations of the recognition of the subsidiaries' acquisition in the balance sheet, we refer to the disclosures in the consolidated notes, Section "7. Expansion of group of consolidated companies / acquisition of assets".

Other information

The legal representatives are responsible for other information. Other information includes:

- the letter by the management board,
- the supervisory board's report,
- the declaration on corporate governance,
- the presentations in the section "Competitive strengths and market entry barriers" in the group management report,
- the presentations in the section "Sustainability report"
- the presentations in the section "Non-financial statement", and
- the legal representative s' responsibility statement.

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained during the audit; or
- otherwise seems to have been materially misstated.

Legal Representatives' and Supervisory Board's Responsibilities for the Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as applicable in the EU and the additional requirements of German commercial law pursuant to Art. 315e Sec. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the Group's net assets, financial position, and profit situation. Furthermore, the legal representatives are responsible for such internal controls they have determined necessary in order to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility to disclose, as applicable, matters related to the continuation as a going concern. In addition, they are responsible for financial reporting on a going concern basis unless they intend to liquidate the Group or to discontinue business operations or in case there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the group 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 consolidated financial state-

ments, 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 in order to enable the preparation of a group management report in accordance with the applicable German legal requirements and in order to be able to provide sufficient appropriate evidence for the statements made in the group management report.

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

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

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the group management report as a whole presents a true and fair view of the Group's position and is, in all material respects, consistent with the consolidated financial statements and the knowledge obtained during our audit, complies with German legal requirements and appropriately presents the opportunities and risks of the Group's future development, as well as to issue an audit report including our audit opinion on the consolidated financial statements and on the group management report.

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

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

- identify and assess the risks of material misstatements in the consolidated financial statements and the group management report, whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting any material misstatements resulting from fraud is higher than for those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- obtain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of arrangements and measures relevant for the audit of the group management report, in order to plan audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems;
- evaluate the appropriateness of accounting methods applied by the legal representatives and the reasonableness of accounting estimates and applicable disclosures made;
- draw conclusions on the appropriateness of the legal representatives' use of the going concern principle and, based upon the audit evidence obtained, whether there is a material uncertainty in connection with events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention, in the auditor's report, to the related disclosures in the annual financial statements 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 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 provide a true and fair view of the Group's net assets, financial position and profit situation in compliance with IFRS as applicable in the EU and the additional requirements of German commercial law pursuant to Art. 315e Sec. 1 HGB;

- obtain sufficiently appropriate audit evidence regarding the financial information of the entities or business activities within the Group in order to express audit opinions on the consolidated financial statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions;
- evaluate the group management report's consistency with the consolidated financial statements, its conformity with German law, and its presentation of the Group's position;
- perform audit procedures on the prospective information presented by the legal representatives in the group 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 discuss with those charged with governance, inter alia, the planned scope and timing of the audit as well as significant audit findings, including any significant deficiencies in the internal control system 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 discuss 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 discussed with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless the matter's public disclosure should be precluded by any law or other regulation.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 14, 2019. We were engaged by the supervisory board on January 20, 2020. We have been Ringmetall AG's group auditor without interruption since the financial year 2017.

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

Responsible auditor

The auditor responsible for the audit is Ms. Andrea Meyer.

Nuremberg, 28 April 2020

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

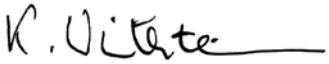
Prof. Dr. Edenhofer
German CPA

Meyer
German CPA

DECLARATION OF THE LEGAL REPRESENTATIVES

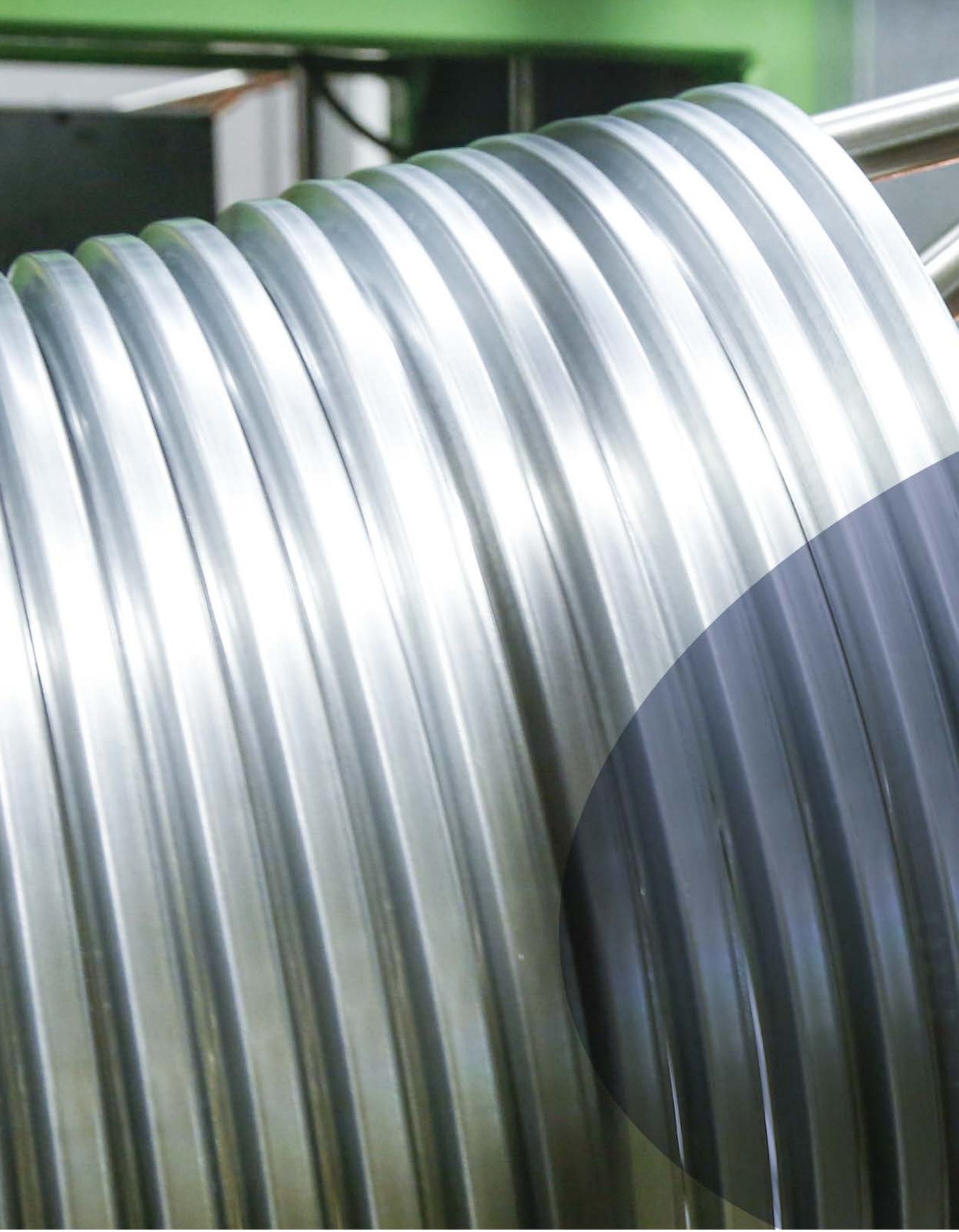
"We assure to the best of our knowledge that, in accordance with the applicable accounting principles, the financial statements and the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the company or of the group and that the 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, 28 April 2020



Christoph Petri
Spokesman of the Management Board

Konstantin Winterstein
Member of the Management Board



ANNUAL REPORT THE RINGMETALL AG

Balance Sheet

as of 31.12.2019

ASSETS EUR		**31.12.2019**	**31.12.2018**
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		8,726.00	4,813.00
III. Financial assets 1. Shares in affiliated companies		45,367,260.46	32,462,826.05
B. Current assets			
I. Receivables and other assets			
1. Receivables from affiliated companies	26,293,832.24		29,463,891.36
2. Other assets	87,265.16		179,830.92
		26,381,097.40	29,643,722.28
II. Cash-in-hand and bank balances		22,397.39	276,958.47
C. Prepaid expenses		15,161.26	31,099.39
D. Deferred tax assets		682,620.00	282,340.00
		72,477,263.51	**62,701,760.19**

LIABILITIES EUR		**31.12.2019**	**31.12.2018**
A. Equity			
I. Subscribed capital		29,069,040.00	29,069,040.00
II. Capital reserves		17,041,911.50	17,041,911.50
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		13,567,546.91	12,402,724.73
B. Provisions			
1. Tax provisions	10,212.39		89,216.39
2. Other provisions	699,100.00		513,717.50
		709,312.39	602.933,89
C. Liabilities			
1. Liabilities to banks	8,385,183.28		0,00
2. Trade payables	115,116.64		682.545,16
3. Other Liabilities	706,767.02		20.219,14
		9,207,066.94	702,764.30
		72,477,263.51	**62,701,760.19**

Profit & loss statement of the AG

from 1.1. to 31.12.2019

PROFIT & LOSS STATEMENT EUR		**31.12.2019**	31.12.2018
1. Sales		1,110,000.00	940,000.00
2. Operating Result		1,110,000.00	940,000.00
3. Other operating income		46,968.42	21,269.57
4. Personnel expenses			
a) Wages and salaries	-1,167,389.64		-901,427.55
b) Social security, post-employment and other employee benefit costs	-68,796.97		-47,197.60
		-1,236,186.61	-948,625.15
5. Amortization and write-downs			
a) of intangible fixed assets and depreciation and writedowns of tangible fixed assets		-3,852.90	-2,958.89
6. Other operating expenses		-1,583,260.41	-2,305,124.23
7. Income from investments		340,000.00	1,179,538.04
8. Profits received under profit-pooling, profit transfer or partial profit transfer agreements		3,602,690.54	8,220,532.17
9. Other interest and similar income		246,081.97	52,347.48
10. Write-downs of financial assets and investments classified as current assets		0.00	-325,562.59
11. Interest and similar expenses		-163,571.72	-12,431.75
12. Taxes on income		547,323.29	-404,885.39
13. Earnings after taxes		**2,906,192.58**	**6,414,099.26**
14. Other taxes		2,772.00	-39,341.82
15. Net income for the year		**2,908,964.58**	**6,374,757.44**
16. Retained profits brought forward from the previous year		10,658,582.33	6,027,967.29
17. Net retained profits		**13,567,546.91**	**12,402,724.73**

NOTES OF THE AG

I. PRELIMINARY NOTE

The annual financial statements of Ringmetall Aktiengesellschaft, Munich, as at 31 December 2019 have been prepared in accordance with the provisions of commercial law under Sections 242 et seq. HGB, taking into account the supplementary provisions for large corporations. As a capital market-oriented company within the meaning of Section 264d of the German Commercial Code, the company is considered a large company in accordance with Section 267 para. 3 sentence 2 of the German Commercial Code. The provisions of the German Stock Corporation Act were also observed. The company is registered with the Munich Local Court under the commercial register number HRB 118683. The annual financial statements have been prepared on a going-concern basis.

II. ACCOUNTING AND VALUATION PRINCIPLES

Intangible and tangible fixed assets acquired against payment were valued at acquisition cost less depreciation and amortisation.

The financial assets consist of shares in affiliated companies and participations. They are valued at acquisition cost or - due to expected permanent impairments in value - at the lower attributable value. If the conditions for permanent impairment are met, extraordinary depreciation is charged.

Receivables and other assets are valued at their nominal value. Receivables are valued taking into account all discernible risks.

Cash and cash equivalents are stated at their nominal value.

Prepaid expenses and deferred charges relate to expenses prior to the balance sheet date which represent expenses for a certain period after that date. They are released on a straight-line basis over time.

Deferred taxes

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

In order to determine deferred tax assets, assumptions have to be made with regard to future taxable income and the time of realization of the deferred tax assets. To this end, the planned operating results and the effects on income from the reversal of taxable temporary differences are taken into account. However, since future business developments are uncertain and in some cases cannot be influenced by Ringmetall, the measurement of deferred taxes is subject to uncertainty.

The deferred tax assets, which represent future tax relief, result from loss carryforwards.

The deferred tax liabilities, which represent a future tax burden, result from the balance sheet item fixed assets.

Deferred tax assets and liabilities are netted. Deferred tax assets amount to EUR 692 thousand (2018: EUR 302 thousand) and deferred tax liabilities to EUR 9 thousand (2018: EUR 20 thousand).

The tax rate applied to deferred taxes is 32.975 percent for corporate income tax, solidarity surcharge and trade tax.

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

The provisions take into account all identifiable risks and contingent liabilities at the necessary settlement amount on the basis of a prudent commercial assessment.

Liabilities are stated at the settlement amount.

With regard to foreign currency translation, it should be noted that the assets and liabilities concerned are translated at the mean spot exchange rate at the time of valuation. The subsequent valuation of assets and liabilities in foreign currency with a remaining term of more than one year is carried out at the end of the financial statements in accordance with the imparity principle, whereby exchange rate losses are expensed and exchange rate gains are not taken into account.

In preparing the annual financial statements, assumptions were made and estimates used as a basis which had an effect on the recognition, disclosure and measurement of the assets, liabilities and expenses reported in the balance sheet. The underlying assumptions and estimates mainly relate to the calculation of deferred taxes and the valuation of provisions.

III. INFORMATION ON CERTAIN BALANCE SHEET ITEMS AND ON THE PROFIT AND LOSS ACCOUNT

Fixed assets

The breakdown and development of fixed assets and depreciation during the financial year are shown in the statement of changes in fixed assets (Appendix to the Notes). The list of shareholdings in accordance with § 285 No. 11 HGB in conjunction with § 16 (4) AktG is presented in a separate annex.

Affiliation

Receivables from affiliated companies fell from EUR 29,464 thousand in the previous year to EUR 26,294 thousand.

This includes loan receivables for financial planning with a term of up to one year amounting to EUR 7,461 thousand (2018: EUR 11,475 thousand). It also includes other assets of EUR 18,334 thousand (2018: EUR 17,837 thousand). Receivables from affiliated companies also include trade receivables of e 499,000 (2018: e 152,000) with a term of up to one year.

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 a notional share in the share capital of EUR 1.00 each). In fiscal year 2018, by resolution of the Supervisory Board on 14 August 2018, the share capital was increased by EUR 1,384,240.00 from EUR 27,684,800.00 to EUR 29,069,040.00 in accordance with Article 5 of the Articles of Association (share capital, authorized capital). A total of 1,384,240 no-par value bearer shares with a notional interest in the share capital of EUR 1.00 were issued.

At the Annual General Meeting on 29 August 2014, the Management Board was authorised until 31 July 2019, with the approval of the Supervisory Board, to increase the share capital by a total of up to EUR 10,200,000.00 by issuing new no-par value bearer shares (ordinary shares) on one or more occasions against cash contributions and/or contributions in kind, whereby the subscription right of shareholders may be excluded in certain cases (Authorised Capital 2014/I). By resolution of the Supervisory Board on 14 August 2018, the share capital was increased by EUR 1,384,240.00 from EUR 27,684,800.00 to EUR 29,069,040.00. The authorised capital of 29 August 2014 (Authorised Capital 2014/I) still amounts to EUR 6,735,760.00 after partial utilisation.

At the Annual General Meeting on 31 August 2015, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital by 30 August 2020 by a total of up to EUR 3,120,000.00 by issuing new no-par value bearer shares (ordinary shares) on one or several occasions against cash and/or non-cash contributions, whereby the subscription rights of shareholders may be excluded (Authorised Capital 2015/I). The authorized capital as of August 31, 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 Management Board was authorised until 31 July 2021, with the approval of the Supervisory Board, to increase the share capital against cash and/or non-cash contributions by a total of up to EUR 3,432,000.00, whereby shareholders' subscription rights may be excluded (Authorised Capital 2016/I). The authorised capital of 30 August 2016 (Authorised Capital 2016/I) still amounts to EUR 915,200.00 after partial utilisation.

At the Annual General Meeting on 30 August 2018, the Management Board was authorised until 31 July 2023, with the approval of the Supervisory Board, to increase the share capital against cash and/or non-cash contributions by up to EUR 3,975,200.00, whereby shareholders' subscription rights may be excluded (Authorised Capital 2018/I). There were no changes to the authorised capital in the financial year.

The **capital reserve** results from gains on the sale of treasury shares and the premium from capital increases.

The 2019 unappropriated surplus developed as follows:

EUR	31.12.2019
Profit carryforward	12,402,724.73
Profit carryforward	-1,744,142.40
Net income	2,908,964.58
Balance sheet profit	**13,567,546.91**

The Annual General Meeting on 14 June 2019 resolved to use the net retained profits for 2018 in the amount of EUR 12,403 thousand as follows: Distribution of a dividend of 6 cents per share. Total distribution in the amount of EUR 1,744 thousand. The remaining net retained profits of EUR 10,659 thousand were carried forward to new account.

As of the balance sheet date, there are distribution-barred amounts of EUR 683 thousand, which relate exclusively to deferred tax assets, so that a total of EUR 14,613 thousand is available for distribution to shareholders.

Provisions

Other provisions mainly include personnel costs and expenses for auditing and acquisition costs..

Liabilities

The maturities of liabilities are shown in the following schedule of liabilities:

Type of liability as at 31.12.2019 EUR		Amount	thereof with a remaining maturity	
			up to 1 year	more than 5 years
to banks	**2019**	**8,385,183.28**	**8,385,183.28**	**00.00**
	2018	00.00	00.00	00.00
from trade payables	**2019**	**115,116.64**	**115,116.64**	**00.00**
	2018	682.545,16	682.545,16	00.00
Other liabilities	**2019**	**706,767.02**	**706,767.02**	**00.00**
	2018	20,219.14	20,219.14	00.00
Total	**2019**	**9,207,066.94**	**9,207,066.94**	**00.00**
	2018	702,764.30	702,764.30	00.00

Other liabilities include tax liabilities of EUR 703 thousand (2018: EUR 15 thousand).

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

Other operating income includes income unrelated to the accounting period, which mainly results from the reversal of provisions, in the amount of EUR 0 thousand (2018: EUR 3 thousand).

Other operating expenses include expenses unrelated to the accounting period, which mainly result from losses of receivables, in the amount of EUR 1 thousand (2018: EUR 451 thousand).

Currency translation

Other operating income includes income from currency translation of EUR 0 thousand (2018: EUR 0 thousand), and other operating expenses include currency translation expenses of EUR 0 thousand (2018: EUR 0 thousand).

Income from investments

Income from investments relates to income from the investment in Fidum Verwaltungs GmbH (2018: HSM Hans Sauermann GmbH & Co. KG and Société Civile Immobilière (SCI) Berger France).

Income from profit and loss transfer agreements

The income from profit transfer agreements relates to the profit transfer from August Berger Metallwarenfabrik GmbH, Berg.

Interest income

Interest income includes interest from affiliated companies in the amount of EUR 244 thousand (2018: EUR 49 thousand).

Write-downs on financial assets and on securities held as current assets (EUR 0 thousand; 2018: EUR 326 thousand) relate to write-downs on shares in affiliated companies.

Interest expenses

Interest expenses include interest to affiliated companies in the amount of EUR 0 thousand (2018: EUR 0 thousand).

Taxes on income and earnings

Income taxes include income from deferred taxes and withholding taxes in the amount of EUR 547 thousand (2018: expense of EUR 283 thousand).

IV. OTHER INFORMATION

Contingent liabilities

Contingent liabilities pursuant to § 251 HGB exist for liabilities from warranty agreements with banks for affiliated companies in the amount of EUR 25,000 thousand. Based on the current asset, financial and earnings situation and future planning, no claims from these contingent liabilities are expected.

Other financial obligations

Other financial obligations result from continuing obligations (rental and leasing transactions) with an annual expense of EUR 48 thousand. The total obligation until the end of the term amounts to EUR 98 thousand. The rental and leasing transactions serve to improve the liquidity situation and the equity ratio. These are also the main advantages of the business. There are risks in the contractual obligations arising from the contracts, as any significant technical progress in the leased and rented assets cannot be compensated for by new acquisitions.

Number of employees

The average number of commercial employees during the financial year was 4 (2018: 3 employees).

Corporate Bodies

MANAGEMENT BOARD: EUR '000	Main Profession	Total remuneration in 2019	thereof not performance-related	thereof performance-related
Mr. Christoph Petri (Spokesman of the Management Board)	Merchant	284	185	99
Mr. Konstantin Winterstein	Engineer	298	199	99
Total remuneration		**582**	**384**	**198**

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

Christoph Petri:

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

For the former member of the Management Board Jörg Rafael, the expenses from current consulting services amount to EUR 40 thousand.

Supervisory Board		Main Profession	Remuneration in 2019	Membership in other supervisory boards / controlling boards
Klaus F. Jaenecke	Chairman	Managing Director of Jaenecke & Cie. GmbH & Co. KG, Munich	60	Hansgrohe SE, Schiltach Wintersteiger AG, Ried im Innkreis, Austria
Markus Wenner	Deputy Chairman	Managing Director of GCI Management Consulting GmbH	40	Traumhaus AG, Wiesbaden Wolftank Adisa Holding AG, Innsbruck, Austria TeleService Holding AG, Munich aifinyo AG, Dresden Value-Holdings Capital Partners AG, Gersthofen Metriopharm AG, Zurich, Switzerland
Ralph Heuwing		Member of the Management Board of Knorr-Bremse AG	30	Management Capital Holding AG, Munich

Auditor's fee

At the Annual General Meeting on 14 June 2019, the shareholders of Ringmetall AG resolved to acquire Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft as auditors. The fee charged by the auditors for the fiscal year ended December 31, 2019 and the subsequent charges from the previous year totaled EUR 31 thousand (2018: EUR 16 thousand).

Consolidated Financial Statements

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

Proposal for the appropriation of earnings

Due to the current economic environment and the incalculable effects of COVID-19 on the business development of the Ringmetall Group, the Executive Board has decided not to publish a proposal for the appropriation of profits with regard to a dividend distribution at the current time. In principle, it is planned to continue to adhere to the prevailing dividend policy. However, should COVID-19 have a noticeable negative impact on sales in the coming weeks and months, which is not expected at present, it is not considered expedient to determine an appropriation of funds upon publication of the annual report.

Corporate governance - declaration on corporate management according to §§ 289F HGB, 161 AKTG

The declaration on corporate governance (Section 289a of the German Commercial Code) includes the declaration of compliance with the German Corporate Governance Code, information on corporate governance practices and a description of the working methods of the Management Board and Supervisory Board. The explanations in this regard have been made permanently available on the Company's website at www.ringmetall.de/investor-relations/corporate-governace. A separate presentation in the combined management report is therefore not provided.

Supplementary report

While the BMWi and the IMF still generally assumed a consolidating economic environment for 2020 at the beginning of the year, the VDMA and the VCI were rather cautious about the future prospects of the industries they represent. However, the special challenges for the economy arising from current developments regarding COVID-19 and which may still arise in the further course of the year have not been included in these forecasts, or only to a limited extent. For the Ringmetall Group, too, these can only be predicted with extreme difficulty and great uncertainty. Although the business at the beginning of the year 2020 shows a consistently positive development until April, the Executive Board does not expect this development to continue unchanged in the further course of the year. If significant effects on the net assets, financial position and results of operations become reliably apparent, Ringmetall will communicate this accordingly.

In order to be as well prepared as possible for potential market changes with regard to COVID-19, the Ringmetall Group has taken a number of preventive measures and can also benefit from measures taken by national authorities. First and foremost, the granting of extensive special permits and production approvals by several of the national competent authorities should be mentioned here, which should ensure that the company remains capable of production without any changes even if COVID-19 continues to have an increasing influence on public life and the economy. The classification as part of system-relevant industries ensures that the Ringmetall Group, with its 15 plants in seven countries worldwide, can continue to produce in its plants even in the event of officially ordered plant closures, as recently in Italy.

Munich, 28 April 2020

Christoph Petri
Spokesman of the Management Board

Konstantin Winterstein
Member of the Management Board

Additional information to the annex

Business interests as of 31.12.2019

	Location	Country	Share in capital (%)		Equity EUR'000	Net result EUR'000
Inland						
August Berger Metallwarenfabrik GmbH	Berg	Germany	100.00		16,000	0
Fieder Verwaltungs GmbH	Munich	Germany	100.00		0	-8
Fidum Verwaltungs GmbH	Munich	Germany	100.00		13,372	390
Latza GmbH	Attendorn	Germany	100.00	1)	1,082	-91
HSM GmbH & Co. KG	Ernsgaden	Germany	100.00		756	-207
HSM Verwaltungs GmbH	Ernsgaden	Germany	100.00		55	2
Nittel Halle GmbH	Halle (Saale)	Germany	100.00	4)	6,373	611
Tesseraux Spezialverpackungen GmbH	Bürstadt	Germany	100.00	4)	2,930	167
Abroad						
Berger Closures Limited	Peterlee	Great Britain	75.57	1)	1,459	768
Hollandring (BV) Besloten Vennootschap	Vaassen	Netherlands	100.00	1)	185	-9
Berger Group Europe Iberica, S.L.	Reus	Spain	100.00	1)	1,167	273
Cemsan Metal Parts Manufacturing Industry and Trade Company	Dilovasi-Kocaeli	Turkey	100.00	1)	-1,108	-626
S.G.T. S.r.l.	Albavilla	Italy	80.00	1)	2,952	645
Berger Closing Rings (Changshu) Co., Ltd.	Changshu	China	80.00	1), 3)	494	-43
Berger Italia S.r.l.	Valmadrera	Italy	100.00	1)	4,229	1,049
Berger Group US Inc. (formerly Berger US Inc.)	Birmingham	USA	100.00	1)	13,840	0
Berger US Inc. (formerly Self Industries Inc.)	Birmingham	USA	100.00	1), 2)	14,502	1,608
Berger Hong Kong Limited	Hong Kong	China	80.00	1)	1,427	-4
Nittel UK Limited	Southport	Great Britain	50.00	4)	333	213
Nittel B.V.	Moerdjik	Netherlands	80.00	4)	314	31
Nittel France SARL	Merignac	France	80.00	4)	201	7

1) held indirectly via August Berger Metallwarenfabrik GmbH
2) held indirectly via Berger US Inc.
3) held indirectly via Berger Hong Kong Limited
4) held indirectly via Fidum Verwaltungs GmbH

The currency translation for the companies was as follows:

	Currency	EURO
Berger Closures Limited and Nittel UK Limited		
Equity at average exchange rate:	1 GBP	= 1.17124 EUR
Net income for the year at year's average exchange rate:	1 GBP	= 1.14196 EUR
CEMSAN Metal Parca Imalat Limited		
Equity at average exchange rate:	1 TL	= 1.15014 EUR
Net income for the year's average exchange rate:	1 TL	= 1.15688 EUR
Berger Closing Rings (Changshu) Co. Limited		
Equity at average exchange rate:	1 CNY	= 1.12780 EUR
Net income for the year at year's average exchange rate:	1 CNY	= 1.12961 EUR
Berger US Inc. (formerly Self Industries Inc.) and Berger Hong Kong Limited		
Equity at average exchange rate:	1 USD	= 0.89292 EUR
Net income for the year at year's average exchange rate:	1 USD	= 0.89467 EUR

Development of capital assets

in the financial year 2019

CAPITAL ASSETS EUR	**Acquisition cost / Production costs**			
	As of 01.01.2019	Additions	Disposals	As of 31.12.2019
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	0.00	0.00	10,640.00
Total intangible assets	**10,640.00**	**0.00**	**0.00**	**10,640.00**
II. Property, plant and equipment				
Other plant, factory and office equipment	24,289.45	7,765.90	947.22	31,108.13
Total property, plant and equipment	**24,289.45**	**7,765.90**	**947.22**	**31,108.13**
III. Investments				
1. Shares in affiliated companies	34,990,864.82	12,930,000.00	325,564.59	47,595,300.23
Total financial assets	**34,990,864.82**	**12,930,000.00**	**325,564.59**	**47,595,300.23**
Total capital assets	**35,025,794.27**	**12,937,765.90**	**326,511.81**	**47,637,048.36**

Depreciations				Book values	
As of 01.01.2019	Additions	Disposals	As of 31.12.2019	As of 31.12.2019	As of 31.12.2018
10,639.00	0.00	0.00	10,639.00	1.00	1.00
10,639.00	**0.00**	**0.00**	**10,639.00**	**1.00**	**1.00**
19,476.45	3,852.90	947.22	22,382.13	8,726.00	4,813.00
19,476.45	**3,852.90**	**947.22**	**22,382.13**	**8,726.00**	**4,813.00**
2,528,038.77	0.00	299,999.00	2,228,039.77	45,367,260.46	32,462,826.05
2,528,038.77	**0.00**	**299,999.00**	**2,228,039.77**	**45,367,260.46**	**32,462,826.05**
2,558,154.22	**3,852.90**	**300,946.22**	**2,261,060.90**	**45,375,987.46**	**32,467,640.05**

Independent auditor's report

To Ringmetall AG, München

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

Audit opinion

We have audited Ringmetall AG's annual financial statements, comprising the balance sheet as of December 31, 2019, the income statement for the financial year from January 1 through December 31, 2019 as well as the notes, including a presentation of accounting and valuation methods. Furthermore, we have audited Ringmetall AG's summarized management report for the financial year from January 1 through December 31, 2019. In accordance with German legal requirements we have not audited the presentations included in the summarized management report's sections "Competitive strength and market entry barriers", "Sustainability report" and "Non-financial statement", the declaration on corporate governance contained in the summarized management report's section "Further statutory disclosures", and the legal representatives' responsibility statement contained in the summarized management report's section "Legal representatives' responsibility statement".

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

- the attached annual financial statements comply, in all material respects, with the requirements pursuant to German commercial law as applicable for corporations- and provide, in compliance with German generally accepted accounting principles, a true and fair view of the Company's net assets and financial position as of December 31, 2019, and of its profit situation for the financial year from January 1 through December 31, 2019, and
- the attached summarized management report as a whole provides an appropriate view of the Company's position. In all material respects, this summarized management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future developments. Our audit opinion on the summarized management report does not cover the content of the above-referenced presentations included in the summarized management report's sections "Competitive strength and market entry barriers", "Sustainability report" and "Non-financial statement", the declaration on corporate governance contained in the summarized management report's section "Further statutory disclosures", and the legal representatives' responsibility statement contained in the summarized management report's section "Legal representatives' responsibility statement".

Pursuant to Art. 322 Sec. 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the summarized management report.

Basis for our audit opinion

We have conducted our audit of the annual financial statements and of the summarized management report in accordance with Art. 317 HGB and the EU Audit Regulation (No. 537/2014, hereinafter referred to as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for the Audit of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; "IDW"). Our responsibilities under these requirements and principles are further described in the section "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the summarized Management Report" of our auditor's report. We are independent from the Company in accordance with the requirements pursuant to European law as well as German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

Furthermore, in accordance with Article 10 Sec. 2 lit. f of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 Sec. 1 of the EU Audit Regulation. We believe the audit evidence we have obtained is sufficient and appropriate in order to provide a basis for our audit opinion on the annual financial statements and on the summarized 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 fiscal year from January 1, 2019 through December 31, 2019. These matters were addressed in in connection with our audit of the annual 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:

- Valuation of shares in affiliated companies
- Recognition and valuation of receivables from affiliated companies

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

In the following, we will present these key audit matters:

A. Valuation of shares in affiliated companies

1.) The annual financial statements' balance sheet item "financial assets" shows shares in affiliated companies in the amount of KEUR 45,367. This corresponds to 62.6 percent of the balance sheet total.

    The shares in affiliated companies are subject to an annual impairment test in order to determine a possible depreciation requirement due to permanent impairment. The impairment test is carried out at the level of each legal entity. For that purpose, Ringmetall AG in a first step calculates an income value as well as an enterprise value using the discounted cash flow method (DCF method) on the basis of income and cashflow forecasts based upon a one-year detailed planning with simplified projection for the next four financial years and the perpetual annuity (terminal value). Such valuations' outcome largely depends on how the legal representatives assess the future cash inflows from customer relationships and on the applied discount rates. Thus, the valuation is subject to significant uncertainties. Against this background and due to the overall material impact of a possible impairment of financial assets on Ringmetall AG's net assets, financial position and profit situation and due to the large number of subsidiaries and the valuation's complexity, the valuation of shares in affiliated companies was of particular importance within the scope of our audit.

2.) As part of our audit of the financial assets' valuation, we examined, among other things, the impairment test's methodology and the determination of future cash flows' and income's present value. In doing so, we critically appraised the valuation's underlying valuation parameters and the planning, checked their plausibility and recalculated the result.

    By taking into account the available information, the valuation parameters and assumptions applied by the legal representatives are, from our point of view, altogether suitable for reviewing the financial assets' valuation. Overall, the underlying data and parameters represent an appropriate basis in order to identify a possible need for value adjustments.

3.) The Company's information on financial assets is included in the notes' sections "Accounting and Valuation Methods" and "Disclosures on Certain Balance Sheet Items and the Income Statement" and in the assets analysis.

B. Recognition and valuation of receivables from affiliated companies

1.) The Company's annual financial statements show receivables from affiliated companies in the amount of KEUR 26,294. This corresponds to 36.3 percent of the balance sheet total. Thus, receivables from affiliated companies form an substantial part of total assets. The assessment of the affiliated companies' creditworthiness and a comprehensive consideration of the related assessment of the affiliated companies' economic development, which is discretionary to a large extent, are thus of considerable importance within the scope of the valuation of receivables from affiliated companies and are thus also very important for Ringmetall AG's annual financial statements. In our view, such fact is of particular importance for our audit.

2.) Within the scope of our audit, we first of all reconciled the process of the balance sheet identity's verification and subsequently, by means of evidence-based audit procedures, the reported receivables' consistency with the relevant affiliated companies' corresponding payables.

    Furthermore, we reviewed the credit rating based upon the respective subsidiary's corporate planning and critically assessed the underlying planning and such planning's assumptions. At our discretion, we also reviewed the identification of potentially risky receivables.

    We consider the processes and assumptions made in order to evaluate the receivables from affiliated companies to be appropriate.

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

Other information

The legal representatives and the supervisory board are responsible for other information. Other information includes:

- the management board's report,
- the supervisory board's report,
- the declaration on corporate governance,
- the presentations in the section "Competitive strengths and market entry barriers" in the summarized management report,
- the presentations in the section "Sustainability report"
- the presentations in the section "Non-financial statement",
- the assurance pursuant to Art. 264 Sec. 2 sentence 3 HGB, given by the legal representatives to the best of their knowledge, that the annual financial statements provide a true and fair view of the Company's net assets, financial position and profit situation,
- however, not the annual financial statements, the audited disclosures in the management report and our related auditor's certificate.

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

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

- is materially inconsistent with the annual financial statements, with the summarized management report or our knowledge obtained during the audit; or
- otherwise seems to have been materially misstated.

Legal Representatives' and Supervisory Board's Responsibilities for the Annual Financial Statements and the Summarized Management Report

The legal representatives are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements pursuant to German commercial law as applicable to corporations and that the annual financial statements, in compliance with German generally accepted accounting principles, give a true and fair view of the Company's net assets, financial position, and profit situation. Furthermore, the legal representatives are responsible for such internal controls they have deemed necessary in order to enable the preparation of annual financial statements that are free from material misstatements, 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 to disclose, as applicable, matters related to the continuation as a going concern. In addition, they are responsible for financial reporting on a going concern basis unless otherwise required by actual or legal circumstances.

Furthermore, the legal representatives are responsible for the preparation of the summarized 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 in order to enable the preparation of a summarized management report in accordance with applicable German legal requirements and in order to be able to provide sufficient appropriate evidence for the statements made in the summarized management report.

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

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

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the summarized management report as a whole presents a true and fair view of the Company's position and is, in all material respects, consistent with the annual financial statements and the knowledge obtained during our audit, complies with German legal requirements and appropriately presents the opportunities and risks of the Company's future development, as well as to issue an audit certificate including our audit opinion on the annual financial statements and on the summarized management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Art. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for the Audit of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect any material misstatement.

Misstatements can arise from fraud or error and are considered material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and the summarized management report.

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

- identify and assess the risks of material misstatements in the annual financial statements and the summarized management report, whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting any material misstatements resulting from fraud is higher than for those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- obtain an understanding of the internal control system relevant for the audit of the annual financial statements and of arrangements and measures relevant for the audit of the summarized management report, in order to plan audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems;
- evaluate the appropriateness of accounting methods applied by the legal representatives and the reasonableness of estimates made by the legal representatives as well as the related disclosures;
- draw conclusions on the appropriateness of the going concern principle applied by the legal representatives and, based on the audit evidence obtained, whether there is a material uncertainty in connection with events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.
  If we conclude that there is a material uncertainty, we are required to draw attention in the audit certificate to the related disclosures in the annual financial statements 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 audit certificate. However, future events or conditions may cause the Company to cease 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 provide a true and fair view of the Company's assets, financial position and profit situation in compliance with German generally accepted accounting principles;
- evaluate the summarized management report's consistency with the annual financial statements, its conformity with German law, and its presentation of the Company's position;
- perform audit procedures on the prospective information presented by the legal representatives in the summarized 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 discuss with those charged with governance, inter alia, the planned scope and timing of the audit as well as significant audit findings, including any significant deficiencies in the internal control system 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 discuss 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 discussed with those charged with governance, we determine those matters that were of most significance in the audit of the current reporting period's annual financial statements and are therefore the key audit matters. We describe these matters in our auditor's certificate unless the matter's public disclosure should be precluded by any law or other regulation.

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 June 14, 2019. We were engaged by the supervisory board on January 20, 2020. We have been Ringmetall AG's auditor without interruption since the financial year 2017.

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

Responsible Auditor

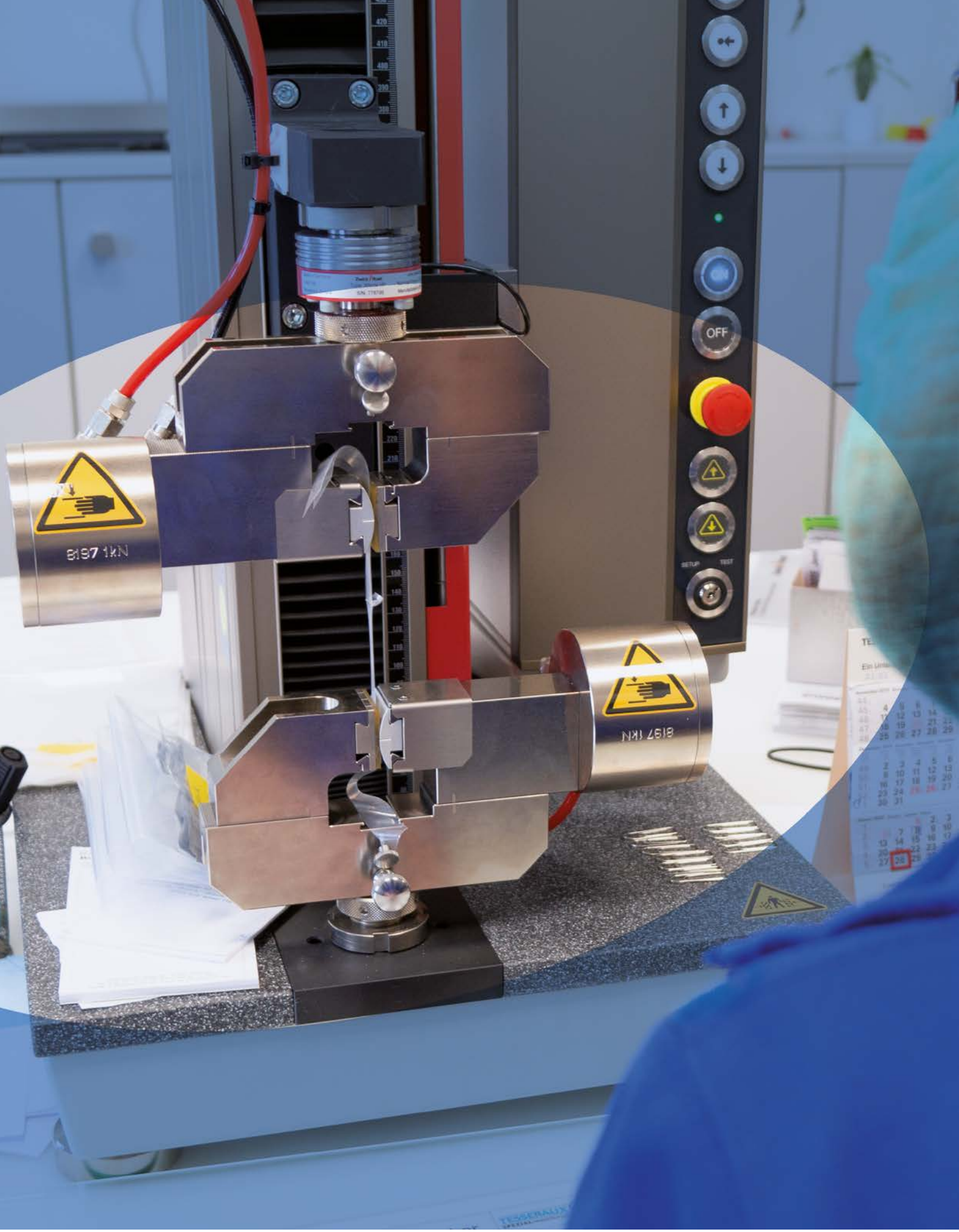
The auditor responsible for the audit is Ms. Andrea Meyer.

Nuremberg, 28 April 2020

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Edenhofer
German CPA

Meyer
German CPA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IMPRINT

Publisher:
Ringmetall AG
Innere Wiener Str. 9
81667 Munich
Phone: +49 89 45 220 980
Fax: +49 89 45 220 98 22
Email: info@ringmetall.de
Web: www.ringmetall.de

RINGMETALL AG
Innere Wiener Str. 9
81667 München

Telefon: 089 / 45 22 098 – 0
Telefax: 089 / 45 22 098 – 22
E-Mail: info@ringmetall.de