



Financial Statements 2015

CONTENTS

3	Management Report for the 2015 financial year
30	Annual Financial Statements as at 31 December 2015
30	Balance Sheet
32	Income (P&L) statement
33	Notes
54	Auditor's Certificate
55	Responsibility Statement

PUBLISHING INFORMATION

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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

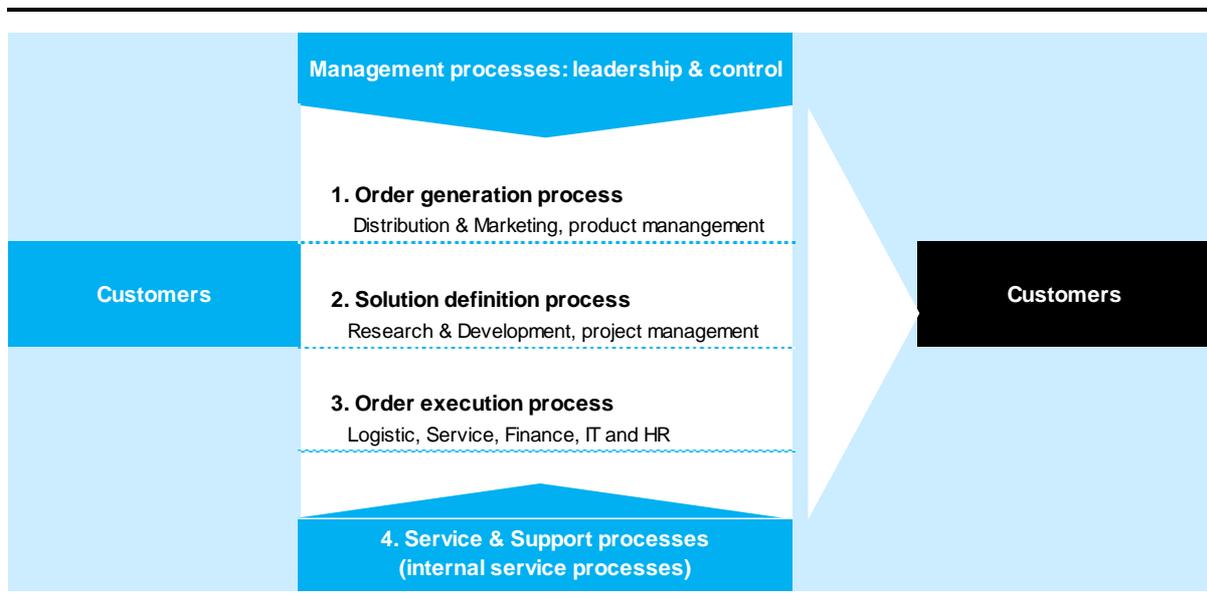
quality assurance in order to ensure a high standard of quality. For the manufacture of car park terminals, the English subsidiary METRIC UK operates a final assembly facility of its own.

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)
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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 (Aktengesetz – 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

In 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
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
<hr/>		
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
<hr/>		
III. Financial assets		
Shares in affiliates	9.000.000,00	9.025.155,75
<hr/>		
	14.566.609,29	11.198.943,91
<hr/>		
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
<hr/>		
	21.657.557,02	17.982.402,79
<hr/>		
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
<hr/>		
	8.622.292,40	8.907.732,30
<hr/>		
III. Cash in hand, cash balances with banks and cheques	1.521.029,27	384.682,88
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	31.800.878,69	27.274.817,97
<hr/>		
C. Accruals/deferrals	20.904,53	48.044,74
D. Shortfall not covered by equity	898.986,22	0,00
<hr/>		
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
>> <i>Authorized capital</i>	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 (earnings 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	Equity capital	Profit / (loss) for the year
	in per cent	31/12/2015	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
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	Additions	Disposals	Transfers	Status	Status	Additions	Disposals	Status	Status	Status
	01/01/2015				31/12/2015	01/01/2015			31/12/2015	31/12/2015	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