Annual Report 2015

CORPORATE DIARY

Quarterly release 2016		13/05/2016
Annual General Meeting	Hanover	25/05/2016
Half-Year Report 2016		11/08/2016
Nine-monthly release 2016		14/11/2016
Analysts' Conference		21/11/2016

KEY FIGURES

In EUR '000s	2015	2014	2013	2012	2011
Sales revenues	70,616	57,020	79,819	78,875	86,252
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	2,136	(12,639)	2,427	(7,281)	(4,769)
Operating result (EBIT)	(396)	(14,872)	(314)	(10,275)	(16,090)
Earnings before taxes (EBT)	(2,248)	(16,259)	12,034	(12,868)	(17,194)
Consolidated earnings	(2,933)	(12,020)	7,541	(12,698)	(18,970)
Earnings per share (in euros)	(0.27)	(1.13)	0.81	(1,49)	(2,23)
Contribution margin (per cent*)	38.3	36.3	40.3	42.9	37.5
Cash flow from operations	6,656	(1,909)	185	(1,378)	(2)
Number of employees (on average)	404	423	422	475	497

** (sales - material expenses +/- inventory changes) to sales revenues*

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Foreword

Thomas Dibbern //

Chairman of the Board of Management and CEO
METRIC mobility solutions AG

Dear Readers,

The consistent reorientation of our Company, expressed by its being renamed to trade as METRIC mobility solutions AG at the 2015 Annual General Meeting, was successfully continued in the financial year 2015. This is also reflected in the Group's development in terms of its business management:

- in the financial year 2015, the METRIC Group recorded a significant increase in sales of EUR 13.6 million, or 24 per cent, to EUR 70.6 million year-on-year (2014: EUR 57.0 million).

- For the year 2015 as a whole, it was possible to achieve the objective of a nearly balanced operating result of -EUR 396 k. This represents a substantial improvement in the operating result by EUR 14.5 million year-on-year. Non-recurring effects in the form of negative exchange rate trends of the US dollar as well as unplanned expenditure on settling a legal dispute in the US prevented a significantly better operating result.

This development has enabled the METRIC Group to meet expectations and to make further progress on its consolidation path.

The Group's significant increase in sales revenues is equally attributable to the positive development of the METRIC DE segment and the METRIC UK segment.

The Public Transport and Retail & Logistics business units (both METRIC DE) developed positively in the financial year 2015 thanks to successful product rollouts of new developments "metric.mobile POS" as a mobile terminal for Deutsche Bahn (German Rail) as well as "metric.allegro LSi" as a mobile data capture device in the retail sector. Accordingly, for 2015 the METRIC DE segment reflects an increase in sales revenues of EUR 7.5 million, or 20 per cent year-on-year (EUR 45.8 million in 2015 compared with EUR 38.3 million in 2014).

The Parking Systems business unit (METRIC UK) managed to continue its expected positive development in the financial year 2015. With EUR 25.5 million in sales revenues in 2015, business was boosted by EUR 5.1 million year-on-year (2014: EUR 20.4 million). Adjusted for currency effects due to the strong British pound sterling compared with the previous year, this results in robust growth of 13 per cent year-on-year.

The return of the METRIC Group to positive earnings territory is also due to positive developments of both segments and is based on the one hand on the significant increase in sales revenues thanks to product innovations and, on the other, on a further sustainable cost reduction.

In 2015 it was possible to reduce material costs significantly year-on-year. The material cost ratio (material expense divided by total performance) amounted to 57.7 per cent in 2015, down on the value of 2014 by four percentage points (previous year: 61.7 per cent). This decline is primarily due to the substantial reduction in costs of external staff in development and project management. In 2015, it was possible to lower these to as little as EUR 1.4 million, down on the previous year's level by EUR 1.8 million (2014: EUR 3.2 million). METRIC DE purchased a large percentage of materials on a US dollar basis, especially in 2015. Owing to the significantly stronger dollar in 2015 year-on-year, this resulted in a negative exchange rate impact amounting to approx. EUR 1.5 million. The material cost ratio adjusted for currency translation effects thus decreased by approx. six percentage points.

It was also possible to achieve a significant reduction of EUR 1.8 million in Group personnel expenditure year-on-year (2015: EUR 21.1 million; 2014: EUR 22.9 million). The reduction in personnel expenditure results from substantial savings in personnel costs at METRIC DE, in tandem with a simultaneous, selective personnel build-up at METRIC UK to underpin the prevailing growth trend. The number of employees (on average) declined from 423 to 404 in the same period despite significant sales revenue growth and substantial investments in innovative developments. This productivity increase launched is of immense significance for METRIC's future commercial success.

Thanks to stringent cost management, it was possible to reduce "other expenditure" by EUR 3.1 million, or 20 per cent (2015: EUR 12.7 million; 2014: EUR 15.8 million). Savings were achieved in all key business units, such as services, motor vehicle costs and dispatch – in particular, however, due to a substantial reduction in legal and consultancy costs, by EUR 3.0 million, also thanks to the finalisation of critical legacy projects in 2014 (2015: EUR 1.0 million; 2014: EUR 4.0 million).

METRIC consistently continued the level of capex investment activity in 2015. Extensive new product developments (metric.allegro LSi, metric.mobile POS, metric.smart Qube, metric.smart Fare, metric.sprite and extensive software applications for back office and ticket sales) led to an increase in intangible assets by EUR 4.2 million (2015: EUR 11.4 million; 2014: EUR 7.2 million). These developments enable METRIC to secure its competitiveness and future market success at home and abroad.

The financial liabilities of METRIC mobility solutions AG to banks were fully repaid. On 30 April 2015, a company of Droege International Group AG (METRIC main shareholder) acquired the total credit receivables of banks from METRIC mobility solutions AG, amounting to EUR 8.5 million. Long-term liabilities to affiliated companies amount to a total of EUR 11.5 million.

In addition, on 18 March 2016 METRIC mobility solutions AG extended a merchandise credit facility that was originally limited until 31 December 2016 with its main supplier Zollner Elektronik AG with a volume of up to € 12.0 million. From the effective date 1 January 2017, the existing merchandise credit facility will continue to be kept as an interest-bearing loan subject to the usual terms and conditions prevailing on the market. The loan amount is repayable as of 2017 in annual instalments of 25 per cent of the respective EBITDA of METRIC mobility solutions AG – at least, however, in the amount of EUR 2.0 million.

The acquisition of the bank loans by Droege International Group AG and the early conversion of the merchandise credit facility into a loan from the main supplier, Zollner Elektronik AG, document the long-term commitment of the majority shareholder and the level of trust and confidence of the main supplier Zollner Elektronik AG in a positive strategic and operational corporate development of METRIC mobility solutions AG. These two arrangements mean that the financing of the METRIC Group is secured on sustainable, long-term basis if business proceeds as planned.

The order portfolio of the METRIC Group as at 31 December 2015 amounts to EUR 33.1 million, substantially down on the previous year's level of EUR 53.4 million. This substantial decline is based on the cyclical project business and is primarily due to the delivery, in full, of the large-scale metric.mobile POS order placed by Deutsche Bahn (German Rail) in 2015, amounting to over EUR 15.0 million. The primary focus on the acquisition of new orders, projects and customers – in particular in the field of public transport – therefore is of paramount importance and will shape and characterise the operational corporate governance of the METRIC Group in 2016.

The METRIC Group will also continue to concentrate on its three key fields of activity, namely "Public Transport", "Retail & Logistics" and "Parking Systems". The product business geared to stability in the business field Retail & Logistics as well as the after-sales-oriented solution business in the Parking Systems business unit represent an ideal supplement to the project business in Public Transport operations. These industry segment-oriented activities will be augmented by the further development of METRIC's very own expertise in the field of innovation and developing "pioneering solutions". In future, METRIC will also offer its services as part of a fourth field of activity, namely "Solutions & Innovation" as a solution partner outside the three existing vertical markets.

On the whole, in financial year 2015 the METRIC Group made further substantial progress with consolidating and optimising its corporate activities. Confidence-building factors for the further success of the METRIC Group include the positive feedback from customers on the operational deployment of the product generations "metric.mobile POS" and "metric.allegro LSi" newly launched on the market in 2015. For the mobile data capture device metric.allegro LSi, a further significant new customer was already acquired in the retail sector as early as the first quarter of 2016.

With a complete ticketing solution for public transport utilities consisting of state-of-the-art cloud-based software and the new developments metric.smart Qube (ticket printers) and metric.smart Fare (validators), METRIC is very well positioned for the international public transport business in the bus operation field – especially for the markets in the UK and Ireland. The new development of the ticket vending terminal metric.sprite finalised in Q1 2016 also extends METRIC's product portfolio decisively and facilitates international distribution activities and continual growth in the business field of parking systems. Moreover, international demand for ticket vending terminals has increased, and METRIC's positioning is first-class with the newly developed metric.station and the associated software applications for the back office and ticket sales.

In addition to the acquisition of new orders, projects and customers in the cyclical project business, the primary focus remains on consistent efficiency enhancements. METRIC will continue to concentrate its efforts initiated in 2015 to reduce the level of material costs by means of further optimisations in the field of procurement in 2016. The objective is to cut material costs in the lower single-digit millions range. It goes without saying that strict cost management will continue in relation to other expenditure – along with careful management of personnel costs.

For the financial year 2016, we expect sales revenue growth adjusted for currency translation factors in the lower single-digit [million] range in comparison with the previous year. The lion's share of sales revenues in 2016 will be generated with products newly launched on the market, the development of which was only finalised in 2015 and which are still to be finally produced in 2016. These moderate business expectations and the ongoing efforts to reduce structural costs lead us to expect an operating result (EBIT) in the low single-digit million range for the financial year 2016.

A policy of sustainable capex investment in the development of new products will form the basis for moderate sales revenue growth in 2017 and the years beyond. The simultaneous implementation of the "design-to-cost" approach will ensure that the Company's earnings capacity is boosted by the new products. A key element of this concept is the Company's orientation ranging from fully customer-specific, individually tailored solutions all the way through to standard products and components that can be flexibly, speedily and cost-effectively adjusted to the relevant customer needs from time to time.

Based on sales revenue growth and the implementation of the "design-to-cost" approach, according to today's planning statistics the operating result will undergo substantial positive development in 2017 and the years beyond. These prospects provide our customers and employees with the desired level of stability and the long-term, successful development of METRIC. We will continue to be accompanied and supported on this path by our main shareholder, Droege International Group AG.

Hanover, April 2016

Board of Management

Report of the Supervisory Board

Dear Shareholders,
Dear Readers,

In 2015, the METRIC Group met all expectations with a significant increase in sales revenues and an almost balanced operating result (EBIT) and made progress along the route to a comprehensive strategic reorientation. What also became visible to the outside is the ongoing reorientation following the renaming of Hoeft & Wessel Aktiengesellschaft to trade as METRIC mobility solutions AG. What is of even greater importance, however, is the achieved reinforcement of competitiveness as a prerequisite for the Company's future market success thanks to the successful implementation of new product developments.

The product developments completed in 2015 met with extremely positive feedback from large-scale customers in the course of their market rollout. Reinforced by these references, marketing will continue to be intensified in 2016. Investments in additional extensive product developments will also be continued with the necessary determination. As a result, key foundations were laid for the Company's future development.

Based on the expected sales revenue trends in the coming years amid ongoing cost reductions – in particular due to the implementation of the strategic “design-to-cost" approach in the field of development and the associated reduction in the cost of materials – development is expected to be positive. We will also continue to proactively support the METRIC Group’s reorientation.

Monitoring and consultancy of the Board of Management in the execution of business

In the financial year 2015, the Supervisory Board intensively followed and monitored the work performed by the Board of Management and dealt in particular with the operational development, the business strategy and policy as well as the current market, competitive, earnings and liquidity situation. The statutory rules and regulations, the articles of association and rules of procedure were consistently observed. In addition, self-imposed obligations were voluntarily adopted within the scope of the corporate governance code in place for a number of years now.

Beyond the institutionalised cooperation between the Supervisory Board and the Board of Management, the Chairman of the Supervisory Board and its members met on a regular basis with the Board of Management for talks to exchange information or for consultation purposes. The Supervisory Board requested regular briefings by the Board of Management and, where necessary, also at short notice by way of written reports and in the form of detailed discussions during Supervisory Board meetings. All the documentation supplied and requested was subjected to extensive inspection and audits. The Supervisory Board participated in decisions of fundamental importance to the company. With regard to transactions and measures of the Board of Management that required decisions on the part of the Supervisory Board in accordance with statute law, the company’s articles of association or the relevant rules of procedure, the Supervisory Board adopted resolutions during the course of its meetings, duly documenting the adoption thereof in the process. Following its downsizing to three members, the Supervisory Board has not set up any committees any longer and now exercises its tasks jointly. During the financial year 2015, the Supervisory Board held a total of six meetings. One meeting took place at headquarters of the British subsidiary. The other meetings were held on the Company's premises. Moreover, resolutions were also adopted by circulation procedure, and telephone conferences were held.

Key discussion points on the Supervisory Board

Besides consultancy and monitoring of the Board of Management with regard to the Company's business development, in 2015 the Supervisory Board devoted its attention to the following tasks in particular:

>>The operational and financial restructuring of the Company was intensively followed and monitored.

>>The development of the individual companies belonging to the Group as a whole was discussed on a regular basis.

>>Key topics in corporate policy terms were the subject of extensive discussions with the Board of Management. Resolutions by the Board of Management were approved following detailed discussion or supplementary activities were arranged for whenever the Supervisory Board believed this to be necessary.

>>Risks arising from the general development of the market and competition, from changes in legislation and demand as well as risks within the scope of the risk management system were discussed at length.

>>The permanent process for optimisation of the core business was consistently followed.

>>The operational and strategic financial, personnel and material cost planning activities as well as their realisation were discussed in detail.

>>The Company's financing and liquidity situation was a continual topic, with detailed discussions taking place on the measures to be taken by the Board of Management prior to approval.

>>As part of the organisation's own corporate governance, subjects like corporate compliance, the corporate governance report and the Company's compliance statement were discussed. In accordance with the statutory parameters, objectives for the proportion of women on the Supervisory Board and the Board of Management were discussed and adopted.

>>Using a structured process, a self-evaluation once again took place, resulting in an efficiency verification of the activities carried out.

Audit of the annual and consolidated financial statements

The auditor attended the Supervisory Board meeting at which the annual financial statements were discussed and also took part in the meeting of the Supervisory Board held by telephone conference, at which the annual financial statements were confirmed. The annual financial statements, the consolidated financial statements, the management report and consolidated management report for the year 2015 were audited by the auditor appointed and commissioned by the Supervisory Board, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, and issued with an unqualified auditor's certificate.

The auditing company issued a statement of independence of the auditors to the Supervisory Board in accordance with No. 7.2.1 of the German Corporate Governance Code; the Supervisory Board has no doubts regarding their independence. The auditor could not confirm for the year 2015 that the Board of Management adopted the measures required in terms of Section 91 of the German Companies Act (Aktiengesetz) and that the early risk detection system of METRIC mobility solutions AG is suitable in principle to identify trends that might endanger the company's status as a going concern at an early stage. At the end of the financial year, the Company initiated measures to facilitate the further development of the existing system. These included both the preparation of a revised Risk

Management Manual and its first-time application in the form of a risk survey and assessment as at 31 December 2015. Following careful preliminary checks by its individual members, the Supervisory Board discussed the annual financial statements, the consolidated financial statements along with the management report and Group management report in detail. In doing so, the Supervisory Board dealt intensively with issues relating to accounting and risk management, independence of the auditors, their commissioning, the determination of key issues of the audit and the agreed remuneration payable.

The Supervisory Board agreed with the findings of the auditor's examination, having itself determined that there were no grounds for objections. The Supervisory Board approved the annual financial statements, the Company management report, the consolidated financial statements and the Group management report for the year 2015; as a result, the annual financial statements were adopted.

The report prepared by the Board of Management pursuant to Section 312 of the German Companies Act (AktG) on relations with affiliated companies (related parties report) was also audited by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft. In this regard, on 13 April 2016 the auditor issued the following audit certificate:

"According to our audit and assessment in accordance with our duties, we confirm that

1. The actual statements made in the report are correct,

2. In the case of the legal transactions listed in the report, the Company's performance was not unduly high."

The Supervisory Board dealt in detail with the related parties report and accepted the report by the auditor, containing essential findings of its audit. The auditor was also available to answer any questions raised by the Supervisory Board. Following a careful inspection of its own regarding the completeness and correctness of the audit, the Supervisory Board approved the audit findings by the auditor and came to the conclusion that there were no objections to the statement made by the Board of Management at the end of the report on relations with affiliated companies.

Changes to the Supervisory Board

At the end of the General Meeting held on 21 May 2015, Mr Christoph Hartmann resigned from his mandate as a member of the Supervisory Board. At the General Meeting of 21 May 2015, Mr Walter P. J. Droege was elected as his successor.

The Supervisory Board wishes to thank the Board of Management, the executives and employees for their loyalty to the Company, for their work performed and for their commitment and dedication in the year 2015.

Hanover, 13 April 2016

The Supervisory Board

Consolidated Management Report for fiscal 2015

A. Foundations of the Group

1. Vision and strategy

In the next several years, the METRIC Group plans to further develop from a supplier of software and hardware solutions for parking, ticketing and data capture systems into a provider of comprehensive system solutions in the fields of public transport, retail & logistics and parking. As a solutions provider for "Mobility as a Service" in the broader sense, in doing so the Company can proactively exploit the growing requirements in the field of mobility. The METRIC Group would like to develop and shape the intermodal transport of persons and goods as well as the associated services in the form of integrated management and through the networking of solutions. This also includes the capture, validation, consolidation and settlement of these streams of persons, goods and services across all systems.

To the METRIC Group, "Mobility as a Service" means gradually changing the business model from that of a supplier of products to an operator of systems solutions for customers. This operator model focuses on the performance of tasks measured in service levels. As a result, the investment burden of the customer is also spread across the total period of use, for which the service provider is gradually remunerated in the course of time. For customers, this means relief from tasks that do not belong to their core business, ensuring improved financial planning capabilities and balance sheet relief.

2. Business model, processes, organisation

METRIC mobility solutions AG, located in Hanover, with subsidiaries in Swindon (to the West of London) as well as in New Jersey in the US, is a producer of system solutions for the target markets of public transport, retail & logistics, and parking. Customers include branded companies, public organisations and municipalities in the segments of transport, retail, and logistics. The software and hardware solutions serve to capture, validate and process data. The key markets for corporate management are Germany, the United Kingdom and the other EU countries, Switzerland, the United States as well as other countries. Moreover, the METRIC Group provides dedicated after-sales services subject to service level agreements to be arranged. With its systems, the Company contributes towards improving efficiencies as processes are automated.

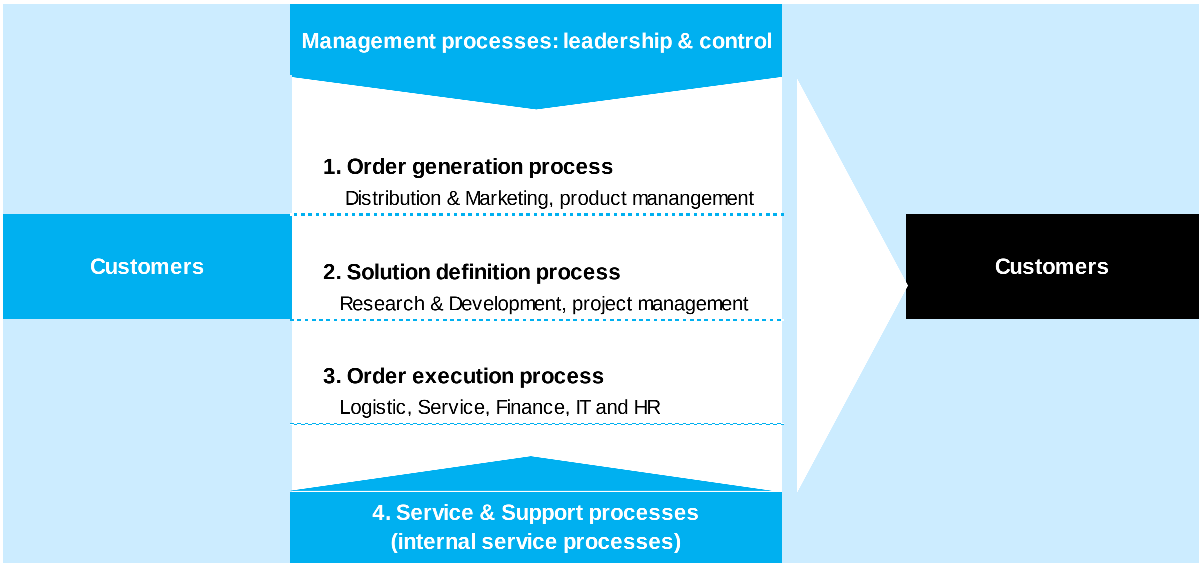
External manufacture of its products represents a key element of the business model of METRIC. In this context, the Company is responsible for the entire development effort, the close coordination and supervision of external production, and detailed quality control. The UK subsidiary operates its own final assembly facility for the manufacture of car park terminals.

In line with this business model, the METRIC Group focuses primarily on research & development. In Europe, the METRIC Group is one of about 600 companies whose R&D data is included in the EU Industrial R&D Investment Scoreboard. This study, conducted annually, covers about 3,000 companies worldwide.

In its work flows, the Group relies on a defined process model for guidance. It consists of the three core processes of generating orders, defining solutions and order execution, and it is supported by internal services and by management processes. The entire process model is characterised by a strong customer orientation. The structural organisation of the METRIC Group as a whole is defined along these three core processes. The three core processes are also reflected in the three areas of responsibility of the Board of Management:

- Sales, Marketing and Product Management (➔ Order generation)
- Research, Development and Project Implementation (➔ Solution definition)
- Logistics, Service, Finance, IT and Human Resources (➔ Order execution)

PROCESS MODEL



3. Product and solutions portfolio

Since its inception in 1978, the Company has developed further into a solutions specialist for data capture, validation and processing. With a dedicated product portfolio that is to be further extended, the Company provides comprehensive system solutions and services for the industry segments of public transport, retail & logistics, and parking systems. The METRIC Group, formerly trading as the Hoeft & Wessel Group, has earned a solid reputation for its individually customised solutions. Competence in developing tailor-made solutions to suit individual customer requirements is a further key characteristic of the Company. In recent times, however, the Company has undergone a noticeable evolution to also become a provider of flexible standardised solutions. These solutions are based on a series of modular products. In addition, synergies are generated across the three fields of business by adopting a “common parts” approach.

The business field Public Transport comprises the portfolio of all-in solutions for public and private transport companies, including management control and back office systems as well as ticket dispensing machines, mobile on-board systems and ticketing terminals. This field also covers the further development of the tried-and-tested ticket vending machine. A smaller vending machine and an on-board computer with an integrated ticket printer and validator for eTickets have been designed for installation in vehicles. In future, this on-board computer will also facilitate a new, simple form of electronic ticketing, where contactless credit cards can be used instead of paper-based fare tickets. A small, handheld control device makes it easier for conductors to check eTickets, and a device in tablet format represents a solution for mobile ticketing with a printer. The portfolio of solutions is rounded off by a back-office software package that manages communications with the central office and ensures speedy and effective further processing of the relevant data. Incorporating the VDV-KA, ITSO and Calypso standards, the ticketing systems from METRIC are ready for the future of eTicketing on an international scale. Moreover, a mobile system meeting the special requirements of shunting and construction operations has been developed from the ground up and is now available. In addition to data communications, voice communication via GSM-R is also supported. The features of this particularly secure and very robust system include the functionalities of data communication, telephony including group calls, remote control and order book, SMS handling, and emergency calls. The device is designed for use when wearing gloves or even “hands free”, and being built to withstand the conditions in a rugged environment, it can be reliably deployed outdoors.

The business field Retail & Logistics deals with data capture systems ranging from simple scanners all the way through to tablets with large-format printers. The product range is suitable for applications in the field of merchandise management, shipment tracking as well as transport and storage logistics and field services. These devices allow complex information to be captured simply and speedily, and then processed and presented in an easy-to-read form. Equipment options include all radio transmission standards, various display sizes as well as imagers, laser scanners and RFID readers for barcodes, text and RFID tags. Supported operating systems are various versions of Windows as well as Android. The portfolio is complemented by development frameworks for developing custom software, and an equipment management system for the back office which facilitates the automatic configuration and installation of handheld devices. As a result, the effort and expense in the deployment of new device can be reduced substantially.

The business segment Parking Systems offers a range of modern car park terminals that allow payment to be made using all the payment options currently in use on the international market. The car park terminals are controlled via a central, web-enabled parking management system run from the back office. The product range is rounded off by ticketless parking systems based on number plate identification (referred to as LPR systems) as well as barrier systems (referred to as pay-on-foot systems). The latter are sourced from the provider Amano. Via its subsidiary METRIC mobility solutions AG, this makes METRIC Group Ltd, UK a provider of complete parking management solutions.

4. Employees

In the financial year 2015, the METRIC Group had an average of 404 employees, including apprentices and trainees (previous year: 423). Roughly one third of the workforce is engaged in Research & Development. This illustrates the particular expertise of this group of companies: the development of technologically sophisticated software and hardware. Accordingly, a large number of IT specialists and engineers are employed by the Company. In the METRIC DE segment, METRIC has an extensive and sophisticated vocational training programme in place, with 13 apprentices and trainees at the end of 2015. There are also students who benefit from interesting vocational training prospects as part of a dual study programme. Since 1999, the Company has been co-operating with a technical and business college, the *Fachhochschule der Wirtschaft (FHDW)*, offering practical phases or internships to students majoring in information science, business information science, and mechatronics. Internships allow students in particular to gain a first impression of the Company.

METRIC mobility solutions AG will continue to expand its vocational training activities in 2016 and give additional apprentices and students the opportunity of engaging in attractive vocational training options.

5. Service

With a share of about a quarter of Group sales revenues, services rendered within the scope of the after-sales offering for customers again reflected the importance and the sustainability of this business field in 2015. The absolute sales volume from services rendered in the year under review amounted to approx. EUR 18 million, falling slightly short of the previous year's figure of around EUR 20 million. Customers consider services to be an integral element of systems solutions, as they guarantee a high level of investment protection. Contracting partners expect individually tailored, reliable services that ensure the uninterrupted availability of the systems in question.

6. Control system

The control system is an integral part of the controlling process in place within the METRIC Group. It comprises regular monitoring, with a particular focus on the financial performance indicators by means of which the METRIC Group is controlled. The key financial performance indicators in this context are sales, the operating result (EBIT) and the EBIT margin (EBIT/sales).

For the financial year 2014, the METRIC Group also implemented important non-financial performance indicators for the first time. To this end, personnel figures are broken down into the fields of Research and Development (R&D), Supply Chain Management (SCM), Sales and Marketing (SM), Business Services (BS) as well as Training / Interns and METRIC Group Ltd. The Company plans to optimise the ratio of internal to external employees – particularly in development and project management – substantially in favour of the share of internal employees. This is to ensure that expertise acquired remains within the Company and the transfer of knowledge is ensured on a long-term basis.

In 2015, the performance indicators specified above reflected the following development compared with the previous year:

FINANCIAL PERFORMANCE INDICATORS

in EUR million	2015	2014	Change in per cent
Sales (IFRS)	70.6	57.0	23.9
EBIT (IFRS)	(0.4)	(14.9)	n/a
EBIT margin in per cent	-0.6	-26.1	n/a

The comparison with the values forecast in the previous year is shown in the following table. The changes to important financial and non-financial performance indicators are described in sections B 2 and B 3.1.

in EUR million	2015 (actual)	Forecast for 2015
Sales (IFRS)	70.6	"Growth in the lower single-digit range" (basis 2014: EUR 57.0 million)."
EBIT (IFRS)	(0.4)	"Return to positive earnings territory with a more or less balanced operating result"
EBIT margin in per cent	-0.6	“Corresponding improvement in the EBIT margin“

NON-FINANCIAL PERFORMANCE INDICATORS

in FTEs*	2015	2014	Change in per cent
R&D	110	128	(14.1)
SCM	60	73	(17.8)
VM	24	26	(7.7)
BS	21	26	(19.2)
Vocational training / Interns	13	13	0.0
METRIC mobility solutions AG	**228**	**266**	**(14.3)**
>> of whom external employees / freelancers	4	20	(80.0)
METRIC Group Ltd.	172	159	8.2
METRIC Group	**400**	**425**	**(5.9)**

* Full-Time Equivalents

in FTEs*	2015 (actual)	Forecast for 2015
R&D	110	"slight decline in
SCM	60	the individual
VM	24	segments
BS	21	of the METRIC
Vocational training / Interns	13	Group
METRIC mobility solutions AG	**228**	especially the field of
>> of whom external employees / freelancers	4	Ext. employees / freelancers
METRIC Group Ltd.	172	
METRIC Group	**400**	

7. Research and development

The Research & Development division constitutes an essential element of the technology enterprise. The group of companies continues to invest at least ten per cent of sales per annum.

Roughly one third of the workforce of the METRIC Group is engaged in research and development. The IT specialists and engineers located in Hanover and Swindon develop new hardware and software solutions, adapt solutions and systems to customers' requirements and write complex application programs. 2015 saw the continuation of the dedicated further development of successful product series for the target market retail & logistics. In addition, a new mobile terminal aimed at the public transport sector entered production on schedule, and a five-digit number of units was delivered to a major customer. For the METRIC Group this achievement represents a milestone on the road to a completely overhauled product presence in the established markets. This new product presence will be key in achieving significant improvements in our competitiveness in the medium term.

Research & Development cooperate closely with Sales in an effort to respond to the requirements of the market, the customers and our partners at an early stage. Participation at trade fairs as well as a sustained and focused dialogue with customers ensure that suitable solutions can be developed speedily and in a targeted manner.

Expenditure on Research & Development within the Group in the reporting year 2015 came to EUR 9.5 million (previous year: EUR 8.3 million). The share of total Group sales revenues accounted for by spending on research & development fell just short of the previous year's figure at 13.5 per cent (previous year: 14.5 per cent) as a result of the significant increase in sales.

During the financial year 2015, development costs amounting to EUR 5.1 million were capitalised; of this sum, roughly EUR 1.4 million was accounted for by product development at METRIC Group Ltd., UK. The extent of depreciation and amortisation of capitalised development costs amounted to EUR 1.6 million in 2015 (previous year: EUR 1.4 million).

B. Economic Report

1. General framework conditions

In 2015, the global economy only recorded moderate growth and was losing momentum over the course of the year. Negative influences emanated mainly from the emerging market countries. The total increase in Gross Domestic Product worldwide rose by 2.4 per cent in 2015 (previous year: 2.6 per cent). With a plus of 2.0 per cent, the proportion of growth in global industrial product contained in the total figure was comparatively modest. Fuelled by low energy prices and rising real incomes as well as lower rates of inflation, the increase in demand for consumer goods was the principal driver for global growth in 2015. The OECD growth forecast for the world economy in 2016 currently stands at 3.0 per cent.

The European Union recorded positive growth, rising from 1.4 per cent in 2014 to 1.8 per cent in 2015. The German economy grew only slightly, by 1.4 per cent, more or less in line with OECD expectations for 2016 (1.3 per cent).

For the METRIC Group, the target markets public transport, retail & logistics and parking systems were again of decisive importance in 2015. According to studies on future public commuter transportation in Europe, expenditure on public transport is expected to rise in the single-digit percentage range. This is being driven primarily by newer technologies within the scope of the extension of eTicketing operations. In the field of mobile data capture, industry experts likewise assume further growth, especially since business processes will be automated even further, making it possible to achieve substantial cost savings. In the parking segment, traditional markets like the United Kingdom appear to be increasingly saturated, yet there are still municipalities around the world that either plan to make greater use of revenues earned from parking fees or introduce them in the first place.

2. Business development

In the financial year 2015, the METRIC Group was able to record EUR 70.6 million in sales (2014: EUR 57.0 million), an increase of EUR 13.6 million, or about 24 per cent. A breakdown of the key sales markets reveals the following position:

BREAKDOWN OF SALES REVENUES

in EUR million	2015	2014
Germany	35.9	25.2
United Kingdom	22.8	19.1
Rest of the EU	3.8	8.4
Switzerland, the US and other countries	8.1	4.4
Total	**70.6**	**57.0**

Growth in the domestic market of Germany was driven by the scheduled delivery of a 5-digit number of mobile terminals to a major customer in the transport sector. Absolute growth in Germany, amounting to EUR 10.7 million, was mainly due to sales of the mobile terminal. Consequently, growth in the German market in percentage terms amounted to 42 per cent.

The United Kingdom also managed to almost draw level with the average growth recorded by the METRIC Group as a whole, with a 19 per cent increase from EUR 19.1 million to EUR 22.8 million.

In the wider international environment, a slight decline was recorded, however. At the same time, a renewed, marked decline in the rest of the EU of EUR 4.6 million (previous year's decline: EUR 9.9 million) was virtually offset by scheduled follow-on transactions with a major Swiss customer.

During the last financial year, the METRIC Group steadily continued the strategic reorientation towards becoming a product developer and supplier of flexible standardised solutions. Tailor-made customer solutions and the resulting project orders in the high single-digit and often double-digit million euro range continue to show a marked decline as a proportion of total orders received. At present the order portfolio only contains a single classic large-scale project. This naturally has a serious impact on the order portfolio on the balance sheet date, with the EUR 33.1 million falling short of the previous year's figure by EUR 20.3 million. At EUR 50.3 million, orders received in the financial year under review were also EUR 20.0 million below the previous year's level of EUR 70.3 million.

Compared with the project business and its large-scale orders and significant project durations, the product business necessarily results in low-volume order portfolios, yet with a much faster turnaround. For the first time in years, the orders received in the last financial year do not include a single order bigger than the low single-digit million range. While the value of orders received in 2015 was unsatisfactory overall, the product range for 2016 and subsequent years will result in a marked boost for this indicator. The trend towards smaller order portfolios with a much faster turnaround than in the past is set to continue, however.

3. Situation report

3.1 Earnings situation

At –EUR 0.4 million, the operating result (EBIT) of the METRIC Group for the financial year 2015 was almost balanced (previous year: -EUR 14.9 million). The operating result before depreciation and amortisation (EBITDA) was well inside positive territory once again at EUR 2.1 million, having fallen short in the previous year at –EUR 12.6 million. The METRIC Group thus reached its ambitious goal of achieving a near break-even operating result. In total the operating result (EBIT) improved by EUR 14.5 million.

The marked increase in sales by EUR 13.6 million to EUR 70.6 million, together with a boost in the contribution margin "CM I" (sales +/- inventory changes - material expenses) from EUR 20.7 million to EUR 27.0 million, contributed about EUR 6.3 million to the above-mentioned improvement in the operating result. The gross contribution margin (CM I divided by sales) rose by 2.0 percentage points, from 36.3 per cent in 2014 to 38.3 per cent in 2015. The increase in capitalised company-produced developments contributed a further EUR 3.0 million to the improved operating result.

Personnel expenses in the year under review came to EUR 21.1 million – as a result of restructuring measures commenced in 2014 – which was EUR 1.8 million below the previous year's figure of EUR 22.9 million) and thus in line with expectations. A substantial reduction of EUR 2.0 million was achieved in expenditure on external personnel for project management and development and other external staff, from EUR 3.6 million in 2014 to EUR 1.6 million in 2015.

In spite of higher sales revenues, other expenditure – netted with other income – was cut substantially by EUR 3.7 million, from EUR 12.6 million in 2014 to EUR 8.9 million in 2015. The renegotiation of the building lease resulted in income due to a waiver of previously deferred payments of EUR 560 k, which is reported under other operating income.

Depreciation and amortisation rose by EUR 0.3 million, from EUR 2.2 million to EUR 2.5 million. Given that the METRIC Group will continue to evolve into a provider of flexible standardised solutions, it can safely be assumed that there will be a marked increase in depreciation and amortisation of product developments required to be capitalised in the future.

Financing costs rose by about one third. This was due to the higher factoring volume and an increase in the average loan portfolio over the year for METRIC Group Ltd., UK. Net financial income for 2015 therefore amounted to –EUR 1.9 million, compared with –EUR 1.4 million the previous year. Pre-tax earnings amounted to –EUR 0.7 million as a result of positive pre-tax earnings for METRIC Group Ltd., UK, and deferred taxes for METRIC mobility solutions AG.

3.1.1 METRIC DE segment

The METRIC DE segment comprises the business unit of METRIC mobility solutions AG. METRIC DE is an established solutions provider for the business fields of public transport and retail & logistics in Europe. Sales revenues in this segment rose by EUR 7.4 million in 2015, to EUR 45.3 million (previous year: 37.9 million). This represents an increase of around 20 per cent. The main growth market here was Germany, where the METRIC DE segment was able to add EUR 10.7 million, to a total of EUR 35.8 million, thanks to a large-scale order for mobile terminals mentioned earlier (previous year: EUR 25.1 million).

In the United Kingdom, sales in the METRIC DE segment declined towards zero in 2015 according to plan, since the process of including service and repair work in the METRIC UK segment began as early as 1 July 2014. As a result, the sales volume in the METRIC DE segment in the United Kingdom declined by EUR 2.0 million to just EUR 0.3 million (previous year: EUR 2.3 million).

3.1.2 METRIC UK segment

The METRIC UK segment covers the business fields of activity of METRIC Group Ltd, UK. It focuses on the business field parking and includes the design, development, final assembly and worldwide distribution of car park terminals as well as the after-sales business in the form of maintenance, repairs and servicing for these products. In addition, the METRIC UK segment focuses on the further development of the British market for products from the METRIC DE segment for the public transport sector and handles the associated maintenance and repair work.

Sales revenues in the METRIC UK segment rose by EUR 6.2 million to EUR 25.3 million in the financial year under review (previous year: EUR 19.1 million), clearly dominated by the domestic UK market, where sales totalled EUR 22.5 million, an increase of EUR 5.7 million, or around 34 per cent (previous year: EUR 16.8 million).

3.2 Financial situation

In December 2014 the Company negotiated a merchandise credit facility with its main supplier amounting to EUR 12.0 million, which will be available to the Group until 31 December 2016. The interest rate on this merchandise credit facility was also lowered significantly to a medium single-digit percentage rate common on the market. On 18 March 2016, this merchandise credit was extended by converting it to a fixed-interest loan at terms common on the market, effective 1 January 2017 and cannot be terminated prior to 31 December 2018.

In 2014, a corporate entity related to METRIC mobility solutions AG granted to METRIC Group Ltd in parallel a loan amounting to EUR 3.0 million with a term to maturity until the end of 2017, and a further loan of EUR 0.7 million. The latter was extended in the financial year under review, so that the term to maturity will end on 29 April 2016.

On 30 April 2015, a company of the Droege Group granted METRIC mobility solutions AG a loan corresponding to its former bank lines (EUR 8.5 million) and at the same time acquired all of the Company's bank liabilities. Since then, the METRIC DE segment has no longer carried any liabilities to banks. All accounts held with the remaining commercial banks are maintained on a non-borrowing basis.

With the start of the delivery of the large-scale order for mobile terminals in June 2015, which lasted until well into December, and sales of which were pre-financed by factoring immediately upon invoices being issued, the Company's liquidity situation eased noticeably. Nevertheless the merchandise credit facility from the main supplier needed to be utilised in full, and in December 2015 it was overdrawn by about EUR 2.2 million. Total short and long-term liabilities of the METRIC Group on the balance sheet date amounted to EUR 60.7 million, an increase of EUR 9.3 million, or 18 per cent (previous year: 51.4 million). In 2015 the Company continued to invest in in-house and external development, and intangible assets rose by EUR 4.2 million from EUR 7.2 million in 2014 to EUR 11.4 million, in a situation where even though the operating result showed significant improvement, the bottom line was still a loss for the year 2015 of EUR 2.9 million which needed to be compensated for.

This means that the financing leeway of the METRIC Group is still very tight in 2016, although the Group's funding is secure until 31 December 2018 if business performance is according to plan.

Against this backdrop, the primary objectives of finance management are to plan, monitor and ensure the solvency of the Company.

3.2.1 Restructuring / Streamlining

The main emphasis of the restructuring and streamlining initiatives in 2015, in addition to a further optimisation of the personnel structure, was on the implementation and evaluation of the process enhancements defined in 2014, which cover the following corporate areas:

- Demand planning
- Procurement optimisation
- Reduction in superfluous repairs (DOA)
- Efficiency of repair centres
- Efficiency of storage / logistics
- R&D – Reduction of warranty costs (services)

- R&D – Reduction of warranty costs (materials)
- F&E – Increase in development efficiency

The implementation of the documented outcomes lead to an improvement in EBIT of EUR 14.5 million in 2015; of this, only EUR 9.3 million is attributable to the increase in sales. Personnel expenditure was reduced by EUR 1.8 million compared with the previous year, and for other expenditure – netted against other income – the cost reduction was no less than EUR 3.8 million, in spite of significant increase in sales revenue. Counteractive effects resulted from the increase in depreciation. In addition to this medium-term comprehensive restructuring plan, it was possible to obtain a "restructuring contribution" in the form of a waiver on previously deferred lease payments for the premises in Hanover for the amount of EUR 0.6 million in the year under review. This amount is shown under other operating income.

3.2.2 Capital structure

On the balance sheet date, the level of equity in the Group amounted to –EUR 7.0 million. The period result, amounting to –EUR 2.9 million, IAS 19 adjustments of –EUR 0.1 million, as well as a change in the currency compensation item amounting to EUR 0.5 million, produced negative Group equity as at 31 December 2015 amounting to EUR 9.5 million.

3.2.3 Investments

Investments by the METRIC Group predominantly relate to the field of research and development. During the financial year 2015, capitalised additions to property, plant and equipment as well as in-house developments amounted to EUR 6.3 million (previous year: EUR 4.1 million). With a total of EUR 0.8 million, only about 13 per cent of these investments is accounted for by furniture and fixtures as well as standard software (maintenance capex). Capitalised intangible assets amounted to EUR 5.5 million (previous year: EUR 2.9 million).

The increase in intangible assets reflects the Company's reorientation towards becoming a supplier of flexible standardised solutions and the associated development costs required to be capitalised (IAS 38). The increase recorded in the financial year under review occurred in parallel with a marked decrease in IAS 11 sales for production orders. While IAS 11 sales in 2014 still amounted to EUR 4.2 million, their volume declined to EUR 2.7 million in 2015. This trend is set to continue in 2016.

3.2.4 Liquidity

Cash flow from current operating activities was EUR 6.7 million, well above the previous year's figure of –EUR 1.9 million. The main driver for this change is the significant improvement in earnings in 2015.

Whereas the Company's funding in 2014 was provided through a capital increase and the loans mentioned earlier, in 2015 funding was ensured by means of the full utilisation of the merchandise credit facility and – from June through to December – the delivery and factoring of a large series of mobile terminals. For 2016, these same positive effects cannot be expected to occur, at least not in this order of magnitude. It will therefore be a matter of exploiting the optimised processes and the associated cost reductions consistently, and of managing liquidity requirements by means of the cash flow resulting from current business activities. It is therefore an absolute requirement that the METRIC Group can achieve all of its planning targets for the financial year 2016. Should it fail to do so, the

Company will end up in a situation where its very existence comes under threat, and from which it will not be able to recover on its own without access to additional sources of funding.

Cash flow from investing activities came to –EUR 6.3 million (previous year: -EUR 4.1 million). In the financial year under review, these investments were funded through the positive cash flow from current business activities. Cash flow from financing activities, at EUR 440 k, is well short of the previous year's value of EUR 5,981 k. The main reason for this is a capital increase measure carried out in the year 2014 amounting to EUR 2,507 k, and significantly lower borrowings.

Cash & cash equivalents rose by EUR 0.8 million, from EUR 1.2 million in 2014 to EUR 2.0 million in 2015.

3.3 Asset situation

Long-term assets increased by EUR 3.9 million during the financial year under review, from EUR 11.7 million to EUR 15.6 million. Intangible assets recorded a change of EUR 4.2 million in total, resulting from the above-mentioned development costs that are required to be capitalised. Property, plant and equipment decreased moderately by EUR 0.2 million, from EUR 1.8 million to EUR 1.6 million, underscoring the low maintenance capex within the Group. Deferred tax assets, at EUR 2.6 million, were almost at the previous year's level of EUR 2.7 million.

Current assets increased by EUR 3.5 million, from EUR 32.6 million in 2014 to EUR 36.1 million in 2015, with inventory assets up by EUR 1.8 million to EUR 15.3 million on the balance sheet date of 31 December 2015 (previous year: EUR 13.5 million), and trade receivables rising by EUR 0.9 million to EUR 15.9 million (previous year: EUR 15.0 million) as a result of the growth in sales.

Total non-current liabilities amounted to EUR 22.3 million (previous year: EUR 18.5 million). The bank liabilities in 2014 were replaced by liabilities to affiliated companies in 2015. This item consists of two loans, one of EUR 3.0 million, granted to METRIC Group Ltd., UK, and another of EUR 8.5 million as a substitute for the forfeited bank lines of METRIC mobility solutions AG. Personnel-related provisions in the non-current segment declined by EUR 0.2 million, from EUR 10.1 million to EUR 9.9 million, on account of the valuation of pension commitments as at the balance sheet date.

Total current liabilities came to EUR 38.8 million, up substantially by EUR 5.9 million year-on-year (previous year: EUR 32.9 million). Trade payables in particular increased by EUR 7.3 million, from EUR 15.4 million to EUR 22.7 million, on account of the merchandise credit facility being utilised increasingly during the year under review. The short-term liabilities to banks only relate to METRIC Group Ltd., UK. They reflect the utilisation of a pre-financing line for trade receivables.

In the category of liabilities to affiliates, the METRIC Group reports an amount of EUR 3.3 million in the short-term segment. This amount is made up of a loan from a company of the Droege Group to METRIC Group Ltd., UK, for the acquisition of the Future Fleet software package in 2014 (EUR 0.7 million), and of deferred consultancy services (EUR 2.6 million) which a company of the Droege Group provided to METRIC mobility solutions AG.

Total assets of the METRIC Group increased by EUR 7.3 million in the last financial year, from EUR 44.3 million to EUR 51.6 million. The asset intensities in this context developed as follows:

ASSET INTENSITIES

in per cent	2015	2014
Asset intensity		
Fixed assets / total assets	25	20
Inventory intensity		
Inventory assets / total assets	30	31
Intensity of receivables		
Trade receivables / total assets	31	34

3.4 Summarised general statement by the Board of Management

According to the Board of Management, business development in the year 2015 has to be evaluated in a differentiated view. The sales targets were substantially exceeded. The return to positive operational earnings territory with a more or less even operating result was achieved thanks to a restructuring contribution of € 0.6 million. Based on current planning, EBIT will move well inside positive territory in subsequent years. In order to achieve improvements on a long-term basis, the Board of Management has implemented a continuous improvement process, in addition to the measures to boost sales and lower product costs already in place. The rigorous cost-cutting programme is planned to continue consistently.

C. Report on events after the balance sheet date

Through a loan agreement dated 23 February 2016, a company belonging to the Droege Group granted METRIC mobility solutions AG a short-term loan of EUR 2.2 million. The loan bears interest at standard market rates and is to be repaid in two instalments of EUR 1.1 million each, due on 30 June 2016 and on 31 July 2016, respectively. METRIC Group Ltd., UK became a party to the obligations under the loan agreement and is liable by way of this collateral promise next to the borrower pursuant to § 421 HGB for all current and future claims accruing to the lender from the above loan agreement to the borrower.

On 18 March 2016, METRIC mobility solutions AG prolonged a merchandise credit facility that was originally limited until 31 December 2016 with its main supplier Zollner Elektronik AG with a volume of up to € 12.0 million.

From the effective date 1 January 2017, the existing merchandise credit facility will continue to be kept as an interest-bearing loan subject to the usual terms and conditions prevailing on the market. The loan agreement cannot be terminated prior to 31 December 2018. Annual redemption payments will begin for the first time as at 30 September 2017. Repayment will be made in excess of a minimum amount, depending on the business success of METRIC mobility solutions AG.

D. Opportunities and risk report

1. OPPORTUNITY REPORT

The opportunities arising for the Company are identified through ongoing, targeted observation of the specialist markets of relevance to the Company, of the competitive environment and the general economic trends in key sales markets, and the results of this observation are included in the strategic considerations regarding the future development of the Company's portfolio of products and solutions.

The results of market research are collected and evaluated in the Product Management department and then made available to managerial staff. At the regular management meetings with the Board of Management and in management workshops, the findings are discussed, along with any action that may be required in response, and any potentials identified are included in the planning activities.

The largely completed internal reorganisation, involving the simplification of the organisational structure and the definition of clear process work flows, has produced a range of different opportunities for the Company stemming from the efficiency enhancements that have been achieved. This also includes the increased focus on the target markets public transport, retail & logistics and parking systems.

Other opportunities arise from the strategic further development already under way. The METRIC Group plans to proactively use the opportunities opening up along with the emergence of the mobility megatrend and evolve its current portfolio of solutions further in an effort to become a provider of services in the long run. This means a deepening of the value added chain.

In terms of procurement, the Company is reviewing the pricing structure of recent years and, as a precautionary measure, has lodged repayment (claw-back) claims in the millions.

In the next few years, the Company perceives increasing demand particularly for management, planning, control, information and ticketing systems. Contributory factors in this respect are current trends like urbanisation, growing environmental awareness, ever scarcer energy supplies but also the deregulation of the public transport system, resulting in a convergence with private motorised transport and rising mobility needs. As a result of these trends, an increasing political willingness to promote public transport is identifiable. This will lead to the global establishment and extension as well as a modernisation of public commuter transit systems.

On the whole, the Company anticipates an increasing trend towards the adoption of technological solutions and greater convergence with IT systems. Once the overall financial situation in Europe and across the globe has returned to normal, in the course of ongoing consolidation new competitors are also expected to emerge. This will then lead to further cost pressure on public-sector principals, along with outsourcing of services and a growing number of cooperative ventures, also against the backdrop of increasing calls for integrated, holistic solutions. All this will be accompanied by a further internationalisation of business. The METRIC Group will benefit from this trend in the next several years through its expertise in the field of contactless payment systems, amongst other factors.

2. Risk report

2.1 General

As a capital market-oriented company, pursuant to Section 91 (2) of the German Companies Act (Aktiengesetz – AktG), the parent company METRIC mobility solutions AG is required to describe the characteristics and features of the internal control and risk management system, including early identification of risks both in terms of the accounting processes of the consolidated companies and the Group accounting process.

At METRIC mobility solutions AG, risk management represents a corporate task involving the Company as a whole.

The Company perceives the risk management system as a support instrument that facilitates the systematic identification, evaluation and management of risks across all the Company's sub-segments.

In the financial year 2015, the full Board of Management completely revised the risk management system and intensified risk management overall.

In doing so, the overall process of risk management, consisting of:

- identification of risks
- systematic documentation of risks
- evaluation of risks
- making decisions as to how to limit the risks,

was revised. The aim was to put in place by the beginning of the financial year 2016 the foundations for a functional risk management system that has all the characteristics required to allow potential improvements identified during its practical application to be incorporated on an ongoing basis.

An initial version of a rewritten Risk Management Manual was produced at the end of 2015. As early as the preamble, the Manual puts the focus on the early identification of risks, something the management considers vital, especially in the early stages. The authors take the view that such early identification can only be ensured if it is within the remit of each and every one of the Company's employees.

The Manual depicts the categorisation of risks as follows:

1) Corporate risks
2) Industry sector and market risks
3) Financial risks
4) Tax risks
5) Other risks

Under these generally accepted risk categories, there are listings of the types of risk that are relevant to the Company, and it is these to which any individual risks identified are ultimately assigned. The term (individual) risk is defined as “a future event or potential development within or outside the enterprise that may have a negative impact on efforts to achieve the corporate objectives.” It is understood internally that this means nothing other than should such a risk eventuate, it would have a negative impact on earnings and/or liquidity.

All employees of the Company should be involved in the early identification of risks. Any risks identified will then be documented by the responsible department heads and project managers, who in turn report to the Risk Officer on the Board of Management. This process is to be put in place on a permanent basis. In addition, the Risk Management Manual proposes a Group-wide re-evaluation of risks to be carried out every six months – in other words, a kind of inventory of risks. This comprehensive re-evaluation is intended to take place in the second and fourth quarters in every financial year. This regulation is also to be tested in practice for the first time in the course of the year 2016.

As part of the revision of the risk management system and its associated processes carried out at the end of the financial year under review, the members of the Board of Management and all the department heads and project managers re-identified, described and re-evaluated the risks and then reported them to the risk management representative of the Board of Management.

Risks identified in this process are allocated to risk groups according to their assessed unweighted damage/loss potential (gross recording) and their probability of occurrence using clearly specified criteria.

Categorisation according to damage/loss potential is initially using five levels of classification:

Risk weighting		in EUR mn	
(Relevance)		2.0	(= underlying or base value)
Stage	Percentage		Impact
1	1 - 10	0.02 to 0.2	Insignificant risk; virtually unnoticeable change in EBIT
2	11 - 30	0.2 to 0.6	Medium risk; noticeable negative impact on EBIT
3	31 - 100	0.62 to 2.0	Significant risk; EBIT will be strongly affected
4	101 - 400	2.02 to 8.0	Serious risk; greater than EBIT
5	> 400	> 8.0	Existential risk

For every individual risk identified, there will also be a categorisation according to its probability of occurring:

Stage	Percentage	Probability
1	1 - 10	low
2	11 - 30	moderate
3	31 - 50	medium
4	51 - 75	high
5	76 - 100	very high

For all risks with a high weighting and/or a high probability of occurring (allocated to classes 4 and 5), the full Board of Management will make a decision as to how to proceed in each individual case.

Given the special characteristics of complex projects, which may include the complete new development of hardware and software, the Company identifies project-related risks separately and in detailed form. For all projects, the project manager compiles a monthly status report, and the major individual projects are discussed with the Board of Management based on that report. The status report contains a quantified risk assessment as well as a statement regarding the probability of occurrence. Newly identified risks that require quick action will be communicated between Sales, Product Management, Project and Development Managers, Quality Management and Purchasing on a weekly basis using a newly implemented circle of communication. This approach has already proven viable in practice and will therefore be included in the next revision of the Manual in the month of April 2016 in keeping with the goal of achieving continual improvements.

During the financial year 2015, the risk management system exclusively monitored risks. Systematic identification and monitoring of opportunities will take place twice yearly, in accordance with the regulation in the new RMS Manual, starting in the financial year 2016. The process of identification and documentation, evaluation and decision-making regarding the approach to be taken in order to exploit opportunities is identical to that for the early identification of risks. In addition, opportunities are discussed and documented in the quarterly information exchange for managerial staff, the "METRIC Council". The "METRIC Council" was also newly installed by the Board of Management in the financial year 2015; previously this body had not been included in the Risk Management Manual. This Council will in future be integrated into the risk management system of the Company.

The risk inventory list currently lists a total of three risk involving a potential loss or damage at level 4 (serious risk) and a probability of occurrence also at level 4 (high).

Specifically, the Company's risk inventory (as at December 2015) identifies the following individual risks behind this categorisation:

1) An agreement to extend an additional merchandise credit facility from the main supplier which is due to expire on 18 December 2015

2) Increasing fluctuation in the level of readiness for acceptance on the part of a number of major customers in spite of prior agreements regarding the number of total units

3) Adapting the Controlling systems to the newly defined processes can temporarily lead to delays in decision-making processes or in drawing up measures.

As already described in the Report on events after the balance sheet date, on 18 March 2016, we were able to come to an agreement with the main supplier regarding the extension of the merchandise credit facility for EUR 12.0 million. At the beginning of December, the merchandise credit had been fully exploited as a result of the growing volume of orders placed in 2015. In addition, an amount exceeding this limit by EUR 2.2 million was utilised without a contractual arrangement. It was possible to obtain a deferral for this amount until 31 January 2016. To repay the overdrawn amount, a company belonging to the Droege Group granted METRIC mobility solutions AG a short-term loan of EUR 2.2 million by means of a loan agreement dated 23 February 2016.

For major customers, demand planning for larger quantities of mobile devices is carried out during regular conversations, and purchase quantities are determined without any contractual commitment. This could lead to a situation where customers do not order the anticipated quantities as planned, but only over significantly longer periods, and not infrequently also at reduced quantities. Such a development can constitute an existential liquidity risk for the Company, on account of high inventories. The Company is now countering this trend by means of contractual agreements which record fixed purchase quantities and clearly specified delivery dates. Under "Delays in decision-making processes", the Company includes all risks liable to impact on the quality of earnings and liquidity planning that could potentially result from inadequate, superseded or belatedly updated parameters and master data. These include changes to purchase and sale prices as well as delays to projects that were recognised too late and which result in the postponement of the receipt of payments, and even penalties that may apply, whose order of magnitude – especially if unexpected or occurring at short notice – can cause considerable liquidity bottlenecks and even insolvency.

Existential risks can result from incorrect planning, especially in sales planning, financial planning (e.g., for expected pre-payments), from risk to large-scale projects and from unsuccessful restructuring and optimisation measures. In all these cases, additional sources of funding are or would be needed.

In coming years the continued existence of the Company depends vitally on the successful implementation of the restructuring and remediation measures, which in turn will have a bearing on whether the medium-term planning targets can be achieved. Should this endeavour fail, additional sources of funding will be needed.

It is against this backdrop that the risk management rates this complex of risks as capable of threatening the Company's existence and accordingly assigns it high ratings in terms of damage potential and probability of occurrence. In the financial year under review, the Company has boosted the number of staff working in Controlling.

The two individual risks with risk weightings (damage potential) 4 and probability of occurrence 3 and 2 represent either liquidity risks or subsequent risks and are based on the extension of the merchandise credit with the main supplier, which has since been agreed on, or – in the event of a failure – on the "going concern" being in jeopardy. This would have an immediate effect on suppliers and financial partners and would seriously weaken the Company's position.

For these reasons, the Board of Management set itself the following priority targets in its fundamental revision of the risk management system at the end of 2015:

- Immediate improvements in the early identification of risks

- Involvement of all of the Company's employees and raising awareness of the need for this instrument of corporate management

- Establishing a basis for the continual improvement of the implemented system in 2016 through its regular application and by adopting a "learning by doing" approach which, in turn, will significantly broaden acceptance within the Company.

These targets have been achieved already in part. The next steps to be taken have also been defined.

METRIC mobility solutions AG was granted certification according to the international quality standard DIN EN ISO 9001:2008 and thus delivered proof of a functioning Quality Management System (QMS) in the course of an independent audit. The mandatory QMS rules in place for all employees and divisions are recorded in the Quality Management Manual (QMM) and made available on the Intranet. The increased transparency of competences and procedures achieved through this minimises the risk of incorrect interpretations and assessments.

METRIC mobility solutions AG obtain certification in accordance with the environmental management standard ISO 14001. Moreover, the subsidiary METRIC Group Ltd, UK, successfully met the requirements laid down in ISO 27001 Information Security Management.

Starting in 2016, the risk management system described here constitutes the foundations for identifying, analysing and monitoring risks. On the whole, METRIC mobility solutions AG is exposed to risks within the scope of the project business in combination with the accompanying financing requirements. The Company operates without the customary bank credit lines. As a consequence, errors in planning, cancelled or reduced cash inflows – or unplanned cash outflows – can also lead to the need for additional sources of funding at short notice or in the short term. METRIC mobility solutions AG deliberately took entrepreneurial risks in the financial year 2015, but the risks were essentially acceptable.

2.2 Internal control and risk management system with regard to the consolidated accounting process

In addition to the risk management system relaunched in 2015 in readiness for 2016, the Company also has a control system with regard to the consolidated accounting process. The synchronisation between the two systems and the inclusion of the relevant control mechanisms, monitoring activities and measures in the Risk Management Manual represent the next step on the road towards an integrated internal control and risk management system.

In terms of accounting, the internal control system at METRIC mobility solutions AG is essentially based on measures that are integrated into processes.

In this context, manual process controls such as the proven “four-eyes principle” of simultaneous double checks constitute a material element of the process-integrated measures. The ERP system SAP already successfully introduced at METRIC mobility solutions AG a few years ago likewise allows a large number of automated checks of IT processes to be carried out. Similarly, specific Group functions such as Group Accounting and the newly established Group Risk Manager ensure that process-integrated and process-independent monitoring activities are in place at all times.

Moreover, the Supervisory Board of METRIC mobility solutions AG carries out process-independent monitoring activities and is seamlessly integrated into the internal control system.

As a component of the internal control system, risk management is geared towards identifying the risk of incorrect statements in the context of accounting as well as external reporting.

The recording of accounting activities of the foreign subsidiary is carried out within the scope of its local accounting system. The resulting data is then consolidated in the METRIC UK sub-group financial statements as part of a monthly report package and transferred to the SAP system of METRIC mobility solutions AG for consolidation purposes. METRIC mobility solutions AG is responsible for preparing the consolidated financial statements as well as for Group accounting at the location of Hanover. The reporting packages and annual financial statements of the English subsidiary are subject to an annual audit by the auditing firm commissioned to do so. This ensures, amongst other things, that the adjustment booking entries made by the subsidiary are correct in accordance with the International Financial Reporting Standards (IFRS). Group Accounting at METRIC mobility solutions AG is responsible for ensuring the adherence to uniform accounting and valuation principles in the financial statements.

Measures forming part of the internal control system which are designed to maintain the regularity and reliability of accounting ensure that business transactions are recorded in full and on a timely basis in conformity with the statutory regulations and provisions defined in the articles of association as well as internal rules. By means of appropriate instructions and established processes, the Company ensures that inventory-taking is duly carried out and that assets and liabilities are appropriately recognised. The fundamental separation of administrative, execution, settlement and approval functions reduces the possibility of inappropriate actions being taken.

The purpose of the Company’s internal control system in the context of financial reporting is to ensure with an adequate degree of certainty that financial reporting reflects a high degree of reliability and is in conformity with the generally accepted accounting principles. Owing to its inherent limits, in certain circumstances the internal control system for financial reporting may not prevent or identify all potentially misleading declarations in the annual financial statements. In particular, decisions based on personal discretion, deficient controls and criminal acts cannot be ruled out altogether in the process. This may give rise to restricted effectiveness of the internal control system, which means that even consistent application of the extensive rules cannot provide absolute certainty with regard to the correct, full and timely recording of facts and circumstances within the scope of accounting.

E. Outlook

In its December 2015 report, Deutsche Bundesbank assumes the following trends for the years 2016 to 2017:

The sluggish recovery in which the German economy has been for some time is set to continue. In 2016 the real Gross Domestic Product (GDP) is expected to grow by 1.8 per cent and by 1.7 per cent in 2017.

At present the growth in Germany's Gross Domestic Product is mainly driven by strong domestic demand.

In the euro area, economic activity continues to be hampered by structural problems. The rate of expansion in the emerging market countries will see little change; the real Gross Domestic Product in these countries will grow at about twice the rate compared with the advanced economies during the forecast period. A number of commodity-exporting emerging market countries do suffer from low commodity prices, however. All in all, Deutsche Bundesbank expects global economic production to grow by an average 3.75 per cent in the years 2016 and 2017.

METRIC mobility solutions AG exceeded its outlook for the financial year 2015 ("Sales revenue growth in the lower single-digit percentage range") in terms of sales. The earnings/EBIT forecast ("almost balanced operational earnings") was almost realised thanks to considerable improvements in earnings.

While the cost of materials ratio was lowered significantly compared with 2014, resulting in an increase in the "Contribution margin 1" in both absolute and in percentage terms, foreign exchange movements and a greater proportion of sales involving a higher proportion of material costs prevented the realisation of a positive operating result.

Against the backdrop of the large order for mobile terminals that contributed substantially to the growth in sales in 2015 and which needs to be compensated for in 2016, METRIC mobility solutions AG is budgeting for growth in sales in the lower single-digit percentage range in currency-adjusted terms. A large proportion of sales in 2016 will be generated by new products whose development was only completed in 2015 or will be completed in 2016.

A policy of consistently investing in the development of new products will form the basis for future moderate growth starting in 2017 and the years beyond. The simultaneous implementation of the "design-to-cost" approach will ensure that the Company's earnings capacity is boosted by the new products. The reduction of material costs – operatively and strategically – is one of the main objectives for the continued improvement of the operating result. An essential building block will be the shift away from entirely customised individual development projects, which are particularly prone to risks, towards standard components and products that can be adapted to individual customer requirements flexibly, cheaply and cost-effectively.

In light of these measures as well as the ongoing efforts to reduce structural costs, we anticipate an operating result (EBIT) in the low single-digit million range for the financial year 2016. Accordingly, the EBIT margin will be in the low percentage range.

Based on current planning, EBIT will move well inside positive territory in subsequent years.

In the non-financial performance indicator “Personnel by segments”, the Company had budgeted for a decrease in the individual segments of METRIC mobility solutions AG in the financial year 2015. The decrease was primarily aimed at the “External employees / freelancers” segment. The Company has met this forecast. The total number of employees in the Group has declined from 425 to 400 FTEs, and in the Company from 266 to 228 FTEs, a decrease of about 14 per cent. External workers contained in this overall figure dropped by as much as 80 per cent, from 20 to 4. For the year 2016, the Company is planning for a further reduction in the upper single-digit percentage range in the various segments of METRIC mobility solutions AG. METRIC UK segment, on the other hand, will increase slightly.

The measure is intended to produce a further cut in personnel costs. Moreover, the Company is planning to reduce the cost for external employees further compared with 2015. Naturally occurring fluctuations are also to be made use of by way of not necessarily filling all positions becoming vacant.

This management report contains forward-looking statements and forecasts. Such forward-looking statements are based on current expectations of the Company and on certain assumptions. Accordingly, they give rise to a number of risks and uncertainties. The business performance of the METRIC Group is affected by a large number of factors that are beyond the control of the Company. These factors can cause the actual results, successes and performance of the Company to differ substantially from the information on results, successes and performance expressly or implicitly contained in these forward-looking statements.

F. Further disclosures

1. Remuneration Report

1.1 Board of Management

In addition to fixed remuneration, the Board of Management of METRIC mobility solutions AG receives regular, variable remuneration that is dependent on the achievement of objectives. The non-performance-related share of remuneration is determined by the Supervisory Board in specific individual cases, taking account of professional experience, qualifications and performance. The fixing of the level of remuneration for the members of the Board of Management is based on the economic and financial situation of the Company, as well as the extent and structure of remuneration paid to management boards of comparable enterprises. In addition, the tasks and the contribution made by each member of the Board of Management are taken into account.

Non-performance-related remuneration comprises basic remuneration, benefits in kind and perquisites (company car, healthcare and insurance policies, accommodation costs). The basic remuneration is disbursed monthly in the form of a salary payment. Benefits in kind essentially consist of the value of using a company car in accordance with tax regulations and allowances paid towards insurance premiums.

The performance-related remuneration is paid on achievement of the performance targets. The maximum amount is capped in case targets are exceeded. In the event of target shortfalls of over 10 per cent, this remuneration component may even be forfeited altogether.

In the financial year 2013, 50,000 stock options were issued to a former member of the Board of Management in two tranches. Following the capital measures carried out in 2013, these provide for entitlement to the acquisition of 10,000 shares.

After the capital reduction of 4 September 2013 and the capital increase carried out as at 8 October 2013, the 200,000 stock options allotted to a further former member of the Board of Management in the past now carry an entitlement to the acquisition of 40,000 stock options. Effective 24 October 2015, 12,000 of these options expired.

No additional stock options were issued to the Board of Management in the financial year 2015.

Consequently the stock options remaining at the cut-off date amounted to 38,000.

No pension commitments have been made to the members of the Board of Management. No benefits from third parties were approved to the members of the Board of Management with regard to their activities as members thereof. If a member of the Board of Management dies during the contractual term, three monthly salaries will be paid by way of benefits to surviving dependants. In the event of illness, continued salary payment for the members of the Board of Management has been agreed for three months.

In presenting a table regarding the remuneration paid to the Board of Management, METRIC mobility solutions AG follows the recommendations by the Government Commission on the German Corporate Governance Code of 5 May 2015.

BENEFITS GRANTED

in EUR '000s.	Thomas Dibbern CEO Joined as at 02/07/2014				Günter Kuhlmann Member of the board of Management Joined as at 01/10/2014				Paul Lebold Member of the board of Management Joined as at 01/10/2014				Rudolf Spiller CEO Left as at 12/11/2014
	2014	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**
Fixed remuneration	90	240	240	240	45	180	180	180	40	160	160	160	483
Perquisites	4	15	15	15	4	23	23	23	-	20	20	20	21
Total	**94**	**255**	**255**	**255**	**49**	**203**	**203**	**203**	**40**	**180**	**180**	**180**	**504**
one-year variable remuneration	45	23	23	225	11	-	0	113	10	-	0	60	165
Multiple years variable remuneration	-	-	-	-	-	-	-	-	-	-	-	-	6
Total	**139**	**278**	**278**	**480**	**60**	**203**	**203**	**316**	**50**	**180**	**180**	**240**	**675**
Provident costs	4	7	7	7	2	7	7	7	-	-	-	-	16
Total remuneration	**143**	**285**	**285**	**487**	**62**	**210**	**210**	**323**	**50**	**180**	**180**	**240**	**691**

INFLOWS

In EUR '000s	Thomas Dibbern CEO Joined as at 02/07/2014		Günter Kuhlmann Member of the Board of Management Joined as at 01/10/2014		Paul Lebold Member of the Board of Management Joined as at 01/10/2014		Rudolf Spiller CEO Left as at 12/11/2014
	2014	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Fixed remuneration	90	240	45	180	40	160	483
Perquisites	4	15	4	23	-	20	21
Total	**94**	**255**	**49**	**203**	**40**	**180**	**504**
One-year variable remuneration	45	23	-	11	-	10	-
Multiple years variable remuneration	-	-	-	-	-	-	-
Total	**139**	**278**	**49**	**214**	**40**	**190**	**504**
Provident costs	4	7	2	7	-	-	16
Total remuneration	**143**	**285**	**51**	**221**	**40**	**190**	**520**

1.2 Supervisory Board

The remuneration of the Supervisory Board is governed by Art. 12 of the articles of association and is exclusively payable in the form of a fixed salary. With effect as of the beginning of the financial year 2014, each member of the Supervisory Board is to receive, in addition to refunds for out-of-pocket expenses, a fixed remuneration amounting to EUR 25,000.00 at the end of the financial year. The Chairman receives double this amount.

No payments were made to former Supervisory Board members. There are no commitments on the part of the Company to do so.

REMUNERATION OF THE SUPERVISORY BOARD

In EUR ‘000s	2015	2014
Dirk Ulrich Hindrichs	50	50
Christoph Hartmann (until 21/05/2015)	10	25
Johannes Feldmeyer	25	25
Walter P. J. Droege (since 21/05/2015)	15	-
Total	**100**	**100**

2. Share-related disclosures

The Company’s share capital at the balance sheet date is denominated in 11,046,737 no-par-value bearer shares, with each such share representing an entitlement to exercise one vote.

Since October 2013, via a subsidiary the Droege Group has been a majority shareholder of METRIC mobility solutions AG with a stake of 72.71 per cent. According to a notice of 11 February 2014 and, therefore, as at the balance sheet date 31 December 2015, Droege International Group AG has since held a stake of 75.001 per cent in METRIC mobility solutions AG via a subsidiary.

In accordance with the articles of association, the Board of Management consists of one or several persons. Deputy members of the Board may be appointed. In addition, the statutory regulations and provisions apply to the appointment and dismissal of members of the Board of Management (Sections 84, 85 of the German Companies Act (Aktiengesetz – AktG) and to any amendments to the articles of association (Sections 133, 179 AktG). At the Annual General Meeting held on 17 June 2010, the Company was authorised to acquire treasury shares up to a maximum amount of ten per cent of the capital stock. This arrangement was in force until 16 June 2015. The Board of Management was also authorised to redeem own shares with the consent of the Supervisory Board, without a further resolution of the Annual Shareholders’ Meeting being necessary in this regard. Beyond the disclosures in the Remuneration Report, no material agreements were entered into by the Company concerning the terms and conditions of a change of control following a takeover bid or any compensation arrangements with the members of the Board of Management or the employees in the event of such a takeover bid being made.

G. Declaration in line with the Corporate Governance Report

The principles of responsible and good corporate governance represent the framework for action on the part of the management and control bodies of the METRIC Group. In this declaration – pursuant to Section 289a of the German Commercial Code (Handelsgesetzbuch – HGB) (1) – the Board of Management reports, also on behalf of the Supervisory Board, on corporate governance and, as incorporated in accordance with par. 2 therein, submits (1) the declaration in conformity with Section 161 of the German Companies Act (Aktiengesetz – AktG), (2) information on corporate governance practices beyond those subject to statutory requirements and (3) a description of the working methods of the Board of Management and the Supervisory Board and pursuant to No. 3.10 of the German Corporate Governance Code. Effective corporate governance enjoys a high priority within the METRIC Group. Through its corporate governance, the METRIC Group ensures responsible management and control of the Company, geared to creating added value. The essential foundations are the German Companies Act (Aktiengesetz – AktG), the German Securities Trading Act (Wertpapierhandelsgesetz– WpHG) and the German Corporate Governance Code.

Pursuant to section 111 (5) of the German Companies Act and No. 5.4.1 of the German Corporate Governance Code (in the version of 05 May 2015), the Supervisory Board adopted at 30 September 2015 the following resolution:

"In relation to the proportion of women on the Board of Management and on the Supervisory Board of METRIC mobility solutions AG, the target will be set at 0 per cent. The deadline for achieving this proportion of women will be 30 June 2017."

Pursuant to section 76 (4) of the German Companies Act and No. 4.1.5 of the German Corporate Governance Code (in the version of 05 May 2015), the Board of Management adopted at 30 September 2015 the following resolution:

"In relation to the proportion of women on the two levels below the Board of Management of METRIC mobility solutions AG, the target will be set at 13 per cent. The deadline for achieving this proportion of women will be 30 June 2017."

1. Statement by the Board of Management and Supervisory Board in accordance with Section 161 of AktG, 15 EG AktG on the Corporate Governance Code

METRIC mobility solutions AG complies with the recommendations of the German Corporate Governance Code in the version of 05 May 2015 and will continue to do so in future, subject to the following exceptions:

- **Tasks and responsibilities (item 5.1.2)**

  The Supervisory Board has not defined an age limit for members of the Board of Management.

  When appointing members of the Board of Management, the decisive criteria are specialist expertise and personal suitability. An age limit has a restrictive effect on selection and is therefore not viewed as being in the Company's interests.

- **Setting up committees (No. 5.3)**

In view of the Supervisory Board's size (3 members), the Supervisory Board did not set up any committees and exercises relevant tasks jointly.

› **Composition of the Supervisory Board (No. 5.4.1)**

The Supervisory Board has not defined any specific target parameters for its composition, nor an age limit or rigid rules for membership of the Supervisory Board. For election nominations at the Annual General Meeting, the focus must only be on the specialist expertise and personal suitability of the candidates in question. Limiting the options for nominations by orientation to target parameters, fixed rules and an age limit is not viewed as being in the Company's interests.

› **Publication of the consolidated financial statements (No. 7.1.2)**

In the interests of efficiency, the Board of Management and the Supervisory Board decided to publish the consolidated financial statements in April.

Since the last declaration of conformity was issued in March 2015, METRIC mobility solutions AG (formerly Hoeft & Wessel AG) has been in compliance with the Code in its version of 24 June 2014, subject to the exceptions stated in the last declaration of conformity.

Hanover, 14 March 2016

The Supervisory Board of METRIC mobility solutions AG

The Board of Management of METRIC mobility solutions AG

(See also: http://www.metric-group.com/investor-relations/corporate-governance/entsprechenserklaerung)

2. Exceeding the statutory requirements, METRIC mobility solutions AG has formulated company guidelines on corporate governance practices, which are published on the company's website at www.metric-group.com

3. Description of working methods of the Board of Management and Supervisory Board

Shareholders and the Annual General Meeting

The shareholders of METRIC mobility solutions AG exercise their rights of co-determination and control at the Annual General Meeting held once a year. At this meeting, resolutions are adopted on all matters stipulated by law, with a final and binding effect on all shareholders and on the Company. Every shareholder is entitled to attend the Annual General Meeting if registered to do so in time. Moreover, the shareholders are entitled to have their voting rights exercised by a proxy, an association of shareholders or by the proxies stipulated by METRIC mobility solutions AG, who are bound by the company's instructions.

The Annual General Meeting 2016 is scheduled to be held on 25 May 2016. The invitation to the Annual General Meeting and the reports and information required for resolutions to be adopted are published in accordance with the rules and regulations of the German Companies Act and made available for download from the METRIC mobility solutions AG website.

Supervisory Board

The Supervisory Board of METRIC mobility solutions AG consists of three members elected at the Annual General Meeting for a term of five years.

The Supervisory Board elects a Chairman and a Deputy Chairman from its members.

The Supervisory Board appoints the members of the Board of Management. It advises and supervises the Board of Management in managing the Company and is engaged in all issues of fundamental importance to the company. Resolutions of material importance adopted by the Board of Management are subject to the approval of the Supervisory Board. The Board of Management informs the Supervisory Board comprehensively and on a timely basis in writing and at the regular meetings convened on the Company’s planning activities, business development and situation of the group of companies, including risk management and compliance matters.

Board of Management

In accordance with its articles of association, the Board of Management of METRIC mobility solutions AG consists of one or a number of persons. Being a managerial body, the members of the Board of Management are in charge of the Company’s business operations with the objective of creating sustainable value on their own responsibility and in the Company’s interests. The Board of Management briefs the Supervisory Board regularly, comprehensively and on a timely basis on all questions of relevance to business developments, planning, financing and the Company’s business situation.

Accounting and audits

The METRIC Group prepares its consolidated financial statements as well as the interim consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable in the European Union. The annual financial statements of METRIC mobility solutions AG are prepared according to German GAAP (Commercial Code – HGB). The consolidated annual financial statements are prepared by the Board of Management and reviewed by the Supervisory Board. Prior to publication, the Supervisory Board discusses the interim reports with the Board of Management.

The consolidated financial statements of the METRIC Group and the annual financial statements of METRIC mobility solutions AG are audited by the appointed auditing firm *PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft*, of Hanover. The audits were carried out in accordance with German auditing rules and regulations, subject to the generally accepted accounting principles established by the German Institute of Auditors (*Institut der Wirtschaftsprüfer – IDW*). The audits also comprised risk management to the extent prescribed by law. Moreover, it was contractually agreed with the auditor that he would notify the Supervisory Board without delay of any possible reasons for exclusion or a conflict of interests as well as of material findings and events during the course of the audit.

Transparency

METRIC notifies capital market participants and the interested public without delay, regularly and simultaneously about the business situation of the group of companies and any new developments as they unfold. The annual report and interim reports / quarterly releases are published, if possible, within the relevant periods laid down in this regard. Press releases and, where appropriate, ad-hoc reports are published to provide information on current events and new developments. All information is made available at the same time in German and English and is published in print as well as via suitable electronic media such as e-mail and the Internet. Moreover, the website www.metric-group.com provides extensive information on the METRIC Group and on the METRIC share price. In the Company calendar, the planned dates of key recurring events are announced, such as the Annual General Meeting or the publication of the annual report and the interim reports / quarterly releases. The Company calendar is also published on the website www.metric-group.com, with adequate advance notice.

Remuneration of the Board of Management and Supervisory Board

METRIC mobility solutions AG complies with the recommendations of the German Corporate Governance Code, which provide for the remuneration of the Board of Management and Supervisory Board to be disclosed on an individualised basis. The fundamentals of the remuneration systems and the remuneration itself are presented in the Remuneration Report as part of the Company's Management Report.

Risk management

Dealing responsibly with business risks is part of the fundamentals of good corporate governance. The Board of Management of the METRIC Group has comprehensive reporting and control systems in place across the Group and for specific businesses, which facilitate the recording, assessment and control of the risks in question. The systems are continually further developed, adjusted to changing fundamentals and reviewed by the auditors to the extent prescribed by law.

The Board of Management informs the Supervisory Board on a regular basis concerning existing risks and their development. Details on risk management in the METRIC Group are shown in the Opportunities and Risk Report as part of the Group Management Report in the 2015 Annual Report. This includes the report required in accordance with the German Accounting Law Modernisation Act (*Bilanzmodernisierungsgesetz – BilMoG*) on the accounting-related internal control and risk management systems.

Directors' dealings – trading of shares by Board members

Section 15a of the German Securities Trading Act (*Wertpapiergesetz – WpHG*) contains a rule applicable to all members of management bodies that is required to be complied with for certain securities transactions. Specifically, the purchase and sale of shares whose total value in relation to the total number of transactions entered into by the person required to report and by that person's closely related parties exceeds EUR 5,000 within a calendar year are required to be reported. Should this negligibility threshold be exceeded, then the members of the management bodies and/or their family members are obliged to file a report in writing within five days of contracting both to the issuer and to the German Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*). METRIC mobility solutions AG will publish these reports throughout Europe without delay and forward a record thereof to the BaFin.

Since October 2013, via a subsidiary the Droege Group has been a majority shareholder of METRIC mobility solutions AG with a stake of 72.71 per cent. According to a notice of 11 February 2014 and, therefore, as at the balance sheet date 31 December 2015, Droege International Group AG has since held a stake of 75.001 per cent in METRIC mobility solutions AG via a subsidiary.

The stock portfolio of members of the management bodies and their family members as at 31 December 2015 was as follows:

Stock portfolio of management body members

Board of Management:	
- Paul Lebold	10,000

Shareholders and related entities with a decisive influence:

Special Technology Holding GmbH	8,285,210

Compliance

METRIC mobility solutions AG is required to comply with legislation, ordinances, directives, contractual and self-imposed obligations. Accordingly, the Board of Management is required to ensure that the Company's employees obey the law, i.e. compliance. To this end, METRIC has set up an appropriate compliance organisation. METRIC mobility solutions AG perceives the need to act in a sustainable economic, ecological and social manner as a key element of its corporate culture.

Insider directives

Companies and their employees with access to insider information are required to comply with certain rules of conduct. It must be ensured that the information lead existing within the company, referred to as "insider knowledge", is not used for private benefits or passed on to any third parties. The objective in this regard is to ensure that the same information is made available to all investors at the same time in order to achieve maximum transparency on the stock market. In order to achieve this level of transparency in the market, various instruments have been enacted by the legislature, and METRIC mobility solutions AG is committed to observing and complying with these. Section 13 of WpHG contains a definition of the term "insider information" that directly affects the issuer itself. In accordance with Section 15b of WpHG, issuers must record the names of all persons with authorised access to insider information in an insider register and constantly update this register. METRIC mobility solutions AG has implemented this requirement.

Employees of METRIC are informed of new regulations enacted in good time before the relevant statutory amendments actually enter into force. Employees are given access to all information with regard to internal company insider directives and the prevailing legal situation via the internal corporate Intranet. In the event of any changes, employees are informed accordingly. Persons with special tasks and employees possibly dealing with sensitive information in performing these activities receive a separate information letter, the content and acknowledgment of which they confirm and undertake to comply with accordingly.

In addition, employees in managerial functions are required to implement the insider directives and to inform their designated members of staff accordingly. New employees in key positions are briefed in particular detail on the legal framework and terms when commencing employment.

They too are required to acknowledge the insider trading rules of METRIC mobility solutions AG and to commit themselves to compliance with these.

H. Dependency (related parties) report

In 2015, the relationship of METRIC mobility solutions AG to the entrepreneur Walter P. J. Droege was that of a dependent company; a subsidiary of Droege International Group AG was a controlling company in relation to METRIC mobility solutions AG pursuant to section 312 of the German Companies Act in the year under review. For this reason, in accordance with Section 312 (1) of the German Companies Act, the Board of Management of METRIC mobility solutions AG prepared a related parties report, which contains the following final statement: “The Board of Management declares that – according to the facts and circumstances known to it at the time at which legal transactions were entered into – in each legal transaction the Company received reasonable consideration and/or the benefits contributed by the Company were not unduly high.”

Hanover, 13 April 2016

Board of Management

Consolidated financial statements as at 31 December 2015

IFRS consolidated Financial Statement

CONSOLIDATED BALANCE SHEET AS OF 31/12/2015

ASSETS		31/12/2015	31/12/14
in EUR thousands	Note		
Non-current assets			
Intangible assets	(5)	11,375	7,240
Property, plant and equipment	(6)	1,614	1,766
Deferred tax assets	(7)	2,596	2,728
Total non-current assets		**15,585**	**11,734**
Current assets			
Inventories	(8)	15,329	13,529
Trade receivables	(9)	15,868	14,985
Cash and cash equivalents	(10)	2,012	1,185
Other assets	(11)	2,342	2,198
Other non-financial assets		513	683
Total current assets		**36,064**	**32,580**
Total assets		**51,649**	**44,314**

EQUITY AND LIABILITIES		31/12/2015	31/12/14
in EUR thousands	Note		
Equity			
Subscribed capital	(12)	11,047	11,047
Capital reserves	(12)	26,601	26,597
Accumulated retained earnings	(12)	(43,667)	(40,615)
Other comprehensive income		(3,521)	(4,077)
Total equity		**(9,540)**	**(7,048)**
Non-current liabilities			
Personnel-related provisions	(17)	9,941	10,116
Deferred tax liabilities	(7)	484	52
Liabilities due to banks	(14)	0	7,677
Payables due to related companies	(14)	11,500	0
Other liabilities		414	627
Total non-current liabilities		**22,339**	**18,472**
Current liabilities			
Provisions	(18)	1,326	2,550
Current income tax liabilities		190	19
Leasing liabilities		9	0
Liabilities due to banks		431	0
Trade payables	(19)	22,745	15,386
Payables due to related companies		3,326	4,553
Advance payments received		5,173	1,503
Personnel-related accrued/deferred liabilities		1,432	2,134
Other financial liabilities	(15)	2,728	4,909
Other non-financial liabilities	(20)	1,490	1,836
Total current liabilities		**38,850**	**32,890**
Total equity and liabilities		**51,649**	**44,314**

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DEZEMBER 2015

in EUR thousands	Note	2015	2014
Sales revenues	(24)	70,616	57,020
Inventory changes relating to finished goods and work-in-progress		184	549
Other company-produced add. to plant and equipment		5,080	2,177
Aggregate output		**75,880**	**59,746**
Other income	(26)	3,779	3,131
Cost of material and services procured		(43,777)	(36,897)
Personnel expenses	(25)	(21,050)	(22,870)
Other expenses	(27)	(12,696)	(15,749)
Operating result before depreciation and amortisation (EBITDA)		**2,136**	**(12,639)**
Depreciation and amortisation of property, plant, and equipment and intangible assets		(2,532)	(2,233)
Operating result (EBIT)		**(396)**	**(14,872)**
Financial income	(28)	14	7
Financial expenses	(28)	(1,866)	(1,394)
Net financial income		**(1,852)**	**(1,387)**
Earnings before taxes (EBT)		**(2,248)**	**(16,259)**
Tax position	(29)	(685)	4,239
Group earnings		**(2,933)**	**(12,020)**
Items subsequently reclassified through profit or loss provided certain requirements are met:			
Difference arising from currency translation		556	344
Cash flow hedges		0	0
Deferred taxes on cash flow hedges		0	0
Items not subsequently reclassified through profit or loss:			
Actuarial gains/losses from defined benefit pension plans		(151)	(2,183)
Deferred taxes on actuarial gains/losses from defined benefit pension plans		32	468
Other earnings		**437**	**(1,371)**
Total earnings for the period		**(2,496)**	**(13,391)**
Earnings per share in EUR (basic)	(13)	(0.27)	(1.13)
Earnings per share in EUR (diluted)	(13)	(0.27)	(1.13)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD FROM1 JANUARY TO 31 DECEMBER 2015

	in EUR thousands	2015	2014
	Group earnings	**(2,933)**	**(12,020)**
+/-	Tax position	685	(4,239)
+	Financial results	1,852	1,386
+	Depreciation of fixed assets	2,532	2,233
-/+	Earnings/loss from reduction of fixed assets	0	0
+/-	Increase/decrease in provisions	(1,224)	(2,266)
+/-	Rate effects with no impact on payments	(456)	(97)
-/+	Earnings/loss from impairments on receivables	(191)	154
-/+	Earnings/loss from impairments on inventories	(84)	(403)
+	Other non-cash item effects	(502)	(2,762)
-/+	Increase/decrease in inventories	(1,716)	595
-/+	Increase/decrease in trade receivables	(677)	7,706
-/+	Increase/decrease in other assets	(3)	(1,566)
+/-	Increase/decrease in other provisions	(175)	1,883
+/-	Increase/decrease in trade payables	9,128	5,876
+/-	Increase/decrease in payments received	3,670	(2,334)
+/-	Increase/decrease in other liabilities	(3,018)	3,991
+/-	Increase/decrease in other long-term liabilities	(214)	(46)
-	Payouts for income tax	(18)	0
=	**Cash flow from current operating activities**	**6,656**	**(1,909)**
-	Disbursements for investments in fixed assets	(6,270)	(4,051)
=	**Cash flow from investment activities**	**(6,270)**	**(4,051)**
-	Disbursements from amortisation of financial loans	0	0
+	Proceeds from borrowings	1,254	3,950
-	Disbursements for finance leasing	9	0
+	Interest received	14	7
-	Interest paid	(837)	(483)
-	Disbursements for dividens	0	0
+	Cash flow from capital increase	0	2,507
=	**Cash flow from financing activities**	**440**	**5,981**
	Decrease/increase in liquid funds	**826**	**21**
	Cash and cash equivalents at the beginning of the period	**1,185**	**1,169**
-	Changes in exchange-rate compensation item	1	(5)
	Cash and cash equivalents at the end of the period	**2,012**	**1,185**

PERFORMANCE OF SHAREHOLDERS' EQUITY FOR THE PERIOD FROM1 JANUARY TO 31 DECEMBER 2015

				Other equity			
in EUR thousands	Subscribed capital	Capital reserve	Retained earnings	Hedging activities	Currency reserves	Sum	Total
Status as of 01/01/2014	**10,197**	**24,934**	**(26,880)**	**0**	**(4,421)**	**(4,421)**	**3,830**
Currency difference from translation of entities abroad (including taxes)					344	344	344
Adjustments IAS 19			(1,715)			0	(1,715)
Other earnings	**0**	**0**	**(1,715)**	**0**	**344**	**344**	**(1,371)**
Earnings for the period			(12,020)			0	(12,020)
Total consolidated earnings	**0**	**0**	**(13,735)**	**0**	**344**	**344**	**(13,391)**
Isse of stock options		6				0	6
Capital increase	850	1,657				0	2,507
Status as of 31/12/2014	**11,047**	**26,597**	**(40,615)**	**0**	**(4,077)**	**(4,077)**	**(7,048)**
Status as of 01/01/2015	**11,047**	**26,597**	**(40,615)**	**0**	**(4,077)**	**(4,077)**	**(7,048)**
Currency difference from translation of entities abroad (including taxes)					556	556	556
Adjustments IAS 19			(119)			0	(119)
Other earnings	**0**	**0**	**(119)**	**0**	**556**	**556**	**437**
Earnings for the period			(2,933)			0	(2,933)
Total consolidated earnings	**0**	**0**	**(3,052)**	**0**	**556**	**556**	**(2,496)**
Isse of stock options		4				0	4
Status as of 31/12/2015	**11,047**	**26,601**	**(43,667)**	**0**	**(3,521)**	**(3,521)**	**(9,540)**

Consolidated Notes for the financial year 2015

1 Reporting unit

METRIC mobility solutions AG (hereinafter also referred to as: “the Company”, or collectively as “the Group”, including its subsidiaries) is a company domiciled in Germany. The Company is located in Hanover, Rotenburger Strasse 20.

METRIC mobility solutions AG is included in the consolidated financial statements of Droege International Group AG, Düsseldorf (smallest group of entities).

The consolidated financial statements include all subsidiaries in which METRIC mobility solutions AG holds majority voting rights. METRIC mobility solutions AG and its subsidiaries develop, manufacture and distribute hardware and software products in the following business segments:

METRIC DE

Ticketing and telematics for public commuter transport as well as mobile terminals and POS systems

METRIC UK

Systems for parking space management and services rendered within the scope of full-service agreements

The valuation method for inventories was changed during the financial year. The existing rules were modified as follows:

Storage period up to 1 year:	depreciation 0 per cent (previously: 0 per cent)
Storage period 1 to 2 years:	depreciation 50 per cent (previously: 50 per cent)
Storage period 2 to 4 years:	depreciation 80 per cent (previously: 100 per cent)
Storage period more than 4 years:	depreciation 100 per cent (previously: 100 per cent)

This change in the method used led to a positive impact on earnings in the amount of EUR 306 k in the year under review.

The Company is listed in the “Prime Standard” segment of the Frankfurt Securities Exchange. Its shares are traded under ISIN (International Security Identification Number) DE000A1X3X66.

Against the backdrop of the restructuring and streamlining initiated in 2012 and continued in 2015, the accounting and evaluation in the consolidated financial statements are made on the assumption of the company’s continued existence as a going concern.

2 Principles of preparing the financial statements

Disclosures on compliance

The Consolidated Financial Statements as at 31 December 2015 were prepared in conformity with the International Financial Reporting Standards (IFRS) adopted by the European Union by way of the endorsement process and released for submission to the Supervisory Board on 13 April 2016 by resolution of the Board of Management.

Standards applied for the first time in the year under review (mandatory disclosure in accordance with IAS 8.28):

Standard	Explanatory note	Application mandatory for EU as of	Effects on the consolidated financial statements of METRIC mobility solutions AG
IAS 40, IFRS 1, IFRS 3, IFRS 13	Annual improvements to IFRS 2011 - 2013 The changes essentially relate to clarifications regarding the recognition, posting and valuation	01/01/2015	Low

Standards already implemented under EU endorsements but not applicable in the year under review:

Standard	Explanatory note	IASB effective Date	Effects on the consolidated financial statements of METRIC mobility solutions AG
IAS 16, IAS 24, IAS 38, IFRS 2, IFRS 3, IFRS 8, IFRS 13	Annual improvements to IFRS 2010 - 2012 The amendments achieve adjustments to phrases intended to clarify existing rules and regulations. In addition, there are amendments with an impact on accounting, on recognition, on valuation as well as disclosures in the notes.	01/02/2015	Low
IAS 19, IAS 34, IFRS 5, IFRS 7	Annual improvements to IFRS 2012 - 2014 The amendments achieve adjustments to phrases intended to clarify existing rules and regulations. In addition, there are amendments with an impact on accounting, on recognition, on valuation as well as disclosures in the notes.	01/01/2016	Low
Amendments of IFRS 11	"Accounting for the acquisition of equity interests in a joint venture" Clarifications regarding the handling of additional acquisitions of equity interests in a joint venture.	01/01/2016	None

Standard	Explanatory note	IASB effective Date	Effects on the consolidated financial statements of METRIC mobility solutions AG
Amendments to IAS 1	"Disclosure initiative" Clarifications regarding the materiality of the presentation of line items in the balance sheet, the statement of comprehensive income, the cash flow statement and the statement of changes in equity.	01/01/2016	Low
Amendments to IAS 16 and IAS 38	"Clarification of acceptable depreciation / amortisation methods" The change clarifies which methods are appropriate for the depreciation and amortisation of property, plant and equipment and intangible assets	01/01/2016	Low
Amendments to IAS 16 and IAS 41	"Agriculture: fruit-bearing plants" Clarification on the accounting in relation to fruit-bearing plants	01/01/2016	None
Amendments to IAS 19	"Defined benefit plans: employee contributions" This amendment introduces an optional right regarding the accounting for defined benefit pension commitments in which employees or third parties participate with obligatory contributions.	01/02/2015	Low
Amendments of IAS 27	"Use of equity method in individual financial statements" The amendment introduces the option to account for investments in subsidiaries, joint ventures and associates in the separate financial statements using the equity method	01/01/2016	Low

Standards that have not received EU endorsement and are therefore not applicable as yet:

Standard	Explanatory note	IASB effective Date	Effects on the consolidated financial statements of METRIC mobility solutions AG
Amendments of IFRS 10, IFRS 12 and IFRS 28	Investment fund companies: "Application of consolidation exception for investment fund companies"	01/01/2016	None
Amendments of IAS 10 and IAS 28	"Sale or contribution of assets between an investor and an associated company or joint venture" Clarification regarding the sale or contribution of assets between an investor and an associated company or joint venture.	Outstanding (originally: 01/01/2016)	None

Standard	Explanatory note	IASB effective Date	Effects on the consolidated financial statements of METRIC mobility solutions AG
IFRS 9	"Financial instruments" IFRS 9 will replace IAS 39 in future. It will regulate the classification and valuation of financial instruments, accounting for impairments of financial assets and hedge accounting.	01/01/2018	Low
IFRS 14	"Regulatory accruals and deferrals" This standard sets out the principles for first adopters of IFRS subject to price regulations.	01/01/2016	None
IFRS 15	"Proceeds of contracts with customers" The standard replaces the contents of IAS 18 and IAS 11 and unifies the previous regulations	01/01/2018	High
IFRS 16	"Leasing" The standard replaces the previous standard on lease accounting IAS 17 as well as the interpretations IFRIC 4, SIC-15 and SIC-27. Pursuant to IFRS 16, balance sheet recognition of assets for the acquired rights of use and of liabilities for the received payment obligation must be carried out for the lessee in relation to all leases. Simplifications of application are to be granted for leased items of low value and for short-term leases.	01/01/2019	High
Amendments of IAS 7	"Disclosure initiative" Extended notes for the purpose of assessing the changes in liabilities resulting from the Company's financing activities.	01/01/2017	High
Amendments of IAS 12	"Recognition of deferred taxes on unrealised losses” The amendments relate to clarifications regarding the recognition of deferred taxes on unrealized losses arising from the fair value changes of debt instruments, which are recognised under other comprehensive income.	01/01/2017	Low

Foundations for valuation purposes

The consolidated financial statements were prepared in principle on the basis of the historical costs of acquisition. To the extent that the achievable amount is lower, amortisation and depreciation (impairment charges) apply. Financial instruments held for sale and financial derivatives are measured at market value.

Reporting currency

The consolidated financial statements have been prepared in euros. Amounts are shown in EUR 000s in order to improve the transparency and clarity of the consolidated financial statements.

Exercising discretion and uncertainties in making estimates

The preparation of the financial statements in conformity with the IFRS commits Management to make certain estimates and discretionary decisions that may relate to the value recognition of assets, liabilities, revenues and expenses. Actual circumstances may differ from these assumptions. Estimates and their underlying assumptions are reviewed on a regular basis. In particular, the following information was affected by discretionary decisions:

(a) Deferred tax assets on losses carried forward

Deferred tax assets on losses carried forward refer both to the English subsidiary and to METRIC mobility solutions AG. In Germany, on the basis of the Company's planning calculations, deferred tax assets on losses carried forward were only applied up to the extent of deferred tax liabilities, taking account of the minimum tax payable.

(b) Trade receivables

In the context of specific valuation adjustments, the probability of payments being received was estimated.

(c) Share-based remuneration

The yield volatilities of METRIC mobility solutions AG shares and of the Prime All Share Index used in assessing the weighted averages of fair values of stock options as well as the correlation between the two yields were determined over a period of five years since the publication of the Prime All Share Index in March 2003 and the time of issue of the subscription rights. The volatility is defined as the standard deviation of yields in the period indicated. Specifically, reference is made to the information stated in Note (16).

(d) Personnel-related provisions

In the field of pension reserves, various assumptions were made with regard to the expected residual lifetime and future market trends in the context of interest rates, pensions and capital formation on the stock markets. Specifically, reference is made to the information stated in Note (17).

(e) Impairment tests of assets

Where there is occasion to do so, the smallest cash-generating units reported are subjected to an impairment test. In the process, the discounted cash flows expected are compared with the carrying amounts accounted for by the entity to be tested. In determining the discounted cash flows, assumptions are made about the peer group providing the reference interest rate as well as of the expected sales and earnings trend of the relevant entity. Specifically, reference is made to the information stated in Note (5).

(f) Capitalised development activities

In determining the values recognised for capitalised company-produced additions to property, plant and equipment, assumptions are made regarding the future realisation of product units to which the development activities were contributed. Specifically, reference is made to the information stated in Note (5).

(g) Anticipated losses from projects

In order to ensure that impending losses arising from project transactions are recognised immediately under expenditure, the costs still to be incurred need to be estimated until such time as the project has been concluded. This estimate is subject to uncertainty.

(h) Lawsuits arising liability relationships

The assessment as to whether the Company will be taken to court owing to liability relationships is based on assumptions of the probability of such steps being taken.

3 Accounting and valuation principles

General principles

The following accounting principles were consistently applied throughout the preceding periods and applied in the same ways and means to all group member companies.

Consolidation principles

The consolidated financial statements are based on company balance sheets and income statements of Group member companies prepared in accordance with uniform accounting policies and measurement methods as well as in accordance with the provisions of the IFRS required to be applied in the EU.

The companies consolidated within the Group comprise the subsidiaries listed in the table "Shareholdings", all of which have been included in the consolidated financial statements according to the principles of full consolidation.

SHAREHOLDINGS

	Shares* in per cent
a) Shares held directly	
Hoeft & Wessel Traffic Computer Systems GmbH, Hanover*	
METRIC Group Holdings Ltd., (MGHL), Swindon (United Kingdom)**	100
b) Shares held indirectly (via MGHL)	
METRIC Group Ltd. (MGL), Swindon (United Kingdom)	100
c) Shares held indirectly (via MGHL):	
METRIC Group Inc., New Jersey (USA)	100

* During the year under review, Hoeft & Wessel Traffic Computer Systems GmbH, Hanover, merged with Metric mobility solutions AG.

Currency translation

Currency translation of transactions

Transactions in foreign currencies are translated into the functional currency of the group member companies at the time of the transaction; currency translation differences are recognised through profit or loss. Assets and liabilities in foreign currencies at the balance sheet date are valued at the rate applicable on the effective reference date. Advance payments made and received do not count as monetary items and, in accordance with IAS 21.23b, are also to be translated in subsequent valuations at the exchange rate prevailing on the transaction date. Spot transactions are recognised as at the date of performance. Income and expenses are translated at the transaction rate.

Currency translation of foreign operations

The balance sheets of foreign subsidiaries whose functional currency is not the Euro are translated using the modified closing rate method. Translation differences are recognised under other equity. The functional currency of the subsidiaries is the national currency of the countries in which they are located.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet for the first time when a company becomes a contracting party to a financial instrument. Non-derivative financial instruments relate to trade receivables, other receivables, cash and cash equivalents, financial liabilities from lease relationships and to banks, trade payables as well as other liabilities.

Financial assets are valued at the reference date and analysed for possible impairments. A value impairment will prevail where there is objective proof of one or several reasons for negative impacts on future payments received on the asset in question. If a receivable is considered as probably uncollectible, appropriate valuation adjustments are made to take this into account. Cash and cash equivalents including cash accounts and current deposits with credit institutions have a residual lifetime of up to three months at the time of recognition and are valued at amortised cost of acquisition.

Trade receivables as well as other non-current receivables are measured at fair value at the time of receipt, plus possible transaction costs involved. Upon first recognition, receivables are measured at amortised cost, applying the effective interest rate, less impairments. Impairment charges in the form of specific valuation adjustments adequately take account of the expected risks of default. When determining specific valuation adjustments, financial assets with the same risk of default properties are grouped and tested together for impairment; if necessary, specific valuation adjustments are made. Specific defaults and interest effects arising from the application of the effective interest method are taken off the books through profit or loss.

Spot transactions of financial assets are accounted for on the day of performance.

Non-derivative financial liabilities as well as trade payables as well as other liabilities are measured using the effective interest method on principle at amortised cost of acquisition. First-time recognition is made at fair value less transaction costs.

METRIC classifies non-derivative financial assets in the following categories:

a) financial instruments measured at fair value through profit and loss

b) loans and receivables

A **financial asset is measured at fair value through profit or loss** if held for trading or if determined accordingly on first recognition.

Loans and receivables represent financial assets with fixed or determinable payments that are not listed on an active market. Such assets are measured at fair value on first recognition plus directly attributable transaction costs. In the course of subsequent measurement, loans and receivables are measured at amortised cost, using the effective interest method less any impairment charges.

Cash and cash equivalents comprise cash in hand and sight deposits immediately available with a maturity of less than three months.

In the past, the Company deployed financial derivatives to hedge interest and currency risks resulting from operations or financial transactions. In the process, none of the financial derivatives was held or negotiated for speculation purposes. Financial derivatives were measured at fair value on first-time recognition and in the course of subsequent measurement dates.

As already mentioned, in the past METRIC used hedge transactions solely to hedge underlying transactions. If the fair values were positive, this led to recognition of financial assets; if, in contrast, they were negative, this produced financial liabilities. At the time of realisation of the underlying transactions hedged, the reversal of the hedge transactions is assigned to the item of the statement of overall results in which the underlying transaction is recognised.

Intangible assets as well as property, plant & equipment

(a) Recognition and valuation

Fixed assets are recognised at cost of acquisition and/or manufacture less accumulated depreciation and impairment charges. Borrowing costs are recognised in principle as effective expenditure unless the prerequisites of IAS 23 apply.

(b) Depreciation and amortisation

Depreciation and amortisation are scheduled and calculated on intangible assets as well as property, plant and equipment in accordance with their anticipated useful life. If required, impairment charges are made on the achievable amount in question. The anticipated useful lives for current and future periods are as follows:

Intangible assets	3 - 5 years
Property, plant and equipment	3 - 10 years

The economic useful life of capitalised development costs is generally assumed to be three years for mobile devices and five years for stationary terminals. A shorter or longer useful life may be applied if this appears necessary in view of the economic and technical environment of the development project. Straight-line depreciation commences once the development results are utilised in economic terms. Methods of depreciation and amortisation, useful lives and residual book values are reviewed at each balance sheet date.

(c) Research and development

Expenses on research with the aim of acquiring or refining scientific or technical know-how are included under expenditure.

In contrast, development costs in the context of new product development, a significant cost reduction or material product improvement are capitalised. However, such capitalisation applies only

to the extent that the costs can be determined with certainty,

the development is technically and commercially feasible and the generation of future economic benefits is probable,

adequate resources are available and

the expenditure attributable is measurable and the product is intended to be completed and marketed.

Capitalised costs include the manufacturing and specific material costs recorded on the basis of project-related documentation as well as directly attributable common and borrowing costs.

(d) Impairment testing of assets

METRIC reviews the value of intangible assets and property, plant and equipment with a limited useful life as soon as any information is received on required impairment charges ("triggering event"). This impairment test is carried out for the smallest cash-generating unit (CGU). At METRIC the business segments METRIC DE and METRIC UK match the definition of a CGU. The value is assessed by comparing the carrying amount with the amount capable of being realised. The amount capable of being realised corresponds to the higher of fair value less cost of sales and the present value of the apportionable cash flow due to the continued use of the asset. If the carrying amount exceeds the amount capable of being realised, the asset is subjected to a write-down to the extent of the difference. The Board of Management of the Company considers it possible that the assumptions believed to be material on the future development of the contribution margin of the units and on the underlying weighted average costs of capital (WACC) may change. Owing to the associated uncertainty on the extent of the cash flows capable of being generated, sensitivities are calculated in relation to the material assumptions. If the reasons for a write-down made in previous years no longer apply, then a write-up is carried out. The latter does not apply to goodwill that has been amortised. Assets not ready for use are subjected to annual impairment tests.

(e) Subsequent acquisition costs

Subsequent acquisition costs are only taken into account if they lead to an improvement that will enhance future benefits. All other expenses, including those incurred for self-generated goodwill or brands, are included under expenditure.

Inventories

Inventories or supplies are valued at the lower of cost of acquisition or manufacture and their net value on sale. The net sales proceeds are determined from the expected sales revenues less costs still incurred. The valuation of materials at their cost of acquisition is performed in accordance with IAS 2.21.

The valuation method for inventories was changed in the financial year (IAS 8.39 Changes to estimates). The existing rules were modified as follows:

Storage period up to 1 year:	depreciation 0 per cent
Storage period 1 to 2 years:	depreciation 50 per cent
Storage period 2 to 4 years:	depreciation 80 per cent
Storage period more than 4 years:	depreciation 100 per cent

This change in the method used led to a positive impact on earnings in the amount of EUR 306 k in the year under review.

Project operations

Projects not concluded are measured at their order costs incurred to date. Anticipated losses are immediately recognised as expenses. Cf. explanatory notes under item 3 Realisation of proceeds c) Project operations.

Pension obligations

(a) Defined contribution pension plan

Defined contribution and defined benefit plans are in place for active and former employees of the METRIC Group and their surviving dependants. In the case of a defined contribution plan, fixed payment amounts are made to external pension funds per period and recognised as current expenses under personnel expenditure. This refers to a benefit that is paid as a pension on retirement from the Company. There is no obligation to make any further payments beyond these defined benefits.

(b) Defined benefit pension plan

The valuation of defined benefit plans is based on the projected unit credit method in accordance with IAS 19. In the case of this form of pension commitment, the valuation is made based on the cash value of already vested pension entitlements, taking account of the anticipated wage and salary increases as well as pension trends forecast. In addition to calculating the cash value of vested pension entitlements and similar obligations, the fair values of the plan assets are likewise newly measured. The revaluation effects arising in the process – which used to be referred to as actuarial losses or profits in the past – arise inter alia from irregularities in risk patterns (e.g., more or fewer cases of invalidity or death than expected on the basis of the calculations used) or from changes in calculation parameters. The valuation of defined benefit plans is defined by means of an external actuarial expert opinion. Actuarial gains and losses are included in revenue reserves within the scope of equity, with no impact on profit or loss.

Remuneration to members of management bodies

With regard to the disclosures required in accordance with Section 314 (1) No. 6a of the German Commercial Code (HGB), reference is made to Note 32 in this document.

Share-based remuneration

Share-based remuneration comprises equity based remuneration plans settled by means of equity capital instruments. The measurement of the fair value of equity-based remuneration plans is generally effected by means of a Monte Carlo simulation at the time of the respective grants. The market value of stock options is recognised under personnel expenditure. The corresponding offsetting item is an appropriate increase in the level of capital reserves. In the process, total expenses are distributed across the blocked period for exercising the options.

Provisions

Provisions are set up whenever there is an obligation to third parties as at the current reference date that is based on an event in the past, where the extent of the obligation can be reliably estimated and if a future outflow of funds is probable. Provisions with an original term of more than one year are recognised at their performance amount discounted as at the balance sheet date.

Accrued/deferred liabilities

Accrued/deferred liabilities for personnel expenses, outstanding invoices received and other liabilities which, on account of their comparatively higher degree of certainty concerning the timing and/or amount of the expenses anticipated, are to be qualified as “accrued/deferred liabilities”, are reported under the item “Current liabilities”. Liabilities in connection with income taxes are reported under the item “Current income tax liabilities”.

Realisation of proceeds

(a) Merchandise delivered

The realisation of proceeds from merchandise deliveries is made at the time of transfer of the decisive risks and opportunities to the buyer if the extent of the expenses incurred in connection with the sale and the proceeds thereof can be reliably determined and receipt of the economic benefit is probable. The time of passage of risk is determined by the contractually agreed terms and conditions of acceptance and delivery. Discounts, bonuses and rebates are negotiated individually and deducted from the proceeds.

(b) Services

The realisation of proceeds derived from services rendered which are not an ancillary element of the primary performance of a merchandise delivery takes place at the time of contractually agreed performance or part thereof.

(c) Project operations

Within the scope of project operations, the subject matter of performance to be rendered frequently comprises a whole array of services. The proceeds of orders comprise the amount originally agreed in the contract plus all payments for deviations from the total scope of services, claims and incentives if it is probable that these will lead to earnings and their value can be reliably measured.

Since the project results cannot be estimated reliably, sales revenues are merely recorded to the extent of the order costs incurred ("zero profit method") that are likely to be recoverable. Profit is realised only once the project result or outcome can be reliably estimated or on acceptance of the service owed. The Company recognises order costs as soon as they are incurred. In contrast, it books expected losses immediately through profit or loss.

Leasing

Payments within the scope of operating lease agreements are recorded under expenditure on a straight-line basis across the contractual duration.

Financial income and financial expenses

Interest income from fixed term deposits is recognised in the consolidated statement of overall results under net financial income with matching periods. Interest expenditure arising from the utilisation of credit facilities with banks, financial leases, interest hedging transactions, discounting of provisions as well as other interest expenses are likewise reported under net financial income. The interest expenses recorded are measured using the effective interest method.

Currency translation

Income and expenses from foreign currency translation items are reported under other income or other expenses, as applicable.

Taxes on income and earnings

Income taxes are calculated in accordance with the tax provisions of the countries where the Group companies are headquartered.

Deferred taxes arising from temporary differences are set up to cover those arising from the application of different accounting policies under IFRS and local tax laws. Temporary differences and deferred taxes from losses carried forward are valued at local rates of taxation in the amount of their probable future benefit and reviewed at each future balance sheet date. Deferred taxes on transactions recognised in other comprehensive income are also reported under other comprehensive income. METRIC offsets tax assets and tax liabilities if there is a legal entitlement to set off or net the amounts recorded and if the Company intends either to arrange settlement on a net basis or to repay the associated liability simultaneously with the realisation of the asset in question.

Public-sector grants

METRIC distinguishes as follows between grants-in-aid for assets and earnings-related grants:

if grants are made for assets required to be capitalised, then these are deducted in the balance sheet from the acquisition costs of the asset in question. Earnings-related grants are recognised as earnings through profit or loss in the period in which the expenditure is recorded as such. Such grants are required to be repaid if the projects subsidised are not carried out.

Earnings per share

The Company reports basic and diluted earnings per share (EPS) in respect of its common stock issued. EPS is measured using the profit/loss for the period, divided by the number of the weighted average of shares issued in the period. Diluted EPS takes account of possible dilutions due to stock options issued to employees.

Cash flow statement

The capital flow account based on cash flow from operations was determined using the indirect method. Cash flows from investment and financing activities were measured using the direct method. Interest expenditure with a debt-discharging effect is assigned to the cash flow from financing activities.

Segment reporting

A segment is a clearly delineated unit of the Group that develops and markets related product groups. The subdivision is based on internal reporting structures and is carried out according to customers and their fields of activity. The internal reporting is carried out on the basis of the IFRS.

The segments are controlled taking account of EBIT. Transactions between segments are billed at terms and prices in conformity with those prevailing on the market.

Market price measurements

Some accounting rules of the Group call for definitions on the use of market prices:

(a) Trade receivables

The market price of trade receivables is assumed to be the present value of future payment inflows and is therefore discounted for interest where necessary.

(b) Share-based remuneration

When granting stock options, the market price is measured by means of a Monte Carlo simulation within the scope of an externally commissioned expert valuation. In the interests of a long-term procedure according to objective criteria, volatilities and correlations are derived from historic values. To the extent that any other specific stipulations were made, these are described in the relevant notes.

(c) Liabilities to banks and other lenders

The carrying amount of the financial liabilities approximately reflects their fair value.

After the first three months of the financial year 2015, the regular banks of METRIC mobility solutions AG and a company of the Droege Group entered into a credit receivable purchase and assignment agreement. Accordingly, the past bank liabilities of METRIC mobility solutions AG were acquired by the Droege Group. Interest payable for the loan granted by the Droege Group is at standard market interest rates and matches the terms and conditions of the previous commercial banks. Consequently, the Company no longer has any bank lines as at 31 December 2015. The short-term liabilities to banks reported at the balance sheet date only relate to the subsidiary METRIC Group Ltd., Swindon.

4 Segment reporting

Business activities of the METRIC Group are broken down into the following two reportable segments:

>> METRIC DE

Ticketing and telematics for public commuter transport as well as mobile terminals and POS systems

>> METRIC UK

Systems for parking space management and services rendered within the scope of full-service agreements

Moreover, the costs of the holding function and the stock exchange listing are presented under the METRIC DE segment and reported to the Board of Management.

The reportable segments of the METRIC Group are largely independently managed in line with the type of services offered.

Group sales revenues are not subject to any particular seasonal or cyclical influences but may fluctuate more strongly from one quarter to another, depending on the projects under way. The results of the strategic units are reported to the Board of Management within the scope of the monthly internal reporting.

Segment results are reported before income tax, after consolidation. Deliveries between the segments are netted with an appropriate surcharge on the cost of goods if such deliveries are made between legally independent entities. The accounting principles on which the segment information of the METRIC Group is based reflect the accounting and valuation methods laid down by the IFRS.

In accordance with IFRS 8, segment reporting of the METRIC Group relies for guidance on the internal reporting to the Management. The latter is responsible for segment profit or loss and for its allocation of resources.

Segment profit or loss is measured according to EBIT and sales revenues as control and success factors.

With regard to a geographical breakdown of segment sales according to specific countries or regions, we refer to the “Segment sales revenues” tables. In the process, sales revenues are allocated to the country or region in which the customer of the “METRIC DE” or “METRIC UK” segment is ultimately domiciled.

The business segments “METRIC DE” and “METRIC UK” are each engaged worldwide, with the primary focus of activities being on Germany, the United Kingdom and the rest of Europe.

The assets and liabilities assigned to the “METRIC DE” segment are located in Germany. The assets and liabilities assigned to the “METRIC UK” segment are essentially located in Great Britain, in line with the respective headquarters of the companies. The assets and liabilities of segments in principle comprise all assets and liabilities in question.

SEGMENT REPORTING 01/01 – 31/12/2015

In EUR '000s	METRIC DE	METRIC UK	Total
Sales revenues	45,767	25,541	71,308
Sales revenues between segments	(471)	(221)	(692)
Segment revenues	45,296	25,320	70,616
Operating result (EBIT)	(1,109)	713	(396)
Earnings before taxes (EBT)	(2,407)	159	(2,248)
Financing income	14	0	14
Financing expenses	(1,312)	(554)	(1,866)
Scheduled depreciation and amortisation	(1,124)	(1,408)	(2,532)
Assets	35,234	16,415	51,649
Additions to non-current assets (excluding financial instruments and deferred tax assets)	3,491	492	3,983
Liabilities	43,083	18,106	61,189

SEGMENT REPORTING 01/01 – 31/12/2014

In EUR '000s	METRIC DE	METRIC UK	Total
Sales revenues	38,272	20,378	58,650
Sales revenues between segments	(396)	(1,234)	(1,630)
Segment revenues	**37,876**	**19,144**	**57,020**
Operating result (EBIT)	(15,790)	918	(14,872)
Earnings before taxes (EBT)	(16,651)	392	(16,259)
Financing income	7	0	7
Financing expenses	(868)	(526)	(1,394)
Scheduled depreciation and amortisation	(1,017)	(1,216)	(2,233)
Assets	27,476	16,838	44,314
Additions to non-current assets (excluding financial instruments and deferred tax assets)	1,073	919	1,992
Liabilities	32,541	18,821	51,362

In the financial year 2015, at least 10 per cent of the METRIC Group's sales revenue was generated with a single customer, whereas in the previous year the 10 per cent was not reached by a single customer.

Customer sales revenues attributable to the "METRIC DE" segment accordingly amount to EUR 13.6 million.

SEGMENT SALES REVENUES BY COUNTRY – 01/01 – 31/12/2015

in EUR million	METRIC DE	METRIC UK	Total
Germany	35.8	0.1	35.9
United Kingdom	0.3	22.5	22.8
Rest of the EU	3.1	0.7	3.8
Switzerland, the US and other countries	6.1	2.0	8.1
Total	**45.3**	**25.3**	**70.6**

SEGMENT SALES REVENUES BY COUNTRY – 01/01 – 31/12/2014

in EUR million	METRIC DE	METRIC UK	Total
Germany	25.1	0.0	25.1
United Kingdom	2.3	16.8	19.1
Rest of the EU	8.0	0.4	8.4
Switzerland, the US and other countries	2.5	1.9	4.4
Total	**37.9**	**19.1**	**57.0**

5 Intangible assets

Development activities

Development costs, amounting to EUR 3,678 k (previous year: EUR 4,943 k) were recognised directly as expenditure. Expenses for research amounted to EUR 0 k in the financial year (previous year: EUR 0 k). Depreciation and amortisation include EUR 0 k (previous year: EUR 0 k) in impairment charges. The share of borrowing costs to be capitalised amounts to EUR 23 k (previous year: EUR 13 k). The financing cost rate used in determining third-party borrowing costs capable of being capitalised amounts to 0.3 per cent.

Impairment testing

The impairment tests as contemplated by IAS 36 for the segments METRIC DE and METRIC UK as cash-generating units did not give rise to any need for impairment charges.

The recoverable amount is determined on the basis of fair value less the costs of sale. The discount amount applied for METRIC DE came to 8.4 per cent and for METRIC UK to 8.9 per cent (previous year: 6.3 per cent for METRIC DE and 7.9 per cent for METRIC UK).

A change in the assumption of the WACC (by one percentage point) as well as in the growth rate (by one percentage point) does not lead to any necessary depreciation either.

INTANGIBLE ASSETS

In EUR '000s	Goodwill	Software	Development activities	Advance payments	Total
Status: 01 January 2014					
Acquisition/manufacturing cost	24,346	1,758	32,476	0	58,580
Accumulated depreciation	24,346	1,536	28,162	0	54,044
Carrying amount	0	222	4,314	0	4,536
Net development 2014					
Carrying amount	0	222	4,314	0	4,536
Additions from internal development activities	-	-	1,607	-	1,607
Additions from separate acquisitions	-	720	597	-	1,317
Depreciation & amortisation	-	90	1,447	-	1,537
Impairment charges	-	-	-	-	-
Transfers	-	-	-	1,194	1,194
Currency translation differences	-	(1)	124	-	123
Carrying amount	0	851	5,195	1,194	7,240
Status: 31 December 2014					
Acquisition/manufacturing cost	25,175	2,477	35,725	1,194	64,571
Accumulated depreciation	25,175	1,626	30,530	0	57,331
Carrying amount	0	851	5,195	1,194	7,240
Net development 2015					
Carrying amount	0	851	5,195	1,194	7,240
Additions from internal development activities	-	-	4,048	-	4,048
Additions from separate acquisitions	-	438	1,007	-	1,445
Depreciation & amortisation	-	280	1,591	-	1,871
Impairment charges	-	-	-	-	-
Retirements	-	-	19	-	19
Transfers	-	321	-	-	321
Currency translation differences	-	53	158	-	211
Carrying amount	0	1,383	5,798	1,194	11,375
Status: 31 December 2015					
Acquisition/manufacturing cost	25,945	3,879	41,787	1,194	72,805
Accumulated depreciation	25,945	2,496	32,989	0	61,430
Carrying amount	0	1,383	8,798	1,194	11,375

6 Property, plant and equipment

Leased furniture and fixtures

In the past, the Group leased fixed assets within the scope of leasing finance agreements. These have meanwhile expired and have not been renewed.

Impairment testing

The impairment test for the business segments METRIC DE and METRIC UK (see also Note 5) in the field of property, plant and equipment did not lead to any necessary impairment charges during the financial year (previous year: EUR 0 k).

Items of collateral

At the balance-sheet date, no assets had been deposited as collateral for bank loans.

PROPERTY, PLANT AND EQUIPMENT

In EUR '000s	Land and buildings	Other equipment, furniture and fixtures	Assets under construction	Total
Status: 01 January 2014				
Acquisition/manufacturing cost	914	17,567	588	19,069
Accumulated depreciation	612	15,979	0	16,591
Carrying amount	302	1,588	588	2,478
Net development 2014				
Carrying amount	302	1,588	588	2,478
Additions	-	517	609	1,126
Depreciation & amortisation	53	643	-	696
Impairment charges	-	-	-	-
Retirements	-	-	-	-
Transfers	-	-	(1,194)	(1,194)
Currency translation differences	19	33	-	52
Carrying amount	268	1,495	3	1,766
Status: 31 December 2014				
Acquisition/manufacturing cost	974	18,491	3	19,468
Accumulated depreciation	706	16,996	0	17,702
Carrying amount	268	1,495	3	1,766
Net development 2015				
Carrying amount	268	1,495	3	1,766
Additions	-	777	-	777
Depreciation & amortisation	60	600	-	660
Impairment charges	-	-	-	-
Retirements	-	-	-	-
Transfers	-	(318)	(3)	(321)
Currency translation differences	17	35	-	52
Carrying amount	225	1,389	0	1,614
Status: 31 December 2015				
Acquisition/manufacturing cost	1,030	18,745	-	19,775
Accumulated depreciation	805	17,356	-	18,161
Carrying amount	225	1,389	0	1,614

7 Deferred tax assets and tax liabilities

Deferred tax assets represent the foreseeable income tax relief arising from limited differences between recognition of assets and liabilities on the balance sheets in accordance with IFRS and the tax balance sheet values according to local provisions of tax law.

Deferred tax liabilities represent the foreseeable income tax burden arising from limited differences between recognition of assets and liabilities on the balance sheets in accordance with IFRS and the tax balance sheet values according to local provisions of tax law.

The anticipated future benefit from deferred tax assets was determined at a tax rate of 32.6 per cent for the German Group member companies (previous year: 31.6 per cent). The income tax rates for the foreign companies vary between 20.0 per cent (previous year: 20.0 per cent) and 37.0 per cent (previous year: 37.0 per cent).

On account of the agenda decision by the IFRS Interpretation Committee of May 2014, when accounting for deferred tax assets on losses carried forward as of the financial year 2014 the so-called minimum tax will also be taken into account if, due to a lack of expectations of taxable income, deferred taxes are applied only to the extent to which there is a surplus of deferred tax liabilities. In consequence of applying the agenda decision, deferred tax liabilities of EUR 484 k are reported by METRIC mobility solutions AG.

Deferred tax assets on losses carried forward refer both to the English subsidiary and to METRIC mobility solutions AG. In Germany, on the basis of the Company's planning calculations, deferred tax assets on losses carried forward were only applied up to the extent of deferred tax liabilities, taking account of the minimum tax payable.

Taking account of tax planning statements, no deferred taxes were recognised on tax losses carried forward by the English Group entities amounting to EUR 8,082 k (previous year: EUR 7,733 k). Moreover, there still are losses carried forward in Germany. The remaining corporation and trade tax losses carried forward as at 31 December 2015 amount to EUR 30,377 k and EUR 29,944 k, respectively; a final legal assessment of the remaining losses carried forward is still outstanding. Of these sums, no deferred tax liabilities were reported on losses carried forward amounting to EUR 27,154 k and EUR 26,721 k, respectively.

The effects on profit and loss of the change in tax assets and liabilities were fully taken into account in the consolidated profit and loss statement. Deferred taxes of EUR 32 k (previous year: EUR 468 k) were recorded on amounts recognised under other comprehensive income in the financial year owing to actuarial gains and losses within pension reserves.

The reversal of deferred tax assets amounting to EUR 402 k (previous year: EUR 692 k) and deferred tax liabilities of EUR 148 k (previous year: EUR 283 k) is expected within twelve months of the balance sheet date.

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TAX ASSETS / LIABILITIES

In EUR '000s	Tax assets 2015	Tax assets 2014	Tax liabilities 2015	Tax liabilities 2014
Development activities	-	-	(1,920)	(1,497)
Property, plant and equipment	115	134	-	-
Inventories	106	-	-	(124)
Receivables and other assets	-	13	(98)	-
Provisions	2,235	2,752	-	-
Liabilities	-	-	(157)	(159)
Benefits from tax losses carried forward	1,831	1,557	-	-
	4,287	**4,456**	**(2,175)**	**(1,780)**
Balance	(1,691)	(1,728)	1,691	1,728
Net tax assets/liabilities	**2,596**	**2,728**	**(484)**	**(52)**

8 Inventories

The total amount of deductions came to EUR 6,235 k (previous year: EUR 6,049 k). For the financial year, value deductions amounting to EUR 186 k (previous year: EUR 271 k) were recognised. The cost of materials to be allocated to sales revenues totalled EUR 38,775 k (previous year: EUR 29,095 k).

INVENTORIES

In EUR '000s	2015	2014
Raw materials, supplies and trading stock	5,383	4,514
Work and services in progress	2,652	3,104
Finished goods and trading stock	7,294	5,911
Total	**15,329**	**13,529**

9 Trade receivables

The carrying amount of trade receivables is commensurate with their fair value, taking customer-specific valuation adjustments into account.

Impairment charges on doubtful debts essentially comprise assessments and appraisals of specific receivables based on the credit status of the respective customers, current economic trends and the analysis of historic default cases. The creditworthiness of a customer is assessed according to his or her payment behaviour and ability to repay debts.

Specific valuation adjustments are made if a customer is in substantial financial difficulties or if there is an increased likelihood of insolvency. Expenses of this kind are booked to a valuation adjustment account. In the event of indications of a debt being uncollectible, the receivable in question is taken off the books. During the financial year, valuation adjustments to receivables amounting to EUR 168 k (previous year: EUR 83 k) were reversed. Moreover, valuation adjustments amounting to EUR 225 k (previous year: EUR 457 k) were added. No other value deductions or increases were effected. The volume of specific valuation adjustments decreased by EUR 170 k during the financial year, thus amounting to EUR 699 k (previous year: EUR 870 k).

At the reference date, receivables in a total amount of EUR 145 k were sold within the scope of a factoring arrangement (previous year: EUR 722 k). The Group’s sum total of credit and currency risks is explained in Note (21). During the financial year, receivables from IAS 11 sales amounting to EUR 2,625 k were recorded (previous year: EUR 2,580 k). Revenue bookings were made to the extent of the order costs incurred during the financial year according to the “zero profit method” in accordance with IAS 11.32. In total, the order costs capitalised according to the „zero profit method“ for projects not yet finalised as at the balance sheet date amounted to EUR 7,287 k (EUR 6,773 k). Advance payments received for these projects amounted to EUR 4,709 k (previous year: EUR 4,619 k).

As at the balance sheet date, there are projects not finalised where the capitalised order costs exceed the advance payments received (credit balance), as well as those where the advance payments received exceed the order costs (debit balance). Projects with a credit balance amounted to EUR 2,625 k as at the balance sheet date (previous year: EUR 2,580 k); they correspond to the above-mentioned trade receivables. Projects with a debit balance amounted to -EUR 47 k as at the balance sheet date (previous year: -EUR 426 k). In these cases the advance payments made exceed company-produced additions to plant and equipment from project advances capable of being capitalised. The amounts by which they exceed these company-produced additions are reported under other financial liabilities.

Trade receivables sold to a financial service provider within the scope of factoring arrangements are taken off the books if the opportunities and risks involved were essentially transferred to the financial service provider. These transactions are so-called transfers, in the course of which they are taken off the books completely. At METRIC mobility solutions AG, a contractually agreed security lien of ten per cent is applicable (previous year: ten per cent). In this context, this reflects the maximum possible risk of loss arising from factoring transactions (financial year: EUR 14 k; previous year: EUR 72 k).

The receivables from customers sold to the factoring companies are subject to strict requirements (for example, the exclusion of certain EU countries, no purchase of project receivables, no purchase of past due receivables or advance payments, etc.). The costs of this type of advance financing are included in the Company’s net interest income as interest expenditure. In addition, bank charges are also payable.

10 Cash and cash equivalents

Bank balances and cash in hand amount to EUR 2,012 k (previous year: EUR 1,185 k). These are current in nature and arise in the course of everyday business. The risks arising from interest rate changes and corresponding sensitivity analyses are described in Note (21).

11 Other financial assets

Other financial assets are described in the table below:

OTHER FINANCIAL ASSETS

In EUR '000s	2015	2014
Cash collateral for foreign guarantees	842	325
Other cash collateral	898	902
Receivables from factoring companies	539	169
Last order options exercised	-	228
Miscellaneous	63	574
Total	**2,342**	**2,198**

12 Equity

Subscribed capital

The total nominal value of the Company's capital stock is denominated in 11,046,737 no-par-value bearer shares, with each such share representing one vote.

The share capital is fully paid up. Capital reserves as well as accumulated retained earnings may be appropriated in accordance with the provisions of Section 150 of the German Companies Act (AktG) to the extent that these relate to METRIC mobility solutions AG.

Capital management

The Company pursues the objective of securing its equity capital base sustainably and of generating an appropriate return on the capital employed. As in the previous year, the equity capital of the METRIC Group turned out negative. The Company did not pay out a dividend in the financial year, as had already been the case a year earlier.

Authorised capital

As at 31 December 2015, the Company’s authorised capital totalled EUR 0.00 in nominal terms (previous year: EUR 3,398,996.00).

In accordance with the Company's articles of association, the Board of Management was authorised only until 16 June 2015 to raise the share capital on a cash or non-cash basis, once or repeatedly, by up to a total of EUR 3,398,996.00 by issuing new no-par-value bearer shares (authorised capital), with the approval of the Supervisory Board.

In this event – in accordance with the articles of association – the shareholders would have to be granted subscription rights as follows:

"The new shares may be assumed by a credit institution or some other company engaged pursuant to § 53 (1) sentence 1 or § 53b (1) sentence 1 or (7) of the German Banking Act (*Gesetz über das Kreditwesen – KWG*) subject to the duty to offer the said shares only for purchase to the shareholders in accordance with the Company’s instructions. The Board of Management shall, however, be authorised to exclude maximum amounts from the right of subscription of the shareholders with the approval of the Supervisory Board. The Board of Management shall further be authorised, with the approval of the Supervisory Board, to exclude the right of subscription if it should be necessary to grant holders of warrants and convertible bonds issued by the Company a subscription right to the new shares to the extent to which they would have been entitled thereto after exercising their options or conversion rights. In addition, the Board of Management shall be authorized to exclude the subscription right to employee shares issued up to a total of EUR 350,000.00 with the approval of the Supervisory Board. Finally, the Board of Management shall be authorized to exclude shareholders’ subscription rights once or repeatedly up to an amount totalling EUR 3,398,996.00 when the new shares are issued against non-cash contributions with the approval of the Supervisory Board.

During the financial year, or by the cut-off date of (16 June 2015) respectively, no shares of the authorised capital were subscribed to (previous year: 849,749 shares).

Contingent capital

As at 31 December 2015, the Company had contingent capital at its disposal totalling EUR 2,100,000.00 in nominal terms, or up to 2,100,000 shares.

The following authorisations exist as at the balance sheet date:

The capital stock is increased on a contingent basis by up to EUR 600,000.00 by the issue of up to 600,000.00 no-par-value bearer shares. The contingent capital increase is carried out only to the extent that holders of subscription rights granted to persons entitled to subscription rights on the basis of the authorisation adopted at the Annual General Meeting of 17 June 2005 exercise their subscription rights. The new shares carry dividend rights starting in the fiscal year in which they are created as a result of the exercise of subscription rights. The Supervisory Board is authorised to amend § 3 of the articles of association in accordance with the respective utilisation of the contingent capital.

The share capital shall be increased on a contingent basis by up to EUR 1.5 million through the issue of up to 1.5 million bearer shares (contingent capital). The contingent capital increase is carried out only to the extent that the holders of convertible bonds issued and/or guaranteed on the basis of the authorisation of the Board of Management in terms of a resolution passed at the Annual General Meeting of 17 June 2005 exercise their conversion rights or, like the holders obliged to convert their bonds, comply with their conversion obligation.

The new shares carry dividend rights starting in the fiscal year in which they are created as a result of the exercise of conversion rights or compliance with conversion obligations. The Board of Management is authorised to stipulate further details of the contingent capital increase and execution thereof with the approval of the Supervisory Board. The Supervisory Board is authorised to amend the wording of the articles of association in accordance with the respective size of the capital increase from contingent capital.

No shares forming part of contingent capital were subscribed to during the financial year.

Issue of subscription rights

No further subscription rights were issued to the Board of Management during the financial year as part of the stock option plan 2005.

After the capital reduction of 4 September 2013 and the capital increase carried out as at 8 October 2013, the subscription rights allotted to a former member of the Board of Management in the financial year 2013 now carry an entitlement to the acquisition of 10,000 stock options. The contractually agreed holding period of two years expired on 8 April 2015 for 6,000 of these options, and on 30 September 2015 for 4,000 of these options.

After the capital reduction of 4 September 2013 and the capital increase carried out as at 8 October 2013, the stock options allotted to a further former member of the Board of Management in the past now carry an entitlement to the acquisition of 40,000 stock options as per 31 December 2014. Of these, 12,000 options from this tranche from the year 2006 expired as at 24 October 2015. The number of options outstanding as at 31/12/2015 therefore amounts to 28,000.

As a result, a total of 38,000 stock options remain as at the balance sheet date; of these, none remain within the contractually agreed holding period of two years (previous year: 10,000 shares within the holding period)

For further particulars, reference is made to Note (16).

Acquisition of own shares

Furthermore, at the General Shareholders' Meeting of 17 June 2010 the Company was authorised, upon meeting certain conditions, to acquire own or treasury shares equivalent to no more than ten per cent of its capital stock by 16 June 2015. The Board of Management was authorised, subject to compliance with certain conditions and with the consent of the Supervisory Board without a further resolution required to be adopted at the Annual General Meeting, to sell these treasury shares at market prices via the stock exchange or in some other manner, or to use them as consideration for the acquisition of other entities or to redeem them.

This authorisation has not been exercised as yet to date.

Capital reserve

Capital reserves increased by a total of EUR 4 k year-on-year (previous year: increase by EUR 1,663 k). In the financial year, this relates to the equivalent in value of the stock options issued in previous years, recognised under personnel expenditure (previous year: EUR 6 k). In addition, capital reserves increased in the previous year by a further EUR 1,657 k. This refers to a capital increase adopted by the Supervisory Board on 8 January 2014 and legally executed on 6 February 2014.

Accumulated retained earnings/losses

Accumulated retained losses increased by EUR 3,052 k year-on-year (previous year: increase by EUR 13,735 k). This refers to the profit/loss for the year of –EUR 2,933 k (previous year: -EUR 12,020 k) carried over to the new accounts as well as the adjustments in accordance with IAS 19 (financial year: -EUR 119 k; previous year: -EUR 1,715 k) to be reported in the revenue reserves in accordance with the provisions of the standard.

13 Earnings per share

The calculation of basic earnings per share is based on the profit/loss for the period assignable to the common shareholders, amounting to –EUR 2,933 k (previous year: -EUR 12,020 k) as well as the weighted average number of common shares issued. As at the balance-sheet date, these amounted to 11,046,737 shares, with the weighted average also amounting to 11,046,737 shares.

To calculate diluted earnings per share, this number was increased by the weighted average of the number of potentially dilutive shares arising from stock options.

In previous years a former member of the Board of Management was allotted subscription rights with an entitlement to acquire 10,000 shares as at 31 December 2015 following a capital reduction or capital increase carried out in the past.

The stock options allotted to another former member of the Board of Management in the past carried an entitlement to acquire 40,000 stock options following a capital reduction or capital increase. From this tranche, 12,000 stock options expired on 24 October 2015.

Accordingly, the total dilutive number of shares amounts to 38,000 shares as at the balance sheet date (previous year: 50,000 shares). The weighted average of these amounts to 44,000 shares. Accordingly, the total number of dilutive shares amounts to 11,090,737 shares (previous year: 10,671,863 shares).

EARNINGS PER SHARE

In EUR '000s	**Basic**		**Diluted**	
	2015	**2014**	**2015**	**2014**
Weighted average number of shares issued	11,047	10,622	11,091	10,672
Profit/loss for period assignable to shareholders	(2,933)	(12,020)	(2,933)	(12,020)
Earnings per share (in EUR)	**(0.27)**	**(1.13)**	**(0.27)**	**(1.13)**

14 Financial liabilities

This note provides an overview of the contractual ramifications of the Group's interest-bearing and non-interest-bearing financial liabilities. With regard to the risks arising from fluctuations in interest and exchange rates, and from the default in payment, reference is made to Note (21).

Until 28 April 2015, the Group had a total of EUR 8.5 million in collateralised and uncollateralised credit lines at its disposal. Credit lines, guarantee lines, loan and current account lines were consolidated in the process.

As at 29 April 2015, the regular banks of METRIC mobility solutions AG and a company of the Droege Group entered into a credit receivable purchase and assignment agreement. Accordingly, the past bank liabilities of the Company were acquired by the Droege Group. The objective of the sale and assignment of credit receivables is to reinforce the Company's level of equity and to obtain the release of the collateral deposited with the banks. The assignment of the credit receivable amounting to EUR 8.5 million became effective as at 30 April 2015.

The following credit terms and conditions apply to the Company:

The interest lock-in and rate of interest will remain unchanged.

The interest rate agreed continues to be based on the 3-month EURIBOR plus the margin.

Interest is payable quarterly, retrospectively.

The long-term maturity ends on 31 December 2018.

The loan amount is EUR 8.5 million. It can be repaid at any time without incurring an early termination penalty.

The agreements contain no financial covenants.

As a result, METRIC mobility solutions AG no longer has any liabilities to banks. All business accounts have since been maintained on a credit basis.

In exchange for granting the loan, the Droege Group took over the non-accessory collateral already obtained by the banks in preceding years, which comprises the entire volume of raw materials and manufacturing supplies as well as semi-finished and finished goods at the location Rotenburger Strasse 20 in Hanover.

In addition, METRIC Group Ltd., UK became a party to the borrower's obligations arising from the above-mentioned loan agreement and is liable by way of this collateral promise next to the borrower pursuant to § 421 HGB for all current and future claims accruing to the lender from the above loan agreement against the borrower.

METRIC mobility solutions AG also has factoring lines amounting to EUR 3.0 million as at the reference date at its disposal (previous year: EUR 2.0 million).

The non-current financial liabilities to affiliated companies on the balance sheet date amount to EUR 11.5 million. This amount is made up of the loan of EUR 8.5 million mentioned above, and a further loan of EUR 3.0 million granted by a company of the Droege Group to METRIC Group Ltd., UK. The loan was already granted in the previous year, is repayable by 29 December 2017, and bears interest at the common market rate.

Liquidity management

Liquidity risks arise when the Group might not be in a position to honour existing financial commitments when due. Accordingly, the Company will take measures to be able to service all obligations when due without having to contend with unacceptable losses in doing so. This is performed within the scope of appropriate short-, medium- and long-term liquidity statements that are prepared accordingly.

The Group monitors incoming and outgoing payments on a daily basis. Financial bottlenecks are managed by the Group's stricter payment reminder and dunning system, optimised payment flows as well as reinforced expenditure controls.

The Group uses activity-based cost accounting to calculate its product costs and services. This makes it possible to monitor the need for cash & cash equivalents and to optimise the inflows on the capital deployed. The Group strives towards maintaining the extent of cash & cash equivalents at a level that exceeds the expected cash outflows arising from financial liabilities. Future payment flows of contingent consideration and from derivative instruments may differ from the amounts presented in the following tables since interest rates, exchange rates or the relevant terms and conditions are subject to possible future changes. Other than for these financial liabilities, there are no expectations of a payment stream included in the analysis of maturities falling due considerably earlier or leading to a substantially different amount.

The tables "Maturities of financial liabilities" show the contractual terms to maturity of financial liabilities, including expected interest payments. Amounts in foreign currency were translated at the exchange rate prevailing at the balance sheet date. Financial liabilities repayable at any time are always assigned to the earliest time frame.

As early as 2014 the Company entered into a loan agreement with a main supplier for a merchandise credit for EUR 12.0 million, with a term to maturity until 31 December 2016. On 18 March 2016, METRIC mobility solutions AG extended this merchandise credit originally due on 31 December 2016. From the effective date 1 January 2017, the existing merchandise credit facility will continue to be kept as an interest-bearing loan subject to the usual terms and conditions prevailing on the market. The loan agreement cannot be terminated prior to 31 December 2018. Annual redemption payments will begin for the first time as at 30 September 2017. Repayment will be made in excess of a minimum amount, depending on the business success of METRIC mobility solutions AG.

In the financial year 2014, the METRIC Group. Ltd. entered into two loan agreements totalling EUR 3.7 million with a company related with METRIC mobility solutions AG. Of this amount, EUR 3.0 million is repayable at any time but no later than by 29 December 2017. For an additional EUR 0.7 million, the parties originally agreed on a repayment date of 31 December 2015. On 16 December 2015 the contractual parties signed an extension. The loan for EUR 0.7 million is now repayable by 29 April 2016, with interest continuing to be paid unchanged.

As explained earlier, the available bank credit lines were replaced in their entirety with a loan from a related company, so that no credit lines were available by the end of the financial year.

Risk concentration (cluster risks)

The liabilities to banks reported until 31 December 2014 were current account lines that could be repaid at any time. Due to the agreed final maturity on 31 December 2018, the Company reported these liabilities under non-current liabilities. In the Notes, this item was assigned to the category "due and payable in over 24 months". The Company is using the same method in reporting the loan granted by the Droege Group.

TERMS AND CONDITIONS / REPAYMENT SCHEDULE OF FINANCIAL LIABILITIES

In EUR '000s	Due	Carrying amount 2015	Carrying amount 2014
Collateralised liabilities to banks	-	431	7,677
Financial leasing liabilities	2016	9	-
Trade payables	2016	22,745	15,386
Intra-group accounts payable	2016 - 2018	14,826	4,553
Personnel-related, deferred liabilities	2016	636	1,291
Other deferred liabilities	2016 - 2018	3,142	5,536

CURRENT INTEREST-BEARING FINANCIAL LIABILITIES

In EUR '000s	2015	2014
Collateralised liabilities to banks	-	-
Trade payables	17,869	11,336
Intra-group accounts payable	1,330	3,700
Personnel-related, deferred liabilities	-	-
Other deferred liabilities	-	-
Total	**19,199**	**15,036**

NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES

In EUR '000s	2015	2014
Collateralised liabilities to banks	-	7,677
Trade payables	-	-
Intra-group accounts payable	13,388	-
Personnel-related, deferred liabilities	-	-
Other deferred liabilities	-	-
Total	**13,388**	**7,677**

TERMS TO MATURITY OF FINANCIAL LIABILITIES AS AT 31 DECEMBER 2015

In EUR '000s	Carrying amount	In up to 6 months	In 6 to 12 months	In 12 to 24 months	In over 24 months
Non-derivative financial instruments					
Collateralised liabilities to banks	431	431	-	-	-
Financial leasing liabilities	9	9	-	-	-
Trade payables	22,745	4,876	17,869	-	-
Intra-group accounts payable	14,826	1,018	420	3,840	9,548
Personnel-related, deferred liabilities	636	636	-	-	-
Other deferred liabilities	2,728	2,728	-	-	-
Total	**41,375**	**9,698**	**18,289**	**3,840**	**9,548**
Financial derivatives					
Payer swap for long-term interest hedges	661	125	125	251	160
Forward exchange transactions	-	-	-	-	-
Total	**661**	**125**	**125**	**251**	**160**

TERMS TO MATURITY OF FINANCIAL LIABILITIES AS AT 31 DECEMBER 2015

In EUR '000s	Carrying amount	In up to 6 months	In 6 to 12 months	In 12 to 24 months	In over 24 months
Non-derivative financial instruments					
Collateralised liabilities to banks	7,677	-	-	-	7,677
Trade payables	15,386	4,050	11,336	-	-
Intra-group accounts payable	4,553	853	3,700	-	-
Personnel-related, deferred liabilities	1,291	1,291	-	-	-
Other deferred liabilities	4,909	4,909	-	-	-
Total	**33,816**	**11,103**	**15,036**	**0**	**7,677**
Financial derivatives					
Payer swap for long-term interest hedges	872	122	122	244	384
Forward exchange transactions	-	-	-	-	-
Total	**872**	**122**	**122**	**244**	**384**

15 Other financial liabilities

The table below provides information on other financial liabilities.

OTHER CURRENT FINANCIAL LIABILITIES

In EUR '000s	2015	2014
Carried as liabilities in accordance with IAS 11	47	426
Liabilities arising from derivative financial instruments (current)	247	244
Provisions for outstanding invoices	1,393	3,016
Merchandise receipts netting account	293	454
Miscellaneous	748	769
Total	**2,728**	**4,909**

OTHER CURRENT FINANCIAL LIABILITIES

In EUR '000s	2015	2014
Provisions for imminent losses (financial), non-current	414	627
Total	**414**	**627**

16 Share-based remuneration

The stock options granted to the members of the Board of Management and Key Management executives fall within the scope of application of IFRS 2 and "IFRS 2 – Share-based payment" as so-called share-based remuneration transactions settled with the use of equity capital instruments. The fair value of these remuneration transactions is to be distributed pro rata across the years of service and recognised as personnel expenditure and taken into account accordingly in equity.

Within the scope of the stock option programme 2005, a former member of the Board of Management was granted a total of 200,000 options in the years 2006, 2007, and 2008. In the financial year 2013, 50,000 options were allotted to another former member of the Board of Management in tranches of 30,000 and 20,000 units within the scope of the Stock Option Programme 2005.

Owing to the capital measures executed during the financial year 2013, the 200,000 options granted in the past carried an entitlement to the acquisition of 40,000 shares as at 31 December 2014. Of these, 12,000 options from this tranche from the year 2006 expired as at 24 October 2015. This means that as at 31/12/2015, 28,000 options are still outstanding.

Following the capital measures executed in fiscal 2013, the 50,000 stock options granted to another former member of the Board of Management in the financial year 2013 carried an entitlement to acquire 10,000 shares as at 31 December 2014 and 31 December 2015, respectively. The capital reduction took place on 4 September 2013, and the capital increase on 8 October 2013.

In total there are therefore 38,000 options outstanding for the two option holders as at the balance sheet date 31 December 2015 (previous year: 50,000 options).

The options may be exercised at the earliest after two years have expired, starting from the date of issue (hereinafter referred to as the "holding period"). Each option, if exercised, entitles the holder to the acquisition of one share in the Company. After seven years have expired following the end of the holding period, all options that have not been exercised will expire. In each calendar year, a maximum of one third of the options granted and still outstanding can be exercised.

The options may be exercised only if the following success targets have also been achieved:

1. The average closing price of the Company's ordinary share during the reference period (hereinafter referred to as the "reference price") exceeds the basic price by at least the minimum increase rate. The minimum increase rate in the third year after the date of issue amounts to 35% and will increase by ten percentage points in each case at the beginning of a further year after the issue date.

2. The reference price amounts to at least 90 per cent of the average closing price of the Company's common stock on the Frankfurt Securities Exchange on the 30 days of trading before the day exactly one year prior to the day of commencement of the relevant exercise period.

The exercise prices are variable in accordance with the arrangements under the stock option programme 2005, based on an index derived from a change in value of the Prime All Shares Index of the Frankfurt Securities Exchange. Moreover, the option holders are granted four points in time to exercise the options each year, depending on the publication dates of the annual and quarterly financial statements.

Furthermore, a contractually agreed adjustment is made to the options granted or their strike price in the event of a change in the number of shares issued by the Company, a change in the nominal amount per share, and of the issue of shares as part of a capital increase if the issuing amount falls below the share price at a certain point in time (dilution surcharge).

The average exercise prices listed in the table after the next were calculated as follows:

Strike price of the tranches calculated for the years 2006 to 2008, 2010 and 2013, based on the last exercise period before the respective balance sheet date, weighted by the respective number of options outstanding from the tranches of 2006 to 2008, 2010 and 2013, reduced by the dilution surcharge.

The bandwidth of strike prices for the options outstanding at the end of the reporting period, amounting to 38,000, ranged from EUR 10.08 to EUR 24.94 for the tranches of the years 2007, 2008 and 2013.

The term of the subscription rights is nine years, with a two-year waiting period. The subscription rights are redeemed by issuing shares. As part of the valuations, the earliest possible date of execution was assumed; accordingly, the expected lifetime is approximately five years. A time window of five years has been defined for the purpose of measuring volatilities. On 31 December 2014, the options allocated in the financial year 2013 were still within the two-year holding period. On the balance sheet date 31 December 2015, there were no longer any options within the holding period. The holding period for 6,000 options expired on 08 April 2015, and the holding period for an additional 4,000 options ended on 30 September 2015.

FURTHER PARTICULARS ON THE STOCK OPTION PLAN 2005

In units	Approved to the Board of Management		Approved to managerial staff members	
	2015	2014	2015	2014
Options outstanding at the beginning of the period	50,000	50,000	0	0
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options expired	12,000	-	-	-
Options forfeited	-	-	-	-
Changes through capital measures	-	-	-	-
Options outstanding at the end of the period	**38,000**	**50,000**	**0**	**0**

in EUR	2015	2014
Minimum share price for reaching the exercise hurdle on the balance sheet date		
1/3 of the issue from 2006: 0 (previous year: 4,000) options*	-	36.14
1/3 of the issue from 2007: 4,000 (previous year: 4,000) options	44.15	41.89
1/3 of the issue from 2008: 5,333 (previous year: 5,333) options	40.96	38.75
1/3 of the issue from 2013: 2,000 (previous year: 0) options**	12.32	-
1/3 of the issue from 2013: 1,333 (previous year: 0) options**	14.54	-
Weighted average of residual contractual term in years	2.49	2.83
Average strike price of options outstanding at the beginning of the period	21.96	22.01
Average strike price of options outstanding at the end of the period	20.64	21.96
Average strike price of options forfeited	21.60	-
Average strike price of newly granted options	-****	-

* Options from the tranche of 2006 (12,000 shares) expired on 24 October 2015.
** Date of issue: 08 April 2013
*** Date of issue: 30 September 2013
**** No new options were granted during the financial year 2015.

During the financial year, the total expenditure on share-based remuneration came to EUR 4 k (previous year: EUR 6 k). This is attributable in full to remuneration paid in the form of equity instruments.

17 Provisions for services after termination of the employment relationship

Staff-related provisions exclusively comprise benefits to employees.

As at 31 December 2015 these amounted to EUR 9.941 k and consist of provisions for pensions (EUR 9,910 k) and provisions for early retirement part-time work agreements (EUR 31 k).

In the year under review, provisions for early retirement part-time work agreements were reduced by EUR 96 k. The discount rate applied amounts to 0.0 per cent (previous year: 0.5 per cent). An appropriate guarantee was deposited for insolvency protection relating to working time credits earned as part of the block model. Employer contributions to pension insurance in the German subgroup, classified as a defined contribution pension plan, amounted to EUR 940 k in the financial year (previous year: EUR 1,006 k). Contribution payments of a similar extent are planned to be made for fiscal 2016.

The METRIC Group has obligations arising from defined benefit pension commitments in Germany and the United Kingdom.

In Germany, there was originally only an obligation of this kind to a single pensioner. Since a surviving dependants' pension was committed in addition to this old-age pension, the commitment now applies in relation to the widow of the pensioner, who passed away last year. The pension obligation thus is subject to the longevity risk. The Company is under a statutory obligation to review the necessity of a pension adjustment every three years, based on the development of the consumer price index or the salary of comparable employee groups. The pension obligation thus is also subject to the risk of inflation.

In the United Kingdom, there are commitments that are dependent both on a service time and final salary as well as on a contribution commitment involving minimum benefits ("Money Purchase Plan"). Both assurances were exclusively given for new recruitments, and no further vested entitlement can be earned in this connection. The benefit commitment grants old-age and surviving dependants' pension with a fixed pension adjustment of 3.0 per cent for vested entitlements acquired between 5 April 1988 and 6 April 1997. The extent to which these claims can be increased as vested entitlements is ultimately subject to the decision of the trustee and the actuary of the pension plan, taking account of the period of time between the assumed and the actual time of drawing a pension.

For part of the entitled beneficiaries, the Company took out pension insurance for payment of current pensions in order to hedge biometric risks (in particular, longevity). In the case of the contribution commitment with minimum benefits ("Money Purchase Plan"), provident capital is saved and can be converted into an old-age and surviving dependants pension on retirement. Accordingly, when converted into an annuity for life, this commitment is subject to the longevity risk. The minimum interest rate approved in this connection amounts to 3.0 per cent. Moreover, the trustees have an option to increase the pensions beyond that level. Appropriate assets are kept in a fund for both commitments. The assets contributed to the fund are subject to the investment risk as approx. 70 per cent were contributed in the form of equity capital instruments and other profit-earning investments and 30 per cent in low-risk investments such as corporate bonds and cash. As a result, a diversification is made concerning the type of investments and geographical regions.

The trustees are responsible for ensuring the membership contributions and other contributions continue to be paid.

The provisions of the "Pension Act" apply in the United Kingdom:

To settle any shortfalls, the employer will make additional contributions payable as part of a ten-year compensation programme that began to run on 29 November 2011. The contributions made within the scope of this programme are subject to regular reviews. Moreover, the employer bears the administrative costs and expenses of asset management.

The provisions in the balance sheet are shown as follows:

PENSION PROVISIONS

In EUR '000s	**2015**	**2014**
Cash value of funded obligations	18,184	18,016
Fair value of plan assets	(8,589)	(8,364)
Deficit in plans funded	**9,595**	**9,652**
Cash value of unfunded obligations	315	336
Total	**9,910**	**9,988**

The defined benefit obligation developed as follows:

DEFINED BENEFIT OBLIGATION

In EUR '000s	Cash value of the obligation		Fair value of plan assets	Provision
	Germany	United Kingdom	United Kingdom	Total
01 January 2014	**387**	**14,823**	**(7,284)**	**7,926**
Current service costs	-	-	-	0
Interest expense / income	11	705	(370)	346
Revaluations				
- from plan assets	-	-	(470)	(470)
- from the change in demographic assumptions	-	(1,335)	-	(1,335)
- from the change in financial assumptions	-	2,419	-	2,419
- from experience-related adjustments	(36)	1,038	-	1,002
Total	**(36)**	**2,122**	**(470)**	**1,616**
Currency translation differences	-	1,093	(520)	573
Employer contributions	-	-	(447)	(447)
Benefits paid	(26)	(727)	727	(26)
31 December 2014	**336**	**18,016**	**(8,364)**	**9,988**
01 January 2015	**336**	**18,016**	**(8,364)**	**9,988**
Current service costs	-	-	-	0
Interest expense / income	4	667	(311)	360
Revaluations				
- from plan assets	-	-	364	364
- from the change in demographic assumptions	-	-	-	0
- from the change in financial assumptions	-	(802)	-	(802)
- from experience-related adjustments	(1)	(69)	-	(70)
Total	**(1)**	**871**	**364**	**(508)**
Currency translation differences	-	1,098	(508)	590
Employer contributions	-	-	(496)	(496)
Benefits paid	(24)	(726)	726	(24)
31 December 2015	**315**	**18,184**	**(8,589)**	**9,910**

The Company has made the following actuarial assumptions:

ACTUARIAL ASSUMPTIONS

in per cent	2015		2014	
	Germany	United Kingdom	Germany	United Kingdom
Actuarial interest rate	1.50	3.80	1.30	3.50
Salary trend	-	-	-	-
Pension trend	1.00	3.00	1.00	3.00
Inflation	1.00	2.20	1.00	2.20

For the obligation in Germany, the Heubeck Mortality Tables 2005G were used as a basis.

In evaluating the obligations in the United Kingdom, the Mortality Tables S1PxA were applied accordingly.

The weighted duration of the obligations amounts to 15 years (previous year: 16 years) for the pension plan in the United Kingdom and 8 years (previous year: 8 years) for the pension plan in Germany.

The sensitivity of the obligations to changes in actuarial assumptions is shown in the following table. In this context, it should be noted that in Germany, only actuarial interest rate sensitivities apply.

Sensitivities of pension plan in Germany 2015

in per cent		Impacts on the obligation	
	Changed assumption by	on increased assumption	on decreased assumption
Actuarial interest rate	0.5	Reduction by 4.0	Increase by 4.3

Sensitivities of pension plan in Germany 2014

in per cent		Impacts on the obligation	
	Changed assumption by	on increased assumption	on decreased assumption
Actuarial interest rate	0.5	Reduction by 4.2	Increase by 4.5

Sensitivities of pension plan in the UNITED KINGDOM 2015

in per cent	Changed assumption by	Impacts on the obligation
Reduction in actuarial interest rate	0.1	Increase by 1.5
Extension of longevity	0.5	Increase by 2.4

Sensitivities of pension plan in the UNITED KINGDOM 2014

in per cent	Changed assumption by	Impacts on the obligation
Reduction in actuarial interest rate	0.1	Increase by 1.4
Extension of longevity	1.5	Increase by 2.3

The sensitivities are based on the change of an assumption, whereas the remaining assumptions remain unchanged in each case. It should be noted in this context that there may be correlations between the individual assumptions. No adjustments were made with regard to the evaluation method.

For 2016, the Company expects contributions to the fund to be made to an extent of EUR 488 k (prev. year: EUR 460 k).

The plan assets comprise investments in the following classes:

PLAN ASSETS PER MAIN CATEGORY

in per cent	2015	2014
Corporate equity interests	53	51
Government bonds	2	4
Corporate bonds	17	12
Real estate / land and buildings	3	2
Cash	2	10
Miscellaneous	23	21
Total	**100**	**100**

Plan assets exclusively comprise assets for which a fair value pricing exists on an active market. According to IAS 19.143, the Company has no plan assets whatsoever, i.e. assets that are used or held by the Company itself in this connection.

CURRENT PERSONNEL-RELATED DEFERRED LIABILITIES

In EUR '000s	2015	2014
METRIC DE		
Employers' liability insurance association	60	60
Personnel measures	137	682
Variable remuneration	193	291
Overtime	606	592
Leave	190	251
Pre-retirement part-time work	139	139
METRIC UK overtime/leave/variable remuneration	107	119
Total	**1432**	**2134**

18 Provisions

Provisions for warranties are set up for goods and services supplied during the financial year. Their extent is based on assumptions made concerning historical product warranty costs. This provision is expected to be eliminated over the following three years. The risk of claims being made on warranty obligations is estimated at 1.5 per cent of sales revenues, as in the previous year. Provisions for subsequent costs and conventional penalties are set up if it turns out after projects have been finalised that a volume of extra work is necessary beyond the extent of normal warranty-related activities. The impact of the change in discount rates in relation to the previous year likewise affects only the warranty provision and amounts to +EUR 12 k (previous year: -EUR 3 k).

PROVISIONS

In EUR '000s	As of 01/01/2015	Con-sumption	Rever-sal	Addit-ion	As of 31/12/2015
Warranties	1,097	(441)	(626)	708	738
Subsequent costs and conventional penalties	718	(469)	(44)	-	204
Contingent loss provision	1,176	(549)	(255)	11	384
Total	**2,991**	**(1,459)**	**(925)**	**719**	**1,326**

19 Trade payables

The Group's sum total of liquidity and currency risks is explained in Note (21).

20 Other non-financial liabilities

Other non-financial liabilities essentially comprise EUR 1,050 k in liabilities relating to value added taxes (previous year: EUR 592 k) and EUR 163 k in payroll taxes (previous year: EUR 176 k) as well as EUR 0 k in advance payment for subsidised projects (previous year: EUR 140 k) and EUR 0 k in deferred rental payments (previous year: EUR 560 k).

21 Financial instruments

I. General notes on financial instruments

Disclosure of methods for fair value measurement

Cash and cash equivalents, trade receivables as well as other assets have current residual terms to maturity. Accordingly, their carrying amounts as at the reporting date approximately reflect their fair value. Trade payables and other financial liabilities likewise generally have current residual terms to maturity. An exception is the supplier loan granted to the Company by the main supplier during the previous year. This merchandise credit will only be fully repayable by 31 December 2018. Again, the amounts carried on the balance sheet approximately correspond to the relevant fair values. Since the economic situation and the interest terms and conditions of the METRIC Group have not changed significantly, the carrying amount of the financial liabilities approximately reflects their fair value.

Financial derivatives without a hedge relationship are recognised at fair value through profit and loss. The fair value hierarchy of the valuation classes shown in the Table "Carrying amounts, values recognised and fair value by valuation categories" in accordance with IFRS 7.26 are to be fully assigned to Level 2 (valuation model).

To calculate the market value (the selling price) of the interest rate swap, only observable market data is used (according to IFRS 13, this corresponds to the Level 2 parameters) in the valuation model. In the case of the transaction mentioned, for one thing these are the yield curves for calculating future interest payments (forward interest) and, for another, there are the discount rates obtained from the Reuters information service.

At the end of the reporting period, METRIC mobility solutions AG ascertains whether there are reasons for reclassification in or from a particular valuation category. A reclassification from Level 1 to Level 2 must be made if no listed prices are available any longer for the financial instrument in question, or if the level of trading activity has declined to such a sharp extent that no active market can be presumed to exist any longer. The converse situation applies to reclassifications from Level 2 and 3 to Level 1. A reclassification from Level 3 to Level 2 must take place if only observable input factors are included in the valuation. Conversely, a reclassification to Level 3 must be made as soon as non-observable input factors are included in the valuation.

In the financial year 2015, no reclassifications were made between the valuation categories.

NET RESULTS FROM VALUATION CATEGORIES (IFRS 7.20 [a])

In EUR '000s	From interest	from subsequent valuation			2015	2014
		at Fair Value	Currency translation	Valuation adjustment		
Loans and Receivables (LaR)	(1,160)	-	12	191	(957)	(927)
Financial Liabilities Measured at Amortised Cost (FLAC)	(449)	-	7	-	(442)	(532)
Financial Instruments Held for Trading FLHfT)	(251)	-	-	-	(251)	(238)
Total	**(1,860)**	**-**	**19**	**191**	**(1,650)**	**(1,697)**

CARRYING AMOUNTS, VALUATION APPROACHES AND FAIR VALUES ACCORDING TO VALUATION CATEGORIES

In EUR '000s	Valuation category according to IAS 39	Fair value hierarchy level acc. to IFRS 7.26	Carrying amount 31/12/2015	Recognition in balance sheet acc. to IAS 39			Recognition in balance sheet according to IAS 17	Fair value 31/12/2015	Carrying amount 31/12/2014	Fair value 31/12/2014
				Amortised cost	Fair value outside profit or loss	Fair value through profit or loss				
Assets										
Cash and cash equivalents	LaR	-	2,012	2,012	-	-	-	2,012	1,185	1,185
Trade receivables	LaR	-	15,868	15,868	-	-	-	15,868	14,985	14,985
Other financial assets	LaR	-	2,342	2,342	-	-	-	2,342	2,198	2,198
Derivatives without hedge relationship	FAHfT	2	-	-	-	-	-	-	-	-
Derivatives with hedge relationship	n.a.	2	-	-	-	-	-	-	-	-
Liabilities										
Trade receivables	FLAC	-	22,745	22,745	-	-	-	22,745	15,386	15,386
Liabilities to banks	FLAC	-	431	431	-	-	-	431	7,677	7,677
Liabilities from leasing finance	n.a.	-	9	-	-	-	-	9	0	0
Other financial liabilities	FLAC	-	2,471	2,471	-	-	-	2,471	4,650	4,650
Derivative financial liabilities										
Derivatives without hedge relationship	FLHfT	2	661	-	-	661	-	661	872	872
Derivatives with hedge relationship	n.a.	2	-	-	-	-	-	-	-	-
Aggregated according to valuation categories in accordance with IAS 39:										
Loans and Receivables	(LaR)	-	20,222	20,222	-	-	-	20,222	18,368	18,368
Financial Assets Held for Trading	(FAHfT)	-	-	-	-	-	-		-	-
Financial Liabilities Measured at Amortised Cost	(FLAC)	-	25,647	25,647	-	-	-	25,647	27,713	27,713
Financial Liabilities Held for Trading	(FLHfT)	-	661	-	-	661	-	661	872	872

II. Risk management of financial instruments

Principles of risk management

This section contains information on the extent of the risks to which the Group is exposed arising from the use of financial instruments. In addition, quantitative valuations are made of the risks involved. The Board of Management bears the responsibility for setting up and monitoring risk management. In terms of its assets, liabilities and planned transactions, METRIC mobility solutions AG is subject in particular to risks arising from fluctuations in exchange and interest rates. The objective of financial risk management is to mitigate these market risks by means of current operational and financially oriented activities. To this end, available hedge instruments are deployed, depending on the risk assessed. In principle, only risks capable of having an impact on the Group's cash flow would be hedged. Derivatives would be deployed solely for hedge purposes. Their deployment for trading or speculation purposes is ruled out. The fundamentals of financial policy are defined by the Board of Management.

As a result of the discharge of credit lines in the financial year 2015, the Company now only has limited means of hedging interest and currency risks.

The Board of Management is briefed on a regular basis about the Company's exposure to risk and the extent and value of hedge transactions already concluded. Hedge transactions are concluded on the instructions of the Board of Management. Swap transactions at a later date of payments on the date of the hedge are implemented independently by the Finance Department in accordance with the hedge guidelines. Correct and complete implementation is monitored by the Board of Management. For further particulars, please refer to the opportunities and risk report in the consolidated management report.

Foreign currency risks

Strategy

The Group is exposed to currency risks arising from sales and purchases. The decisive risks exist in the currencies USD (predominantly purchases), CHF (predominantly sales) and GBP (purchases, sales and consolidated subsidiaries). Firmly contracted agreements are included in the currency exposure along with planned payments to be classified as having a high probability of occurring. Foreign currency risks with no influence on consolidated cash flows are not hedged on principle. For instance, these are risks resulting from the translation of assets and liabilities from financial statements of consolidated foreign subsidiaries. Foreign currency risks in the field of financing are the result of financial liabilities as well as loans granted in foreign currencies for the funding of Group member companies. These transactions are not hedged as a matter of principle. The effects of currency fluctuations are recognised in the currency compensation item.

Hedge measures

At the balance sheet date, no forward exchange transactions were designated as hedge instruments within the scope of cash flow hedges. The term to maturity of a forward exchange transaction with a fair value amounting to EUR 661 k that no longer had an underlying transaction already came to an end in the reporting year 2013.

Financial derivatives

The fair values recognised for the various financial derivatives are shown in the Table "Derivative financial instruments". In the process, a distinction is drawn as to whether or not these are embedded into an effective hedge relationship in accordance with IAS 39.

Foreign currency exposure

The volume of the Group's foreign currency items at their nominal value is shown in the Table "Volume of foreign currency items at nominal value".

Sensitivity analysis

IFRS 7 requires sensitivity analyses to be carried out to take account of market risks. These show what consequences hypothetical changes to relevant risk variables can have on earnings and equity. The periodic effects are determined by comparing the hypothetical changes to risk variables with the portfolio of financial instruments as at the balance sheet date. In the process, it is assumed that the portfolio as at the balance sheet date is indicative for the year as a whole and that all other variables, especially interest rates, remain constant. A depreciation of the currencies shown by ten per cent against the euro as at 31 December would have reduced/increased the capital and profit/loss for the period by the amounts reflected in the Tables "Equity capital effect of sensitivities from foreign currency effects" and "Earnings effect of sensitivities from foreign currency effects". An appreciation of the relevant currencies by 10 per cent would have had the same effects, with the preceding plus and minus signs being reversed.

Risk concentration (cluster risks)

In the category of foreign currency risks, in the past the Swiss franc represented a particular risk concentration for the Company. On 31 December 2013, the order book of METRIC mobility solutions AG still showed an order portfolio in CHF amounting to a total volume of EUR 11.1 million; by 31 December 2014 the Company reported EUR 3.5 million. On 31 December 2015 the CHF order portfolio amounted to EUR 1.1 million. The CHF was valued at an average exchange rate of 1.11 to the euro (previous year: 1.21).

In January 2015 the Swiss National Bank decoupled the Swiss franc from the euro. As a result of the steadily declining order volume in Swiss francs, the METRIC Group currently does not consider the Swiss franc to represent a particular risk concentration.

The Company's order book included orders denominated in GBP amounting to EUR 0.6 million as at 31/12/2015 (previous year: EUR 0.5 million). On 31 December 2013, this figure had still been around EUR 1.7 million. The reduction in the order portfolio over the entire period is also due to the transfer of the operating site to Metric Group Ltd. as at 1 July 2014, as customers can now order directly from METRIC UK in the local currency GBP, instead of from METRIC DE, whose local currency is the Euro. At the balance sheet date, the GBP was valued at an average exchange rate of 0.73 (previous year: 0.81) to the euro.

Interest rate risks

Strategy

The Group is exposed to risks of interest rate fluctuations in the field of short-term financing of working capital. Interest rate risks essentially exist in the euro zone.

Until the beginning of the second quarter 2015, the Company had a credit line of EUR 8.5 million at its disposal. The interest lock-in period for this facility is due to end in the year 2018. The interest rate was EURIBOR plus 150 basis points.

After the first three months of the financial year 2015, the regular banks of METRIC mobility solutions AG and a company of the Droege Group entered into a credit receivable purchase and assignment agreement. Accordingly, the past bank liabilities of METRIC mobility solutions AG were acquired by the Droege Group. Interest payable for the loan granted by the Droege Group is at standard market interest rates and matches the terms and conditions of the previous commercial banks. Consequently, the Company no longer has any bank lines as at 31 December 2015.

As a result of the transfer of the existing terms and conditions of the loan, the extent of interest continues to be secured until it expires.

As in the previous year, the Group has no further new instruments (swaps and the like) at its disposal to hedge interest rate risks.

Interest profile

The supplier credit entered into by METRIC mobility solutions AG and one of its main suppliers in the financial year 2014, which was extended effective as of 16 March 2016, is based on a fixed-interest arrangement at terms common on the market. On the balance sheet date, the remaining interest-bearing financial liabilities of the Group excluding finance leasing and factoring are therefore based on interest arrangements subject to variable interest rates.

Hedge measures

In order to hedge the risk of payment flows of financial liabilities subject to variable interest rates, the Group had already entered into a payer interest swap (payment fixed – receipt variable) in previous years for the volume of non-current credit utilisations amounting to EUR 5 million. The hedge was made with the objective of transforming utilisations at variable interest rates into financial liabilities at fixed interest rates and thus to hedge and render the payment flow from financial liabilities capable of being planned.

No hedge transactions were concluded in the financial year 2015, as had also been the case in the preceding year. Accordingly, the valuation effects as at the balance sheet date were recognised in net interest income by the Company. The fair value of the interest rate swap amounted to –EUR 661 k as at the balance sheet date. (prev. year: -EUR 872 k). To this end, a liability was set up in the corresponding amount effective 31 December 2015. The hedged interest rate originally amounted to 4.83 per cent p. a.

Sensitivity analysis

Risks of interest rate fluctuations are presented by means of sensitivity analyses in accordance with IFRS 7. These represent the effects of changes to market interest rates on interest payments. If the level of interest rates prevailing on the market as at 31 December 2015 had turned out 100 basis points higher/lower, this would have resulted in a higher/lower expense of EUR 85 k (previous year: EUR 77 k) on the financial liabilities existing as at the balance sheet date. The volume of underlying liabilities subject to variable interest rates amounts to EUR 8,500 k (previous year: EUR 7,677 k). There are no interest-bearing trade receivables in the Company portfolio. Moreover, no holdings available for sale are kept in the portfolio. Accordingly, for these classes of financial instruments no calculation is carried out with regard to interest sensitivity.

Risk concentration (cluster risks)

There is no concentration of risks as far as interest is concerned.

Liquidity risks

Cf. disclosures in Note (14).

Risks of default

Within the scope of its operations, the Company is exposed to the risk of default associated with receivables (credit risk). The risk of default consists of the risk of the Group sustaining financial losses owing to contractual obligations being violated by customers. Risk essentially arises in connection with trade receivables, cash and cash equivalents, other assets, as well as items of collateral provided. The Group's risk of default is essentially influenced by the individual circumstances arising from customer relations. Risks of default arising from trade receivables are essentially covered by a merchandise credit risk insurance policy. Processes of credit management are handled via debtor management system. In principle, no merchandise is supplied to customers without securing the risk of default beforehand.

No material defaults in receivables were recorded in the past. The credit rating of potential customers is checked prior to accepting an order placed. In addition, active receivables management is in place, including genuine factoring as well as credit insurance policies. Moreover, in export business confirmed and unconfirmed letters of credit as well as suretyship agreements, guarantees and cover commitments from export credit agencies such as Euler Hermes are also deployed. Apart from local monitoring by the respective subsidiary, the METRIC Group also monitors major risks of default at Group management level in order to be able to better control a possible accumulation of risks.

Since trade receivables are owed by a large number of customers from different industry segments and regions, from the Company’s point of view there is no concentration or cluster formation of risks. Specific risks of default are taken account of by means of valuation adjustments.

Valuation adjustments

Specific valuation adjustments are made to take account of risks of default. Since the beginning of the year 2014, receivables offered to the factor for purchase have been included under the merchandise credit insurance. Moreover, credit risks for critical customers are additionally mitigated by cash in advance arrangements. Classification as “critical” is effected on a regular basis via information on credit ratings.

With regard to financial assets which are neither overdue nor impaired, there were no indications of a potential value impairment as at the balance sheet date. With regard to the development of valuation adjustments, reference is made to Note (9).

Risk concentration (cluster risks)

Within the scope of credit management, risks of credit default are monitored and proactively controlled. A certain cluster risk accounting for a volume of four per cent of the receivables portfolio (previous year: four per cent) arises in connection with a large-scale European customer. There is no additional concentration of geographical risks.

The maximum risk of default of financial assets is confined to their carrying amount.

RECONCILIATION OF VALUATION ADJUSTMENT ACCOUNT

In EUR ‘000s	2015	2014
Status of valuation adjustments on 1 January	**870**	**576**
Additions	224	457
Consumption	(226)	(80)
Reversals	(168)	(83)
Status of valuation adjustments on 31 December	**700**	**870**

MATURITIES OF RECEIVABLES ON THE BALANCE SHEET DATE

In EUR ‘000s	Receivables 2015	Value adjustment 2015	Receivables 2014	Value adjustment 2014
Not due	11,965	-	10,642	-
Overdue for 1 to 30 days	1,910	-	1,973	-
Overdue for 31 to 180 days	1,654	-	2,110	-
Overdue for 181 to 360 days	743	(404)	631	(371)
Overdue for more than one year	296	(296)	499	(499)
Total	**16,568**	**(700)**	**15,855**	**(870)**

MAXIMUM CREDIT RISK ARISING FROM TRADE RECEIVABLES ACCORDING TO CUSTOMER GROUPS

In EUR '000s	2015	2014
METRIC mobility solutions AG segment (Bus and train corporations, airlines, retail and distribution companies)	12,130	11,566
METRIC UK segment (Cities and municipalities, parking space management)	3,738	3,419
Total	**15,868**	**14,985**

Credit risk exposure

The carrying amount of financial assets represents the maximum credit volume of the Group. The maximum credit risk amounts to EUR 20,222 k (previous year: EUR 18,368 k).

VOLUME OF FOREIGN CURRENCY ITEMS AT THEIR NOMINAL VALUE

In EUR '000s	31/12/2015			31/12/2014		
	USD	CHF	GBP	USD	CHF	GBP
Receivables from retail customers	94	4,611	332	141	91	994
Advance payments received	-	(4,202)	(105)	(102)	(435)	(653)
Liabilities to suppliers	(425)	(3)	(490)	(772)	(165)	(214)
Balance sheet exposure	**(331)**	**406**	**(263)**	**(733)**	**(509)**	**127**
Expected sales revenues	0	1,005	453	0	3,028	496
Expected purchases	(1,000)	-	-	(16,000)	(758)	(120)
Expected exposure	**(1,000)**	**1,005**	**453**	**(16,000)**	**2,270**	**376**
Forward exchange transactions	-	-	-	-	-	-
inla exposure	**(1,331)**	**1,411**	**190**	**(16,733)**	**1,761**	**503**

FINANCIAL DERIVATIVES

In EUR '000s	Fair Value 31/12/2015	Fair Value 31/12/2014
Assets		
Forward exchange transactions / currency swaps		
- without hedge relationship	-	-
- with hedge relationship	-	-
Liabilities		
Interest rate swaps		
- without hedge relationship	(661)	(872)
- in combination with cash flow hedges	-	-
Forward exchange transactions / currency swaps		
- without hedge relationship	-	-
- in combination with cash flow hedges	-	-

KEY CURRENCY TRANSLATION RATES

	Average exchange rate		Rate at reference date	
	2015	2014	2015	2014
Equivalent of 1 EUR/GBP	0.72577	0.80610	0.73799	0.78230
Equivalent of 1 EUR/USD	1.10960	1.32865	1.09260	1.21600
Equivalent of 1 EUR/CHF	1.10960	1.21461	1.08140	1.20280

EARNINGS EFFECT SENSITIVIES ARISING FROM FOREIGN CURRENCY EFFECTS

In EUR '000s	2015	2014
from GBP	271	10
from USD	(79)	(4)
from CHF	982	(34)

EQUITY EFFECT SENSITIVIES ARISING FROM FOREIGN CURRENCY EFFECTS

In EUR '000s	2015	2014
from CHF	-	-
from GBP	-	-

22 Operating leases as lessee

The Group has rented or leased buildings, vehicles and IT equipment. The lease payments for the building of METRIC mobility solutions AG in Hanover are based on a lease agreement signed in the year 2015, which replaced the original agreement from the year 1998. The remaining basic lease period is six years. There is no option to buy or to extend the lease. The leasing instalment for the Company's business premises in Hanover resulting from the new agreement amount to a total financial liability of 8,447 k by the year 2021. Added to this are leasing obligations for cars and photocopiers totalling 145 k, of which 109 k is to be paid in 2016.

For the administration and production building of METRIC Group Ltd, UK in Swindon occupied in the year 2005, there is an existing lease agreement with a lifetime until October 2019. The lease obligations arising from this amount to 1,418 k. Due to the high proportion of mobile service technicians and the vehicle fleet they require, there are additional car leases with a total obligation of 813 k.

In total the off-balance sheet obligations for operating leases in the METRIC Group amount to 10,823 k (previous year: 10,430 k).

In the financial year, lease payments amounting to EUR 2,065 k (previous year: EUR 2,341 k) were recognised under other operating expenses.

The payability year-on-year is as follows:

PAYABILITY OF NON-TERMINABLE OPERATING LEASES

In EUR ‘000s	2015	2014
Within the following year	2,321	1,928
Between one and five years	7,153	6,244
In more than five years	1,349	2,258
Total	**10,823**	**10,430**

23 Legal liability of the Group

No payment bonds were deposited in the financial year as part of contractual performance guarantees.

LEGAL LIABILITY OF THE GROUP

In EUR '000s	2015	2014
Contractual performance bonds	1,044	2,214
Advance payment bonds	3,584	2,953
Payment bonds	124	336
Warranty bonds	1392	662
Bid bonds	-	-
Total	**6,144**	**6,165**

24 Sales revenues

Of total income generated on the performance of services, the UK subgroup earned a share of EUR 12,392 k (previous year: EUR 10,623 k). Essentially, this comprises repairs and maintenance work on car park ticketing terminals.

SALES REVENUES

In EUR '000s	2015	2014
Merchandise sales	53,014	36,418
Services rendered	17,602	20,602
Total	**70,616**	**57,020**

25 Personnel expenses

The Group’s average workforce size excluding apprentices and trainees was 400 employees (previous year: 416). Of these, 98 (previous year: 96) were classified as commercial wage earners and 302 (previous year: 320) as employees.

PERSONNEL EXPENSES

In EUR ‘000s	2015	2014
Wages and salaries	(17,427)	(19,229)
Statutory social expenditure	(3,109)	(3,125)
Contributions to defined benefit pension plans	(488)	(460)
Contributions and actuarial expenses arising from direct commitments	(22)	(50)
Share-based remuneration components	(4)	(6)
Total	**(21,050)**	**(22,870)**

26 Other income

METRIC mobility solutions AG reports public-sector grants and subsidies according to the gross method and recognises these under other operating income. In the past, the Company received EU grants, inter alia for the development of ticketing terminals suitable for disabled users.

OTHER INCOME

In EUR ‘000s	2015	2014
Income from the reversal of provisions	1,831	1,123
Currency translation gains	1,070	1,217
Gains from the reversal of specific valuation adjustments to receivables	168	83
Public-sector allowances and subsidies	92	336
Remainder	618	372
Total	**3,779**	**3,131**

The renegotiation of the building lease resulted in income due to a waiver on previously deferred payments of EUR 560 k, which is reported under "Remainder" in the upper table.

27 Other expenses

The remaining other expenses relate to, in particular, general administration and distribution services. The item "Remainder" contains, inter alia, the cost of warranties amounting to EUR 927 k (previous year: EUR 530 k).

OTHER EXPENSES

In EUR '000s	2015	2014
Cost of office and workshop space	(2,941)	(2,628)
Services	(1,334)	(1,530)
Motor vehicle costs	(1,566)	(1,689)
Currency translation expenses	(1,148)	(1,188)
Travel expenses	(598)	(632)
Postage/courier services	(783)	(993)
Legal and consultancy fees	(1,033)	(3,980)
Telecommunications	(668)	(744)
Advertising/trade fairs	(436)	(490)
Valuation adjustments to receivables	(226)	(419)
Insurance policies	(213)	(204)
Remainder	(1,750)	(1,252)
Total	**(12,696)**	**(15,749)**

28 Net financial income

Net financial income includes income and expenses arising from bank interest, interest to other lenders as well as interest effects of accrued and discounted interest.

NET FINANCIAL INCOME

In EUR '000s	2015	2014
Interest income on bank balances	2	7
Other interest income	12	-
Financing income	**14**	**7**
Interest expenses on liabilities to banks	(60)	(173)
Other interest expenses	(1,806)	(1,221)
Financing expenses	**(1,866)**	**(1,394)**
Net financial income	**(1,852)**	**(1,387)**

INTEREST INCOME/EXPENSES ARISING FROM FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

In EUR '000s	2015	2014
Interest income	-	-
Interest expenditure	-	-
Total	**0**	**0**

29 Pre-tax earnings

The table "Tax reconciliation statement" shows the reconciliation of the calculatory tax expense determined by applying a uniform consolidated tax rate of 32.6 per cent to consolidated earnings before taxes and the tax expense reported.

PRE-TAX EARNINGS

The table "Tax reconciliation statement" shows the reconciliation of the calculatory tax expense determined by applying a uniform consolidated tax rate of 31.6 per cent to consolidated earnings before taxes and the tax expense reported.

PRE-TAX EARNINGS

In EUR '000s	2015	2014
Tax income (expense) for the current reporting period	(195)	-
Tax income / (expense) previous years	20	(20)
Current tax income / (expense)	**(175)**	**(20)**
Deferred taxes	**(510)**	**4,259**
Pre-tax earnings	**(685)**	**4,239**

EARNINGS EFFECT DERIVED FROM DEFERRED TAXES INCOME / (EXPENSE)

In EUR '000s	2015	2014
Deferred tax assets		
from losses carried forward	273	439
from temporary differences	(548)	114
Deferred tax liabilities		
from development activities	(423)	(268)
from temporary differences	286	(283)
from consolidation-related booking entries	(98)	4,257
Total	**(510)**	**4,259**

TAX RECONCILIATION STATEMENT

In EUR '000s	2015	2014
Consolidated earnings after taxes	2,933	12,020
(Gains)/losses arising from income taxes	685	(4,239)
Consolidated earnings before taxes (EBT)	2,248	16,259
Imputed tax expense / (tax income)	**(710)**	**(5,138)**
Tax impacts		
Effects arising from change in loss carried forward	1,350	880
Effects of different tax rates within the Group	(16)	(226)
Aperiodic effects	(20)	20
Effects arising from changes to tax rates	(2)	-
Deferred taxes not taken into account arising from temporary differences	-	(8)
Operating expenses not deductible for tax purposes	61	77
Other effects	22	156
Tax expenses/(tax income) reported	**685**	**(4,239)**

30 Additional mandatory disclosures under Germany commercial law

Information on remuneration paid to the auditors

The fees paid to the auditors and required to be stated as an expense item in accordance with Section 314 (1) No. 9 of HGB in the financial year are reported in the table below.

REMUNERATION OF AUDITORS

In EUR '000s	2015	2014
Audit of financial statements	122	122
>> thereof relating to other periods	-	17
Tax consultancy services	48	76
>> thereof relating to other periods	12	-
Other assurance services	14	5
Other services	14	48
>> thereof relating to other periods	0	11
Total	**230**	**251**

Declaration of conformity with the German Corporate Governance Code

The Board of Management and Supervisory Board of METRIC mobility solutions AG have submitted the mandatory declaration in accordance with sect. 161 of the German Companies Act, stating that recommendations of the "German Government's Commission on the German Corporate Governance Code" have been and will be complied with and have made this declaration available to the Company's shareholders on the Company's website www.metric-group.com.

31 Events after the balance sheet date

The recording and reporting of events after the balance sheet date within the scope of accounting is governed by IFRS, namely by IAS 10 ("Events after the Reporting Period").

The following significant events occurred after the balance sheet date:

Through a loan agreement dated 23 February 2016, a company belonging to the Droege Group granted METRIC mobility solutions AG a short-term loan of EUR 2.2 million. The loan is granted at standard market interest rates and is to be repaid in two instalments of EUR 1.1 million each, due on 30 June 2016 and on 29 July 2016. METRIC Group Ltd., UK became a party to the obligations of the loan agreement and is liable by way of this collateral promise next to the borrower pursuant to Section 421 HGB for all current and future claims accruing to the lender from the above loan agreement to the borrower.

On 18 March 2016, METRIC mobility solutions AG prolonged a merchandise credit facility that was originally limited until 31 December 2016 with its main supplier Zollner Elektronik AG with a volume of up to € 12.0 million.

From the effective date 1 January 2017, the existing merchandise credit facility will continue to be kept as an interest-bearing loan subject to the usual terms and conditions prevailing on the market. The loan agreement cannot be terminated prior to 31 December 2018. Annual redemption payments will begin for the first time as at 30 September 2017. Repayment will be made in excess of a minimum amount, depending on the business success of METRIC mobility solutions AG.

32 Disclosures regarding related entities and persons

The following parties belong to the category of related third parties of the METRIC Group:

- Persons in key positions or who have a decisive influence, as well as their immediate family members
- Special Technology Holding GmbH, Düsseldorf as the parent company of METRIC mobility solutions AG
- Persons in key positions or who have a decisive influence at the parent company Special Technology Holding GmbH as well as their immediate family members
- Subsidiaries of METRIC mobility solutions AG
- Subsidiaries and affiliates of the parent company Special Technology Holding GmbH, as well as all parties with direct and indirect equity interests in Special Technology Holding GmbH.

Shareholders with a significant influence

As at the balance sheet date, the voting rights of Special Technology Holding GmbH, Düsseldorf, a company of the Droege Group, amounted to 75.001 per cent. All voting rights are attributed to Walter P. J. Droege pursuant to Section 22 (1) Sentence 1 No. 1 of the German Securities Act (WpHG) via Droege Holding Verwaltungsgesellschaft mbH, Düsseldorf, Droege Holding GmbH & Co. KG, Düsseldorf, Droege International Group AG, Düsseldorf, Droege Capital GmbH, Düsseldorf, and Special Technology Holding GmbH, Düsseldorf.

Transactions with members of the Board of Management and Supervisory Board

a) Remuneration report for the Board of Management

In addition to fixed remuneration, the Board of Management of METRIC mobility solutions AG receives regular, variable remuneration that is dependent on the achievement of objectives. The non-performance-related share of remuneration is determined by the Supervisory Board in specific individual cases, taking account of professional experience, qualifications and performance. The fixing of the level of remuneration for the members of the Board of Management is based on the economic and financial situation of the Company, as well as the extent and structure of remuneration paid to management boards of comparable enterprises. In addition, the tasks and the contribution made by each member of the Board of Management are taken into account.

Non-performance-related remuneration comprises basic remuneration, benefits in kind and perquisites (company car, healthcare and insurance policies, accommodation costs). The basic remuneration is disbursed monthly in the form of a salary payment. Benefits in kind essentially consist of the value of using a company car in accordance with tax regulations and allowances paid towards insurance premiums.

The performance-related remuneration is paid on achievement of the performance targets. The maximum amount is capped in case targets are exceeded. In the event of target shortfalls of over 10 per cent, this remuneration component may even be forfeited altogether.

In the financial year 2013, 50,000 stock options were issued to a former member of the Board of Management in two tranches. Following the capital measures carried out in 2013, these provide for entitlement to the acquisition of 10,000 shares.

After the capital reduction of 4 September 2013 and the capital increase carried out as at 8 October 2013, the 200,000 stock options allotted to a further former member of the Board of Management in the past now carry an entitlement to the acquisition of 40,000 stock options. Effective 24 October 2015, 12,000 of these options have expired.

No additional stock options were issued to the Board of Management in the financial year 2015.

Consequently the stock options remaining at the cut-off date number 38,000.

No pension commitments have been made to the members of the Board of Management. No benefits from third parties were approved to the members of the Board of Management with regard to their activities as members thereof. If a member of the Board of Management dies during the contractual term, three monthly salaries will be paid by way of benefits to surviving dependants. In the event of illness, continued salary payment for the members of the Board of Management has been agreed for three months.

In presenting a table regarding the remuneration paid to the Board of Management, METRIC mobility solutions AG follows the recommendations by the Government Commission on the German Corporate Governance Code of 5 May 2015.

In this context, we refer to the following two tables, namely “Benefits granted” and “Inflows”.

On the disclosure in accordance with IAS 24, 17, we refer to the table "Remuneration Board of Management”.

b) Remuneration report for the Supervisory Board

The remuneration of the Supervisory Board is governed by Art. 12 of the articles of association and is exclusively payable in the form of a fixed salary. With effect as of the beginning of the financial year 2014, each member of the Supervisory Board is to receive, in addition to refunds for out-of-pocket expenses, a fixed remuneration amounting to EUR 25,000.00 at the end of the financial year. The Chairman receives double this amount.

No payments were made to former Supervisory Board members. There are no commitments on the part of the Company to do so.

Neither METRIC mobility solutions AG nor any of its subsidiaries granted any loans to the members of the Supervisory Board or the Board of Management.

The total remuneration paid to the Supervisory Board in 2015 amounted to EUR 100 k (previous year: EUR 100 k).

REMUNERATION OF THE SUPERVISORY BOARD

In EUR ‘000s	**2015**	**2014**
Dirk Ulrich Hindrichs	50	50
Christoph Hartmann	10	25
Johannes Feldmeyer	25	25
Walter P. J. Droege	15	-
Total	**100**	**100**

BENEFITS GRANTED

in EUR '000s.	Thomas Dibbern CEO Joined as at 02/07/2014				Günter Kuhlmann Member of the board of Management Joined as at 01/10/2014				Paul Lebold Member of the board of Management Joined as at 01/10/2014				Rudolf Spiller CEO Left as at 12/11/2014
	2014	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**
Fixed remuneration	90	240	240	240	45	180	180	180	40	160	160	160	483
Perquisites	4	15	15	15	4	23	23	23	-	20	20	20	21
Total	**94**	**255**	**255**	**255**	**49**	**203**	**203**	**203**	**40**	**180**	**180**	**180**	**504**
one-year variable remuneration	45	23	23	225	11	-	0	113	10	-	0	60	165
Multiple years variable remuneration	-	-	-	-	-	-	-	-	-	-	-	-	6
Total	**139**	**278**	**278**	**480**	**60**	**203**	**203**	**316**	**50**	**180**	**180**	**240**	**675**
Provident costs	4	7	7	7	2	7	7	7	-	-	-	-	16
Total remuneration	**143**	**285**	**285**	**487**	**62**	**210**	**210**	**323**	**50**	**180**	**180**	**240**	**691**

INFLOWS

In EUR '000s	Thomas Dibbern CEO Joined as at 02/07/2014		Günter Kuhlmann Member of the Board of Management Joined as at 01/10/2014		Paul Lebold Member of the Board of Management Joined as at 01/10/2014		Rudolf Spiller CEO Left as at 12 November 2014
	2014	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Fixed remuneration	90	240	45	180	40	160	483
Perquisites	4	15	4	23	-	20	21
Total	**94**	**255**	**49**	**203**	**40**	**180**	**504**
One-year variable remuneration	45	23	-	11	-	10	-
Multiple years variable remuneration	-	-	-	-	-	-	-
Total	**139**	**278**	**49**	**214**	**40**	**190**	**504**
Provident costs	4	7	2	7	-	-	16
Total remuneration	**143**	**285**	**51**	**221**	**40**	**190**	**520**

REMUNERATION OF THE BOARD OF MANAGEMENT

In EUR '000s	Non-performance related		Performance-related		Components with long-term incentive effects		Benefits on the occasion of employment being terminated		Total emoluments	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Thomas Dibbern	240	90	23	45	-	-	-	-	263	135
Dr Günter Kuhlmann	180	45	-	11	-	-	-	-	180	56
Paul Lebold	160	40	-	10	-	-	-	-	160	50
Total	**580**	**175**	**23**	**66**	**-**	**-**	**-**	**-**	**603**	**241**

Transactions with related entities

In carrying out its business activities, the METRIC Group, in addition to the subsidiaries included in the consolidated financial statements, is engaged in direct or indirect relations with related entities and persons.

In the year under review, goods and services were procured from other related entities amounting to EUR 0.0 million (previous year: EUR 1.0 million).

The previous year a company of the METRIC Group Ltd. associated with METRIC mobility solutions AG granted two loans with a total value of EUR 3.7 million. These are repayable no later than 2017.

A company belonging to the Droege Group and associated with METRIC mobility solutions AG granted METRIC mobility solutions AG a loan amounting to EUR 8.5 million during the year under review, as well as a deferral on consultancy fees (gross) in the amount of EUR 2.5 million.

Members of the Board of Management

Thomas Dibbern

Chairman of the Board of Management and CEO

Sales & Marketing, Investor Relations, Public Relations, Product Management

Metric Group Holdings Ltd., Swindon (Managing Director)

Metric Group Inc. USA, Mount Laurel (Managing Director)

Dr Günter Kuhlmann

Member of the Board of Management

Research & Development, Project Management, Purchasing

Paul Lebold

Member of the Board of Management

Finance & Controlling, Legal Affairs, Human Resources, IT, Logistics

Members of the Supervisory Board

Dirk Ulrich Hindrichs

Chairman

Founder and managing partner of D.U.H. GmbH & Co. KG, Bielefeld

Other mandates:

Member of the Advisory Board of Lampe Privatinvest (Bankhaus Lampe KG), Hamburg

Member of the Advisory Board of Eduard Hueck GmbH & Co. KG, Lüdenscheid

Member of the Regional Advisory Board of Deutsche Bank West, Düsseldorf

Christoph Hartmann

Deputy Chairman (until 21 May 2015)

Vice President of Droege International Group AG, Düsseldorf

Other mandates:

Board of Directors and Audit Committee Dutech Holdings Limited, Singapore

Consejo de Administración Helis S.A., Barcelona/Spain

Johannes Feldmeyer

Deputy Chairman (from 21 May 2015)

Vice President of HEITEC AG, Erlangen

Other mandates:

Member of the Supervisory Board of FRIWO AG, Ostbevern/Westphalia

Member of the Management Board of LEUZE electronic GmbH & Co. KG, Owen

Member of the Advisory Board of POLAR-Mohr Maschinenvertriebsgesellschaft GmbH & Co. KG, Hofheim

Walter P.J. Droege (Since 21 May 2015)

Founder and sole member of the Board of Management of Droege International Group AG, Düsseldorf

Other mandates:

ALSO Holding AG, Emmen/Switzerland (Vice President of the Board of Directors)

Trenkwalder Beteiligungs GmbH and Trenkwalder International AG, Schwadorf/Austria (in each case Deputy Chairmand of the Supervisory Board)

Weltbild Holding GmbH, Augsburg, Germany (member of the Advisory Council)

HAL Allergy Holding B.V., Leiden/Netherlands (Chairman of the Supervisory Board)

Deutsche Bank AG, Düsseldorf (member of the Advisory Board)

HSBC Trinkaus & Burkhardt AG, Düsseldorf, Germany (member of the Board of Directors)

Hanover, 13 April 2016
Board of Management

Auditor’s certificate

We have audited the consolidated annual financial statements of METRIC mobility solutions AG, Hanover – consisting of the balance sheet, profit and loss statement, movements in equity statement, cash flow statement, and the notes – as well as the consolidated management report for the financial year from 1 January to 31 December 2015. The Board of Management of the Company is responsible for preparing the consolidated annual financial statements and the consolidated management report in accordance with IFRS, as applicable in the EU, and in supplementation thereof, according to Section 315a (1) of the German Commercial Code (HGB). Our task is to make an assessment of the consolidated annual financial statements and the consolidated management report on the basis of the findings of our audit.

We carried out our audit of the consolidated annual financial statements in accordance with § 317 of HGB subject to compliance with the German generally accepted accounting principles established by the German Institute of Auditors (Institut der Wirtschaftsprüfer - IDW). Accordingly, the audit is to be planned and carried out in such a manner as to ensure that any misstatements and violations that might have a substantial impact on the presentation of the consolidated annual financial statements and on the overall impression conveyed by the consolidated management report as regards the Company's asset, financial and earnings position, taking account of the applicable accounting regulations, can be identified with an adequate degree of certainty. In determining the audit steps, knowledge of the business activities and of the Group's business and legal environment is taken into account along with expectations of possible errors and omissions. Within the scope of the audit, the effectiveness of the accounting-related internal control system as well as evidence to support the information contained in the consolidated annual financial statements and consolidated management report are assessed predominantly on the basis of random samples. The audit comprises an assessment of the individual annual financial statements for the companies included in the consolidated annual financial statements, the delineation of the consolidation perimeter, the accounting and consolidation principles applied and the material assessments by the Board of Management, and taking account of the overall presentation of the consolidated annual financial statements and consolidated management report. We are of the opinion that our audit constitutes an adequately secure basis for our assessment.

Our audit gave rise to no objections.

According to our assessment based on the findings of our audit, the consolidated financial statements are in conformity with the IFRS, as applicable in the EU, and with the supplementary regulations of Section 315a (1) HGB under commercial law and, taking account of these regulations, they convey a true and fair view of the Group’s actual asset, financial and earnings situation. The consolidated management report is in conformity with the consolidated annual financial statements and, as a whole, conveys a true and fair view of the Group's situation and of the opportunities and risks relating to future developments.

In line with our duties, we wish to advise that the continued existence of the parent company is threatened by risks presented in detail in the “Risk report” section of the Management Report. The Risk report states that in the event of a short to medium-term failure to reach its planning targets, the parent company's continued existence as a going concern, particularly as regards sales revenues, is dependent on the successful continuation of restructuring measures and additional financing sources.

Hanover, 13 April 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Jens Wedekind	ppa. Michael Meseberg
Auditor	Auditor

Responsibility statement

RESPONSIBILITY STATEMENT IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO SECTION 297 (2) SENTENCE 4 and SECTION 315 (1) SENTENCE 6 OF THE GERMAN COMMERCIAL CODE (HGB)

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

Hanover, 13 April 2016

Board of Management

PUBLISHING INFORMATION

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www.metric-group.com

Status as of April 2016

Financial Statements 2015

CONTENTS

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MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2015

A. FOUNDATIONS

1. VISION AND STRATEGY

In accordance with the resolutions adopted at the annual general meeting of 21 May 2015, the company was changed from Hoeft & Wessel AG to METRIC mobility solutions AG. The entry in the Commercial Register was recorded on 27 May 2015.

On 25 June 2015, the no longer operational Hoeft & Wessel Traffic Computer Systems GmbH, Hanover, was merged with METRIC mobility solutions AG, effective 1 January 2015.

The general corporate structure, with the corporate HQ located in Hanover (Germany) and the structure encompassing the three business divisions of Public Transport, Retail & Logistics and Parking Systems, remains unchanged.

As a solution provider for “Mobility as a Service” in the broader sense, the Company is able to proactively exploit the increasing requirements in the field of mobility. In the long term, the METRIC Group wishes to develop and shape the intermodal transport of persons and goods as well as the associated services in the form of integrated management and through the networking of solutions. This also includes the capture, validation, consolidation and settlement of these streams of persons, merchandise, services and data across all systems.

To the METRIC Group, “Mobility as a Service” means gradually changing the business model from that of a supplier of hardware and software to a provider of transaction-related systems solutions. For our customers, the benefit is that the high investment expenditure is spread across the total period of use, taking advantage of economies of scale. We as service providers only receive remuneration for transaction-related services. Moreover, customers are relieved of tasks that do not belong to their core business.

2. BUSINESS MODEL, PROCESSES, ORGANISATION

METRIC mobility solutions AG, located in Hanover, with subsidiaries in Swindon (to the West of London, UK) as well as in New Jersey in the USA, is a producer of system solutions for the target markets of public transport, retail & logistics, and parking. Customers include branded companies, public organisations and municipalities in the segments of transport, retail and logistics. The software and hardware solutions serve to capture, validate and process data, and to some extent for the processing of cash-based and cashless payment transactions. The key regional markets for corporate management are Germany and the United Kingdom as well as the other countries in and outside of Europe. Moreover, the company provides dedicated after-sales services subject to service level agreements to be arranged. With its systems, the company contributes towards improving efficiencies within the scope of automating and accelerating processes.

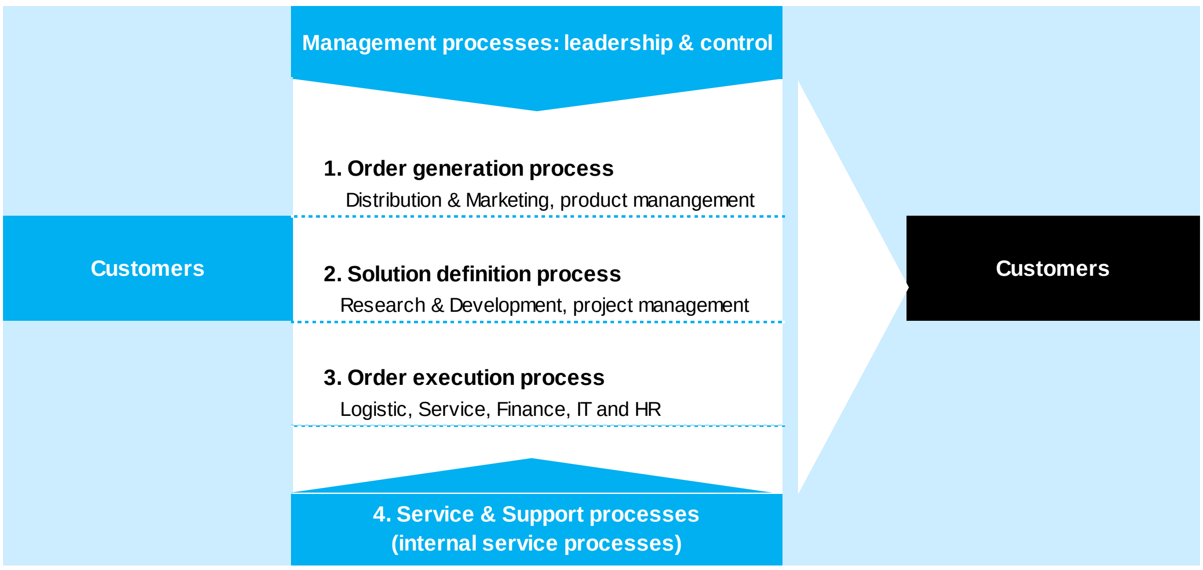
External manufacture of its terminals and other equipment represents a key element of the business model of METRIC. In this context, the Company is responsible for the entire development effort, the production of the software, the close coordination and supervision of external production, and the quality assurance in order to ensure a high standard of quality. For the manufacture of car park terminals, the English subsidiary METRIC UK operates a final assembly facility of its own.

In line with its business model, the METRIC Group focuses primarily on research and development.

In its work flows, the Group relies on a defined process model for guidance. This consists of the three core processes of generating orders, defining solutions and order execution, and it is supported by internal services and management processes. The entire process model is characterised by a strong customer orientation. The structural organisation of the METRIC Group as a whole is defined along these three core processes. The three core processes are also reflected in the three areas of responsibility of the Board of Management:

- Sales, Marketing and Product Management (➔ Order generation)
- Research, Development and Project Implementation (➔ Solution definition)
- Logistics, Service, Finance, IT and Human Resources (➔ Order execution)

PROCESS MODEL



3. PRODUCT AND SOLUTION PORTFOLIO

Since its inception in 1978, the Company has developed further into a solutions specialist for data capture, validation and processing. With a dedicated product portfolio that is to be further extended, the Company provides comprehensive system solutions and services for the industry segments of public transport, retail & logistics, and parking. Historically, the company is well known for its individually customised solutions. Even though the expertise to develop ideally matching solutions for specific customer requirements still remains a key characteristic of METRIC, the company has developed in particular into a provider of flexible standard solutions. These solutions are based on a series of modular products. This allows METRIC to implement customer requests quickly and flexibly as well as efficiently. In addition, synergies are generated across the three fields of business by adopting a “common parts” approach.

4. EMPLOYEES

In the financial year 2015, METRIC mobility solutions AG had an average of 239 employees, including apprentices and trainees (previous year: 247). As in the past, great importance is attached to vocational training.

5. SERVICE

Services continue to represent a mainstay of the Company’s core business. As an integral part of the solutions portfolio, this service provides customers with a high level of investment security.

Customers consider services to be an integral element of systems solutions, as they guarantee a high level of investment protection. Contracting partners expect individually tailored, reliable services that ensure the uninterrupted deployment of the systems in question, the provision of which we guarantee through our service unit based at our Hanover location.

6. CONTROL SYSTEM

The control system is an integral part of the controlling process in place within the METRIC Group. It comprises regular monitoring, with a particular focus on the financial performance indicators by means of which METRIC AG is controlled. The key financial performance indicators are sales, the operating result (EBIT) and the EBIT margin (EBIT/sales).

Since 2014, the Company has been using personnel figures as the most important non-financial performance indicator, which are broken down into the fields of Research and Development (R&D), Supply Chain Management (SCM), Sales and Marketing (SM), Business Services (BS) as well as Training / interns.

As all segments of the METRIC Group are exclusively controlled according to the aforementioned IFRS performance indicators of sales revenues, EBIT and the EBIT margin, an appropriate reference is made in the explanatory notes below to the IFRS data of METRIC mobility solutions AG.

The following accounting facts and circumstances at METRIC mobility solutions AG have led to the most significant deviations between German GAAP (HGB) and IFRS:

Sales revenue deferrals according to loss-free valuation (“zero-profit-method”),

Development costs (differences in capitalisation of development costs only until 31 December 2014, and consequences in terms of depreciation on company-produced additions already capitalised in accordance with IFRS).

The trends for the most important performance indicators mentioned above for 2015, together with a year-on-year comparison, are shown in the following tables.

FINANCIAL PERFORMANCE INDICATORS

in EUR million	**2015**	**2014**	**Change** in per cent
Sales (IFRS)	45.8	38.3	19.6
EBIT (IFRS)	(1.1)	(15.6)	92.9
EBIT margin in per cent	-2.4	-40.7	n/a

in EUR million	**2015 (actual)**	**Forecast for 2015**
Sales (IFRS)	45.8	"Growth in the lower single-digit range" (basis 2014: EUR 38.3 million).
EBIT (IFRS)	(1.1)	"Return to positive earnings territory with an approximately even operating result"
EBIT margin in per cent	-2.4	“Corresponding improvement in the EBIT margin“

NON-FINANCIAL PERFORMANCE INDICATORS

in FTEs*	2015	2014	Change in per cent
R&D	110	128	(14.1)
SCM	60	73	(17.8)
SM	24	26	(7.7)
BS	21	26	(19.2)
Vocational training / Interns	13	13	0.0
Total	**228**	**266**	**(14.3)**
>> of whom external employees / freelancers	4	20	(80.0)
METRIC mobility solutions AG	**228**	**266**	**(14.3)**

* Full-Time Equivalents

in FTEs*	2015 (actual)	Forecast for 2015
R&D	110	"slight decline in
SCM	60	the individual
SM	24	segments
BS	21	of Metric mobility
Vocational training / Interns	13	solutions AG,
Total	**228**	especially the
>> of whom external employees / freelancers	4	"External / Freelancers" segment
METRIC mobility solutions AG	**228**	

7. RESEARCH AND DEVELOPMENT

The Research & Development division makes a decisive contribution towards the success of this technology enterprise. METRIC mobility solutions AG continually invests in this particular field. In Europe, the METRIC Group is one of about 600 companies that has its R&D data included in the EU Industrial R & D Investment Scoreboard. This study, conducted annually, covers about 3,000 companies worldwide. In accordance with IFRS, METRIC mobility solutions AG capitalises both internal and external development costs according to defined criteria in fixed assets and depreciates these *pro rata temporis*.

In recent years the business development of METRIC mobility solutions AG has been strongly influenced by customer-specific development projects (IAS11 - Production orders). However, the Company's shift towards becoming a product developer focusing on both the market and solutions already started to have an impact in the financial year 2015.

In the years to come, the Company's reorientation in the endeavour to become a provider of flexible standardised solutions will result in a marked decline in IAS11 sales, which will be in the lower single-digit million range at the most. In the financial year 2015, the volume of "new" IAS11 sales already dropped from EUR 4.2 million in 2014 to just EUR 2.7 million. However, the capitalisation of product developments (IAS 38) will become increasingly important, all the more so since the Company is obliged to capitalise in contrast to German HGB accounting, where there is an option. In coming years the volume of capitalised development costs in accordance with IAS 38 will be in the mid to upper single-digit million range.

Following intense discussions by the Board of Management and with the Supervisory Board, a resolution was passed to the effect that all IAS 38 capitalisations in the IFRS will be accounted for as intangible assets in the HGB as well by exercising the optional choice, starting in the financial year 2015. While all IAS 11 effects were actually "adjusted" in the HGB at least in the earnings (inventory changes/inventories assets), this state of affairs would now threaten to result in a discrepancy between HGB and IFRS accounting that could amount to millions. This is not what the Company's decision-makers intended, and it therefore calls for a break in continuity. In light of the Company's future direction, the time for this break in continuity is now. Our expectation is that the result will provide greater insight into the Company’s asset, financial and earnings position. The share of sales revenues accounted for by R&D costs (including all apportionments) amounts to just under 20 per cent according to IFRS and HGB.

B. ECONOMIC REPORT

1. GENERAL FRAMEWORK CONDITIONS

Over the course of the year 2015, the global economy recorded a moderate rate of expansion, even though overall global growth averaged over the year slowed down slightly year-on-year. The IMF predicts that global economic growth will reach 3.1 per cent in 2015. The German Federal Statistics Office forecasts a rise in the real gross domestic product of 1.7 per cent for 2015. Economic activity in almost all industrialised countries is currently buoyed by low commodity prices. For METRIC mobility solutions AG, the target markets of public transport, retail & logistics and parking were of decisive importance in 2015. In the year 2015, people in Germany used public transport more than ever before: according to preliminary figures from the German Federal Office of Statistics (Destatis), the number of bus and rail passengers rose by 0.4 per cent. In commuter traffic using bus and rail, passengers undertook 11.0 billion journeys, or 0.3 per cent more than in 2014, based on the evaluations of the Federal Office of Statistics. Growth was mainly recorded in the tram, suburban railway and subway segments (+ 1.2 per cent). Investment is being driven primarily by newer technologies within the scope of the extension of eTicketing operations. In the field of mobile data capture, industry experts also assume that further growth will occur, especially since this will allow business processes to be automated even further, making it possible to achieve substantial cost savings.

2. BUSINESS DEVELOPMENT

In the financial year 2015, METRIC mobility solutions AG recorded sales revenues amounting to EUR 45.3 million, an increase of about 10 per cent compared with the previous year according to HGB (2014: EUR 41.0 million). Based on IFRS, sales revenues of EUR 45.8 million were only slightly higher, by around EUR 0.5 million. This accords precisely with the net addition to the IAS 11 sales revenue deferrals in 2015.

The breakdown according to the markets relevant to corporate management – shown separately for HGB and IFRS – is as follows.

BREAKDOWN OF SALES REVENUES (HGB)

in EUR million	2015	2014
Germany	35.5	20.3
United Kingdom	1.0	1.4
all other countries	8.8	19.3
Total	**45.3**	**41.0**

BREAKDOWN OF SALES REVENUES (IFRS)

in EUR million	2015	2014
Germany	36.2	25.2
United Kingdom	0.8	2.7
all other countries	8.8	10.4
Total	**45.8**	**38.3**

Accounting for about 78 per cent as per HGB, or about 79 per cent as per IFRS, Germany is the largest market by far for METRIC mobility solutions AG. The much smaller difference between HGB and IFRS in 2015 illustrates the marked decline in the importance of production orders in the Company's portfolio mentioned earlier, resulting in what are now only minor differences in sales revenues.

3. OVERALL SITUATION REPORT

3.1 Earnings situation

The operating result (EBIT-IFRS) of METRIC mobility solutions AG for the financial year 2015 at EUR -1.1 million represented a significant improvement over the financial year 2014 (EUR -15.6 million). The non-recurring charges in the form of expenditure for the handling of the so-called legacy projects fell significantly in the financial year 2015. The effect was particularly pronounced in the consultancy costs, which declined from EUR 3.6 million in 2014 to EUR 0.5 million in the year under review. Reductions were also achieved in the expenditure for external employees across all the cost centres of METRIC mobility solutions AG, from EUR 3.6 million to EUR 1.7 million.

The cost of materials according to IFRS increased by EUR 4.2 million, to reach EUR 33.6 million (previous year: EUR 29.4 million). The EUR/USD foreign currency trend (average exchange rate in 2015: EUR/USD 1.1095) has led to a significant cost increase in the purchase of materials. Moreover, material expenses rose as a result of changes to the order structure.

At EUR 13.3 million according IFRS, personnel expenditure in the financial year under review was EUR 3.0 million below the previous year's level of EUR 16.3 million. A substantial reduction of EUR 1.9 million in expenditure on external personnel for project management and development and other external staff was again achieved, with the figure falling from EUR 3.2 million in 2014 to EUR 1.3 million in 2015.

Other expenditure – netted with other income – was down by EUR 4.0 million, from EUR 8.2 million in 2014 to EUR 4.2 million in 2015.

Renegotiation of the building lease resulted in income due to a waiver of previously deferred payments of EUR 560k. According to IFRS, this amount is reported under other operating income, and according to HGB under extraordinary income.

At EUR 1.1 million according IFRS, depreciation in the financial year under review was virtually unchanged compared with the previous year's level of EUR 1.0 million. As a result of the services rendered in the development of new products in 2015, a corresponding rise is expected in subsequent years.

Financing expenses according to IFRS for the year under review remained at the previous year's level of EUR 1.3 million.

Pre-tax earnings according to IFRS thus came to EUR -2.4 million.

The deficit for the year according to IFRS improved by EUR 0.5 million year-on-year, from EUR -2.9 million to EUR -2.4 million.

3.2 Financial situation

In December 2014 the Company negotiated a merchandise credit with its main supplier amounting to EUR 12.0 million, plus value-added tax, which will be available to the Group until 31 December 2016 initially. On 18 March 2016, this merchandise credit was extended by converting it to a fixed-interest loan at terms common on the market, effective 1 January 2017 that cannot be terminated prior to 31 December 2018. A medium single-digit percentage interest rate was fixed for this merchandise credit in line with prevailing market conditions. As at 31 December 2015, the merchandise credit had been fully exhausted due to the rising volume of orders placed in 2015. In addition, an amount exceeding this limit by EUR 2.2 million plus value-added tax was deferred until 31 January 2016.

On 30 April 2015, a company of the Droege Group granted METRIC mobility solutions AG a loan equalling its former bank lines (EUR 8.5 million) and at the same time acquired all of the Company's bank liabilities. Since then, METRIC mobility solutions AG has no longer carried any liabilities to banks. All accounts held with the remaining commercial banks are maintained on a non-borrowing basis.

This means that the financing leeway of the METRIC Group is still very tight in 2016, although the Group's funding is secure until 31 December 2018 if business performance proceeds according to plan.

Against this backdrop, the primary objectives of finance management are to plan, monitor and ensure the solvency of the Company.

3.2.1 Restructuring / Streamlining

The main emphasis of the restructuring and streamlining initiatives in 2015, in addition to a further optimisation of the personnel structure, was on the implementation and evaluation of the process enhancements defined in 2014, which cover the following corporate areas:

- Demand planning
- Procurement optimisation
- Reduction in superfluous repairs (DOA)
- Efficiency of repair centres
- Efficiency of storage / logistics
- R&D – Reduction of warranty costs (services)
- R&D – Reduction of warranty costs (materials)
- R&D – Increase in development efficiency

The implementation of the documented results produced a reduction in personnel costs by EUR 3.0 million in 2015, and by as much as EUR 4.2 million in other expenditure, despite a significant increase in sales revenues. In addition to this medium-term comprehensive restructuring plan, it was possible to obtain a "restructuring contribution" in the form of a waiver on previously deferred lease payments for the premises in Hanover for the amount of EUR 0.6 million in the year under review. This amount is shown under other extraordinary income in the individual financial statements according to HGB.

3.2.2 Capital structure

On the balance sheet date 31 December 2014, the equity of METRIC mobility solutions AG according to HGB was still EUR 1.6 million. Again, according to HGB, the Company incurred a loss for the year of EUR -2.5 million in 2015. The subscribed capital (EUR 11.0 million) and the capital reserves (EUR 1.1 million.) remained unchanged. According to HGB, METRIC mobility solutions AG therefore recorded a shortfall on the assets side of the balance sheet not covered by equity amounting to EUR 0.9 million. The development costs according to HGB capitalised for the first time in the financial year under review contributed EUR 3.0 million to net earnings.

3.2.3 Investments

During the financial year 2015, additions to fixed assets amounted to EUR 4.0 million (previous year: EUR 0.8 million.) Of this amount, only EUR 0.6 million was accounted for by property, plant and equipment, illustrating the Company's low maintenance capex. In the year under review, the focus was clearly on investment in product development, and hence on additions to intangible assets amounting to EUR 3.4 million.

3.2.4 Liquidity

Whereas the Company's funding in 2014 was provided through a capital increase and a shareholder loan, in 2015 funding was ensured by means of the full utilisation of the merchandise credit and – from June through to December – the delivery and factoring of a large series of mobile terminals. For 2016, these same positive effects cannot be expected to occur, at least not in this order of magnitude. It will therefore be a matter of exploiting the optimised processes and the associated cost reductions consistently, and of managing liquidity requirements by means of the cash flow resulting from current business activities. It is therefore an urgent requirement that the METRIC Group should achieve all of its planning targets for the financial year 2016. If it fails to do so, the Company will end up in a situation where its very existence comes under threat, and from which it will not be able to recover on its own without access to additional sources of funding.

The total cash flow from current operating activities amounted to EUR 4.5 million in the year under review (previous year: EUR -2.3 million). Cash flow from investing activities came to EUR -4.0 million (previous year: EUR -0.8 million). At EUR 0.7 million, cash flow from financing activities was EUR 2.2 million short of the previous year's level (EUR 2.9 million), which had been boosted by a capital increase of EUR 2.5 million.

Cash & cash equivalents on the balance sheet date 31 December 2015 rose by EUR 1.1 million, from EUR 0.4 million in 2014 to EUR 1.5 million in 2015.

3.3 Asset situation

Fixed assets increased by a total of EUR 3.4 million, to EUR 14.6 million. EUR 4.0 million in additions are offset by depreciation amounting to approx. EUR 0.6 million. The total investment in fixed assets

(EUR 4.0 million) in the financial year was affected decisively by the development costs of EUR 3.0 million being capitalised for the first time.

Current assets exceed the previous year's level by a total of EUR 4.5 million, growing from EUR 27.3 million in 2014 to EUR 31.8 million on the balance sheet date of 31 December 2015. In addition to the EUR 1.1 million increase in cash & cash equivalents mentioned earlier, inventory levels also grew significantly by EUR 3.7 million, from EUR 18.0 million in 2014 to EUR 21.7 million in 2015. They include work in progress from manufacturing projects (as a counterpart to the IAS 11 sales revenues according to IFRS) amounting to EUR 7.3 million (previous year: EUR 6.8 million).

As at 31 December 2015, the loss for METRIC mobility solutions AG not covered by equity was EUR -0.9 million. Equity for the previous year was still positive at a level of EUR 1.6 million.

Total liabilities came to EUR 43.1 million, representing an increase of EUR 13.5 million (previous year: EUR 29.6 million). This is largely attributable to an increase in trade payables of EUR 7.3 million, and an increase in advance payments received of EUR 3.2 million. The reduction in liabilities to banks of EUR 7.2 million to EUR 0.0 million was offset by an increase in liabilities to affiliated companies amounting to EUR 8.5 million.

ASSET INTENSITIES

in per cent	2015	2014
Asset intensity		
Fixed assets / total assets	31	29
Inventory intensity		
Inventory assets / total assets	46	47
Intensity of receivables		
Trade receivables / total assets	13	15

EQUITY CAPITAL RATIO

in per cent	2015	2014
Equity capital / total assets	(2)	4

CASH FLOW

In EUR '000s	2015	2014
Cash flow from current operating activities	4,517	(2,311)
Cash flow from investment activities	(4,033)	(849)
Cash flow from financing activities	650	2,890
Cash and cash equivalents at end of period	1,521	385
Cash and cash equivalents at beginning of period	385	655

Decrease in cash and cash equivalents impacting on payments	1,136	(270)

3.4 Summarised general statement by the Board of Management

According to the Board of Management, business development in the year 2015 warrants a differentiated view. The sales targets were exceeded, yet the earnings planning figures could not be achieved in full. Based on current planning, EBIT will move well inside positive territory in subsequent years. In order to achieve improvements on a long-term basis, the Board of Management has implemented a continuous improvement process, in addition to the measures to boost sales and lower product costs already in place. The rigorous cost-cutting programme is planned to continue consistently.

KEY DATA FROM THE PROFIT AND LOSS STATEMENT (HGB)

in EUR million	2015	2014
Sales revenues	45.3	41.0
Aggregate output	51.1	38.0
Earnings before taxes and interest (EBIT)	(1.8)	(16.2)
Earnings before taxes (EBT)	(3.1)	(17.3)
EBT margin as a percentage of sales revenues	n/a	n/a
Loss for the year	(2.5)	(3.3)

KEY DATA FROM THE PROFIT AND LOSS STATEMENT (IFRS)

in EUR million	2015	2014
Sales revenues	45.8	38.3
Aggregate output	51.0	38.0
Earnings before taxes and interest (EBIT)	(1.1)	(15.6)
Earnings before taxes (EBT)	(2.4)	(2.9)
EBT margin as a percentage of sales revenues	n/a	n/a
Loss for the year	(2.4)	(2.9)

C. Report on events after the balance sheet date

Through a loan agreement dated 23 February 2016, a company belonging to the Droege Group granted METRIC mobility solutions AG a short-term loan of EUR 2.2 million. The loan is granted at standard market interest rates and is to be repaid in two instalments of EUR 1.1 million each, due on 30 June 2016 and on 31 July 2016. METRIC Group Ltd., UK became a party to the obligations under the loan agreement and is liable by way of this collateral promise along with the borrower pursuant to § 421 HGB for all current and future claims accruing to the lender from the above loan agreement to the borrower.

On 18 March 2016, METRIC mobility solutions AG prolonged a merchandise credit facility that was originally limited until 31 December 2016 with its main supplier Zollner Elektronik AG with a volume of up to € 12.0 million.

With effect from 1 January 2017, the existing merchandise credit facility will continue to be kept as an interest-bearing loan subject to the usual terms and conditions prevailing on the market. The loan agreement cannot be terminated prior to 31 December 2018. Annual redemption payments will begin for the first time as at 30 September 2017. Repayment will be made via a minimum amount, depending on the business success of METRIC mobility solutions AG.

D. OPPORTUNITIES AND RISK REPORT

1. OPPORTUNITY REPORT

The opportunities arising for the Company are identified through ongoing, targeted observation of the specialist markets of relevance to the Company, of the competitive environment and the general economic trends in key sales markets. Deductions from these observations are included in the strategic considerations regarding the future development of the Company's portfolio of products and solutions.

The results of market research are collected and evaluated in the Product Management department and then made available to managerial staff. At the regular management meetings with the Board of Management and in management workshops, the findings are discussed, along with any action that may be required in response, and any potentials identified are included in the planning activities.

The largely completed internal reorganisation, involving the simplification of the organisational structure and the definition of clear process work flows, has produced a range of different opportunities for the Company stemming from the efficiency enhancements that have been achieved. This also includes the increased focus on the target markets of public transport, retail & logistics and parking systems.

Other opportunities arise from the strategic further development already under way. The METRIC Group plans to proactively use the opportunities opening up along with the emergence of the mobility megatrend and evolve its current portfolio of solutions further in an effort to become a provider of services in the long run. This means a deepening of the value added chain.

In terms of procurement, the Company is reviewing the pricing structure of recent years and, as a precautionary measure, has lodged repayment (claw-back) claims in the millions.

In the next few years, the Company perceives increasing demand particularly for management, planning, control, information and ticketing systems. Contributory factors in this respect are current trends such as urbanisation, growing environmental awareness, ever scarcer energy supplies but also the deregulation of the public transport system, resulting in a convergence with private motorised transport and rising mobility needs. As a result of these trends, an increasing political willingness to promote public transport can be identified. This will lead to the global establishment and extension as well as a modernisation of public commuter transit systems.

On the whole, the Company anticipates an increasing trend towards the adoption of technological solutions and greater convergence with IT systems. Once the overall financial situation in Europe and across the globe has returned to normal, new competitors are also expected to emerge in the course of ongoing consolidation. This will then lead to further cost pressure on public-sector principals, along with outsourcing of services and a growing number of cooperative ventures, also against the backdrop of increasing calls for integrated, holistic solutions. All this will be accompanied by a further internationalisation of business. The METRIC Group will benefit from this trend in the next several years through its expertise in the field of contactless payment systems, amongst other factors.

2. Risk report

2.1 General

As a capital market-oriented company, pursuant to Section 91 (2) of the German Companies Act (Aktiengesetz – AktG), and also the parent company, METRIC mobility solutions AG is required to describe the characteristics and features of the internal control and risk management system, including early identification of risks both in terms of the accounting processes of the consolidated companies and the Group accounting process.

At METRIC mobility solutions AG, risk management represents a corporate task involving the Company as a whole.

The Company perceives the risk management system as a support instrument that facilitates the systematic identification, evaluation and management of risks across all the Company's sub-segments.

In the financial year 2015, the full Board of Management completely revised the risk management system and intensified risk management overall.

During this operation, the overall process of risk management, consisting of:

- identification of risks
- systematic documentation of risks
- evaluation of risks
- making decisions as to how to limit the risks

was revised. The aim was to put in place by the beginning of the financial year 2016 the foundations for a functional risk management system that has all the characteristics required to allow potential improvements identified during its practical application to be incorporated on an ongoing basis.

An initial version of a rewritten Risk Management Manual was produced at the end of 2015. Even in the preamble, the Manual puts the focus on the early identification of risks, something the management considers vital, especially in the early stages. The author takes the view that such early identification can only be ensured if it is within the remit of each and every one of the Company's employees.

The Manual categorises the risks as follows:

1) Corporate risks
2) Industry sector and market risks
3) Financial risks
4) Tax risks
5) Other risks

Under these generally accepted risk categories, there are listings of the types of risk that are relevant to the Company, and it is these to which any individual risks identified are ultimately assigned. The term (individual) risk is defined as "a future event or potential development within or outside the enterprise that may have a negative impact on efforts to achieve the corporate objectives." It is understood internally that this means nothing more than if such a risk should occur, it would have a negative impact on earnings and/or liquidity.

All employees of the Company should be involved in the early identification of risks. Any risks identified will then be documented by the responsible department heads and project managers, who in turn report to the Risk Officer on the Board of Management. This process is to be put in place on a permanent basis. In addition, the Risk Management Manual proposes a Group-wide re-evaluation of risks to be carried out every six months – in other words, a kind of inventory of risks. This comprehensive re-evaluation is intended to take place in the second and fourth quarters in every financial year. This regulation is also to be tested in practice for the first time in the course of the year 2016.

As part of the revision of the risk management system and its associated processes carried out at the end of the financial year under review, the members of the Board of Management and all the department heads and project managers re-identified, described and re-evaluated the risks and then reported to the Risk Management Officer on the Board of Management.

Risks identified in this process are allocated to risk groups according to their assessed unweighted damage/loss potential (gross recording) and their probability of occurrence using clearly specified criteria.

Categorisation according to damage/loss potential initially uses five levels:

Risk weighting (Relevance)		in EUR mn 2.0	(= underlying or base value)
Stage	Percentage		Impact
1	1 - 10	0.02 to 0.2	Insignificant risk; virtually unnoticeable change in EBIT
2	11 - 30	0.2 to 0.6	Medium risk; noticeable negative impact on EBIT
3	31 - 100	0.62 to 2.0	Significant risk; EBIT will be strongly affected
4	101 - 400	2.02 to 8.0	Serious risk; greater than EBIT
5	> 400	> 8.0	Existential risk

Every individual risk identified is also categorised according to its probability of occurrence:

Stage	Percentage	Probability
1	1 – 10	low
2	11 – 30	moderate
3	31 – 50	medium
4	51 – 75	high
5	76 - 100	very high

For all risks with a high weighting and/or a high probability of occurrence (allocated to classes 4 and 5), the full Board of Management will make a decision as to how to proceed in each individual case.

Given the special characteristics of complex projects, which may include the complete redevelopment of hardware and software, the Company identifies project-related risks separately and in detailed form. For all projects, the project manager compiles a monthly status report, and the major individual projects are discussed with the Board of Management based on that report. The status report contains a quantified risk assessment as well as a statement regarding the probability of occurrence. Newly identified risks that require quick action will be communicated between Sales, Product Management, Project and Development Managers, Quality Management and Purchasing on a weekly basis using a newly implemented circle of communication. This approach has already proven viable in practice and will therefore be included in the next revision of the Manual in the month of April, in keeping with goal of achieving continual improvements.

During the financial year at the end of 2015, the risk management system exclusively monitored risks. Systematic identification and monitoring of opportunities will take place twice yearly, in accordance with the regulation in the new RMS Manual, starting in the financial year 2016. The process of identification and documentation, evaluation and decision-making regarding the approach to be taken in order to exploit opportunities is identical to that for the early identification of risks. In addition, opportunities are discussed and documented in the quarterly information exchange for managerial staff, the "METRIC Council". The "METRIC Council" was also newly installed by the Board of Management in the financial year 2015; previously this body had not been included in the Risk Management Manual. This Council will in future be integrated into the risk management system of the Company.

The risk inventory list currently lists a total of three risks involving a potential loss or damage at level 4 (serious risk) and a probability of occurrence also at level 4 (high).

Specifically, the Company's risk inventory (as at December 2015) identifies the following individual risks in this group:

1) An agreement to extend an additional merchandise credit facility from the main supplier which is due to expire on 18 December 2015

2) Increasing fluctuation in the level of readiness for acceptance on the part of a number of major customers in spite of prior agreements regarding the number of total units

3) Adapting the Controlling systems to the newly defined processes can temporarily lead to delays in decision-making processes or in the specification of measures.

As already described in the Report on events after the balance sheet date, on 18 March 2016, we were able to come to an agreement with the main supplier regarding the extension of the merchandise credit facility for EUR 12.0 million. At the beginning of December, the merchandise credit had been fully exhausted as a result of the growing volume of orders placed in 2015. In addition, an amount exceeding this limit by EUR 2.2 million was utilised without a contractual agreement. It was possible to obtain a deferral for this amount until 31 January 2016. To repay the overdrawn amount, a company belonging to the Droege Group granted METRIC mobility solutions AG a short-term loan of EUR 2.2 million by means of a loan agreement dated 23 February 2016.

For major customers, demand planning for larger quantities of mobile devices is carried out during regular conversations, and purchase quantities are determined without any contractual commitment. In the recent past this has increasingly led to a situation where customers did not order the anticipated quantities as planned, but only over significantly longer periods, and not infrequently also at reduced quantities. Such a development may constitute an existential liquidity risk for the Company, on account of high inventories which under certain circumstances may no longer be usable. The Company is now countering this trend by means of contractual agreements which record fixed purchase quantities and clearly specified delivery dates, and which may even contain provisos for penalties for non-compliance with regard to purchase quantities and fixed delivery dates.

Under "Delays in decision-making processes", the Company includes all risks liable to impact on the quality of earnings and liquidity planning that could potentially result from inadequate, superseded or belatedly updated parameters and master data. These include changes to purchase and sale prices as well as delays to projects that were recognised too late and which result in the postponement of the receipt of payments, and even penalties that may apply, whose order of magnitude – especially if unexpected or occurring at short notice – can cause considerable liquidity bottlenecks and even insolvency.

Existential risks may result from incorrect planning, especially in sales planning, financial planning (e.g., for expected pre-payments), from risk to large-scale projects and from unsuccessful restructuring and optimisation measures. In all these cases, additional sources of funding are or would be needed.

In coming years, the continued existence of the Company depends crucially on the successful implementation of the restructuring and remediation measures, which in turn will have a bearing on whether the medium-term planning targets can be achieved. Should this endeavour fail, additional sources of funding will be needed.

It is against this backdrop that the risk management rates this complex of risks as capable of threatening the Company's existence and accordingly assigns it high ratings in terms of damage potential and probability of occurrence. In the financial year under review, the Company has boosted the number of staff working in Controlling.

The two individual risks with risk weightings (damage potential) 4 and probability of occurrence 3 and 2 represent either liquidity risks or subsequent risks and are based on the extension of the merchandise credit with the main supplier, which has since been agreed on, or – in the event of a failure – on the "going concern" being in jeopardy. This would have an immediate effect on suppliers and financial partners and would seriously weaken the Company's position.

For these reasons, the Board of Management set itself the following priority targets in its fundamental revision of the risk management system at the end of 2015:

- Immediate improvements in the early identification of risks

- Involvement of all of the Company's employees and raising awareness of the need for this instrument of corporate management

- Establishing a basis for the continual improvement of the implemented system in 2016 through its regular application and by adopting a "learning by doing" approach which, in turn, will significantly broaden acceptance within the Company.

These targets have already been achieved in part. The next steps to be taken have also been defined.

METRIC mobility solutions AG was granted certification according to the international quality standard DIN EN ISO 9001:2008 and thus delivered proof of a functioning Quality Management System (QMS) in the course of an independent audit. The mandatory QMS rules in place for all employees and divisions are recorded in the Quality Management Manual (QMM) and made available on the Intranet. The increased transparency of competences and procedures achieved through this minimises the risk of incorrect interpretations and assessments.

METRIC mobility solutions AG obtained certification in accordance with the environmental management standard ISO 14001. Moreover, the subsidiary METRIC Group Ltd, UK, successfully met the requirements laid down in ISO 27001 Information Security Management.

Starting in 2016, the risk management system described here constitutes the foundations for identifying, analysing and monitoring risks. On the whole, METRIC mobility solutions AG is exposed to risks within the scope of the project business in combination with the accompanying financing requirements. The Company operates without the customary bank credit lines. As a consequence, errors in planning, cancelled or reduced cash inflows – or unplanned cash outflows – can also lead to the need for additional sources of funding at short notice or in the short term. METRIC mobility solutions AG deliberately took entrepreneurial risks in the financial year 2015, but the risks were essentially acceptable.

2.2 Internal control and risk management system with regard to the accounting process

In addition to the risk management system relaunched in 2015 in readiness for 2016, the Company also has a control system with regard to the consolidated accounting process. The synchronisation between the two systems and the inclusion of the relevant control mechanisms, monitoring activities and measures in the Risk Management Manual represent the next step on the road towards an integrated internal control and risk management system.

In terms of accounting, the internal control system at METRIC mobility solutions AG is essentially based on measures that are integrated into processes.

In this context, manual process controls such as the proven “four-eyes principle” of simultaneous double checks constitute a material element of the process-integrated measures. The ERP system SAP already successfully introduced at METRIC mobility solutions AG a few years ago likewise allows a large number of automated checks of IT processes to be carried out. Similarly, specific Group functions such as Group Accounting and the newly established Group Risk Manager ensure that process-integrated and process-independent monitoring activities are in place at all times.

Moreover, the Supervisory Board of METRIC mobility solutions AG carries out process-independent monitoring activities and is seamlessly integrated into the internal control system.

As a component of the internal control system, risk management is geared towards identifying the risk of incorrect statements in the context of accounting as well as external reporting.

The recording of accounting activities at the foreign subsidiaries is carried out within the scope of its local accounting system. The resulting data is then consolidated in the METRIC UK sub-group financial statements as part of a monthly report package and transferred to the SAP system of METRIC mobility solutions AG for consolidation purposes. METRIC mobility solutions AG is responsible for preparing the consolidated financial statements as well as for Group accounting at the location of Hanover. The reporting packages and annual financial statements of the English subsidiary are subject to an annual audit by the auditing firm commissioned to do so. This ensures, amongst other things, that the adjustment booking entries made by the subsidiary are correct in accordance with the International Financial Reporting Standards (IFRS). Group Accounting at METRIC mobility solutions AG is responsible for ensuring the adherence to uniform accounting and valuation principles in the financial statements.

Measures forming part of the internal control system which are designed to maintain the regularity and reliability of accounting ensure that business transactions are recorded in full and on a timely basis in conformity with the statutory regulations and provisions defined in the articles of association as well as internal rules. By means of appropriate instructions and established processes, the Company ensures that inventory-taking is duly carried out and that assets and liabilities are appropriately recognised. The fundamental separation of administrative, execution, settlement and approval functions reduces the possibility of inappropriate actions being taken.

The purpose of the Company’s internal control system in the context of financial reporting is to ensure with an adequate degree of certainty that financial reporting reflects a high degree of reliability and is in conformity with the generally accepted accounting principles. Owing to its inherent limits, in certain circumstances the internal control system for financial reporting may not prevent or identify all potentially misleading declarations in the annual financial statements. In particular, decisions based on personal discretion, deficient controls and criminal acts cannot be ruled out altogether in the process. This may give rise to restricted effectiveness of the internal control system, which means that even consistent application of the extensive rules cannot provide absolute certainty with regard to the correct, full and timely recording of facts and circumstances within the scope of accounting.

E. OUTLOOK

It its December 2015 report for the years 2016 to 2017, Deutsche Bundesbank assumes the following trends:

The sluggish recovery in which the German economy has been for some time is set to continue. In 2016 the real gross domestic product (GDP) is expected to grow by 1.8 per cent, and by 1.7 per cent in 2017.

At present the growth in Germany's Gross Domestic Product is mainly driven by strong domestic demand.

In the euro area, economic activity continues to be hampered by structural problems. The rate of expansion in the emerging market countries will see little change; the real gross domestic product in these countries will grow at about twice the rate compared with the advanced economies during the forecast period. A number of commodity-exporting emerging market countries do suffer from low commodity prices, however. All in all, Deutsche Bundesbank expects global economic production to grow by an average 3.75 per cent in the years 2016 and 2017.

METRIC mobility solutions AG exceeded its outlook for the financial year 2015 ("Sales revenue growth in the lower single-digit percentage range") in terms of sales. The earnings/EBIT forecast ("almost balanced operational earnings") was almost realised thanks to considerable improvements in earnings.

While the cost of materials ratio was lowered significantly compared with 2014, resulting in an increase in the "Contribution margin 1" in both absolute and percentage terms, foreign exchange movements and a greater proportion of sales involving a higher proportion of material costs prevented the earnings forecast from being realised in full.

Against the backdrop of the large order for mobile terminals that contributed substantially to the growth in sales in 2015 and which needs to be compensated for in 2016, METRIC mobility solutions AG is budgeting for virtually unchanged sales. A large proportion of sales in 2016 will be generated by new products of which the development was only completed in 2015 or will be completed in 2016.

A policy of consistently investing in the development of new products will form the basis for future moderate growth starting in 2017 and the years beyond. The simultaneous implementation of the "design-to-cost” approach will ensure that the Company's earnings capacity is boosted by the new products. The reduction of material costs – operatively and strategically – is one of the main objectives for the continued improvement of the operating result. An essential building block will be the shift away from entirely customised individual development projects, which are particularly prone to risks, towards standard components and products that can be adapted to individual customer requirements flexibly, cheaply and cost-effectively

In light of these measures as well as the ongoing efforts to reduce structural costs, we anticipate an operating result (EBIT) in the low single-digit million range for the financial year 2016. Accordingly, the EBIT margin will be in the low single-digit percentage range. Based on current planning, EBIT will move well inside positive territory in subsequent years.

In the non-financial performance indicator “Personnel by segments”, the Company had budgeted for a decrease in the individual segments of METRIC mobility solutions AG in the financial year 2015. The decrease was primarily aimed at the “External employees / freelancers” segment. The Company has met this forecast. The total number of employees has declined from 266 to 228 FTEs, a decrease of about 14 per cent. External workers contained in this overall figure dropped by as much as 80 per cent, from 20 to 4. For the year 2016, the Company is planning for a further reduction in the upper single-digit percentage range in the various segments of METRIC mobility solutions AG.

The measure is intended to produce a further cut in personnel costs. Moreover, the Company is planning to reduce the cost for external employees further compared with 2015. Naturally occurring fluctuations are also to be exploited by not necessarily filling all positions that become vacant.

This management report contains forward-looking statements and forecasts. Such forward-looking statements are based on current expectations of the Company and on certain assumptions. Accordingly, they give rise to a number of risks and uncertainties. The business performance of METRIC mobility solutions AG is affected by a large number of factors that are beyond the control of the Company. These factors can cause the actual results, successes and performance of the Company to differ substantially from the information on results, successes and performance expressly or implicitly contained in these forward-looking statements.

F. FURTHER DISCLOSURES

1. REMUNERATION REPORT

1.1 Board of Management

In addition to fixed remuneration, the Board of Management of METRIC mobility solutions AG receives regular, variable remuneration that is dependent on the achievement of objectives. The non-performance-related share of remuneration is determined by the Supervisory Board in specific individual cases, taking account of professional experience, qualifications and performance. The fixing of the level of remuneration for the members of the Board of Management is based on the economic and financial situation of the Company, as well as the extent and structure of remuneration paid to management boards of comparable enterprises. In addition, the tasks and the contribution made by each member of the Board of Management are taken into account.

Non-performance-related remuneration comprises basic remuneration, benefits in kind and perquisites (company car, healthcare and insurance policies, accommodation costs). The basic remuneration is disbursed monthly in the form of a salary payment. Benefits in kind essentially consist of the value of using a company car in accordance with tax regulations and allowances paid towards insurance premiums.

The performance-related remuneration is paid on achievement of the performance targets. The maximum amount is capped in case targets are exceeded. In the event of target shortfalls of over 10 per cent, this remuneration component may even be forfeited altogether.

In the financial year 2013, 50,000 stock options were issued to a former member of the Board of Management in two tranches. Following the capital measures carried out in 2013, these provide for entitlement to the acquisition of 10,000 shares.

After the capital reduction of 4 September 2013 and the capital increase carried out as at 8 October 2013, the 200,000 stock options allotted to a further former member of the Board of Management in the past now carry an entitlement to the acquisition of 40,000 stock options. Effective 24 October 2015, 12,000 of these options have expired.

No additional stock options were issued to the Board of Management in the financial year 2015.

Consequently the stock options remaining at the cut-off date number 38,000.

No pension commitments have been made to the members of the Board of Management. No benefits from third parties were approved to the members of the Board of Management with regard to their activities as members thereof. If a member of the Board of Management dies during the contractual term, three monthly salaries will be paid by way of benefits to surviving dependants. In the event of illness, continued salary payment for the members of the Board of Management has been agreed for three months.

In presenting a table regarding the remuneration paid to the Board of Management, METRIC mobility solutions AG follows the recommendations by the Government Commission on the German Corporate Governance Code of 5 May 2015.

BENEFITS GRANTED

in EUR '000s.	Thomas Dibbern CEO Joined as at 02/07/2014				Günter Kuhlmann Member of the board of Management Joined as at 01/10/2014				Paul Lebold Member of the board of Management Joined as at 01/10/2014				Rudolf Spiller CEO Left as at 12/11/2014
	2014	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**
Fixed remuneration	90	240	240	240	45	180	180	180	40	160	160	160	483
Perquisites	4	15	15	15	4	23	23	23	-	20	20	20	21
Total	**94**	**255**	**255**	**255**	**49**	**203**	**203**	**203**	**40**	**180**	**180**	**180**	**504**
one-year variable remuneration	45	23	23	225	11	-	0	113	10	-	0	60	165
Multiple years variable remuneration	-	-	-	-	-	-	-	-	-	-	-	-	6
Total	**139**	**278**	**278**	**480**	**60**	**203**	**203**	**316**	**50**	**180**	**180**	**240**	**675**
Provident costs	4	7	7	7	2	7	7	7	-	-	-	-	16
Total remuneration	**143**	**285**	**285**	**487**	**62**	**210**	**210**	**323**	**50**	**180**	**180**	**240**	**691**

INFLOWS

In EUR '000s	Thomas Dibbern CEO Joined as at 02/07/2014		Günter Kuhlmann Member of the Board of Management Joined as at 01/10/2014		Paul Lebold Member of the Board of Management Joined as at 01/10/2014		Rudolf Spiller CEO Left as at 12/11/2014
	2014	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Fixed remuneration	90	240	45	180	40	160	483
Perquisites	4	15	4	23	-	20	21
Total	**94**	**255**	**49**	**203**	**40**	**180**	**504**
One-year variable remuneration	45	23	-	11	-	10	-
Multiple years variable remuneration	-	-	-	-	-	-	-
Total	**139**	**278**	**49**	**214**	**40**	**190**	**504**
Provident costs	4	7	2	7	-	-	16
Total remuneration	**143**	**285**	**51**	**221**	**40**	**190**	**520**

1.2 Supervisory Board

The remuneration of the Supervisory Board is governed by Art. 12 of the articles of association and is exclusively payable in the form of a fixed salary. With effect from the beginning of the financial year 2015, each member of the Supervisory Board is to receive, in addition to refunds for out-of-pocket expenses, a fixed remuneration amounting to EUR 25,000.00 at the end of the financial year. The Chairman receives double this amount.

No payments were made to former Supervisory Board members. There are no commitments on the part of the Company to do so.

REMUNERATION OF THE SUPERVISORY BOARD

In EUR '000s	**2015**	**2014**
Dirk Ulrich Hindrichs	50	50
Christoph Hartmann (until 21/05/2015)	10	25
Johannes Feldmeyer	25	25
Walter P. J. Droege (since 21/05/2015)	15	-
Total	**100**	**100**

2. SHARE-RELATED DISCLOSURES

The Company's share capital at the balance sheet date is denominated in 11,046,737 no-par-value bearer shares, with each such share representing an entitlement to exercise one vote.

Since October 2013 the Droege Group, via one of its subsidiaries, has been a majority shareholder of METRIC mobility solutions AG with a stake of 72.71 per cent. According to a notice of 11 February 2014 and, therefore, as at the balance sheet date of 31 December 2015, Droege International Group AG has held a stake of 75.001 per cent in METRIC mobility solutions AG via a subsidiary since that time.

In accordance with the articles of association, the Board of Management consists of one or several persons. Deputy members of the Board may be appointed. In addition, the statutory regulations and provisions apply to the appointment and dismissal of members of the Board of Management (Sections 84, 85 of the German Companies Act (Aktiengesetz– AktG) and to any amendments to the articles of association (Sections 133, 179 AktG). At the Annual General Meeting held on 17 June 2010, the Company was authorised to acquire treasury shares up to a maximum amount of ten per cent of the capital stock. This arrangement expired on 16 June 2015. Beyond the disclosures in the Remuneration Report, no material agreements were entered into by the Company with the members of the Board of Management or the employees concerning the terms and conditions of a change of control following a takeover bid or any compensation arrangements in the event of such a takeover bid being made.

3. STATEMENT ON CORPORATE GOVERNANCE

The statement on corporate governance is reproduced in the Corporate Governance Report within this Annual Report as well as on the Company's website.

4. DEPENDENCY REPORT

In 2015, the relationship of METRIC mobility solutions AG to the entrepreneur Walter P. J. Droege was that of a dependent company; a subsidiary of Droege International Group AG was a controlling company in relation to METRIC mobility solutions AG pursuant to section 312 of the German Companies Act in the year under review. For this reason, in accordance with Section 312 (1) of the German Companies Act, the Board of Management of METRIC mobility solutions AG prepared a related parties report, which contains the following final statement: "The Board of Management declares that the Company – according to the facts and circumstances known to it at the time at which legal transactions were entered into – received reasonable consideration and/or the benefits paid by the Company were not unduly high."

Hanover, 13 April 2016

Board of Management

BALANCE SHEET AS OF 31 DECEMBER 2015

ASSETS in EUR		31/12/15	31/12/14
A. Fixed assets			
I. Intangible assets			
1. Gratuitous industrial property rights and similar rights and assets	2.945.364,24		0,00
2. Non-gratuitous concessions, industrial property rights and similar rights and assets, including licences to such rights and assets	402.222,64		166.351,94
3. Advance payments made	1.194.248,83		1.194.248,83
II. Property, plant and equipment			
1. Other equipment, fixtures and fittings	1.024.773,58		810.016,33
2. Advance payments made and assets under construction	0,00		3.171,06
III. Financial assets			
Shares in affiliates	9.000.000,00		9.025.155,75
		14.566.609,29	**11.198.943,91**
B. Current assets			
I. Inventories			
1. Raw materials, supplies and trading stock	2.968.856,90		2.141.917,27
2. Work and service in progress	12.945.563,73		11.748.519,67
3. Finished goods and trading stock	5.516.123,64		3.848.542,56
4. Advance payments made	227.012,75		243.423,29
	21.657.557,02		**17.982.402,79**
II. Accounts receivable and other assets			
1. Trade receivables	6.156.153,54		5.636.423,96
2. Receivables from affiliated companies	114.610,07		1.044.974,81
3. Other assets	2.351.528,79		2.226.333,53
	8.622.292,40		**8.907.732,30**
III. Cash in hand, cash balances with banks and cheques	1.521.029,27		384.682,88
		31.800.878,69	**27.274.817,97**
C. Accruals/deferrals		**20.904,53**	**48.044,74**
D. Shortfall not covered by equity		**898.986,22**	**0,00**
Total ASSETS		**47.287.378,73**	**38.521.806,62**

BALANCE SHEET AS OF 31 DECEMBER 2015

EQUITY AND LIABILITIES in EUR		31/12/15	31/12/14
A. Equity			
I. Subscribed capital	11.046.737,00		11.046.737,00
>> *Authorized capital*	*2.100.000,00*		*2.100.000,00*
II. Capital reserves	1.104.673,70		1.104.673,70
III. Accumulated loss	(12.151.410,70)		(10.502.352,24)
>> Total balance sheet loss EUR 13,050,396.92 (previous year: EUR 10,502,352.24)			
>> Balance sheet loss not covered by equity EUR 898,986.22 (previous year: EUR 0.00)			
		0,00	**1.649.058,46**
B. Provisions			
1. Pension reserves and similar obligations	261.459,00		259.829,00
2. Tax provisions	0,00		0,00
3. Other provisions	3.803.535,72		6.928.594,99
		4.064.994,72	**7.188.423,99**
C. Liabilities			
1. Liabilities due to banks	0,00		7.190.432,59
2. Advance payments on orders	9.308.924,31		6.119.045,35
3. Trade payables	21.373.725,31		14.048.768,12
4. Liabilities to affiliated companies	11.126.247,71		839.658,46
5. Other liabilities	1.283.023,20		1.404.419,65
>> thereof, arising from taxes: EUR 359,113.22 (previous year: EUR 176,476.77)			
>> thereof as part of social security contributions: EUR 0.00 (previous year: 0.00)			
		43.091.920,53	**29.602.324,17**
D. Accruals/deferrals		**130.463,48**	**82.000,00**
Total EQUITY AND LIABILITIES		**47.287.378,73**	**38.521.806,62**

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015

in EUR			2015	2014
1.	Sales revenues		45.253.309,09	40.959.760,29
2.	Increase/reduction in portfolio of finished goods and work in progress		2.864.625,14	(2.969.175,09)
3.	Other company-produced add. to plant and equipment		3.013.401,93	0,00
Aggregate output			**51.131.336,16**	**37.990.585,20**
4.	Other operating income		2.963.615,60	3.148.821,12
5.	Cost of materials			
	a)	Cost of materials, supplies and trading stock	29.767.047,16	21.490.456,07
	b)	Cost of services procured	4.200.778,88	7.567.556,12
			33.967.826,04	**29.058.012,19**
6.	Personnel expenses			
	a)	Wages and salaries	11.209.346,78	13.529.219,61
	b)	Social security contributions and expenses of pension benefits and support >> thereof, for pension benefits: EUR 43,264.58 (previous year: EUR 167,952.45)	2.093.358,62	2.287.095,65
			13.302.705,40	**15.816.315,26**
7.	Depreciation and amortisation on intangible fixed assets as well as property, plant and equipment		640.410,83	480.135,05
8.	Other operating expenses		7.984.327,74	11.956.762,77
Earnings before interest and taxes (EBIT)			**(1.800.318,25)**	**(16.171.818,95)**
9.	Other interest and similar income >> thereof, from affiliated companies: EUR 0.00 (previous year: EUR 111,380.15)		14.358,43	117.913,24
10.	Interest expenses and similar charges >> thereof, to affiliated companies: EUR 140,846.04 (previous year: EUR 275,044.00)		1.319.407,08	1.255.484,66
Net financial income			**(1.305.048,65)**	**(1.137.571,42)**
11.	**Net profit or loss from ordinary activities (earings before taxes - EBT)**		**(3.105.366,90)**	**(17.309.390,37)**
12.	Extraordinary income		560.400,00	14.041.570,77
13.	Extraordinary expenses		17.280,75	0,00
14.	**Extraordinary result**		**543.119,25**	**14.041.570,77**
15.	Income taxes		(19.900,40)	(125,52)
16.	Other taxes		5.697,43	8.032,43
17.	**Loss for the year**		**(2.548.044,68)**	**(3.275.726,51)**
18.	Loss carried forward from the previous year		(10.502.352,24)	(8.798.661,38)
19.	Reversal of capital reserve		0,00	1.572.035,65
20.	**Accumulated loss**		**(13.050.396,92)**	**(10.502.352,24)**

NOTES FOR THE FINANCIAL YEAR 2015

I. GENERAL

The annual financial statements of METRIC mobility solutions AG, Hanover (hereinafter "METRIC AG") were prepared in conformity with the provisions of the German Commercial Code (Handelsgesetzbuch / HGB) and Germany's Joint Stock Companies Act applicable to a large corporation. The Profit and Loss Statement is prepared in accordance with the total cost method pursuant to Section 275 (2) of HGB. The Company is a large cap corporation as contemplated by Section 267 of HGB. Its shares are traded on the Prime Standard of the Frankfurt Stock Exchange under ISIN (International Securities Identification Number) DE000A1X3X66. The annual financial statements of METRIC AG were prepared in accordance with Section 252 (1) No. 2 of HGB under the premise of continued trading as a going concern. In this context, we also refer to our explanatory notes in the Management Report.

II. ACCOUNTING AND VALUATION METHODS

1. Fixed assets

Intangible assets are valued at cost of acquisition, less scheduled depreciation or amortisation, to the extent that no extraordinary write-downs are necessary in cases where a permanent impairment of value is expected. A useful life of three to six years is generally applied as a basis. Licences are generally deemed to have a useful life of five to six years. Software is amortised over a period of up to three years. A useful life of three years is assumed for capitalised development activities. Fixed assets are shown at acquisition or manufacturing cost, less scheduled depreciation or amortisation. Depletable assets are written off over their expected useful life. Depreciation charges are taken on a straight-line basis. Movable assets subject to wear and tear at acquisition costs from EUR 150 to EUR 1,000 are written off on a flat basis over a period of five years.

Financial assets are shown at their cost of acquisition or at the lower applicable value. Financial assets are written off in the event of a lasting impairment.

As a result of the decision of METRIC mobility solutions AG to capitalise the intangible assets it has produced itself according to HGB and report them in the balance sheet for the first time in the financial year 2015, the Company is departing from the consistent approach hitherto observed (Section 265 (1) sentence 2 of HGB). Since the previous year's value (31/12/2014) was not adjusted, exercising this optional right means that there is no possibility to compare balance sheet item "self-generated commercial protective rights and similar rights and values". The positive impact on earnings resulting from the capitalised company-produced additions amounts to EUR 3.0 million. As a result of this decision, intangible assets increased by EUR 2.9 million (taking into account the associated depreciation).

2. Current assets

Inventories are shown at acquisition or manufacturing cost and valued by applying the lower of cost or market principle. Raw materials and supplies and trading stock are shown at their cost of acquisition. Costs of unfinished and finished goods are determined as part of material and manufacturing unit cost and incorporate an appropriate share of material and manufacturing overheads but do not include interest on borrowed funds. Valuation decreases to the lower applicable value are performed on the basis of lump-sum obsolescence discounts, including inventory items with limited usability. Discounts of unfinished and finished goods are valued according to the principle of loss-free valuation.

The valuation method for inventories was changed in the financial year. The existing rules were modified as follows:

Storage period up to 1 year:	depreciation 0 per cent (previously: 0 per cent)
Storage period 1 to 2 years:	depreciation 50 per cent (previously: 50 per cent)
Storage period 2 to 4 years:	depreciation 80 per cent (previously: 100 per cent)
Storage period more than 4 years:	depreciation 100 per cent (previously: 100 per cent)

This change in the method used led to a positive impact on earnings in the amount of EUR 306k in the year under review.

Trade receivables are generally stated at their nominal value. Specific valuation adjustments are made for discernible individual risks. Receivables from affiliated companies as well as other assets are stated at their nominal value. In accordance with Section 256a HGB, receivables denominated in foreign currency are translated at the middle spot forex rate prevailing on the balance sheet date. The residual term to maturity of assets in foreign currency is less than one year.

3. Provisions

Pension provisions are valued using the “Projected Unit Credit” (PUC) method, taking account of the “2005 G Tables” of Prof. Dr Klaus Heubeck. A dynamic pension increase of one per cent and a fluctuation rate of 0 per cent were assumed for the valuation. This provision is discounted at the average interest rate published by Deutsche Bundesbank for the past seven years, for a term to maturity of 15 years. The discount rate as at 31 December 2015 amounts to 3.89 per cent. The remaining long-term provisions are also discounted in line with their residual term to maturity at the interest rates stipulated by Deutsche Bundesbank. Based on prudent commercial judgement, other provisions are set up for impending losses, discernible risks and doubtful accounts.

4. Liabilities

Liabilities are shown at their performance value. Receivables denominated in foreign currency with a residual term of over one year are valued at their transaction price or at the higher value on the balance sheet date. Liabilities in foreign currency with a term to maturity of less than one year are valued at the middle spot forex rate. Advance payments received are reported according to the net method. The value added tax paid on advances received is thus reported under Other liabilities.

5. Financial derivatives

The Company deploys forward exchange transactions, forex options and interest rate swaps (generally also referred to collectively as “derivatives”) to hedge any interest and exchange rate risks. None of the derivatives is held or negotiated for speculation purposes. At the time of their first recognition and measurements at later dates, it must be established whether the requirements of Section 254 of the German Commercial Code (HGB) for the formation of valuation units have been complied with.

The METRIC Group also carries out hedge measures that do not meet these strict requirements but effectively contribute towards hedging the financial risk in accordance with the principles of risk management. The valuation of these financial derivatives, for which no valuation units were set up with underlying transactions, is made in accordance with the imparity principle. This means that provisioning is made for negative market values, and positive market values that exceed the cost of acquisition are not recognised.

III. DISCLOSURES ON SPECIFIC ITEMS OF THE ANNUAL FINANCIAL STATEMENTS

1. Fixed assets

The breakdown of fixed assets and changes therein recognised in the balance sheet are shown in the table "Composition and development of fixed assets".

2. Receivables and other assets

All trade receivables as well as other receivables and other assets are due within a period of one year, as was the case in the previous year.

Receivables from affiliates, amounting to EUR 115k (previous year: EUR 1,045k) comprise trade receivables (EUR 744k; previous year: EUR 1,240k), trade payables netted against these (EUR 629k; previous year: EUR 195k). Other assets, amounting to EUR 2,352k (previous year: EUR 2,226k) chiefly comprise customer payments to the factoring company (EUR 540k; previous year: EUR 570k), items of collateral deposited (EUR 1,622k; previous year: EUR 861k), as well as creditors with debit balances (EUR 18k; previous year: EUR 12k).

3. Equity

Subscribed capital

The share capital is fully paid up.

The total nominal value of the Company's capital stock is denominated in 11,046,737 no-par-value bearer shares, with each such share representing one vote.

Authorised capital

In accordance with the Company's articles of association, the Board of Management was authorised only until 16 June 2015 to raise the share capital on a cash or non-cash basis, once or repeatedly, by up to a total of EUR 3,398,996.00 by issuing new no-par-value bearer shares (authorised capital), with the approval of the Supervisory Board.

In this event – in accordance with the articles of association – the shareholders would have to be granted subscription rights as follows:

"The new shares may be assumed by a credit institution or some other company engaged pursuant to Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or (7) of the German Banking Act (Gesetz über das Kreditwesen – KWG) subject to the duty to offer the said shares only for purchase to the shareholders in accordance with the Company's instructions. The Board of Management shall, however, be authorised to exclude maximum amounts from the right of subscription of the shareholders with the approval of the Supervisory Board. The Board of Management shall further be authorised, with the approval of the Supervisory Board, to exclude the right of subscription if it should be necessary to grant holders of warrants and convertible bonds issued by the Company a subscription right to the new shares to the extent to which they would have been entitled thereto after exercising their options or conversion rights. In addition, the Board of Management shall be authorized to exclude the subscription right to employee shares issued up to a total of EUR 350,000.00 with the approval of the Supervisory Board. Finally, the Board of Management shall be authorised to exclude shareholders' subscription rights once or repeatedly up to an amount totalling EUR 3,398,996.00 when the new shares are issued against non-cash contributions with the approval of the Supervisory Board.

During the financial year, or by the cut-off date of (16 June 2015) respectively, no shares of the authorised capital were subscribed to (previous year: 849,749 shares.)

Contingent capital

As at 31 December 2015, the Company had contingent capital at its disposal totalling EUR 2,100,000.00 in nominal terms, or up to 2,100,000 shares.

The following authorisations exist as at the balance sheet date:

The capital stock is increased on a contingent basis by up to EUR 600,000.00 by the issue of up to 600,000 no-par-value bearer shares. The contingent capital increase is carried out only to the extent that holders of subscription rights granted to persons entitled to subscription rights on the basis of the authorisation adopted at the Annual General Meeting of 17 June 2005 exercise their subscription rights. The new shares carry dividend rights starting from the beginning of the fiscal year in which they are created as a result of the exercise of subscription rights. The Supervisory Board is authorised to amend Section 3 of the articles of association in accordance with the respective utilisation of the contingent capital.

The share capital shall be increased on a contingent basis by up to EUR 1.5 million through the issue of up to 1.5 million bearer shares (contingent capital). The contingent capital increase is carried out only to the extent that the holders of convertible bonds issued and/or guaranteed on the basis of the authorisation of the Board of Management in terms of a resolution passed at the Annual General Meeting of 17 June 2005 exercise their conversion rights or, like the holders obliged to convert their bonds, comply with their conversion obligation.

The new shares carry dividend rights starting from the beginning of the fiscal year in which they are created as a result of the exercise of conversion rights or compliance with conversion obligations. The Board of Management is authorised to stipulate further details of the contingent capital increase and execution thereof with the approval of the Supervisory Board. The Supervisory Board is authorised to amend the wording of the articles of association in accordance with the respective size of the capital increase from contingent capital.

No shares forming part of contingent capital were subscribed to during the financial year.

Issue of subscription rights

No further subscription rights were issued to the Board of Management during the financial year as part of the stock option plan 2005.

After the capital reduction of 4 September 2013 and the capital increase carried out as at 8 October 2013, the subscription rights allotted to a former member of the Board of Management in the financial year 2013 now carry an entitlement to the acquisition of 10,000 stock options. The contractually agreed holding period of two years expired on 8 April 2015 for 6,000 of these options, and on 30 September 2015 for 4,000 of these options.

After the capital reduction of 4 September 2013 and the capital increase carried out as at 8 October 2013, the stock options allotted to a further former member of the Board of Management in the past now carry an entitlement to the acquisition of 40,000 stock options as per 31 December 2014. Of these, 12,000 options from this tranche from the year 2006 expired as at 24 October 2015. The number of options outstanding as at 31 December 2015 therefore amounts to 28,000.

As a result, a total of 38,000 stock options remain as at the balance sheet date; of these, none remain within the contractually agreed holding period of two years (previous year: 10,000 shares within the holding period).

Acquisition of own shares

Furthermore, at the General Shareholders' Meeting of 17 June 2010 the Company was authorised, upon meeting certain conditions, to acquire its own or treasury shares equivalent to no more than ten per cent of its capital stock by 16 June 2015. The Board of Management was authorised, subject to compliance with certain conditions and with the consent of the Supervisory Board without a further resolution required to be adopted at the Annual General Meeting, to sell these treasury shares at market prices via the stock exchange or in some other manner, or to use them as consideration for the acquisition of other entities or to redeem them.

Balance sheet loss

A loss of EUR 2,548k is reported for the financial year. As at the balance sheet date, the Company reported a shortfall not covered by equity amounting to EUR 899k. For reconciliation purposes regarding this loss, the income statement was augmented to include the breakdown pursuant to Section 158 (1) of the German Companies Act (AktG).

When exercising the option to show company-generated intangible assets in the balance sheet, the statutory bar on distribution pursuant to Section 268 (8) HGB must be complied with in the following manner:

If company-generated intangible assets are recorded in the balance sheet, then profits may only be distributed if the freely available reserves plus profit brought forward and minus loss carry forward after the distribution are at least equal to the total of the recognised amounts minus the deferred tax liabilities set aside for this purpose.

The bar on distribution of EUR 1,985k is calculated as follows: capitalised of company-produced additions (EUR 2,945k) minus deferred taxes due on this amount (EUR 960k).

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In EUR '000s	Capital stock	Capital reserves	Balance sheet loss	Equity Total
Status: 1 January 2015	11,047	1,105	(10,503)	1,649
Addition to capital reserve	-	-	-	0
Withdrawal from capital reserve	-	-	-	0
Loss for the year 2015	-	-	(2,548)	(2,548)
Status: 31 December 2015	**11,047**	**1,105**	**(13,051)**	**(899)**

4. Provisions

Other provisions amounting to EUR 3,804k (previous year: EUR 6,929k) essentially comprise provisions for warranty claims, follow-up costs and conventional penalties at EUR 942k (previous year: EUR 1,373k), contingent losses of EUR 661 k (previous year: EUR 944k), personnel expenses of EUR 1,217k (previous year: EUR 2,002k) and incoming invoices outstanding, amounting to EUR 514k (previous year: EUR 213k). Of provisions for contingent losses, an amount of EUR 661k (previous year: EUR 872k) essentially relates to the recognition of negative market values of financial instruments according to the imparity principle (interest rate swap).

5. Liabilities

The breakdown and maturities of liabilities are listed in the table “Maturity structure of liabilities”.

MATURITY STRUCTURE OF LIABILITIES AS AT 31/12/2015

In EUR ‘000s		of which, residual term		
	Total	Up to 1 year	1 to 5 years	more than 5 years
Liabilities to credit institutions	0	-	-	-
Advance payments received on orders	9,309	9,309	-	-
Trade payables	21,374	21,374	-	-
Intra-group accounts payable	11,126	738	10,388	-
Other liabilities	1,283	1,283	-	-
	43,092	**32,704**	**10,388**	**0**

MATURITY STRUCTURE OF LIABILITIES AS AT 31/12/2014

In EUR ‘000s		of which, residual term		
	Total	Up to 1 year	1 to 5 years	more than 5 years
Liabilities to credit institutions	7,190	-	7,190	-
Advance payments received on orders	6,119	6,119	-	-
Trade payables	14,049	2,998	11,051	-
Intra-group accounts payable	840	840	-	-
Other liabilities	1,404	1,404	-	-
	29,602	**11,361**	**18,241**	**0**

6. Sales revenues

The table reflects the geographical distribution of sales revenues.

BREAKDOWN OF SALES REVENUES

In EUR '000s	Germany	EU	Other countries	Total
New equipment and spare parts	31,782	3,570	4,393	39,745
Maintenance, repairs, other services	3,561	557	1,133	5,251
Software	673	59	233	965
Subtotal	**36,016**	**4,186**	**5,759**	**45,961**
Reductions in revenues	(555)	(64)	(89)	(708)
Total	**35,461**	**4,122**	**5,670**	**45,253**

7. Capitalised company-produced additions / development costs

As a result of the decision of METRIC mobility solutions AG to capitalise company-produced intangible assets according to HGB and report them in the balance sheet for the first time in the financial year 2015, the Company is departing from the consistency hitherto observed (Section 265 (1) sentence 2 of HGB). Since the previous year's value in the profit and loss statement was not adjusted, exercising this optional right means that there is no possibility to compare the earnings from capitalised company-produced additions (Section 265, (2) sentence 2 HGB).

Total research and development costs amount to EUR 7.6 million. Of this, EUR 3.0 million was capitalised, or reported under capitalised company-produced additions in the profit and loss statement with impact on earnings in accordance with HGB for the first time.

8. Other operating income and expenses

Other operating income amounted to EUR 2,964k (previous year: EUR 3,149k).

This essentially includes currency translation gains amounting to EUR 1,070k (previous year: EUR 1,236k). In addition, other operating income comprises income from other periods totalling EUR 1,744k (previous year: EUR 1,206k) which, at EUR 1,576k, chiefly stems from the reversal of provisions (previous year: EUR 1,123k).

Other operating expenses total EUR 7,984k (previous year: EUR 11,957k).

These essentially comprise legal and consultancy costs (EUR 502k; previous year: EUR 3,573k), warranty expenses (EUR 927k; previous year: EUR 1,560k), costs of buildings (EUR 1,514k; previous year: EUR 1,838k) and currency translation losses amounting to EUR 1,168k (previous year: EUR 1,290k) as well as costs passed on by the subsidiary Metric Group Ltd., Swindon, to METRIC mobility solutions AG amounting to EUR 85k (previous year: EUR 478k).

Other operating expenses include EUR 64k in expenses from different periods (previous year: EUR 57k).

9. Extraordinary income and expenses

Extraordinary expenses amount to EUR 17k. These result from the retroactive merger of Hoeft & Wessel Traffic Computer Systems GmbH, Hanover with the parent company METRIC mobility solutions AG, Hanover. The renegotiation of the building lease resulted in extraordinary income due to a waiver of previously deferred payments of EUR 560k.

10. Interest expenses and income

During the financial year both expenses for interest added back to provisions amounting to EUR 12k as well as income from the discounting of provisions amounting to EUR 12k were recorded (previous year: only interest expenses of EUR 46k).

11. Financial derivatives

Foreign currency risks

The Company is exposed to currency risks arising from sales, purchases and loans. The decisive risks exist in the currencies USD (predominantly purchases), CHF (predominantly sales) and GBP (purchases, sales and loans to subsidiaries). In addition to receivables and liabilities in foreign currency, fixed contracts and planned deposits and disbursements classified as having a high probability of occurring are included in currency exposure. Foreign currency risks in the field of financing are the result of financial liabilities.

Interest rate risks

The Company is exposed to risks of interest rate fluctuations in the field of short-term financing of working capital. The loan agreement signed in the year 2015 between a company belonging to the Droege Group and METRIC mobility solutions AG for EUR 8.5 million contains provisions for interest based on the 3-month EURIBOR. Interest risks generally may also arise through the merchandise credit agreements between METRIC mobility solutions AG (borrower) and its suppliers (merchandise credit lenders) on account of the variable interest agreed. The loan agreement entered into with a main supplier during the financial year 2014 also has an influence on the Company's interest rate risk. The loan volume amounts to EUR 12.0 million plus value-added tax. The loan is repayable at any time but no later than as at 31 December 2016 and, as a matter of principle, bears interest at a rate of 4.9 per cent until 31 December 2015. From 1 January 2016, interest will be paid on the basis of the 3-month EURIBOR.

Hedge measures

The implementation of strategy in the field of currency management is effected in principle by means of current and non-current forward exchange transactions and/or simple currency options. In the year 2015, the Company did not have sufficient credit lines at its disposal to be able to carry out forward exchange transactions to the extent necessary. The long-term expectations of minimum utilisation of credit lines with variable interest rates were hedged in the financial year 2011 against the risk of interest rate fluctuations via an existing payer interest swap (pay fixed, receive variable) in the amount of EUR 5.0 million and a for a term until 2018. The contingent loss provision recognised as at 31 December 2015 of EUR 661k (previous year: EUR 872k) is based on the market value of the derivatives.

A breakdown of financial derivatives for which no valuation unit was set up is shown in the table below. Accordingly, contingent loss provisions were set up for financial derivatives with a negative market value. Financial derivatives with a positive market value were not recognised.

HEDGE OPERATIONS WITHOUT VALUATION UNITS

In EUR '000s	Term	Nominal value of hedge transactions	Present value
Hedge transaction with negative market values	2018	5,000	-661

12. Deferred taxes

Deferred taxes are determined in respect of differences in time between the recognition of assets, liabilities and accruals/deferrals between the commercial and tax balance sheet, taking account of eligible loss and interest carry-forwards. Loss and interest carry-forwards can be taken into consideration if the amounts in question are expected to be netted with taxable income within the period of five years stipulated by law. Deferred taxes are calculated at a tax rate of 32.6% (previous year: 31.6 per cent). Deferred tax assets and liabilities are netted. A resulting tax burden overall is recognised in the balance sheet as a deferred tax liability. In the event of tax relief, the option is exercised not to recognise this relief as such.

The tax loss carry-forwards existing in the Company are only included in calculating deferred taxes to the extent that there are taxable temporary differences.

DEFERRED TAXES

In EUR '000s	assets	liabilities
Loss carry-forwards	714	-
Intangible assets	-	961
Provisions	247	-
Total	**961**	**961**

13. Taxes on income and earnings

Taxes on income and earnings amounting to EUR 20k (previous year: EUR 0k) relate to taxes for previous years in their entirety.

IV. OTHER MANDATORY DISCLOSURES

1. DISCLOSURES ON EMPLOYEES

Determined in accordance with Sect. 267 (5) of the German Commercial Code (HGB), the average workforce consisted of 229 salaried employees and 0 hourly paid employees (previous year: 240 salaried employees and 0 hourly paid employees). These figures do not include any apprentices or trainees.

2. Contingent liabilities

The contingent liability relationships are listed in the table below. At the time the financial statements were prepared, there were no indications that any claims could be made on the Company on account of these contingent liabilities. The main reason for this is associated with the present planning calculations of the Group of companies. In the past, a claim was made only in extremely rare cases.

The guarantees essentially are advance payment and performance bonds to customers of METRIC mobility solutions AG.

In addition, the subsidiary METRIC Group Ltd. entered into a contractual undertaking during the 2015 financial year to assume joint and several liability for a loan utilised by METRIC mobility solutions AG. The loan for EUR 8.5 million was granted by a company belonging to the Droege Group.

CONTINGENT LIABILITIES

In EUR '000s	**2015**	**2014**
Guarantees	6,144	6,053
>> thereof: intra-group accounts payable	-	-
Letter of comfort	unlimited	unlimited
>> thereof: intra-group accounts payable	unlimited	unlimited

The unlimited Letter of Comfort is granted by METRIC mobility solutions AG to METRIC Group Ltd., UK on an annual basis. The most recent version is dated 21 December 2015. It is valid until 31 December 2016.

3. OTHER FINANCIAL OBLIGATIONS

The total amount of other financial obligations for office rent, furniture and fixtures, software, purchase commitments, car leases, payments to provident funds and the leasing of an equipment pool amounted to EUR 8,591k as at 31 December 2015 (previous year: EUR 8,195k). Of this sum, an amount of EUR 1,576k is due within one year (previous year: EUR 1,285k), EUR 5,666k in one to five years (previous year: EUR 4,652k) and EUR 1,349k in over five years (previous year: EUR 2,258k).

4. OFF-BALANCE SHEET OBLIGATIONS

In addition to leasing obligations listed under other financial liabilities with regard to assets sold and subsequently re-leased within the scope of a sale and lease-back agreement (buildings and equipment hire pool), there are other off-balance sheet liabilities on the books.

As at the balance sheet date, trade receivables totalling EUR 145k were sold within the scope of a genuine, silent factoring arrangement (previous year: EUR 722k).

5. SHAREHOLDINGS

An overview of directly and indirectly held shares is presented in the table “Shareholdings”.

The company Hoeft & Wessel Traffic Computer Systems GmbH, Hanover, was merged retroactively with METRIC mobility solutions AG, effective 1 January 2015.

SHAREHOLDINGS

In EUR '000s	Shares in per cent	Equity capital 31/12/2015	Profit / (loss) for the year 2015
a) Shares held directly			
METRIC Group Holdings Ltd., (MGHL), Swindon (United Kingdom)**	100	2,518*	(234)*
b) Shares held indirectly (via MGHL)			
METRIC Group Ltd. (MGL), Swindon (United Kingdom)	100	9,917*	(928)*
c) Shares held indirectly (via MGHL)			
METRIC Group Inc., New Jersey (USA)**	100	(754)*	(1,537)*

* Shareholders' equity and profit / (loss) for the year in the individual annual financial statements presented according to national GAAP in GBP and USD, respectively, was translated at the exchange rate on the balance sheet date or at the average annual exchange rate: GBP: 0.7823; 0.8061, USD: 1.2160; 1.3286.

** As the local financial statements will be prepared only once the annual financial statements of METRIC mobility solutions AG have been rendered, the table reflects the corresponding previous-year figures as at 31/12/2014
and for the financial year 2014, respectively.

6. COLLATERAL

In the financial year 2015, within the scope of a pooling agreement entered into for an indefinite term METRIC mobility solutions AG arranged non-accessory collateral with the principal shareholder for the entire inventory of raw materials and manufacturing supplies as well as semi-finished and finished goods at the location: Rotenburger Strasse 20 in Hanover. This collateral primarily serves the purpose of securing all existing, future and contingent claims to which the principal shareholder is entitled from the credit agreement

This non-accessory collateral was released by the previous commercial banks of METRIC mobility solutions AG as part of the change in creditor during the financial year.

7. MANAGEMENT BODIES

Members of the Board of Management

Thomas Dibbern

Member of the Board of Management and CEO

Sales & Marketing, Investor Relations, Public Relations, Product Management

Metric Group Holdings Ltd., Swindon (Managing Director)

Metric Group Inc. USA, Mount Laurel (Managing Director)

Dr Günter Kuhlmann

Member of the Board of Management

Research & Development, Project Management, Purchasing (from November 2015)

Paul Lebold

Member of the Board of Management

Finance & Controlling, Legal Affairs, Human Resources, IT, Services, Logistics

Members of the Supervisory Board

Dirk Ulrich Hindrichs

Chairman

Founder and managing partner of D.U.H. GmbH & Co. KG, Bielefeld

Other mandates:

Member of the Advisory Board of Lampe Privatinvest (Bankhaus Lampe KG), Hamburg

Member of the Advisory Board of Eduard Hueck GmbH & Co. KG, Lüdenscheid

Member of the Regional Advisory Board of Deutsche Bank West, Düsseldorf

Christoph Hartmann

Deputy Chairman

(until 21/05/2015)

Vice President of Droege International Group AG, Düsseldorf

Other mandates:

Board of Directors and Audit Committee Dutech Holdings Limited, Singapore

Consejo de Administración Helis S.A., Barcelona/Spain

Johannes Feldmeyer

Deputy Chairman

(from 21/05/2015)

Vice President of HEITEC AG, Erlangen

Other mandates:

Member of the Supervisory Board of FRIWO AG, Ostbevern/Westphalia

Member of the Management Board of LEUZE electronic GmbH & Co. KG, Owen

Member of the Advisory Board of POLAR-Mohr Maschinenvertriebsgesellschaft GmbH & Co. KG, Hofheim

Walter P.J. Droege

(Since 21/05/2015)

Founder and sole member of the Board of Management of Droege International Group AG, Düsseldorf

Other mandates:

ALSO Holding AG, Emmen/Switzerland (Vice President of the Board of Directors)

Trenkwalder Beteiligungs GmbH and Trenkwalder International AG, Schwadorf/Austria (in each case Deputy Chairman of the Supervisory Board)

Weltbild Holding GmbH, Augsburg, Germany (member of the Advisory Council)

HAL Allergy Holding B.V., Leiden/Netherlands (Chairman of the Supervisory Board)

Deutsche Bank AG, Düsseldorf (member of the Advisory Board)

HSBC Trinkaus & Burkhardt AG, Düsseldorf, Germany (member of the Board of Directors)

Additional mandates in the Droege International Group AG

8. CORPORATE GOVERNANCE

The statement of conformity with the German Corporate Governance Code was issued by the Board of Management and Supervisory Board and made available permanently to the shareholders on the Company's website.

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

METRIC mobility solutions AG is the parent company of the affiliates listed in the section "Shareholdings" and required to prepare consolidated financial statements in accordance with Section 290 HGB. Being an enterprise listed on the stock markets, in addition it is required by Ordinance (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002 relating to the application of international accounting standards (known as the "IAS Ordinance") to prepare its consolidated financial statements according to the International Financial Reporting Standards (IFRS). Pursuant to Section 315a of HGB, METRIC mobility solutions AG is exempted from having to prepare additional consolidated annual financial statements in accordance with German commercial law (German GAAP). However, in addition to IFRS, the Company is required to continue complying with certain HGB provisions, such as the need to prepare a consolidated management report. The IFRS Consolidated Financial Statements are published in the Federal Gazette (Bundesanzeiger) and thus filed in the Electronic Commercial Register.

METRIC mobility solutions AG is included in the consolidated financial statements of Droege International Group AG, Düsseldorf (smallest group of entities).

10. Disclosures concerning the auditor

The need for disclosure pursuant to Section 285 Sentence 1 No. 17 of HGB was dispensed with since the Company is included in consolidated financial statements in which the relevant disclosure is made.

11. Disclosures relating to equity interests in accordance with Section 160 of the German Companies Act (Aktiengesetz)

Special Technology Holding GmbH, Düsseldorf, a subsidiary of the Droege Group, notified METRIC mobility solutions AG pursuant to Section 21 (1) of AktG that it held a direct equity participation of 75.001 in the Company's share capital as at the balance sheet date. All voting rights are attributed to Walter P. J. Droege pursuant to Section 22 (1) Sentence 1 No. 1 of the German Securities Act (WpHG) via Droege Holding Verwaltungsgesellschaft mbH, Düsseldorf, Droege Holding GmbH & Co. KG, Düsseldorf, Droege International Group AG, Düsseldorf, Droege Capital GmbH, Düsseldorf, and Special Technology Holding GmbH, Düsseldorf.

12. Remuneration Report

In addition to fixed remuneration, the Board of Management of METRIC mobility solutions AG receives regular, variable remuneration that is dependent on the achievement of objectives. The non-performance-related share of remuneration is determined by the Supervisory Board in specific individual cases, taking account of professional experience, qualifications and performance. The fixing of the level of remuneration for the members of the Board of Management is based on the economic and financial situation of the Company, as well as the extent and structure of remuneration paid to management boards of comparable enterprises. In addition, the tasks and the contribution made by each member of the Board of Management are taken into account.

Non-performance-related remuneration comprises basic remuneration, benefits in kind and perquisites (company car, healthcare and insurance policies, accommodation costs). The basic remuneration is disbursed monthly in the form of a salary payment. Benefits in kind essentially consist of the value of using a company car in accordance with tax regulations and allowances paid towards insurance premiums.

The performance-related remuneration is paid on achievement of the performance targets. The maximum amount is capped in case targets are exceeded. In the event of target shortfalls of over 10 per cent, this remuneration component may even be forfeited altogether.

In the financial year 2013, 50,000 stock options were issued to a former member of the Board of Management in two tranches. Following the capital measures carried out in 2013, these provide for entitlement to the acquisition of 10,000 shares.

After the capital reduction of 4 September 2013 and the capital increase carried out as at 8 October 2013, the 200,000 stock options allotted to a further former member of the Board of Management in the past now carry an entitlement to the acquisition of 40,000 stock options. Effective 24 October 2015, 12,000 of these options have expired.

No additional stock options were issued to the Board of Management in the financial year 2015.

Consequently the stock options remaining at the cut-off date number 38,000.

No pension commitments have been made to the members of the Board of Management. No benefits from third parties were approved to the members of the Board of Management with regard to their activities as members thereof. If a member of the Board of Management dies during the contractual term, three monthly salaries will be paid by way of benefits to surviving dependants. In the event of illness, continued salary payment for the members of the Board of Management has been agreed for three months.

In presenting a table regarding the remuneration paid to the Board of Management, METRIC mobility solutions AG follows the recommendations by the Government Commission on the German Corporate Governance Code of 5 May 2015.

BENEFITS GRANTED

in EUR '000s.	Thomas Dibbern CEO Joined as at 02/07/2014				Günter Kuhlmann Member of the board of Management Joined as at 01/10/2014				Paul Lebold Member of the board of Management Joined as at 01/10/2014				Rudolf Spiller CEO Left as at 12/11/2014
	2014	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**	**2015**	**2015 (Min)**	**2015 (Max)**	**2014**
Fixed remuneration	90	240	240	240	45	180	180	180	40	160	160	160	483
Perquisites	4	15	15	15	4	23	23	23	-	20	20	20	21
Total	**94**	**255**	**255**	**255**	**49**	**203**	**203**	**203**	**40**	**180**	**180**	**180**	**504**
one-year variable remuneration	45	23	23	225	11	-	0	113	10	-	0	60	165
Multiple years variable remuneration	-	-	-	-	-	-	-	-	-	-	-	-	6
Total	**139**	**278**	**278**	**480**	**60**	**203**	**203**	**316**	**50**	**180**	**180**	**240**	**675**
Provident costs	4	7	7	7	2	7	7	7	-	-	-	-	16
Total remuneration	**143**	**285**	**285**	**487**	**62**	**210**	**210**	**323**	**50**	**180**	**180**	**240**	**691**

INFLOWS

In EUR '000s	Thomas Dibbern CEO Joined as at 02/07/2014		Günter Kuhlmann Member of the Board of Management Joined as at 01/10/2014		Paul Lebold Member of the Board of Management Joined as at 01/10/2014		Rudolf Spiller CEO Left as at 12/11/2014
	2014	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Fixed remuneration	90	240	45	180	40	160	483
Perquisites	4	15	4	23	-	20	21
Total	**94**	**255**	**49**	**203**	**40**	**180**	**504**
One-year variable remuneration	45	23	-	11	-	10	-
Multiple years variable remuneration	-	-	-	-	-	-	-
Total	**139**	**278**	**49**	**214**	**40**	**190**	**504**
Provident costs	4	7	2	7	-	-	16
Total remuneration	**143**	**285**	**51**	**221**	**40**	**190**	**520**

The remuneration of the Supervisory Board is governed by Art. 12 of the articles of association and is exclusively payable in the form of a fixed salary. With effect from the beginning of the financial year 2014, each member of the Supervisory Board is to receive, in addition to refunds for out-of-pocket expenses, a fixed remuneration amounting to EUR 25,000.00 at the end of the financial year. The Chairman receives double this amount.

No payments were made to former Supervisory Board members. There are no commitments on the part of the Company to do so.

REMUNERATION OF THE SUPERVISORY BOARD

In EUR '000s	2015	2014
Dirk Ulrich Hindrichs	50	50
Christoph Hartmann	10	25
Johannes Feldmeyer	25	25
Walter P. J. Droege	15	-
Total	**100**	**100**

Neither METRIC mobility solutions AG nor any of its subsidiaries granted any loans to the members of the Supervisory Board or the Board of Management.

Hanover, 13 April 2016

Board of Management

COMPOSITION AND DEVELOPMENT OF FIXED ASSETS

in EUR	Acquisition costs					Accumulated depreciation				Residual book value	
	Status 01/01/2015	Additions	Disposals	Transfers	Status 31/12/2015	Status 01/01/2015	Additions	Disposals	Status 31/12/2015	Status 31/12/2015	Status 31/12/2014
I. Intangible assets											
1. Gratuitous industrial property rights and similar rights and assets	0,00	3.013.401,93			3.013.401,93	0,00	68.037,69		68.037,69	2.945.364,24	0,00
2. Non-gratuitous concessions, industrial property rights and similar rights and assets, including licences to such rights and assets	3.305.935,38	375.724,91	0,00	0,00	3.681.660,29	3.139.583,44	139.854,21	0,00	3.279.437,65	402.222,64	166.351,94
3. Advance payments	1.194.248,83	0,00			1.194.248,83	0,00	0,00		0,00	1.194.248,83	1.194.248,83
	4.500.184,21	**3.389.126,84**	**0,00**	**0,00**	**7.889.311,05**	**3.139.583,44**	**207.891,90**	**0,00**	**3.347.475,34**	**4.541.835,71**	**1.360.600,77**
II. Tangible fixed assets											
1. Other equipment, fixtures and fittings	11.091.374,30	644.105,12	8.821,01	3.171,06	11.729.829,47	10.281.357,97	432.518,93	8.821,01	10.705.055,89	1.024.773,58	810.016,33
2. Advance payments on assets under construction	3.171,06	0,00		(3.171,06)	0,00	0,00	0,00		0,00	0,00	3.171,06
	11.094.545,36	**644.105,12**	**8.821,01**	**0,00**	**11.729.829,47**	**10.281.357,97**	**432.518,93**	**8.821,01**	**10.705.055,89**	**1.024.773,58**	**813.187,39**
Financial assets											
Shares in affiliates	32.077.459,28	0,00	25.155,75	0,00	32.052.303,53	23.052.303,53			23.052.303,53	9.000.000,00	9.025.155,75
	32.077.459,28	**0,00**	**25.155,75**	**0,00**	**32.052.303,53**	**23.052.303,53**	**0,00**	**0,00**	**23.052.303,53**	**9.000.000,00**	**9.025.155,75**
Total	**47.672.188,85**	**4.033.231,96**	**33.976,76**	**0,00**	**51.671.444,05**	**36.473.244,94**	**640.410,83**	**8.821,01**	**37.104.834,76**	**14.566.609,29**	**11.198.943,91**

Auditor’s certificate

We have audited the annual financial statements - consisting of the balance sheet, income statement, and the notes – including the accounting and management report of METRIC mobility solutions AG, Hanover, for the financial year from 1 January to 31 December 2015. The Board of Management of the Company is responsible for the accounting and for preparing the annual financial statements and management report in accordance with the German Commercial Code (HGB). Our task is to make an assessment of the annual financial statements on the basis of our audit, including the bookkeeping and management report.

We conducted our audit in accordance with Section 317 of the German Commercial Code, taking account of the generally accepted auditing principles prevailing in Germany, as laid down by the German Auditors’ Institute (Institut der Wirtschaftsprüfer – IDW). Accordingly, the audit is to be planned and carried out in such a manner as to ensure that any misstatements and violations that might have a substantial impact on the presentation of the annual financial statements and on the overall impression conveyed by the management report as regards the Company's asset, financial and earnings position, taking account of the applicable German GAAP accounting regulations, can be identified with an adequate degree of certainty. In determining the auditing tasks, knowledge of the business activities and the companies business and legal environment are taken into account as well as expectations of possible errors. Within the scope of the audit, the effectiveness of the accounting-related internal control system as well as evidence to support the information contained in the accounting records, the annual financial statements and management report are assessed predominantly on the basis of random samples. The audit comprises an assessment of the accounting principles applied and key assessments of the Board of Management as well as a consideration of the overall presentation of the annual financial statements and management report. We are of the opinion that our audit constitutes an adequately certain basis for our assessment.

Our audit gave rise to no objections.

According to our assessment based on the findings of our audit, the annual financial statements are in conformity with the statutory requirements and convey a true and fair view, taking account of the principles of the German Commercial Code, of the asset, financial and earnings position of the Company. The management report is in conformity with the annual financial statements and, as a whole, conveys a true and fair view of the Company's situation and of the opportunities and risks relating to future developments.

In line with our duties, we wish to advise that the continued existence of the company is threatened by risks presented in detail in the “Risk report” section of the Management Report. The Risk report states that in the event of a short to medium-term failure to reach its planning targets, Company's continued existence as a going concern, particularly as regards sales revenues, is dependent on the successful continuation of restructuring measures and additional financing sources.

Hanover, 13 April 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Jens Wedekind
Auditor

ppa. Michael Meseberg
Auditor

Responsibility statement

RESPONSIBILITY STATEMENT IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO SECTION 297 (2) SENTENCE 4 and SECTION 315 (1) SENTENCE 6 OF THE GERMAN COMMERCIAL CODE (HGB)

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

Hanover, 13 April 2016

Board of Management