Heliocentris

Annual Financial Report

For the Financial Year

From January 1st, 2015 until December 31st, 2015

Heliocentris Energy Solutions AG,

Berlin

Consolidated Financial Statements
for the Year Ended 31 December 2015

Heliocentris Energy Solutions AG

Berlin

Contents

Consolidated statement of comprehensive income

for the financial year from 1 January until 31 December

	Anhang	2015 EUR	2014 EUR
Sale of goods		20.959.980,88	17.619.174,28
Rendering of services		1.147.973,13	1.305.724,80
Total revenue		**22.107.954,01**	**18.924.899,08**
Cost of sales	(10)	-24.773.347,95	-18.694.144,15
Gross result		**-2.665.393,94**	**230.754,93**
General and administrative	(11)	-6.420.266,67	-4.336.951,29
Sales and marketing	(12)	-6.245.314,99	-4.894.696,37
Research and development	(13)	-2.275.934,67	-2.028.590,73
Other operating income	(14)	1.657.301,28	1.129.258,38
Other operating expense	(15)	-1.587.315,15	-605.280,88
Analysis of the earnings before interest and taxes (EBIT)			
EBITDA		*-13.804.897,87*	*-9.472.773,06*
Amortisation, depreciation and write-downs of intangible and tangible assets		*-3.732.026,27*	*-1.032.732,91*
Earnings before interest and taxes (EBIT)		**-17.536.924,14**	**-10.505.505,97**
Other interest and similar income		233.362,11	16.811,46
Finance cost and similar expense	(16)	-1.340.612,71	-944.803,58
Profit (loss) before tax		**-18.644.174,74**	**-11.433.498,09**
Income tax	(17)	-149.541,48	1.651.002,70
Profit (loss) for the year		**-18.793.716,22**	**-9.782.495,39**
Other comprehensive income			
Items which may be subsequently reclassified to profit or loss under certain conditions			
Exchange differences on translation of foreign operations		-59.789,19	-13.939,60
Other comprehensive income for the year, net of tax		**-59.789,19**	**-13.939,60**
Total comprehensive income for the year, net of tax		**-18.853.505,41**	**-9.796.434,99**
Profit (loss) attributable to:			
Equity holders of the parent		-18.471.047,27	-9.782.495,39
Non-controlling interests		-322.668,95	0,00
Total comprehensive income attributable to:			
Equity holders of the parent		-18.530.836,46	-9.796.434,99
Non-controlling interest		-322.668,95	0,00
Earnings per share			
Basic and diluted, profit (loss) for the year attibutable to Equity holders of the parent		-1,42	-1,07

Consolidated statement of financial position

as at 31 December

	note	2015 EUR	2014 EUR
Assets			
Non-current assets			
Property, plant and equipment	(19) + (20)	939.320,20	1.161.480,21
Intangible assets	(21)	13.897.742,78	14.686.874,51
Goodwill	(21)	3.970.231,58	3.970.231,58
Investments in associates	(22)	55.560,12	0,00
Investments		50.337,70	50.337,70
Other non-current financial assets		201.886,00	0,00
		19.115.078,38	19.868.924,00
Current assets			
Inventories	(23)	2.591.291,09	2.585.071,36
Trade and other receivables	(24)	12.796.644,41	7.875.629,19
Prepaid expenses		418.757,19	216.778,65
Cash and cash equivalents	(25)	1.999.720,67	2.257.615,16
		17.806.413,36	12.935.094,36
Total assets		**36.921.491,74**	**32.804.018,36**
Liabilities and net assets attributable to parent			
Non-current liabilities			
Interest-bearing loans and borrowings*	(26)	10.697.779,56	9.239.637,31
Provisions	(27)	90.218,89	83.013,33
Obligations under finance lease		23.062,20	24.108,56
Deferred income from government grants		207.198,55	12.890,55
Other liabilities		18.409,85	64.501,45
		11.036.669,05	9.424.151,20
Current liabilities			
Provisions	(27)	3.527.274,76	2.977.971,37
Trade and other payables	(28)	6.858.931,29	5.811.640,63
Obligations under finance lease		28.140,89	14.090,88
Deferred income from government grants		863.901,34	27.206,40
Prepaid expenses		167.420,52	146.372,33
Other liabilities		720.001,47	2.710.537,90
		12.165.670,27	11.687.819,51
Total liabilities		**23.202.339,32**	**21.111.970,71**
Equity			
Share capital	(29)	14.242.233,00	10.600.424,00
Capital reserve	(29)	59.802.701,70	43.715.486,20
Other capital reserve	(29)	1.325.566,96	503.029,37
Foreign currency translation reserve	(29)	-96.524,02	-36.734,83
Accumulated deficit		-43.083.777,95	-33.307.661,70
Current period result		-18.471.047,27	-9.782.495,39
Total equity attributable to equity holders of the parent		**13.719.152,42**	**11.692.047,65**
Total liabilities and equity		**36.921.491,74**	**32.804.018,36**

Consolidated statement of changes in equity

for the financial year ended 31 December

		Attributable to the owners of the parent							
	note	Share capital EUR	Capital reserve EUR	Other capital reserve EUR	Foreign currency translation reserve EUR	Accumulated deficit EUR	Total EUR	Non-controlling interest EUR	Total equity EUR
As at 1 January 2014		**8,650,218.00**	**35,784,760.97**	**-347,625.37**	**-22,795.23**	**-33,307,661.70**	**10,756,896.67**	**0.00**	**10,756,896.67**
Loss for the period						-9,782,495.39	-9,782,495.39		-9,782,495.39
Other comprehensive income					-13,939.60		-13,939.60		-13,939.60
Total comprehensive income					-13,939.60	-9,782,495.39	-9,796,434.99	0.00	-9,796,434.99
Issued share capital	(28)	933,302.00	3,863,109.23				4,796,411.23		4,796,411.23
Issued share capital for purchase of FutureE	(28)	856,904.00	3,427,616.00				4,284,520.00		4,284,520.00
Issued convertible bond	(25)			516,318.76			516,318.76		516,318.76
Exercise of options		160,000.00	640,000.00				800,000.00		800,000.00
Share based payment transactions	(30)			334,335.98			334,335.98		334,335.98
As at 31 December 2014		**10,600,424.00**	**43,715,486.20**	**503,029.37**	**-36,734.83**	**-43,090,157.09**	**11,692,047.65**	**0.00**	**11,692,047.65**
As at 1 January 2015		**10,600,424.00**	**43,715,486.20**	**503,029.37**	**-36,734.83**	**-43,090,157.09**	**11,692,047.65**	**0.00**	**11,692,047.65**
Loss for the period						-18,471,047.27	-18,471,047.27	-322,668.95	-18,793,716.22
Other comprehensive income					-59,789.19		-59,789.19		-59,789.19
Total comprehensive income					-59,789.19	-18,471,047.27	-18,530,836.46	-322,668.95	-18,853,505.41
Issued share capital	(28)	3,250,289.00	14,129,615.50				17,379,904.50		17,379,904.50
Issued shares to settle the outstanding purchase price claims in connection with the acquisition of a subsidiary	(28)	391,520.00	1,957,600.00				2,349,120.00		2,349,120.00
Issued convertible bond	(25)			93,931.97			93,931.97		93,931.97
Share based payment transactions	(30)			728,605.62		7,595.72 *	736,201.34		736,201.34
Acquistion of non-controlling interests	(6)					-1,216.58	-1,216.58	-3,227.48	-4,444.06
Effect of changes in the group of consolidated companies	(7)						0.00	325,896.43	325,896.43
As at 31 December 2015		**14,242,233.00**	**59,802,701.70**	**1,325,566.96**	**-96,524.02**	**-61,554,825.22**	**13,719,152.42**	**0.00**	**13,719,152.42**

* Transfer relating to forfeited options from the Employee Stock Option Programme due to cancellation agreement.

Consolidated statement of cash flows

for the financial year ended 31 December

	note	2015 EUR	2014 EUR
Operating activities			
Profit (loss) for the year		-18,793,716.22	-9,782,495.39
Income tax expense		149,541.48	-1,651,002.70
Net profit (loss) before tax		-18,644,174.74	-11,433,498.09
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	(18) + (19)	371,857.47	331,608.46
Amortization and impairment of intangible assets	(20)	3,360,168.80	702,048.43
Loss (income) from disposal of property, plant and equipment	(18) + (19)	7,117.96	4.00
Fair value measurement of financial liabilities		408,120.75	0.00
Income from deemed disposal of subsidiary	(7)	-281,352.99	0.00
Finance income		-233,362.11	-16,811.46
Finance expense	(16)	1,340,612.71	935,838.36
Share based payment expense	(30)	645,199.74	331,014.37
Movement in provisions	(26)	404,889.60	-69,329.08
Working capital adjustments:			
In-/decrease in trade and other receivables and prepayments	(23)	-4,081,536.66	-3,423,236.81
In-/decrease in inventories	(22)	-14,205.03	539,916.20
In-/decrease in trade and other payables		1,484,920.40	1,447,142.70
Interest paid		-592,128.49	-222,949.12
Income tax paid		3.87	0.00
Net cash flows used in / from operating activities		**-15,823,868.72**	**-10,878,252.04**
Investing activities			
Purchase of property, plant and equipment	(18)	-222,194.92	-297,678.55
Government grants received		0.00	21,250.20
Proceeds from sale of property, plant and equipment	(18)	15,546.22	0.00
Interest received		57.45	16,811.46
Purchase of intangible assets	(20)	-2,569,939.11	-2,757,158.25
Purchase of subsidiary net of cash	(6)	677,813.09	7,517.51
Deemed disposal of subsidiary net of cash	(7)	-495,262.95	0.00
Net cash flows used in / from investing activities		**-2,593,980.22**	**-3,009,257.63**
Financing activities			
Proceeds from issued capital	(28)	17,379,904.50	4,796,411.23
Proceeds from borrowings	(25)	2,375,000.00	0.00
Repayment of borrowings	(25)	-2,500,000.00	0.00
Increase (decrease) of finance lease liabilities	(19)	13,003.65	34,865.13
Issue of convertible bond	(25)	928,590.00	9,898,875.01
Net cash flows udes in / from financing activities		**18,196,498.15**	**14,730,151.37**
Net decrease in cash and cash equivalents		-221,350.79	842,641.70
Net foreign exchange difference		-36,543.70	-13,939.60
Cash and cash equivalents at 1 January	(24)	2,257,615.16	1,428,913.06
Cash and cash equivalents at 31 December	(24)	**1,999,720.67**	**2,257,615.16**

Notes to the consolidated financial statements

1. Company information

Heliocentris Energy Solutions AG is the holding company of the Group (hereinafter referred to as the "Company" or "Heliocentris"). Its shares were listed on the Entry Standard/Open Market of the Frankfurt Stock Exchange until 19 May 2015. Since 20 May 2015 (first day of trading), the Company's shares have been listed on the Prime Standard/Regulated Market of the Frankfurt Stock Exchange (see note 28).

The parent's registered office is located at Rudower Chaussee 29, 12489 Berlin, Germany. The Company is registered with Berlin-Charlottenburg registration court under registration number HRB 99290 B.

Heliocentris Energy Solutions AG is a leading technology provider of energy management systems and hybrid power solutions for distributed stationary industrial applications, as well as of products and solutions for education, training and applied research purposes in the field of fuel cells, solar, wind and hydrogen energy technologies. A more detailed description of the Company's business activities can be found in the segment report in note 9.

2. Basis of preparation

The present consolidated financial statements of Heliocentris Energy Solutions AG and its subsidiaries (collectively: the "Group") for the year ended 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU) and the additional requirements of the German Commercial Code (HGB) according to § 315a (1) HGB.

The financial year of Heliocentris and the Group is the calendar year.

The consolidated financial statements are presented in euros and cents except when otherwise indicated. The Company has elected to present a single statement of comprehensive income, comprising profit and loss and the other comprehensive income and disclosing the expenses by function.

The consolidated financial statements for the year ended 31 December 2015 were prepared on a going concern basis as, assuming business performance in the 2016 and 2017 financial years develops in line with forecasts, the Group has sufficient financing following the capital increase that was implemented in April 2016. The Management Board intends to initiate additional financing measures in order to protect the Group's financing against potential delays in customer payments or the failure of business performance to develop in line with forecasts. Further information on the Group's liquidity risk can be found in the risk report, which forms part of the combined management report.

The Management Board of Heliocentris Energy Solutions AG prepared the consolidated financial statements on 25 May 2016.

3. Changes in accounting policies, accounting standards and interpretations

In accordance with European Commission Regulation 1606/2002 dated 19 July 2002 on the application of international financial reporting standards, the Group's consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted by the European Union as of that date. They include comparative 2014 annual financial information prepared in accordance with the same standards except as stated below and in note 3.1.

Deviations from the accounting policies applied in the consolidated financial statements for the year ended 31 December 2014 relate to the following matters:

Presentation of the statement of comprehensive income

In preparing the consolidated financial statements for the year ended 31 December 2015, depreciation of property, plant and equipment and amortisation of intangible assets were no longer presented separately in the statement of comprehensive income, but instead were allocated to the individual functions. The same applies to the income from the reversal of provisions and income from subsidies, which was reported in other operating income in the previous year. In addition, foreign currency exchange gains and losses were reported separately. In our view, these reclassifications and the new form of presentation serve to improve the presentation of the results of operations of the Group and are discussed below.

	note	2014 before reclassifications EUR	Amortisation, depreciation and write-downs EUR	Income from release of provisions EUR	Income from government grants EUR	Foreign exchange losses EUR	2014 after reclassifications EUR
Sale of goods		17.619.174,28	0,00	0,00	0,00	0,00	17.619.174,28
Rendering of services		1.305.724,80	0,00	0,00	0,00	0,00	1.305.724,80
Total revenue		**18.924.899,08**	**0,00**	**0,00**	**0,00**	**0,00**	**18.924.899,08**
Cost of sales	(10)	-18.099.779,92	-651.450,71	57.086,48	0,00		-18.694.144,15
Gross profit		**825.119,16**	**-651.450,71**	**57.086,48**	**0,00**	**0,00**	**230.754,93**
General and administrative	(11)	-4.203.230,74	-176.944,45	43.223,90	0,00	0,00	-4.336.951,29
Sales and marketing	(12)	-5.195.594,67	-41.754,38	342.652,68	0,00	0,00	-4.894.696,37
Research and development	(13)	-1.915.898,87	-162.583,36	5.000,00	44.891,50	0,00	-2.028.590,73
Other operating income	(14)	1.016.832,06	0,00	-447.963,06	-44.891,50	605.280,88	1.129.258,38
Other operating expense	(15)	0,00	0,00	0,00	0,00	-605.280,88	-605.280,88
Amortisation, depreciation and write-downs of intangible and tangible assets		-1.032.732,91	1.032.732,91	0,00	0,00	0,00	0,00
Earnings before interest and taxes (EBIT)		**-10.505.505,97**	**0,00**	**0,00**	**0,00**	**0,00**	**-10.505.505,96**

Segment reporting

Since 1 January 2015, the personnel costs and non-labour operating costs directly attributable to sales have been reported before the segment profit contribution. Gross profit is then calculated as the profit contribution less the personnel costs and non-labour operating costs indirectly attributable to sales. Segment gross profit is not changed as a result of the change in presentation. To ensure comparability, the prior-period amounts have been restated accordingly.

In the fourth quarter of 2015, this was followed by the conversion of the basis of segment taxation and measurement from local GAAP to the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). To ensure comparability, the prior-period amounts have been restated accordingly.

3.1 Application of new standards

The following new standards and amendments to existing standards adopted by the European Union were applicable from 1 January 2015. The nature and the impact of each new standard or amendment are described below:

Annual Improvements Cycle 2010-2012

The IASB published the "Annual Improvements to IFRSs 2010-2012 Cycle" in December 2013. The annual improvement process allows smaller, non-urgent but necessary improvements to the standards to be implemented efficiently. For example, existing IFRSs are amended in order to clarify the guidance or formulations contained therein, or corrections are made to comparatively minor, unintended consequences, conflicts or omissions.

The Annual Improvements Project 2010-2012 resulted in minor amendments to the following standards:

- IFRS 2 "Share-based Payment": Definition of vesting conditions
- IFRS 3 "Business Combinations": Accounting for contingent consideration in a business combination
- IFRS 8 "Operating Segments": Aggregation of operating segments; reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS 13: "Fair Value Measurement": Short-term receivables and payables
- IAS 16 "Property, Plant and Equipment" / IAS 38 "Intangible assets": Revaluation method – proportionate restatement of accumulated depreciation and amortisation
- IAS 24 "Related Party Disclosures": Key management personnel

The amendments were adopted into EU law on 17 December 2014 and must be applied for financial years beginning on or after 1 February 2015. The application of the revised standards did not have a material impact on the Company's consolidated financial statements.

Annual Improvements Cycle 2011-2013

The IASB published the "Annual Improvements to IFRSs 2011-2013 Cycle" in December 2013. The annual improvement process allows smaller, non-urgent but necessary improvements to the standards to be implemented efficiently. For example, existing IFRSs are amended in order to clarify the guidance or formulations contained therein, or corrections are made to comparatively minor, unintended consequences, conflicts or omissions.

The Annual Improvements Project 2011-2013 resulted in minor amendments to the following standards:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards": Meaning of effective IFRSs
- IFRS 3 "Business Combinations": Scope of exception for joint ventures

- IFRS 13: "Fair Value Measurement": Scope of paragraph 52 (portfolio exception)
- IAS 40 "Investment Property": Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

The amendments were adopted into EU law on 18 December 2014 and must be applied for financial years beginning on or after 1 January 2015. The application of the revised standards did not have a material impact on the Company's consolidated financial statements.

IFRIC 21 "Levies"

IFRIC 21 is an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" that provides guidance on when an entity should recognise a liability for a levy imposed by public authoritites. The interpretation clarifies that the obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation.

IFRIC 21 was adopted into EU law on 13 June 2014 and must be applied for financial years beginning on or after 17 June 2014. The application of IFRIC 21 did not have an impact on the Company's consolidated financial statements.

Amendments to IAS 19 "Employee Benefits" concerning defined benefit obligations

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting treatment for contributions that are independent of the number of years of employee service, e.g. employee contributions that are calculated according to a fixed percentage of salary.

The amendments were adopted into EU law on 17 December 2014 and must be applied for financial years beginning on or after 1 February 2015. The application of the amendments did not have a material impact on the Company's consolidated financial statements.

3.2 Assessment of potential impact of future standards, amendments to existing standards and interpretations

The Company was not an early adopter of the following standards, amendments and interpretations adopted or in the process of being adopted by the European Union as at 31 December 2015 and applicable after that date:

<table>
<tr><th>Standard or interpretation</th><th>Application date (period beginning on or after)</th><th>Assessment of the possible impact on the Company's financial statements in the period of initial application</th></tr>
<tr><td>IFRS 9 "Financial Instruments: Recognition and Measurement"</td><td>1 January 2018*</td><td rowspan="7">These standards/amendments are not currently expected to have a material impact on the Company's consolidated financial statements.</td></tr>
<tr><td>IFRS 14 "Regulatory Deferral Accounts"</td><td>1 January 2016*</td></tr>
<tr><td>IFRS 16 "Leases"</td><td>1 January 2019*</td></tr>
<tr><td>Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation</td><td>1 January 2016</td></tr>
<tr><td>Amendments to IAS 1: Disclosure Initiative</td><td>1 January 2016</td></tr>
<tr><td>Annual Improvements Cycle 2012-2014</td><td>1 January 2016</td></tr>
<tr><td>Amendments to IAS 7: Disclosure Initiative</td><td>1 January 2017*</td></tr>
</table>

Standard or interpretation	Application date (period beginning on or after)	Assessment of the possible impact on the Company's financial statements in the period of initial application
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016*	These amendments are not currently expected to have an impact on the Company's consolidated financial statements.
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017*	
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	These standards are currently not relevant for the Company's consolidated financial statements.
Amendments to IAS 16 and IAS 41: Bearer Plants	1 January 2016	
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016	
* Standard, amendment or interpretation not yet adopted by the European Union		

IFRS 15 "Revenue from Contracts with Customers": IFRS 15 was issued in May 2014 and establishes a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles of IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

4. Summary of accounting policies applied by the Company

The following are the significant accounting policies applied by the Company in preparing its financial statements:

4.1 Basis of consolidation

The consolidated financial statements comprise the separate financial statements of Heliocentris Energy Solutions AG and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date on which the Group obtains control until the date on which the Group ceases to control the subsidiary.

The profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non- controlling interests having a deficit balance. When necessary, adjustments are made to the separate financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

4.2 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any equity interest previously held is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then taken into account in determining goodwill.

Recognition and measurement:

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. A contingent consideration classified as an asset or liability that is a financial instrument within the scope of IAS 39 Financial Instruments, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, plus any equity interest previously held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in profit or loss immediately.

4.3 Goodwill

Goodwill is not amortised, but instead is tested for impairment annually and whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units represented by a division or equivalent, which is the lowest level at which goodwill is monitored for internal management purposes.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit or the group of cash-generating units that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit or the group of cash-generating units to which the goodwill is allocated exceeds its recoverable amount, an impairment loss on the goodwill allocated to this cash-generating unit or group of cash-generating units is recognised. The recoverable amount is the higher of the cash-generating unit's or the group of cash-generating units' fair value less costs to sell and its value in use.

If either of these amounts exceeds the carrying amount, it is not always necessary to determine both amounts. These values are generally determined using discounted cash flow calculations. Goodwill impairment is not reversed in future periods if the recoverable amount exceeds the carrying amount of the cash-generating unit or the group of cash-generating units to which the goodwill is allocated.

4.4 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of profit or loss and other comprehensive income of the associate after the acquisition date. Where the Group's share of losses of an associate exceeds the carrying amount of its investment in this associate, the group does not record any further losses. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income contains the Group's share in the results of operations of the associate. Any change in the other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where a change has been recognised directly in the equity of the associate, the Group recognises its share of any changes, where applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate.

The separate financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount, then recognises the loss as the 'share of profit of an associate or joint venture' in the consolidated statement of comprehensive income.

On losing significant influence over the associate, the Group measures and recognises any retained investment at its fair value. On losing significant influence, any difference between the carrying amount of the associate and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

4.5 Revenue recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding VAT, rebates, and trade discounts.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine whether it is acting as the principal or the agent. The Company has concluded that it is acting as the principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services

Revenues from service transactions are recognised as services are performed. For long-term service contracts, revenues are recognised on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided, i.e. using the percentage-of-completion method as described above.

Sales from multiple element arrangements

Sales of goods and services as well as software arrangements sometimes involve the provision of multiple elements. In these cases, the Company determines whether the contract or arrangement contains more than one unit of accounting. If certain criteria are met, and particularly if the delivered element(s) has (have) value to the customer on a standalone basis, the arrangement is separated and the appropriate revenue recognition convention is then applied to each separate unit of accounting. Generally, the total arrangement consideration is allocated to the separate units of accounting based on their relative fair values.

Government grants

Government grants are recognised when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Grants awarded for the purchase or the production of fixed assets (grants related to assets) are reported as deferred income and recognised as income over the depreciation period of the underlying fixed asset. The income is recognised in the same item of the consolidated statement of comprehensive income as the corresponding expense.

Grants awarded for other than non-current assets (grants related to income) are reported in the same item of the consolidated statement of comprehensive income as the corresponding expenses. They are recognised as income over the periods necessary to match them on a systematic basis to the costs that are intended to be compensated. Government grants for future expenses are reported as deferred income.

Interest income

For all financial instruments measured at amortised cost, interest income is reported using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statement of comprehensive income.

Dividend income

Dividends are recognised when the right to receive payment is established. Prerequisite for this is that it is likely that the economic benefit will flow to the Group, and that the extent of the income can be reliably measured.

4.6 Foreign currency translation

The Group's consolidated financial statements are prepared in euros, which is also the parent's functional currency. For each entity the Group determines the functional currency and items included in the separate financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation. The direct method involves the separate financial statements of foreign operations being translated directly into the presentation currency.

i) Transactions and balances

Transactions that are denominated in a currency other than the functional currency of an entity are reported at that functional currency applying the average spot exchange rate at the date when the underlying transactions are initially recognised. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are remeasured in the functional currency applying the average spot exchange rate prevailing at that date. Gains and losses arising from these foreign currency revaluations are recognised in net income. Those foreign currency-denominated transactions which are classified as non-monetary are measured using the historical average spot exchange rate.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the average spot rate of exchange at the reporting date.

ii) Translation of foreign-currency financial statements

The assets, including goodwill, and liabilities of foreign subsidiaries whose functional currency is a currency other than the euro are translated using the average spot exchange rate at the end of the reporting period, while the items in the consolidated statements of comprehensive income are translated using average exchange rates during the period. Differences arising from such translations are recognised in equity within the foreign currency translation reserve and reclassified to net income on disposal of the foreign subsidiary. The consolidated statement of cash flows is translated at average exchange rates during the period, whereas cash and cash equivalents are translated at the average spot exchange rate at the end of the reporting period.

The exchange rates used by Heliocentris in the preparation of the consolidated financial statements are as follows:

Currency		Year-end exchange rate for EUR 1	Annual average rate for EUR 1
CAD	**2014**	1,4063 CAD/EUR	1,4659 CAD/EUR
	2015	1,5116 CAD/EUR	1,4186 CAD/EUR
AED	**2014**	4,4636 AED/EUR	4,8804 AED/EUR
	2015	4,0060 AED/EUR	4,0780 AED/EUR

4.7 Research and development expenses

Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred.

Costs for development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalised if:

(1) development costs can be measured reliably,
(2) the product or process is technically and commercially feasible,
(3) future economic benefits are probable, and
(4) Heliocentris intends, and has sufficient resources, to complete development and to use or sell the asset.

The development costs capitalised include the directly attributable cost of materials, direct labour and other directly attributable expenditure that serves to prepare the asset for use. Such capitalised costs are reported as intangible assets in the same way as other internally generated intangible assets. Other development costs are expensed as incurred. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses with an amortisation period of generally five to ten years.

Government grants for research and development activities are offset against research and development costs. They are recognised as income over the periods in which the research and development costs occur that are to be compensated. Government grants for future research and development costs are reported as deferred income.

4.8 Earnings per share

Basic earnings per share are computed by dividing the net result after taxes attributable to ordinary shareholders of Heliocentris by the weighted average number of shares outstanding during the year.

Diluted earnings per share are calculated by assuming conversion or exercise of all potentially dilutive securities and share-based payment plans.

4.9 Income tax

Current income tax

Current taxes are calculated based on the profit (loss) for the financial year and in accordance with the local tax rules of the respective tax jurisdiction. Expected and executed additional tax payments and tax refunds respectively for prior years are also taken into account. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Under the liability method, deferred tax assets and liabilities are recognised for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

4.10 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or recognised impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognised in the profit or loss as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised.

Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Technical equipment and machinery: 3 to 13 years
- Other equipment, office and operating equipment: 3 to 15 years

The estimated useful lives, carrying amounts and depreciation methods are reviewed at each reporting date. Necessary changes in estimates are recognized prospectively.

4.11 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments.

Lease payments for finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance cost and similar expense in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Heliocentris does not currently act as a lessor.

4.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective asset.

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

4.13 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

The Heliocentris Group does not currently have any intangible assets with indefinite useful lives.

Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Software licenses 3 to 5 years
- Patents 3 to 20 years
- Development costs 5 to 10 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

4.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group's financial assets mainly include cash and cash equivalents and trade receivables.

The Group's financial liabilities primarily comprise convertible bonds, trade payables, and obligations under finance leases.

Initial recognition and measurement

The Company classifies its financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs. Heliocentris does not make use of the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (fair value option).

Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortised cost and financial assets and financial liabilities measured at fair value.

Financial instruments are recognised in the consolidated statement of financial position when Heliocentris becomes a party to the contractual obligations of the instrument. Conventional purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, are accounted for at the trade date.

Initially, financial instruments are recognised at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only included in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

Subsequent measurement

Financial assets and liabilities are subsequently measured according to the category to which they are assigned – cash and cash equivalents, loans and receivables, financial liabilities measured at amortised cost, or financial assets and liabilities classified as held for trading.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

1. The rights to receive cash flows from the asset have expired
2. The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
    a) the Company has transferred substantially all the risks and rewards of the asset, or
    b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

In such case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, with the net amount reported in the statement of financial position, only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.15 Cash and cash equivalents

Cash and cash equivalents are measured at nominal amounts. Cash balances in foreign currency are translated at the exchange rate at the reporting date. Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand as well as highly liquid investments with less than three months maturity from the date of acquisition.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash at banks as well as short-term deposits as defined above, net of any outstanding bank overdrafts.

IFRS allows entities to report cash flows from operating activities using either the direct method or the indirect method. The Company presents its cash flows using the indirect method.

4.16 Loans and receivables

Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognised using separate allowance accounts. Loans and receivables bearing no or lower interest rates compared to market rates with a maturity of more than one year are discounted.

4.17 Financial liabilities

Heliocentris measures financial liabilities, except for derivative financial instruments, at amortised cost using the effective interest method (EIR).

Interest-bearing loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost and similar expense in the consolidated statement of comprehensive income.

Convertible bonds

Convertible bonds are separated into liability and equity components based on the terms of the contract. On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option will not be measured again in subsequent periods.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

4.18 Fair value measurement

The Group measures financial instruments, at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed in note 31.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4.19 Share-based payments

IFRS 2 "Share-based Payment" distinguishes between cash-settled and equity-settled share based payment transactions. For both types, the fair value is measured at grant date and compensation expense is recognised over the vesting period during which the employees become unconditionally entitled to the awards granted. Cash-settled awards are remeasured at fair value at the end of each reporting period and upon settlement and are recognised under the relevant functional costs.

4.20 Inventories

Inventories are measured at the lower of acquisition or production costs and net realisable value, costs being generally determined on the basis of an average or first-in, first-out method. Production costs comprise directly attributable material and labour and manufacturing overheads, including production-related depreciation charges. Net realisable value is the estimated selling price less the estimated costs necessary for completion and sale.

4.21 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. Impairment tests are performed individually for each asset except when an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, an asset or group of assets are included in a cash-generating unit (CGU) and impairment tests are performed at the level of the CGU.

If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset or CGU does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

4.22 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date. Inherent risks and uncertainties to the obligation are taken into account. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The estimates and underlying assumptions are regularly reviewed.

5.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Identification of cash-generating units

Impairment tests are performed individually for each asset except when an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, an asset or group of assets are included in a cash-generating unit (CGU) and impairment tests are performed at the level of the CGU.

5.2 Estimates

Determining the recoverable amount for impairment testing of non-current assets

The Company uses a discounted cash flow method to calculate the value in use. Cash flows are derived from the financial plan for the next five years. The recoverable amount depends on the discount rate applied in the discounted cash flow method, as well as the expected future cash inflows and the growth rate applied for the purposes of extrapolation. These estimates are most relevant for goodwill and other intangible assets with indefinite useful lives recognised by the Group. The value in use of the cash-generating unit is based on an internal valuation. The basic assumptions for determining the recoverable amount of the various cash-generating units are presented and described in greater detail in note 20.

Requirement to capitalise internally generated intangible assets

The initial recognition of development costs for projects is based on the management's assessment that technical and commercial feasibility have been demonstrated; this is generally the case when a product development project reaches a certain milestone within an existing project management model. The management makes assumptions on the expected future benefit and the expected future cash flows from the projects. If these assumptions prove to be inaccurate or deviate significantly from actual performance, this would have a material impact on the value of the capitalised development costs (see note 20).

Recoverability of receivables

The Group has individual trade receivables whose importance for the consolidated financial statements is significant. Recoverability is assessed by the management on the basis of the available information and assumptions concerning the creditworthiness of the respective customers, which may deviate from their actual creditworthiness and hence result in the need for impairment losses to be recognised in future periods.

Provisions for warranties

The Group determines provisions for warranties in connection with the products sold (see note 26.2). In determining these provisions, assumptions and estimates are required with regard to the expected costs and the expected timing of these costs. The Group assumes that the costs will be realised within a maximum of five years, with the end of the warranty period. If the estimated costs used in the calculations were higher or the realisation period was shorter, this would have a material impact on the carrying amount of the provision.

6. Transactions involving non-controlling interests

With effect from 27 April 2015, the Group made a contribution in kind of all of its shares in Heliocentris HPS GmbH to HPS Home Power Solutions GmbH, Wildau. In return, Heliocentris received an interest of 48.57% in HPS Home Power Solutions GmbH. Under the terms of the contract dated 19 June 2015, Heliocentris HPS GmbH merged with HPS Home Power Solutions GmbH with effect from 1 January 2015. From the Group's perspective, this transaction did not constitute a loss of control due to the existence of call options and non-controlling interests that are classified as de facto agents.

HPS Home Power Solutions GmbH was founded in December 2014. The objective of the company is the development, production, distribution and operation of fuel cell-based home power energy systems and energy management systems as well as software-managed controller units for the self-sustaining supply of energy and heat in dwellings based on renewable energies. The intended purpose of the contribution in kind of all of the Group's shares in Heliocentris HPS GmbH to HPS Home Power Solutions GmbH was the bundling of the product development and distribution activities for self-sustaining home power supplies in a separate entity which can be financed by external investors.

The carrying amounts of the assets and liabilities of Heliocentris HPS GmbH totalled EUR 30,699.50 on the date of the share swap. In exchange, Heliocentris received 28,334 shares at their nominal value. The loss of EUR 1,216.58 resulting from the share swap was taken directly to equity.

Transaction costs of EUR 45,470.00 were recognised in general and administrative expenses.

HPS Home Power Solutions GmbH did not generate any revenue in 2015 following the acquisition date. HPS Home Power Solutions made a negative contribution of EUR 554,127.69 to the Group's profit (loss) before tax.

As a result of the transaction, minority interests in the assets and liabilities of Heliocentris HPS GmbH and HPS Home Power Solutions GmbH amounting to EUR 4,444.06 were recognised directly in equity in the Group.

7. Changes in the basis of consolidation

On 4 December 2015, a participation agreement for HPS Home Power Solutions GmbH was signed by new investors. The shareholders' meeting held on the same date resolved to increase the company's share capital by issuing 38,897 shares and to amend the company agreement and the rules of procedure for the company's management, among other things. Under the terms of the shareholder agreement, the internal relationship between the parties is structured as if the capital increase had been entered in the commercial register and effective from the signature date of this agreement. The capital increase reduced Heliocentris AG's share of the voting rights and its equity interest in HPS Home Power Solutions GmbH to 32% and 29.1% respectively. The resulting loss of control led to the deconsolidation of the company with effect from 4 December 2015. As a result, the equity interest in HPS Home Power Solutions GmbH is now reported in the consolidated financial statements as an investment in an associate (see note 21).

8. Basis of consolidation

The consolidated financial statements of the Group comprise Heliocentris Energy Solutions AG and the following subsidiaries:

Name	Principal activities	Registered office	Equity interest in % 2015	2014
Heliocentris Academia GmbH	Energy solutions and training for the Academia segment	Berlin, Germany	100	100
Heliocentris Industry GmbH	Energy solutions for the Industry segment	Berlin, Germany	100	100
Heliocentris Energy Systems Inc.*	Distribution for the Academia segment - North America	Vancouver, Canada	100	100
Heliocentris Energy FZE	Sales and project management for the Industry segment - Middle East and North Africa	Dubai, United Arabian Emirates	100	100
Heliocentris Fuel Cell Solutions GmbH (formerly: FutureE Fuel Cell Solutions GmbH)	Development and manufacture of scalable fuel cell systems for the Industry segment	Wendlingen, Germany	100	100
Heliocentris Italy s.r.l (since 26.05.2015)	Development and production of electrolyser solutions for the Industry segment	Rome, Italy	100	0
Heliocentris HPS GmbH (until 28.04.2015)	Shell company	Berlin, Germany	100	100
HPS Home Power Solutions GmbH (since 28.04.2015 until 04.12.2015)	Development and production of home power energy systems and energy management systems for the self-sustaining supply of energy and heat in dwellings based on renewable energies	Berlin, Germany	29,1	0

* The interest is held indirectly via the wholly owned subsidiary Heliocentris Academia GmbH, Berlin.

By resolution dated 10 March 2015, the Management Board decided to rename FutureE Fuel Cell Solutions GmbH as Heliocentris Fuel Cell Solutions GmbH. This was entered in the commercial register on 18 March 2015.

Heliocentris Italy s.r.l., Rome, was formed on 26 May 2015. This was entered in the commercial register on 29 May 2015. The company is a wholly-owned subsidiary of Heliocentris Energy Solutions AG.

By resolution of the shareholders' meeting on 4 December 2015, the HPS Home Power Solutions GmbH was relocated from Wildau to Berlin. This was entered in the commercial register on 28 December 2015.

Apart from this, the present consolidated financial statements comprise the same subsidiaries as the consolidated financial statements for the year ended 31 December 2014.

The notes to the consolidated financial statements include no additional presentation as comparability with the previous year is not impaired as a result of the change in the group of consolidated companies.

The financial year of the companies included in consolidation is the calendar year.

The holding company

The ultimate parent company of the Group is Heliocentris Energy Solutions AG, which is domiciled and listed in Germany. Heliocentris Energy Solutions AG performs typical central holding activities for the Heliocentris Group as well as maintaining communications with the capital markets.

No investor has significant influence over the Group.

The Company does not hold any material partly-owned subsidiaries or interests in joint ventures.

9. Segment information

For management purposes, the Group is organised into business units based on their products and services and has two reportable segments as follows:

The **Industry** segment specialises in energy management systems, hybrid energy solutions, monitoring and management solutions and back-up power systems for distributed stationary energy solutions, particularly for mobile telecommunications. Within the mobile telecommunications sector Heliocentris offers its products and services to operators of mobile networks and mobile systems.

The **Academia** segment, with its education, training and research product groups, offers a range of systems for fuel cell and solar hydrogen technology in addition to other renewable energy technologies. Its customers are training facilities, research institutes and industrial customers.

The Management Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated on the basis of the segment profit contribution. In the first nine months of the 2015 financial year, the segments were also evaluated on a local GAAP basis as previously. In the fourth quarter of 2015, the basis of segment taxation and measurement was converted to the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Activities that are not assigned to a reportable segment and Group head office are reported under "Other".

For the financial year ended 31 December 2015:

	Industry EUR	Academia EUR	Other EUR	Total Segment EUR	Adjustments and eliminations EUR	Group EUR
External revenue	18.058.184,61	4.044.099,40	6.510,00	**22.108.794,01**	-840,00	**22.107.954,01**
Third party cost of sales	-14.776.054,55	-2.345.204,96	0,00	**-17.121.259,51**	0,00	**-17.121.259,51**
Direct personnel and other cost of sales	-289.711,34	-148.403,49	0,00	**-438.114,83**	0,00	**-438.114,83**
Contribution Margin	**2.992.418,72**	**1.550.490,95**	**6.510,00**	**4.549.419,67**	**-840,00**	**4.548.579,67**
Indirect personnel and other cost of sales	-5.467.433,50	-1.746.540,11	0,00	**-7.213.973,61**	0,00	**-7.213.973,61**
Gross Result	**-2.475.014,78**	**-196.049,16**	**6.510,00**	**-2.664.553,94**	**-840,00**	**-2.665.393,94**
Research & Development	-2.094.827,90	-181.106,77	0,00	**-2.275.934,67**	0,00	**-2.275.934,67**
Sales & Marketing	-5.356.976,54	-888.338,45	0,00	**-6.245.314,99**	0,00	**-6.245.314,99**
BU Profit Contribution	**-9.926.819,22**	**-1.265.494,38**	**6.510,00**	**-11.185.803,60**	**-840,00**	**-11.186.643,60**

The figures for the Industry segment include expenses for research and development as well as sales and marketing for the deconsolidated subsidiary in the amount of EUR 215,056.10 and EUR 156,862.79 respectively.

For the financial year ended 31 December 2014:

	Industry EUR	Academia EUR	Other EUR	Total Segment EUR	Adjustments and eliminations EUR	Group EUR
External revenue	16.646.665,13	2.278.233,95	0,00	18.924.899,08	0,00	18.924.899,08
Third party cost of sales *	-12.978.678,49	-1.313.168,92	0,00	-14.291.847,41	0,00	-14.291.847,41
Direct personnel and other cost of sales *	-242.726,16	-128.819,52	0,00	-371.545,68	0,00	-371.545,68
Contribution Margin	**3.425.260,48**	**836.245,51**	**0,00**	**4.261.505,99**	**0,00**	**4.261.505,99**
Indirect personnel and other cost of sales *	-2.995.248,73	-1.035.502,34	0,00	-4.030.751,07	0,00	-4.030.751,07
Gross Result	**430.011,75**	**-199.256,83**	**0,00**	**230.754,92**	**0,00**	**230.754,92**
Research & Development *	-1.712.761,91	-315.828,82	0,00	-2.028.590,73	0,00	-2.028.590,73
Sales & Marketing *	-3.788.789,64	-1.105.906,73	0,00	-4.894.696,37	0,00	-4.894.696,37
Business Unit Profit Contribution	**-5.071.539,80**	**-1.620.992,38**	**0,00**	**-6.692.532,18**	**0,00**	**-6.692.532,18**

* Prior-year figures adjusted (see note 3).

Adjustments and eliminations

The Management Board reviews revenue on a consolidated basis, meaning that intersegment revenue is not disclosed separately.

General and administrative costs, depreciation and amortisation, other operating income and finance income and costs are not allocated to individual segments as the underlying items are managed on a Group basis.

Segment assets and liabilities are also not allocated to segments as they are managed on a Group basis.

All other adjustments and eliminations are part of detailed reconciliations presented below.

The reconciliation of the segment results to the results of the Group is as follows:

	2015 EUR	2014 EUR
Segment result *	**-11,186,643.60**	**-6,692,532.18**
General and administrative expenses *	-6,420,266.67	-4,336,951.29
Income from deeme disposal of subsidiary	281,352.99	0.00
Other operating income *	1,375,948.29	1,129,258.38
Other operating expense *	-1,587,315.15	-605,280.88
Finance income	233,362.11	16,811.46
Finance expense	-1,340,612.71	-944,803.58
Group result before tax	**-18,644,174.74**	**-11,433,498.09**

Geographical information

	2015 EUR	2014 EUR
Asia and Australia	14,795,680.33	11,225,193.58
Middle East and North Africa	2,098,083.89	2,018,703.42
Rest of Africa	1,026,224.27	917.50
Germany, Austria, Switzerland	1,671,542.86	4,395,960.68
Rest of Europe	1,410,634.14	481,755.55
America	1,105,788.52	802,368.35
Total revenue	**22,107,954.01**	**18,924,899.08**

The revenue information above is based on the location of the customer.

Transactions with three (2014: three) external customers generated revenue of EUR 5,604,010.60, EUR 5,194,829.82 and EUR 2,351,626.26 respectively (2014: EUR 8,887,913.46, EUR 3,121,799.32 and EUR 2,137,587.02), thereby each accounting for 10% or more of the Group's total revenue. These revenues are reported within the Industry segment.

10. Cost of sales

The costs incurred in generating revenue are broken down as follows:

	2015 EUR	2014 EUR
Costs of material	13.420.896,75	11.936.040,97
Personnel costs	6.415.884,68	4.481.488,23
Other operating costs	702.950,60	825.337,72
Freight costs	802.176,47	360.416,56
Amortisation of internally generated intangible assets	2.027.966,35	142.036,96
Amortisation of intangible assets acquired in a business combination	1.228.425,24	450.983,51
Other depreciation and amortisation	59.875,22	58.430,24
Other	115.172,63	439.409,96
	24.773.347,95	**18.694.144,16**

11. General and administrative expenses

General and administrative expenses are composed as follows:

	2015 EUR	2014 EUR
Personnel costs	2.421.351,61	1.605.894,79
Other operating costs	3.935.614,91	2.597.335,96
Depreciation and amortisation	239.966,87	176.944,45
Income from release of provisions	-176.666,73	-43.223,91
	6.420.266,67	**4.336.951,29**

12. Sales and marketing expenses

Sales and marketing expenses are composed as follows:

	2015 EUR	2014 EUR
Personnel costs	3.495.988,88	2.988.483,23
Other operating costs	2.796.929,83	2.207.111,44
Depreciation and amortisation	20.668,40	41.754,38
Income from release of provisions	-68.272,12	-342.652,68
	6.245.314,99	**4.894.696,37**

Income from the reversal of provisions in the previous year primarily related to the reversal of warranty provisions in the amount of EUR 325,686.48 due to the avoidance of a contract with a customer in Mozambique.

13. Research and development expenses

Research and development expenses are composed as follows:

	2015 EUR	2014 EUR
Personnel costs	4.958.107,10	4.121.940,81
Other operating costs	952.510,86	1.139.513,17
Capitalisation of internally generated intangible assets	-2.497.931,63	-2.717.870,46
Deduction of government grants received	-1.257.210,92	-672.576,14
Amortisation and depreciation	155.124,19	162.583,36
Income from release of provisions	-34.664,94	-5.000,00
	2.275.934,67	**2.028.590,73**

14. Other operating income

	2015 EUR	2014 EUR
Foreign exchange gains	1,299,319.59	555,715.94
Income from deemed disposal of subsidiary	281,352.99	0.00
Historical purchase price adjustment for acquisition of subsidiary	0.00	97,885.91
Adjustment of contingent consideration for purchase of subsidiary	0.00	224,741.68
Redemption of materials	0.00	174,956.24
Insurance indemnifications *	41,365.85	5,305.65
Miscellaneous **	35,262.85	70,652.96
Total other operating income	**1,657,301.28**	**1,129,258.38**

* Insurance indemnifications have been displayed within Miscellanous as at 31 December 2014.
** Prior-year figure adjusted. See explanation in note 3.

Beside the foreign exchange gains other operating income primarily resulted from the deconsolidation of HPS Home Power Solutions GmbH (EUR 281,352.99). In the 2014 financial year, beside the foreign exchange gains other operating income primarily resulted from the measurement of the contingent consideration for the acquisition of the shares in FutureE Fuel Cell Solutions GmbH at the reporting date. In addition, income of EUR 174.956.24 in the previous year resulted from the reclamation of materials in connection with the avoidance of a contract with a customer in Mozambique. This was accompanied by the write-down of receivables in the amount of EUR 500,642.72 (see note 23) and the reversal of warranty provisions in the amount of EUR 325,686.48 (see note 12). Furthermore, EUR 97,885.39 resulted from a subsequent reduction in the purchase price for the assets of P21 GmbH Power for the 21st Century acquired by Heliocentris Industry GmbH (formerly: P21 GmbH) in 2011.

15. Other operating expenses

Contingent consideration and an adjustment claim have been agreed in connection with the acquisition of Heliocentris Fuel Cell Solutions GmbH (formerly: FutureE Fuel Cell Solutions GmbH) in 2014. An amendment agreement to the original purchase agreement was signed on 25 March 2015, in which the parties agreed an additional payment to settle all outstanding purchase price elements payable in shares. Based on the resolution by the Management Board on 25 March 2015, the Company issued the agreed number of 391,520 shares to the former shareholders of Heliocentris Fuel Cell Solutions GmbH (see note 28). Prior to the share issue, the liabilities have been measured at fair value, with the difference in value of EUR 408,120.75 recognised in other operating expenses (see note 10).

In addition, other operating expenses in the year under review primarily related to exchange rate losses in the amount of EUR 1,172,076.44 (previous year: EUR 605,280.88).

16. Finance costs and similar expenses

The Company incurred finance costs for the following items:

	2015 EUR	2014 EUR
Convertible bond	1,042,613.11	861,701.06
Interest-bearing short-term loans	181,458.33	0.00
Accretion expense	7,205.56	6,630.07
Finance lease	3,944.94	2,335.15
Other	105,390.77	74,137.30
	1,340,612.71	**944,803.58**

Finance costs and similar expenses primarily consist of finance costs relating to the convertible bond issue and finance costs for the short-term loans taken out in the first half of 2015 (see note 25).

17. Income tax

The reconciliation of tax expense and the product of the result for the period multiplied by the Group companies' respective domestic tax rates is as follows:

	2015 EUR	2014 EUR
Result of the period before income tax	-18.644.174,74	-11.433.498,09
At the Company's statutory income tax rate of 30.18% (2014: 30.18%)	5.625.879,73	3.450.058,05
Non-taxable investment grants	8.209,53	3.626,27
Unrecognised tax loss carryforwards	-5.634.089,26	-1.802.681,62
At the effective income tax rate of 30.18% (2013: 30.18%)	0,00	1.651.002,70
Withholding tax Myanmar	-149.541,48	0,00
Income tax expense reported in the comprehensive statement of profit or loss	-149.541,48	1.651.002,70

Deferred tax

Deferred tax relates to the following:

	Statement of financial position		Statement of profit or loss	
	2015 **EUR**	**2014** **EUR**	**2015** **EUR**	**2014** **EUR**
Goodwill	103.751,91	72.990,31	30.761,60	30.760,40
Asset retirement obligation	21.901,56	16.179,28	5.722,28	6.425,76
Finance leases	377,08	304,69	72,39	-701,44
Share based payments - cash settled	3.595,88	19.463,31	-15.867,43	-12.594,59
Net operating loss carried forward	4.021.733,72	4.263.221,95	-241.488,23	866.483,73
Total deferred tax assets	**4.151.360,15**	**4.372.159,54**	**-220.799,39**	**890.373,85**
Development costs	-2.796.749,15	-2.649.594,11	-147.155,04	809.569,38
Development costs aquired in business combination	-1.237.288,38	-1.577.869,28	340.580,90	125.035,18
Convertible bond	-105.145,13	-144.696,15	39.551,02	-144.696,15
Capital issue costs in prepaid expenses	-12.177,49	0,00	-12.177,49	22.622,20
Total deferred tax liabilities	**-4.151.360,15**	**-4.372.159,54**	**220.799,39**	**812.530,61**
Deferred tax income			**0,00**	**1.702.904,46**
Deferred tax assets, net	**0,00**	**0,00**		

	2015 **EUR**	**2014** **EUR**
Reconciliation of deferred tax assets, net		
Opening balance as of 1 January	0,00	0,00
Deferred tax due to acquisition of subsidiary	0,00	-1.702.904,46
Deferred tax recognized in capital reserve	0,00	0,00
Deferred tax recognized in statement of comprehensive profit or loss	0,00	1.702.904,46
Deferred tax recognized in other comprehensive income	0,00	0,00
Closing balance as of 31 December	0,00	0,00

The Group had unused corporate income tax loss carryforwards of EUR 64,369,059.00 at the reporting date (2014: EUR 48,510,766.11). These tax loss carryforwards are subject to the tax audit of the German companies. Deferred tax assets for unused tax losses were recognised to the extent that deferred tax liabilities exist against which unused tax losses can be utilised.

18. Property, plant and equipment

The property, plant and equipment of the Heliocentris Group developed as follows:

	Technical equipment and machinery	Operating and office equipment	prepayments and machinery under construction	Leased assets	Total
	EUR	EUR	EUR	EUR	EUR
Cost					
At 1 January 2014	**863,334.26**	**1,142,315.07**	**0.00**	**7,583.00**	**2,013,232.33**
Additions	25,493.36	217,132.61	8,150.00	46,744.39	297,520.36
Additions due to business combination	0.00	447,664.79	8,171.35	0.00	455,836.14
Disposals	0.00	-40,672.09	0.00	0.00	-40,672.09
Foreign currency translation	0.00	480.76	0.00	0.00	480.76
At 31 December 2014	**888,827.62**	**1,766,921.14**	**16,321.35**	**54,327.39**	**2,726,397.50**
Additions	29,509.10	155,716.19	0.00	36,969.63	222,194.92
Disposals	-32,501.16	-282,101.24	0.00	0.00	-314,602.40
Reclassifications	0.00	0.00	-8,150.00	0.00	-8,150.00
Disposals due to changes in the group of consolidated companies	-14,754.39	-10,450.91	0.00	0.00	-25,205.30
Foreign currency translation	-0.02	146.58	0.00	0.00	146.56
At 31 December 2015	**871,081.15**	**1,630,231.76**	**8,171.35**	**91,297.02**	**2,600,781.28**
Depreciation and impairment					
At 1 January 2014	**544,710.09**	**691,000.40**	**0.00**	**4,676.18**	**1,240,386.67**
Depreciation charge for the year	110,507.35	241,907.29	0.00	12,461.50	364,876.14
Disposals	0.00	-40,668.09	0.00	0.00	-40,668.09
Foreign currency translation	0.00	322.57	0.00	0.00	322.57
At 31 December 2014	**655,217.44**	**892,562.17**	**0.00**	**17,137.68**	**1,564,917.29**
Depreciation charge for the year	89,177.86	285,649.67	0.00	24,284.69	399,112.22
Disposals	-32,489.16	-259,449.06	0.00	0.00	-291,938.22
Disposals due to changes in the group of consolidated companies	-4,753.96	-5,607.45	0.00	0.00	-10,361.41
Foreign currency translation	-0.02	-268.78	0.00	0.00	-268.80
At 31 December 2015	**707,152.16**	**912,886.55**	**0.00**	**41,422.37**	**1,661,461.08**
Net book value					
At 1 January 2014	**318,624.17**	**451,314.67**	**0.00**	**2,906.82**	**772,845.66**
At 31 December 2014	**233,610.18**	**874,358.97**	**16,321.35**	**37,189.71**	**1,161,480.21**
At 31 December 2015	**163,928.99**	**717,345.21**	**8,171.35**	**49,874.65**	**939,320.20**

19. Finance leases

The carrying amount of property, plant and equipment held under finance leases at 31 December 2015 was EUR 49,874.65 (2014: EUR 37,189.71). The items held under finance leases consist primarily of computer and telecommunications equipment.

The leases commenced in 2010, 2014 and 2015 and have maximum terms until 2018. The Company discounted the lease payments applying an incremental borrowing rate. The Company's incremental borrowing rate of interest is the rate of interest the Company would have to pay on a similar lease or the rate that, at the inception of the lease, the Company would incur to borrow the funds over a similar term and with a similar security necessary to purchase the asset. The Company estimates that it would have incurred an interest rate of 6% had it borrowed the funds to purchase the respective asset.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2015		2014	
	Minimum payments EUR	Present value of payments EUR	Minimum payments EUR	Present value of payments EUR
Within one year	31,363.92	28,140.89	19,287.92	14,090.87
After one year but not more than five years	24,282.51	23,062.20	22,761.43	24,108.56
More than five years	-	-	-	-
Total minimum lease payments	55,646.43	51,203.09	42,049.35	38,199.43
Less amounts representing finance charges	-4,443.34		-3,849.92	
Present value of minimum lease payments	**51,203.09**		**38,199.43**	
thereof current	28,140.89		14,090.87	
thereof non-current	23,062.20		24,108.56	

20. Intangible assets and goodwill

The intangible assets of the Heliocentris Group developed as follows:

	Internally generated intangible assets EUR	Acquired concessions, industrial and similar rights EUR	Goodwill EUR	Total EUR
Cost				
At 1 January 2014	**6,400,558.73**	**759,661.63**	**2,393,026.75**	**9,553,247.11**
Additions	2,717,870.46	68,974.10	0.00	2,786,844.56
Additions due to business combination	0.00	6,191,071.69	1,847,556.03	8,038,627.72
Disposals	-29,686.36	0.00	0.00	-29,686.36
Foreign currency translation	0.00	22.10	0.00	22.10
At 31 December 2014	**9,088,742.83**	**7,019,729.52**	**4,240,582.78**	**20,349,055.13**
Additions	2,507,488.42	62,450.69	0.00	2,569,939.11
Additions due to changes in the group of consolidated companies	0.00	0.00	32,530.93	32,530.93
Disposals	0.00	0.00	0.00	0.00
Reclassifications	8,150.00	0.00	0.00	8,150.00
Disposals due to changes in the group of consolidated companies	0.00	-8,712.00	-32,530.93	-41,242.93
Foreign currency translation	0.00	-37.15	0.00	-37.15
At 31 December 2015	**11,604,381.25**	**7,073,431.06**	**4,240,582.78**	**22,918,395.09**
Amortisation and impairment				
At 1 January 2014	**165,946.60**	**553,580.76**	**270,351.20**	**989,878.56**
Amortisation charge for the year	142,036.96	560,011.47	0.00	702,048.43
Disposals	0.00	0.00	0.00	0.00
Foreign currency translation	0.00	22.05	0.00	22.05
At 31 December 2014	**307,983.56**	**1,113,614.28**	**270,351.20**	**1,691,949.04**
Amortisation charge for the year	2,027,966.36	1,332,202.44	0.00	3,360,168.80
Disposals	0.00	0.00	0.00	0.00
Disposals due to changes in the group of consolidated companies	0.00	-1,660.06	0.00	-1,660.06
Foreign currency translation	0.00	-37.05	0.00	-37.05
At 31 December 2015	**2,335,949.92**	**2,444,119.61**	**270,351.20**	**5,050,420.73**
Net book value				
At 1 January 2014	**6,234,612.13**	**206,080.87**	**2,122,675.55**	**8,563,368.55**
At 31 December 2014	**8,780,759.27**	**5,906,115.24**	**3,970,231.58**	**18,657,106.09**
At 31 December 2015	**9,268,431.33**	**4,629,311.45**	**3,970,231.58**	**17,867,974.36**

Additions primarily relate to capitalised development costs of EUR 2,507,488.42 (2014: EUR 2,717.870.46). Capitalised development costs mainly consist of personnel costs, outside services, material expenses and directly attributable overhead expenses. Development costs are amortised over the period of expected future sales from the related project. Amortisation begins when the developed project is ready to be marketed.

The main intangible asset items are shown in the following table:

Name	Carrying value 31.12.2015 EUR	Carrying value 31.12.2014 EUR	Segment	remaining useful life in years	annual amortisation EUR
Jupiter	4,462,717.35	5,691,142.59	Industry	3.63	1,228,425.22
BTS V1	2,231,107.24	2,788,884.05	Industry	4.00	557,776.81
RMS 2.0	1,225,259.78	1,017,373.17	Industry	5.00	245,051.96
EM 2.0	1,147,155.95	1,433,944.94	Industry	4.00	286,788.99
NEL 1.5	664,471.46	579,104.04	Academia	4.75	139,888.73

In the 2015 financial year, capitalised development costs for two development projects in the Academia segment were written down in the total amount of EUR 398,631.47. Of this figure, EUR 387 thousand related to a development project whose technical feasibility was substantially jeopardised by the insolvency of the development partner in 2015 as well as the establishment of a competitor on the market.

There were no disposals during 2015 or 2014 beside the disposals due to changes in the group of consolidated companies.

Goodwill impairment testing

The goodwill of EUR 3,970,231.58 reported in the consolidated financial statements primarily results from the acquisition of P21 GmbH in 2011 and the acquisition of FutureE Fuel Cell Solutions GmbH in 2014. This goodwill is allocated entirely to the Industry segment.

Under IFRS, the impairment of assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets is assessed at the cash-generating unit (CGU) level based on the CGU's recoverable amount. The recoverable amount of the CGU is based on a detailed forecast period covering the years 2016 through 2020. The annual impairment test for goodwill is based on detailed projections for the forecast period that are prepared separately for the CGUs of the Company to which the goodwill is allocated. A terminal value was applied to the year 2020, assuming a sustainable business and cash flow level.

The projections are based on a comprehensive package of measures including a sustainable increase in the gross profit margin, a reduction in fixed costs due to efficiency improvements and a systematic focus on industrial business. The planned sales growth is concentrated on the Industry segment. Assuming an improvement in the gross profit margin and significant sales growth compared with the 2016 financial year, the Group would break even in terms of its operating result for the 2017 financial year as a whole. Sensitivity analyses were conducted for the projections. As an example a reduction of the forecasted revenue for the financial year of 2016 by 17% would result in an impairment loss for the segment assets.

Cost of capital

Discount rates represent the current market assessment of the risks specific to each cash-generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC).

The WACC calculation is based on capital market data, retrieved from financial data as of valuation dates as seen below. According to the value in use concept, a market participant`s view was considered as the basis for the WACC calculation. WACC was based on the following parameters:

	31.12.2015	31.12.2014
Risk free rate	1.50%	1.75%
Market risk premium	6.25%	6.25%
Beta factor	1.24	1.23
Weighted country risk premium	5.73%	-
Weighted average cost of capital (WACC):		
post-tax	14.67%	9.18%
post-tax adjusted	13.67%	8.18%
pre-tax	17.73%	12.47%
pre-tax adjusted	16.73%	11.47%

The WAAC applied to the fifth year was reduced by 1% to account for the growth rate and is stated as Adjusted WACC in the above table.

The impairment test performed showed no impairment. The carrying amount of the cash-generating unit exceeds the recoverable amount obtained for the cash-generating unit.

21. Investments in associates

As at 31 December 2015, the Group held 29.1% of the shares and 32% of the voting rights in HPS Home Power Solutions GmbH, Berlin (see also note 7).

HPS Home Power Solutions GmbH was founded in December 2014. The objective of the company is the development, production, distribution and operation of fuel cell-based home power energy systems and energy management systems as well as software-managed controller units for the self-sustaining supply of energy and heat in dwellings based on renewable energies. HPS Home Power Solutions GmbH is strategically important for the Heliocentris Group because the products developed by HPS that will be marketed in future incorporate core Heliocentris technologies such as the energy management system and the electrolysis module.

Heliocentris Energy Solutions AG has provided letters of comfort for HPS Home Power Solutions GmbH for its share of two projects funded by the German Federal Ministry of Economics and Technology (BMWi) and the German Federal Ministry for Education and Research (BMBF) in the amount of up to EUR 300 thousand and up to EUR 1,900 thousand respectively.

The shares in the company are measured using the equity method.

Summarised financial information for associates:

The following section contains summarised financial information for HPS Home Power Solutions GmbH:

Summarised balance sheet	4. December 2015 EUR
Current	
Cash and cash equivalents	495,262.95
Other current assets	60,573.45
Total current assets	**555,836.40**
Financial liabilities (excl. trade payables)	-1,019,427.01
Other current liabilities (incl. trade payables)	-150,510.75
Total current liabilities	**-1,169,937.76**
Non-current	
Assets	**29,884.69**
Financial liabilities	0.00
Other liabilities	0.00
Total non-current liabilities	**0.00**
Net assets	**-584,216.67**

Reconciliation of summarised financial information	2015 EUR
Net assets as at 4. December 2015	-584.216,67
Profit / (loss) for the period	0,00
Other comprehensive income	0,00
Net assets as at 31. December 2015	**-584.216,67**
Interest in associate (32,02%)	**-187.066,18**
Balancing figure	242.626,30
Carrying value	**55.560,12**

The purchase price allocation is still preliminary.

The last financial statements of HPS Home Power Solution GmbH submitted to the Group are the interim financial statements of the company as at 4 December 2015. Annual financial statements for the year ended 31 December 2015 had not been submitted to the Group by the date on which the consolidated financial statements were prepared.

HPS Home Power Solution GmbH is not a capital market-oriented company, meaning there is no quoted market price for the shares in the company in an active market.

22. Inventories

	31 December 2015 EUR	31 December 2014 EUR
Raw materials	1.730.112,00	1.759.829,37
Work-in-progress	577.090,89	457.454,84
Finished goods and merchandise	127.360,63	202.279,77
Prepayments	156.727,57	165.507,38
Total inventories	**2.591.291,09**	**2.585.071,36**

Write-downs on inventories were recognised in the amount of EUR 154,693.50 in the 2015 financial year (2014: EUR 205,647.71). These are recognised in the cost of sales.

23. Trade and other receivables

Trade and other receivables are broken down as follows:

	31 December 2015 EUR	31 December 2014 EUR
Trade receivables	10.672.346,93	7.003.703,97
Valued added tax	315.353,74	358.976,74
Prepayments	280.156,45	167.817,95
Other receivables	1.528.787,29	345.130,53
Total trade and other receivables	**12.796.644,41**	**7.875.629,19**

Trade receivables generally have terms of 30 to 180 days. Other receivables primarily consist of payment claims for government grants and deposit payments. Due to their short-term nature, the balances of trade and other receivables approximate fair value.

Write-downs on trade receivables developed as follows in the year under review:

	2015 EUR	2014 EUR
As at 1 January	**897,181.73**	**411,836.75**
Additions	207,934.68	500,642.72
Use	-889,538.48	-15,297.74
Release	0.00	0.00
As at 31 December	**215,577.93**	**897,181.73**

Write-downs were recognised on gross receivables in the amount of EUR 215,577.93 (2014: EUR 897,181.73). In addition, trade receivables in the amount of EUR 121,586.57 (2014: EUR 0.00) were written off in full. The amounts written off are recognised in the consolidated statement of comprehensive income within sales and marketing.

As at 31 December, the maturity structure of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	31-60 days	61-90 days	91-120 days	>120 days
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
2015	10,672,346.92	7,822,703.39	750,492.77	1,579,144.89	0.00	349,284.24	170,721.63
2014	7,003,703.97	4,511,306.46	491,699.52	460,520.92	1,233,421.04	77,355.16	229,400.87

Incoming payments were recorded for all receivables in place for more than 30 days up until the preparation of the consolidated financial statements.

24. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and bank deposits, less bank overdrafts, if any.

At 31 December 2015, the Group had no available undrawn committed borrowing facilities.

The Group has pledged EUR 733,537.73 (2014: EUR 173,548.31) of its cash to fulfil bank guarantees.

25. Interest-bearing loans and borrowings

Compared with 31 December 2014, this item increased by EUR 1,458,142.25 to EUR 10,697,779.56. This was primarily due to the issue of a further tranche of the convertible bond in the second quarter of the 2015 financial year.

In conjunction with the strategic partnership with INABATA EUROPE GmbH, the Company issued a further tranche of the convertible bond with a nominal value of EUR 1,000,000.00 to INABATA EUROPE GmbH on 17 April 2015. This tranche was issued at EUR 937,500.00 or 93.75% of nominal value, bears a coupon of 4%, runs until January 2017 and is convertible at the option of the shareholders into ordinary shares of the parent of the Group at a conversion price of EUR 7.6542 per share. The issue of this further tranche of the convertible bond was resolved by the Management Board on 13 April 2015 and approved by the Supervisory Board on 16 April 2015.

In accordance with the terms of the contract at the time of the issue, the convertible bond was divided into a liability and an equity component. The fair value of the liability component is determined using a market interest rate for a similar non-convertible debt. This amount is classified as a financial liability measured at amortised cost after deduction of transaction costs amounting to EUR 8,008.70 until it expires upon conversion or redemption. In line with this method, the liability component recognised amounted to EUR 834,658.03 after deduction of transaction costs. After deduction of transaction costs of EUR 901.30, the remaining part of the proceeds amounting to EUR 94,833.27 is allocated to the conversion option, which is recognised directly in equity. The carrying amount of the conversion option will not be remeasured in subsequent periods.

In the first quarter of 2015, the Company took out five short-term loans from strategic investors in the total amount of EUR 2,500,000.00. The short-term loans have been issued at EUR 2,375,000.00 or 95% of total nominal value and bear interest of 10% p.a. payable together with the repayments of the nominal value of the loans. All five loans were repaid on 29 May 2015.

26. Provisions

26.1 Provisions for post-employment benefits

In accordance with the relevant statutory provisions, Heliocentris is required to recognise provisions for post-employment benefits for the employees of Heliocentris Italy s.r.l., Italy. These are defined benefit plans based on the level of employee remuneration and the period of service.

The defined benefit obligation developed as follows in the past financial year:

	2015 EUR*
As at 26 May 2015 (Foundation of Heliocentris Italy s.r.l.)	**0**
Current service cost	26,639
Benefit payments from employer	-347
As at 31 December 2015	**26,292**

*Figures are rounded up on full amounts in euro.

The service cost was reported in general and administrative expenses in the consolidated statement of comprehensive income.

The following actuarial assumptions were applied in measuring the obligation as at 31 December 2015:

	2015
Discount rate	2.30%
Salary increase rate	2.50%
Price inflation rate	1.50%

The sensitivity of the obligation as a whole to changes in the weighted main assumptions is as follows:

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25%	-2.96%	+3,10%
Salary increase rate	0.25%	+1,32%	-1.29%
Price inflation rate	0.25%	+0,87%	-0.85%

26.2 Other provisions

	Total EUR	Provisions for vacation EUR	Provision for bonuses EUR	Provisions for outstanding invoices EUR	Provision for audit EUR	Provision for obligation to retain records EUR	Provision for asset retirement obligation EUR	Provision for warranty EUR
At 1 January 2014	**2,586,171.11**	**464,106.93**	**264,225.00**	**574,557.30**	**66,998.75**	**0.00**	**76,383.26**	**1,139,899.87**
Acquired through business combination	544,142.67	81,661.00	397,601.67	9,030.00	24,300.00	7,250.00	0.00	24,300.00
Arising during the year	2,647,318.22	773,480.14	551,844.29	725,514.36	97,271.35	0.00	6,630.07	492,578.01
Utilised	-2,269,268.86	-446,693.01	-691,429.57	-491,858.63	-66,282.88	0.00	0.00	-573,004.77
Unused amounts reversed	-448,163.18	-1,761.00	-81,368.00	-35,997.21	-3,350.49	0.00	0.00	-325,686.48
Translation adjustment	784.74	27.32	0.00	122.80	634.62	0.00	0.00	0.00
At 31 December 2014	**3,060,984.70**	**870,821.38**	**440,873.39**	**781,368.62**	**119,571.35**	**7,250.00**	**83,013.33**	**758,086.63**
Acquired due to changes in the group of consolidated companies	1,000.00	0.00	0.00	0.00	1,000.00	0.00	0.00	0.00
Arising during the year	2,776,043.67	462,111.83	363,269.10	1,018,803.64	211,692.71	0.00	7,205.56	712,960.83
Utilised	-1,824,745.80	-402,313.47	-296,918.19	-527,947.76	-117,426.96	0.00	0.00	-480,139.42
Unused amounts reversed	-396,862.92	0.00	-127,964.50	-254,484.61	-2,848.84	0.00	0.00	-11,564.97
Disposed due to changes in the group of consolidated companies	-1,836.00	0.00	0.00	-230.00	-1,606.00	0.00	0.00	0.00
Translation adjustment	2,910.00	3,220.72	-990.70	975.53	-295.55	0.00	0.00	0.00
At 31 December 2015	**3,617,493.65**	**933,840.46**	**378,269.10**	**1,018,485.42**	**210,086.71**	**7,250.00**	**90,218.89**	**979,343.07**
Current	3,527,274.76	933,840.46	378,269.10	1,018,485.42	210,086.71	7,250.00	0.00	979,343.07
Non-current	90,218.89	0.00	0.00	0.00	0.00	0.00	90,218.89	0.00

Provisions for asset retirement obligations were discounted at 8.68%. The discount period was 1.5 years (2014: 2.5 years).

A provision has been recognised for an asset retirement obligation associated with modifications made to rented buildings. The Group is required to refurbish the building to its original state at the end of the rental contract in 2017. The obligation is considered long-term and was discounted at 8.68% over the remaining 1.5 years. A corresponding asset was recognised at initial recognition. The asset is depreciated over the rental contract term.

27. Trade and other payables

All trade payables have a remaining term of less than one year.

Since September 2015, the purchase of key components has been performed by utilising a revolving credit facility with extended payment terms of 180 days provided by a strategic Japanese trading partner. The trade payables to this trading partner amounted to EUR 4,676,629.30 as at 31 December 2015 and are subject to interest of 8% p.a.

Information on the Group's credit risk management processes can be found in note 34.

28. Issued capital and reserves

As at 31 December 2015, the Company's share capital totalled EUR 14,242,233.00, consisting of 14,242,233 no-par value shares.

The Annual General Meeting on 26 June 2014 granted authorisation to increase the share capital by up to EUR 4,325,109.00 (Authorised Capital 2014/I). On this basis, the Management Board resolved on 25 March 2015, with the approval of the Supervisory Board on the same date, to increase the share capital by EUR 391,520.00 to EUR 10,991,944.00 in order to settle its liabilities from the additional purchase price claims of the former shareholders of Heliocentris Fuel Cell Solutions GmbH (formerly: FutureE Fuel Cell Solutions GmbH) under the share purchase agreement. The capital increase was entered in the commercial register on 14 April 2015. With this capital increase, all outstanding purchase price elements in the context of the take-over of Heliocentris Fuel Cell Solutions GmbH have been settled. The total number of Heliocentris shares issued for the purchase of the shares in Heliocentris Fuel Cell Solutions GmbH and loans granted to it is 1,248,424.

Furthermore, on 24 April 2015 the Management Board resolved to increase the Company's share capital by up to EUR 3,250,289.00 by issuing up to 3,250,289 new shares against cash contributions with pre-emptive rights for existing shareholders. The resolution was approved by the Supervisory Board on the same date. All new shares from this cash capital increase were placed. The share capital thus increased from EUR 10,991,944.00 to EUR 14,242,233.00. The gross proceeds of EUR 18,689,161.75 will be used to repay liabilities and finance the further growth of Heliocentris Energy Solutions AG. The new shares carry full dividend rights as of 1 January 2014.

The Management Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions up until 15 June 2020 by up to EUR 7,121,116.00 by issuing new no-par value bearer shares in exchange for cash and/or cash contributions (Authorised Capital 2015/I).

In addition, the share capital is

- contingently increased by up to EUR 278,500.00 (Contingent Capital 2011/I).
- contingently increased by up to EUR 586,500.00 (Contingent Capital 2013/I).
- contingently increased by up to EUR 3,300,000.00 (Contingent Capital 2013/II).
- contingently increased by up to EUR 559,223.00 (Contingent Capital 2015/I).
- contingently increased by up to EUR 2,396,893.00 (Contingent Capital 2015/II).

On 28 April 2015, the Company applied for the existing and new shares to be admitted for trading on the regulated market (Prime Standard). Admission was granted by the Executive Board of the Frankfurt Stock Exchange on 19 May 2015. The first day of trading was 20 May 2015.

Capital reserve

The share premiums from the capital increases in the financial year amounting to EUR 17,396,472.75 (2014: EUR 8,050,826.00) were transferred to the capital reserves.

Transaction costs for issued share capital amounting to EUR 1,309,257.25 (2014: EUR 172,002.53) were deducted from the proceeds of the issue and netted against the capital reserve. There was no tax effect on the transaction costs in the 2015 financial year (2014: EUR 51,901.77).

Other capital reserves

Other capital reserves include the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration. Further details of these plans can be found in note 30.

Other comprehensive income

Exchange differences on translation of foreign operations amounted to EUR -59,789.19 (2014: EUR -13,939.60).

29. Capital management

The Heliocentris Group's expansion strategy requires a strong financial profile with the financial flexibility to enable the Group to achieve its growth targets. The key performance indicators for capital management at the Heliocentris Group are the equity ratio and gearing. The objective of capital management is to ensure that the Group remains able to meet all of its financial obligations while achieving a long-term increase in enterprise value. The aim is to achieve an optimal capital structure in order to reduce the cost of capital.

	31.12.2015 EUR	31.12.2014 EUR
Non-current financial liabilities		
Interest-bearing loans and borrowings		
Convertible bond	10.697.779,56	9.239.637,31
Obligations under finance lease	23.062,20	24.108,56
Other liabilities	18.409,85	64.501,45
Total non-current financial liabilities	**10.739.251,61**	**9.328.247,32**
Less: Cash and cash equivalents (note 24)	1.999.720,67	2.257.615,16
Net-Debt	**8.739.530,94**	**7.070.632,16**
Equity (attributable to parent)	13.719.152,42	11.692.047,65
Debt ratio	**63,70%**	**60,47%**
Equity (attributable to parent)	**13.719.152,42**	**11.692.047,65**
Total assets	36.921.491,74	32.804.018,36
Equity ratio	**37,16%**	**35,64%**

30. Share-based payments

Employee share option plans (ESOP)

Under the Company's share option plan, the Group, at its discretion, may grant share options of the parent to its Management Board members, managing directors and employees. The exercise price of the share options is equal to the average market price of the underlying shares on the last ten trading days prior to the grant date. The share options vest when the beneficiary has remained with the Company for two years after the grant date (vesting period). The options may be exercised four years after they have been granted. The exercise period is one year (ESOP 2011) or two years (ESOP 2013), within which the Company will provide exercise periods generally consisting of 20 banking days. The share options under both plans will lapse if they are not exercised within the exercise period. The share options granted may not be exercised if the share price target ("threshold price") has not been met at the exercise date. In addition, the options granted under the ESOP 2011 employee plan may not be exercised if the share price has underperformed in percentage terms compared with the TECDAX Performance Index in the same period.

The fair value of the share options is estimated at the grant date using an option pricing model that takes into account the terms and conditions at which the options were granted. The contractual term of each option granted is five or six years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

Due to the capital increase conducted during the financial year, the exercise prices of employee share options were reduced by EUR 0.27 (ESOP 2011) and EUR 0.35 (ESOP 2013) in the third quarter of 2015. This modification did not result in an increase in the fair value of the two plans and therefore did not lead to any additional expense to be recognised in the period. In investigating the effects of the modification, the estimate of the fair value on the date these share options were granted has also been reviewed. The review was based on a Monte Carlo simulation as the exercise and performance criteria of the plans can be mapped in the model directly using this measurement method. In addition, a further 29,500 share options were granted under the ESOP 2013 plan on 29 May 2015.

Their measurement on the grant date was based on the following parameters:

Program	**ESOP 2011**	**ESOP 2013**
Remaining contractual life	5	6
Volatility	40.00%	37.00% - 40.00%
Risk-free interest rate	0.21% - 1.99%	0.01% - 0.44%
Expected dividend yield	0%	0%
Exercise price	5.35€ - 6.05€	4.95€ - 5.82€
Share price as at the valuation date	5.50€ - 6.05€	4.77€ - 5.85€

The volatility applied was based on the assumption that historical volatility can be used to project future share price development. At the grant date, the fair value of the share options issued in the year under review was EUR 1.92 per option (previous year: EUR 1.60 or EUR 2.24).

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year (excluding virtual share options): To ensure comparability, the prior-year figures for the weighted average exercise price were restated to reflect the modification of the exercise prices.

	2015	**2015**	**2014**	**2014**
	No.	**WAEP EUR**	**No.**	**WAEP * EUR**
Outstanding at 1 January	840,500	5.16	492,500	5.44
Granted during the year	29,500	5.28	423,000	4.78
Forfeited during the year	-25,350	5.54	-75,000	4.89
Exercised during the year	0		0	
Expired during the year	0		0	
Outstanding at 31 December	**844,650**	**5.15**	**840,500**	**5.16**
Exercisable at 31 December	207,850	5.30	0	0.00

* Prior-year figures adjusted to the new values after modification of the exercise prices

The weighted average remaining contractual term for the share options outstanding as at 31 December 2015 is 3.04 years (2014: 4.11 years).

As in the previous year, the range of modified exercise prices for the options outstanding at the end of the financial year was EUR 4.60 to EUR 5.78.

Virtual share options

The members of the Management Board are granted virtual share options (VSOs) twice a year, following the publication of the half-yearly financial statements and the year-end financial statements respectively. These VSOs can only be settled in cash. These VSOs vest when the employee is employed one year. They can be exercised two years after they vest. The exercise period is one year.

The fair value of the VSOs is measured at each reporting date using a Monte Carlo simulation taking into account the terms and conditions upon which the instruments were granted and the current likelihood of achieving the specified target.

The members of the Management Board were granted a further 40,000 virtual share options in two tranches in the 2015 financial year. These were also classified and measured as cash-settled share-based payment.

Their measurement at the reporting date was based on the following parameters:

Date of valuation	31 December 2015	31 December 2014
Remaining contractual life	0.60 - 3.75	1.60 - 3.82
Volatility	42.00%	26.00%
Risk-free interest rate	0.01%	2.50%
Expected dividend yield	0%	0%
Exercise price	5.019€ - 6.620€	5.019€ - 6.620€
Share price as at the valuation date	2.75€	4.95€

The carrying amount of the liability relating to the VSOs was EUR 11,916.74 as at 31 December 2015 (non-current portion: EUR 10,033.41) (2014: EUR 102,918.34; non-current portion: EUR 64,501.45). At 31 December 2015, 123,333 VSOs had vested (2014: 83,333) and 50,833 VSOs were exercisable (2014: nil).

The expense recognised for employee services received during the year is shown in the following table:

SBP Expense:	2015 EUR	2014 EUR
Expense arising from equity-settled share-based payment transactions	736,201.34	334,335.98
Expense arising from cash-settled share-based payment transactions	-91,001.60	-3,321.61
Total expense arising from share-based payment transactions	**645,199.74**	**331,014.37**

31. Fair values

The following table contains a comparison by class of the carrying amounts and fair values of the Company's financial instruments as reported in the consolidated financial statements.

	Carrying amount		Fair value	
	2015	**2014**	**2015**	**2014**
	EUR	**EUR**	**EUR**	**EUR**
Financial assets				
Trade and other receivables	10,672,346.93	7,003,703.97	10,672,346.93	7,003,703.97
Other assets	2,124,297.48	871,925.22	2,124,297.48	871,925.22
Cash and cash equivalents	1,999,720.67	2,257,615.16	1,999,720.67	2,257,615.16
Total financial assets	**14,796,365.08**	**10,133,244.35**	**14,796,365.08**	**10,133,244.35**
Financial liabilities				
Interest-bearing loans and borrowings				
Convertible bonds	10,697,779.56	9,239,637.31	9,859,615.56	9,239,637.31
Trade payables	6,858,931.29	5,811,640.63	6,858,931.29	5,811,640.63
Share based payments - cash settled	11,916.75	102,918.34	11,916.75	102,918.34
Obligations under finance leases	51,203.09	38,199.44	51,203.09	38,199.44
Other liabilities	726,494.57	2,672,121.01	726,494.57	2,672,121.01
Total financial liabilities	**18,346,325.26**	**17,864,516.73**	**17,508,161.26**	**17,864,516.73**

The fair values of current financial assets and liabilities approximate their carrying amounts. This is due to the short-term nature of the respective instruments. The fair values of the Group's interest-bearing borrowings are calculated by discounting the future cash flows using current borrowing rates.

The investment in Blacksquared GmbH held by the Company (carrying amount EUR 50,337.70) is carried at cost in accordance with IAS 39 because the company does not have a quoted price in an active market and its fair value cannot be measured reliably.

The Group applied quoted prices in active markets (Level 1) to the liabilities from additional purchase price claims.

32. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The liabilities as at 31 December 2014 from the additional purchase price claims of the former shareholders of Heliocentris Fuel Cell Solutions GmbH (formerly: FutureE Fuel Cell Solutions GmbH) are measured at fair value through profit or loss.

No other financial instruments were carried at fair value on the statement of financial position and there were no transfers between Level 1 and Level 2 fair value measurements.

33. Obligations and contingencies

33.1 Financial obligations

The Group has the following financial obligations:

	thereof with a remaining term			
	Less than one year	**Between one and five years**	**Over five years**	**Total**
	EUR	**EUR**	**EUR**	**EUR**
Obligations from supply contracts	439,527.96	33,225.92	0.00	**472,753.88**
Financial obligations under specific duration contracts	819,982.76	810,246.86	105,670.95	**1,735,900.56**
Financial obligations under contracts without specific duration	1,103,260.23	80,176.27	2,750.00	**1,186,186.50**
Total financial obligations	**2,362,770.95**	**923,649.04**	**108,420.95**	**3,394,840.94**

The financial obligations under specific duration contracts relate mainly to rental and leasing agreements, insurance and advertising contracts, maintenance agreements and agreements for the supply of telephone and internet access.

EUR 1,554 thousand of the Group's financial obligations with a definite term result from rental agreements for office and storage space at the individual locations (including EUR 855 thousand with a remaining term of more than one year). In addition, the Group has financial obligations under contracts with freelancers in the amount of EUR 833 thousand (including EUR 548 thousand with an indefinite term).

33.2 Operating lease commitments – Group company as lessee

The Group mainly leases company cars under non-cancellable operating leases. The leases have terms of between three and five years and the leases do not contain any contractually agreed renewal options. The Company expensed lease payments of EUR 67,005.51 in 2015 (2014: EUR 74,089.69). The future minimum rentals payable under this non-cancellable operating lease are as follows:

	2015 EUR	2014 EUR
Within one year	66,692.52	53,358.40
After one year but not more than five years	76,732.77	102,515.56
More than five years	0.00	0.00
Total minimum lease payments	**143,425.29**	**155,873.96**

33.3 Contingent liabilities

As at 31 December 2015, Heliocentris Energy Solutions AG had contingent liabilities resulting from letters of comfort for:

- HPS Home Power Solutions GmbH's share of a BMWi-funded project in the amount of up to EUR 300 thousand;
- HPS Home Power Solutions GmbH's share of a BMWi-funded project in the amount of up to EUR 1,900 thousand.

In addition, visa guarantees in the amount of AED 43,500 (2014: AED 44,000) have been provided to Dubai Silicon Oasis in connection with the receipt of work permits in the United Arab Emirates.

34. Financial risk management objectives and policies

The Company's financial liabilities primarily comprise financial liabilities in connection with a convertible bond, trade payables, lease obligations and other liabilities. The Company has shares in associates and equity investments, trade and other receivables and cash and cash equivalents that are generated from its operations.

The Company is exposed to market risk, currency risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks and provides assurance that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies. It is the Company's policy that no trading for speculative purposes shall be undertaken. The Company's senior management reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices include four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include deposits.

Currency risk

The Group has receivables and liabilities as well as bank balances and cash-in-hand in foreign currency. This primarily relates to items denominated in USD, AED and MMK. As a result, the Group is subject to a risk of exchange rate fluctuations that the Group management currently considers to be immaterial.

In terms of the Group's foreign-currency receivables and liabilities, a +5% change in the relevant exchange rates would have led to a change in net foreign currency exchange gains and losses of EUR -342 thousand (previous year: EUR -26 thousand), while a -5% change in the relevant exchange rates would have led to a change in net foreign currency exchange gains and losses of EUR +464 thousand (previous year: EUR +151 thousand).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is currently considered to be immaterial as the Group has no variable-interest instruments.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk primarily for trade receivables and from its financing activities, including deposits with banks and financial institutions.

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer and outstanding customer receivables are regularly monitored.

The Company had 42 customers (2014: 39 customers) that owed the Company EUR 10,672,346.91 as at 31 December 2015 (2014: EUR 7,290,029.52). There were three customers (2014: three customers) whose balances accounted for more than 10% of the total amounts receivable. The requirement for impairment is analysed at each reporting date on an individual basis for all open receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets disclosed in note 31. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as high, since it is operating in a concentrated industry sector with a limited number of both existing and potential customers. Furthermore customers often are special purpose vehicles based in emerging markets. The Group intends to expand and diversify its customer portfolio by expanding into new sectors such as financial services, oil & gas and other businesses.

Credit risk from balances with banks and financial institutions is monitored and managed by the Company. Investments of surplus funds are made only with approved counterparties to mitigate financial loss through a potential counterparty's failure to make payments. The Company's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in note 31.

Liquidity risk

The Company continuously monitors its risk to a shortage of funds. The Company's objective is to maintain a balance between continuity of funding and flexibility through capital raising activities. The Company concluded that its liquidity risk is high. Further information can be found in the risk report, which forms part of the combined management report.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	thereof with a remaining contractual life				
	Less than 3 months EUR	**Between 3 and 6 months EUR**	**Between 6 months and 1 year EUR**	**Between 1 and 5 years EUR**	**Total EUR**
At 31 December 2015					
Interest-bearing borrowings and loans					
Convertible bonds	0.00	0.00	0.00	10,620,749.27	**10,620,749.27**
Trade payables	2,856,341.04	4,004,964.20	250.00	0.00	**6,861,555.24**
Share based payments - cash settled	0.00	0.00	1,883.33	16,600.00	**18,483.33**
Obligations under finance leases	7,840.98	7,840.98	15,681.96	24,282.51	**55,646.43**
Other liabilities	702,591.34	6,420.92	9,105.88	8,376.43	**726,494.57**
	3,566,773.36	**4,019,226.10**	**26,921.17**	**10,670,008.21**	**18,282,928.84**
At 31 December 2014					
Interest-bearing borrowings and loans					
Convertible bonds	0.00	0.00	0.00	9,714,681.24	**9,714,681.24**
Trade payables	3,894,101.45	1,836,993.12	80,546.06	0.00	**5,811,640.63**
Share based payments - cash settled	0.00	0.00	38,416.89	64,501.46	**102,918.35**
Obligations under finance leases	4,861.98	4,861.98	9,563.96	22,761.43	**42,049.35**
Other liabilities	665,678.02	1,945,121.25	61,321.74	0.00	**2,672,121.01**
	4,564,641.45	**3,786,976.35**	**189,848.65**	**9,801,944.13**	**18,343,410.58**

35. Remuneration of members of executive bodies

The members of the Management Board of Heliocentris Energy Solutions AG each receive fixed annual remuneration and variable salary components. In 2015, a total of EUR 690 thousand was paid to the members of the Management Board (2014: EUR 489 thousand). The remuneration paid to the Management Board in the year under review is broken down as follows:

	Ayad Abul-Ella Chief executive officer		Dr. Henrik Colell Chief technical officer		Thomas Strobl Chief financial officer 17 March 2014 until 5 September 2014		Dr. András Gosztonyi Chief financial officer until 31 January 2014		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Fixed annual remuneration	227.500,00	180.000,00	150.000,00	145.002,00	0,00	100.113,00	0,00	10.000,00	377.500,00	435.115,00
Fringe benefits	1.843,78	11.061,36	11.809,64	11.069,60	0,00	0,00	0,00	0,00	13.653,42	22.130,96
Short-term performance based compensation	292.000,00	27.000,00	31.500,00	21.750,00	0,00	33.075,00	0,00	0,00	323.500,00	81.825,00
Sub-total	**521.343,78**	**218.061,36**	**193.309,64**	**177.821,60**	**0,00**	**133.188,00**	**0,00**	**10.000,00**	**714.653,42**	**539.070,96**
Long-term performance based compensation										
Virtual stock options (VSO)	37.322,25	26.330,45	22.393,35	15.798,27	0,00	0,00	0,00	0,00	59.715,60	42.128,72
Employee stock option program (ESOP)	0,00	192.000,00	0,00	192.000,00	0,00	0,00	0,00	0,00	0,00	384.000,00
Total compensation	**558.666,03**	**436.391,81**	**215.702,99**	**385.619,87**	**0,00**	**133.188,00**	**0,00**	**10.000,00**	**774.369,02**	**965.199,68**

A total of 40,000 virtual share options (VSO) were issued in the 2015 financial year (2014: 40,000 (VSO) and 265,000 (ESOP - employee share option plan)). In 2015, expenses of EUR 290,192.32 (previous year: EUR 76,783.03) were recognised in the statement of comprehensive income in connection with all of the options granted to the members of the Management Board. There have been no payments to date from the share option plans. Details of share-based payment can also be found in note 30.

The Supervisory Board had a remuneration claim of EUR 66 thousand in 2015 (2014: EUR 70 thousand).

Further information on the remuneration of the members of the Management Board and the Supervisory Board can be found in the remuneration report, which forms part of the combined management report.

36. Number of employees and personnel expenses

The average number of people employed by the Heliocentris Group in the 2015 financial year was as follows:

	31 December 2015	31 December 2014
Board Members / Directors	5	5
Employees	200	157
Workers	4	7
Temporary staff / trainees / students	26	34
Total	235	203

Personnel expenses of EUR 12,231,990.17 were incurred in the year under review (previous year: EUR 9,942,714.08) The personnel expenses include fringe benefits of EUR 170,420.29 (2014: EUR 176,748.09), expenses for the share options granted to Management Board members and employees in the amount of EUR 645,199.74 (2014: EUR 331,014.37), and termination benefits of EUR 123,922.69 (2014: EUR 35,755.27).

37. Related party transactions

The Group's ultimate parent is Heliocentris Energy Solutions AG.

The following transactions were conducted with related parties:

a) Purchase and sale of services

In the financial year 2015 the Group provided services in the amount of EUR 8 thousand (previous year: EUR 0 thousand) to related parties and purchased services in the amount of EUR 6 thousand (previous year: EUR 0 thousand) to related parties.

Services are typically provided to related parties at arm's-length conditions. Services are purchased from related parties at standard market terms.

b) Management remuneration

The key members of management include the directors (executive and non-executive) of the Company. The remuneration paid and share options granted to the members of the Management Board and the Supervisory Board for their work is disclosed in note 35.

The following table shows the number of shares held by the members of the Management Board and the Supervisory Board as at 31 December 2015:

	2015	**2014**
Shares held by:		
Members of the managing board	108,329	81,672
Members of the supervisory board	2,269,116	1,273,499
	2,377,445	1,355,171

c) Loans from related parties

	2015 EUR	**2014 EUR**
Loans from entities controlled by key management personnel:		
At 1 January	**0.00**	**0.00**
Loans advanced during year	500,000.00	0.00
Loan repayments received	-500,000.00	0.00
Interest charged	36,527.78	0.00
Interest received	-36,527.78	0.00
At 31 December	**0.00**	**0.00**

In the first quarter of 2015, the Company took out short-term loans from strategic investors. One of the investors was a party controlled by a key member of management. In the same way as the loans from the other investors, the loan from this investor was issued at 95% of the total nominal value and bears interest of 10% p.a. payable together with the repayment of the nominal value of the loan. The loan was repaid on 29 May 2015.

In addition, 2,390 of the convertible bonds issued are held by members of the Supervisory Board (2014: 2,390).

d) Other transactions

The Chief Technical Officer of Heliocentris Energy Solutions AG, Dr Henrik Colell, has been one of the managing partners of HPS Home Power Solutions GmbH, Wildau since its formation. His equity interest since the formation of the company amounted to 28.34% With effect from 27 April 2015, the Group made a contribution in kind of all of its shares in Heliocentris HPS GmbH - a wholly owned subsidiary of Heliocentris Energy Solutions AG - to HPS Home Power Solutions GmbH. In return, Heliocentris received an interest of 48.57% in HPS Home Power Solutions GmbH (see note 6). After this transaction Dr Henrik Colell´s equity interest in HPS Home Power Solutions GmbH amounted to 12.14%. HPS Home Power Solutions GmbH conducted another round of financing on 4 December 2015. As a result, the equity interests held by Heliocentris and Dr Henrik Colell decreased to 29.1% and 7.3% respectively.

No other material transactions were conducted with related parties.

38. Management Board

The members of the Management Board in the 2015 financial year were as follows:

Ayad Abul-Ella, Berlin, Industrial engineer

Dr Henrik Colell, Berlin, Chemist

The Company is represented by two members of the Management Board or by one member of the Management Board in conjunction with an authorised signatory. Members of the Management Board are exempt from the restrictions set out in section 181 (2) of the German Civil Code.

39. Supervisory Board

Mr Klaas de Boer was elected as a new member of the Supervisory Board at the Annual General Meeting on 16 June 2015. Klaas de Boer is Managing Director of Entrepreneur Fund Services Ltd., London, and Managing Partner of Entrepreneur Fund Management LLP, London. Mr de Boer takes over the position from Mr Oliver Krautscheid, who resigned his Supervisory Board post as of the end of the Annual General Meeting.

The Supervisory Board of Heliocentris Energy Solutions AG had the following members in the 2015 financial year:

Oliver Borrmann, Businessman, Berlin, Chairman

Michael Stammler, Businessman, Lutzenberg/Switzerland, Vice Chairman

Thomas Philippiak, Businessman, Berlin

John Butt, Businessman, London/UK

Jean-Marie Solvay de la Hulpe, Businessman, La Hulpe/Belgium

Oliver Krautscheid, Businessman, Frankfurt (until 16 June 2015)

Klaas de Boer, Businessman, London/UK (since 16 June 2015)

40. Earnings per share

Earnings per share for the financial year were calculated as follows:

	2015	2014
Number of shares in issue as at 1 January	10.600.424	8.650.218
Number of shares in issue as at 31 December	14.242.233	10.600.424
Weighted average number of shares in issue	12.977.755	9.171.427
Profit / (loss) for the year (attributable to the equity holders of the parent)	-18.471.047,27	-9.782.495,39
Earnings per share (basic / diluted)	-1,42	-1,07

In calculating the weighted average number of shares for the calculation of diluted earnings per share, the outstanding potentially dilutive shares from the employee share option plans and the convertible bond issue were not taken into account for either the 2015 or the 2014 financial year, as their inclusion would have been antidilutive. As at 31 December 2015, there were 844,650 share options from the employee share option plans (2014: 840,500 share options) and 1,727,846 shares from the conversion of the convertible bond (2014: 1,574,000 shares) that could have a potential future dilutive effect.

41. Auditors' fees

The total fee calculated by the auditor of the consolidated financial statements for the year under review was EUR 201.5 thousand (2014: EUR 90.6 thousand) and was composed as follows:

	2015 EUR	2014 EUR
Audit of financial statements	161,429.25	65,338.30
thereof: BDO AG	*147,811.20*	*0.00*
thereof: RSM Verhülsdonk GmbH	*13,618.05*	*65,338.30*
Other assurance services	39,078.10	0.00
thereof: BDO AG	*2,019.60*	*0.00*
thereof: RSM Verhülsdonk GmbH	*37,058.50*	*0.00*
Other services	1,179.83	25,250.00
thereof: BDO AG	*79.83*	*0.00*
thereof: RSM Verhülsdonk GmbH	*1,100.00*	*25,250.00*
	201,687.18	90,588.30

The fee for audits of financial statements included prior-period amounts of EUR 13.6 thousand (2014: EUR -3.2 thousand).

42. Declaration of compliance with the German Corporate Governance Code

In 2015, the Management Board and the Supervisory Board submitted a declaration of compliance with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (AktG). This is published on the website of Heliocentris Energy Solutions AG (https://www.heliocentris.com/en/investors/corporate-governance/).

43. Events after the reporting period

On 11 January 2016, Heliocentris issued 389,500 share options from a new employee share option plan (ESOP 2015) and an additional 16,500 shares from the ESOP 2013 employee share option plan. The fair value of the share options at the grant date was estimated using a Monte Carlo simulation taking into account the terms at which the options were granted. The option price at the grant date was EUR 0.80. This is expected to result in additional personnel expenses for the Company totalling 311,600.00 over the two-year vesting period.

At the Company's proposal, the creditors' meeting unanimously resolved to extend the term of the convertible bonds, which was originally scheduled to end on 16 January 2017, by two years to 16 January 2019 with the effective interest rate remaining unchanged. The creditors' meeting also unanimously resolved to fix the conversion price at EUR 6.50 at the Company's proposal.

In February 2016, Heliocentris announced the expansion of the strategic partnership with its Japanese trading partner. Following the successful cooperation, which began in 2015, the commercial credit facility of USD 5 million agreed in September 2015 was increased to EUR 10 million with immediate effect. Furthermore, the Japanese trading partner will intensify its marketing of Heliocentris energy management systems and fuel cell solutions, especially in North America. Cooperation in the area of supplier management and technology monitoring in Japan and Korea will also be expanded.

In March 2016, the Management Board and the Supervisory Board initiated an extensive package of measures with the aim of sustainably increasing the gross profit margin while significantly reducing fixed costs through improved efficiency and a consistent focus on industrial business.

To secure its growth strategy, Heliocentris Energy Solution AG carried out a cash capital increase with gross proceeds of EUR 2.6 million on 26 April 2016. A total of 1,318,959 new shares from authorised capital were placed with existing shareholders and new investors at a subscription price of EUR 2.00 per share. There were no other significant events with a material impact on the business performance of the Group after the end of the reporting period.

Berlin, 25 May 2016

Ayad Abul-Ella	Henrik Colell	Sabine Kauper
Chief Executive Officer	Chief Technical Officer	Chief Financial Officer

HELIOCENTRIS ENERGY SOLUTIONS AG, BERLIN

SUMMARISED MANAGEMENT REPORT 2015

CONTENTS

1 BASIC INFORMATION ON THE GROUP

1.1 GENERAL INFORMATION

In addition to the Heliocentris Group (hereinafter referred to as "the Group" or "Heliocentris"), the Summarised Management Report also includes the parent company, Heliocentris Energy Solutions AG headquartered in Berlin, Germany. It is prepared in accordance with the provisions of the German Commercial Code (HGB) and applies German Accounting Standard (DRS) No. 20. Heliocentris Energy Solutions AG prepares its single-entity financial statements in accordance with the accounting principles of the German Commercial Code (HGB) and its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The management report and Group management report are summarised, and the net assets, financial position and results of operations are each presented separately.

1.2 THE GROUP'S BUSINESS MODEL

Heliocentris is a provider of energy management systems and energy efficiency solutions that supply power to mobile base stations in regions with inadequate power grids and that safeguard critical infrastructure in regions with stable power grids. Heliocentris also supplies products for education, training and applied research purposes. The Company was founded in 1995 and has its head office in Berlin as well as subsidiaries, business premises and offices in Munich, Wendlingen, Dubai, Yangon, Vancouver and Johannesburg.

The Industry segment range comprises energy management systems, hybrid energy solutions and fuel-cell-based emergency power supply systems for distributed stationary energy solutions, in particular for mobile telecommunications. Heliocentris' energy management systems create intelligent, remote-controlled, reliable and highly efficient hybrid energy solutions from diverse components such as batteries, photovoltaic modules, conventional diesel generators and fuel cells. Heliocentris' fuel cell systems ensure uninterrupted power supply with long runtimes to critical infrastructure such as TETRA base stations for public authority radio networks, back-bone sites in mobile networks, power distribution and server stations. The range is complemented by a comprehensive service and software offering to keep the power systems in operation. Within the mobile telecommunications sector, Heliocentris offers its products and services to operators of mobile networks and mobile systems as well as to selected OEMs.

In the Academia segment, with its education, training and research product groups, Heliocentris offers a range of educational and research products for fuel cell and hydrogen technology in addition to other renewable energy technologies. Its customers are schools, professional training facilities, universities, research institutes and industrial customers.

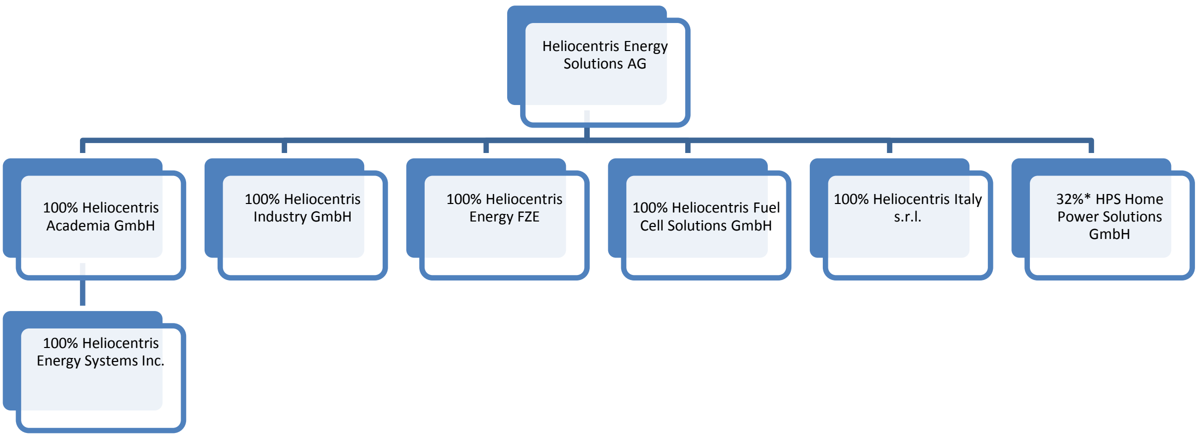
1.3 THE BUSINESS MODEL OF HELIOCENTRIS ENERGY SOLUTIONS AG

As a holding company, Heliocentris Energy Solutions AG mainly performs administrative and strategic functions, and is responsible for the Group's management and its financing, M&A and financial market activities in addition to the Group's central supply chain management. The operating divisions of production and logistics, commissioning and service and product management, product development, marketing and sales are located in the subsidiaries.

The main sources of income include reallocation of costs and fees for services rendered, which are received from the subsidiaries, as well as interest.

1.4 GROUP STRUCTURE

The Heliocentris Group consists of Heliocentris Energy Solutions AG with its head office in Berlin and business premises in Wendlingen, Heliocentris Academia GmbH in Berlin, Heliocentris Industry GmbH with its headquarters in Berlin and business premises in Munich, Wendlingen and Yangon (Myanmar) and an office in Johannesburg (South Africa), Heliocentris Fuel Cell Solutions GmbH with its head offices in Berlin and Wendlingen, Heliocentris Energy FZE in Dubai (UAE), Heliocentris Energy Systems Inc. in Vancouver (Canada), and Heliocentris Italy s.r.l. headquartered in Rome and Crespina (Italy), founded in May 2015.



*Share of voting rights: 32%, share of share capital: 29.1%

At the start of 2015, Heliocentris bundled its home power activities, which focus on providing zero-emissions power to homes and apartment buildings, in Heliocentris HPS GmbH. Heliocentris HPS GmbH was then sold in return for the issue of shares in HPS Home Power Solutions GmbH (HPS GmbH) as at 27 April 2015. Following this transaction, Heliocentris AG held an interest of 48.57% in HPS GmbH but still exercised control over the company via its Management Board members. In December 2015, HPS GmbH acquired further investors. The related capital increase reduced the share of voting rights held by Heliocentris AG in HPS GmbH to 32%, which meant that the interest was deconsolidated and reported as an associate as at 31 December 2015.

1.5 GOALS AND STRATEGIES

Over the past few years, Heliocentris has targeted and developed its range specifically towards energy management systems, network management software and hybrid energy solutions for supplying power to mobile telecommunications base stations as well as fuel-cell-based emergency power supply systems for critical infrastructure. This development forms the basis for achieving sustainable growth in subsequent years.

A key company goal, from a business perspective is to meet costs and earnings targets while business / sales continue to grow and to break even in the medium term.

To achieve this, in addition to systematically focusing on industrial business, the Company needs to step up its efforts in improving gross margins by generating increased sales of energy management software and proprietary storage systems to major OEM customers and system integrators. This business mainly comprises product and licencing business, which generates higher gross margins and can be scaled faster with less capital and resources.

A second pillar of the strategy is to expand the service business. In 2015, the Company already managed to complete a demo version of the network management software "Connect" and to conclude its first operation & maintenance contracts with customers in Myanmar, with the Company not only supplying and developing, but also operating energy solutions over the long term. Heliocentris' range of intelligent software solutions to analyse, manage and optimise the customer's energy grid ensures optimum operation of the stationary application and secures the Company recurring, high-margin sales. In the long term, this range should be developed into a power-as-a-service range for customers.

By acquiring FutureE and expanding the development centre for electrolysis in Italy, the Company has deepened its technology basis in the area of decentralised energy storage based on fuel cells. Building on this basis, in 2016 the Company will begin marketing the first generation of fuel-cell-based decentralised storage systems under the product name GenStore^{TM}. This will be followed over the course of 2016 by additional innovative, decentralised storage systems based on lithium batteries.

Via the 32% interest in HPS Home Power Solutions GmbH, in the medium term Heliocentris would like to participate in the growing market of combined heat and power and domestic energy storage systems. In addition to the pure interest, going forward HPS Home Power Solutions GmbH will be opening a sales channel for Heliocentris technologies in the field of energy management and hydrogen technology.

1.6 CONTROL SYSTEM

The Management Board controls the Group companies. It dictates strategic development, makes vital decisions together with the management teams and oversees the target achievement of the subsidiaries.

The management of the Company is in line with the value- and growth-driven strategy of the Heliocentris Group.

Using three overarching key control parameters, the Heliocentris Group continuously monitors sales growth, profitability and liquidity – at both group and segment level. Key performance indicators are monitored at least once a month – and sometimes on a weekly basis – and are made available to the Management Board and senior management in the context of reporting. This, as well as the open and constant dialogue between the Management Board and the divisions, enables the Management Board to promptly take countermeasures in the event of deviations.

The Group formulates a long-term plan, which extends over five financial years. In the first planning year, sales figures are derived on a monthly basis from the weighted sales pipeline for overall planning, and in the four subsequent years these figures are derived on an annual basis. The long-term plan forms the basis for impairment tests.

Deviations from planning are analysed on a quarterly basis. The budget is comprehensively reviewed once a year.

1.6.1 MARKET-RELATED CONTROL PARAMETERS

- Project pipeline
- Order intake
- Sales

Project pipeline, order backlog and sales figures are recorded separately by segment, region and product category in the reporting for the Heliocentris Group to identify and analyse any relevant developments at an early stage. Order intake is a leading indicator of sales.

1.6.2 EARNINGS-RELATED CONTROL PARAMETERS

- Gross profit margin
- Adjusted EBITDA
- Adjusted EBIT

In addition to gross profit margin, the key parameter for operational management and analysis of the earnings situation is EBIT/EBITDA adjusted for extraordinary effects.

1.6.3 LIQUIDITY-RELATED CONTROL PARAMETERS

- Operating cash flow

Operating cash flow is the key indicator for managing the debt to equity ratio and liquidity. Control is aided by weekly liquidity planning and target-driven working capital management.

1.6.4 INTEGRATED MANAGEMENT SYSTEM

Heliocentris operates and maintains an integrated management system (IMS), which was recertified in 2015, in the interest of complying with standard requirements pursuant to ISO 9001:2009, ISO 14001:2004 and also the occupational health and safety standard OHSAS 18001 (since 2014).

The system is integrated in the company-wide intranet and should be used as a basis to provide employees and managers alike with maximum transparency on business processes and requirements derived from the standards. Senior management is kept regularly informed of indicators relating to the Company's financial and non-financial performance within the scope of fixed processes. There is a particular focus here on the control areas "market", "finances" and "product development". The system covers the core steps of planning, implementation, monitoring and adjustment with a view to meeting the company goals set.

To ensure the management system is continuously improved, the Management Board has appointed officers to monitor and develop it further and provides the necessary resources for this within the scope of the budget. In-house committees are set up to effectively monitor and develop the topics of quality assurance, process development, environmental protection and occupational health and safety.

1.7 RESEARCH AND DEVELOPMENT

1.7.1 INDUSTRY SEGMENT

The Industry segment focuses on the further development and updating of existing energy solutions, including necessary customer modifications, in addition to developing new product generations.

In the area of energy management systems and remote management servers, two projects were driven forward with high priority:

- Development of the next generation of the Energy Management System (EMS 3.0) that uses the current hardware (EM 2.0) to allow grid-centred monitoring and optimisation of decentralised energy systems. Intelligent algorithms are also being implemented in the RMS (Remote Management

Server) at grid level, enabling further optimisations for entire grids. A beta release is available, and release to the first customers is planned for the second quarter of 2016.

- Development of a software suite that allows automated monitoring and optimisation of energy systems from within the data centre and enables these systems to be connected directly to the network operators' ERP systems. This allows network operators firstly to optimise the lifetime and operating costs of the respective systems in the field and secondly to operate the systems more efficiently from the data centre. A demo version is available. A beta version is set to be piloted with selected customers in the first half of 2016.

In solution development, projects moved ahead on the integration of lithium battery systems and low-cost outdoor cabinets. The Company also pressed ahead with development of a standardised low-cost solution and a power cabinet platform, initial deliveries of which are scheduled for the second quarter of 2016. A project was developed on behalf of a customer for low-power mobile base stations, the first systems of which were delivered in the third quarter of 2015.

The following areas were prioritised in the development of Heliocentris fuel cell systems in 2015.

The following projects moved ahead with a view to improving the Jupiter emergency power systems (supplied via hydrogen cylinders):

- Costs will be significantly reduced going forward and functionality for customers simultaneously improved by integrating the EM 2.0 as the controller in all Heliocentris fuel cell systems. The project is expected to be completed within the second half of 2016.

- The life expectancy of the Jupiter fuel cell module was increased to > 8,000 hours, resulting in significant savings in operating costs for customers. This is significant for use in bad-grid applications, where the fuel cell has a life of > 500 hours per year.

- Progress was made in the development of customer-specific Jupiter solutions in order to tap other application segments (banks, electric and gas utilities, railway). The first customer installations took place already in 2015.

Another area of development focused on the development of the GenStore product line. This is a new product generation of fuel cell systems, the defining feature of which is that the required hydrogen is generated locally at the telecommunications mobile base station by electrolysis. This negates the need to supply hydrogen cylinders to operate the system and will mean that even mobile base stations in emerging markets will be able to be supplied with zero-emissions energy via fuel cells. The following projects moved ahead:

- First-generation GenStore systems were made available for initial customer field tests based on the Jupiter product platform, proprietary electrolysis slide-ins and corresponding tank systems. They were also integrated into the Heliocentris EMS. Advanced field tests will be carried out on these systems over the course of 2016.

- Development of the second-generation GenStore system was launched with the aim of significantly reducing costs while further improving system compactness and performance. The plan is to commence the initial roll-outs for this generation over the course of 2017.

1.1.1 ACADEMIA SEGMENT

Progress was made on the following developments in Academia:

- The development of the innovative "HyDrive" electric vehicle trainer and the new energy lab was successfully completed and they are now in the commercialisation phase.

- The development of Heliocentris' own metal hybrid storage modules was also completed – a key USP and a guarantee for the future security of this core component of nearly all Heliocentris training products.

- The Nexa training system that has already been sold for many years was redesigned as a hybrid energy training system. This was achieved by the integration of a model of the battery's loading status and the visualisation of energy flows, work points and characteristics.

- The project to develop a new university product for fuel cell and electromobility was also moved forward, with particular emphasis on the software platform for hybrid management and selection of the fuel cell system. The market launch is scheduled for 2017.

2 BUSINESS REPORT

2.1 GENERAL MACROECONOMIC CONDITIONS

Last year, the growth of the world economy was not as strong as the year before. In 2015, global GDP went up by 3.1%, after 3.4% in the previous year.[1] Global economic momentum deteriorated further at the start of the current year. Low commodity prices – affecting oil in particular – are creating a mixed picture. On the one hand, revenues are plummeting in commodity-exporting countries such as Brazil and Russia and government budgets are coming under increasing pressure. On the other hand, low energy prices in many industrialised nations are acting as a prime driver of momentum, as they are boosting purchasing power and fuelling domestic demand. The emerging markets in particular are having a dampening effect on global growth. The Chinese economy, for instance, posted growth of just 6.9% last year, after growth had stood at almost 10% on average for more than two decades.[2] In addition to the slow pace of growth in China, Brazil and Russia too are facing recession. The World Bank is forecasting growth of 4.8% in developing and emerging economies in 2016, after 4.3% last year. The comparatively stable situation in the developed nations only partly offset the fragile situation in major emerging markets. Consequently, World Bank experts are projecting global growth in the region of just 2.9% for the current year. The World Bank is anticipating growth of 1.7% for the euro zone in 2016.[3]

The German economy reported stable growth over the past year. For 2015 as a whole, GDP in Germany rose by 1.7%. Towards the end of the year, positive impetus was again emanating from government consumption and private households. In the opinion of Deutsche Bundesbank, a continuation of this positive consumer economy is also likely to bolster economic development in the first quarter of 2016. One reason for this is the promising employment market situation combined with increased purchasing power as a result of the low energy prices. The German government and the International Monetary Fund (IMF) are anticipating growth in the region of 1.7% for the current year. However, Germany's key economic barometer, the Ifo Business Climate Index, fell for the third time in succession in February 2016 from 107.3 to 105.7 points. The poor sentiment can be explained by the low price of oil, the concerns over a weakening economic situation in the USA and the fear of European countries closing their borders. All over the world, falling commodity prices plunged countries living off their exports of raw materials into crisis. Oil-exporting countries are also important trading partners for

[1] http://blog.zeit.de/herdentrieb/2016/03/16/zum-zweiten-mal-globales-bip-wachst-co2-emissionen-stagnieren_9413
[2] https://www.jungewelt.de/2016/02-29/040.php
[3] http://www.focus.de/finanzen/news/wirtschaftsticker/weltbank-weltwirtschaft-waechst-2016-um-2-9-prozent_id_5195309.html

German manufacturers, and the revenue shortfalls are now causing them to invest less. So far, these negative effects have been overshadowing the strong domestic demand in Germany.[4]

2.2 INDUSTRY-RELATED GENERAL CONDITIONS AND MARKET DEVELOPMENT

In the 2015 reporting year, the addressed market of Heliocentris' Industry segment again showed positive development. According to the GSMA, the global industry association of GSM mobile telecommunications providers, global mobile broadband reach increased further over the past year. There are now more than 7.6 billion mobile connections worldwide. According to forecasts, this trend is also expected to continue in the years ahead. The speeding up of networks thanks to the new mobile network standard 4G is an important driver of growth in this respect. According to the GSMA, people in 151 countries around the world already have access to 4G networks at the moment.

Experts further anticipate that mobile network growth will considerably outstrip the rate of grid expansion. As a result, mobile network operators' and tower companies' demand for non-grid electricity is forecast to grow. According to a market study by Dalberg Tower Estimation and Green Power Model, the global telecommunications industry is set to operate around 390,000 off-grid telecommunication tower sites by 2020. This would represent an increase of around 22% compared with the situation at the end of 2014. Overall, the number of off-grid and bad-grid telecommunication tower sites is expected to increase to over 1.18 million by 2020. In 2014, over 90% of off-grid and bad-grid telecommunication tower sites were still using diesel generators to supply electricity. Expert assessments indicate that, if nothing changes, the diesel consumption of telecommunications towers will increase by around 13–15% on its current level by 2020. In the case of off-grid or bad-grid telecommunication tower sites, the primary component of operating costs is expenditure on diesel fuel, accounting for around 70–80% of the total costs. If around 90% of these sites were to continue to rely purely on diesel generators, by 2020 the annual diesel costs would total around USD 19 billion, equating to roughly USD 5 per mobile user per year. Around 45 million tonnes of CO_2 would be emitted per year – which is around 5 million tonnes more than in 2014. Diesel-generator-based telecommunication tower sites also have important cost items including maintenance, repairs and replacements, e.g. engine replacements for the diesel generator etc.

Converting to more efficient and environmentally friendly telecommunications towers, such as diesel generators combined with energy management systems based on hybrid energy solutions, as supplied by Heliocentris, would enable the industry to make savings of around USD 13 to USD 14 billion a year. In light of this, mobile network operators worldwide have a long-term economic interest in increasing energy efficiency and reducing energy costs. This continues to present Heliocentris with good opportunities for positive market development.

2.3 FOREIGN CURRENCIES

Heliocentris realised major shares of its revenues in 2015 in foreign currencies, especially in USD. The exchange rate between USD and EUR has a significant impact on the Company's margin structure. Therefore, Heliocentris is mitigating its currency risk by natural hedging (purchasing goods and services in USD and related currencies like UAE Dirham (AED) or Myanmar Kyat (MMK)).

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[4] http://www.spiegel.de/wirtschaft/soziales/ifo-index-faellt-wegen-sorge-um-weltwirtschaft-a-1078798.html

In 2015, the USD to EUR exchange rate started the year on 2 January 2015 at USD/EUR 1.21. After hitting a low of USD/EUR 1.05 in March 2015, at the end of December 2015 the exchange rate hovered around the USD/EUR 1.09 mark, at roughly the average level for the year as a whole (USD/EUR 1.11).

In the 2015 financial year, Heliocentris posted a positive contribution to earnings from foreign currency translation of EUR 127 thousand, resulting from foreign currency exchange income of EUR 1,299 thousand and foreign currency exchange expenses of EUR 1,172 thousand.

2.4 COURSE OF BUSINESS AND POSITION OF THE GROUP

Despite the sales increase from EUR 18.9 million to EUR 22.1 million, the result for the 2015 financial year failed to meet expectations.

This was attributable to two main issues. Firstly, the increased cost basis in 2015 as a result of significant non-recurring costs relating to the capital increase and the segment change in May 2015 as well as additional fixed costs from investments in electrolysis technology. Secondly, gross income shortfalls on account of lower sales volumes accompanied by lower gross profit margins. This is because the vast majority of sales were generated in project business and not yet in the high-margin business with energy management systems, maintenance and operating contracts, and fuel-cell-based solutions.

Sales fell short of expectations because order intakes from Myanmar and the Middle East were delayed.

2.4.1 KEY EVENTS DURING THE FINANCIAL YEAR

During thefinancial year 2015 , the main drivers behind the positive performance in sales and order backlog in the Industry segment were deliveries and installations of hybrid power systems for mobile base stations in Myanmar and the United Arab Emirates, and maintenance contracts for these systems.

On 25 March 2015, an additional agreement was reached with the original shareholders of Heliocentris Fuel Cell Solutions GmbH (formerly: FutureE Fuel Cell Solutions GmbH) settling their earn-out claims against the issue of 332,015 shares. This agreement covers all outstanding components of the purchase agreement in connection with the acquisition of Heliocentris Fuel Cell Solutions GmbH.

On 25 March 2015, the Management Board and the Supervisory Board resolved a capital increase against the issue of a total of 391,520 new shares to the former shareholders of Heliocentris Fuel Cell Solutions GmbH to cover their earn-out claims and other claims from the share purchase agreement, which was entered in the commercial register on 14 April 2015.

On 6 April 2015, Heliocentris received an initial order worth around EUR 1 million from Etisalat for the modernisation and hybridisation of 30 mobile telecommunication base stations in the United Arab Emirates. This order was the first call-up under a framework agreement to supply and install up to 500 systems.

On 8 April 2015, Heliocentris announced a further order received from Emirates Integrated Telecommunications Company – du to supply and install 30 solar hybrid systems with a sales volume of around EUR 1.5 million for 2016.

Also in April, Heliocentris signed a cooperation agreement with the Japanese trading company INABATA. This agreement, initially concluded for a period of five years, grants INABATA the exclusive rights to sell all Heliocentris products in Japan, including for applications that are not target applications of Heliocentris in Korea and the United States. In return, INABATA has undertaken to source products and solutions such as those of Heliocentris exclusively from Heliocentris. As part of the cooperation, INABATA subscribed to convertible bonds of Heliocentris in the amount of EUR 1 million. The issue price was set at 93.75%; all other conditions are the same as the convertible bonds issued last year: the coupon is 4% p.a., the conversion price is EUR 7.6542 per share and the bond will be repaid in January 2019 – following the resolution in January 2016 to extend the term of convertible bonds by two years.

On 27 April 2015, Heliocentris contributed 100% of shares in Heliocentris HPS GmbH to HPS Home Power Solutions GmbH, Wildau, in return receiving an interest of 48.57% in HPS Home Power Solutions GmbH, Wildau.

Also on 27 April 2015, following approval by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority), the securities prospectus was published for the implementation of a capital increase and the change to the Prime Standard.

Gross issue proceeds of EUR 18.7 million were generated as part of a fully placed cash capital increase, with indirect pre-emption rights for shareholders, against the issue of 3,250,289 shares from Authorised Capital 2014/I, which was entered in the commercial register on 13 May 2015. Following the issue of the new registered shares, the share capital increased from EUR 10,991,944 to EUR 14,242,233.

At the end of June, a global framework agreement to supply and install solar hybrid systems based on Heliocentris' Energy Management System was signed with a leading northern European supplier of mobile base stations. With around 186 million mobile network customers, the northern European company is one of the world's largest mobile network operators and is particularly active in Asia and Eastern Europe in addition to Scandinavia. This contract has a term of three years with the option to extend it by a further two years.

In July 2015, Heliocentris received the master contract from a Japanese electronics corporation to deliver and install 152 hybrid power systems for mobile base stations of Myanmar Post and Telecommunication (MPT). The master contract has a sales volume of around EUR 6 million.

At the start of September, Heliocentris was awarded another master contract by a leading mobile network operator in Myanmar to deliver and install up to 500 hybrid power systems with a volume of up to EUR 17 million.

To finance the rising working capital requirements entailed by the growth in sales, Heliocentris signed an agreement with a Japanese trading company at the end of September. In selected customer projects the partner will handle the sourcing of key components such as batteries, diesel generators and solar modules, and will pay the suppliers on delivery. Heliocentris will receive the materials with longer payment terms in line with those of Heliocentris' own customers. Payment terms of up to 12 months are possible under this arrangement. In return for this service, the trading company will receive a low single-digit-percentage rate of commission based on the procurement volume. The revolving credit facility resulting from this is not limited by time and is capped at a total volume of USD 5 million. In February 2016, Heliocentris announced that it would be expanding the strategic partnership with its Japanese trading partner. Following on from the successful cooperation that began in 2015, the commercial credit facility of USD 5 million agreed in September 2015 will be extended with immediate effect to EUR 10 million.

On 3 November 2015, Heliocentris announced the conclusion of a 15-year maintenance and operating contract to supply energy to up to 503 mobile base stations in Myanmar. The sales volume expected from the contract is up to EUR 1.1 million a year.

In mid- November, Ms Sabine Kauper was appointed the new CFO of Heliocentris with effect from 1 January 2016.

2.4.2 NET ASSETS OF THE GROUP

A large increase in current assets drove total assets of the Group up by EUR 4,117 thousand (+13%), from EUR 32,804 thousand as at 31 December 2014 to EUR 36,921 thousand as at 31 December 2015.

2.4.2.1 NON-CURRENT ASSETS

Non-current assets decreased by EUR 754 thousand (-6%), from EUR 19,869 thousand as at 31 December 2014 to EUR 19,115 thousand as at 31 December 2015. Non-current assets mainly consist of own work capitalised for product developments. At EUR 13,898 thousand as at 31 December 2015, this item declined by EUR 789 thousand (-5%) from EUR 14,687 thousand as at 31 December 2014 as a result of scheduled and non-scheduled depreciation.

Heliocentris' net investment volume declined by EUR 8,969 thousand (-78%), from EUR 11,508 thousand in 2014 to EUR 2,539 thousand in 2015.

A notable extraordinary effect in 2014 was the purchase of the tangible and intangible assets of FutureE Fuel Cell Solutions GmbH totalling EUR 8,494 thousand, with EUR 6,142 thousand resulting from the purchase price allocation for acquired technologies and EUR 1,848 thousand from goodwill of the acquisition. The value of other transferred tangible and intangible assets was EUR 505 thousand.

Adjusted for this extraordinary effect, the net investment volume decreased by EUR 475 thousand (-16%), from EUR 3,014 thousand in 2014 to EUR 2,539 thousand in 2015.

2.4.2.2 CURRENT ASSETS

Inventories, including advance payments on inventories, remained at a stable level with figures of EUR 2,585 thousand in the previous year and EUR 2,591 thousand as at 31 December 2015.

Trade and other receivables increased substantially from EUR 7,876 thousand in the previous year to EUR 12,797 thousand as at 31 December 2015. This can be explained by the considerably longer payment terms and a focus on sales in the Industry segment in the fourth quarter.

As at 31 December 2015, the Company had EUR 2,000 thousand in cash and cash equivalents (31 December 2014: EUR 2,258 thousand), which corresponds to a decrease of EUR 258 thousand (-11%).

2.4.3 FINANCIAL POSITION OF THE GROUP

2.4.3.1 EQUITY

On 25 March 2015, the Management Board and the Supervisory Board resolved a capital increase against the issue of 391,520 new shares to the former shareholders of Heliocentris Fuel Cell Solutions GmbH (formerly: FutureE Fuel Cell Solutions GmbH) to settle their earn-out claims and other claims from the share purchase agreement, which was entered in the commercial register on 14 April 2015. This capital increase covers all outstanding purchase price components of the purchase agreement in connection with the acquisition of FutureE Fuel Cell Solutions GmbH. The share capital of Heliocentris Energy Solutions AG climbed by EUR 391,520, from EUR 10,600,424 as at 31 December 2014 to EUR 10,991,944 as at 31 March 2015. Capital reserves were increased as a result by EUR 1,958 thousand.

Based on resolutions by the Management Board and the Supervisory Board on 24 April and 12 May 2015, the share capital of Heliocentris Energy Solutions AG was increased from EUR 10,991,944 to EUR 14,242,233 by way of the issue of new registered shares as part of a fully placed cash capital increase, with indirect pre-emption rights for shareholders, against the issue of 3,250,289 shares from Authorised Capital 2014/I. The capital increase was entered in the commercial register on 13 May 2015. After offsetting the costs of the capital increase, the capital reserves increased by EUR 16,354 thousand to EUR 60,093 thousand as a result of the issue of the new shares.

The aforementioned capital measures, the reported loss of EUR 18,854 thousand in 2015, the equity components of the convertible bonds (EUR 95 thousand) and the stock option plan (EUR 736 thousand), as well as the change in the basis of consolidation including the acquisition of non-controlling interests (EUR 321 thousand) increased the share capital by EUR 2,027 thousand (+17%), from EUR 11,692 thousand as at 31 December 2014 to EUR 13,719 thousand as at 31 December 2015. The equity ratio of the Heliocentris Group was virtually constant, with a figure of 37% as at 31 December 2015 as against 36% as at 31 December 2014.

2.4.3.2 LIABILITIES / DEBT

Liabilities increased by EUR 2,090 thousand (+10%) over the reporting period, from EUR 21,112 thousand as at 31 December 2014 to EUR 23,202 thousand as at 31 December 2015.

2.4.3.2.1 NON-CURRENT LIABILITIES / DEBT

Non-current liabilities rose by EUR 1,613 thousand (+17%), from EUR 9,424 thousand as at 31 December 2014 to EUR 11,037 thousand as at 31 December 2015. This item mainly comprises borrowings relating to the convertible bonds issued in three tranches in January and April 2014 and April 2015. The amount repayable on the convertible bonds originally due in January 2017 is EUR 11,231 thousand. As at January 2016, the creditors of the convertible bonds approved an extension until January 2019.

2.4.3.2.2 CURRENT LIABILITIES / DEBT

Current liabilities went up by EUR 478 thousand (+4%), from EUR 11,687 thousand as at 31 December 2014 to EUR 12,165 thousand as at 31 December 2015. Current liabilities mainly consist of the following items:

Provisions increased by EUR 549 thousand (+18%), from EUR 2,978 thousand as at 31 December 2014 to EUR 3,527 thousand as at 31 December 2015. At EUR 237 thousand, this change is essentially the result of outstanding invoices as well as a rise of EUR 221 thousand in provisions for warranties.

Trade payables climbed in the reporting period by EUR 1,047 thousand or 18%, from EUR 5,812 thousand as at 31 December 2014 to EUR 6,859 thousand as at 31 December 2015. This increase can be explained primarily by drawing the revolving credit facility, which is provided by a strategic Japanese trading partner, and its use to purchase key components with extended payment terms.

Deferred income increased by EUR 21 thousand or 14% over the reporting period, from EUR 146 thousand as at 31 December 2014 to EUR 167 thousand as at 31 December 2015.

Other current liabilities decreased substantially by EUR 1,991 thousand (-73%), from EUR 2,711 thousand as at 31 December to EUR 720 thousand as at 31 December 2015. As at the end of 2014, this item mainly included EUR 1,941 thousand in additional purchase price claims of former shareholders of Heliocentris Fuel Cell Solutions GmbH, which were reclassified to equity under the capital increase resolved by the Management Board and the Supervisory Board on 25 March 2015 after adjustment for the change in value by 25 March 2015. As at 31 December 2015, this item primarily consisted of advance payments of EUR 196 thousand as well as liabilities amounting to EUR 508 thousand for wages and salaries, wage taxes and social security contributions.

2.4.4 LIQUIDITY

Negative cash flow from operating activities increased by EUR -4,946 thousand (-31%), from EUR -10,878 thousand in 2014 to EUR -15,824 thousand. This is the main contributing factor to the increase in the loss from 2014 to 2015.

Cash outflow from investing activities decreased by EUR 415 thousand (-14%) in the 2015 financial year, from EUR 3,009 thousand in 2014 to EUR 2,594 thousand. This is chiefly attributable to the decrease in own work capitalised, which went from EUR 2,718 thousand in 2014 to EUR 2,508 thousand in 2015.

Cash flow from financing activities rose by EUR 3,466 thousand (24), from EUR 14,730 thousand in 2014 to EUR 18,196 thousand in 2015. This change was due to the tranches of the convertible bonds issued in 2014 amounting to a net figure of EUR 9,899 thousand as well as the cash capital increases carried out in 2014 with a net inflow of EUR 4,796 thousand compared with the placed capital increase in 2015, which generated a net inflow of EUR 17,380 thousand, in addition to the tranches of the convertible bonds issued in 2015, which produced a net inflow of EUR 929 thousand.

This resulted in a EUR -258 thousand change in cash and cash equivalents, which went from EUR 2,258 thousand as at 31 December 2014 to EUR 2,000 thousand as at 31 December 2015.

2.4.5 RESULTS OF OPERATIONS OF THE GROUP

Preparation of the consolidated financial statements as at 31 December 2015 marked the first time that depreciation of property, plant and equipment and amortisation of intangible assets were no longer presented separately in the statement of comprehensive income, but were instead allocated to the individual functions. In our opinion, this form of presentation provides an improved view of the results of operations of the Group. To provide better comparability, the statement of comprehensive income of the previous year is presented before and after the adjustments. The prior-period figures have been restated accordingly.

The Group consists of two operating segments, Industry and Academia.

The Industry segment specialises in energy management systems and energy efficiency solutions to supply power to mobile base stations in regions with inadequate power grids and to safeguard critical infrastructure in regions with stable power grids. The range is complemented by a comprehensive service and software offering to keep the power systems in operation. Heliocentris' energy management systems create intelligent, remote-controlled, reliable and highly efficient hybrid energy solutions for a self-sufficient energy supply. When used in self-sufficient mobile telecommunications base stations, for example, the energy efficiency solution "Genset Efficiency" can reduce the diesel consumption of the generators by up to 50% and can cut costs to run these systems by up to 70%. These solutions are undergoing commercial rollout in Asia, Africa and the Middle East. The core competence of this segment lies in the efficient hybridisation of energy generators such as diesel generators, photovoltaic and wind generators with energy storage facilities such as batteries, and storage solutions based on hydrogen and fuel cell technology. Heliocentris' network management software also offers network operators significantly greater transparency with regard to the technical situation in the base stations, which means that maintenance and servicing requirements can be reduced considerably, as well as significantly boosting the availability of the networks. Heliocentris' Jupiter fuel cell systems are already ensuring uninterrupted power supply with long runtimes to critical infrastructure such as TETRA base stations for public authority radio networks, back-bone sites in mobile networks, power distribution and server stations. This segment comprises the product lines Energy Management Systems, Hybrid Power Solutions, Service & Software, and Fuel Cell and Electrolysis Solutions.

The Academia segment offers a range of education and training systems for fuel cell and solar hydrogen technology as well as other renewable and hybrid energy technologies. Its customers are schools, professional training facilities, universities, research institutes and industrial customers. The range includes the product lines Education, Training and Research, and extends from simple student workstations right through to complete university laboratories.

2.4.5.1 SALES

Heliocentris continued to post increased sales in the 2015 financial year as well. Sales increased by EUR 3,183 thousand (+17%), from EUR 18,925 thousand in 2014 to EUR 22,108 thousand in 2015.

The acquisition of new customers in Myanmar and from existing business relationships drove sales in the Industry segment up by EUR 1,412 thousand (+8%), from EUR 16,647 thousand in 2014 to EUR 18,058 thousand in 2015. The "Clean Energy Solutions" product line accounted for EUR 14,667 thousand of these sales (previous year: EUR 10,387 thousand). This product line is an important sales driver for Heliocentris, and it grew by 41% year on year on account of the rollout of power supply systems for mobile telecommunications base stations in Myanmar in 2015. Sales with energy management systems declined in 2015, decreasing from EUR 1,067 thousand in 2014 to EUR 771 thousand in 2015 due to delays in completing a product for an OEM customer. Service sales went down slightly from EUR 1,306 thousand in 2014 to EUR 1,148 thousand in 2015. The slight decrease can be attributed to consulting revenues in 2014 that did not materialise in 2015. The maintenance contract acquired in 2015 for mobile base stations in Myanmar impacted sales only in the fourth quarter, which means that it will not become effective for the year as a whole until 2016. Delays involving tenders for fuel-cell-based emergency power supply systems drove sales in this product line down from EUR 3,886 thousand in 2014 to EUR 1,276 thousand in 2015.

In the Academia segment, Heliocentris posted a sales increase of EUR 1,766 thousand (+78%), with sales moving from EUR 2,278 thousand in 2014 to EUR 4,044 thousand in 2015. This is chiefly attributable to the successful refocusing of the segment on more complex and higher-price systems for university research and training. Strong sales increases were achieved in the regions of Africa, the Middle East and America. A particular highlight was the supply of a centre of excellence, a complete energy technology laboratory fit-out for university research and training with a sales volume of EUR 1,011 thousand, to Ghana.

The sales of the Industry and Academia segments break down by region as follows:

Sales by region in EUR	**Industry**		**Academia**		**Total***	
	2015	2014	**2015**	2014	**2015**	2014
Germany, Austria, Switzerland	**1.236.652**	1.025.768	**429.221**	536.518	**1.665.873**	1.562.286
Rest of Europe	**551.982**	24.264	**858.652**	520.948	**1.410.634**	545.213
America	**-**	-	**1.064.970**	660.519	**1.064.970**	660.519
Middle East and North Africa	**1.741.929**	1.765.064	**356.154**	253.639	**2.098.084**	2.018.703
Rest of Africa	**-**	-	**1.026.224**	918	**1.026.224**	918
Asia and Australia	**14.486.802**	10.842.438	**308.878**	305.692	**14.795.680**	11.148.130
Total	**18.017.366**	13.657.535	**4.044.099**	2.278.234	**22.061.465**	15.935.769

*The total included sales from services provided by Heliocentris Energy Solutions AG to its associate HPS Home Power Solutions GmbH, which were not allocated to the segments.

At 92%, the international share of sales was higher than in the previous year (77%) as fewer orders were placed for fuel-cell-based emergency power supply systems in Germany in 2015 than the year before.

2.4.5.2 COST OF SALES

The direct (variable) cost of sales includes the cost of the purchase of goods and services and the personnel costs of production, service and storage areas. The indirect (fixed) cost of sales consist of the personnel and other operating cost for purchasing, supply chain management, implementation engineering and service operations, and the depreciation of tangible and intangible assets, including amortisation of capitalised development costs that can be attributed to sales.

The Group's variable cost of sales rose by EUR 2,896 thousand (+ 20%), from EUR 14,663 thousand in 2014 to EUR 17,559 thousand in 2015, which resulted in a slightly reduced margin of 21% in 2015 compared to 23% in 2014.

In the Industry segment the variable portion of the cost of sales amounted to EUR 15,066 thousand (prior year: EUR 13,221 thousand) and the margin on sales was therefore 17% (prior year: 21%). This deterioration in the margin on sales was primarily attributable to:

- Start-up costs for the service operations in Myanmar
- Additional expenses and unutilized capacity costs in the area of fuel cell-based power systems
- The selling of a phased out series of energy management systems at lower margins

In the Academia segment the variable portion of the cost of sales amounted to EUR 2,494 thousand (prior year: EUR 1,442 thousand) and the margin on sales was therefore 38% (prior year: 37%). This slight improvement in the margin is mainly due to the increase in sales and consequently a more efficient resource utilisation in the area of indirectly attributable production costs.

The indirect, i.e. fixed cost of sales rose by EUR 3,227 thousand (+81%) from EUR 3,987 thousand in 2014 to EUR 7,214 thousand in 2015. The main drivers are the amortisation, recognised within the cost of sales, of capitalised development costs of products sold that increased by EUR 554 thousand from EUR 2,707 thousand in 2014 to EUR 3,260 thousand in 2015, and cost increases resulting from the integration of FutureE Fuel Cell Solutions GmbH as of August 2014

Due to the effects described above, the gross profit decreased by EUR 2,896 thousand, from EUR 231 thousand in 2014 to EUR -2,665 thousand in the year 2015. Thus, the gross profit in relation to sales decreased from 1.2% in 2014 to -12.1 % in 2015.

In the Industry segment, gross profit decreased by EUR2,905 thousand from EUR -430 thousand in 2014 to EUR -2,475 thousand in 2015. In the Academia segment, gross profit increased by EUR 3 thousand from EUR -199 thousand in 2014 to EUR -196 thousand in the year 2015.

2.4.5.3 GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses of the Group comprise salaries for management and administrative employees, legal and consulting costs, travel expenses, property expenses, overheads and depreciation as well as the costs for the segment change in May 2015.

General and administrative expenses increased by EUR 2,083 thousand or 48% as against 2014, moving from EUR 4,336 thousand to EUR 6,420 thousand in the 2015 financial year.

This rise is due firstly to non-recurring costs of EUR 896 thousand arising in relation to the capital increase and the segment change in May 2015 as well as legal and consulting costs for spinning off Heliocentris HPS GmbH and founding the new enterprise Heliocentris Italy s.r.l., and secondly to other non-recurring effects.

Operating costs also climbed by EUR 1,014 thousand due to the acquisition of FutureE Fuel Cell Solutions GmbH (now Heliocentris Fuel Cell Solutions GmbH) in August 2014, the founding of Heliocentris Italy s.r.l. in June 2015, as well as higher investor relations and administrative costs as a result of listing on the Prime Standard and introducing the International Financial Reporting Standards.

Costs of EUR 1,350 thousand directly attributable to the capital increase were deducted directly from equity and therefore are not reported in profit or loss.

2.4.5.4 SALES AND MARKETING EXPENSES

Sales and marketing expenses primarily comprise salaries and commission for the Group's sales and marketing staff, consulting costs (mainly for consulting services in sales), travel expenses, commission for independent sales representatives, office rent, market promotion, depreciation and other expenses.

Sales and marketing expenses went up by EUR 1,351 thousand or 28%, from EUR 4,895 thousand in the 2014 financial year to EUR 6,245 thousand in the 2015 financial year.

Sales and marketing expenses for the Industry segment rose by EUR 1,351 thousand or 28%, from EUR 4,895 thousand in the 2014 financial year to EUR 6,245 thousand in the 2015 financial year. Adjusted for non-recurring extraordinary write-downs of EUR 501 thousand in the first quarter of 2014, sales and marketing expenses were up by EUR 2,068 thousand. This rise is due essentially to pro rata sales and marketing expenses resulting from the expansion of sales activities in Asia, the acquisition of FutureE Fuel Cell Solutions GmbH in 2014 (now Heliocentris Fuel Cell Solutions GmbH) and the founding of Heliocentris Italy s.r.l.

Sales and marketing expenses for the Academia segment went down by EUR 217 thousand or 20%, from EUR 1,105 thousand in the 2014 financial year to EUR 888 thousand in the 2015 financial year. These savings are based on the efficiency measures started in 2015 with a view to improving the earnings situation by reducing staff and operating costs.

2.4.5.5 RESEARCH AND DEVELOPMENT EXPENSES >> SEE ABOVE

R&D costs mainly relate to development activities in connection with technologies and products for the advancement of the Group's platform-based products and solutions. R&D costs comprise wages and salaries, purchased services, R&D materials for testing and analysis, travel expenses, depreciation as well as own work capitalised and subsidies directly offset against R&D costs.

In the 2015 financial year, R&D costs increased by EUR 247 thousand (+12%), from EUR 2,029 thousand in the previous year to EUR 2,276 thousand.

R&D costs for the Industry segment went up by EUR 382 thousand (+22%), from EUR 1,713 thousand in the 2014 financial year to EUR 2,092 thousand in the 2015 financial year. This can be attributed primarily to the R&D costs of Heliocentris Fuel Cell Solutions GmbH, which were taken into account for 2015 as a whole, and the R&D costs of Heliocentris Italy s.r.l., which were taken into account on a pro rata basis as of June 2015. Subsidies granted by the EU and the German government to the Industry segment, which are offset against R&D costs, rose by EUR 539 thousand (+107%), from EUR 504 thousand in the 2014 financial year to EUR 1,043 thousand in the 2015 financial year. Own work capitalised for product developments, which is also offset against R&D costs, declined in 2015. The amount capitalised went down by EUR 276 thousand (-13%), from EUR 2,164 thousand in 2014 to EUR 1,888 thousand in 2015. The decrease can be explained by the fact that R&D activities are now focusing more strongly on product maintenance and customer-specific project modifications, which cannot be capitalised.

R&D costs for the Academia segment declined by EUR 123 thousand (-44%), from EUR 282 thousand in the 2014 financial year to EUR 159 thousand in the 2015 financial year. This change is due to increased staff costs and offsetting effects from the reduction of operating costs as well as from the rise in own work capitalised and a considerable increase in the level of subsidies received, which increased by EUR 90 thousand (+73%), from EUR 124 thousand in the 2014 financial year to EUR 214 thousand in the 2015 financial year.

2.4.5.6 OTHER OPERATING INCOME

The Group's other operating income includes exchange rate gains, insurance compensation, historical purchase price adjustments, adjustment of contingent considerations, redemption of materials and other income.

Total other operating income rose by EUR 528 thousand or 47%, from EUR 1,129 thousand in the 2014 financial year to EUR 1,657 thousand in the 2015 financial year., and breaks down as follows:

	2015 EUR	2014 EUR
Foreign exchange gains	1.299.319,59	555.715,94
Income from deemed disposal of subsidiary	281.352,99	0,00
Historical purchase price adjustment for acquisition of subsidiary	0,00	97.885,91
Adjustment of contingent consideration for purchase of subsidiary	0,00	224.741,68
Redemption of materials	0,00	174.956,24
Insurance indemnifications *	41.365,85	5.305,65
Miscellaneous **	35.262,85	70.652,96
Total other operating income	**1.657.301,28**	**1.129.258,38**

* Insurance indemnifications have been displayed within Miscellanous as at 31 December 2014.
** Prior-year figure adjusted. See explanation in the notes (note 3).

2.4.5.7 OTHER OPERATING EXPENSES

Total other operating expenses thus went up from EUR 0 thousand in 2014 to EUR 415 thousand. The main drivers behind this were the following issues:

In the context of the acquisition of Heliocentris Fuel Cell Solutions GmbH (formerly: FutureE Fuel Cell Solutions GmbH) in 2014, contingent considerations and an adjustment claim were agreed. An amendment agreement to the original purchase agreement was signed on 25 March 2015, in which the parties agreed an additional payment to settle all outstanding purchase price elements, payable in shares. Based on the Management Board's resolution on 25 March 2015, the Company issued the agreed number of 391,520 shares to the former shareholders of Heliocentris Fuel Cell Solutions GmbH. Prior to the share issue, the liabilities were measured at fair value, with the difference in value of EUR 408,120.75 recognised in other operating expenses.

	2015 EUR	2014 EUR
Exchange losses	-1.172.076,44	-605.280,88
Fair value measurement of financial liabilities relating to settlement of all outstanding purchase price elements, payable in shares	-408.120,75	0,00
Miscellaneous	-7.117,96	0,00
Total other operating expense	**-1.587.315,15**	**-605.280,88**

2.4.5.8 OTHER INTEREST AND SIMILAR INCOME

Other interest and similar income increased by EUR 216 thousand in the 2015 financial year, from EUR 17 thousand in the 2014 financial year to EUR 233 thousand. The increase is due mainly to interest-bearing trade receivables in the Industry segment.

2.4.5.9 FINANCING COSTS AND SIMILAR EXPENSES

Financing costs and similar expenses comprise primarily finance cost relating to convertible bonds issued and finance expense for the short-term loans taken out in the first half of 2015.

	2015 EUR	2014 EUR
Convertible bonds	1,042,613.11	861,701.06
Short-term, interest-bearing loans and borrowings	181,458.33	0.00
Accretion expense	7,205.56	6,630.07
Finance leases	3,944.94	2,335.15
Other	105,390.77	74,137.30
	1,340,612.71	**944,803.58**

2.4.5.10 NET PROFIT (LOSS) BEFORE TAX

At EUR -18,644 thousand, the loss before tax for the 2015 financial year is significantly higher than the previous year's loss (EUR -11,433 thousand). Due to the low sales level and gross loss of -12.1%, the additional revenues do not cover the additional costs for general and administrative expenses (+EUR 2,083 thousand), sales and marketing (+EUR 1,350 thousand), R&D (+EUR 247 thousand) and financing (+EUR 396 thousand).

2.4.5.11 INCOME TAX

Income tax went from an income of EUR 1,651 thousand in the 2014 financial year to an expense of EUR 150 thousand. This equates to a change of EUR 1,801 thousand. The income in 2014 represented an extraordinary effect from deferred tax assets, which was not repeated in 2015.

In 2015, the income tax item contains EUR 150 thousand in foreign withholding taxes.

2.4.5.12 PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period comprises the after-tax result of the Heliocentris Group.

The loss for the period changed by EUR 9,012 thousand (-92%), from EUR -9,782 thousand in the 2014 financial year to EUR -18,794 thousand in the 2015 financial year. This can be explained by the issues outlined above.

2.4.5.13 TOTAL COMPREHENSIVE LOSS FOR THE YEAR

After allocating EUR 60 thousand from exchange rate effects of foreign operations to the statement of comprehensive income of the Heliocentris Group, the Company shows a comprehensive loss of EUR -18,854 thousand after EUR -9,796 thousand in the previous year. This means that the loss went up by EUR 9,058 thousand or 92%.

2.4.6 SUMMARY OF THE NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Total assets went up by EUR 4,117 thousand (+13%), from EUR 32,804 thousand as at 31 December 2014 to EUR 36,921 thousand as at 31 December 2015. This was due chiefly to a EUR 4,921 thousand (+63%) rise in receivables, from EUR 7,876 thousand as at 31 December 2014 to EUR 12,797 thousand as at 31 December 2015. The rise in receivables resulted from the agreement to extend payment terms with customers in the Industry segment as well as from the highly back-ended sales in 2015. The change in total equity and liabilities relates mainly to equity, which increased by EUR 2,027 thousand, from EUR 11,692 thousand as at 31 December 2014 to EUR 13,719 thousand. The increase is the result of the placed capital increase in 2015 with net proceeds of EUR 17,379 thousand and the offsetting loss for the period of EUR -18,471 thousand.

The EUR 3,183 thousand rise in sales, which went from EUR 18,925 thousand in 2014 to EUR 22,108 thousand in 2015, drove the loss up by EUR 9,058 thousand from EUR -9,796 thousand in 2014 to EUR -18,854. This was due to the high component of fixed costs in cost of sales, which included depreciation of development costs in addition to rising costs in the areas of sales & marketing as well as general and administrative expenses, which resulted primarily from extraordinary effects in 2015.

2.4.7 STAFF AND SOCIAL MATTERS

As at 31 December 2015, the Heliocentris Group employed 209 permanent staff, including the two members of the Management Board, (31 December 2014: 187). In addition to the two members of the Management Board, Heliocentris Energy Solutions AG employed 38 staff. As at 31 December 2015, 21 staff were employed on a permanent basis by Heliocentris Academia GmbH, 84 staff by Heliocentris Industry GmbH and 35 staff by Heliocentris Fuel Cell Solutions GmbH. One person was employed on a permanent basis at Heliocentris Energy Systems Inc. and eight at Heliocentris Energy FZE. Heliocentris Italy s.r.l., which was founded in May 2015, employed a total of 20 permanent staff as at 31 December 2015.

Heliocentris contracts out part of the production of components for Heliocentris school products to workshops for disabled people, to actively integrate people with physical or mental disabilities into working life and to help them develop their abilities as much as possible.

Heliocentris also offers entry-level job opportunities to students and interns. As at 31 December 2015, Heliocentris employed 23 interns and students in total.

2.5 COURSE OF BUSINESS AND POSITION OF HELIOCENTRIS ENERGY SOLUTIONS AG (HGB)

The net assets, financial position and results of operations of Heliocentris Energy Solutions AG (single-entity financial statements) are reported as follows in accordance with the German Commercial Code (HGB) and the total cost method.

2.5.1 GENERAL INFORMATION ON HELIOCENTRIS ENERGY SOLUTIONS AG

As a holding company, Heliocentris Energy Solutions AG mainly performs administrative and strategic functions, and is responsible for the Group's management and its financing, M&A and financial market activities in addition to the Group's supply chain management. Services rendered by Heliocentris Energy Solutions AG for the companies of the Heliocentris Group are charged to these companies on the basis of cooperation agreements. 2015 marked the first time that Heliocentris Energy Solutions AG purchased goods for Heliocentris Industry GmbH, which had an impact on the indicators trade receivables and trade payables, deferred income, sales and cost of materials. Key components for Industry GmbH with extended payment terms are purchased by drawing down a revolving credit facility, which is provided by a strategic Japanese trading partner. The agreement initially concluded with Heliocentris Energy Solutions AG was transferred to Heliocentris Industry GmbH at the end of the 2015 financial year.

2.5.2 NET ASSETS OF HELIOCENTRIS ENERGY SOLUTIONS AG

The total assets of Heliocentris Energy Solutions AG rose by EUR 14,390 thousand, from EUR 41,897 thousand as at 31 December 2014 to EUR 56,287 thousand as at 31 December 2015. Total assets mainly comprises financial assets. The change in total assets is essentially the result of changes in financial assets, trade receivables against affiliated companies and cash and cash equivalents.

2.5.2.1 FIXED ASSETS

The fixed assets of Heliocentris Energy Solutions AG increased by EUR 17,226 thousand, from EUR 30,940 thousand as at 31 December 2014 to EUR 48,166 thousand as at 31 December 2015.

This change was largely determined by the item financial assets at EUR 17,223 thousand. This change resulted from the founding and financing of subsidiaries by cash contributions to capital and from the conversion of loans into equity. Total financial assets thus increased to EUR 47,568 thousand as at 31 December 2015.

2.5.2.2 CURRENT ASSETS

The current assets of Heliocentris Energy Solutions AG decreased by EUR 2,676 thousand, from EUR 10,209 thousand as at 31 December 2014 to EUR 7,533 thousand as at 31 December 2015.

The change in current assets is the result of:

- A change of EUR 3,071 thousand in receivables from affiliated companies, which moved from EUR 8,998 thousand as at 31 December 2014 to EUR 5,927 thousand as at 31 December 2015. This was caused by two offsetting effects. Firstly, trade receivables increased substantially by EUR 4,494 thousand, from EUR 801 thousand as at 31 December 2014 to EUR 5,295 thousand as at 31 December. This was due primarily to the sale of goods to the subsidiary Heliocentris Industry GmbH using the revolving credit facility granted by a strategic Japanese trading partner. Secondly, the loans to Heliocentris Industry GmbH and Heliocentris Fuel Cell Solutions GmbH were reduced by EUR 7,219 thousand due to conversion of the loans into equity.
- An increase of EUR 507 thousand in cash and cash equivalents, from EUR 800 thousand as at 31 December 2014 to EUR 1,307 thousand as at 31 December 2015.

2.5.2.3 PREPAID EXPENSES

Prepaid expenses decreased by EUR 161 thousand, from EUR 748 thousand as at 31 December 2014 to EUR 587 thousand as at 31 December 2015. This change is due firstly to deferred finance costs for granted payment terms on products and services and secondly to deferred finance costs relating to convertible bonds.

2.5.3 FINANCIAL POSITION OF HELIOCENTRIS ENERGY SOLUTIONS AG

The total equity and liabilities of Heliocentris Energy Solutions AG rose by EUR 14,389 thousand, from EUR 41,897 thousand as at 31 December 2014 to EUR 56,287 thousand as at 31 December 2015. The change in total equity and liabilities is essentially the result of changes in equity, trade payables and liabilities against shareholders.

2.5.3.1 EQUITY

The equity of Heliocentris Energy Solutions AG was increased by EUR 9,982 thousand, from EUR 28,470 thousand as at 31 December 2014 to EUR 38,451 thousand as at 31 December 2015. This increase can be explained by the capital measures described below as well as by the offsetting net loss of EUR -11,741 thousand.

This meant that the equity ratio remained at the previous year's level, at 68%.

On 25 March 2015, the Management Board and the Supervisory Board resolved a capital increase against the issue of 391,520 new shares to the former shareholders of Heliocentris Fuel Cell Solutions GmbH (formerly: FutureE Fuel Cell Solutions GmbH) to settle their earn-out claims and other claims from the share purchase agreement, which was entered in the commercial register on 14 April 2015. This capital increase covers all outstanding purchase price components of the purchase agreement in connection with the acquisition of FutureE Fuel Cell Solutions GmbH. The share capital of Heliocentris Energy Solutions AG climbed by EUR 391,520, from EUR 10,600,424 as at 31 December 2014 to EUR 10,991,944 as at 31 March 2015. Capital reserves were increased as a result by EUR 1,958 thousand.

Based on resolutions by the Management Board and the Supervisory Board on 24 April and 12 May 2015, the share capital of Heliocentris Energy Solutions AG was increased from EUR 10,991,944 to EUR 14,242,233 by way of the issue of new registered shares as part of a fully placed cash capital increase, with indirect pre-emption rights for shareholders, against the issue of 3,250,289 shares from Authorised Capital 2014/I. The capital increase was entered in the commercial register on 13 May 2015. After offsetting the costs of the capital increase, the capital reserves increased by EUR 18,081 thousand to EUR 62,098 thousand as a result of the issue of the new shares.

2.5.3.2 PROVISIONS

The provisions of Heliocentris Energy Solutions AG declined slightly by EUR 10 thousand, from EUR 534 thousand as at 31 December 2014 to EUR 524 thousand as at 31 December 2015.

2.5.3.3 DEBT

The debt of Heliocentris Energy Solutions AG increased by EUR 4,279 thousand, from EUR 12,894 thousand as at 31 December 2014 to EUR 17,172 thousand as at 31 December 2015. The increase is related to the following issues:

1. The issue of another tranche of convertible bonds amounting to EUR 1,000 thousand in April 2015.
2. The increase in trade payables including payables against affiliated companies, which went up by EUR 5,227 thousand from EUR 375 thousand as at 31 December 2014 to EUR 5,602 thousand as at 31 December 2015. This was due to the first-time recognition of expenses in 2015 for the sale of goods to the subsidiary Heliocentris Industry GmbH in a value of EUR 4,461 thousand.
3. The reversal of other liabilities to shareholders amounting to EUR 1,974 thousand as at 31 December 2014 against the issue of 391,520 shares, which resulted from additional purchase price claims of the former shareholders of Heliocentris Fuel Cell Solutions GmbH (formerly: FutureE Fuel Cell Solutions GmbH).

2.5.3.4 DEFERRED INCOME

Deferred income increased by EUR 138 thousand, from EUR 0 thousand as at 31 December 2014 to EUR 138 thousand as at 31 December 2015. This change is attributable to deferred finance income for the granting of extended payment terms for products and services to Heliocentris Industry GmbH.

2.5.4 RESULTS OF OPERATIONS OF HELIOCENTRIS ENERGY SOLUTIONS AG

2.5.4.1 SALES

In the reporting period, Heliocentris Energy Solutions AG generated EUR 7,735 thousand from the sale of goods, the performance of services and the charging of costs to subsidiaries. The substantial increase of EUR 4,851 thousand on the previous year's sales of EUR 2,884 thousand can be attributed to the first-time recognition of revenues in 2015 from the sale of goods to the subsidiary Heliocentris Industry GmbH amounting to EUR 4,457 thousand.

2.5.4.2 OTHER OPERATING INCOME

Other operating income went up by EUR 115 thousand, from EUR 79 thousand in the 2014 financial year to EUR 194 thousand in the 2015 financial year. Key drivers behind this increase include not only income from the reversal of provisions, which increased by EUR 93 thousand from EUR 45 thousand in the 2014 financial year to EUR 138 thousand in the 2015 financial year, but also income from exchange rate effects, which increased by EUR 42 thousand from EUR 0 thousand in the 2014 financial year to EUR 42 thousand in the 2015 financial year.

2.5.4.3 COST OF MATERIALS AND GROSS PROFIT

Cost of materials of EUR 4,461 thousand, which was recognised for the first time in the 2015 financial year, relates to the reselling of goods to Heliocentris Industry GmbH.

Gross profit consists of sales plus other operating income minus cost of materials. This item increased by EUR 505 thousand (+17%), from EUR 2,963 thousand in the 2014 financial year to EUR 3,468 thousand.

The rise in gross profit can be attributed firstly to an increase in sales of services for the companies of the Heliocentris Group, which went up by EUR 394 thousand from EUR 2,884 thousand to EUR 3,278, and secondly to a rise in other operating income, which moved up by EUR 115 thousand from EUR 79 thousand in the 2014 financial year to EUR 194 thousand in the 2015 financial year.

2.5.4.4 PERSONNEL EXPENSES

Personnel expenses consists of salaries, social security contributions, reversals and appropriations of personnel provisions, as well as benefits exempt from wage taxes and pension contributions for employees and the Management Board of Heliocentris Energy Solutions AG. For information on Management Board compensation, see the compensation report, which is part of the summarized management report.

The personnel expenses of Heliocentris Energy Solutions AG rose by EUR 422 thousand (+18%), from EUR 2,333 thousand in the 2014 financial year to EUR 2,755 thousand in the 2015 financial year. This rise can be explained by the growth in staff numbers in the administration department, which is due to the segment change and the introduction of IFRSs, as well as by special compensation paid to the Management Board and the change in personnel provisions for holiday, overtime and bonuses.

2.5.4.5 OTHER OPERATING EXPENSES

Other operating expenses includes:

- Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets
- Other operating expenses for rent, insurance, contributions, maintenance and vehicle costs
- Marketing, investor relations and travel
- Various expenses for third-party services, stock exchange listing, Supervisory Board compensation, consulting services etc.
- Losses from foreign currency exchanges

Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets went up by EUR 22 thousand, from EUR 98 thousand in the 2014 financial year to EUR 120 thousand. The increase is due to investments in IT hardware and software in 2015.

The item of other operating expenses, which is recognised in expenses for rent, insurance, contributions, maintenance and vehicle costs, remained virtually constant, increasing by EUR 20 thousand (+3%), from EUR 645 thousand in the 2014 financial year to EUR 665 thousand in the 2015 financial year.

Expenses for marketing, investor relations and travel went down by EUR 77 thousand (-22%), from EUR 356 thousand in the 2014 financial year to EUR 279 thousand in the 2015 financial year. This was primarily attributable to a reduction in travel costs.

Various expenses for third-party services, stock exchange listing, Supervisory Board compensation, consulting etc. rose by EUR 2,086 thousand (+175%), from EUR 1,188 thousand in the 2014 financial year to EUR 3,274 thousand in the 2015 financial year. Of this considerable rise in costs, EUR 1,318 thousand related to costs for capital increases and EUR 372 thousand to the segment change.

Expenses related to foreign currency exchange effects increased from EUR 0 thousand in the 2014 financial year to EUR 39 thousand in the 2015 financial year.

2.5.4.6 OPERATING RESULT

The operating result (loss) of Heliocentris Energy Solutions AG increased by EUR -2,008 thousand, moving from EUR -1,657 thousand in the 2014 financial year to EUR -3,665 thousand in the 2015 financial year. This significant increase in the loss is due firstly to the EUR 422 thousand rise in personnel expenses and secondly to the high non-recurring costs for the capital increase (EUR 1,318 thousand) and the segment change (EUR 372 thousand).

2.5.4.7 NET LOSS FOR THE FINANCIAL YEAR

The operating loss, interest and tax income and expenses, as well as write-downs of financial assets are all recognised in the net loss for the financial year.

The net loss for the financial year climbed by -5,409 thousand (-85%), from EUR -6,332 thousand in the 2014 financial year to EUR -11,741 thousand in the 2015 financial year.

This change is due firstly to the increase in the loss by EUR 2,068 thousand recognised in the operating result and secondly to unscheduled write-downs of financial assets and of securities classified as current assets. The latter increased from EUR 4,000 thousand in the 2014 financial year to EUR 7,333 thousand in the 2015 financial year. The unscheduled write-downs were taken on the basis of valuation analyses for Heliocentris Industry GmbH and Heliocentris Italy s.r.l.

Interest income went up by EUR 33 thousand (+53%), from EUR 62 thousand in the 2014 financial year to EUR 95 thousand in the 2015 financial year. This increase relates primarily to interest charges passed on to Heliocentris Industry GmbH for the provision of extended payment terms for trade receivables.

Interest expenses went up by EUR 101 thousand (+14%), from EUR 737 thousand in the 2014 financial year to EUR 838 thousand in the 2015 financial year. This rise can be attributed firstly to interest for extended payment terms received on trade payables and secondly to interest relating to convertible bonds, which was recognised for the financial year as a whole for the first time in 2015.

2.6 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

2.6.1 FINANCIAL PERFORMANCE INDICATORS

The key financial performance indicators taken into account by the Management Board include the indicators discussed in the report on the net assets, financial position and results of operations as well as those mentioned in the section on the control system, which are the subject of regular reports and are used to manage the Group.

3 SUPPLEMENTARY REPORT

On 11 January 2016, Heliocentris issued 389,500 stock options from a new employee stock option plan (ESOP 2015) and a further 16,500 shares from the employee stock option plan ESOP 2013. The fair value of the stock options was estimated using a Monte Carlo simulation at the grant date, taking into account the terms at which the stock options were granted. The option price at the grant date was EUR 0.80. The Company is therefore expected to incur additional personnel expenses of EUR 311,600.00 in total over the two-year offer period.

The creditors' meeting for holders of convertible bonds issued by the Company unanimously resolved on 20 January 2016 at the proposal of the Company to extend the term of convertible bonds originally due to end on 16 January 2017 by two years until 16 January 2019, keeping the effective interest rate the same. At the proposal of the Company, the meeting also unanimously resolved to set the conversion price at EUR 6.50.

In February 2016, Heliocentris announced that it would be expanding the strategic partnership with its Japanese trading partner. Following on from the successful cooperation that began in 2015, the commercial credit facility of USD 5 million agreed in September 2015 will be extended with immediate effect to EUR 10 million. In addition, the Japanese trading partner will step up its marketing activities for Heliocentris energy management systems and fuel cell solutions, particularly in North America. Cooperation in the areas of supplier management and technology monitoring will also be expanded in Japan and Korea.

In March 2016, the Management Board and the Supervisory Board introduced a comprehensive package of measures aiming firstly to increase gross profit margins on a sustainable basis and secondly to reduce fixed costs significantly through efficiency-boosting measures and a systematic focus on industrial business.

To safeguard the growth strategy, Heliocentris Energy Solutions AG completed a cash capital increase on 26 April 2016 with gross issue proceeds of EUR 2.6 million. A total of 1,318,959 new shares from authorised capital at a subscription price of EUR 2.00 were placed with existing shareholders and new investors.

There were no other significant events with a material impact on the business performance of the Group after the end of the reporting period.

4 FORECAST, RISK AND OPPORTUNITIES REPORT

Heliocentris Energy Solutions AG is subject to a number of opportunities and risks, which have an impact on business activities and the share price. This report outlines below the existing risks and opportunities and the impact they have on the Group. The Group's risk management policy and safeguard measures taken are also outlined.

The opportunities and risks relate to the parent company, Heliocentris Energy Solutions AG, and indirectly to its investments.

4.1 OUTLOOK

Over the past two years, the Heliocentris Group has significantly expanded its customer base and position in Southeast Asia and the Middle East and has built up its product portfolio of qualified components including batteries, power electronics and diesel generators for the project business with turnkey hybrid solutions.

Based on this market and customer expansion, for the 2016 financial year the Management Board anticipates an increase in sales to between EUR 27 million and EUR 33 million, with the level of sales remaining at virtually the same level in the Academia segment. The planned sales growth is focused on the Industry segment, with the vast majority of sales for 2016 as a whole expected in the second half of the year.

Within the context of scaling the project business, underlying core processes such as tender preparation, designing, installation and commissioning were improved significantly over the course of 2014 and 2015. These efficiency-boosting measures and the continued systematic focus on industrial business will result in a considerable reduction in pro rata fixed costs going forward.

In light of the projected increase in sales combined with a reduction in the cost basis, the Company expects to see a significantly improved result in the 2016 financial year, which will be shaped largely by the second half of the year.

As a result of the package of measures introduced to sustainably improve gross profit margins and substantially increase sales against the 2016 financial year, the Company expects to achieve a break-even operating result in 2017 for the year as a whole.

For Heliocentris Energy Solutions AG, the Management Board expects the loss situation to deteriorate considerably. This is because cost allocations and reallocations to the subsidiaries are expected to remain at virtually the same level, whereas extraordinary effects such as those seen in the current financial year (e.g. non-recurring costs from capital increases and the segment change) in addition to unscheduled write-downs of financial assets are not anticipated.

These forecasts for the expected development of the Heliocentris Group include careful consideration of the risks and opportunities in the development of the market environment. Actual results may differ considerably from forecasts if, for example, the package of measures or the expansion of sales activities do not result in increased sales or an improved earnings situation, or if these fail to materialise on account of greater competitive pressure.

4.2 ORGANISATION OF THE RISK MANAGEMENT SYSTEM (RMS)

Risk management is an inherent part of the management processes at the Heliocentris Group. The risk manager (quality management representative) is responsible for centrally overseeing and coordinating the risk management process. He reports directly to the CFO and is tasked with compiling regular risk reports. The risk officers (owners) are directly responsible for identifying risks at an early stage as well as managing and communicating these risks. These officers also include a small number of specialists from the Management Board and heads of division. The risk officers are expected to identify risks in an appropriate and continuous manner. Software support is available for documenting risk assessment, entering new risks, and recording measures and their status. Risks and opportunities are assessed based on their probability of occurrence and potential damage. The existing risk management system is in the process of being brought into line with the size of the Company and the reporting is being formalised and intensified.

Overall responsibility for risk management lies with the Heliocentris Management Board.

4.3 INTERNAL CONTROL SYSTEM (ICS) AND RISK MANAGEMENT SYSTEM (RMS) IN RELATION TO THE GROUP ACCOUNTING PROCESS – ACCOUNTING RMS AND ICS

The Management Board of Heliocentris is responsible for preparing the annual financial statements of Heliocentris Energy Solutions AG in line with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the provisions of the German Commercial Code (HGB) The summarized Group management report applies German Accounting Standard (DRS) No. 20.

Accounting risk management comprises all organisational regulations and measures necessary for identifying and dealing with financial-reporting-related risks. With respect to the group accounting process, the internal control system should ensure that financial reporting takes into account the relevant standards, and gives a true and fair view of the net assets, financial position and results of operations of Heliocentris Energy Solutions AG and of the Group.

In addition to the single-entity financial statements of Heliocentris Energy Solutions AG, the consolidated financial statements include the single-entity financial statements of five domestic and foreign subsidiaries in total.

Two key components for ensuring reliable accounting serve to avoid or minimise risks:

- An instruction system
- A reporting system for controlling and information purposes

Individual instructions applicable to all employees can be accessed on the Group intranet and are currently being developed further.

The objective of the internal control system for the accounting and consolidation process is to identify and quickly eliminate sources of error. A system was set up that was tailored to the size of the Group, and it is continuously being expanded and optimised.

The following organisational regulations and processes are implemented to ensure that the accounting process complies with the standards in place:

- The units incorporated in the Group are included in a clearly defined management and reporting organisation. The underlying process definitions are regularly adjusted to reflect the latest developments.
- The consolidated financial statements are prepared by the finance department at predetermined intervals.
- The Group's accounting departments are highly centralised and are organised transnationally. The involvement of external service providers in the financial statement process is usually limited to tax calculations. Financial statements may also be prepared externally in exceptional cases.

- The accounting processes of all fully consolidated companies, as well as the consolidation measures, are centralised. System controls are overseen by employees and are supplemented by manual inspections.
- Control in the area of consolidation is determined by the consolidation process. Any inconsistencies in consolidation are analysed and corrected, if required.

The processes, systems and controls in place as well as any additional measures taken on the reporting date provide sufficient assurance that the group accounting process complies with International Financial Reporting Standards (IFRS), the German Commercial Code (HGB) and other accounting-related regulations and laws. The process of preparing financial statements is further optimised to set an organisational structure for the regular tasks within the context of preparing financial statements and to pass them on to other departments, to intensify and document regular controls, and to ensure that the internal control system for the accounting process is brought further into line with the ever-increasing requirements of a growing listed company.

4.4 RISK MANAGEMENT SYSTEM

The risk management system of the Heliocentris Group is designed to identify, analyse and assess risk and to reveal appropriate means of addressing them. Any risks identified are assessed based on the amount of damage they could cause and the estimated probability of occurrence. Objectives, organisational responsibilities and processes are embedded in the Heliocentris Group risk management handbook. Existing, new and potential risks are reported on a continuous basis by the respective risk officers by means of standardised reporting. The individual risks are classified by amount of potential damage and probability of occurrence. In addition to standardised reporting, the business units are informed of changes to the risk situation of the individual business units in the context of quarterly management meetings and by means of regular reports.

The risk management system in place at Heliocentris also comprises a supplementary early warning system, which is based on an indicator system. The indicators provide an objective overview of the Group's financial situation, a target/actual comparison of figures between the budget and costs as well as the development of figures compared with the previous year and a detailed forecast of expected order intakes and sales for each segment (sales pipeline), business-unit-specific cost controlling, cost controlling for development and customer projects, and additional process-related indicators.

Heliocentris Fuel Cell Solutions GmbH and Heliocentris Italy s.r.l. were fully integrated in the risk management system in 2015.

Insurance policies have been taken out – to the extent available and economically feasible – to minimise the potential impact of any damage as much as possible.

4.5 SIGNIFICANT RISKS TO THE GROUP

Financial risks

Financial risk relates to the risk of not having access to sufficient financial resources at all times to settle existing liabilities.

The Group believes that it has sufficient financial resources available at present to secure its continued existence and further development.

The Company and the Group obtain financing primarily from capital measures as well as drawing a revolving credit facility at an original volume of EUR 5 million and extended in February 2016 to USD 10 million, which is provided by a strategic Japanese trading partner. In May 2015, a cash capital increase with gross issue proceeds of EUR 18.7 million was carried out. In April, in the context of a private placement proceeds with a total nominal value of EUR 1.0 million were generated from a partial debenture from existing convertible bonds 2014/2017. In April 2016, gross issue proceeds of EUR 2.6 million were generated in the course of another capital increase.

The Group's liquidity is monitored in detail on a weekly basis by means of rolling cash flow planning so as to counteract any financing shortfalls at an early stage. Another substantial loss is expected in the 2016 financial year, and this is reflected accordingly in the cash flow planning. In view of this, the Management Board and Supervisory Board have introduced a comprehensive package of measures, which, in addition to increasing sales, aim firstly to increase gross profit margins on a sustainable basis and secondly to reduce fixed costs through efficiency-boosting measures and a systematic focus on industrial business, thereby enabling the Company to achieve a break-even operating result in 2017 and giving it additional financial scope in the event of unforeseen deviations. In the short term, the Company and the Group will continue not to generate any positive operating cash flows. Thanks to the capital increase carried out in April 2016, the Group has sufficient financing available in the 2016 and 2017 financial year, if the course of business proceeds according to plan. The Management Board intends to introduce additional financing measures to secure the Group's financing against potential delays in customer payments or in the event that business does not proceed according to plan. If the course of business were not to proceed according to plan or there were significant delays in customer payments, without the additional financing measures this would jeopardise the continued existence of the Company and the Group.

Strategic risk / market risk

There is a risk of the markets not developing to the extent required for sufficient sales of Heliocentris Group products to be made. The sales of Heliocentris products and solutions could likewise be negatively impacted by government subsidies for diesel, the expansion of power grids or new technological developments.

As the current industrial activities of Heliocentris are focused on optimising energy supply solutions for telecommunications, Heliocentris is faced with strong competition in the equipment sector – particularly with regard to securing tenders. Price and margin pressure can have a negative impact on the Group's results of operations.

The Group is exposed to risks in connection with the expansion of its business activities in emerging markets.

Del credere risks / country-specific risks In connection with its products, the Group is currently operating specifically in international markets with high country-specific risks such as developing and emerging economies. The current focus on these countries harbours an additional risk associated with being subject to different legal and political conditions and currency areas. As sales in the Industry segment in particular are expected to be from countries in the Middle East, Africa and Southeast Asia, there is an elevated risk of non-payment and delayed payment.

Contractual risks

The contracts negotiated by the Heliocentris Group involve some complex contractual arrangements with long terms in different jurisdictions. The contracts are not always subject to German law. This may give rise to risks of individual contractual clauses being interpreted differently, irrespective of thorough examination, and in certain circumstances this could result in different rights under the applicable law in the relevant country.

Project delays in relation to certain agreed milestones may also occur, giving rise to cost overruns, terminations or penalties, which would have a negative impact on the profitability of these projects.

Currency risks

The high level of USD-denominated sales means that the Company's earnings situation is exposed to fluctuations in the USD/EUR exchange rate. This risk is offset to some extent by purchasing in USD. As a result of growing business activities in the United Arab Emirates, there is an emerging need for liquidity in AED. Fluctuations in the exchange rate for this currency may have a negative impact on the results of operations.

Dependency on suppliers

For the manufacture of fuel cells and electrolysers in particular, there is a dependency on individual suppliers for individual key components and electrolysers. The Heliocentris Group relies partly on third-party manufacturers for manufacturing its products.

IT risks

Heliocentris is exposed to the risk of IT system failure. If a loss event occurs, it can lead to loss of data and in the worst-case-scenario to interruption of operations. In terms of safeguarding measures, regular backups are carried out, anti-virus software is used and the majority of servers are virtualised.

A major technical malfunction or potential IT system failure may result in serious restrictions to business and production processes. The Company mitigates this risk with continuity plans and data recovery measures.

Personnel risks

Qualified and committed employees constitute a key requirement for the success of the Heliocentris Group. The Group's growth could be limited by the shortage of skilled workers in that qualified staff cannot be acquired or key staff cannot be retained – particularly in the field of software development.

R&D risks

Heliocentris runs its own development projects. These projects mainly focus on developing and optimising the Company's own existing products to maintain or minimise the relative competitive position to other competitors and alternative application methods. These measures may be unsuccessful on account of faster-paced market developments, an ineffective focus or even failure to meet development targets. The Company attempts to minimise these risks by observing the market and implementing project management measures. At the same time, successfully completed development projects give rise to opportunities for strong organic growth.

There is the risk that products cannot be developed within the required time, to the relevant quality or at the specified costs. To counteract this risk, we continuously monitor the progress of the projects on the basis of targets. In the event of deviations, suitable management measures are introduced in good time.

The Group is subject to ever-changing government controls and regulations that may have a negative impact on marketing its products and business activities.

The Heliocentris Group is dependent on technologies that are protected in terms of intellectual property rights and may not always be in a position to obtain, maintain or defend this intellectual property or to enforce the rights associated with it.

The Group may not always be in a position to protect its expertise.

4.6 OPPORTUNITY REPORT

By expanding its business activities in the Industry segment towards energy management systems and hybrid energy solutions for the telecommunications market, Heliocentris has freed itself from the risks involved with a company focused solely on fuel cell activities, without losing sight of its aim to replace fossil fuels with zero-emissions solutions in the future. The Jupiter fuel cell systems of the former FutureE are already competitive emergency power systems for critical infrastructures in some areas, and are first set to be used above all in Europe where they will replace diesel generators.

The Company sees significant opportunities to substantially increase sales given the business relationships forged with new major customers in the Industry segment in 2015 and to also increase gross margins by focusing more intensely on integrated energy storage systems such as GenStore™ and lithium batteries, energy management systems and network software as well as expanded service offerings.

Current discussions surrounding intelligent power grids in Germany and in other industrialised nations as well as rapid infrastructure growth in emerging countries accompanied by a significant reduction in electricity generation costs e.g. photovoltaics mean that decentralised energy supply solutions are becoming more attractive to industrial customers and end consumers. These developments may present additional sales opportunities for energy management systems and management software, energy storage systems and hybrid energy solutions beyond the telecommunications market and including in developed industrialised nations, which would have further positive effects on the medium-term results of operations of Heliocentris.

4.7 RISK REPORTING ON FINANCIAL INSTRUMENTS

Opportunities and risks resulting from changes in market prices in terms of derivatives and interest rates are managed centrally by the finance department. Potential risks can also be eliminated or limited by using derivative financial instruments, if required. Only existing items of the statement of financial position or highly probable cash flows are hedged. No derivative financial instruments are used at present.

4.8 DEVELOPMENT OF RISK

The overall risk situation is limited and manageable, as it was before. On the basis of the information currently available, no risks have been identified, other than

the financial risk mentioned in section 4.5., which could jeopardise the continued existence of the Group. There are no significant changes to note compared with the risk position reported in the previous year.

5 OTHER DISCLOSURES

5.1 COMPENSATION REPORT

The compensation report summarises the basic principles of the compensation system for members of the Management Board and the Supervisory Board of Heliocentris Energy Solutions AG, and explains the structure and amount of compensation. Compensation for the 2015 financial year is disclosed individually for each member of the Management Board and Supervisory Board. The compensation report is based on the recommendations of the German Corporate Governance Code (GCGC) and contains information in line with the requirements of the German Commercial Code (HGB) and International Financial Reporting Standards (IFRS). It is part of the summarized Group management report.

5.1.1 BASIC FEATURES OF THE COMPENSATION SYSTEM

5.1.1.1 MANAGEMENT BOARD

The Supervisory Board as a whole is responsible for determining the structure of the compensation system and the total compensation of the individual members of the Management Board. The Supervisory Board regularly reviews the appropriateness of the components of compensation. The compensation given to members of the Management Board of Heliocentris Energy Solutions AG is based not only on the economic situation, financial position and future prospects of the Company, but also on the standard amount and structure of Management Board compensation at comparable companies as well as on the compensation structure otherwise in place at the Company. The measurement of compensation also takes into account the duties of the respective Management Board member, their experience and personal performance, as well as length of service to the Company.

Management Board compensation currently consists of three components: fixed compensation (including benefits in kind), a variable bonus and share-based compensation.

5.1.1.1.1 FIXED COMPENSATION

For the fixed compensation component, a monthly income is stipulated in the Management Board employment contract as non-performance-related basic compensation. This amount is paid twelve times a year in the form of a salary. Management Board members also receive health insurance contributions up to the maximum amount of statutory employer contributions for voluntarily insured parties as well as compensation for expenses incurred in connection with their duties. This is in addition to benefits in kind, which mainly include the use of a company car or, alternatively, the provision of a railway card and reimbursement of travel expenses for the use of public transport.

5.1.1.1.2 VARIABLE BONUS

The capped variable bonus for the entire Management Board is paid on the condition that it attains the performance criteria predetermined by the Supervisory Board. The performance criteria include sales and earnings targets as well as strategic objectives such as the commercialisation of certain products or range of the Group. The Supervisory Board determines the objectives applicable for the respective financial year before the start of the year in question.

The Supervisory Board may also reward the performance of a particular Management Board member upon the achievement of specific strategic company objectives and decide to issue a special bonus payment.

5.1.1.1.3 SHARE-BASED COMPENSATION

In the past, Heliocentris Energy Solutions AG has been granted authorisations by the Annual General Meeting to establish various employee stock purchase programmes and to issue corresponding stock options also to members of the Management Board. The Supervisory Board determines the number of options reserved for the Management Board. Statutory waiting periods were agreed for the stock options. An exact list of outstanding stock options held by the Management Board and a breakdown of the individual stock option programmes and tranches can be found below in the sub-section "Management Board compensation" under the section "Individualised compensation structure".

In the 2011 financial year, the Supervisory Board of the Company also set up a virtual stock option plan, which enables the Supervisory Board to issue virtual stock options to members of the Management Board up to the 2016 financial year. After a set waiting period of three years, when they are exercised the virtual stock options grant a right to a cash payment, depending on the share price performance of Heliocentris Energy Solutions AG shares.

5.1.1.1.4 RULES REGARDING THE TERMINATION OF EMPLOYMENT

If the Management Board mandate is terminated prematurely on account of an agreement between the parties or in the event of a resignation at the request of the Company, the Management Board member receives a severance payment amounting to the total compensation owed by the Company for the remainder of the employment contract, but up to a maximum of two years' benefits (severance payment cap). If employment ceases due to termination of the Management Board member in the event of a change of control, the Management Board member receives a severance payment amounting to six times the basic monthly salary, but up to a maximum of the total compensation amount for the remainder of the employment contract. Benefits over and above this severance payment are excluded. A change of control in the aforementioned sense occurs when a third party, including through the attribution of shares of third parties under the provisions of the German Securities Trading Act (WpHG) or the Securities Acquisition and Takeover Act (WpÜG), or multiple third parties acting together, directly or indirectly holds/hold more than 50% of the Company's share capital.

5.1.1.1.5 MISCELLANEOUS

The current Management Board members do not have any individual pension commitments. Consequently, no pension provisions are made for them. Neither do they receive any loans from the Company.

5.1.1.2 SUPERVISORY BOARD

The compensation of the Supervisory Board is determined by the Annual General Meeting according to section 15 of the articles of association of Heliocentris Energy Solutions AG. The Annual General Meeting of 12 June 2012 regulated the compensation of the Supervisory Board members as follows: Each Supervisory Board member receives a fixed compensation amount of EUR 5,000.00 for each financial year. Each member of the Supervisory Board also receives an attendance fee of EUR 1,000.00 for each meeting attended. The Chairman of the Supervisory Board receives double the lump-sum payment and the attendance fee, and the Deputy Chairman receives 1.5 times these amounts. The members of the Supervisory Board also receive compensation for their expenses.

The members of the Supervisory Board do not receive any loans from the Company.

5.1.2 D&O INSURANCE

The Company has taken out D&O insurance for all Management Board and Supervisory Board members. In accordance with the requirements of section 93 (2) of the German Stock Corporation Act (AktG) as amended by the Act on the Appropriateness of Management Board Compensation (VorstAG), all members of the Management Board are entitled to a deductible in the legally required amount. A deductible of this kind was not agreed for members of the Supervisory Board.

5.1.3 INDIVIDUALISED COMPENSATION STRUCTURE – TOTAL MANAGEMENT BOARD COMPENSATION (INFORMATION PURSUANT TO SECTION 4.2.5 OF THE GCGC)

The non-performance-related, fixed compensation paid to the Management Board amounted to EUR 391,154.00 in the 2015 financial year (2014[5]: EUR 457,246.00). Bonus payments of EUR 198,750.00 were

[5] The Management Board comprised the following members in the 2014 financial year: Ayad Abul-Ella, Dr Henrik Colell, Dr András Gosztonyi (up to 31 January 2014) and Thomas Strobl (17 March 2014 to 5 September 2014).

paid out for the 2015 financial year. For the 2014 financial year, the members of the Management Board received bonuses totalling EUR 32,000.00. Mr Abul-Ella also received a special bonus of EUR 100,000.00 retrospectively in the 2015 financial year for his performance in the past financial year. In the past financial year, the Management Board was not granted any options from employee stock purchase programmes (2014: 265,000) but was allocated 40,000 virtual stock options (2014: 40,000).

5.1.3.1 BENEFITS AWARDED IN ACCORDANCE WITH THE GCGC

The value of benefits awarded to the individual members on the Management Board in the 2015 financial year pursuant to the GCGC and the minimum and maximum compensation amounts payable are shown in the following tables.

For the one-year variable compensation, in accordance with the requirements of the GCGC the target value (i.e. the value in the event of 100% goal achievement) granted for the year under review is stated. The multi-year variable compensation granted in the year under review is broken down into different plans.

Benefits awarded	**Ayad Abul-Ella CEO Member of the Management Board since 1 September 2011**				**Dr Henrik Colell CTO Member of the Management Board since 17 May 2006**			
	2014	**2015**	**2015 (min)**	**2015 (max)**	**2014**	**2015**	**2015 (min)**	**2015 (max)**
Fixed annual compensation	180.000	227.500	227.500	227.500	145.002	150.000	150.000	150.000
Fringe benefits	11.061	1.844			11.070	11.810		
Total	**191.061**	**229.344**	**227.500**	**227.500**	**156.072**	**161.810**	**150.000**	**150.000**
Short-term performance-based compensation	27.000	192.000	0	370.000	21.750	26.250	0	75.000
Deferred amounts of short-term performance-based compensation	0	100.000	0	100.000	0	5.250	0	15.000
Long-term performance-based compensation	218.330	37.322			207.798	22.393		
Stock option plan 2013 (waiting period: 4 years)	192.000	0			192.000	0		
Stock option plan 2011 (waiting period: 4 years)	0	0			0	0		
Virtual stock option plan	26.330	37.322			15.798	22.393		
Total	**245.330**	**329.322**	**0**	**470.000**	**229.548**	**53.893**	**0**	**90.000**
Benefit expenses	0	0	0	0	0	0	0	0
Total compensation	**436.392**	**558.666**	**227.500**	**697.500**	**385.620**	**215.703**	**150.000**	**240.000**

Benefits awarded	**Thomas Strobl CFO Member of the Management Board from 17 March 2014 to 5 September 2014**				**Dr Andràs Gosztonyi CFO Member of the Management Board from 29 February 2008 to 31 January 2014**			
	2014	**2015**	**2015 (min)**	**2015 (max)**	**2014**	**2015**	**2015 (min)**	**2015 (max)**
Fixed annual compensation	100.113	0	0	0	10.000	0	0	0
Fringe benefits		0	0	0		0	0	0
Total	**100.113**	**0**	**0**	**0**	**10.000**	**0**	**0**	**0**
Short-term performance-based compensation	33.075	0	0	0	0	0	0	0
Deferred amounts of short-term performance-based compensation	0	0	0	0	0	0	0	0
Long-term performance-based compensation	0	0			0	0		
Stock option plan 2013 (waiting period: 4 years)	0	0			0	0		
Stock option plan 2011 (waiting period: 4 years)	0	0			0	0		
Virtual stock option plan	0	0			0	0		
Total	**33.075**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Benefit expenses	0	0	0	0	0	0	0	0
Total compensation	**133.188**	**0**	**0**	**0**	**10.000**	**0**	**0**	**0**

5.1.3.2 ALLOCATION IN ACCORDANCE WITH THE GCGC

Because the compensation granted to members of the Management Board for the financial year is sometimes not accompanied by a payment in the respective financial year – in accordance with the relevant recommendation of the GCGC – the actual allocation for the 2015 financial year (disbursement) is shown separately in the following table. As per the recommendations of the GCGC, both the fixed compensation and the one-year variable compensation must be shown as an allocation for the respective financial year. For subscription rights and other share-based payments, the time of allocation and the allocation amount is deemed to be the relevant time and value under German tax law.

Inflow	Ayad Abul-Ella CEO Member of the Management Board since 1 September 2011		Dr Henrik Colell CTO Member of the Management Board since 17 May 2006		Thomas Strobl CFO Member of the Management Board from 17 March 2014 to 5 September 2014		Dr Andràs Gosztonyi CFO Member of the Management Board from 29 February 2008 to 31 January 2014	
	2014	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
Fixed annual compensation	180.000	227.500	145.002	150.000	100.113	0	10.000	0
Fringe benefits	11.061	1.844	11.070	11.810	0	0	0	0
Total	**191.061**	**229.344**	**156.072**	**161.810**	**100.113**	**0**	**10.000**	**0**
Short-term performance-based compensation	18.000	177.000	14.000	21.750	0	0	0	0
Deferred amounts of short-term performance-based compensation	0	100.000	0	0	0	0	0	0
Long-term performance-based compensation	0	0	0	0	0	0	0	0
Stock option plan 2013 (waiting period: 4 years)	0	0	0	0	0	0	0	0
Stock option plan 2011 (waiting period: 4 years)	0	0	0	0	0	0	0	0
Virtual stock option plan	0	0	0	0				
Total	**18.000**	**277.000**	**14.000**	**21.750**	**0**	**0**	**0**	**0**
Benefit expenses	0	0	0	0	0	0	0	0
Total compensation	**209.061**	**506.344**	**170.072**	**183.560**	**100.113**	**0**	**10.000**	**0**

Overall in the 2015 financial year, the members on the Management Board of Heliocentris Energy Solutions AG as at 31 December 2015 held 389,625 options to purchase 389,625 shares in the Company (31 December 2014: 389,625 options). The number of shares subject to the options breaks down as follows, whereby the realisable gains from exercising the stock options may deviate substantially from the values given in the tables.

Management Board member	Allocation	Outstanding	Exercisable	Option value when allocated	Strike price	Threshold price	Total outstanding shares
		(Shares)	(Shares)	(EUR)	(EUR)	(EUR)	
Ayad Abul-Ella	Oct-14	100,000	0	1.60	4.60	5.75	
	May-14	75,000	0	2.24	4.89	6.11	
	Sep-11	110,000	110,000	1.94	5.08	6.60	**285,000**
Dr Henrik Colell	Oct-14	15,000	0	1.60	4.60	5.75	
	May-14	75,000	0	2.24	4.89	6.11	
	Jun-11	14,625	14,625	2.18	5.54	7.20	**104,625**
Dr Andràs Gosztonyi	Jun-11	14,625	14,625	2.18	5.54	7.20	**14,625**

Pursuant to IFRS 2, the "option value when allocated" for options issued after 7 November 2002 is also the basis for recognition as an expense in the statement of comprehensive income.

The members on the Management Board in the year under review do not have any individual pension commitments. Consequently, no pension provisions are made for them.

5.1.4 INDIVIDUALISED COMPENSATION STRUCTURE – TOTAL SUPERVISORY BOARD COMPENSATION (INFORMATION PURSUANT TO SECTION 5.4.6 OF THE GCGC)

The Supervisory Board compensation in the 2015 financial year totalled EUR 65,500 (2014: EUR 70,000). The compensation to which the individual Supervisory Board members were entitled in the 2014 and 2015 financial years is shown in the following table:

	2015			2014		
	Fixed compensation	**Attendance fee**	**Total compensation**	**Fixed compensation**	**Attendance fee**	**Total compensation**
Oliver Borrmann (Chairman)	10.000,00	8.000,00	**18.000,00**	10.000,00	10.000,00	**20.000,00**
Michael Stammler (Deputy Chairman)	7.500,00	6.000,00	**13.500,00**	7.500,00	7.500,00	**15.000,00**
Thomas Philippiak	5.000,00	3.000,00	**8.000,00**	5.000,00	2.000,00	**7.000,00**
John Butt	5.000,00	3.000,00	**8.000,00**	5.000,00	5.000,00	**10.000,00**
Jean-Marie Solvay de la Hulpe	5.000,00	4.000,00	**9.000,00**	5.000,00	4.000,00	**9.000,00**
Oliver Krautscheid (Member until 16 June 2015)	2.708,33	1.000,00	**3.708,33**	5.000,00	4.000,00	**9.000,00**
Klaas de Boer (Member since 16 June 2015)	2.291,67	3.000,00	**5.291,67**	0,00	0,00	**0,00**
Total			**65.500,00**			**70.000,00**

In the 2015 financial year just ended, as in previous years, there was no compensation for services rendered by Supervisory Board members.

5.2 ENVIRONMENTAL PROTECTION

In 2013, the Heliocentris Group introduced an environmental management system in accordance with ISO 14001:2004, which was re-certified by TÜV Rheinland in November 2015.

In terms of Heliocentris' own value system, it is a highly important aim that energy management systems, hybrid solutions and fuel cell systems developed and sold by Heliocentris make a relevant contribution to global environmental protection. They are used in off-grid mobile base stations, at locations that are connected to an unreliable power grid or as an emergency power supply. Diesel generators are today the main source of electrical energy supply for applications such as these. Worldwide, Heliocentris already has several thousand products and solutions in use, which contribute substantially towards saving diesel and thereby preventing CO_2 emissions.

In the years to come, the number of lead-acid batteries, which is an absolutely critical item to watch from an environmental perspective, should also be progressively replaced by more sustainable solutions featuring fuel cell systems and lithium-ion batteries, which would constitute another significant contribution to the environment.

In its day-to-day business, Heliocentris also ensures that it uses resources thoughtfully and responsibly across all company divisions. Incorporating environmental protection into company processes means that the use of environmentally friendly and resource-efficient materials is monitored as early as the product development stage. Environmentally relevant measures often result in cost savings, too. Electricity is obtained from renewable energy resources at all German locations, as long as this is technically and contractually feasible. In consideration of the environment, Heliocentris utilises 100% recycled paper and recycles all materials and modules that can be recycled.

In the opinion of the Company's management, there are no environmental risks arising from its products or production processes. The Heliocentris Group complies with its statutory requirements and regulations concerning the separation of waste and recyclable materials.

6 TAKEOVER-RELATED ISSUES PURSUANT TO SECTION 315 (4) OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The share capital of Heliocentris Energy Solutions AG as at 31 December 2015 amounted to EUR 14,242,233.00 (31 December 2014: EUR 10,600,424.00). It is divided into 14,242,233 no-par value bearer shares with a pro rata share in the share capital of EUR 1.00 per share. All shares are fully paid up and are admitted for trading on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. Each share confers one vote at the Company's Annual General Meeting. There are no different classes of shares.

The shares are deposited in the form of a collective global certificate; the entitlement of shareholders to securitise their share is excluded. Neither the voting right per share nor the transferability of the Company's shares are subject to restrictions under company law or the articles of association. There are no classes of shares with special rights conferring powers of control. Neither are there any agreements on control of voting rights, except where employees have a stake in the capital and do not exercise their voting rights themselves.

To the Management Board's knowledge, there are no restrictions relating to voting rights or the transfer of shares. Furthermore, the Management Board is not aware of any corresponding agreements between shareholders.

The Company has been notified of the following direct or indirect interests in its share capital exceeding 10% of voting rights, pursuant to section 21 of the German Securities Trading Act (WpHG): Ruffer LLP, London, United Kingdom: 11.80% (by notification dated 22 May 2015). The voting rights are to be attributed to Ruffer LLP in full in accordance with section 22 (1) no. 6 WpHG. The name of the shareholder from whose shares 3% or more is attributable to Ruffer LLP: Ruffer European Fund.

The Company has not been notified of any other direct or indirect interests in its share capital exceeding 10% of voting rights, pursuant to section 21 WpHG.

The appointment and dismissal of members of the Management Board takes place in accordance with sections 84 f. AktG. Amendments to the articles of association take place in accordance with the provisions of sections 179 ff. AktG in conjunction with section 21 of the articles of association of Heliocentris Energy Solutions AG. In accordance with section 16 of the articles of association, the Supervisory Board is also authorised to resolve amendments to the articles of association relating solely to their wording.

The shareholders have conferred the following authorisations upon the Management Board to issue new shares or conversion rights or to buy back shares:

In accordance with section 6 (5) of the articles of association, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the Company by up to EUR 7,121,116.00 against cash or non-cash contributions on one or several occasions by issuing new registered shares until 15 June 2020 (Authorised Capital 2015/I). The shareholders must be granted pre-emption rights. The new shares may also be acquired by one or more banks or companies within the meaning of section 186 (5) sentence 1 AktG with the obligation to offer them to the shareholders for subscription (indirect pre-emption rights). Subject to the approval of the Supervisory Board, the Management Board stipulates further details of the capital increase and the conditions for the share issue.

The Management Board is also authorised, with the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights in the following cases:

a) if the new shares are issued against cash contributions at an issue price that is not substantially lower than the stock market price for shares of essentially the same category already traded on the stock exchange during the last five trading days preceding the day on which the Management Board determined the issue price within the meaning of sections 203 (1) sentence 1 and 2, 186 (3) sentence 4 AktG; however, this authorisation to disapply pre-emption rights shall only apply insofar as the pro rata percentage of the new shares in the share capital does not exceed 10% of the share capital at the time this authorisation is entered in the commercial register or at the time this authorisation is exercised – whichever is the lower; this 10% threshold shall include the notional share capital attributed to those shares that were issued or sold following their repurchase as treasury shares over the course of this authorisation in accordance with section 186 (3) sentence 4 AktG;
b) if a capital increase against non-cash contributions is effected to offer the new shares to third parties in connection with business combinations or the acquisition of companies, parts of companies, equity investments or other assets; however, this authorisation to disapply pre-emption rights shall only apply insofar as the pro rata percentage of the new shares in the share capital does not exceed 25% of the share capital at the time this authorisation is entered in the commercial register or at the time this authorisation is exercised – whichever is the lower;
c) to the extent it is required, to grant the holders or bearers of option or conversion rights/obligations from option or convertible bonds issued by the Company the right to subscribe for the shares to which they would be entitled after exercising their option or conversion rights or fulfilling the option or conversion obligation;
d) for fractional amounts.

On the basis of the Contingent Capital 2013/II taking place in accordance with section 6 (7) of the articles of association, the Management Board may issue up to 3,300,000 – and on the basis of the Contingent Capital 2015/II taking place in accordance with section 6 (10) of the articles of association – up to 2,396,893 new no-par value bearer shares (registered shares) to the holders or bearers of option and/or convertible bonds, which are issued by the Company or a Group company under the authorisations resolved by the Annual General Meetings in 2013 and 2015 respectively, and may grant a conversion or option right to new registered shares in the Company or stipulate a conversion obligation or a put option. On the basis of the authorisation granted by the Annual General Meeting in 2013, convertible bonds with a total nominal amount of EUR 11.2 million have been issued so far. On the basis of the authorisation granted by the Annual General Meeting in 2015, no convertible bonds have been issued so far. These authorisations stipulate that, should any such convertible bonds be issued, shareholders shall have pre-emption rights to them. However, subject to the approval of the Supervisory Board, the Management Board may – under certain conditions described in more detail in the authorisations – disapply shareholders' pre-emption rights to convertible bonds that should be issued with conversion and/or option rights or a conversion obligation.

In addition, there is a Contingent Capital 2011/I of up to EUR 278,500.00 in accordance with section 6 (6) of the articles of association, a Contingent Capital 2013/I of up to EUR 586,500.00 in accordance with section 6 (8) of the articles of association and a Contingent Capital 2015/I of up to EUR 559,223.00 in accordance with section 6 (9) of the articles of association. Each of these contingent capitals relates to the issue of pre-emption rights to members of the Management Board and to employees of the Company and its subsidiaries on the basis of authorisations granted by the Annual General Meetings in 2011, 2013 and 2015 respectively for the purpose of sanctioning employee stock purchase programmes. .

The Management Board is permitted to buy back shares only under the conditions set out in section 71 AktG. The Annual General Meeting has not granted the Management Board an authorisation to acquire the Company's own shares in accordance with section 71 (1) no. 8 AktG.

There are no significant agreements of the Company subject to a change of control following a takeover offer. Information on compensation agreements made with the members of the Management Board in the event of a takeover offer can be found in the compensation report. There are no such agreements in place with employees of the Company.

7 CORPORATE GOVERNANCE DECLARATION (SECTION 289A HGB)

The Company has issued a corporate governance declaration, which is available to view on the website under Investors/Corporate Governance.

8 RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable accounting principles, the financial statement and the consolidated financial statements give a true and fair view of the Company's and Group's net assets, financial position and results of operations, and the Company and Group management report includes a fair review of the development and performance of the business and the position of the Company and the Group together with a description of the principal opportunities and risks associated with the expected development of the Group's Companies .

Berlin, 26 May 2016

Ayad Abul-Ella	Sabine Kauper	Dr Henrik Colell
Chief Executive Officer (CEO)	Chief Financial Officer (CFO)	Chief Technology Officer (CTO)

BESTÄTIGUNGSVERMERK DES ABSCHLUSSPRÜFERS

Wir haben den von der Heliocentris Energy Solutions AG, Berlin, aufgestellten Konzernabschluss — bestehend aus Bilanz, Gesamtergebnisrechnung, Eigenkapitalveränderungsrechnung, Kapitalflussrechnung und Anhang — sowie den Bericht über die Lage der Gesellschaft und des Konzerns für das Geschäftsjahr vom 1. Januar 2015 bis zum 31. Dezember 2015 geprüft. Die Aufstellung von Konzernabschluss und Bericht über die Lage der Gesellschaft und des Konzerns nach den IFRS, wie sie in der EU anzuwenden sind, und den ergänzend nach § 315a Abs. 1 HGB anzuwendenden handelsrechtlichen Vorschriften liegt in der Verantwortung der gesetzlichen Vertreter der Gesellschaft. Unsere Aufgabe ist es, auf der Grundlage der von uns durchgeführten Prüfung eine Beurteilung über den Konzernabschluss und den Bericht über die Lage der Gesellschaft und des Konzerns abzugeben.

Wir haben unsere Konzernabschlussprüfung nach § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung vorgenommen. Danach ist die Prüfung so zu planen und durchzuführen, dass Unrichtigkeiten und Verstöße, die sich auf die Darstellung des durch den Konzernabschluss unter Beachtung der anzuwendenden Rechnungslegungsvorschriften und durch den Bericht über die Lage der Gesellschaft und des Konzerns vermittelten Bildes der Vermögens-, Finanz- und Ertragslage wesentlich auswirken, mit hinreichender Sicherheit erkannt werden. Bei der Festlegung der Prüfungshandlungen werden die Kenntnisse über die Geschäftstätigkeit und über das wirtschaftliche und rechtliche Umfeld des Konzerns sowie die Erwartungen über mögliche Fehler berücksichtigt. Im Rahmen der Prüfung werden die Wirksamkeit des rechnungslegungsbezogenen internen Kontrollsystems sowie Nachweise für die Angaben im Konzernabschluss und Bericht über die Lage der Gesellschaft und des Konzerns überwiegend auf der Basis von Stichproben beurteilt. Die Prüfung umfasst die Beurteilung der Rechnungslegungsinformationen der in den Konzernabschluss einbezogenen Teilbereiche, der Abgrenzung des Konsolidierungskreises, der angewandten Bilanzierungs- und Konsolidierungsgrundsätze und der wesentlichen Einschätzungen der gesetzlichen Vertreter sowie die Würdigung der Gesamtdarstellung des Konzernabschlusses und des Berichts über die Lage der Gesellschaft und des Konzerns. Wir sind der Auffassung, dass unsere Prüfung eine hinreichend sichere Grundlage für unsere Beurteilung bildet.

Unsere Prüfung hat zu keinen Einwendungen geführt.

Nach unserer Beurteilung aufgrund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Konzernabschluss den IFRS, wie sie in der EU anzuwenden sind, und den ergänzend nach § 315a Abs. 1 HGB anzuwendenden handelsrechtlichen Vorschriften und vermittelt unter Beachtung der Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage des Konzerns. Der Bericht über die Lage der Gesellschaft und des Konzerns steht in Einklang mit dem Konzernabschluss, vermittelt insgesamt ein zutreffendes Bild von der Lage des Konzerns und stellt die Chancen und Risiken der zukünftigen Entwicklung zutreffend dar.

Ohne diese Beurteilung einzuschränken, weisen wir darauf hin, dass der Bestand des Konzerns durch Risiken bedroht ist, die im Abschnitt „4.5 Wesentliche Risiken der Gruppe“ des Berichts über die Lage der Gesellschaft und des Konzerns dargestellt sind. Dort ist ausgeführt, dass die Gesellschaft und die Gruppe kurzfristig noch keine positiven Cashflows generieren. Sollte der Geschäftsverlauf nicht plangemäß verlaufen oder es zu deutlichen Verzögerungen bei Kundeneinzahlungen kommen, wäre der Fortbestand des Konzerns ohne zusätzliche Finanzierungsmaßnahmen gefährdet.

Berlin, 26. Mai 2016

BDO AG
Wirtschaftsprüfungsgesellschaft

gez. Sartori
Wirtschaftsprüferin

gez. Weisner
Wirtschaftsprüferin

Corporate Governance Report and Statement Pursuant to Section 289a of the *Handelsgesetzbuch* (HGB – German Corporate Code)

Below, the Management Board and Supervisory Board present their report on corporate governance at Heliocentris Energy Solutions AG as required by Section 3.10 of the German Corporate Governance Code. The following report also contains the company's corporate governance statement pursuant to Section 289a of the *Handelsgesetzbuch* (HGB – German Corporate Code). It is part of the management report.

6.1 Functions of the Management Board and Supervisory Board

Heliocentris Energy Solutions AG is a German stock corporation subject to German stock corporation law. The Company has a dual management and control structure consisting of the Management Board and Supervisory Board.

The Management Board conducts the Company's business on its own authority and informs the Supervisory Board regularly, promptly and comprehensively about all issues of strategy, planning, business performance, risk position, risk management and compliance that are relevant to the Company.

The Supervisory Board appoints the Management Board members and supervises and advises the Management Board. The Management Board requires the Supervisory Board's approval to implement certain transactions and measures, which are defined in the articles of association or the Management Board's rules of procedure. The Supervisory Board must be informed about the conclusion, amendment or termination of major contracts that do not require approval according to the articles of association or the Management Board's rules of procedure. The Management Board is also obliged to inform the Supervisory Board of all significant events.
As in the previous years, the Management Board and Supervisory Board cooperated closely in the interests of the Company in 2015.

Management Board

According to section 7 of the articles of association of Heliocentris Energy Solutions AG, the Management Board comprises two or more people. The precise number of Management Board members is determined by the Supervisory Board. The latter also decides whether there is to be a Chairman, and whether deputy members or a Deputy Chairman are to be appointed.

During the reporting year, the Management Board of Heliocentris Energy Solutions AG had two members:

Name	Function	Initial appointment
Ayad Abul-Ella	CEO	1 September 2011
Dr Henrik Colell	CTO	1 June 2006

On 12 November 2015, the Supervisory Board decided to appoint Sabine Kauper as a member of the Management Board of Heliocentris Energy Solutions AG, effective 1 January 2016. Ms Kauper assumed the position of Chief Financial Officer (CFO).

Other mandates of the members of the Management Board are listed in the notes of the consolidated financial statements.

Without prejudice to the overall legal responsibility of the Management Board and its commitment to close cooperation with the staff in a spirit of trust, the responsibilities of individual Management Board members were allocated as follows:

The Chairman of the Management Board (Chief Executive Officer) coordinated the work of the Management Board and was also responsible for corporate strategy, sales & marketing, operations, business development and talent management. The Chief Technology Officer was responsible for product & solutions development, the technology roadmap, technology partnerships and IP management in the Group. The allocation of responsibility also gave the Chief Financial Officer (CFO) responsibility for finance (company capitalisation, accounting, controlling), public & investor relations, M&A, risk & quality management, IT, HR and legal. Because a CFO had not been appointed during the reporting year, the CEO was temporarily responsible for those departments.

The Management Board's rules of procedure and the articles of association both include a list of major transactions and measures that also need prior approval from the Supervisory Board. The transactions and measures needing approval according to the rules for procedure include, for example, decisions on the establishment or disposal of branch offices, the acquisition or sale of land or the granting or raising of loans of a certain amount.

In accordance with the rules of procedure, Management Board meetings take place at least once a month and when required for the good of the Company. Management Board meetings are convened and led by the Chairman. Every Management Board member can arrange an additional meeting on a specific issue at any time. If the Chairman is unable to attend, the meeting is led by the Management Board member who called it. The Management Board is quorate when all members are invited and more than half are present when the resolution is made. Members joining by telephone or video conference can be considered present. In the event of a two-member Management Board, the Management Board is quorate only if both members participate in the resolution. Unless the law, the articles of association or the rules of procedure state otherwise, the Management Board makes decisions with a simple majority of the votes cast. A resolution is not passed if votes are tied. If there are two Management Board members, unanimity must be reached.

Every member of the Management Board will disclose conflicts of interest to the Supervisory Board immediately and inform the other members of the Management Board. Management Board members may take on ancillary activities, especially Supervisory Board posts outside the Company, only with the permission of the Supervisory Board.

Supervisory Board and Audit Committee of the Supervisory Board

According to section 10 of the articles of association of Heliocentris Energy Solutions AG, the Supervisory Board comprises six members. The term of office of Supervisory Board members usually runs until the end of the Annual General Meeting that grants discharge for the fourth financial year following the beginning of the term. The Supervisory Board elects a Chairman and a Deputy from among its members. The Supervisory Board Chairman, or his Deputy if the former is unable, convenes and leads the meetings of the Supervisory Board.

As of the end of the 2015 financial year, the Supervisory Board of Heliocentris comprised the following six people:

Name	Function	Member since	Appointed until
Oliver Borrmann	Chairman	2006	2016
Michael Stammler	Deputy Chairman	2008	2017
John Butt		2009	2019
Thomas Philippiak		2008	2017
Jean-Marie Solvay		2009	2019
Klaas de Boer		2015	2016

The Supervisory Board should include a by its own estimation sufficient number of independent members. In accordance with number 5.4.2 of the GCGC, a Supervisory Board member is in particular not to be considered independent if they have a professional or personal relationship with the Company, its bodies, a controlling shareholder or an associated entity, which could constitute a material and not merely temporary conflict of interests. All members of the Supervisory Board – which exclusively comprises elected shareholder representatives – are considered independent as defined by the GCGC.

Other mandates of the members of the Supervisory Board are listed in the notes to the consolidated financial statements.

The Supervisory Board has given itself rules of procedure. It governs the tasks, rights and obligations of the Supervisory Board, the organisation of meetings and resolutions and the formation of committees. The Supervisory Board routinely holds four ordinary meetings per calendar year.

At the Supervisory Board Chairman’s request, the Management Board attends all ordinary meetings (usually four a year) of the Supervisory Board, reports in writing and orally on individual agenda items and proposed resolutions, and answers questions from individual Supervisory Board members. Between meetings, all Supervisory Board members receive detailed quarterly reports on the Company’s situation from the Management Board. In addition, the Supervisory Board Chairman is informed by the Management Board in numerous discussions by telephone and in person about major developments and important upcoming decisions.

The Supervisory Board has an Audit Committee, which monitors, in particular, the accounting process. The committee's responsibility is to do a preliminary review of the annual and consolidated financial statements, as well as of the summarised management report. Based on the auditor's report regarding its review of the financial statements and following its own preliminary review, the committee makes recommendations to the Supervisory Board on whether to approve the annual financial statements of Heliocentris Energy Solutions AG and the consolidated financial statements. It is the Audit Committee's responsibility to discuss the quarterly financial reports or financial statements. It addresses issues pertaining to the company's risk monitoring system and oversees the effectiveness of the internal control system — in particular as it relates to financial reporting — and the effectiveness of the risk management system. It also addresses issues related to auditing, such as the required independence of the auditors and additional services rendered by the auditor. Lastly, it handles the process of hiring an auditor, determining the focal points of auditing and agreeing on the auditor's fee.

As of 31 December 2015, the following individuals were members of the Audit Committee: Michael Stammler (Chairman), Oliver Borrmann and Klaas de Boer. According to the *Aktiengesetz* (AktG – German Stock Corporation Act), the Audit Committee must have at least one independent member who possesses expert knowledge in the areas of accounting or auditing. Michael Stammler fulfils these legal requirements.

The Supervisory Board and the Audit Committee generally pass resolutions at meetings. In reasonable exceptional cases, Supervisory Board members can also attend a Supervisory Board or committee meeting or attend by telephone or video conference. The Supervisory Board and its committees are quorate if at least three of their members participate in the resolutions (outside meetings by way of written, fax, telephone or e-mail vote or by a combination of these means of communication, if no Supervisory Board member objects to this procedure). Resolutions require a simple majority of the votes cast. In the event of a tie, the Chairman of the meeting has the deciding vote.

6.2 Shareholdings of the Management Board and Supervisory Board

As of 31 December 2015, the members of the Management Board sitting during the 2015 financial year held a total of 91,662 shares of Heliocentris, accounting for 0.6% of the share capital of Heliocentris Energy Solutions AG, which amounted to 14,242,233 shares. The share options held by the Management Board as a result of the stock option programs are listed and explained in the compensation report in the notes to the annual financial statements.

As of 31 December 2015, the current members of the Supervisory Board held — either directly or indirectly — 2,269,166 shares of Heliocentris and financial instruments with rights of conversion into 367,692 shares of Heliocentris, accounting for a total of 18.5% of the share capital of Heliocentris Energy Solutions AG, which amounted to 14,242,233 shares.

The number of shares held directly or indirectly by each member of the Supervisory Board who owns at least 1% of the company's share capital is as follows:

Michael Stammler	1,285,535 shares of Heliocentris (equal to 9.03%) as well as 1990 convertible bonds of the company
John Butt	750,647 shares of Heliocentris (equal to 5.27%)
Thomas Philippiak	163,334 shares of Heliocentris (equal to 1.15%)

6.3 Directors' Dealings

In accordance with Section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), members of the Management Board and Supervisory Board are legally obliged to disclose the purchase or sale of Heliocentris shares or financial instruments tied to them, provided the value of the transactions carried out by a member or related persons within a calendar year amounts to or exceeds the sum of €5,000. The transactions reported to Heliocentris Energy Solutions AG over the past financial year were properly disclosed and can be viewed on the company's website at:

http://www.heliocentris.com/investoren/unternehmensmeldungen/directors-dealings/.

6.4 Other Information on Corporate Governance Practices

Heliocentris Energy Solutions AG has had a compliance code of conduct, which applies worldwide for the Management Board, Supervisory Board and all employees and obliges them to conduct themselves in a responsible and lawful manner. The code contains various provisions, including those governing the following areas: compliance with general legal regulations, rejection of discrimination, dealing with business partners, treatment of company assets, data confidentiality and security, conflicts of interest, workplace and employee safety, social responsibility, compliance with policies on granting or accepting advantages, money laundering, terrorism and other illegal conduct.

In addition, Heliocentris Energy Solutions AG has policies on dealing with insider information and exercising the share options granted under our employee stock purchase programmes.

The complete text of the compliance code of conduct can be found on the Heliocentris website by following this path: Investors > Corporate Governance > Code of Conduct.

6.5 Diversity

As a company that is listed on the stock market but not subject to laws of co-determination, the company has implemented the provisions of the *Gesetz für die gleichberechtigte Teilhabe von Männern und Frauen in Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst* (German Law on Equal Participation of Men and Women in Executive Positions in Private Enterprise and Public Service) and adopted a policy meeting the legal requirements. The Supervisory Board has adopted a target of 0% for women on the Supervisory Board and the Management Board. The Management Board has set its target for the share of women in the first two levels of management below the Management Board at 8%. The deadline for setting this target is 30 June 2017.

6.6 Information on Management Board Compensation Pursuant to Section 4.2.5 of the GCGC

Precise information on the structure and amounts of compensation paid to the individual members of the Management Board as required by Section 4.2.5 of the German Corporate Governance Code (GCGC) and the members of the Supervisory Board, plus an exact list of outstanding share options held to the Management Board can be found in the compensation report as part of the company's consolidated management report.

6.7 Declaration of Compliance Pursuant to Section 161 of the AktG

In accordance with Section 161 of the German Stock Corporation Act (AktG), the management boards and supervisory boards of listed companies are required to file an annual declaration that they have complied or will comply with the recommendations made by the Government Commission on the German Corporate Governance Code ("the Code"), as published by the Federal Minister of Justice in the official section of the Federal Gazette, and which recommendations have not been or will not be followed. The declaration must be made permanently available to the public on the company's website. Thus, companies are permitted to deviate from the recommendations in the Code, but they are obliged to disclose that fact on an annual basis and state the reasons why. This enables companies to reflect sector and enterprise-specific requirements.

Shares of Heliocentris Energy Solutions AG have been admitted for trading on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange since May 2015. In other words, Heliocentris Energy Solutions AG has been listed on the stock exchange as defined by Section 161 of the AktG since May 2015. As part of the company's switch to the Regulated Market, the Management Board and Supervisory Board of Heliocentris Energy Solutions AG have intensively discussed the requirements of the Code and issued a joint declaration of conformity in accordance with Section 161, para. 1, of the AktG on 29 September 2015. That declaration is available on the company's website at www.heliocentris.com.

In addition, the Management Board and Supervisory Board issued a joint declaration in accordance with Section 161 of the AktG 27 April 2016. That declaration is also available on the company's website www.heliocentris.com.

The declaration made 27 April 2016 pursuant to Section 161 of the German Stock Corporation Act (AktG) states the following:

Declaration of the Management Board and the Supervisory Board of

Heliocentris Energy Solutions AG

on the recommendations of the Government Commission on the German Corporate Governance Code

in accordance with § 161 Aktiengesetz (German Stock Corporation Code)

The Management Board and the Supervisory Board declare that:

The recommendations of the Government Commission of the German Corporate Governance Code in the version dated 5 May 2015 published by in the official section of the Federal Gazette on 12 June 2015 have been complied with in the period from the last Declaration of Conformity and will continue to be complied with in the future, with the following exceptions:

- No. 3.8 para. 3: According to the Code’s recommendations, a deductible shall be agreed upon for the members of the supervisory board when taking out a D&O policy. Heliocentris Energy Solutions takes the view that such a deductible is neither in itself suitable to increase the performance and sense of responsibility of the members of the Supervisory Board, nor is it adequate in view of the low level of compensation of the Supervisory Board.

- No. 4.2.3 para. 2 sentences 4, 6, 7: By determining the compensation structure for the Management Board which must be oriented toward sustainable growth of the enterprise and shall comprise fixed and variable elements which are in general based on a multi-year assessment, both positive and negative developments shall be taken into account when determining variable components of the compensation paid to members of the management board. The amount of compensation shall be capped, both overall and for the variable compensation components, and the variable compensation components shall be related to demanding, relevant comparison parameters. The current compensation system for the Management Board provides for a variable bonus which is based on a one-year assessment only, and for a share option scheme as the variable component of the Management Board compensation. This share option scheme contains no explicit rule requiring the consideration of negative developments. Negative developments are only taken into account by the fact that the execution of stock options due to the strike price for the execution of the stock options can become unattractive. Furthermore, the share option scheme contains no caps for the amount of compensation. The Supervisory Board is convinced that the option scheme for the Management Board is well balanced and appropriate. In the opinion of the Supervisory Board, the compensation is sufficiently focused on the situation of the Company and its long-term positive development, due to the fact that the variable, i.e. share-based, compensation component is linked to the share price and due the significant strike price for exercising the share options. Against this background, the Supervisory Board currently does not intend to adjust the agreements concluded or the current compensation scheme.

- No. 5.1.2 para 1 sentence 2 and para 2 sentence 3: The Code recommends that the supervisory board respects diversity when appointing the Management Board. Furthermore, an age limit should be set. The Supervisory Board considers it appropriate not to make the selection of the members of the Management Board dependent on criteria such as gender, sexual orientation or race, but instead on their personality and expertise. For the same reason, the Supervisory Board currently considers an age limit as not necessary and not relevant. In this respect, this recommendation was and is not followed.

- No. 5.3.3: The Code recommends that the Supervisory Board forms a nomination committee which proposes suitable candidates to the Supervisory Board for the election proposals of the Supervisory Board to the General Meeting. The Supervisory Board of Heliocentris Energy Solutions AG does not consider it necessary to form another committee besides the existing Audit Committee. The Supervisory Board of Heliocentris Energy Solutions AG carefully looks at the resolution proposals to the General Meeting including the election proposals of members of the Supervisory Board. Queries that have to be dealt with by the nomination committee are discussed and decided by the Supervisory Board.

- No. 5.4.1 para 2 and 3: The Code recommends that the Supervisory Board establishes specific targets with regard to its composition, taking into account the international activities of the company, potential conflict of interest, the number of independent Supervisory Board members as per Section 5.4.2, an age limit for Supervisory Board members to be defined by the Supervisory Board and a regular limit of length of membership to be specified for the members of the Supervisory Board as well as diversity, in light of the company's specific situation. These targets should also be taken into consideration by the Supervisory Board when making candidate recommendations to its selection committees; together with the Executive Board, the Supervisory Board is to publish information on target implementation status as part of the Corporate Governance Report.

  The Supervisory Board of Heliocentris Energy Solutions AG consists of only six members. Given these circumstances, the Supervisory Board considers the use of criteria for the selection of Supervisory Board candidates beyond expertise and competence to be unsuitable. Accordingly, it has not set itself any targets in this regard. For the same reason, the Supervisory Board does not consider it expedient to determine a regular limit of length for the membership of the members of the Supervisory Board. Therefore, there is no corresponding consideration for recommendations to the selection committees and no reporting on the matter.

- No. 5.4.3: The Code recommends that candidates for the chairman of the Supervisory Board shall be announced to shareholders during Supervisory Board elections. This predefinition of proposed candidates for the position of the chairman of the Supervisory Board constitutes a restriction of the right of the Supervisory Board to decide freely on the matter. Therefore, the recommendation will not be followed.

- No. 5.4.6 para 1: The Code recommends that the compensation for the members of the Supervisory Board determined by the General Meeting shall reflect the chairmanship and the membership in committees. The General Meeting of Heliocentris Energy Solutions AG decided about the compensation of the Supervisory Board members most recently in 2012. At this time, the Supervisory Board did not form any committees. The compensation of the Supervisory Board members determined by the General Meeting therefore currently does not reflect the chairmanship or membership in the now constituted Audit Committee. It is intended to propose to the General Meeting an amended compensation scheme.

- No. 7.1.2 sentence 4: According to the Code's recommendations, the consolidated annual financial statements shall be made publicly within 90 days after the end of the business year and the interim reports within 45 days after the end of the reporting period. Contrary to the recommendation of the Code, in the business year 2015 the interim reports were made publicly available within two months after the end of the respective reporting period as the costs of faster preparation and publication are disproportionate to the level of information gained by the shareholders. At the time of the issue of this Declaration of Conformity it became apparent that the consolidated annual financial statement for the business year 2015 could not be published within four months after the end of the business year as originally intended but only in Mid-May 2016 due to the audit activities not being completed at the end of April 2016. In future, the company intends to publish the financial statements as follows: The consolidated annual financial statements will be made publicly available within four months after the end of the business year. Due to the amended rules of the Frankfurt stock exchange the semi-annual financial statements will be made publicly available within three months and the quarterly releases within 45 days after the end of the reporting period.

Berlin, 27 April 2016

Heliocentris Energy Solutions AG

Executive Board　　　　　　Supervisory Board

Dear Shareholders,

The following report by the Supervisory Board contains information about the its activities in the 2015 financial year and the findings of the audit of the annual and consolidated financial statements for 2015.

Management supervision

The past financial year 2015 was strongly affected by the growth of the Industry segment, but also by the challenges of delayed order intake and a lack of high-margin sales. In addition, important roles were also played by the company's financing issues and the change to the Regulated Market / Prime Standard of the Frankfurt stock exchange. The Supervisory Board participated actively in this process through consulting and discussion with the Management Board. In the past financial year, the Supervisory Board fully carried out all the controlling and advisory tasks incumbent upon it in accordance with the law, articles of association and rules of procedure. We have followed the Management Board's work closely, advised the Management Board regularly on the management of the Company and carefully monitored the management on the basis of written and oral Management Board reports and joint meetings. The Supervisory Board was promptly and directly included in all decisions of fundamental importance for the company. On the basis of the Management Board's reporting, we have extensively discussed business performance as well as important decisions and key events of relevance to the company. Deviations of business development from the plans have been individually explained to the Supervisory Board and discussed intensively. Furthermore, the Supervisory Board satisfied itself of the legality, propriety, usefulness and efficiency of the Company's management.

Cooperation between the Supervisory and Management Boards

The Management Board comprehensively fulfilled its obligation to report to the Supervisory Board both orally and in writing. The Management Board informed us regularly, promptly, and thoroughly on company planning, the course of business, strategic development, and the Group's current situation. It involved us in all significant transactions and decisions of fundamental importance for the Company.

At the meetings, we discussed the information presented to us in detail together with the Management Board. The cooperation with the Management Board was characterised by responsible and purposeful action in every respect.

Outside meetings, we regularly conferred within the Supervisory Board and the Management Board informed us promptly of important events at Heliocentris. Between meetings, I conducted regular talks with the Chairman of the Management Board Ayad Abul-Ella. As well as the present business situation, topics of discussion included strategic alignment, the risk position, risk management and compliance.

The Management Board presented all transactions requiring approval to the Supervisory Board in due time. After comprehensive consulting and examination, we granted our approval where appropriate.

Supervisory Board meetings and main topics of discussion

In the 2015 financial year, the Supervisory Board – in observation of section 110 (1) sentence 1 of the German Stock Corporation Act (AktG) – held a total of four ordinary meetings. In addition to these, four conference calls were held. We adopted further resolutions through circulation procedures outside meetings. At least five Supervisory Board members attended each Supervisory Board meeting.

At the Supervisory Board meetings, the Management Board informed us of the current situation of the Company and group companies, sales and earnings development, and strategic considerations. We also dealt with issues of the risk position, risk management, compliance, accounting and Management Board personnel matters in meetings. As needed, we dealt with financing issues and investment projects.

We discussed the following topics in the individual meetings for the 2015 financial year:

Ordinary meeting on 25 March 2015

The focus of the meeting was on reporting and consultation concerning the annual financial statements for 2014. The auditor attended the meeting for this agenda item. In addition, the entire Management Board of the Company was present and provided additional and explanatory information. We also dealt with the agenda for the 2015 Annual General Meeting including the administration’s proposed resolutions. In addition, we discussed financing measures, a potential company acquisition, and the planned change to the Prime Standard. It was also decided at the 25 March 2015 meeting that the Supervisory Board would form an Audit committee from among its members.

Ordinary meeting on 16 June 2015

The meeting took place directly after the 2015 Annual General Meeting. In addition to the general business and earnings development and the most important customer projects, the status and strategy for a potential company acquisition as well as approaches and candidate profiles concerning a suitable Chief Financial Officer were discussed in this Supervisory Board meeting.

Ordinary meeting on 29 September 2015

In the 29 September 2015 meeting, the Management Board delivered a comprehensive overview of business development and the strategy for the fuel cell and electrolysis areas, which were discussed at length. In addition, we discussed measures for a response to looming negative earnings development with the Management Board, particularly measures for cost reduction and securing continued financing.

Ordinary meeting on 8 December 2015

In December, we came together for our fourth ordinary meeting of the financial year. In this meeting, the Management Board delivered its suggestion for the company's future business strategy and for a programme for increasing efficiency. In this context, the Management also presented the suggested budget for the 2016 financial year, which was still to be discussed with Ms. Sabine Kauper, the newly hired Chief Financial Officer appointed through a circular procedure in November 2015. The Management Board informed us of the Group's current liquidity situation. The extension of the term of the convertible bond issued by the company, as well as further financing options, were discussed.

German Corporate Governance Code

In the Supervisory Board meeting on 25 March 2015, we dealt with the German Corporate Governance Code in consideration of the intended change to the Regulated Market, and discussed the limitations suggested by the Management Board in the declaration of compliance. The Supervisory Board's corresponding resolution for the provision of a declaration of compliance within the framework of the published securities prospectus was passed via circular procedure after the meeting, on 22 April 2015. Additionally, in the Supervisory Board meeting on 29 September 2015, we addressed the German Corporate Governance Codex again and agreed on the issuance of a declaration of compliance in accordance with Section 161 AktG. The declaration of compliance was made permanently accessible to shareholders on the company website. The current declaration of compliance, which was concluded in the meeting on 27 April 2016, was also reproduced in the Corporate Governance Report and Statement on Company Management.

During the reporting year, no conflicts of interest were observed among members of the Supervisory Board, with the exception of the following situations:

On 25 November 2015, the Supervisory Board approved in a circulation proecedure after discussions in previous meetings the execution of a capital increase at Home Power Solutions GmbH in the context of which further shares were issued to new investors and the shares of the current co-shareholder BFB Frühphasenfonds GmbH were re-acquired by HPS Home Power Solutions GmbH. One Supervisory Board member disclosed to the Supervisory Board in the context of these discussions that a company represented by it manages the BFB Frühphasenfonds GmbH which may lead to a conflict of interest. This member abstained from voting in this resolution.

In December 2015, after thorough discussion at the 8 December 2015 meeting, the Supervisory Board agreed on the extension of the convertible bond issued by the company and a reduction of the conversion price. Two Supervisory Board members disclosed to the Supervisory Board that they were holders of convertible bonds in the company, and as such could be subject to a conflict of interest. To avoid a conflict of interest, both of these members abstained from voting in the subsequent decision.

Further information on the company's corporate governance can be found in the Corporate Governance Report.

The Audit Committee of the Supervisory Board

The Audit Committee formed in the 2015 financial year is to monitor the accounting process in particular. The committee's responsibility is to conduct a preliminary review of the annual and consolidated financial statements, on the basis of which it will submit recommendations to the Supervisory Board on whether to approve the annual financial statements of Heliocentris Energy Solutions AG and the consolidated financial statements. It is the Audit Committee's responsibility to discuss the quarterly financial reports or financial statements created by the Management Board. In addition, it is to address, among other things, the company's risk monitoring system, the internal control system as it relates to financial reporting, and the risk management system. The committee chairman is to provide the Supervisory Board with regular reports on the work of the Audit Committee.

In the 2015 financial year, the Audit Committee held its meetings jointly with the Supervisory Board. In addition, conference calls took place between the Audit Committee, the Management Board, and when necessary, the auditor. The Audit Committee discussed the mid-year report as well as the quarterly financial reports with the Management Board, established the auditing focal points for the 2016 financial year with the auditor, and determined the auditor's fees. The committee monitored the independence and qualification of the auditor.

Changes to the Supervisory and Management Boards

Mr. Oliver Krautscheid resigned his Supervisory Board post at Heliocentris Solutions AG on the conclusion of the Annual General Meeting on 16 June 2015. The Supervisory Board thanks Mr. Krautscheid for his professional and committed service and contributions to the company's success, and for many years of trusting collaboration. The 2015 Annual General Meeting selected Klaas de Boer as Mr. Krautscheid's successor.

In a resolution on 12 November 2015, the Supervisory Board appointed Ms. Sabine Kauper as a member of the Management Board, effective 1 January 2016. Ms. Kauper will take on the function of Chief Financial Officer (CFO).

Auditing of the Annual and Consolidated Financial Statements

BDO AG Wirtschaftsprüfungsgesellschaft, Berlin, was elected as the auditor for the 2015 financial year by the Company's Annual General Meeting and commissioned by the Supervisory Board. The Supervisory Board negotiated the audit agreement, specified points to be covered by the audit, and awarded the contract.

The auditor, BDO AG, examined the annual financial statements of Heliocentris Energy Solutions AG, the consolidated financial statements, and the combined management report of the company and of the group for the financial year ending 31 December 2015, and issued them with unqualified auditor's opinions. The consolidated financial report was created in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union, and in compliance with the applicable German statutory requirements supplemented by Section 315a of the German Commercial Code (HGB).

On 22 April 2016, the Audit Committee of the Supervisory Board met and discussed the provisional status of the annual and consolidated financial reports with the auditor, as well as the first audit findings. At the end of April 2016, it became apparent that due to a complex issue that still needed to be audited the documentation for the annual and consolidated financial statements would not be completed on schedule before 30 April 2016, meaning that the Supervisory Board meeting on 27 April 2016 could not complete a resolution on the annual financial statement or the consolidated financial statement. On 11 May 2016, a further Supervisory Board meeting took place, in which the annual and consolidated financial statement documentation, as well as the reasons for the delayed completion of those documents, were discussed at length. In the run up to this Supervisory Board meeting, the annual and consolidated financial statement documents were provided in due time to the Supervisory Board members, who studied them carefully. These documents were discussed in detail in the Supervisory Board meeting. As the annual financial statements for the financial year ending 31 December 2015 did not report any net retained profit, the Management Board did not have to submit a proposal for the appropriation of profit. The auditor attended the meeting, reported on the course of the audit and the audit findings and was available to answer questions, to give additional information and discuss the documents. A resolution could not be passed in the meeting on 11 May 2016 due to the fact that the final audit report could be made available to the Supervisory Board members after the meeting on 11 May 2016 only. After providing the Supervisory Board members with the audit reports, these reports were likewise reviewed carefully and the Supervisory Board members had the opportunity to discuss these documents with the Management Board and the auditor in a conference call on 26 May 2016 and to ask questions in this regard.

With knowledge and in consideration of the auditor's audit reports, and in discussion with the auditor, the Supervisory Board examined the annual and consolidated financial statements and the combined management report and agreed with the auditor’s findings. No objections were to be raised after the definitive results of the audit by the Audit Committee and our own audit. After extensive consultation in the meeting on 11 May 2016 and in the conference call on 26 May 2016, the Supervisory Board approved the annual and consolidated financial statements for the 2015 financial year and the management reports of the company and the group on 26 May 2016. The annual financial statements have thus been adopted (section 172 sentence 1 AktG).

The Supervisory Board thanks the Management Board members and all employees of the Company for their great commitment and their dynamic efforts in the interests of the Company. Out thanks go in equal measure to the shareholders for their support and confidence in Heliocentris Energy Solutions AG.

Berlin, May 2016

Oliver Borrmann
Chairman of the Supervisory Board