ANNUAL REPORT 2015
CHG-MERIDIAN AG

Forward-thinking technology management

Greater efficiency throughout the entire technology lifecycle: New TESMA® provides unimagined forms of efficiency

Efficient Technology Management®

OUR YEAR IN FIGURES

183

million EUR in gross margin was generated in 2015. That is an increase of 20% compared with the previous year and also the result of our strong position in the market.

22.5

million EUR was the total volume of the IT and healthcare portfolio that we successfully acquired in northern Europe. The customer portfolio was obtained from GE Capital in Norway, Sweden, Denmark, and Finland and represents a logical extension of our growth strategy.

25

trainees and students are currently attending six training courses and three study courses. Four management trainees are also working for us.

11,513

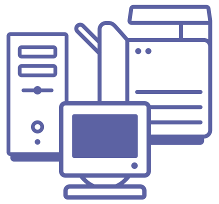
active customers were managed in 2015. The number of leases was also up sharply. Rising by 7.5%, the number of current leases topped the 70,000 mark for the first time.

1.057

billion EUR was the volume of our global lease originations in 2015. This is a new record – a year-on-year increase of 5.2%.

17

PCs were donated to the St. Johann Blönried College. As part of the CARE initiative, our staff ran, swam and cycled for good causes at the Ebenweiler relay triathlon.



490,000

IT assets were remarketed in 2015, which equated to year-on-year growth of 7.5%. The remarketing of equipment at the end of its useful economic life is part of our business model that focuses on conserving resources and operating sustainably.

2,500

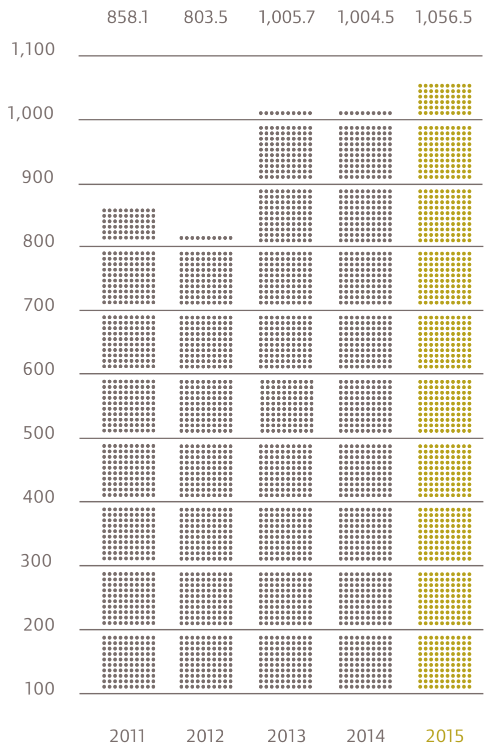
EUR was donated to the Radio 7 dragon kids campaign and the Förderverein Coole Uhlen e.V. and Sport hilft! e.V. sports charities. This amount was raised by our staff and friendly teams at the Soccer Cup as part of the CARE initiative and then donated to community-based projects.

OUR OFFICES AROUND THE WORLD

AMERICAS Los Angeles (US), Chicago (US), Dallas (US), Windsor (CA), Mexico City (MX), Guadalajara (MX), São Paulo (BR) **EUROPE** Paris (FR), Lyon (FR), Monza (IT), Rome (IT), Barcelona (ES), Madrid (ES), Baden (CH), Vienna (AT), Grimbergen (BE), Egham (UK), Dublin (IE), Rotterdam (NL), Moscow (RU), Ljubljana (SI), Prague (CZ), Warsaw (PL), Bratislava (SK), Oslo (NO), Skien (NO), Stockholm (SE), Helsinki (FI), Copenhagen (DK) **GERMANY** Weingarten (HQ), Munich, Nuremberg, Düsseldorf, Groß-Gerau, Hamburg, Berlin

KEY CONSOLIDATED FIGURES

LEASE ORIGINATION
(€ MILLION)



GROSS MARGIN

		2015	2014
Gross margin	€ 000's	183,059	151,928
Domestic (Germany)	€ 000's	105,171	92,096
International	€ 000's	77,888	59,832

HIGHS

		2015	2014
Current leases	Number	70,266	65,369
Active customers	Number	11,513	10,766
Remarketed equipment (items)	Number	490,207	456,243
Certified eraSURE (assets)	Number	106,071	102,524

CARE: SOCIAL RESPONSIBILITY WITH VISION

The CARE (CHG-MERIDIAN ATTENDS TO ITS REGIONAL ENVIRONMENT) project has enabled us to create a platform on which our employees can help to shape the details of our corporate citizenship. They make specific suggestions connected with their region and put them into practice as a team – from budget planning to organization and project marketing. CHG-MERIDIAN then contributes grants and resources. In this way, we pass on the profits made by our Company to disadvantaged people in our society.

CONTENTS

JÜRGEN MOSSAKOWSKI
Chief Executive Officer (CEO)

“DIGITAL TRANSFORMATION, INDUSTRY 4.0, SHARING ECONOMY: THESE CHANGES REPRESENT A REAL OPPORTUNITY FOR CHG-MERIDIAN.”

Digital transformation. Industry 4.0. Sharing economy. These complex concepts describe the changes that we and our customers have had to deal with in the last few years. And they all have something in common. Firstly, they called fundamental market structures into question and have since then been ushering in major changes. Technology underlies all of the changes, which is why it is the engine that powers our solutions. Secondly, data is a new and essential ingredient that is driving innovation and creating new business models that are centered on these concepts and the related changes.

HELPING TO SHAPE THE DIGITAL TRANSFORMATION

There is a reason why we are a long-standing, active member of Initiative D21, Germany's largest partnership between politics and business aimed at innovatively shaping the information society. The digital transformation is changing technology, people, business, and politics, as can be seen from the annual D21 Digital Index but also from the initiative's network, which provides us and many other leading companies in the IT, finance and industrial sectors with a forum in which we can provide impetus for future change.

BRINGING THE WORLDS OF IT AND INDUSTRY TOGETHER

Our decision in 2012 to use our business model to exploit market potential in the field of industrial technologies is also important for the future and an opportunity for CHG-MERIDIAN. As industrial manufacturing processes and machinery become increasingly networked, we can transfer our expertise in IT and develop new solutions. Many different approaches are currently being developed in cooperation with our customers. The aim is to learn more about how the technologies are actually used so that we can optimize their deployment.

PAVING THE WAY FOR CUSTOMIZED IT BUSINESS CONCEPTS

The third concept, the sharing economy, stems from the core of our Company's DNA. For more than 30 years, it has been obvious to us that customers should be supplied with equipment that they can use for a predetermined period of time rather than having to purchase it. We call this a 'customized business concept', which means that we offer efficient rental and leasing models with service components in which the focus is on using the technology. Technologies are therefore shared on a market-oriented basis – and used even more efficiently throughout their entire lifecycle. You could even say that we have been paving the way for and 'driving' the Car2Gos and Ubers of the IT sector.

These changes represent a real opportunity for CHG-MERIDIAN. This is true for us as a Company with a strong future. And it is true for our customers, whose investments are helping to shape the future. It is thus also true for our business model, which we critically examine at regular intervals in order to adapt it to the latest market developments. Companies investing in cutting-edge technology today know that they can rely on us. We are independent advisors, agile providers of ideas, dependable project managers, and experienced sparring partners on all commercial matters.

CREATING EFFICIENCY THROUGH HYBRID SERVICE PROVISION

Going forward, our position and role will be aligned even more closely with the market conditions brought about by the digital transformation, Industry 4.0, and the sharing economy. But what does that mean in practice? In the future, we will be able to deliver customer projects with even greater agility, speed, and flexibility than we do now. We will bring together our expertise even more effectively for our customers and take on more responsibility. We will increasingly act as an end-to-end provider, offering customers not only financial services but also intelligent contracts for technical services. In this way, we will deliver services as part of a hybrid approach that – as in the automotive world – brings together expertise from two 'drive systems' at the right time. This will create a genuine benefit for our customers, namely maximum efficiency.

REACHING A MILESTONE WITH THE NEW TESMA®

Data is already the key to greater efficiency. And it is the essential ingredient that is driving innovation. We have reached a major milestone with the new version of our TESMA® technology and service management system. Our goal was to make our proprietary application fit for the future and align it even more closely with our customers' requirements. Customers are increasingly having to make decisions about large-scale investments on the basis of complex data. And the biggest advantage of TESMA® is that it creates more transparency at every stage of the technology lifecycle.

How many IT workstations does the company have? Where are they located? What will they cost in the next quarter? And how can the allocation of expenditure on consumables and servicing to individual devices be managed and documented? A system for managing technology investments can answer these and other questions. It also reveals the great potential for optimization. After all, inefficiency and opaque processes often lead to high levels of expenditure and drive up overall costs. As connectivity becomes more prevalent, we will discover even more about the effective use of technologies.

Alongside the solution areas that we have progressively built up in recent years, TESMA® lies at the heart of our service business. And not without reason: We believe that, in order to be ideally positioned for the future, we need to draw even greater benefit from the knowledge that we have at our disposal. This may lead to new usage models, new charging models, and new products. You can be sure that we will come up with further innovations in this area in 2016. For even more efficiency in technology management.

You will find more information on these and other topics in this annual report.

Jürgen Mossakowski
Chief Executive Officer (CEO), CHG-MERIDIAN AG

BOARD OF MANAGEMENT:

JOACHIM SCHULZ
Chief Financial Officer (CFO)

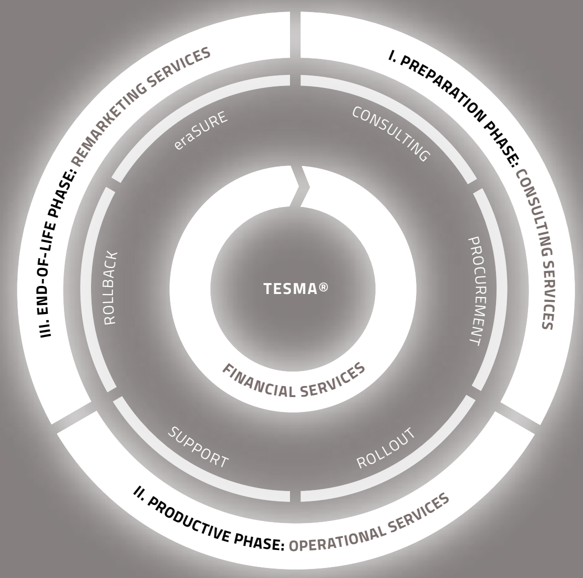
DR. MATHIAS WAGNER
Chief Sales Officer International (CSO)

FRANK KOTTMANN
Chief Sales Officer Central Europe (CSO)

JÜRGEN MOSSAKOWSKI
Chief Executive Officer (CEO)

Efficiency has a new name – TESMA®

As experts in efficient technology management, we develop and finance individual technology portfolios with an eye to the future. Our central promise is that we reduce the workload for customers at every stage of the technology lifecycle. And this is based on TESMA®.



i TECHNOLOGY LIFECYCLE

Providing flexibility and transparency throughout the entire technology lifecycle, TESMA® creates new opportunities for the efficient organization of technologies and provides all the relevant information at a glance.

Ground-breaking application

TESMA® is the technological basis for our portfolio of services. The technology and service management system takes efficiency to a new level and creates unparalleled transparency, because it enables technical equipment to be monitored and controlled throughout its entire lifecycle.

At the touch of a button, the application responds to questions about creating asset statistics, purchase orders, invoices or locational information, saving time, mitigating risk, and cutting costs. TESMA® significantly reduces the workload for individual departments at companies in all three of its technology areas (IT, industrial and healthcare).

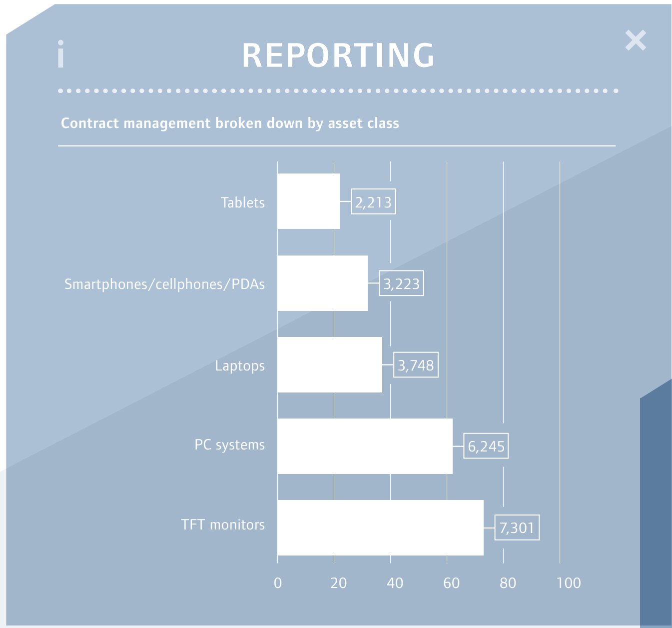
Because TESMA® is an essential tool for efficient technology management, we have made the application even better, providing more guidance and efficiency for the management of complex technology portfolios.

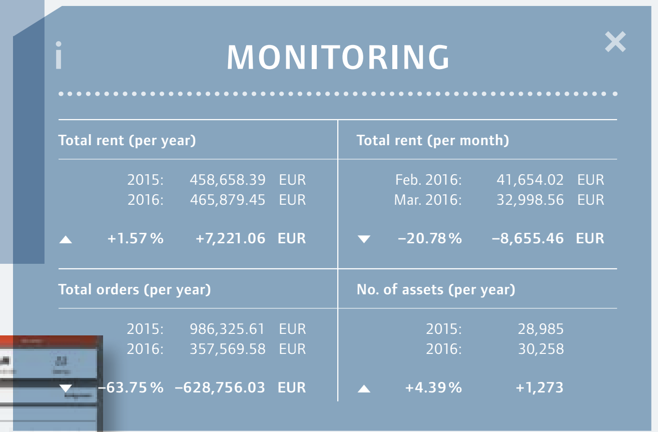
Crucial combination

Technical expertise combined with commercial intelligence

This is what makes TESMA® unique

TESMA® combines the two spheres of business and technology that often exist in isolation from each other. The application provides hardware, installation, and financial data for all assets and allows them to be accessed in real time. As an intelligent interface between both spheres, TESMA® succeeds in creating maximum transparency. It makes flexible administration, financial planning and accurate reporting possible for all technologies. Using TESMA®, we identify even more clearly the areas where customers are in need of optimization, and increase their productivity many times over.





Customer	Year	Quarter	Lease payment	Currency
IT Solutions Inc.	2015	1	4,986.60	€
IT Solutions Inc.	2015	2	6,316.80	€
IT Solutions Inc.	2015	3	7,127.88	€
IT Solutions Inc.	2015	4	7,358.78	€
IT Solutions Inc.	2016	1	7,474.23	€
IT Solutions Inc.	2016	2	7,474.23	€
IT Solutions Inc.	2016	3	7,376.79	€
IT Solutions Inc.	2016	4	7,376.79	€
IT Solutions Inc.	2017	1	3,575.79	€
IT Solutions Inc.	2017	2	3,575.79	€
IT Solutions Inc.	2017	3	3,575.79	€
IT Solutions Inc.	2017	4	3,575.79	€
IT Solutions Inc.	2018	1	2,390.19	€
IT Solutions Inc.	2018	2	1,059.99	€
IT Solutions Inc.	2018	3	346.35	€
Number: 15			73,591.79	

Connectivity in practice

Challenge: All data is updated centrally in the customer's CMDB. The data is needed in TESMA® in order to track the defined business processes. Does the data have to be entered twice?

Solution: Single data capture process for the customer and for us by merging the data and linking the two databases via TESMA® Webservice.

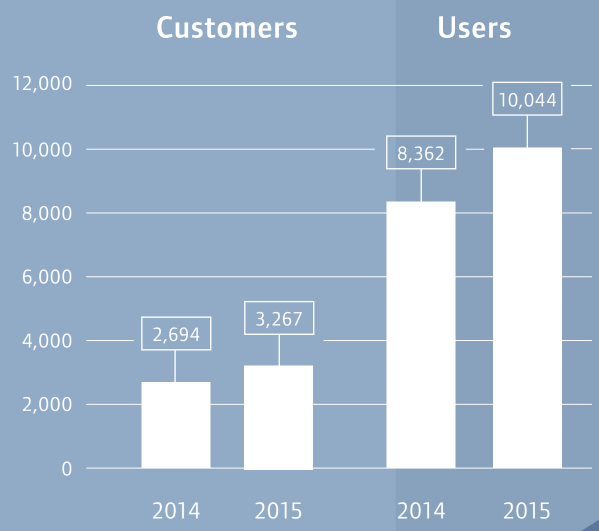
Benefit: All the data is now in one database and any changes are also updated in both databases. Information is shared at all times – and there is no need for manual or duplicated data maintenance.

Business benefits
Discovering simplicity

Transparent cost control

TESMA® delivers exactly what commercially-minded decision-makers have long wanted for their technology landscape: a simple, straightforward method of transparent cost control, plus cost allocation that works accurately for each cost center and cost object, requiring no extra effort or expense.

TESMA®'S TRACK RECORD



6,094,030
Assets

700
hits a day

9
languages

Cost-center allocation in practice

Challenge: Managing invoicing.

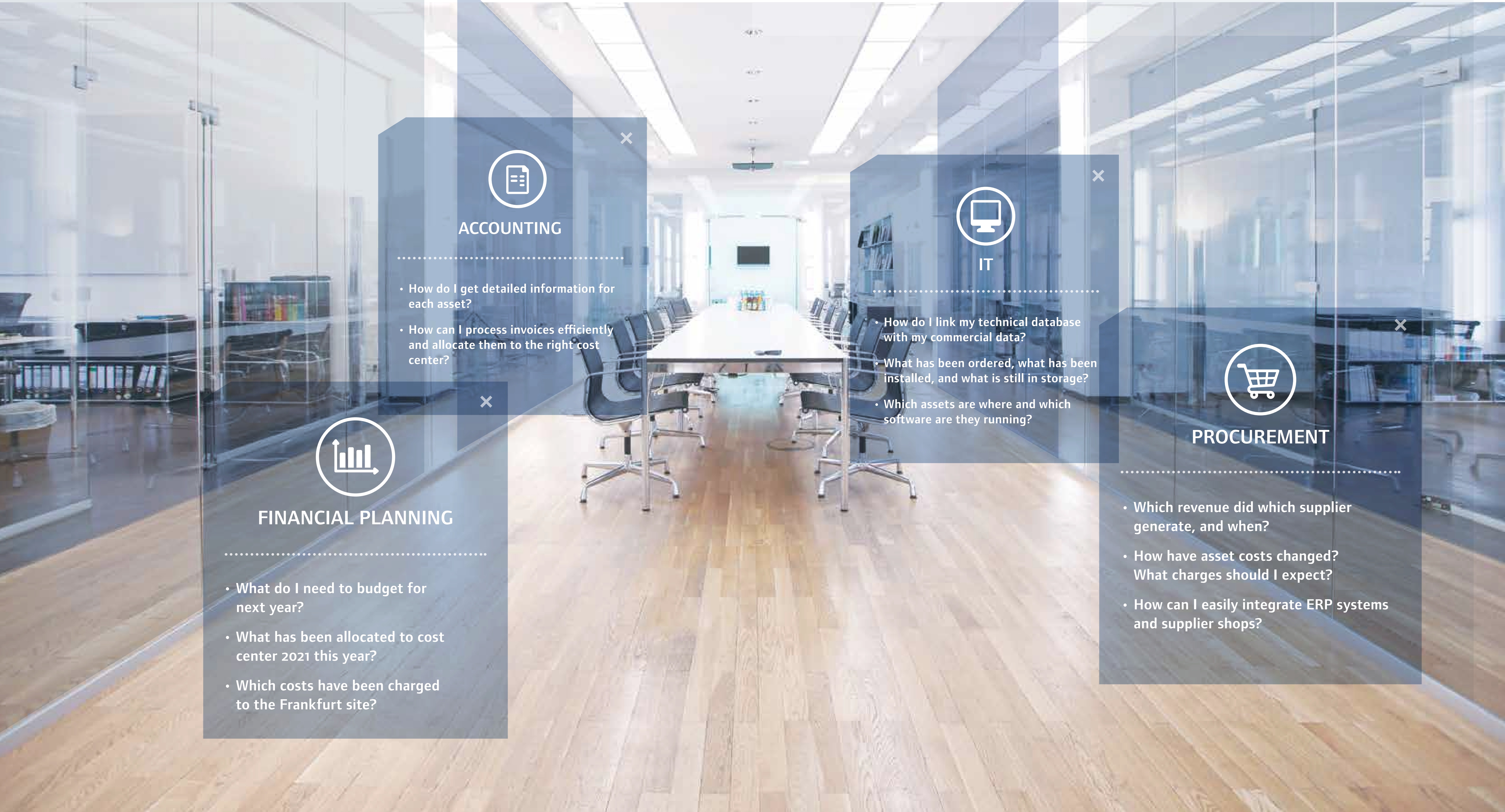
Solution: Update the relevant data at asset level in TESMA®.

Benefits: The data for invoicing customers stored in TESMA® is always the latest, so the assets on the invoice are already allocated to the correct cost center or site name. The customer can pass these costs straight on to the correct cost center or site – straightforward and cost-free.

"TESMA® breaks down my invoices in such a way that each asset is allocated to the right cost center, the right site or the right organizational unit. This enables me to assign individual items and re-invoice them with no extra effort or expense."

Transparency at all levels

Complex questions have one answer: TESMA®



ACCOUNTING

- How do I get detailed information for each asset?
- How can I process invoices efficiently and allocate them to the right cost center?

FINANCIAL PLANNING

- What do I need to budget for next year?
- What has been allocated to cost center 2021 this year?
- Which costs have been charged to the Frankfurt site?

IT

- How do I link my technical database with my commercial data?
- What has been ordered, what has been installed, and what is still in storage?
- Which assets are where and which software are they running?

PROCUREMENT

- Which revenue did which supplier generate, and when?
- How have asset costs changed? What charges should I expect?
- How can I easily integrate ERP systems and supplier shops?

Technical brilliance
Pre-programmed to make life easier

Clarity for the IT department

TESMA® gives IT managers a comprehensive overview of their entire asset inventory, making it easy to record details such as location and consumption volume. They always know which assets have been ordered and delivered, which are still in the IT warehouse, and which have already been installed. This makes their life much easier and, thanks to suitable interfaces, they are updated at all times.

Flexible control in practice

Challenge: In order to minimize administration work and costs, a customer wants to introduce a global strategy for managing IT equipment in the large number of companies in its group.

Solution: A dynamic and flexible platform for managing IT equipment within the group of companies. TESMA® enables the customer to monitor and track IT equipment by location and cost center, simply, rapidly and flexibly. TESMA® also shows which IT assets have been ordered, which are in use, and which are in storage.

Benefits: Optimized internal IT management processes among individual companies in a group, plus maximum transparency and flexible reporting options provided by one platform.

“TESMA® Webservice makes it very easy for me to transfer the data in the CHG-MERIDIAN portfolio to other data-bases where it is straightforward to integrate it with that information.”

Ahead of its time
The next level of efficient technology management

New TESMA® features

The new release takes the efficient management of complex technology portfolios to the next level. TESMA® provides all the relevant information – now it is even more clearly laid out, simpler, and offers more functionality.

Management dashboard
- Dashboard with freely combinable widgets
- State-of-the-art software interface
- Straightforward, intuitive user guide

Additional controlling reports
- Locational analysis with detailed asset data
- Budget planning for long-term financial management
- Invoicing statistics
- Consumables report

TESMA® Download Scheduler
- Unidirectional interface with periodic checks

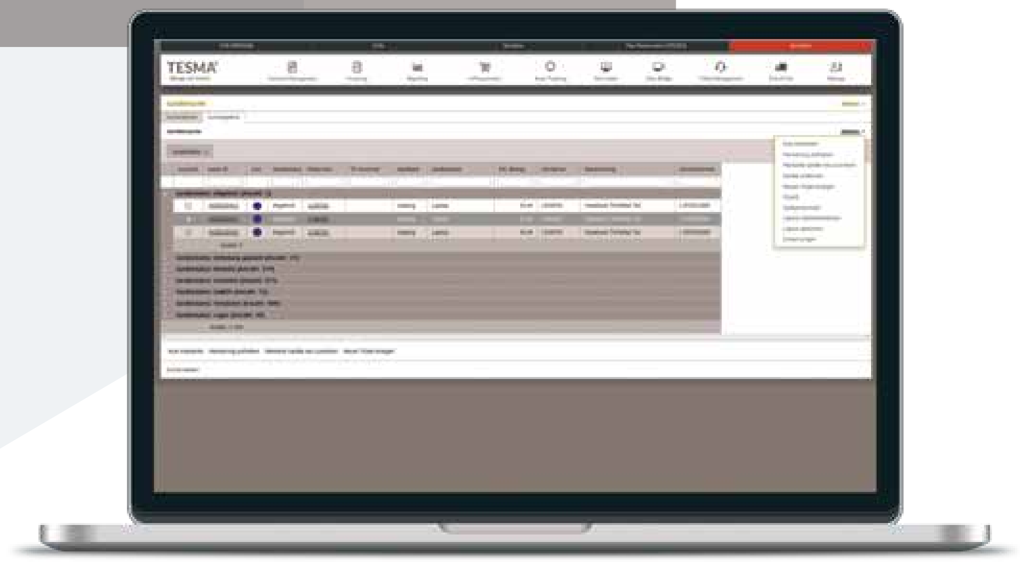
TESMA® web service
- Bidirectional interface for easy integration of data into other databases

EDIFACT
- Electronic exchange of invoicing data for automatic processing in ERP systems

ERP Order Interface
- Automated transfer of ERP purchase orders into the e-Procurement module

End of Life module
- Tracks complete rollback processes for IT equipment
- Seamlessly leads up to the eraSURE data erasure process
- Transparent asset tracking from collection through to erasure logs

Discover more features and benefits offered by TESMA® at www.chg-meridian.de/en/services/tesma

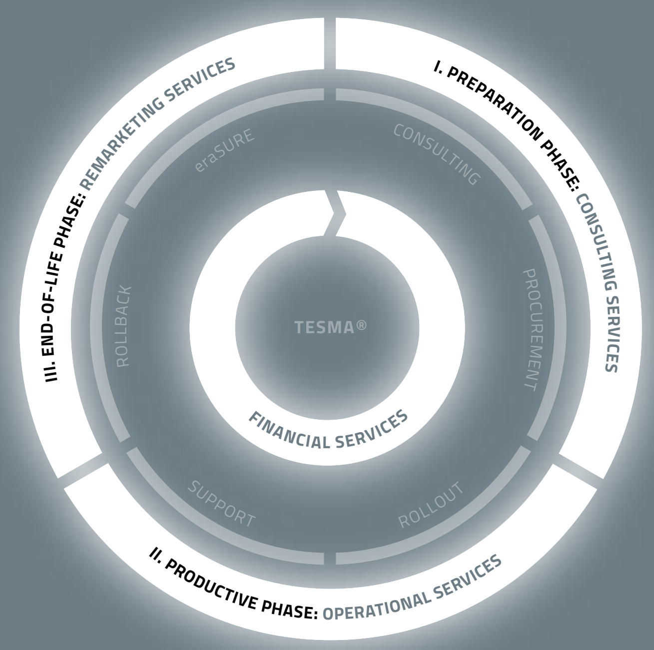


Perfection down to the last detail. TESMA® enables us to keep track, provide guidance, combine different spheres based on our experience, and to create maximum technical and financial transparency. This is forward-thinking technology management – with new ideas and vision.

GROUP MANAGEMENT REPORT

SECTION 1
GROUP STRUCTURE AND BUSINESS MODEL

OUR SERVICES



CHG-MERIDIAN brings together a wide range of expertise in four service areas: Consulting Services, Operational Services, Financial Services and Remarketing Services. Together, they embody our promise of Efficient Technology Management®.

1.1 LEGAL AND ORGANIZATIONAL STRUCTURE OF THE CHG-MERIDIAN GROUP

CHG-MERIDIAN AG is one of the world's leading non-captive providers of technology management in the fields of IT, industry, and healthcare. The Company was founded in 1979 as a private limited company (GmbH) and became a stock corporation (AG) in 1997. During the years that followed, the CHG-MERIDIAN Group grew to its current size by steadily expanding its volume of lease origination and establishing subsidiaries in various countries in Europe and the Americas.

CHG-MERIDIAN AG maintains an international presence at 36 locations in 23 countries. These include seven German sites, which comprise our headquarters in Weingarten plus branch offices in Munich, Nuremberg, Düsseldorf, Gross-Gerau, Hamburg, and Berlin. Across the rest of Europe, the CHG-MERIDIAN Group has offices in Paris, Lyon, Monza, Rome, Barcelona, Madrid, Grimbergen/Brussels, Baden/Zurich, Vienna, Egham, Dublin, Rotterdam, Moscow, Ljubljana, Prague, Warsaw, Bratislava, Oslo, Skien, Stockholm, Copenhagen, and Helsinki. Its offices in the Americas are located in Los Angeles, Chicago, Dallas, Windsor (Canada), Mexico City, Guadalajara (Mexico), and São Paulo.

The organizational structure of the operating companies in the CHG-MERIDIAN Group as at December 31, 2015 is shown in an annex to the group management report.

1.2 BUSINESS MODEL OF THE CHG-MERIDIAN GROUP

The business model used by the CHG-MERIDIAN Group is summarized in the following positioning statement:

CHG-MERIDIAN devises customized business concepts and manages efficient investments in technology. We provide our customers with impartial, straightforward, and expert advice and offer efficient technology management for small and medium-sized enterprises, large corporations, and public-sector clients.

Building on our original core competency of information technologies, we have recently broadened our product range to include healthcare technologies and industrial technologies. Structuring, efficient management and organization, and a tailored approach to developing customized business concepts are key to the success of capital investment in all three of these technology segments. The main appeal of the products that we offer is not the financing facilities that they provide but that customers can use them for a limited period. In addition, our customers benefit from transparent cost control and sustainable remarketing as a result of professional equipment reconditioning.

We have grouped our service expertise into four areas: Consulting Services, Operational Services, Financial Services, and Remarketing Services. Together, they deliver our promise of efficient technology management.

CONSULTING SERVICES

We assist our clients in the development of business concepts, weigh up the advantages and disadvantages of competing technologies, and devise customized business concepts for our clients. This enables them to benefit from the technological expertise that we have acquired from working on countless projects and maintaining long-term relationships with customers and employees.

OPERATIONAL SERVICES

The efficient organization and management of technology investments during their operation calls for precise planning and implementation of each individual step. To this end, CHG-MERIDIAN offers solutions that are tailored to customers' requirements. These solutions comprise, above all, the development and management of scalable technology portfolios that ensure the most efficient use of customers' investments in terms of total cost of ownership (TCO). Our presence in different countries worldwide also enables us to fulfill international customer requirements. Customers benefit from increased availability of service and quality, simplified operational processes, and highly efficient technology management with accompanying process management.

FINANCIAL SERVICES

We find the most economical solution for our customers by taking an integrated view of all of the technical and commercial processes. By reducing process-related and TCO costs, this enables customers to reap significant productivity gains.

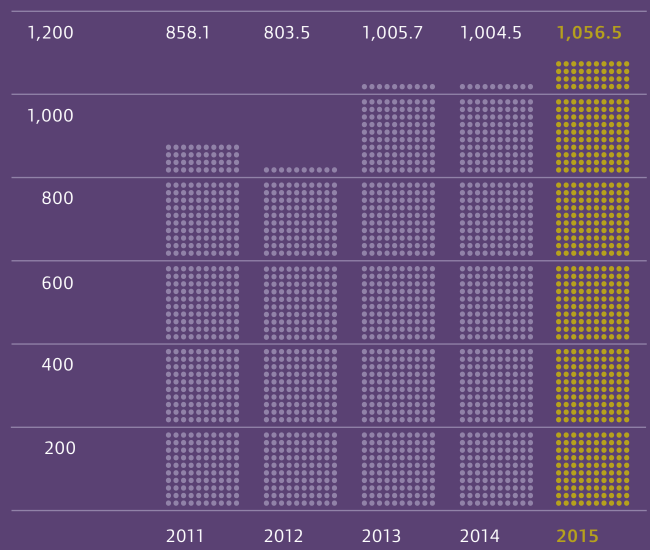
REMARKETING SERVICES

Besides ensuring the resource-efficient deinstallation of infrastructure, our remarketing services include a unique TÜV-certified process that erases the data stored on equipment. The main purpose of our Technology and Service Centers, which are located near Frankfurt am Main, Germany and in Skien, Norway, is to refurbish and then remarket IT equipment. Between them, the sites have the capacity to recondition almost one million items of equipment per year. The professional reconditioning and downstream remarketing of used equipment is becoming increasingly important owing to the growing global shortage of resources. Used IT equipment is dealt with sustainably and cost-effectively at the end of the product lifecycle, either by successfully remarketing it or by disposing of it in an eco-friendly manner at the Technology and Service Center.

All the services offered by CHG-MERIDIAN are also supported by TESMA®, a proprietary technology and service management system developed by the parent company. This online customer platform provides a central database for all key business information, making it available in real time, and integrates the commercial and technological business processes. It therefore creates maximum transparency and allows intelligent financial control, accurate 'causer pays' cost allocation, simple administration, and accurate reporting.

SECTION 2
BUSINESS REPORT

LEASE ORIGINATION
(€ million)



In 2015, the CHG-MERIDIAN Group generated lease origination of €1,056.5 million, a year-on-year increase of €52.0 million. The 88.0 percent target achievement rate makes 2015 another highly successful year.

2.1 MACROECONOMIC CONDITIONS AND SECTOR-SPECIFIC TRENDS

MACROECONOMIC CONDITIONS

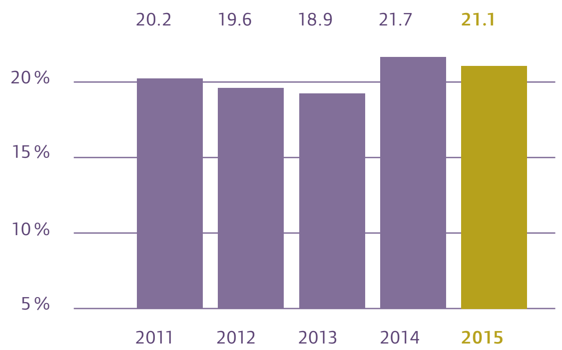
The Kiel Institute for the World Economy (IFW) puts global gross domestic product (GDP) growth at 3.1 percent for 2015 and forecasts a growth rate of 3.4 percent in 2016. The economic situation continued to improve in many industrialized countries in 2015, albeit moderately and with country-specific and regional differences. Inflation remained at a low level overall, regardless of the expansionary monetary policies pursued by many central banks. The move toward higher interest rates in the United States poses a risk for the highly indebted private sectors of many emerging markets and limits the potential for stimulus from economic policy. Low commodity prices and structural problems will continue to hold back expansion in these markets for the time being. The fall in the oil price is still having an adverse impact on the economies of oil-producing countries.

EUROPE

The economy of the eurozone is gradually picking up pace, growing by 1.5 percent in 2015 (2014: 0.9 percent). While the economy continued to perform well in central Europe, growth slowed significantly in eastern Europe, largely due to the ongoing conflict between Russia and Ukraine and the resulting uncertainty. In Russia, economic output contracted by a substantial 3.8 percent (2014: growth of 0.4 percent).

Looking at capital investment rates in the eurozone in addition to GDP, the European Union's statistical office Eurostat found that, although the investment rate was down slightly at 21.1 percent (2014: 21.7 percent), it remains at a high level.

INVESTMENT RATE (%)



GERMANY

In 2015, the German Federal Statistical Office and ifo Institute of Economic Research recorded a small increase in total capital investment of 3.0 percent to €342.0 billion and an increase of 4.5 percent in total spending on capital equipment to €223.0 billion. Despite a turbulent economic environment at global level, the German economy is maintaining its growth trajectory. In 2015, fueled by a continuation of the good monetary conditions, positive consumer sentiment, and a favorable trend in the job market, the German economy experienced its biggest upturn in four years. According to the Federal Statistical Office, it expanded by 1.7 percent year on year (2014: 1.5 percent).

NORTH AMERICA

After a slow start to the year due to bad weather and other one-off factors, the US economy picked up speed as the months progressed. A continuing fall in unemployment and positive consumer sentiment boosted economic activity and contributed to a growth rate of 2.5 percent (2014: 2.5 percent). The US dollar strengthened overall against the euro during the year and particularly appreciated against the euro at the end of the year when US interest rates were raised. Canada's GDP went up by a moderate 1.3 percent in 2015, having risen by 2.4 percent in 2014.

LATIN AMERICA

There was no let-up in Brazil's recession and the economy contracted by 3.6 percent in 2015 after registering zero growth in the previous year. The Mexican economy expanded by 2.3 percent (2014: 2.1 percent).

SECTOR-SPECIFIC TRENDS

The global information and communications technology (ICT) market grew by more than 3.0 percent in 2015, according to the European Information Technology Observatory (EITO). The IT market increased by 2.8 percent and the telecommunications market by 3.4 percent (2014: 4.4 percent for the IT market and 3.3 percent for the telecommunications market). In general, the IT sector continues to grow, reflecting the importance of ICT worldwide. Nonetheless, the pure-play IT equipment segment (excluding software and services) contracted by almost 1.0 percent year on year, while the global market in conventional personal computers (PCs) and laptops shrank by a considerable 7.6 percent in 2015. This firstly reflects the trend toward new devices and technologies, which together with other IT assets generated moderate growth of 1.9 percent, and secondly shows the increasing importance of services and software. Steady year-on-year rises in market volumes were also achieved by IT and business services (3.2 percent) and software (6.2 percent). The trend seen in the telecommunications market is exactly the opposite of that in the IT market: The telecommunications equipment segment achieved year-on-year growth of 6.6 percent, while the increase for communications services was 2.2 percent.

Based on global GDP and anticipated capital investment rates, the market for plant and production equipment was stable in 2015.

The European market volume in the CHG-MERIDIAN Group's third technology sector (healthcare) continued to be estimated at over €100 billion in 2015. Based on European manufacturers' list prices for medical equipment, Evaluategroup assumes that the European market accounts for almost 30 percent of the global market and consequently is the second biggest market after the United States (approx. 40 percent market share). Experts believe that the global market for medical equipment will expand by around 5 percent per year up to 2020.

It is too early to comment on the outcome of 2015 for the global leasing markets, but the Global Asset and Auto Finance Survey suggests that the global leasing markets continued to be affected by persistent problems in the global economy and the resulting reluctance to invest. However, there are signs of a slight recovery and the leasing sector anticipates higher rates of growth overall. At European level, the leasing ratio is expected to have risen slightly to more than 23 percent in 2015. One of the CHG-MERIDIAN Group's strategic goals is to achieve growth in both existing and new markets, so it is vital that it monitors global economic growth and the performance of the global leasing market at all times.

Despite interest rates remaining low and companies using their own resources for funding and still showing reluctance to invest, the Federation of German Leasing Companies (BDL) found that lease origination were up by 3.0 percent to €52.21 billion in 2015. Equipment leasing – an important sector for the CHG-MERIDIAN Group – increased by 4.1 percent and mirrored capital spending on plant and equipment in the economy as a whole during the reporting year. The proportion of spending on capital equipment attributable to leasing held steady at 22.9 percent (2014: 23.0 percent).

According to Leaseurope, IT leasing is the fourth biggest sector in the European leasing market and accounts for more than 6.0 percent of the total volume. The German IT leasing market (office and IT equipment) experienced a year-on-year decline of 2.0 percent in 2015, following an already weak year in 2014.

The plant and production equipment sector continues to represent the third-biggest leasing market in Europe after the passenger car and commercial vehicle leasing markets. The European market for plant and production equipment leasing remained unchanged at 17.0 percent of the total European leasing market. In Germany, the volume of leasing grew by 4.0 percent overall year on year. Having achieved highly promising growth in double figures at the start of the year, the pace of growth increasingly tailed off as the year progressed. This trend also reflects the order situation in the engineering sector.

The proportion of the global market for medical equipment accounted for by leasing is currently very small. In Germany, as in the rest of Europe, the leasing ratio is around 1.0 percent of total capital spending on medical equipment. Given that this is still a low percentage, the potential offered by capital spending in the healthcare sector is by no means exhausted. Partly driven by shorter innovation cycles and greater cost pressures in the healthcare sector, the total volume of leasing in this sector is expected to rise sharply in the next few years.

2.2 MARKET SUCCESS

2.2.1 GROSS MARGIN

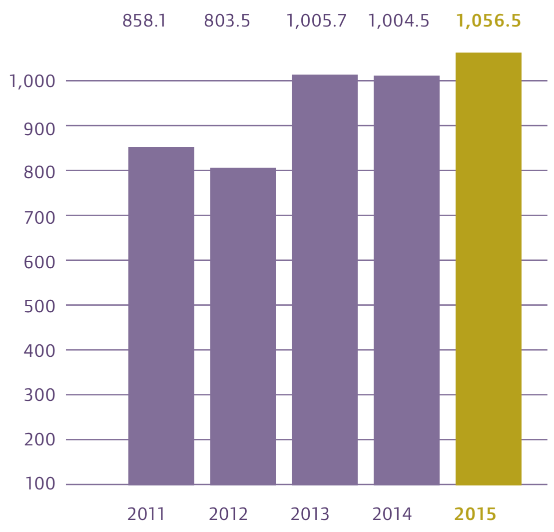
The gross margin earned by the CHG-MERIDIAN Group – defined as the present value of all leases originated and assets remarketed minus direct acquisition and funding costs – increased by a further €31.2 million to €183.1 million in 2015 (2014: €151.9 million). This performance was mainly attributable to higher margins at the end of lease terms due to disposals and renewals. As a result, the target of €160.0 million forecast by the CHG-MERIDIAN Group was also comfortably exceeded in 2015. The extremely impressive operating performance achieved last year confirms that the CHG-MERIDIAN Group's strategy of creating a leasing portfolio that will remain profitable was the right choice in 2015. Growth in lease origination at the expense of accepting substantial residual values and losing out on remarketing opportunities would impair the Company's profitability in the long term and is therefore not an option. Based on an increased volume of business, the CHG-MERIDIAN Group invested in residual values of €33.5 million in 2015, which was slightly higher than in the previous year (2014: €30.1 million).

2.2.2 LEASE ORIGINATION

According to management figures reported, the total volume of leases originated, which is calculated on the basis of purchase invoices received for leased equipment or equipment sold to funding partners, amounted to €1,056.5 million in 2015, which was €52.0 million more than the volume in 2014. Although this result fell short of the target of €1,200.0 million set for the year, the 88.0 percent target achievement rate still makes 2015 a successful year.

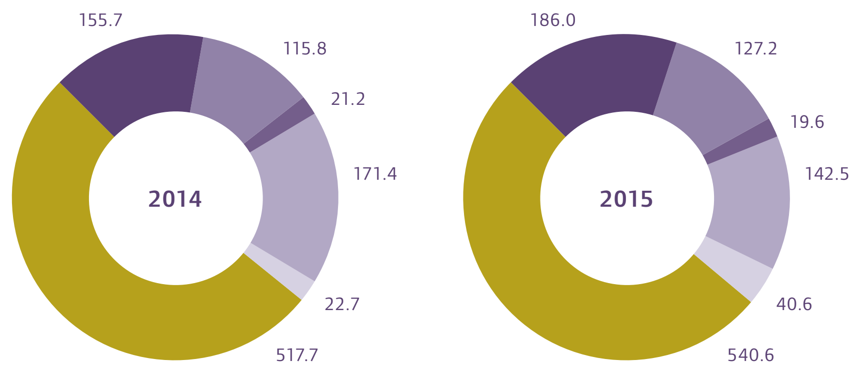
The following graph shows the changes in the volume of leases originated by the CHG-MERIDIAN Group over the past five years:

VOLUME OF LEASE ORIGINATION (€ million)



The regional breakdown of lease origination was as follows:

VOLUME OF LEASE ORIGINATION PER GEOGRAPHIC REGION (€ million)



- Central Europe (Germany, Austria/Slovenia, Switzerland)
- Western Europe (UK/Ireland, Netherlands, Belgium)
- Southern Europe (France, Spain, Italy)
- Eastern Europe (Russia, Poland, Czech Republic, Slovakia)
- Americas (USA, Mexico, Canada, Brazil)
- Northern Europe (Norway, Sweden, Finland, Denmark)

In Germany, CHG-MERIDIAN AG managed to exceed the high volume of leases originated in the previous year and, in 2015, generated total lease origination worth €471.9 million (2014: €460.2 million). This was slightly above the value of €471.4 million set in the budget. CHG-MERIDIAN Mobilien GmbH originated €27.8 million in new leases, which was slightly below the volume of €31.0 million generated in 2014. The total volume of lease origination for Germany was €499.8 million (2014: €491.2 million).

Of the CHG-MERIDIAN Group's total volume of lease origination, 52.7 percent was generated by the foreign subsidiaries in 2015 (2014: 51.1 percent), thereby increasing the proportion attributable to foreign subsidiaries compared with the previous year. This trend shows the great importance of its foreign subsidiaries for the performance of the CHG-MERIDIAN Group.

Outside Germany, the volume of leases originated in 2015 varied from country to country. The foreign subsidiaries in Belgium, France, Brazil, the Netherlands, and Sweden achieved very strong growth in lease origination. However, the subsidiaries in the United States, Mexico, Russia, Spain, and the United Kingdom reported declines in the year under review.

The largest growth in absolute terms outside Germany was achieved by the Belgian subsidiary, which expanded its lease origination by €25.6 million to €75.6 million in 2015 (2014: €50.0 million). Further growth was also generated by the local subsidiaries in France (up by €10.8 million), Brazil (up by €9.4 million), the Netherlands (up by €8.8 million), and Sweden (up by €7.1 million). These companies together achieved an aggregate increase of €61.7 million, which contributed accordingly to the healthy growth in leases originated by the CHG-MERIDIAN Group in 2015.

Declines in lease origination were reported by the subsidiaries in the United States (down by €16.8 million), Mexico (down by €15.3 million), Russia (down by €6.7 million), Spain (down by €4.2 million), and the United Kingdom (down by €4.1 million). However, the potential offered by these countries continues to be seen as significant and a return to growth is expected in 2016.

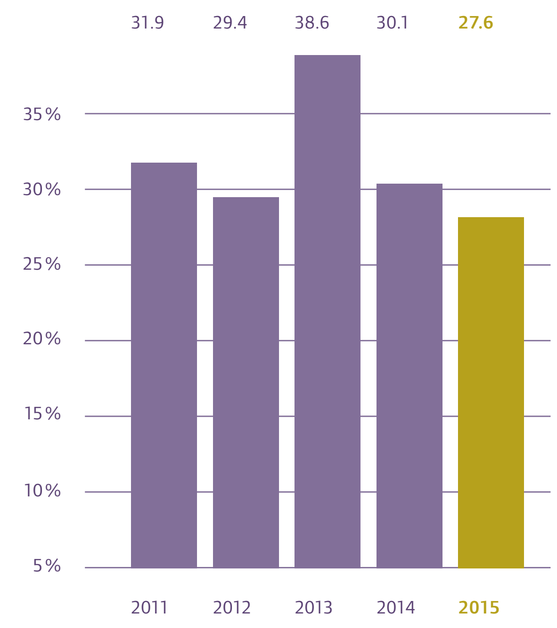
The CHG-MERIDIAN Group generally continued to pursue a policy of rejecting new business if transactions either appeared too risky or the balance between opportunities (earnings potential) and risk (e.g. default risk, funding risk) was not suitable in individual leases.

PROPORTION OF BUSINESS WITH NEW CUSTOMERS

The proportion of leases originated with new customers was 27.6 percent, which was slightly down compared with 2014 (30.1 percent) but still met our target of maintaining the proportion at a stable level. Acquiring new clients enables us to continually renew our portfolio and is vital to our long-term success.

The changes in the proportion of business with new customers between 2011 and 2015 show that our target rate of an average of 30 percent has mostly been achieved over the past five years.

PROPORTION OF BUSINESS WITH NEW CUSTOMERS (%)



2.3 FUNDING ENVIRONMENT

In 2015, the CHG-MERIDIAN Group's funding base was strong and secure. The liquidity situation and funding situation were very good, particularly in the eurozone. Adequate lines from various funding partners were available in all maturity bands and for all intended uses. Only the situation for the Russian subsidiary was not satisfactory due to the political environment, which is why lease origination were scaled back there.

For the CHG-MERIDIAN Group as a whole, however, there was a large excess supply of finance available from funding partners in 2015. Existing credit lines were either extended or increased, in some cases substantially, by the banks of the individual local subsidiaries. It was also possible to obtain new funding partners. This wide range of funding sources also meant that the CHG-MERIDIAN Group had more than sufficient funding lines available at all times in 2015, for both non-recourse funding and partly loan-based funding. At Group level too, leases were largely originated with maturities and interest rates that matched those of the corresponding funding.

The CHG-MERIDIAN Group's efforts to maintain stable, long-term relationships with its local funding partners – as well as to recruit new funding partners – contributed in 2015, as they had in previous years, to its success in continuing to have a consistently high number of funding partners (both public-sector and private-sector banking groups) that is well above the industry average.

2.4 CHANGES TO THE LEGAL STRUCTURE

Including its subsidiaries, CHG-MERIDIAN AG was represented in 23 countries in 2015 (2014: 23 countries).

In 2015, CHG-MERIDIAN AG acquired a further 5 percent of the shares in CHG-MERIDIAN Mobilien GmbH, Weingarten, and now holds all of this entity's shares.

2.5 REPORT ON THE PERFORMANCE

2.5.1 REPORT ON FINANCIAL PERFORMANCE

The following table shows the key figures from the consolidated income statement (€000's):

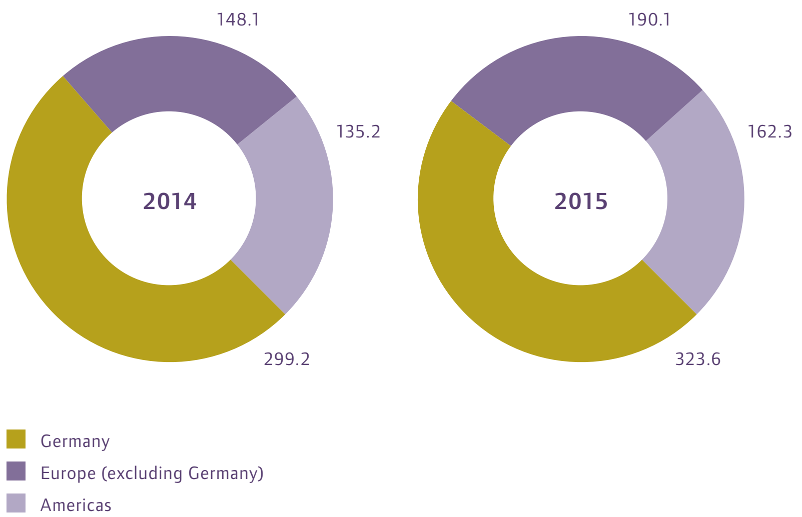
Key figures from income statement	2015	2014	Change (%)
Net interest income	83,489	70,888	17.8
Net income from operating leases	73,496	73,831	–0.5
Net income from remarketing	28,294	10,860	160.5
Net income from services	14,735	10,516	40.1
Profit from ordinary activities	78,022	59,124	32.0
Net income	58,104	41,800	39.0

The CHG-MERIDIAN Group generated a profit of €78.0 million from ordinary activities in 2015 (2014: €59.1 million), which represented a significant year-on-year increase. Calculated by dividing net income by the weighted average number of shares outstanding during the year, (basic) earnings per share amounted to €0.64 in 2015 (2014: €0.46). To provide better comparability with the prior year, the number of shares after the capital increase was used for the 2014 calculation. The increase in earnings was largely attributable to the sharp rise in net income from remarketing as well as to higher net interest income, which included higher interest income from finance leases.

INCOME

The following diagram gives a geographical breakdown of income[1] for the past two years:

INCOME BY GEOGRAPHICAL REGION (€ million)



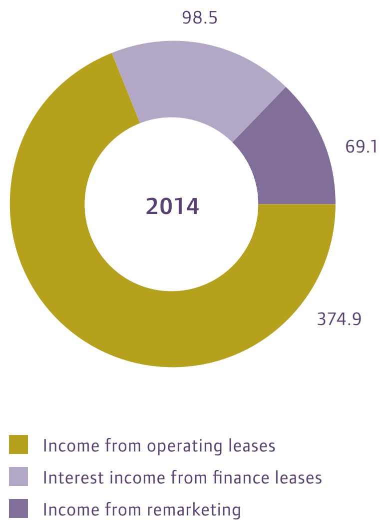
[1] Defined as the total of interest income from finance leases/other interest income, income from operating leases, income from remarketing, income from services rendered, and other operating income.

The significant improvement in earnings resulted from increased earnings in all three of the CHG-MERIDIAN Group's regions. The Europe (excl. Germany) region led the way with earnings growth of €42.0 million, followed by the Americas and Germany with rises of €27.1 million and €24.4 million respectively.

The improvements in earnings were mainly attributable to the US subsidiary (up by €25.9 million) due to a sharp increase in income from remarketing and to CHG-MERIDIAN AG (up by €23.2 million), which made an extremely encouraging contribution to earnings in 2015, again thanks in part to an increase in remarketing income but also due to far higher income from services rendered.

The following diagram shows how the total leasing and remarketing income in the past two years (€620.2 million in 2015 and €542.5 million in 2014) was broken down into income from operating leases, interest income from finance leases, and income from remarketing:

INCOME BREAKDOWN BY INCOME TYPE (€ million)



Income from operating leases rose by €10.1 million year on year to €385.0 million, which was mainly attributable to the impressive level of leases originated over the past three years. This increase in income stemmed largely from the performances of the UK subsidiary (up by €8.0 million), CHG-MERIDIAN AG (€5.1 million), the US subsidiary (€3.5 million), the Russian subsidiary (€3.2 million), and the Brazilian subsidiaries (€2.8 million). By contrast, the Mexican subsidiary reported a decline of €12.4 million.

Interest income from finance leases rose by €20.0 million year on year to €118.5 million due, in particular, to growth in lease origination during 2015.

Income from remarketing increased by €47.6 million compared with 2014 and amounted to €116.7 million. The rise in income was largely attributable to the performances of the US subsidiary (up by €19.9 million), the Mexican subsidiary (up by €11.7 million), and CHG-MERIDIAN AG (up by €5.1 million). CHG-MERIDIAN AG generated total income from remarketing of €46.5 million in 2015 (2014: €41.4 million), of which €33.8 million (2014: €28.8 million) was earned through the Technology and Service Center. The revenue from brokerage amounted to €1.9 million (2014: €5.6 million). CHG-MERIDIAN AG generated disposal-related revenue of €32.0 million from the remarketing of lease returns by its Technology and Service Center in Gross-Gerau (2014: €23.2 million). The main drivers of revenue from disposals in 2015 were once again laptops, which accounted for €12.2 million (2014: €10.9 million), desktop PCs, which accounted for €9.1 million (2014: €8.7 million), TFT monitors, which accounted for €4.7 million (2014: €4.5 million), and servers, which accounted for €4.3 million (2014: €2.9 million).

The number of remarketed assets and the amount of revenue per equipment category remained stable in 2015. The market for used IT equipment was still intact and demand for equipment continued to exceed supply.

Some 490 thousand items of equipment (2014: 456 thousand) were sold through the Technology and Service Center in 2015, a year-on-year rise of 7.5 percent. In addition to returned leased equipment, the items of equipment sold included 46 thousand units (2014: 142 thousand units) that CHG-MERIDIAN purchased from customers or third parties so that they could be reconditioned and then resold in the market (brokerage). The Company's strategy is to generate additional income from the reconditioning and remarketing expertise offered by its Technology and Service Center, which is also a key provider of our remarketing services that offer our customers value-added solutions even at the end of their technology lifecycles.

The year under review also saw greater demand for the IT-related services provided by CHG-MERIDIAN. The number of hard disks from which data was securely erased increased significantly from 102,524 in 2014 to 106,071 in 2015. These figures reflect the rise in demand for secure data erasure carried out in accordance with processes certified by TÜV Informationstechnik GmbH and DEKRA Certification GmbH. The majority of customers (87 thousand in 2015 and 79 thousand in 2014) opted for TÜV-certified data erasure.

EXPENSES

Staff expenses and other **administrative expenses** rose by €15.7 million to €112.3 million in 2015. This increase was mainly driven by higher performance-based commissions and increased regular salary expenses. Headcount had grown to 852 employees as at the reporting date (December 31, 2014: 841). Another reason for the increase in staff expenses and other administrative expenses was that costs relating to the Acento group of companies, which had been acquired in mid-2014, were recognized for the full year in 2015 whereas they had only been recognized for six months in 2014.

Expenses from operating leases largely resulted from depreciation and amortization of €268.2 million (2014: €246.3 million) and interest expense of €43.3 million (2014: €52.8 million) arising from forfaiting transactions. The increase in depreciation and amortization of leased assets under operating leases was largely due to the growth in lease origination over the past three years (see section 2.2.2).

The **consolidated tax expense** included the tax expense for the current year amounting to €16.6 million (2014: €5.5 million) and a deferred tax expense of €3.3 million (2014: €11.8 million).

Overall, the financial performance of the CHG-MERIDIAN Group operations remained positive.

2.5.2 REPORT ON THE FINANCIAL POSITION

Wherever possible, the CHG-MERIDIAN Group's foreign subsidiaries obtain most of their funding from local partners. As the parent company, CHG-MERIDIAN AG also supports its subsidiaries by providing sufficient capital, short-term prefinancing facilities, or medium and long-term loans.

In 2015, direct external funding for current lease origination and financing for other purposes was sourced from 77 (2014: 83) different funding partners[2] across subsidiaries in 21 different countries, which once again reflects the fact that the CHG-MERIDIAN Group is not reliant on individual banks.

In addition to directly funding its current lease origination, CHG-MERIDIAN AG was again able to obtain further external funding in 2015. However, as in previous years, the CHG-MERIDIAN Group's funding structure was characterized by a majority of non-recourse financing (forfaiting).

Given that total funding[3] of €834.7 million was obtained from banking partners in connection with lease origination in 2015 (2014: €867.6 million) and that total leases amounting to €1,056.5 million were originated (2014: €1,004.5 million), the proportion of leases funded externally by the CHG-MERIDIAN Group during the reporting year came to 79.0 percent (2014: 86.4 percent). Of the total volume of funding raised by the CHG-MERIDIAN Group, 29.7 percent was obtained from its three main funding programs (Société Générale Equipment Finance (SGEF), Landesbank Baden-Württemberg (LBBW), and the 2015–2019 bonded loan. Overall, funding continued to be broadly distributed in terms of funding partners and programs.

Including the external funding that was not earmarked for lease origination, the CHG-MERIDIAN Group's total volume of funding in 2015 amounted to €960.2 million (equating to 90.9 percent of lease origination), which represented a slight year-on-year decline of 1.2 percent. But the figures for 2013 and 2014 include the bonded loans totaling €100 million that were drawn down in 2013 and 2014.

In addition to funding its lease origination, the Group also used supplementary funding methods, primarily in Germany where it raised a further bonded loan (€50.0 million) in August. Two syndicated loans totaling €70 million were also disbursed. The total amount attributable to corporate lending (unsecured) in Germany was €120 million.

In the United States and Canada, the Group also obtained debt finance for 'money-over-money' lease transactions worth €16.2 million and new funding for Group – 'break and rewrite' deals with a volume of €18.8 million.

Non-recourse funding of €53.2 million was obtained for lease origination in the United States (2014: €80.2 million). Including the external funding that was not earmarked for documented lease origination (€16.0 million), the total volume of funding raised in the United States amounted to €69.2 million. Furthermore, the Canadian subsidiary financed a total of €2.3 million.

Non-recourse funding in Mexico amounted to €20.4 million (2014: €50.8 million), while funding of €31.1 million (2014: €32.9 million) was obtained in the form of loans. The year-on-year reduction in the volume of lease origination was reflected in the funding situation. However, the volume of funding raised by the Brazilian subsidiary, which is in the process of being established, climbed from €6.5 million in 2014 to €10.1 million in 2015.

[2] Bonded loans and, from 2015, syndicated loans classified as corporate lending each count as one funding partner.
[3] The total amount of finance disbursed includes both non-recourse funding and direct loan-based funding of lease origination.

In the United Kingdom, the CHG-MERIDIAN Group obtained non-recourse funding amounting to €47.5 million (2014: €61.1 million). These funding transactions have the legal status of loans whose repayments are dependent on the lessees' credit standing and payments. Non-recourse transactions to fund operating leases[4] are shown in the statement of financial position under deferred income from forfaiting transactions.

Funding in France, Spain, Italy, and Scandinavia is generally provided through the sale of assets, which involves transferring legal title to the leased equipment as well as the credit risk to the funding partner. These countries raised total funding of €151.0 million in 2015 compared with €116.9 million in 2014. The total is broken down as follows: €48.5 million in France (2014: €42.8 million), €35.5 million in Italy (2014: €36.2 million), €28.1 million in Spain (2014: €18.2 million), and €38.8 million in Scandinavia (2014: €19.7 million).

The volume of funding raised in Belgium and Luxembourg, comprising both sales of assets and sales of receivables, amounted to €54.2 million (2014: €44.5 million).

Owing to the year-on-year decrease in loan originations by the eastern European subsidiaries in 2015, non-recourse funding in these countries contracted by €6.8 million to €14.7 million (2014: €21.5 million).

The aggregate volume of forfaiting transactions conducted by the Austrian and Swiss subsidiaries in 2015 rose significantly in line with business performance to reach €22.4 million (2014: €16.7 million).

Based on the total volume of non-recourse finance of €726.2 million that was obtained by the CHG-MERIDIAN Group in 2015 (2014: €690.0 million), the forfaiting ratio[5] was virtually unchanged at 68.73 percent last year (2014: 68.70 percent). Of the total volume of non-recourse funding, €316.4 million was attributable to CHG-MERIDIAN AG (2014: €250.1 million). Six subsidiaries across the CHG-MERIDIAN Group together raised €38.5 million worth of external loans in 2015, a substantial decrease compared with the total of €177.5 million of secured loans that had been raised by nine subsidiaries in 2014. The reduction was largely due to the fact that, unlike in the previous year, CHG-MERIDIAN AG only raised unsecured loans in 2015.

Overall, the CHG-MERIDIAN Group possessed a very good, robust level of financial resources in 2015. In addition to a very strong free cash flow, the CHG-MERIDIAN Group also had substantial undrawn credit lines available to enable it to grow further. Please refer to the statement of cash flows for further information. There were no restrictions that could have limited the availability of the Company's capital or liquidity at any time in 2015.

2.5.3 REPORT ON THE NET ASSETS

The CHG-MERIDIAN Group's total assets amounted to €1,970.4 million as at December 31, 2015 (December 31, 2014: €1,921.9 million), which represents a year-on-year increase of €48.5 million or 2.5 percent. The Group's net assets largely consist of receivables from finance leases, leased assets under operating leases, deferred income from forfaiting transactions, and liabilities to banks.

Receivables from finance leases fell by €49.7 million to €775.9 million as at December 31, 2015, which was largely attributable to the Mexican subsidiary (decrease of €29.4 million), the Italian subsidiary (decrease of €12.5 million), and the US subsidiary (decrease of €9.4 million). However, CHG-MERIDIAN Mobilien GmbH reported an increase of €9.2 million on the back of a steady increase in the volume of the finance lease portfolio.

[4] Accounted for as leased assets in the lessor's statement of financial position.
[5] Defined as the volume of non-recourse funding disbursed as a proportion of the total leases originated in the reporting year.

Leased assets under operating leases had grown by €40.4 million to €582.8 million by December 31, 2015 (December 31, 2014: €542.4 million), which was largely attributable to the strong expansion at CHG-MERIDIAN AG (increase of €43.8 million). Conversely, a lower volume of lease origination in Mexico and the United States resulted in decreases of €17.8 million and €9.6 million respectively in the leased assets of the subsidiaries in these two countries in 2015.

Capital expenditure relating to finance leases and operating leases is largely matched on the other side of the statement of financial position by **liabilities to banks** totaling €496.6 million (December 31, 2014: €582.1 million) and **deferred income from forfaiting transactions** of €663.9 million (December 31, 2014: €609.7 million). The reduction in liabilities to banks was mainly attributable to the Mexican subsidiary (decrease of €41.6 million), reflecting the smaller volume of leases originated and the expiry of a large number of funded leases in 2015. The rise in deferred income from forfaiting transactions essentially related to CHG-MERIDIAN AG (increase of €87.0 million) and was attributable to the larger volume of forfaiting transactions and a lower netting ratio. By contrast, there were declines for the US subsidiary (decrease of €23.6 million) and the Italian subsidiary (decrease of €12.6 million), which can be explained by a smaller volume of leases originated and the expiry of a large number of forfaited leases.

The **equity ratio**[6] of the CHG-MERIDIAN Group was 19.0 percent as at December 31, 2015, which was significantly higher than it had been a year earlier (December 31, 2014: 16.8 percent). However, as is the case for all leasing companies, the equity ratio is of limited use as an indicator.

2.5.4 GENERAL COMMENT ON THE CHG-MERIDIAN GROUP'S BUSINESS SITUATION

The CHG-MERIDIAN Group ended the 2015 financial year on an extremely successful note. Its operating performance underscores the success of its business model and its strategy of achieving sustainable growth. Although economic conditions continued to fall short of expectations, the CHG-MERIDIAN Group managed to strengthen its market position. Moreover, the Company actually exceeded the target for gross margin in 2015, which also had a positive impact on its net income. At the time that these consolidated annual financial statements were completed, the Company was therefore excellently placed and possessed the capabilities needed to ensure that it continues to thrive in a constantly changing market environment over the coming years.

2.6 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

2.6.1 FINANCIAL PERFORMANCE INDICATORS

Two of the aims of the CHG-MERIDIAN Group's corporate strategy are to generate sustainable, profitable growth and to steadily increase its enterprise value. The Company uses the following financial KPIs to measure the medium and long-term financial success of this strategy of value-based management:

- lease origination
- gross margin.

The 'lease origination' financial KPI is defined as the total cost of newly acquired leased assets. The CHG-MERIDIAN Group aims for long-term growth in lease origination of 5–10 percent per year. In 2015, the volume of leases originated rose by 5.2 percent year on year, largely confirming the forecast made in 2014 of slight growth.

[6] Defined as the ratio of equity to total assets.

Another important measure is gross margin. As described in section 2.2 'Market success', gross margin is defined as the present value of all new leases and remarketed equipment minus direct funding and acquisition costs. The target for gross margin, which depends heavily on the volume of leases originated in previous years, has been 15 percent of the volume of lease origination for many years. In 2015, gross margin amounted to €183.1 million, giving a ratio of gross margin to lease origination of 17.3 percent (2014: 15.1 percent). This rise of 2.2 percent confirms the forecast made in 2014 of a small improvement for gross margin.

2.6.2 NON-FINANCIAL PERFORMANCE INDICATORS

Non-financial performance indicators are non-quantifiable indicators. In 2015, these indicators moved in line with management expectations.

EMPLOYEE STRUCTURE

The CHG-MERIDIAN Group employed a total of 852 people as at December 31, 2015 (December 31, 2014: 841 people), which was a small year-on-year increase of eleven.

The following table gives a breakdown of employees in the CHG-MERIDIAN Group by country and company as at December 31, 2015:

Country	Company	Headcount Dec. 31, 2015	Headcount Dec. 31, 2014
Germany	CHG-MERIDIAN AG	453	447
	CHG-MERIDIAN Mobilien GmbH	7	12
France	CHG-MERIDIAN France SAS	37	33
United Kingdom	CHG-MERIDIAN (Holdings) UK Limited	43	43
Belgium	CHG-MERIDIAN Belux NV	30	28
Italy	CHG-MERIDIAN Italia S.p.A.	23	22
Spain	CHG-MERIDIAN Spain S.L.	22	19
Russia	LLC 'CHG-MERIDIAN'	10	12
Austria	CHG-MERIDIAN Austria GmbH	8	7
Poland	CHG-MERIDIAN Polska sp. z o.o.	11	11
Netherlands	CHG-MERIDIAN Nederland BV	15	12
Switzerland	CHG-MERIDIAN Schweiz AG	5	5
Czech Republic	CHG-MERIDIAN Czech Republic s.r.o.	8	9
United States of America	CHG MERIDIAN USA Corp.	45	47
Mexico	CHG-MERIDIAN México S.A.P.I. de C.V.	74	76
Brazil	CHG-MERIDIAN do Brasil Locação de Equipamentos Ltda.	17	15
Norway	CHG-MERIDIAN Norway AS (formerly: Acento AS) CHG-MERIDIAN Skien AS (formerly: CircleIT AS)	25	27
Sweden	CHG-MERIDIAN Sweden AB (formerly: Acento Finance AB)	7	8
Denmark	CHG-MERIDIAN Denmark A/S (formerly: Acento Finance A/S)	6	4
Finland	CHG-MERIDIAN Finland Oy (formerly: Acento Finance Oy)	6	4
Total		**852**	**841**

There were no employees in Slovakia, Slovenia, Ireland, or Canada as at the reporting date.

The code of conduct compiled by the CHG-MERIDIAN Group defines corporate values that provide guidance for all members of staff in their day-to-day work and embody the Group's corporate philosophy and culture. Through these shared objectives and values, combined with clearly defined policies, the Group aims to ensure that all employees conduct themselves ethically and in compliance with the law, both with regard to each other and to the public. The code of conduct is regularly revised to ensure that these corporate principles are consistent with the Group's constantly changing circumstances and environment.

RECRUITING AND RETAINING STAFF

Efforts to recruit and retain staff are high priorities for the CHG-MERIDIAN Group. They include providing exciting career opportunities, financial incentives, benefits, and family-friendly working hours, finding the right work/life balance, and creating a corporate and managerial culture based on a sense of responsibility and trust. In addition, CHG-MERIDIAN has forged a partnership with the Weingarten-based Foundation for the Center for the Disabled in Upper Swabia (KBZO) and now provides workplace daycare facilities for young children. This enables Company employees to return to work after just one year's parental leave by taking advantage of flexible part-time arrangements.

SKILLS TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT

Employees are CHG-MERIDIAN's most important resource and its most important 'factor of production'. That is why we provide continuing professional development via our inhouse HR Academy, enabling employees in every country and branch office to receive effective training on company-specific processes and more generic skills.

In 2015, nine young employees commenced vocational training courses in IT, industrial business management, or warehouse logistics, or started degree apprenticeships in international business, financial services, or business informatics at CHG-MERIDIAN AG.

The TrailS – Trainees for Sales program was not run in 2015, but will start up again in 2016 with five more young graduates. CHG-MERIDIAN AG also offers high-school students and undergraduates an insight into working life in the form of internships. In addition, it has entered into education partnerships with schools and is stepping up its university marketing.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

CHG-MERIDIAN has generated continuous growth ever since it was first established. One of the main reasons for this success is the strong local ties that we have forged as a company with operations geared to generating solid long-term growth.

Responsibility and sustainability are part of our DNA. Our contribution to socially and environmentally sustainable development is derived from our business model, which combines the corporate values by which we operate with our long-term growth and our relationships with our employees, customers, and society at large.

CORPORATE CITIZENSHIP

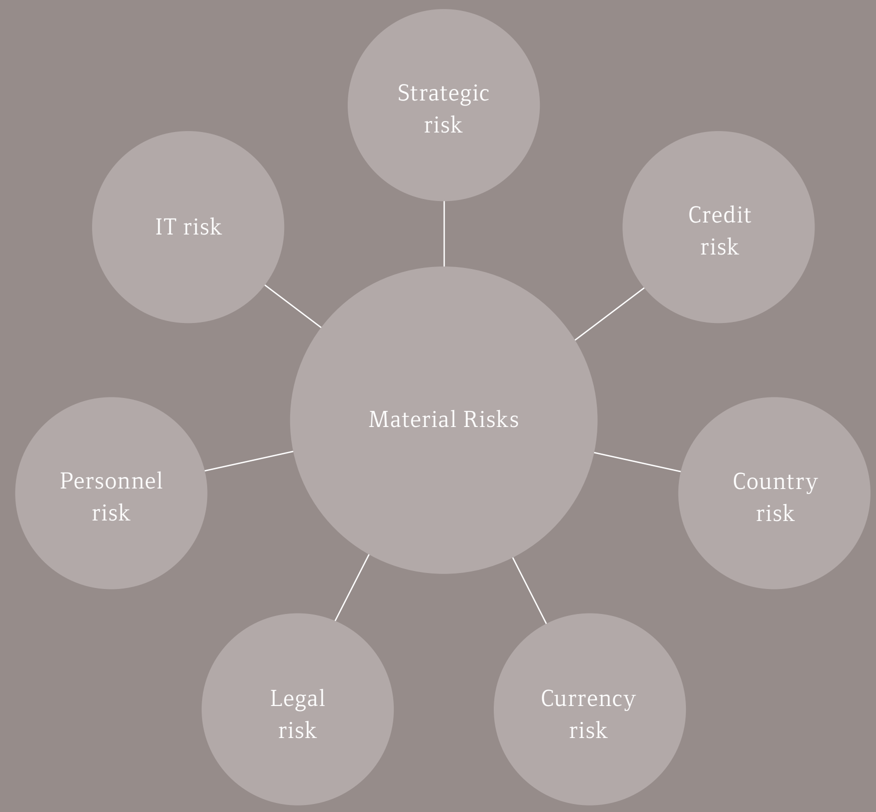
As a multinational company and trusted independent partner, we have a duty to act with integrity at all times in accordance with the expectations of our customers, employees, and business partners and of the wider public. This also applies to charitable donations and sponsorships, which form a key part of our responsibilities as a corporate citizen. Donations and sponsorship are subject to the provisions of a policy that applies throughout the CHG-MERIDIAN Group.

In order for our charitable donations and sponsorships to be effective, there needs to be a clear definition of the social causes being supported and the associated objectives. As a technology company, we have a particularly strong focus on technology, media, and the digital revolution. Our aim is to apply this passion to the priority areas of the arts, education, social causes, and sport.

We explicitly pledge our commitment to the communities in which we operate. Our charitable donations and sponsorship activities are concentrated on initiatives, projects, and associations in our local area.

SECTION 3
OPPORTUNITIES AND RISKS REPORT

MATERIAL RISKS



The objective of the risk strategy is to strike the right balance between the risks and opportunities facing the CHG-MERIDIAN Group as a whole. The aim here is to seek to exploit specific opportunities while only taking on risks to a responsible degree.

3.1 OPPORTUNITIES REPORT

The economy of the eurozone is expected to continue its recovery in 2016. Stable consumer spending is predicted, providing a better environment for companies to invest. Global economic growth is also likely to be robust. At 3.2 percent for 2016, growth is forecast to be much higher than in recent years. Growth of 1.6 percent is anticipated for the eurozone, while the United States is expected to grow by 2.3 percent. As in 2015, the CHG-MERIDIAN Group's core German market is likely to experience modest growth of 1.8 percent[7].

Despite the current uncertainties, such as China's faltering growth and persistently low oil prices, the forecasts point toward a stable economic climate in 2016. This will enable the CHG-MERIDIAN Group to continue to expand its business with new and existing customers. The economic environment for the CHG-MERIDIAN Group's operating activities in 2016 will therefore be largely stable compared with 2015.

3.1.1 OPPORTUNITIES IN THE LEASING MARKET

Companies are increasingly looking for solutions that are tailored to their own business processes and enable them to optimize these processes. Their expectations will continue to rise going forward. Ever shorter innovation cycles – driven by the digital revolution and disruptive business models – are leading to greater investment risk. Companies are expressing an increased need for flexible funding solutions and related technology solutions. In 2016, therefore, there is likely to be no let-up in our customers' demand for intelligent funding solutions that not only give them flexibility in an ever-changing marketplace but also include a wider range of services.

We believe that customized business concepts will continue to gain importance. The preferred funding partners are those that have the resources and capabilities needed to deliver the solution concepts that customers want.

The CHG-MERIDIAN Group anticipates further expansion of the leasing market in the years ahead. As an established company in this market, a dependable partner, and a leading innovator when it comes to customized business concepts, the CHG-MERIDIAN Group can seize the opportunities of a highly promising market environment that offers significant potential for growth.

3.1.2 OPPORTUNITIES IN INFORMATION TECHNOLOGIES

The CHG-MERIDIAN Group believes information technologies will continue to offer potential for growth in the future. IT lease origination remain the Group's largest area of business. Thanks to its positioning as a technology manager, the CHG-MERIDIAN Group continues to have attractive opportunities for growth in an intense competitive environment. By devising new, comprehensive customized business concepts, the CHG-MERIDIAN Group can not only win new customers but also generate further business from existing customers. It also pursues a strategy of marketing its tried-and-tested services globally, thereby opening up new areas of growth.

The CHG-MERIDIAN Group benefits from a portfolio of regional solutions alongside its innovative customized business concepts. Local experts' long-standing experience and proximity to customers enable them to identify regional market trends and respond directly with suitable solutions. Another success factor is the support provided for customers at every stage of the product lifecycle. The CHG-MERIDIAN Group offers a comprehensive package of funding for hardware and software, a centralized management system, and solutions such as efficient replacement of equipment and remarketing. In addition to the existing revenue drivers, the Group is also increasingly focusing on information technology segments that are predicted to grow rapidly in the future. One example is mobile device management.

In the years to come, the CHG-MERIDIAN Group will be looking at further solutions in areas such as big data analysis and the digital transformation of industry (Industry 4.0). The CHG-MERIDIAN Group sees itself as a leading provider of innovative funding and technology solutions in the information technologies field and will remain open to attractive business opportunities created by the advance of networked systems and technologies.

3.1.3 OPPORTUNITIES IN INDUSTRIAL TECHNOLOGIES

In the industrial technologies field, the CHG-MERIDIAN Group benefits from increasing customer demand for tailored, integrated services for hardware, software, and associated solutions. The Group provides industrial companies with support and solutions from a single source, enabling them to concentrate on their core business. It uses its proven track record of industry and solution expertise to develop further innovative services. Pay-per-use leases and other company-specific solution concepts are some of the innovative solutions with which the CHG-MERIDIAN Group is fulfilling the new requirements of industry.

A focus on providing global, cross-functional support to international customers by the CHG-MERIDIAN Group is opening up further opportunities in the field of industrial technologies.

The CHG-MERIDIAN Group will also continue to closely monitor trends in industrial technologies and seize any opportunities. Conditions are expected to remain attractive for the CHG-MERIDIAN Group and its business model in 2016.

3.1.4 OPPORTUNITIES IN HEALTHCARE TECHNOLOGIES

Longer life expectancy and new methods of treatment are pushing up demand for cutting-edge medical equipment. Research is being carried out into new technologies and solutions so that all-round medical care can continue to be provided in the future. Moreover, the market is seeing increasing consolidation, resulting in larger companies with new organizational structures and funding requirements. To keep up with these developments, companies must have state-of-the-art medical equipment that is tailored to requirements. However, the necessary capital expenditure poses a significant challenge for many healthcare companies.

The CHG-MERIDIAN Group offers healthcare companies a complete solution concept that is geared to their individual needs. Drawing on its experience in other sectors, it works with customers to develop bespoke solutions for them. In the field of healthcare technologies, the focus is also on end-to-end customized business concepts. We expect to see an increasing number of lease origination and a comprehensive range of services in the field of healthcare technologies in 2016 and beyond.

3.1.5 OVERALL ASSESSMENT OF OPPORTUNITIES

Investments in information technologies, industrial technologies, and healthcare technologies are frequently interlinked and therefore should not be viewed in isolation. The CHG-MERIDIAN Group specifically develops solutions that can be successfully applied in each of these areas of business. This continuous refinement of the product portfolio plus global solutions provide the basis for the continuing success of the CHG-MERIDIAN Group as development costs can be reduced, economies of scale achieved, and cross-selling opportunities seized.

The potential for future opportunities in the individual areas of business will be influenced, above all, by the advance of networked systems and technologies, disruptive technologies, customers' new expectations in terms of end-to-end support, and a stable investment climate.

[7] PricewaterhouseCoopers: Global Economy Watch, Economic projections: January 2016.

Over the past few years, CHG-MERIDIAN has positioned itself for technological changes and shifts in customer behavior. It therefore believes that business conditions will remain attractive and highly promising. CHG-MERIDIAN expects to generate growth in all three areas of business in 2016.

3.2 RISK REPORT

3.2.1 RISK STRATEGY

The objective of the risk strategy is to ensure the right balance between opportunities and risks. The risk strategy pursued by the CHG-MERIDIAN Group is derived from its business strategy and forms an integral part of the risk management process. The Management Board and Supervisory Board of CHG-MERIDIAN AG set out the principles of risk policy, the core message of which incorporates a code of conduct and encourages all staff members to take a sensible attitude toward risk. These principles form the basis for the specific structure of the risk management organization and are intended to promote awareness of risk on the part of all stakeholders. By communicating its corporate principles to all employees in the CHG-MERIDIAN Group, the Company aims to ensure that they are aware of risk, that risks are identified and monitored, and that appropriate action is taken should an imminent threat arise.

The idea behind the risk strategy is also to enable us to exploit competitive advantages and opportunities while avoiding risks that exceed a defined limit. CHG-MERIDIAN adopts a risk-conscious approach to managing and identifying potential risks and opportunities, evaluates them in terms of their risk/reward profile, and decides whether to accept or avoid them based on the Company's capacity to assume the risk involved. The aim here is to seek to exploit specific opportunities while only taking on risks to a responsible degree.

3.2.2 RISK MANAGEMENT AND RISK MONITORING

In order to manage and monitor these risks, the CHG-MERIDIAN Group employs a holistic risk management strategy in conjunction with processes and organizational structures for monitoring and measuring risk that are calibrated to reflect the size, nature, scope, complexity, and risk inherent in each of its transactions. Furthermore, process-integral and cross-process monitoring ensure that the risk management system, and the action taken within it, functions properly, fulfills its requirements, and is effective.

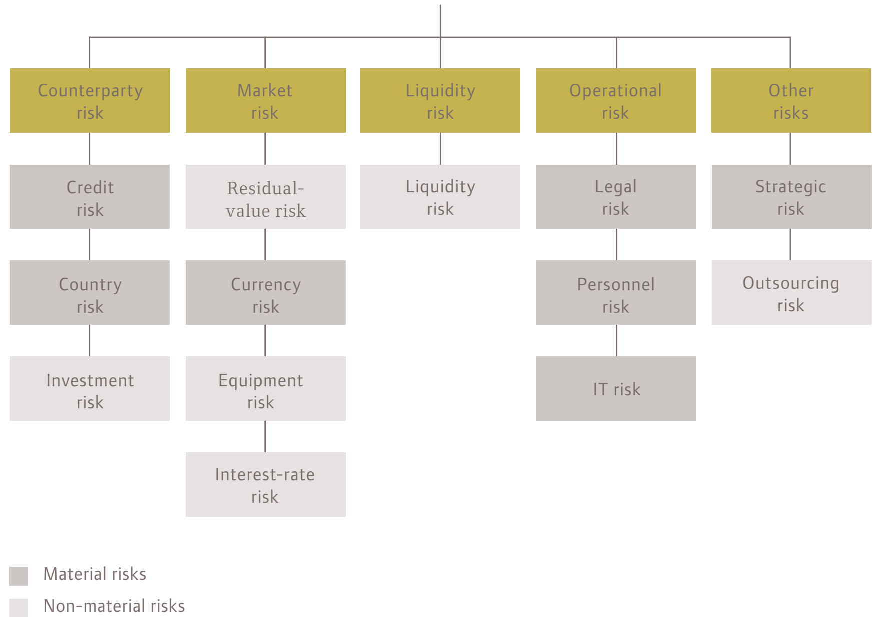
The purpose of the CHG-MERIDIAN Group's risk management system is to identify, analyze, evaluate, and manage specific risks facing the Group. The relevant executive directors and other decision-makers at CHG-MERIDIAN AG regularly analyze, evaluate, and monitor risk and also identify new risks and risk categories. The level of risk that can be assumed by these decision-makers is governed by the net asset value of the subsidiary concerned. The executive directors in the CHG-MERIDIAN Group have set appropriate limits and authorization levels for the specific risks involved, and these have been approved by the relevant supervisory bodies.

The Group also manages and monitors risk at the level of its parent company by preparing a quarterly calculation of the risk-bearing capacity of CHG-MERIDIAN AG that is submitted to the decision-makers responsible at CHG-MERIDIAN AG for analysis and approval. This calculation of risk-bearing capacity involves determining and assessing the proportion of identified and computed risks as a percentage of aggregate risk cover for the respective quarter of the year. If the relevant limits are exceeded (20 percent of the aggregate risk cover), it is also submitted to the Supervisory Board for approval.

As a function independent of the risk management process, internal audit – acting on behalf of the Management Board – examines the integrity and effectiveness of the Company's risk monitoring system in accordance with the statutory Minimum Requirements for Risk Management (MaRisk). Internal audit reports regularly to the Management Board. In 2015, it identified no findings that fundamentally pose a threat to the integrity of the risk management system.

As a leasing company with a strong focus on products and services, the CHG-MERIDIAN Group is exposed to the following risks when conducting its business:

RISKS IN THE CHG-MERIDIAN GROUP



3.2.3 RISK CATEGORIES

3.2.3.1 COUNTERPARTY RISK

Counterparty risk is defined as the potential loss that can arise as a result of a counterparty's default, either because of its insolvency or because of its unwillingness to meet its contractual obligations.

The CHG-MERIDIAN Group defines credit risk and country risk as material counterparty risks.

CREDIT RISK

Credit risk is determined by three factors: the credit exposure (outstanding lease installments funded by loans or from the CHG-MERIDIAN Group's own resources), the recovery rate (sum total of remarketing proceeds from leases in default and other revenue minus remarketing-related costs in relation to the present value of residual receivables, including a margin), and the expected default frequency (potential default risk).

The CHG-MERIDIAN Group may be exposed to credit risk as a result of the bankruptcy of clients that it has financed at its own risk. Such risk also exists during transactions' prefinancing stages and in cases where purchase participation declarations have been issued.

The Company manages this risk by ensuring that it has risk-adjusted organizational structures in place and by consistently pursuing a policy of risk avoidance. Another way in which the CHG-MERIDIAN Group seeks to mitigate credit risk is by deliberately offloading this risk, which involves funding leases mainly by selling receivables on a non-recourse basis.

In order to prevent an unacceptably high credit exposure risk, the CHG-MERIDIAN Group analyzes the risk arising in connection with funding from its own resources and funding by loans as part of its monthly management reporting process; it analyzes other credit risks on a quarterly basis.

The CHG-MERIDIAN Group continued to use its risk-based operational and organizational structures to manage its credit risk effectively during the reporting period. The proportion of receivables sold on a non-recourse basis amounted to 68.7 percent (2014: 68.7 percent), which meant that a moderate level of credit risk remained with the CHG-MERIDIAN Group.

The Company mitigates the fraudulent-receivables risk not covered by non-recourse financing to the largest possible extent by agreeing standard leases in advance with the banks providing the funding. Adjustments made to these contractual arrangements for individual customers are agreed in detail between the relevant legal departments and the funding bank concerned.

COUNTRY RISK

Country risk arises if political or economic circumstances in a particular country impact the value of a foreign exposure. It comprises transfer risk and other country risks. Transfer risk arises if a debtor who is otherwise solvent and willing to make payments is unable to meet payment obligations because the imposition of governmental or regulatory controls has prevented the debtor from obtaining foreign currency or from transferring assets to parties not domiciled in the country concerned. Other country risk comprises risks that may jeopardize the enforceability of receivables due from counterparties abroad, capital investments, or anticipated profits abroad, independently of the transfer risk. It depends on economic and political risk factors in a country, in particular country-specific liquidity risk, market risk, and correlation risk.

In order to minimize its country risk, the CHG-MERIDIAN Group therefore operates almost exclusively in states that are members of the Organisation for Economic Co-operation and Development (OECD) and in economically and politically stable countries.

If there is an exposure to country risk, investors generally demand a risk premium in return for this exposure. The risk premium is thus calculated by comparing the coupon on sovereign bonds issued by the country concerned with a risk-free sovereign bond in the same currency.

3.2.3.2 MARKET RISK

Market risk arises when the return generated by a transaction depends on future movements in exchange rates, share prices or interest rates, and the transaction is not hedged by a corresponding countervailing transaction. The CHG-MERIDIAN Group has identified residual-value risk, currency risk and interest-rate risk as types of market risk, but currency risk is the only one of them judged to be material for the Group.

CURRENCY RISK

Currency risk constitutes the risk that receivables and liabilities depreciate in value owing to sharp fluctuations in exchange rates.

The CHG-MERIDIAN Group is exposed to increasing levels of currency risk because of the internationalization of its business and the growing importance of its foreign markets.

The CHG-MERIDIAN Group aims to ensure that funding is obtained in the local currency of the subsidiary concerned from its own funding partners. This policy helps minimize currency risk.

3.2.3.3 OPERATIONAL RISK

Operational risk constitutes the risk of losses caused by the inappropriateness or failure of internal processes, people or systems or by external events, including legal risks.

Material operational risk, as defined by the CHG-MERIDIAN Group, mainly comprises legal risk and personnel risk. It also includes risk in connection with operating processes, including failure of the IT infrastructure.

The risk itself is quantified at the level of the parent company CHG-MERIDIAN AG. In order to quantify operational risk, CHG-MERIDIAN AG draws on the regulatory requirements specified in article 315 of the Capital Requirements Regulation, which stipulates that quantification of operational risk must be based on 15 percent of the three-year average of the relevant indicator (gross earnings).

LEGAL RISK

Legal risk arises when new types of lease are used, existing types of lease are amended or the contractual framework is altered without the legal risks having been thoroughly assessed in advance.

The CHG-MERIDIAN Group mitigates this risk by severely restricting the cases in which transactions are allowed to deviate from the Company's general terms and conditions and by standardizing the various kinds of quotes and offers that sales staff are allowed to submit to clients. Before a lease is signed, the relevant senior sales executives and contract management staff check to ensure that these standards have been complied with.

Any deviations from these standards and any customized agreements made with individual clients must be approved beforehand by the legal and funding departments and by the responsible member of the Management Board. This procedure prevents unmanageable legal risks from arising and safeguards the funding of leases.

PERSONNEL RISK

Personnel risk is defined as the risk arising in connection with staff turnover, although this is generally of minor significance in the CHG-MERIDIAN Group. Furthermore, the HR department is not aware of any legal disputes with employees that have a material impact on the CHG-MERIDIAN Group's net assets or financial performance.

IT RISK

New, complex, and customized types of lease and administrative processes mean that data processing and general contract management are constantly changing. As the CHG-MERIDIAN Group relies on its IT systems working smoothly and effectively to ensure that they can process transactions swiftly and efficiently, these systems have to be constantly adapted to changing requirements. The Group's rules of procedure require all critical business processes to be checked by two different members of staff.

The nature of CHG-MERIDIAN's business model and organizational structures ensures, however, that systems failure in individual departments would not pose a material risk for the first few days. Although this risk is regarded as low, the Company has taken the following precautionary measures in specific areas:

- IT service continuity plan (anti-virus protection, backup systems/daily data backups, redundant networks/systems, etc.)
- IT policies (security procedures, etc.).

CHG-MERIDIAN maintains a redundant network – the backup data center in Rüsselsheim, Germany – in order to further mitigate this risk. In addition, it conducts service continuity tests in specific areas.

3.2.3.4 OTHER RISKS

The CHG-MERIDIAN Group has identified strategic risk as a further material risk. It is the risk of losses arising from incorrect strategic business decisions, business-model risks, and risks to financial performance and profit margins.

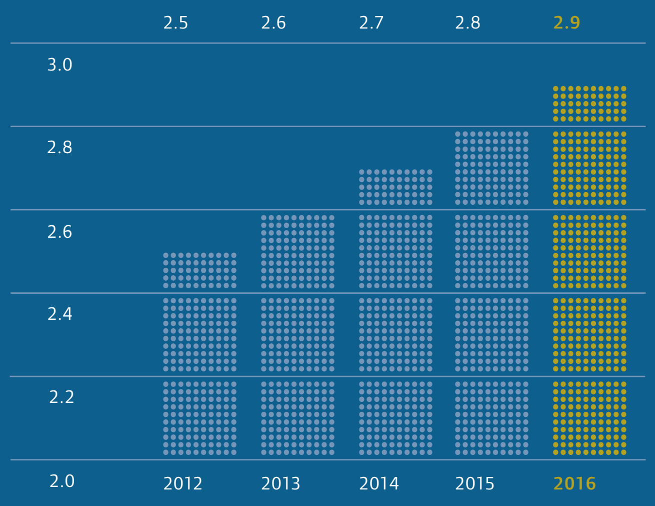
The management of strategic risk is the primary responsibility of the Management Board. In analyzing and evaluating this risk, which is largely determined as a qualitative factor, the Management Board is supported by the relevant departments. Strategic risk is therefore identified and evaluated on the basis of constant observations of macroeconomic conditions as well as regular analysis of competitive and sectoral trends.

3.2.4 SUMMARY

Against the current backdrop of steadily growing risks and regulatory requirements, the CHG-MERIDIAN Group's conservative corporate strategy has proved to be the right approach for the long term. By pursuing a rigorous risk management policy, the CHG-MERIDIAN Group was kept abreast of the latest developments in its risk exposures. Current economic conditions pose no risks that adversely affect the CHG-MERIDIAN Group; this applies both to the results of business operations that have been completed and to activities that are either in the pipeline or have already been initiated.

SECTION 4
EVENTS AFTER THE REPORTING DATE AND OUTLOOK

PERFORMANCE OF THE GLOBAL ICT MARKET
(€ trillion)



The European Information Technology Observatory predicts growth of 2.6 percent for the global information and communications technology market in 2016. Hardware sales are expected to stagnate. However, revenue from software is likely to increase significantly.

4.1 EVENTS AFTER THE REPORTING DATE

No significant events occurred after the end of the 2015 financial year.

4.2 OUTLOOK

4.2.1 MACROECONOMIC OUTLOOK

The performance of the global economy in 2016 will be heavily influenced by China's further economic growth, changes in the oil price, and political uncertainty in certain regions of the world. The latest forecasts for 2016 indicate growth of 3.4 percent for the global economy and 1.7 percent for the eurozone's economy[8].

The European Information Technology Observatory predicts growth of 2.6 percent for the global information and communications technology market in 2016. Hardware sales are expected to stagnate. However, revenue from software is likely to increase significantly, driven mainly by software for mobile data services[9].

Auditing firm Deloitte & Touche anticipates global growth of 5.1 percent for medical equipment in 2016[10]. One of the major growth drivers is digital networking, which can be seen across the equipment market. Another area of focus is digital technology for more efficient, more effective diagnostics.

The German Engineering Federation (VDMA) believes that the German engineering sector will stagnate in 2016 owing to the current crises around the world, which are causing engineering companies to put further capital expenditure on hold[11].

In view of these macroeconomic trends, the CHG-MERIDIAN Group expects the business environment to remain largely stable despite the prevailing risks.

4.2.2 OUTLOOK FOR THE CHG-MERIDIAN GROUP

The CHG-MERIDIAN Group plans to generate further growth in 2016. Besides expanding its existing subsidiaries, it will sharpen its focus on healthcare technologies and industrial technologies. Expansion in these areas of technology, combined with a wider range of services, provides a broader base on which to grow. Another aim is to steadily increase the leases originated with new customers by offering innovative customized business concepts and integrated services.

The CHG-MERIDIAN Group believes that, in 2016, companies will continue to seek out partners that can provide end-to-end, bespoke solutions for managing their technology investments. As it is very well positioned in this regard, the CHG-MERIDIAN Group will continue to pursue its defined corporate strategy.

OUTLOOK IN EUROPE

Most European subsidiaries have shown steady growth over the past few years. In 2016, the focus will be on further expanding the volume of traditional leases originated and on strengthening the service portfolio. Stepping up business with existing customers and achieving economies of scale in relation to services should lead to greater profitability. The CHG-MERIDIAN Group expects to leverage further synergies from pooling and sharing the expertise of the individual local subsidiaries.

[8] PricewaterhouseCoopers: Global Economy Watch, Economic projections: January 2016.
[9] European IT Observatory: International ICT market growth stronger than expected; December 15, 2015.
[10] Deloitte & Touche: Pharma, Biotechnologie und Medizintechnik optimistisch für 2016 [Pharma, biotech, and medical technology optimistic for 2016]; December 17, 2015.
[11] VDMA: 8th German Engineering Summit.

OUTLOOK IN THE AMERICAS

The Americas are an important growth market for the CHG-MERIDIAN Group. In the United States, the well-developed leasing market provides the Group with opportunities for generating growth with its end-to-end customized business concepts and efficient management of technology investments. Despite difficult conditions in some markets, the countries of South America offer opportunities for growth from business with multinationals and big-ticket local customers.

FORECAST

Having achieved all-time record levels of gross margin and lease origination in 2015, the CHG-MERIDIAN Group has further bolstered its market position. This continual success emphasizes that the CHG-MERIDIAN Group is pursuing the right strategy. In 2016, it will have opportunities for growth in all areas in 2016, such as by increasing the volume of lease origination and expanding the portfolio of services in existing markets.

In view of these market trends and the resultant opportunities, the CHG-MERIDIAN Group is starting 2016 in confident mood and is aiming to increase the volume of lease origination to more than €1.1 billion. We also expect to achieve a gross margin that is on a par with the high level achieved in the last two years.

The CHG-MERIDIAN Group finds itself in a very strong and secure financial position and will continue to be on the lookout for strategically beneficial acquisitions – either in Germany or abroad – in 2016. Its main focus will be on the further development of existing markets.

Weingarten, March 4, 2016

CHG-MERIDIAN AG

Jürgen Mossakowski Joachim Schulz Frank Kottmann Dr. Mathias Wagner

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position of CHG-MERIDIAN AG, Weingarten, as at December 31, 2015

ASSETS

	Note	Dec. 31, 2015 €000's	Dec. 31, 2014 €000's
1. Cash reserve	7.1	20	25
2. Receivables from banks	7.2	164,494	179,226
3. Receivables from finance leases	7.3	775,882	825,565
4. Other receivables from customers	7.4	108,055	88,650
5. Derivatives	7.13	234	47
6. Equity investments	7.5	312	312
7. Leased assets under operating leases	7.6	582,791	542,405
8. Intangible assets	7.7	2,584	3,568
9. Property, plant and equipment	7.8	43,294	30,928
10. Income tax assets	7.16	3,133	6,390
11. Deferred tax assets	5.15	13,617	9,798
12. Other assets	7.9	276,025	234,988
Total assets		1,970,441	1,921,902

LIABILITIES AND EQUITY

	Note		Dec. 31, 2015 €000's	Dec. 31, 2014 €000's
1. Liabilities to banks	7.10		496,597	582,077
2. Deferred income from forfaiting transactions	7.11		663,878	609,674
3. Liabilities to customers	7.12		212,832	203,766
4. Derivatives	7.13		2,802	990
5. Other provisions	7.14		2,326	1,488
6. Income tax liabilities	7.16		5.533	2,115
7. Deferred tax liabilities	5.15		123,560	117,519
8. Other liabilities	7.15		89,205	82,217
9. Equity	7.17		373,708	322,056
a) Subscribed capital		100,000		100,000
minus notional value of treasury shares		–5,866		–6,401
Issued capital			94,134	
b) Capital reserves			2,393	2,340
c) Retained earnings			215,641	183,315
d) Other reserves			3,603	942
e) Profit for the period attributable to the Group			58,087	41,828
f) Non-controlling interests			–150	32
Total liabilities and equity			1,970,441	1,921,902

Consolidated Income Statement of CHG-MERIDIAN AG, Weingarten, for the year ended December 31, 2015

	Note	2015 €000's	2014 €000's
1. Interest income from finance leases	5.1	118,455	**98,540**
2. Other interest income	5.2	1,019	1,847
3. Interest expense	5.3	–35,985	–29,499
4. Income from operating leases	5.4	384,984	374,902
5. Expenses from operating leases	5.5	–311,488	–301,071
6. Income from remarketing	5.6	116,749	69,119
7. Expenses from remarketing	5.6	–88,455	–58,259
8. Write-downs and value adjustments on lease receivables and leased assets	5.7	–7,709	–8,017
9. Income from services rendered	5.8	38,189	21,246
10. Expenses from services rendered	5.9	–23,454	–10,730
11. Gains and losses on the measurement of derivatives	5.10	–1,620	–1,348
12. Gains and losses on equity investments		0	201
13. Staff expenses	5.11	–83,760	–69,379
14. Other administrative expenses	5.12	–28,494	–27,174
15. Amortization and impairment losses on intangible assets, and depreciation and impairment losses on property, plant and equipment	5.13	–4,356	–4,215
16. Other operating income	5.14	16,648	16,821
17. Other operating expenses	5.14	–12,701	–13,860
18. Profit from ordinary activities		**78,022**	**59,124**
19. Income taxes	5.15	–19,918	–17,324
20. Net income		**58,104**	**41,800**
21. Profit (loss) attributable to minority interests		–17	28
22. Profit for the period attributable to the Group		**58,087**	**41,828**

Consolidated Statement of Comprehensive Income of CHG-MERIDIAN AG, Weingarten, for the year ended December 31, 2015

	Note	2015 €000's	2014 €000's
Net income		**58,104**	**41,800**
Gains and losses to be reclassified			
Exchange differences	6	2,661	6,064
Other comprehensive income (loss) (before/after taxes)		**2,661**	**6,064**
Total comprehensive income (loss) for the period		**60,765**	**47,864**
Of which attributable to			
Non-controlling interests		17	–28
Shareholders of CHG-MERIDIAN AG		60,748	47,892

Consolidated Statement of Cash Flows of CHG-MERIDIAN AG, Weingarten, for the year ended December 31, 2015

	2015 €000's	2014 €000's
Net income	58,104	41,800
Increase in deferred income from forfaiting transactions	–369,592	–328,167
Depreciation and amortization on leased assets under operating leases	268,238	246,314
Amortization on intangible assets, and depreciation on property, plant and equipment	4,356	4,215
Increase in provisions (incl. deferred taxes)	6,479	13,292
Net increase (2014: net decrease) in other receivables from customers, other assets, and sundry assets not attributable to investing or financing activities	–57,226	2,830
Net increase in liabilities to customers, other liabilities, and sundry liabilities not attributable to investing or financing activities	17,869	21,321
Net cash used for (2014: net cash provided by) operating activities	**–71,772**	**1,605**
Cash receipts from the sale of equity investments	0	668
Cash payments for the purchase of intangible assets, and property, plant and equipment	–16,812	–9,755
Cash payments for the purchase of leased assets under operating leases	–431,872	–320,705
Decrease (2014: increase) in receivables from finance leases	49,682	–168,920
Sale of intangible assets, and property, plant and equipment	1,075	778
Sale/reclassification of leased assets under operating leases	123,247	67,808
Net cash used for investing activities	**–274,680**	**–430,126**
Cash-effective change in equity (distributions, dividends)	–11,738	–10,107
Purchase/sale of treasury shares	2,624	–2,442
Net cash provided by deferred income from forfaiting transactions	423,796	410,496
Net decrease (2014: net increase) in liabilities to banks	-85,481	87,360
Net cash provided by financing activities	**329,201**	**485,307**
Net change in cash and cash equivalents	–17,251	56,786
Change resulting from currency translation	2,661	6,063
Cash and cash equivalents* at the beginning of the period	177,709	114,860
Cash and cash equivalents* at the end of the period	**163,119**	**177,709**

* Defined as the sum of the cash reserve and receivables from banks (on demand).

Consolidated Statement of Changes in Equity of CHG-MERIDIAN AG, Weingarten

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, AS AT DECEMBER 31, 2015 (€000's)

	ISSUED CAPITAL				OTHER RESERVES				
	Subscribed capital	Notional value of treasury shares	Capital reserves	Retained earnings	Unrealized gains/losses from currency translation after taxes	Profit for the period attributable to the Group	Shareholders of CHG-MERIDIAN AG	Non-controlling interests	Total equity
Equity as at January 1, 2014	**75,000**	**–4,458**	**618**	**182,742**	**–5,122**	**38,170**	**286,950**	**–208**	**286,742**
Net income	–	–	–	–	–	41,828	41,828	–28	41,800
Other comprehensive income (loss)	–	–	–	–	6,064	–	6,064	–	6,064
Total comprehensive income (loss)	–	–	–	–	**6,064**	**41,828**	**47,892**	**–28**	**47,864**
Contributions	25,000	–	–	–25,000	–	–	–	–	–
Payments into capital reserves	–	–	–	–	–	–	–	–	–
Change in treasury shares held	–	–1,943	1,722	–	–	–	-221	–	–221
Dividend distribution	–	–	–	–10,159	–	–	–10,159	–	–10,159
Change in investments in subsidiaries	–	–	–	–	–	–	–	287	287
Other changes		–	–	35,732	–	–38,170	–2,438	–19	–2,457
Equity as at December 31, 2014	**100,000**	**–6,401**	**2,340**	**183,315**	**942**	**41,828**	**322,024**	**32**	**322,056**
Equity as at January 1, 2015	**100,000**	**–6,401**	**2,340**	**183,315**	**942**	**41,828**	**322,024**	**32**	**322,056**
Net income	–	–	–	–	–	58,087	58,087	17	58,104
Other comprehensive income (loss)	–	–	–	–	2,661	–	2,661	–	2,661
Total comprehensive income (loss)	–	–	–	–	**2,661**	**58,087**	**60,748**	**17**	**60,765**
Contributions	–	–	–	–	–	–	–	–	–
Payments into capital reserves	–	–	–	–	–	–	–	–	–
Change in treasury shares held	–	535	53	–	–	–	588	–	588
Dividend distribution	–	–	–	–11,738	–	–	–11,738	–	–11,738
Change in investments in subsidiaries	–	–	–	199	–	–	199	–199	0
Other changes	–	–	–	43,865	–	–41,828	2,037	–	2,037
Equity as at December 31, 2015	**100,000**	**–5,866**	**2,393**	**215,641**	**3,603**	**58,087**	**373,858**	**–150**	**373,708**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CHG-MERIDIAN AG is a stock corporation under German company law and the address of its registered office is Franz-Beer-Strasse 111, 88250 Weingarten, Germany. The Company is entered in the commercial register of the Ulm local court, department B (HRB 551857), and is the parent company of the CHG-MERIDIAN Group.

CHG-MERIDIAN is one of the world's leading non-captive providers of technology management in the fields of IT, industry, and healthcare. Supplementing its core business, CHG-MERIDIAN has grouped its service expertise into four areas: Consulting Services, Operational Services, Financial Services, and Remarketing Services.

As the parent company, CHG-MERIDIAN AG prepares the consolidated financial statements at the end of each financial year, taking account of all of the material separate financial statements of the Group's subsidiaries.

2. BASIS OF PREPARATION

Pursuant to section 315a (3) of the German Commercial Code (HGB), CHG-MERIDIAN AG prepared its consolidated financial statements for the year ended December 31, 2015 in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) as at December 31, 2015 as well as in accordance with the supplementary commercial-law provisions stipulated in section 315a HGB.

All IFRSs and International Accounting Standards (IAS) that are required to be applied for the 2015 financial year and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) were taken into account in these financial statements.

The consolidated financial statements have been prepared in euros (€). All amounts have been rounded to the nearest thousand euros.

A) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

NEW FINANCIAL REPORTING STANDARDS AND AMENDMENTS APPLICABLE TO 2015

CHG-MERIDIAN AG applied the following new and amended standards and interpretations for the first time in 2015:

- IFRIC 21 Levies
- Annual Improvements to IFRSs 2011–2013 Cycle

IFRIC 21 Levies provides guidance on when to recognize a liability for a levy imposed by governments (including government agencies and similar bodies) in accordance with laws and/or regulations. It identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. Levies may only be recognized when the obligating event occurs. The obligating event can also occur progressively over a period, which means the liability must be accounted for pro rata temporis. IFRIC 21 was applied retrospectively. Application of this interpretation does not have any material impact on the consolidated financial statements.

Various standards were amended as part of the Annual Improvements to IFRSs 2011–2013 Cycle. The affected standards were IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement, and IAS 40 Investment Property. The amended standards provide clarification of existing rules. The amendments made are not relevant to recognition and measurement in the consolidated financial statements of CHG-MERIDIAN AG because either the rules in question were not relevant or they had already been interpreted correctly.

ISSUED FINANCIAL REPORTING STANDARDS THAT HAVE NOT YET BEEN APPLIED

When it prepared its 2015 consolidated financial statements, CHG-MERIDIAN AG decided against early adoption of the financial reporting standards, interpretations, and amendments below, which have been issued by the IASB but are not yet required to be applied. The Company does not plan to implement individual standards before their initial application becomes mandatory.

- Annual Improvements to IFRSs 2010–2012 Cycle (to be applied for financial years beginning on or after February 1, 2015; adopted into European law (endorsed))
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (to be applied for financial years beginning on or after February 1, 2015; adopted into European law (endorsed))
- Annual Improvements to IFRSs 2012–2014 Cycle (to be applied from January 1, 2016; adopted into European law (endorsed))
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) (to be applied from January 1, 2016; adopted into European law (endorsed))
- Disclosure Initiative (Amendments to IAS 1) (to be applied from January 1, 2016; adopted into European law (endorsed))
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) (to be applied from January 1, 2016; adopted into European law (endorsed))
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) (to be applied from January 1, 2016; adopted into European law (endorsed))
- Equity Method in Separate Financial Statements (Amendments to IAS 27) (to be applied from January 1, 2016; adopted into European law (endorsed))
- IFRS 14 Regulatory Deferral Accounts (to be applied from January 1, 2016; not yet endorsed by the EU)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) (to be applied from January 1, 2016; not yet endorsed by the EU)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) (to be applied from January 1, 2017; not yet endorsed by the EU)
- Disclosure Initiative (Amendments to IAS 7) (to be applied from January 1, 2017; not yet endorsed by the EU)
- IFRS 9 Financial Instruments (to be applied from January 1, 2018; not yet endorsed by the EU)
- IFRS 15 Revenue from Contracts with Customers (to be applied from January 1, 2018; not yet endorsed by the EU)
- IFRS 16 Leases (to be applied from January 1, 2019; not yet endorsed by the EU)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (postponed indefinitely by the IASB).

The Annual Improvements to IFRSs 2010–2012 Cycle and 2012–2014 Cycle contain minor changes to a variety of IFRSs. They do not have any material impact on the consolidated financial statements of CHG-MERIDIAN AG.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) clarifies the accounting treatment of employee contributions and third-party contributions to defined benefit plans. The amendments do not have any impact on the consolidated financial statements of CHG-MERIDIAN AG.

The amendments to IFRS 11 provide guidance on how to account for acquisitions of an interest in a joint operation when the operation constitutes a business pursuant to IFRS 3. In such cases, all principles relating to the accounting treatment of business combinations in IFRS 3 must be applied. Because the CHG-MERIDIAN Group does not hold any interests in joint operations, these amendments are not relevant.

The IASB decided on amendments to IAS 1 with its Disclosure Initiative. The amendments provide guidance on applying the concept of materiality in practice and clarify the presentation of the statement of financial position and statement of comprehensive income. CHG-MERIDIAN does not expect the amendments to have a material impact on the consolidated financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38), which is required to be applied from January 1, 2016, provides additional guidance on how depreciation and amortization should be calculated. It clarifies that revenue-based methods of depreciation for property, plant and equipment are not considered appropriate. A revenue-based method of amortization for intangible assets can only be used in certain exceptional cases. These amendments are not relevant to the consolidated financial statements of CHG-MERIDIAN AG because revenue-based depreciation and amortization methods are not currently used.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) relates to biological assets and therefore has no relevance to the preparation of the consolidated financial statements at CHG-MERIDIAN AG.

Equity Method in Separate Financial Statements (Amendments to IAS 27) does not have an impact on the consolidated financial statements of CHG-MERIDIAN AG because it applies only to single-entity financial statements.

IFRS 14 Regulatory Deferral Accounts permits first-time adopters of IFRS to continue recognizing regulatory deferral accounts in accordance with the financial reporting standards that they previously applied, even after the transition to IFRS. It has no impact because CHG-MERIDIAN AG is not a first-time adopter of IFRS.

The amendments to IFRS 10, IFRS 12, and IAS 28 clarify issues relating to the application of the consolidation exception for investment entities pursuant to IFRS 10 that instead account for their subsidiaries at fair value. The amendments will not have any impact on the consolidated financial statements of CHG-MERIDIAN AG because the Group does not hold any interests in investment entities.

In January 2016, the IASB published amendments to IAS 12 Income Taxes. The amendments clarify the requirements for recognizing deferred tax assets for unrealized losses, particularly unrealized losses on debt instruments recognized at fair value. The possible impact of the amendments on the consolidated financial statements of CHG-MERIDIAN AG is being examined.

The IASB also published amendments to IAS 7 in January 2016. The amendments are intended to clarify IAS 7 and improve the information provided to users of financial statements about an entity's financing activities. The potential impact on the consolidated financial statements of CHG-MERIDIAN AG is currently being analyzed.

IFRS 9 Financial Instruments contains rules on recognition, measurement, and derecognition and on hedge accounting. The IASB published the final version of the standard on July 24, 2014. This means that the accounting of financial instruments, which was previously carried out in accordance with IAS 39, can now be fully migrated to IFRS 9. The main requirements of the finalized IFRS 9 can be summarized as follows:

- The requirements relating to the scope and to recognition and derecognition are largely the same as under IAS 39.
- However, the rules of IFRS 9 stipulate a new classification model for financial assets compared to IAS 39.
- In the future, financial assets will be classified as one of three categories for the purposes of subsequent measures, with each category using different measurement methods and having different rules on recognizing changes in fair value. Classification depends on the contractual cash flows of the instrument and the business model within which the instrument is held. The categories are therefore mandatory. However, entities can make use of options in individual cases.
- The existing rules on financial liabilities, by contrast, have largely been retained in IFRS 9.
- IFRS 9 defines three stages that will determine the amount of losses and the interest to be recognized. Expected losses must be recognized in the amount of the present value of an expected twelve-month loss upon acquisition (stage 1). If the credit risk has risen significantly, loss allowances must be increased up to the amount of the expected losses over the entire residual life (stage 2). When objective evidence of impairment arises, interest is recognized on the basis of the net carrying amount (carrying amount minus loss allowances).
- IFRS 9 also contains extensive disclosure requirements.

The impact on the consolidated financial statements of CHG-MERIDIAN AG is currently being examined.

IFRS 15 Revenue from Contracts with Customers supersedes IAS 18 Revenue, IAS 11 Construction Contracts, and various revenue-related interpretations. It defines consistent basic principles about when revenue is to be recognized, and in what amount. Revenue is recognized at the time control of the purchased goods or services passes to the customer in the amount of the expected consideration for the transfer of the goods or services. Furthermore, the new standard requires the disclosure of various items of quantitative and qualitative information so that users of the consolidated financial statements have information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company is currently examining the impact of the application of IFRS 15 on the consolidated financial statements of CHG-MERIDIAN AG.

The IASB published IFRS 16 Leases in January 2016. IFRS 16 replaces the existing standard on lease accounting (IAS 17) and the interpretations IFRIC 4, SIC-15, and SIC-27. The standard must be applied from January 1, 2019. The main new requirements in IFRS 16 relate to lessee accounting.

In the future, lessees will no longer distinguish between operating leases and finance leases. This means that lessees will have to recognize all assets ('right-of-use approach') and liabilities under leases in the statement of financial position. There will be exemptions for low-value leased assets (e.g. PCs, smartphones, laptops, monitors, and office equipment) and for short-term leases with a term of up to one year. The exemptions are provided for in an option to apply the recognition and disclosure rules of IFRS 16.

Lessor accounting is largely based on the requirements in the existing IAS 17. As we act as a lessor, we do not expect any material impact on the consolidated financial statements of CHG-MERIDIAN AG.

The amended accounting treatment for leases in which CHG-MERIDIAN AG is the lessee will have an impact on the consolidated financial statements. However, this impact is not expected to be material because CHG-MERIDIAN predominantly acts as a lessor.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) addresses a conflict between IAS 28 and IFRS 10. The amendments clarify that, in transactions with an associate or joint venture, the extent of the gains or losses recognized depends on whether the assets sold or contributed constitute a business as defined in IFRS 3. They are not expected to have an impact on the consolidated financial statements of CHG-MERIDIAN AG.

B) CONSOLIDATION

BASIS OF PRESENTATION

The consolidated financial statements of CHG-MERIDIAN AG cover the parent company, plus all material subsidiaries over which CHG-MERIDIAN AG can exercise control. Control exists if CHG-MERIDIAN AG holds voting rights or other rights that give it direct or indirect power over the potential subsidiary, it is exposed to positive or negative variable returns from the potential subsidiary, and it can affect those returns through its power.

Group entities are consolidated from the day on which control passes to the parent company. They are deconsolidated from when the parent company ceases to have control.

The separate financial statements of the consolidated entities have essentially been prepared using the same accounting policies and with the same reporting date as the consolidated financial statements. Income and expenses as well as receivables and liabilities between the consolidated companies are eliminated as part of the consolidation process. Equity is consolidated by netting the carrying amounts of the investments in subsidiaries against the Group's share of their equity.

Changes in investments in subsidiaries that cause the Group's shareholding to increase or decrease without loss of control are recognized in other comprehensive income as an equity transaction.

Subsidiaries whose impact on the Company's financial position and financial performance is insignificant individually and collectively are consolidated at amortized cost under Equity investments.

SCOPE OF CONSOLIDATION

The following table shows the changes in the scope of consolidation of the CHG-MERIDIAN Group:

	Number at Dec. 31, 2015	Number at Dec. 31, 2014
Consolidated subsidiaries	**45**	**45**
Within Germany	3	3
Outside Germany	42	42

In addition to CHG-MERIDIAN AG (the parent company), the following subsidiaries were consolidated as at December 31, 2015:

Name	Registered office	Share of subscribed capital (%)	Status [active (A)/ inactive (I)]
German subsidiaries			
CHG-MERIDIAN Leasing-Beteiligungs-Holding GmbH	Weingarten, Germany	95	A
CHG-MERIDIAN Mobilien GmbH	Weingarten, Germany	100	A
Foreign subsidiaries			
CHG-MERIDIAN Austria GmbH	Vienna, Austria	100	A
CHG-MERIDIAN Belgium NV	Grimbergen, Belgium	100	A
CHG-MERIDIAN Czech Republic s.r.o.	Prague, Czech Republic	100	A
CHG-MERIDIAN France SAS	Paris, France	100	A
CHG-MERIDIAN Ireland Limited	Dublin, Ireland	100	A
CHG-MERIDIAN Italia S.p.A.	Monza, Italy	100	A
CHG-MERIDIAN Nederland BV	Rotterdam, Netherlands	100	A
CHG-MERIDIAN Polska sp. z o.o.	Warsaw, Poland	100	A
CHG-MERIDIAN Schweiz AG	Baden, Switzerland	100	A
CHG-MERIDIAN Slovakia s.r.o.	Bratislava, Slovakia	100	A
CHG-MERIDIAN Spain S.L.	Barcelona, Spain	100	A
CHG-MERIDIAN (Holdings) UK Limited	Egham, Surrey, United Kingdom	100	A
CHG-MERIDIAN UK Limited	Egham, Surrey, United Kingdom	100	A
CHG-MERIDIAN Computer Leasing UK Limited	Egham, Surrey, United Kingdom	100	A
CHG-MERIDIAN Capital Limited	Egham, Surrey, United Kingdom	100	A
Lease Support Desk Limited	Egham, Surrey, United Kingdom	100	A
Wyse Finance Limited	Egham, Surrey, United Kingdom	100	I
Flameace Limited	Egham, Surrey, United Kingdom	100	I
Wyse Leasing (Midlands) Limited	Egham, Surrey, United Kingdom	100	I
Wyse Capital Limited	Egham, Surrey, United Kingdom	100	I
UK Lease IT Limited	Egham, Surrey, United Kingdom	100	I
Wyse Leasing (South East) Limited	Egham, Surrey, United Kingdom	100	I
Wyse Leasing Limited	Egham, Surrey, United Kingdom	100	I
CSL Finance NV	Grimbergen, Belgium	100	A
CHG-MERIDIAN Belux NV	Grimbergen, Belgium	100	A
LLC 'CHG-MERIDIAN'	Moscow, Russia	95	A
CHG-MERIDIAN tehnološki menedžment d.o.o.	Ljubljana, Slovenia	100	A
CHG-MERIDIAN Canada Limited	Windsor, Canada	100	A
CHG-MERIDIAN U.S. Holding Inc.	Los Angeles, United States	100	A

Name	Registered office	Share of subscribed capital (%)	Status [active (A)/ inactive (I)]
Foreign subsidiaries			
CHG-MERIDIAN USA Corp.	Los Angeles, United States	100	A
CHG-MERIDIAN México S.A.P.I. de C.V.	Mexico City, Mexico	85.2	A
CHG Locare S.A. de C.V.	Mexico City, Mexico	100	A
Leasing Consulting S.A. de C.V.	Mexico City, Mexico	100	I
ECR Leasing Services S.A. de C.V.	Mexico City, Mexico	41.7	A
CHG-MERIDIAN do Brasil Locação de Equipamentos Ltda.	São Paulo, Brazil	100	A
CHG-MERIDIAN do Brasil Arrendamento Mercantil S.A.	São Paulo, Brazil	100	A
CHG-MERIDIAN Northern Europe AS (formerly: Acento AS)	Oslo, Norway	100	A
CHG-MERIDIAN Norway AS (formerly: Acento Finance AS)	Oslo, Norway	100	A
CHG-MERIDIAN Sweden AB (formerly: Acento Finance AB)	Stockholm, Sweden	100	A
CHG-MERIDIAN Denmark A/S (formerly: Acento Finance A/S)	Copenhagen, Denmark	100	A
CHG-MERIDIAN Finland Oy (formerly: Acento Finance Oy)	Helsinki, Finland	100	A
CHG-MERIDIAN Skien AS (formerly: CircleIT AS)	Skien, Norway	100	A

All equity investments in the Mexican companies are wholly owned subsidiaries from a financial perspective.

CHANGES IN THE SCOPE OF CONSOLIDATION

There were no changes in the scope of consolidation in 2015.

C) CURRENCY TRANSLATION

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The consolidated financial statements of CHG-MERIDIAN AG have been prepared in euros, which is the parent company's functional currency. The functional currency of the companies in the CHG-MERIDIAN Group is the currency of the primary economic environment in which they operate. The items included in the financial statements of the Group entities are measured using the entity's defined functional currency.

FOREIGN-CURRENCY TRANSACTIONS

The Group companies translate foreign-currency transactions into their functional currency using the spot rate prevailing on the date of initial recognition of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate on the reporting date. Non-monetary items measured at historical cost are translated using the historical rate. Non-monetary items measured at fair value are translated using the rate valid on the date of fair value measurement. Exchange differences resulting from the translation of monetary items are recognized in profit or loss. If gains or losses from the remeasurement of non-monetary items are recognized in other comprehensive income, the exchange differences are also recognized in other comprehensive income.

GROUP ENTITIES

As part of consolidation, the assets and liabilities of the foreign companies in the CHG-MERIDIAN Group are translated into euros using the middle spot exchange rate on the reporting date. With the exception of net income, equity is translated at historical rates. Income and expenses are translated at the average rate for the financial year. The exchange differences resulting from translation are recognized within equity under Other reserves. In the event of a foreign operation's disposal, the pro-rata cumulative exchange differences contained in equity are recognized in profit or loss.

The changes in the main euro exchange rates used in the consolidated financial statements were as follows:

Currency	2015 Statement of financial position	2015 Income statement	2014 Statement of financial position	2014 Income statement
USD	0.91853	0.90131	0.82366	0.75273
CHF	0.92293	0.93642	0.83167	0.82331
MXN	0.05287	0.05677	0.05597	0.05664
RUB	0.01240	0.01469	0.01382	0.01963
GBP	1.36249	1.37771	1.28386	1.24051
CAD	0.66155	0.70492	0.71109	0.68208
CZK	0.03701	0.03666	0.03606	0.03632
PLN	0.23453	0.23900	0.23401	0.23899
BRL	0.23193	0.27024	0.31049	0.32040
NOK	0.10413	0.11174	0.11060	0.11867
SEK	0.10882	0.10691	0.10646	0.10824
DKK	0.13400	0.13407	0.13431	0.13428

3. MAIN ACCOUNTING POLICIES

CASH RESERVE AND RECEIVABLES FROM BANKS

The cash reserve and receivables from banks are recognized at their nominal amount.

RECEIVABLES FROM FINANCE LEASES

The CHG-MERIDIAN Group's finance lease business predominantly relates to IT equipment, industrial equipment, and healthcare equipment.

The CHG-MERIDIAN Group also enters into sale-and-leaseback transactions in which the leased equipment is acquired from the lessee and then leased back to the lessee. Depending on the contractual leaseback arrangements, these contracts are classified and presented as either finance leases or operating leases.

In the case of finance leases, beneficial ownership passes to the lessee. Receivables from finance leases are therefore shown in the consolidated statement of financial position.

The CHG-MERIDIAN Group mainly classifies leases using the present value criterion. According to this criterion, a leasing arrangement qualifies as a finance lease if, at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Receivables from finance leases are initially recognized at the net investment value, which essentially equates to the leased equipment's acquisition cost.

The interest income from these transactions is shown under interest income from finance leases in the income statement. In accordance with IAS 17, interest on the receivables is calculated at the lease's underlying interest rate. This produces a constant, periodic rate of interest on the remaining balance of the receivable.

DERECOGNITION OF FINANCE LEASE RECEIVABLES

At CHG-MERIDIAN, funding of some leases takes the form of forfaiting transactions in which CHG-MERIDIAN sells the forfaiter the future streams of payments from the lease. In the case of forfaiting of lease installments, the forfaiter assumes the counterparty risk.

Finance lease receivables are subject to the derecognition requirements for financial instruments. CHG-MERIDIAN's forfaiting contracts comply with the derecognition requirements in IAS 39:

- transfer of the contractual rights to cash flows from the financial asset and
- transfer of essentially all of the opportunities and risks associated with ownership.

Accordingly, the (partial) receivables are derecognized upon sale and the gain from the forfaiting transaction is immediately recognized in profit or loss. The gain is shown under Interest income from finance leases.

FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

Financial assets within the meaning of IAS 39 are classified into the following categories (IAS 39.9):

- financial assets at fair value through profit or loss (FVTPL)
- loans and receivables (LaR)
- held-to-maturity investments (HtM)
- available-for-sale financial assets (AfS).

Financial assets are initially recognized at fair value. The transaction costs are also added, except in the case of assets designated as at fair value through profit or loss.

Spot transactions are recognized on the settlement date.

Measurement subsequent to initial recognition depends on the financial asset's classification:

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The group of financial assets designated as at fair value through profit or loss contains derivatives that are considered to be held for trading.

Financial assets (derivatives) designated as at fair value through profit or loss are recognized at fair value under Derivatives in the statement of financial position, with changes in fair value shown under Gains and losses on the measurement of derivatives in the income statement.

Financial assets are designated as at fair value through profit or loss upon initial recognition. Currently, there are no financial assets assigned to the FVTPL category apart from the derivatives.

LOANS AND RECEIVABLES (LAR)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these financial assets are subsequently measured at amortized cost, minus any impairment losses, using the effective interest method. The calculation of amortized cost takes into account any share premium or discount at acquisition and fees and costs forming an integral part of the calculation of the effective interest rate. The income from amortization using the effective interest method is recognized in the income statement under Other interest income. Impairment losses are largely allocated to the leasing business and are therefore shown under Write-downs and value adjustments on lease receivables and leased assets in the income statement.

HELD-TO-MATURITY INVESTMENTS (HTM)

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held-to-maturity investments if the Group intends, and is able, to hold them to maturity. After their initial recognition, held-to-maturity investments are subsequently measured at amortized cost, minus any impairment losses, using the effective interest method. The calculation of amortized cost takes into account any share premium or discount at acquisition and fees and costs forming an integral part of the calculation of the effective interest rate. Income from amortization using the effective interest method must be recognized in the income statement under Other interest income. Impairment losses are recognized in the income statement under Gains and losses on investments. The Group did not have any held-to-maturity investments in 2015.

AVAILABLE-FOR-SALE FINANCIAL ASSETS (AFS)

Available-for-sale financial assets can include equity instruments and debt instruments. Equity instruments classified as available for sale are those that are neither classified as held for trading nor designated as at fair value through profit or loss. Debt instruments in this category are those that are to be held for an indefinite period and can be sold in response to liquidity gaps or changes in market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value. Unrealized gains and losses are recognized as other comprehensive income (loss) under Other reserves. When these assets are derecognized, the cumulative profit or loss is reclassified to Gains and losses on investments. If an asset is impaired, the cumulative loss is also reclassified from Other reserves to Gains and losses on investments in profit or loss. Interest received from available-for-sale financial assets is calculated using the effective interest method and shown under Other interest income. CHG-MERIDIAN did not have any AfS securities in 2015.

FINANCIAL LIABILITIES

According to IAS 39, financial liabilities are classified as financial liabilities designated as at fair value through profit or loss, as loans (oL), or as derivatives that are designated as hedging instruments and that provide an effective hedge. The Group classifies its financial liabilities upon initial recognition.

All financial liabilities are measured at fair value upon initial recognition; in the case of loans (oL), the directly attributable transaction costs are included.

The Group's financial liabilities consist of liabilities to banks, liabilities to customers, and derivatives.

Measurement subsequent to initial recognition depends on the financial liability's classification:

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial liabilities designated as at fair value through profit or loss comprise held-for-trading financial liabilities and other financial liabilities designated as at fair value through profit or loss upon initial recognition.

Financial liabilities are classified as held for trading if they were acquired for the purpose of disposal in the near future.

Gains and losses from held-for-trading financial liabilities are recognized in profit or loss.

Financial liabilities are designated as at fair value through profit or loss upon initial recognition, provided the criteria in IAS 39 are met.

In the consolidated financial statements of CHG-MERIDIAN AG, only derivatives are assigned to the FVTPL category.

LOANS (OL)

After initial recognition, interest-bearing loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized or as a result of amortization under the effective interest method.

The calculation of amortized cost takes into account any share premium or discount at acquisition and fees and costs forming an integral part of the calculation of the effective interest rate. Amortization charges under the effective interest method are recognized in the income statement under Interest expense.

IMPAIRMENT OF FINANCIAL ASSETS

Default risk arising on financial assets is accounted for by recognizing impairment losses.

Specific valuation allowances in the amount of the incurred loss have been recognized for credit risk within the Other receivables from customers item.

Indications of potential impairment include default over a particular period and application for, or institution of, insolvency proceedings.

The receivables are recognized at their net carrying amount in the statement of financial position. The carrying amount of the financial asset is reduced using a valuation allowance account. Disclosures relating to loss allowances can be found in section 5 'Notes to the income statement – write-downs and value adjustments on lease receivables and leased assets'.

Uncollectible receivables in the process of being wound up, where all of the related collateral has been remarketed and all other options for realizing the receivables have been exhausted, are written off immediately. Previously recognized specific valuation allowances are utilized. Any subsequent receipts against receivables that have been written off are recognized in profit or loss.

HEDGE ACCOUNTING

To manage interest-rate risk and currency risk, the CHG-MERIDIAN Group uses derivatives as hedging instruments to a small extent because they help to reduce earnings volatility. These derivatives are standardized instruments that are traded directly between market participants rather than being traded on an exchange.

If the derivatives satisfy the recognition criteria in IAS 39, they are recognized at their fair value, both on the acquisition date and subsequently, in accordance with the requirements in IFRS 13 Fair Value Measurement. In this case, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement of the individual assets, liabilities, and equity instruments must be based on observable or unobservable inputs. These are assigned to one of the three levels of the fair value hierarchy:

- quoted prices in active markets to which the Group has access
- quoted market prices that are observable either directly or indirectly
- unobservable inputs.

The derivatives used in the CHG-MERIDIAN Group are recognized in accordance with the requirements of IFRS 13 using Level 2 inputs corresponding to quoted prices for identical assets that can be observed directly.

CHG-MERIDIAN generally assigns derivatives used for hedging to the FVTPL category. Hedge accounting pursuant to IAS 39.71 et seq. is not applied in the consolidated financial statements.

LEASED ASSETS UNDER OPERATING LEASES

The CHG-MERIDIAN Group's operating lease business predominantly relates to IT equipment, industrial equipment, and healthcare equipment.

In the case of operating leases, beneficial ownership of the assets remains with CHG-MERIDIAN. They are therefore recognized under Leased assets under operating leases in the consolidated statement of financial position.

The assets are measured at cost less straight-line depreciation or amortization over the term of the lease to the notional residual value. The leasing income is recognized over the term of the lease using the straight-line method.

Impairment losses are recognized for impairment pursuant to IAS 36. If the recoverable amount is less than the carrying amount, the difference between them is the amount of the impairment loss to be recognized. The recoverable amount is the net revenue from an immediate sale (fair value less selling expenses). The fair value equals the market price of the asset or a price derived from market transactions.

Impairment losses are reversed if the reasons for recognizing them in previous years no longer apply.

The impairment losses and their reversal are recognized in profit or loss under Write-downs and value adjustments on lease receivables and leased assets.

INTANGIBLE ASSETS

Purchased intangible assets with a finite useful life, which mainly include software and licenses, are recognized at cost plus acquisition-related costs in accordance with the requirements of IAS 38. They are amortized on a straight-line basis assuming a useful life of between one and ten years.

Intangible assets with an indefinite useful life are not amortized. These assets are tested for impairment annually, and also if there are indications of impairment. There were no intangible assets with an indefinite useful life in the CHG-MERIDIAN Group as at December 31, 2015 (December 31, 2014: €0 thousand).

Impairment losses are recognized for impairment pursuant to IAS 36. If the recoverable amount is less than the carrying amount, the difference between them is the amount of the impairment loss to be recognized. The recoverable amount is the net revenue from an immediate sale (fair value less selling expenses). The fair value equals the market price of the asset or a price derived from market transactions.

Impairment losses are reversed if the reasons for recognizing them in previous years no longer apply.

The impairment losses and their reversal are recognized under Amortization and impairment losses on intangible assets, and depreciation and impairment losses on property, plant and equipment.

The criteria for recognizing internally generated intangible assets resulting from software development are only fully met at CHG-MERIDIAN shortly before the implementation of enhanced and new versions of the software. As a result, all research and development costs are recognized as an expense at the time they are incurred.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost plus directly attributable costs less straight-line depreciation and, if applicable, impairment losses. The depreciation period is based on the expected useful life. Residual values, useful lives, and the method of depreciation are reviewed periodically. If there are variations from previous estimates, the changes are recognized in accordance with the requirements of IAS 8. Maintenance and minor repairs are recognized in profit or loss immediately.

In the event of disposal of property, plant or equipment, the asset's cost and the cumulative depreciation are derecognized. The gain or loss from the disposal of an item of property, plant or equipment is calculated as the difference between the net disposal proceeds and the carrying amount and is recognized under Other operating income or Other operating expenses in the income statement at the time of derecognition.

The leased portion of administrative buildings is recognized under Property, plant and equipment together with the property used by CHG-MERIDIAN itself.

The useful life of property, plant and equipment is between three and 50 years, depending on the type of asset.

Impairment losses are recognized for impairment pursuant to IAS 36. If the recoverable amount is less than the carrying amount, the difference between them is the amount of the impairment loss to be recognized. The recoverable amount is the net revenue from an immediate sale (fair value less selling expenses). The fair value equals the market price of the asset or a price derived from market transactions.

Impairment losses are reversed if the reasons for recognizing them in previous years no longer apply.

The impairment losses and their reversal are recognized under Amortization and impairment losses on intangible assets, and depreciation and impairment losses on property, plant and equipment.

OTHER ASSETS

The Other assets item predominantly comprises inventories. In the CHG-MERIDIAN Group, inventories consist of:

- assets that are intended to be leased
- assets that have been returned to CHG-MERIDIAN after the end of the lease term
- brokerage.

Assets that are intended to be leased are items of leased equipment whose lease term has not yet begun. These assets are recognized at acquisition cost.

Assets that have been returned to CHG-MERIDIAN after the end of the lease term are shown under Inventories with their residual values, which correspond to their amortized cost at the end of the lease.

Brokerage is recognized at acquisition cost.

After initial recognition, inventories are subsequently measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated necessary selling expenses.

Impairment losses on inventories, and their reversal, are recognized in profit or loss under Income from remarketing and Expenses from remarketing. On average, inventories remain in the CHG-MERIDIAN Group for significantly less than one year. Net realizable values are reviewed on an ad-hoc basis.

Revenue recognition in connection with inventories complies with the requirements of IAS 18. Accordingly, revenue is recognized when the significant risks and rewards of ownership of the goods sold have passed to the buyer, the amount of revenue can be determined reliably, and the flow of economic benefits associated with the sale is sufficiently probable.

PROVISIONS AND CONTINGENT LIABILITIES

According to IAS 37, provisions are recognized if a past event has created a legal or constructive obligation vis-à-vis third parties that is likely to lead to an outflow of resources in an amount that can be reliably estimated. Provisions with terms of more than one year are recognized at their discounted settlement value at the reporting date.

TAX

The tax expense for the period comprises current and deferred taxes. Tax is recognized in the income statement unless it relates to items recognized directly in equity.

CURRENT INCOME TAXES

The current tax expense is calculated using the tax laws of the countries in which the Company and its subsidiaries operate and generate taxable income. It is measured as the amount expected to be reimbursed by, or paid to, the tax authorities. The Company's management regularly reviews tax returns, particularly in relation to matters that are open to interpretation, and where appropriate recognizes provisions based on the amounts expected to be paid to the tax authorities.

DEFERRED TAXES

Deferred taxes are recognized on all temporary differences between the tax bases of assets/liabilities and their carrying amounts in the IFRS financial statements (known as the liability method). However, deferred taxes are not recognized, neither at the time of initial recognition nor subsequently, if they arise from the initial recognition of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss. Deferred taxes are measured using the tax rates that are in force or have essentially been enacted at the reporting date and that are expected to be in force at the time the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that there will be future taxable profit against which the tax assets can be utilized.

Deferred tax liabilities arising from temporary differences associated with investments in subsidiaries are recognized, unless the Group can control the timing of the reversal of the temporary difference and it is probable that, due to this control, the reversal will not occur in the foreseeable future. No deferred taxes were recognized for outside basis differences in the reporting year.

Deferred tax assets and liabilities are netted if there is a legal right to offset them and if the deferred tax assets and liabilities relate to income taxes that are collected by the same tax authorities and there is an intention to settle them on a net basis.

OTHER LIABILITIES

SHARE-BASED PAYMENT

Share-based payments comprise share option programs that, in accordance with Company practice, are settled in cash.

In accordance with IFRS 2, the issued share options are measured at the fair value of the liability taking account of the contractual terms. The fair value is determined using a binomial model. The liabilities arising from the share-based payment are reported under Other liabilities in the statement of financial position.

The fair value is recalculated at each reporting date and on the payout date, with any resulting change recognized in profit or loss. Expenses resulting from an increase in the liability from the share option program are included in Staff expenses.

LIABILITIES FROM THE SERVICING OBLIGATION

Liabilities to banks from the servicing obligation for forfaited and derecognized lease receivables pursuant to IAS 39.24 are shown under Other liabilities.

When finance lease receivables are derecognized as a result of non-recourse funding, the gain from the sale of the receivables is recognized upon disposal. CHG-MERIDIAN continues to provide services in connection with the sold lease arrangement after the receivables have been derecognized. These services are settled by the realized gain from the sale. Upon disposal of the receivable, a liability is recognized that is released to profit or loss over the basic term of the lease using the straight-line method to ensure that the income and expenses from the lease are apportioned to the relevant periods.

The liability is recognized for each lease using a defined flat-rate amount for each remaining month of the basic term. The liability is recognized in profit or loss.

The income and expenses arising on the liability from the servicing obligation are shown under Interest income from finance leases.

4. MATERIAL JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

While preparing the consolidated financial statements, CHG-MERIDIAN AG's management makes judgments, estimates, and assumptions that have an impact on the amounts of the reported income, expenses, assets, and liabilities, on the related disclosures, and on the disclosure of contingent liabilities.

The uncertainty associated with these assumptions and estimates could produce results that lead to significant adjustments to the carrying amounts of the affected assets or liabilities in future periods.

The assumptions and estimates used by the Company in 2015 mainly relate to the following matters:

- assessment of the impairment of receivables
- consideration of unguaranteed residual values in the measurement of receivables from finance leases and operating leases
- recognition and measurement of deferred taxes.

The impairment of receivables is based, to a certain extent, on estimates and assessments of individual receivables with regard to customers' credit standing and the type of funding, and on experience of historical default rates.

The unguaranteed residual values consist of outstanding proceeds from amortization and remarketing proceeds. Outstanding proceeds from amortization arise if the present value of the lessee's minimum lease payments does not cover the acquisition cost of the leased asset. The costing of the lease takes into account the fact that the outstanding proceeds from amortization will be realized at the end of the basic term. Remarketing proceeds are recognized on the basis of portfolio analysis with estimated average net remarketing proceeds of 5.0 to 10.0 percent of the original acquisition cost. This percentage is based on a best estimate using historical empirical values. The costing of the lease takes into account the fact that the remarketing proceeds will be realized at the end of the basic term. The recognition of unguaranteed residual values has a direct impact on revenue recognition in the CHG-MERIDIAN Group. If it emerges that the average remarketing proceeds or the outstanding proceeds from amortization can no longer be realized, the assets are written down accordingly.

The estimated, unguaranteed residual values were reviewed as at December 31, 2015 in accordance with IAS 17.41. This review ('backtesting') is conducted at group company level on a portfolio basis. The CHG-MERIDIAN Group uses an analysis of the net remarketing proceeds in the financial year for the purpose of backtesting. The consolidated results of backtesting as at December 31, 2015 pursuant to IAS 17.41 were as follows (€000's):

	2015	2014
Income from lease installments during extensions	73,561	64,598
Depreciation and write-downs of leased assets during extensions	–28,214	–21,530
Income from the sale of leased assets	108,496	58,323
Expenses from the sale of leased assets	–85,219	–53,692
Net remarketing proceeds	**68,624**	**47,699**

The positive level of net remarketing proceeds in 2015 and 2014 confirms that the estimates of remarketing potential applied at the inception of a lease were appropriate/conservative.

The measurement of deferred tax assets and liabilities requires material assessments to be made. In the case of deferred tax assets on tax losses carried forward, this involves estimating the amount and timing of future taxable income. There is also uncertainty resulting from potential changes to tax law in the future.

5. NOTES TO THE INCOME STATEMENT

5.1 INTEREST INCOME FROM FINANCE LEASES

Interest income from finance leases comprises the items listed below.

- Interest income during the basic term
  An underlying interest rate is determined for each lease on the basis of the agreed lease installments and the expected additional payments and is used to calculate the interest on the finance lease receivables.
- Interest income from the unwinding of the discount on unguaranteed residual values
  The residual values expected at the end of the basic term accrue interest at the underlying interest rate during the basic term.
- Revenue in connection with the derecognition of finance lease receivables
  In the case of the non-recourse sale of receivables to a bank (forfaiter), the difference between the present value of the sold lease installments and the amount paid by the forfaiter is recognized in profit or loss in accordance with the requirements of IAS 39.

Interest income from finance leases rose by €19.915 million year on year to €118.455 million (2014: €98.540 million).

The increase is primarily due to higher interest income during the basic term (up by €13.101 million) and higher revenue in connection with the derecognition of finance lease receivables where non-recourse funding has been used (up by €3.266 million).

5.2 OTHER INTEREST INCOME

Other interest income fell from €1.847 million in 2014 to €1.019 million in 2015. This item contains all interest income that cannot be allocated to finance leases. It mainly consists of income from short-term investments of cash and cash equivalents.

Interest income from the unwinding of the discount on impaired receivables is only recognized if the financial asset was discounted at the time the impairment loss was recognized. Based on the assumption that most remarketing proceeds will be realized within one year, discounting is not carried out when the impairment loss is measured for reasons of materiality.

The total interest income from financial assets that are not measured at fair value through profit or loss came to €118.968 million in 2015 (2014: €100.331 million).

5.3 INTEREST EXPENSE

The Interest expense line item mainly contains interest expense on loans for the funding of leases. Interest expense advanced from €29.499 million in 2014 to €35.985 million in 2015. This increase of €6.486 million is primarily attributable to a higher expense in the case of early termination of derecognized forfaiting transactions at CHG-MERIDIAN AG (up by €3.478 million) and higher interest expense for loan-based funding (up by €2.002 million).

Interest expense for financial liabilities that are not measured at fair value through profit or loss totaled €35.161 million in 2015 (2014: €28.174 million).

5.4 INCOME FROM OPERATING LEASES

The following table shows the breakdown of income from operating leases in the reporting period (€000's):

	2015	2014
Income from lease installments during the basic term	311,423	310,304
Income from lease installments during extensions	73,561	64,598
Income from operating leases	**384,984**	**374,902**

During the basic term of the lease, the lease installments are, if applicable, deferred and recognized using the straight-line method.

5.5 EXPENSES FROM OPERATING LEASES

The following table shows the breakdown of expenses from operating leases (€000's):

	2015	2014
Depreciation and write-downs of leased assets during the basic term	240,024	226,733
Depreciation and write-downs of leased assets during extensions	28,214	21,530
Interest expense on deferred income from forfaiting transactions	43,250	52,808
Expenses from operating leases	**311,488**	**301,071**

In line with the increased portfolio of leased assets, there was a rise in depreciation and amortization on leased assets during the basic term and during the extension period.

The leased assets are depreciated or amortized to their unguaranteed residual value using the straight-line method over the basic term of the lease. In the case of an extension, the residual value is generally depreciated or amortized using the straight-line method over one year.

Interest expense on deferred income from forfaiting transactions is allocated to expenses from operating leases because the finance leases funded on a non-recourse basis, and the associated deferred forfaiting income, are normally derecognized, which means only the interest expense that can be allocated to operating leases remains.

5.6 INCOME AND EXPENSES FROM REMARKETING

The following table shows the breakdown of income and expenses from remarketing (€000's):

	2015	2014
Income from the sale of leased assets	108,496	58,323
Expenses from the sale of leased assets	–85,219	–53,692
Income from brokerage activities	8,253	10,797
Expenses from brokerage activities	–3,236	–4,568
Net income from remarketing	**28,294**	**10,860**

Remarketing of leased assets is carried out either directly by the individual subsidiaries of CHG-MERIDIAN AG or through the Technology and Service Centers, which are located near Frankfurt am Main, Germany and in Skien, Norway.

In addition to the remarketing of leased assets, the Technology and Service Centers are responsible for the worldwide purchasing and remarketing of IT equipment (brokerage).

Impairment losses on inventories are also shown under Expenses from remarketing and amounted to €11 thousand in 2015 (2014: €2 thousand).

5.7 WRITE-DOWNS AND VALUE ADJUSTMENTS ON LEASE RECEIVABLES AND LEASED ASSETS

Write-downs and value adjustments on lease receivables and leased assets consist of impairment losses, reversals of impairment losses, and direct write-offs of receivables from finance leases and other receivables from customers. Impairment losses and reversals of impairment losses on leased assets pursuant to IAS 36 are also subsumed under this item (€000's):

	2015	2014
Impairment losses on and write-offs of other receivables from customers	8,509	110,068
Impairment losses on receivables from finance leases	–332	–527
Impairment losses/reversals of impairment losses – leased assets	–33	–183
Income from the derecognition of deferred income from forfaiting transactions under operating leases	–435	–1,341
Write-downs and value adjustments on lease receivables and leased assets	**7,709**	**8,017**

The following table shows the changes in the valuation allowance accounts for finance lease receivables and for other receivables from customers (€000's):

	Specific valuation allowances on finance lease receivables	Specific valuation allowances on other receivables from customers	TOTAL
Balance as at Dec. 31, 2013	**3,118**	**12,727**	**15,845**
Addition recognized as an expense	587	5,644	6,231
Utilization	252	5,455	5,707
Reversal	1,192	1,052	2,244
Balance as at Dec. 31, 2014	**2,261**	**11,864**	**14,125**
Addition recognized as an expense	343	3,149	3,492
Utilization	17	1,822	1,839
Reversal	811	250	1,061
Balance as at Dec. 31, 2015	**1,776**	**12,941**	**14,717**

The differences between the changes in the valuation allowance accounts recognized in profit or loss and the income statement items are attributable to direct write-offs and income from receivables that had been written off.

The impairment loss for the LaR category amounted to €9.162 million in 2015 (2014: €11.423 million). The impairment loss for finance lease receivables came to €343 thousand (2014: €587 thousand).

For details of the write-downs and value adjustments on leased assets, please see the table showing the changes in leased assets in section 7 'Notes to the statement of financial position'.

If an impaired receivable or impaired leased asset under an operating lease was funded without recourse, derecognition of the deferred income from the forfaiting transaction results in a reduction in the impairment losses recognized.

5.8 INCOME FROM SERVICES RENDERED

The following table shows the breakdown of income from services rendered (€000's):

	2015	2014
Income from consumables, OPS, and brokerage	15,873	5,017
Income from TESMA®	10,938	9,608
Income from insurance	3,221	1,706
Income from data erasure	2,264	1,312
Income from GarantiePlus	259	286
Other service income	5,634	3,317
TOTAL	**38,189**	**21,246**

Income from services rendered rose by a total of €16.943 million or 79.8 percent compared with the previous year. This increase is due to expansion and optimization of the services offered by CHG-MERIDIAN.

5.9 EXPENSES FROM SERVICES

The expenses from services rendered went up from €10.730 million in 2014 to €23.454 million in 2015. Significant expenses are incurred, in particular, from the purchase of consumables (printer paper, toner, etc.) and brokerage.

Net income from services advanced from €10.516 million in 2014 to €14.735 million in 2015.

5.10 GAINS AND LOSSES ON THE MEASUREMENT OF DERIVATIVES

The following table shows the breakdown of gains and losses on the measurement of derivatives in the period under review (€000's):

	2015	2014
Income from derivatives	665	121
Expenses from derivatives	–2,285	–1,469
Gains and losses on the measurement of derivatives	**–1,620**	**–1,348**

All derivatives are recognized at fair value in the statement of financial position. Changes in fair value are recognized in profit or loss. Hedge accounting is not applied, which means that all derivatives are categorized as at fair value through profit or loss in accordance with IAS 39.

5.11 STAFF EXPENSES

The following table shows the breakdown of staff expenses (€000's):

	2015	2014
Wages and salaries	73,064	59,378
Social security contributions and expenses for pensions	10,696	10,001
TOTAL	**83,760**	**69,379**

In the period under review, the increase in the liabilities arising from the share-based payment was recognized under Staff expenses in an amount of €1.448 million (2014: €1.045 million).

5.12 OTHER ADMINISTRATIVE EXPENSES

The following table shows the breakdown of other administrative expenses (€000's):

	2015	2014
Auditing and consultancy costs	5,489	4,953
Rent and other office space costs	5,300	4,630
Other staff expenses	2,644	1,941
Travel expenses	2,200	1,834
Car-related expenses	2,144	2,012
Customer-related events and entertainment expenses	1,905	1,964
Telecommunications costs and postage	1,395	1,371
Premiums and fees	702	706
Maintenance costs	678	653
Bank charges	600	614
Costs for office supplies	570	417
Business insurance	362	292
Other expenses	4,505	5,787
TOTAL	**28,494**	**27,174**

Auditing and consultancy costs include the following services rendered by the auditors KPMG AG Wirtschaftsprüfungsgesellschaft that were used by CHG-MERIDIAN companies (€000's):

	2015	2014
Expenses for year-end auditing	215	352
Expenses for other attestation services	12	26
Expenses for other services	39	24
TOTAL	**266**	**402**

The year-end auditing expenses incurred related to the cost of auditing CHG-MERIDIAN AG's consolidated financial statements as well as the legally required audits of the separate financial statements of CHG-MERIDIAN AG and CHG-MERIDIAN Mobilien GmbH.

5.13 AMORTIZATION AND IMPAIRMENT LOSSES ON INTANGIBLE ASSETS, AND DEPRECIATION AND IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT (€000's):

	2015	2014
Land and buildings	1,370	1,399
Office furniture and equipment	1,890	2,037
Intangible assets	1,096	779
TOTAL	**4,356**	**4,215**

Please also refer to the tables showing the changes in intangible assets and property, plant and equipment in section 7 'Notes to the statement of financial position – intangible assets and property, plant and equipment'.

5.14 OTHER OPERATING INCOME/EXPENSES

The Other operating income and Other operating expenses items predominantly contain gains and losses from currency translation. Gains from currency translation came to €10.444 million in 2015 (2014: €8.511 million). The losses from currency translation recognized in profit or loss amounted to €8.937 million in the reporting year (2014: €7.550 million).

5.15 TAX

The following table shows the breakdown of the main components of the income tax expense for 2014 and 2015 (€000's):

	2015	2014
Current income taxes		
Current tax expense	15,350	6,807
Current income taxes from other accounting periods	1,572	–78
Use of loss carryforwards	–357	0
Deferred income taxes		
Deferred tax expense	3,353	10,595
Tax expense shown in the consolidated income statement	**19,918**	**17,324**

The following table shows how the tax on the Group's earnings before tax differed from the expected tax expense (€000's):

	2015	2014
Profit before tax	78,022	59,124
Expected tax rate	**29.73 %**	**29.73 %**
Expected tax expense	**23,198**	**17,578**
Change in the expected tax expense due to		
Permanent differences	656	–952
Use of unrecognized loss carryforwards	–1,854	0
Taxes from other accounting periods	–1,573	–78
Tax-rate-related discrepancies	–1,760	–311
Other effects	1,251	1,087
Current tax expense	**19,918**	**17,324**
Current tax rate	**25.5 %**	**29.3 %**

The weighted average tax rate was 25.5 percent in 2015 (2014: 29.3 percent). The difference between that figure and the expected tax rate was 4.2 percent in the reporting year (2014: 0.4 percent). The expected tax rate corresponds to the average income tax rate for CHG-MERIDIAN AG in Germany in the financial year in question.

The deferred tax liabilities mainly result from the different measurement of receivables from finance leases and leased assets under operating leases. For tax purposes, depreciation of leased equipment is normally recognized in accordance with tax-related asset depreciation tables that often does not correspond to the flow of income from leasing.

The following table shows the allocation of existing deferred tax assets on tax loss carryforwards to the group companies and country groups (€000's):

	2015	2014
CHG-MERIDIAN US group (United States)	6,869	6,159
CHG-MERIDIAN UK group (United Kingdom)	1,130	1,075
LLC 'CHG-MERIDIAN' (Russia)	458	794
CHG-MERIDIAN Mobilien GmbH (Germany)	361	202
CHG-MERIDIAN Northern Europe AS (Norway, Sweden, Finland, Denmark)	68	160
CHG-MERIDIAN Italia S.p.A. (Italy)	0	511
CHG-MERIDIAN Polska sp. z o.o. (Poland)	0	228
Deferred tax assets on tax loss carryforwards	**8,886**	**9,129**

The increase in the deferred tax assets allocated to the US group is solely attributable to currency translation. Within 20 years of the occurrence of tax losses, they can be netted with the future taxable profit of the entities in which the losses arose.

We continue to assume that the start-up losses incurred in the US group in previous years will be amortized. Calculated using the methodology applied by the Federation of German Leasing Companies (BDL), the net asset value of the US group was considerably higher than its equity as at December 31, 2015. Taxable profit is expected to be generated in the future, above all from the remarketing business that is anticipated.

6. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

The cumulative exchange differences recognized directly in equity amounted to a gain of €3.603 million as at December 31, 2015, compared with a gain of €942 thousand as at December 31, 2014.

7. NOTES TO THE STATEMENT OF FINANCIAL POSITION

7.1 CASH RESERVE

The cash reserve consists entirely of cash in the form of cash on hand.

7.2 RECEIVABLES FROM BANKS

The amount of receivables from banks reduced by €14.732 million year on year to €164.494 million.

Receivables from banks consist mainly of credit balances in current accounts and, on a small scale, short-term investments.

No receivables from banks were past due or impaired at the reporting date. There are no indications of default in connection with receivables from banks that are neither impaired nor past due.

Of the total receivables from banks, an amount of €1.395 million was classified as non-current (December 31, 2014: €1.542 million).

7.3 RECEIVABLES FROM FINANCE LEASES

The tables below relating to receivables from finance leases do not take impairment losses into account. To reconcile the net investment to the figure reported in the statement of financial position, the loss allowances for outstanding minimum lease payments are taken into consideration (€000's):

	Dec. 31, 2015	Dec. 31, 2014
Outstanding minimum lease payments	724,468	797,963
+ unguaranteed residual values	147,879	142,895
Gross investment	**872,347**	**940,858**
– unrealized (outstanding) finance income	–94,690	–113,033
Net investment	**777,657**	**827,825**
– present value of unguaranteed residual values	–128,526	–123,240
Present value of outstanding minimum lease payments	**649,131**	**704,585**

	Up to 1 year	1–5 years	More than 5 years	TOTAL
Gross investment as at Dec. 31, 2015	342,710	519,283	10,354	872,347
Gross investment (Dec. 31, 2014)	328,696	605,611	6,551	940,858
Present value of outstanding minimum lease payments as at Dec. 31, 2015	260,283	382,386	6,462	649,131
Present value of outstanding minimum lease payments (Dec. 31, 2014)	250,991	448,963	4,631	704,585

Of the total receivables from finance leases, an amount of €508.554 million was classified as non-current (December 31, 2014: €578.970 million).

Loss allowances for outstanding minimum lease payments amounted to €1.775 million (December 31, 2014: €2.260 million).

There are no indications of default in connection with receivables from finance leases that are neither impaired nor past due.

7.4 OTHER RECEIVABLES FROM CUSTOMERS

Other receivables from customers, which essentially consist of receivables from lease installments, services, and sales of leased assets, totaled €102.342 million (December 31, 2014: €72.415 million). This line item also includes accrued leasing income of €5.713 million (December 31, 2014: €16.235 million).

On the reporting date, €54.043 million of the total receivables from customers were due and predominantly consisted of lease installments (December 31, 2014: €50.397 million). These receivables are not impaired because there are no indications of heightened counterparty risk.

Of the total other receivables from customers, €12.941 million was impaired. Please also refer to the information provided in section 5 'Notes to the income statement – write-downs and value adjustments on lease receivables and leased assets'.

There are no indications of default in connection with other receivables from customers that are neither impaired nor past due.

Of the total other receivables from customers, an amount of €2.794 million was classified as non-current (December 31, 2014: €4.476 million).

7.5 EQUITY INVESTMENTS

The equity investments in Stadtmarketing Weingarten GmbH, Weingarten, Germany (December 31, 2015: €0.35 thousand; December 31, 2014: €0.35 thousand), Veneto Banca S.c.p.a., Montebelluna, Italy (December 31, 2015: €102 thousand; December 31, 2014: €102 thousand), and CML Services GmbH, Weingarten, Germany (December 31, 2015: €210 thousand; December 31, 2014: €210 thousand) are accounted for at cost in accordance with IAS 39.46c).

7.6 LEASED ASSETS UNDER OPERATING LEASES

The following table shows the changes in leased assets under operating leases (€000's):

Acquisition cost as at Jan. 1, 2015	**1,068,205**
Exchange differences	8,246
Additions	431,839
Disposals	421,645
Acquisition cost as at Dec. 31, 2015	**1,086,645**
Accumulated depreciation and amortization as at Jan. 1, 2015	**525,763**
Exchange differences	721
Additions to depreciation and amortization	268,238
Depreciation and amortization relating to disposals	290,872
Accumulated depreciation and amortization as at Dec. 31, 2015	**503,850**
Accumulated impairment losses as at Jan. 1, 2015	**37**
Exchange differences	0
Additions to impairment losses	0
Reversal of impairment losses	33
Impairment losses relating to disposals	0
Accumulated impairment losses as at Dec. 31, 2015	**4**
Net carrying amounts as at Dec. 31, 2015	**582,791**
Acquisition cost as at Jan. 1, 2014	**990,296**
Exchange differences	13,266
Additions	320,522
Disposals	255,879
Acquisition cost as at Dec. 31, 2014	**1,068,205**
Accumulated depreciation and amortization as at Jan. 1, 2014	**453,759**
Exchange differences	7,615
Additions to depreciation and amortization	246,314
Depreciation and amortization relating to disposals	181,925
Accumulated depreciation and amortization as at Dec. 31, 2014	**525,763**
Accumulated impairment losses as at Jan. 1, 2014	**713**
Exchange differences	0
Additions to impairment losses	37
Reversal of impairment losses	493
Impairment losses relating to disposals	220
Accumulated impairment losses as at Dec. 31, 2014	**37**
Net carrying amounts as at Dec. 31, 2014	**542,405**

As at December 31, 2015, leased equipment with a carrying amount of €371.597 million (December 31, 2014: €414.871 million) had been pledged as collateral in order to secure funding for the leasing business.

We anticipated total payments of €495.220 million from non-cancellable operating leases (December 31, 2014: €472.554 million). The following table shows the breakdown of the total amount by maturity (€000's):

	Dec. 31, 2015	Dec. 31, 2014
Up to 1 year	240,862	236,575
More than 1 year and up to 5 years	251,784	234,029
More than 5 years	2,574	1,950

Of the total leased assets under operating leases, an amount of €393.034 million was classified as non-current (December 31, 2014: €366.399 million).

7.7 INTANGIBLE ASSETS

Intangible assets essentially consist of software and licenses. The following table shows the changes in 2015:

	Intangible assets with a finite useful life
Acquisition cost as at Jan. 1, 2015	**6,125**
Exchange differences	–2
Additions	112
Disposals	267
Reclassifications	0
Acquisition cost as at Dec. 31, 2015	**5,968**
Accumulated amortization as at Jan. 1, 2015	**2,557**
Exchange differences	–2
Additions to amortization	1,096
Amortization relating to disposals	267
Reclassifications	0
Accumulated amortization as at Dec. 31, 2015	**3,384**
Impairment losses pursuant to IAS 36	0
Net carrying amounts as at Dec. 31, 2015	**2,584**
Net carrying amounts as at Jan. 1, 2015	**3,568**
Acquisition cost as at Jan. 1, 2014	**2,879**
Exchange differences	1
Additions	3,246
Disposals	1
Reclassifications	0
Acquisition cost as at Dec. 31, 2014	6,125
Accumulated amortization as at Jan. 1, 2014	**1,778**
Exchange differences	1
Additions to amortization	779
Amortization relating to disposals	1
Reclassifications	0
Accumulated amortization as at Dec. 31, 2014	**2,557**
Impairment losses pursuant to IAS 36	0
Net carrying amounts as at Dec. 31, 2014	**3,568**
Net carrying amounts as at Jan. 1, 2014	**1,101**

The additions in 2015 are attributable to the acquisition of software and licenses.

Of the total intangible assets, an amount of €2.003 million was classified as non-current (December 31, 2014: €2.349 million).

7.8 PROPERTY, PLANT AND EQUIPMENT

The following table shows the changes in property, plant and equipment in the Group (€000's):

	Land and buildings	Assets under construction	Office furniture and equipment	TOTAL
Acquisition cost as at Jan. 1, 2015	**33,376**	**6,214**	**17,332**	**56,922**
Exchange differences	–2	0	–13	–15
Additions	121	13,683	2,895	16,699
Disposals	22	0	3,383	3,405
Reclassifications	0	0	0	0
Acquisition cost as at Dec. 31, 2015	**33,473**	**19,897**	**16,831**	**70,201**
Accumulated depreciation as at Jan. 1, 2015	**14,838**	**0**	**11,156**	**25,994**
Exchange differences	2	0	2	4
Additions to depreciation	1,370	0	1,890	3,260
Depreciation relating to disposals	21	0	2,330	2,351
Reclassifications	0	0	0	0
Accumulated depreciation as at Dec. 31, 2015	**16,189**	**0**	**10,718**	**26,907**
Impairment losses pursuant to IAS 36	0	0	0	0
Net carrying amounts as at Dec. 31, 2015	**17,284**	**19,897**	**6,113**	**43,294**
Net carrying amounts as at Jan. 1, 2015	**18,538**	**6,214**	**6,176**	**30,928**
Acquisition cost as at Jan. 1, 2014	**34,024**	**2,487**	**15,932**	**52,443**
Exchange differences	38	0	56	94
Additions	14	3,727	2,766	6,507
of which additions relating to an acquisition	0	0	696	696
Disposals	700	0	1,422	2,122
Reclassifications	0	0	0	0
Acquisition cost as at Dec. 31, 2014	**33,376**	**6,214**	**17,332**	**56,922**
Accumulated depreciation as at Jan. 1, 2014	**13,964**	**0**	**9,846**	**23,810**
Exchange differences	17	0	3	20
Additions to depreciation	1,399	0	2,571	3,970
of which additions relating to an acquisition	0	0	534	534
Depreciation relating to disposals	542	0	1,264	1,806
Reclassifications	0	0	0	0
Accumulated depreciation as at Dec. 31, 2014	**14,838**	**0**	**11,156**	**25,994**
Impairment losses pursuant to IAS 36	0	0	0	0
Net carrying amounts as at Dec. 31, 2014	**18,538**	**6,214**	**6,176**	**30,928**
Net carrying amounts as at Jan. 1, 2014	**20,060**	**2,487**	**6,086**	**28,633**

The addition under Assets under construction is attributable to the expansion of the Company's headquarters in Weingarten.

Of the total property, plant and equipment, an amount of €39.830 million was classified as non-current (December 31, 2014: €27.721 million).

7.9 OTHER ASSETS

The Other assets item predominantly consists of inventories totaling €251.626 million (December 31, 2014: €198.277 million). Other material items within this line item in the statement of financial position were VAT receivables amounting to €13.642 million (December 31, 2014: €15.217 million) and prepaid expenses amounting to €5.419 million (December 31, 2014: €11.214 million).

The following table shows the breakdown of inventories (€000's):

	Dec. 31, 2015	Dec. 31, 2014
Assets that are intended to be leased	229,021	178,932
Assets that have been returned to CHG-MERIDIAN after the end of the lease schedule	22,378	19,261
Brokerage	227	84
TOTAL	**251,626**	**198,277**

Depending on their classification pursuant to IAS 17, the assets that are intended to be leased out are reclassified to Receivables from finance leases or Leased assets under operating leases at the inception of the lease.

Assets that have been returned to CHG-MERIDIAN after the end of the lease term are lease returns that are then remarketed by either the relevant subsidiary or the Technology and Service Center in Gross-Gerau. Normally, these assets only remain part of CHG-MERIDIAN's inventories for a short period.

Of the total other assets, an amount of €3.778 million was classified as non-current (December 31, 2014: €5.152 million).

7.10 LIABILITIES TO BANKS

Liabilities to banks, which came to €496.597 million (December 31, 2014: €582.077 million), primarily consisted of recourse funding of leases in an amount of €304.584 million (December 31, 2014: €410.502 million).

The €55.918 million decrease in loan liabilities was offset by the €54.204 million increase in non-recourse funding (deferred income from forfaiting transactions).

Besides the recourse funding of leases, the Liabilities to banks item also includes loans of €1.515 million (December 31, 2014: €2.653 million) for the Company's head office building in Weingarten, which was completed in 2003, a loan of €21.838 million (December 31, 2014: €22.257 million) for the new building currently under construction in Weingarten, and three (December 31, 2014: two) bonded loans, each with a volume of €50.000 million. The three promissory note loans each have a term of four years and are due to mature in 2017, 2018, and 2019 respectively.

To collateralize the liabilities to banks, lease receivables amounting to €393.764 million (December 31, 2014: €416.924 million) were assigned to the institutions providing the funding. Each individual item of collateral is assigned until the outstanding receivable under the lease has been settled.

The land of the Company's site in Weingarten and the buildings located thereon serve as collateral specifically in respect of its liabilities to banks. Of these liabilities, €21.515 million is secured by mortgages (December 31, 2014: €22.542 million).

Of the total liabilities to banks, an amount of €303.708 million was classified as non-current (December 31, 2014: €329.999 million).

7.11 DEFERRED INCOME FROM FORFAITING TRANSACTIONS

The Deferred income from forfaiting transactions line item rose from €609.674 million as at December 31, 2014 to €663.878 million as at December 31, 2015. This year-on-year increase of €54.204 million or 8.9 percent is attributable to the larger proportion of non-recourse funding in 2014 and 2015.

Under Deferred income from forfaiting transactions, CHG-MERIDIAN recognizes the purchase consideration (present value of the lease installments) from the non-recourse sale of lease receivables (forfaiting transactions) that are not subject to the derecognition requirements in IAS 39.

The deferred income from forfaiting transactions is released over the term of the sold lease installments using the declining-balance method.

7.12 LIABILITIES TO CUSTOMERS

Liabilities to customers include trade payables of €158.070 million (December 31, 2014: €153.224 million) and advance payments from customers and deferred leasing income totaling €54.762 million (December 31, 2014: €50.542 million).

Trade payables predominantly consist of liabilities to suppliers of leased assets.

Of the total liabilities to customers, an amount of €5.254 million was classified as non-current (December 31, 2014: €10.870 million).

7.13 DERIVATIVES

Derivatives are used exclusively to hedge currency risk and interest-rate risk. The derivatives are categorized as at fair value through profit or loss in accordance with IAS 39. Hedge accounting pursuant to IAS 39.71 et seq. is not applied in the CHG-MERIDIAN Group.

Depending on whether their fair value is positive or negative, the derivatives are shown either on the assets side or the liabilities and equity side of the statement of financial position.

They are measured at fair value. Changes in fair value are recognized in profit or loss under Other operating income or Other operating expenses.

Of the total derivatives, an amount of €2.680 million was classified as non-current (December 31, 2014: €988 thousand).

7.14 OTHER PROVISIONS

The Other provisions line item mainly comprises provisions for record retention requirements amounting to €197 thousand (December 31, 2014: €195 thousand) and provisions for risks in connection with the leasing business of €1.424 million (December 31, 2014: €1.235 million).

Of the total other provisions, an amount of €2.172 million was classified as non-current (December 31, 2014: €1.430 million).

In 2015, an amount of €867 thousand (2014: €298 thousand) was added to provisions while €168 thousand (2014: €272 thousand) was utilized and €15 thousand (2014: €0 thousand) was reversed. The unwinding of discounts resulted in an increase of €154 thousand (2014: €186 thousand) in other provisions.

There is uncertainty as to the amount and due date of the expected outflows, which is why they were recognized under Other provisions.

7.15 OTHER LIABILITIES

The Other liabilities line item went up by €6.988 million to €89.205 million as at December 31, 2015. This increase in Other liabilities is largely attributable to the rise in accruals, which climbed by €10.155 million to €28.030 million (December 31, 2014: €17.875 million). VAT liabilities fell by €642 thousand to €21.899 million as at the reporting date.

The following table shows the main accrual items (€000's):

	Dec. 31, 2015	Dec. 31, 2014
Accruals for outstanding invoices	13,123	7,547
Accruals for sales commissions, bonus payments, and unused annual leave	12,030	9,469
Accruals for year-end costs	320	534
Other	2,557	325
TOTAL	**28,030**	**17,875**

An explanation of other components of Other liabilities besides VAT liabilities and accruals is provided below.

LIABILITIES FROM THE SHARE OPTION PROGRAM

The Company grants share options to selected employees in the CHG-MERIDIAN Group as part of share option programs. Share options were granted for the first time following a resolution adopted by the Annual General Meeting that came into effect on January 1, 2010.

On the basis of a resolution of the Annual General Meeting dated July 17, 2015, the Management Board is authorized, subject to the consent of the Supervisory Board, to grant up to a total of 10 percent of the no-par-value shares until December 31, 2021 (January 31, 2014: 3,600,000 share options).

The share options cannot be exercised until at least 24 months have passed since they were granted ('lock-up period'). If beneficiaries leave the Company, their options expire. The options have a term of 72 months, although once the lock-up period has ended, there is an opportunity to exercise them once a year in the month following the Annual General Meeting.

When beneficiaries exercise the share options, they must pay the subscription price defined at the time of granting for each share that they acquire. The price per share is derived from the proportion of the Group's net asset value that is attributable to the share.

As at December 31, 2015, a total of 4,128,000 share options had been granted. The lock-up period ends for 2,880,000 share options on December 31, 2016. The lock-up period will then end for a further 960,000 share options on December 31, 2017.

The following table shows the changes in the share options:

	2015		2014	
	Commitments	Weighted average of the exercise prices	Commitments	Weighted average of the exercise prices
Number at start of reporting period	3,168,000	4.66	1,296,000	3.55
Granted during reporting period	960,000	5.11	3,312,000	3.86
Exercised during reporting period	0	0.00	1,440,000	3.29
Number at end of reporting period	4,128,000	4.78	3,168,000	4.66

The exercise price for the options that were outstanding at the end of the reporting period ranged from €4.07 to €5.11 (December 31, 2014: €4.07 to €4.80). The weighted average remaining term of the options was 4.5 years as at December 31, 2015 (December 31, 2014: 5.0 years).

The fair value of the share options was determined using a binomial model with the following parameters:

	Dec. 31, 2015	Dec. 31, 2014
Risk-free interest rate	0.00 %	0.12 %
Expected volatility	3.34%	2.71%
Expected term of the options (years)	4.5	5
Weighted average exercise price (€)	4.78	4.66
Notional value per share (€)	5.53	5.40

Volatility was determined on the basis of the performance of the CHG-MERIDIAN AG share price over the past ten years. The share price is calculated on the basis of the change in the net asset value of the CHG-MERIDIAN Group, which reflects the performance of the Company's share price more realistically. It was decided not to use the volatility of comparable listed companies as a basis because their volatility does not reflect CHG-MERIDIAN AG's actual circumstances.

The weighted average of the fair values of the options was €0.67 as at December 31, 2015 (December 31, 2014: €0.62).

The liabilities arising from the share-based payment amounted to €2.744 million as at December 31, 2015 (December 31, 2014: €1.296 million).

SERVICING OBLIGATIONS

Liabilities to banks from the servicing obligation for forfaited and derecognized lease receivables, which are shown under Other liabilities, amounted to €10.852 million as at the reporting date (December 31, 2014: €11.085 million).

Of the total other liabilities, an amount of €19.374 million was classified as non-current (December 31, 2014: €22.381 million).

7.16 TAX

Of the total tax assets, an amount of €0 thousand was classified as non-current (December 31, 2014: €36 thousand). Non-current tax liabilities amounted to €0 thousand (December 31, 2014: €0 thousand).

7.17 EQUITY

Details of the changes in the Group's equity can be found in the consolidated statement of changes in equity, which is in a separate section preceding the notes to the consolidated financial statements.

SUBSCRIBED CAPITAL

The Company's subscribed capital was divided into 96,000,000 (2014: 96,000,000) fully paid-up, no-par-value bearer shares with a notional value of €100,000,000. The following table shows the changes in the number of shares outstanding:

	2015	2014
Number of shares outstanding as at Jan. 1	89,855,190	67,720,065
Acquisition of treasury shares	–78,874	–1,404,649
Sale of treasury shares	591,984	972,863
Capital increase	0	22,566,911
Number of shares outstanding as at Dec. 31	**90,368,300**	**89,855,190**

The Company acquired 78,874 treasury shares in 2015. On December 31, 2015, the Company held 5,631,700 treasury shares that had a notional value of €5.866 million (December 31, 2014: €6.401 million) and are shown separately in equity as deductions. They represent 5.9 percent of the Company's share capital. In addition, the Company sold 591,984 treasury shares. They represent 0.6 percent of the Company's share capital.

CAPITAL RESERVES

Capital reserves comprise the share premium from the issue of shares and the difference resulting from the purchase and sale of treasury shares. The sale of treasury shares to new shareholders added €53 thousand to the capital reserves, which therefore stood at €2.393 million on December 31, 2015 (December 31, 2014: €2.340 million).

RETAINED EARNINGS

The Retained earnings line item consists of profits from previous years that have not been distributed and the effect resulting from first-time adoption of IFRS. Retained earnings came to €215.641 million on December 31, 2015, compared with €183.315 million a year earlier.

In 2015, a dividend of €0.13 per no-par-value share was paid in respect of a total of 90,289,719 dividend-bearing shares. The dividend distribution therefore amounted to €11.738 million.

OTHER RESERVES

Other reserves includes items that, under IFRS, are required to be recognized directly in equity. In 2015, these items related to differences resulting from currency translation in connection with consolidated subsidiaries (€000's):

	Dec. 31, 2015	Dec. 31, 2014
Cumulative gains and losses from currency translation	3,603	942

NON-CONTROLLING INTERESTS

The equity shareholdings of other shareholders represent the proportionate non-controlling interests in the equity of the Group entities. In 2015, CHG-MERIDIAN AG acquired a further 5 percent of the shares in CHG-MERIDIAN Mobilien GmbH, Weingarten, Germany and now holds all of this entity's shares.

CAPITAL RISK MANAGEMENT

The Company's priority in its management of capital risk is to ensure a strong and healthy funding structure that provides a basis for financial flexibility and enables the Company to remain largely independent of banks and other lenders. The Company aims to enhance and deepen its stable and long-standing business relationships with its funding partners in order to retain the trust of investors, lenders, and the markets and to pave the way for future organic growth and growth by acquisition.

The treasury department manages and monitors the liquidity situation at Group level as an integral part of the risk management process.

8. DISCLOSURES ON FINANCIAL INSTRUMENTS

A) CATEGORIES OF FINANCIAL INSTRUMENTS

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS BY IAS 39 MEASUREMENT CATEGORY (€000's)

	Loans and receivables (LaR)		Financial liabilities measured at amortized cost (oL)		Financial assets and liabilities at fair value through profit or loss (FVTPL)		Investments held at amortized cost (IAS 39.46 (c))	
Dec. 31	2015	2014	2015	2014	2015	2014	2015	2014
Assets								
Receivables from banks	164,494	179,226						
Other receivables from customers	108,055	88,650						
Derivatives					234	47		
Equity investments							312	312
Other assets	2,927	3,331						
Liabilities and equity								
Liabilities to banks			496,597	582,077				
Liabilities to customers			212,832	203,766				
Derivatives					2,802	990		
Other liabilities			14,126	15,313				

As at the reporting dates of December 31, 2014 and December 31, 2015, no financial instruments were assigned to the available-for-sale financial assets (AfS) or held-to-maturity investments (HtM) measurement categories.

Only derivatives pursuant to IAS 39.9 are assigned to the FVTPL category.

NET GAINS (+) AND LOSSES (-) ON FINANCIAL INSTRUMENTS (€000's)

	Dec. 31, 2015	Dec. 31, 2014
Loans and receivables (LaR)	–8,509	–10,068
Fair value through profit or loss (FVTPL)	–1,620	–1,348

Net gains and losses in the LaR category include impairment losses, reversals of impairment losses, and subsequent receipts against financial instruments that have been written off. They do not include current interest income and expense.

Net gains and losses in the FVTPL category include changes in fair value.

B) TRANSFER OF FINANCIAL ASSETS

CHG-MERIDIAN transfers the contractual right to cash flows from finance lease receivables in the context of non-recourse forfaiting contracts.

Normally, the forfaited and transferred cash flows represent only part of the total cash flows from the lease and only part of the finance lease receivables. The forfaited part only contains specially designated cash flows. In non-recourse funding arrangements, the material opportunities and risks are transferred to the forfaiter. CHG-MERIDIAN only has a small volume of transferred lease receivables that have not been derecognized. Corresponding liability items have been recognized for the transferred lease receivables.

The requirements for partial derecognition of the finance lease receivables have been satisfied. Payments under the finance lease that have not been forfaited are not derecognized and are therefore shown under Receivables from finance leases.

Most of the (residual) receivables shown are unguaranteed residual values. CHG-MERIDIAN does not have any continuing involvement in connection with lease payments that have been funded on a non-recourse basis.

C) LEVELS OF THE FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Financial and non-financial assets and liabilities as well as equity instruments are measured at fair value in accordance with the requirements of IFRS 13 Fair Value Measurement. In this case, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement of the individual assets, liabilities, and equity instruments must be based on observable or unobservable inputs.

These are assigned to one of the three levels of the fair value hierarchy:

LEVEL 1 – ACTIVE MARKET, QUOTED PRICE

At Level 1, measurement is based on prices quoted in active markets to which the Company has access at the measurement date (stock exchanges and dealer markets) for identical assets or liabilities. The transaction costs are not eliminated from the price that has been determined.

LEVEL 2 – DIRECTLY OR INDIRECTLY OBSERVABLE MARKET PRICE

If a quoted price cannot be determined in accordance with the Level 1 criteria, it must be determined using Level 2 inputs where available. These inputs include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical assets or liabilities in markets that are not active
- interest rates and yield curves observable at commonly quoted intervals
- implied volatilities, and
- other market-corroborated inputs.

A price determined in this way is corrected only on the basis of the condition/ location of the asset or the volume/level of activity in the observable markets.

LEVEL 3 – UNOBSERVABLE INPUTS

If there is little or no market activity for the asset or liability at the measurement date, the Company uses unobservable inputs that can be determined for the affected asset or liability. The unobservable inputs reflect the best information available about market participants' assumptions regarding price formation for the asset or liability, including assumptions about risks.

The derivatives used in the CHG-MERIDIAN Group are measured in accordance with the requirements of IFRS 13 using Level 2 inputs corresponding to quoted prices for identical assets that can be observed directly.

D) FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE OF CATEGORIES OF FINANCIAL INSTRUMENTS PURSUANT TO IAS 39

The table below shows the fair values of the different financial instruments. The fair value is the price at which the financial instrument can be sold or purchased in an orderly transaction at the reporting date.

If a market price was not available, the fair value was determined by discounting the financial instrument to present value using a market interest rate appropriate to the term of the financial instrument. The fair value of receivables from finance leases was determined by discounting them to present value using a notional interest rate. The notional interest rate represents an average funding rate for lease receivables that would be payable for a term equivalent to the end date of the respective lease:

	Fair value Dec. 31, 2015 €000's	Fair value Dec. 31, 2014 €000's	Carrying amount Dec. 31, 2015 €000's	Carrying amount Dec. 31, 2014 €000's
Assets				
Receivables from banks	164,494	179,226	164,494	179,226
Receivables from finance leases	819,237	872,957	775,882	825,565
Other receivables from customers	108,055	88,650	108,055	88,650
Derivatives	234	47	234	47
Equity investments	312	312	312	312
Other assets	2,927	3,331	2,927	3,331
Liabilities and equity				
Liabilities to banks	493,543	556,780	496,597	582,077
Liabilities to customers	212,832	203,766	212,832	203,766
Derivatives	2,802	990	2,802	990
Other liabilities	14,126	15,313	14,126	15,313

E) RISKS IN CONNECTION WITH FINANCIAL INSTRUMENTS

COUNTERPARTY RISK

For qualitative information on the management of counterparty risk, please refer to the risk report within the group management report.

Credit risk and default risk on financial assets are the risk that a counterparty will default and are therefore limited to the amount of the claims in respect of the recognized carrying amounts.

At CHG-MERIDIAN, the maximum default risk is primarily mitigated by the underlying leased equipment. It is also reduced by the additional collateral held, which had a value of €29.227 million on the reporting date (December 31, 2014: €62.146 million).

The additional collateral comprises, among other things, shared liability, mortgages, and pledging of credit balances with banks.

The following table shows the credit quality of the financial assets of the CHG-MERIDIAN Group (€000's):

	Gross carrying amount		Neither past due nor impaired		Past due but not impaired		Impaired	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Receivables from banks	164,494	179,226	164,494	179,226	0	0	0	0
Receivables from finance leases	777,658	827,826	775,447	825,565	365	0	1,846	2,261
Other receivables from customers	120,996	100,515	52,153	38,254	54,043	50,397	14,800	11,864
Derivatives	234	47	0	0	0	0	0	0
Equity investments	312	312	0	0	0	0	0	0

Impairment losses are recognized if a counterparty is in default for longer than a specified period of time or if an application is made for insolvency proceedings or such proceedings are instituted ('trigger events').

There were no significant concentrations of risk in the finance lease portfolio as at December 31, 2015, nor had there been any a year earlier.

The following table shows the maturity structure of financial assets that were past due but not impaired at the reporting date (€000's):

	Past due but not impaired		Up to 1 month		1–3 months		More than 3 months	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Receivables from banks	0	0	0	0	0	0	0	0
Receivables from customers	54,043	50,397	31,591	33,609	4,370	4,188	18,082	12,600
Derivatives	0	0	0	0	0	0	0	0
Equity investments	0	0	0	0	0	0	0	0

There is no objective evidence that the financial assets listed above are impaired. Due to the structure of its customer base and its business, the CHG-MERIDIAN Group has only insignificant concentrations of risk.

LIQUIDITY RISK

The table below contains an analysis of the maturities of the earliest possible, undiscounted contractual cash flows of financial obligations at the end of 2015 and 2014. Some amounts differ from the amounts reported in the statement of financial position because these are undiscounted cash flows (€000's):

	On demand	< 3 months	3 months – 1 year	1 year – 5 years	> 5 years
Dec. 31, 2015					
Liabilities to banks	18,247	75,317	102,740	300,369	8,425
Liabilities to customers	112,442	83,178	11,976	5,263	0
Debenture loans	0	0	0	0	0
Derivatives	0	54	67	2,680	0
Other liabilities	46	2,040	770	9,256	2,061

Dec. 31, 2014	On demand	< 3 months	3 months – 1 year	1 year – 5 years	> 5 years
Liabilities to banks	20,335	115,821	130,399	316,933	13,055
Liabilities to customers	114,224	72,616	9,696	6,692	0
Debenture loans	0	0	0	0	0
Derivatives	0	0	–2	–988	0
Other liabilities	442	5,272	6,422	4,537	375

The treasury department uses liquidity forecasts to manage liquidity risk. CHG-MERIDIAN was able to meet its payment obligations at all times during 2015.

MARKET RISK

For qualitative information on the management of market risk, please refer to the risk report within the group management report.

Market risk primarily results from interest-rate risk, currency risk, and residual-value risk. In the vast majority of cases, the CHG-MERIDIAN Group excludes interest-rate risk during the term of a lease by funding a very high proportion of its leases on a fixed-rate basis for their entire term.

Currency risk constitutes the risk of receivables depreciating and liabilities appreciating in value owing to sharp fluctuations in exchange rates. As an international company, CHG-MERIDIAN is exposed to currency risk. CHG-MERIDIAN aims to ensure that funding is obtained in the local currency of the subsidiary concerned from its own funding partners. This policy helps to minimize currency risk.

Residual-value risk occurs when the forecast market value of a leased asset that is remarketed at the scheduled end of the lease is lower than the residual value calculated at the inception of the lease.

The residual value calculated at the inception of the lease consists of the shortfall and the remarketing opportunities. The shortfall is the deficit that arises if the lease payments made over the basic term of a lease do not fully cover the investment in the leased equipment and the calculated cost of funding. Remarketing opportunities are estimated on a portfolio basis using historical values.

According to a sensitivity analysis, a reduction in the remarketing opportunities by 1 percent of the original investment in the leased equipment would have made it necessary to recognize an impairment loss of €21.990 million in the reporting year (2014: €16.237 million). An increase in the remarketing opportunities by 1 percent of the original investment in the leased equipment would have resulted in a gain of €36.417 million in the reporting year (2014: €27.028 million).

Because of CHG-MERIDIAN's cautious assumptions about remarketing opportunities, the probability of having to recognize impairment losses as a result of residual-value risk is considered to be low. Due to the structure of the customer base and business, there are no significant concentrations of risk.

9. OTHER DISCLOSURES

A) STATEMENT OF CASH FLOWS

CHG-MERIDIAN's consolidated statement of cash flows documents the changes in cash and cash equivalents resulting from the net cash provided by and used for operating activities, investing activities, and financing activities. The cash flows relating to operating activities reflect all inflows and outflows in connection with day-to-day business. Those relating to investing activities consist of payments from the acquisition of, and gains on the disposal of, subsidiaries, leased assets, and other types of assets. The cash flows relating to financing activities comprise all of the streams of payments in connection with equity transactions and other financing activities.

Cash and cash equivalents consist entirely of the cash reserve plus receivables from banks that are available on demand.

The principles underlying the presentation format and structure of the statement of cash flows are derived from IAS 7.

B) CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

The pledging of leased assets as collateral to forfaiting and lending banks gave rise to contingent liabilities of €711.702 million (net) (December 31, 2014: €799.100 million) as security for the legal validity and freedom from objection of the receivables sold.

The following table shows the maturity structure of future commitments under long-term agreements (predominantly future obligations under leases on offices and company cars) as at the reporting date (€000's):

	Up to 1 year	1–5 years	More than 5 years	TOTAL
Future lease obligations	3,757	10,597	1,094	15,448

In 2015, an expense of €3.601 million was recognized in connection with rental and leasing agreements (2014: €3.114 million).

C) TRANSACTIONS WITH RELATED PARTIES

A third party (an entity or individual) is deemed to be a related party if one of the parties has direct or indirect control or significant influence over the financial and operating policies of the other party. CHG-MERIDIAN AG and all of its subsidiaries are considered to be related parties. All of these are included in the consolidated financial statements. Other related parties of CHG-MERIDIAN AG include the members of the Management Board and Supervisory Board and their close family members.

The members of the Management Board and Supervisory Board only receive remuneration in connection with their role as persons in key positions. The total remuneration for the Management Board in 2015 amounted to €8.789 million (2014: €6.973 million). As part of their executive remuneration, one member of the Management Board was granted 960,000 options on the Company's shares at a price of €5.11 per share and, with effect from January 1, 2016, another Management Board member was granted 960,000 options on the Company's shares at a price of €5.14 per share. The fair value of this share-based payment was €2.744 million (2014: €1.296 million).

In accordance with the exemption for unlisted companies provided in section 314 (2) sentence 2 HGB in conjunction with section 286 (4) HGB, it was decided not to disclose each individual's remuneration.

The total remuneration for the Supervisory Board in 2015 amounted to €274 thousand (2014: €298 thousand).

There were no significant transactions with related parties that were not conducted on an arm's-length basis, either in 2015 or in the previous year.

D) EMPLOYEES

An average of 845 people were employed during the year under review (2014: 800). Part-time staff are counted on the basis of full-time equivalents. The following table shows the average number of employees broken down by function:

	2015	2014
Administration	576	567
Sales	245	214
Trainees	24	19
TOTAL	**845**	**800**

E) GOVERNING BODIES OF CHG-MERIDIAN AG

The members of the Management Board of CHG-MERIDIAN AG are:

- Jürgen Mossakowski, Ravensburg, Diplom-Kaufmann (Chief Executive Officer)
- Joachim Schulz, Ravensburg, Diplom-Kaufmann
- Frank Kottmann, Ravensburg, Kaufmann
- Dr. Mathias Wagner, Bad Homburg, Diplom-Kaufmann & Dr. oec.

The members of the Supervisory Board of CHG-MERIDIAN AG are:

- Dr. Alexander Lienau, Munich, attorney & tax accountant (chairman)
- Peter Horne, Reute, Diplom-Betriebswirt (BA) (deputy chairman)
- Frank Gelf, Berg, Kaufmann.

F) EVENTS AFTER THE REPORTING PERIOD AND APPROVAL OF THE FINANCIAL STATEMENTS

There were no material events after the reporting period.

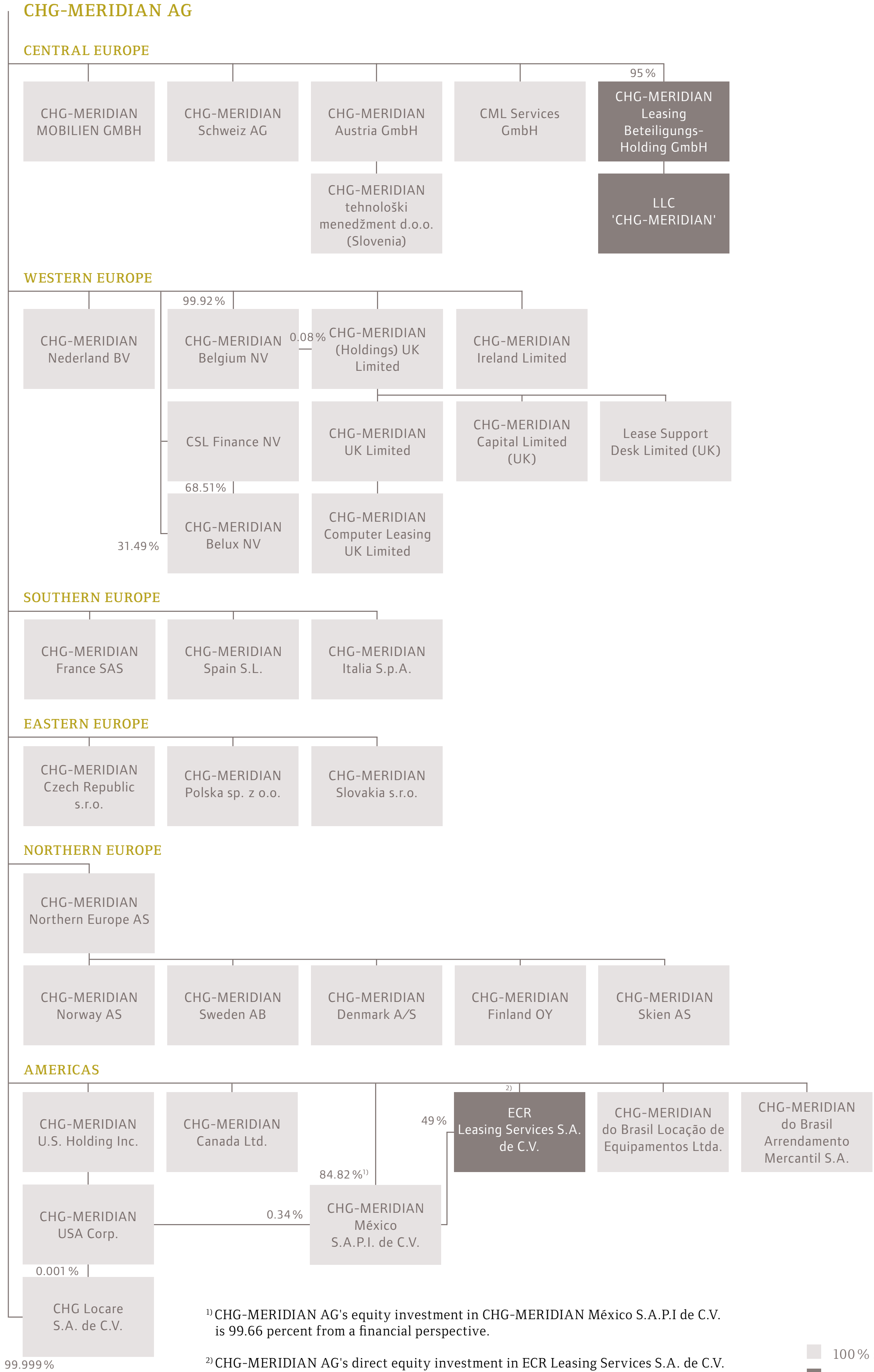
The Management Board prepared the consolidated financial statements on March 11, 2016. They will be published in the electronic version of the German Federal Gazette once they have been approved on May 12, 2016.

Weingarten, March 11, 2016

CHG-MERIDIAN AG

Jürgen Mossakowski Joachim Schulz Frank Kottmann Dr. Mathias Wagner

ORGANIZATIONAL STRUCTURE



1) CHG-MERIDIAN AG's equity investment in CHG-MERIDIAN México S.A.P.I de C.V. is 99.66 percent from a financial perspective.

2) CHG-MERIDIAN AG's direct equity investment in ECR Leasing Services S.A. de C.V. is 51 percent from a financial perspective.

100 % shareholding
< 100 % shareholding

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by CHG-MERIDIAN AG, Weingarten, comprising the consolidated statement of financial position, the consolidated income statement, the notes to the consolidated financial statements, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity, together with the group management report for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the supplementary provisions of German commercial law required to be applied under § 315a (1) HGB [Handelsgesetzbuch “German Commercial Code”] is the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the financial position and financial performance in the consolidated financial statements in accordance with the applicable financial reporting standards and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the supplementary provisions of German commercial law required to be applied under § 315a (1) HGB and give a true and fair view of the financial position and financial performance of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, April 22, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bergmann
Auditor

Ziegler
Auditor

SINGLE-ENTITY FINANCIAL STATEMENTS OF CHG-MERIDIAN AG

Statement of Financial Position of CHG-MERIDIAN AG, Weingarten, as at December 31, 2015

ASSETS

		Dec. 31, 2015	Dec. 31, 2014
	€000's	€000's	€000's
1. Cash reserve			
Cash on hand		12	16
2. Receivables from banks			
a) On demand	89,354		93,185
b) Other claims	1,000	90,354	1,000
3. Receivables from customers		167,495	126,954
4. Equity investments		1	1
5. Investments in affiliated companies		186,503	183,777
6. Leased assets		784,105	756,138
7. Intangible assets		2,537	3,503
8. Property, plant and equipment		40,961	28,648
9. Other assets		14,906	12,859
10. Prepaid expenses		1,193	996
11. Excess of plan assets over pension liabilities		29	30
		1,288,096	1,207,107

LIABILITIES AND EQUITY

			Dec. 31, 2015	Dec. 31, 2014
	€000's	€000's	€000's	€000's
1. Liabilities to banks				
a) On demand		16,449		14,119
b) With an agreed maturity		376,686	393,135	393,921
2. Liabilities to customers				
Sundry liabilities				
On demand			9,360	8,559
3. Other liabilities			76,101	82,961
4. Deferred income			620,786	549,305
4a. Deferred tax liabilities			24,452	20,775
5. Provisions				
a) For taxes		2,213		316
b) Other provisions		13,704	15,917	13,701
6. Equity				
a) Subscribed capital	100,000			100,000
minus notional value of treasury shares	–5,866			–6,401
Issued capital		94,134		93,599
b) Capital reserves		2,393		2,340
c) Retained earnings				
ca) Statutory reserve	9,382			9,382
cb) Other retained earnings	8,427	17,809		5,350
d) Net income		34,009	148,345	12,779
			1,288,096	1,207,107

Income Statement of CHG-MERIDIAN AG, Weingarten, for the year ended December 31, 2015

	€000's	€000's	2015 €000's	2014 €000's
1. Income from leasing			579,905	536,306
2. Expenses from leasing			–30,765	–21,408
3. Interest income from lending and money-market transactions			8,257	9,812
4. Interest expense			–22,517	–26,089
5. Current income from investments in affiliated companies			0	16
6. Commission income			16,027	13,135
7. Commission expense			–6,315	–4,537
8. Other operating income			1,291	2,038
9. General administrative expenses				
a) Staff expenses				
aa) Wages and salaries	–47,449			–39,950
ab) Social security contributions and expenses for pensions Of which for pensions: €3 thousand (2014: €29 thousand)	–4,015	–51,464		–3,726
b) Other administrative expenses		–11,330	–62,794	–10,984
10. Depreciation, amortization and write-downs of				
a) Leased assets		–430,518		–432,589
b) Intangible assets and property, plant and equipment		–3,577	–434,095	–3,436
11. Other operating expenses			–149	–88
12. Write-downs of and value adjustments on claims and certain securities as well as additions to the provisions for leasing business			–129	–516
13. Income from write-ups of claims and certain securities and from the release of provisions for leasing business			24	81
14. Profit from ordinary activities			**48,740**	**18,065**
15. Income taxes			–14,590	–5,072
16. Other taxes (unless reported under line item 11)			–141	–214
17. Net income			**34,009**	**12,779**

GLOSSARY

A user-friendly guide to the key technical terms and abbreviations used in CHG-MERIDIAN's business

CRITICAL-TERMS-MATCH METHOD
The critical-terms-match method is a method used to test the effectiveness of hedges. This involves testing some key financial data (critical terms) relating to the underlying transaction and the hedging instrument to ensure that they match. If they do, it can be assumed that the hedge is effective.

CROSS-CURRENCY SWAPS
A currency swap (also known as a cross-currency swap) is a financial derivative instrument under which two counterparties exchange ('swap') interest and principal payments to be made in different currencies. A currency swap is similar to an interest-rate swap, although in the case of the latter the payments are swapped in the same currency. Another difference is that, in contrast to interest-rate swaps, currency swaps involve the principal amounts being exchanged at the inception and end of the contract.

DCS
Data Center Solutions (DCS) focuses on consulting services and efficient organization in data centers. This freely scalable and modular full-service package enables CHG-MERIDIAN to adapt flexibly to its customers' circumstances and to provide them with targeted advice on requests for proposal (RFPs), business processes, technology lifecycles, enterprise resource planning (ERP), capacity, energy efficiency, and financial management in data centers. The Company also helps its customers to implement these strategies.

EBS
CHG-MERIDIAN's Employer Benefit Solutions (EBS), particularly the employee computer scheme, offer employees high-end communications devices such as laptops, tablets and smartphones for their own personal use.

EMS
Mobile workplaces enhance employees' efficiency and boost productivity. CHG-MERIDIAN's Enterprise Mobility Solution (EMS) is a one-stop, full service solution in the provision of mobile devices for employees. From the beginning to the end of the technology lifecycle, CHG-MERIDIAN offers a wide range of services to enable the controlled, secure, and central management of mobile devices within the Company.

END-OF-LIFE-MODULE
This module is an additional service provided by CHG-MERIDIAN at the end of the product lifecycle. Customers can use TESMA® to quickly and easily check the status of any collections and of the equipment they have returned at the end of its lifecycle. If certified data erasure is requested, the customer can now also view the relevant erasure logs online in TESMA®.

E-PROCUREMENT
e-Procurement is one of the functionalities offered by TESMA® and serves as a technology and service management system in the relationship between CHG-MERIDIAN, its customers, and their suppliers. Predefined shopping carts can be used to execute orders swiftly and conveniently.

ERASURE
eraSURE is CHG-MERIDIAN's solution for creating individual and certified data erasure concepts that intelligently link security needs with commercial requirements. These services are always based on internationally established standards such as those laid down by the DoD (Department of Defense) and BSI (Federal Office for Information Security).

FORFAITING
Forfaiting involves the purchase of receivables without any right of recourse against the seller if the debtor fails to pay. The seller is liable only for the legal validity of the receivables.

FORFAITING RATIO
The forfaiting ratio is defined as the volume of non-recourse finance (forfaiting) disbursed as a proportion of the total leases originated during the reporting year.

GROSS MARGIN
The gross margin is a key performance indicator used in management accounting and is defined as the present value of all lease origination, lease term extensions, and remarketed equipment minus direct funding and acquisition costs.

LEASE ORIGINATION
The volume of leases originated is a key performance indicator used in management accounting and is defined as the sum total of all invoices received for leased equipment or equipment sold to funding institutions.

MARISK
MaRisk is the German abbreviation for 'Minimum Requirements for Risk Management', which Germany's Federal Financial Supervisory Authority (BaFin) published as part of the implementation of Basel III and EU regulations. BaFin also monitors compliance with the MaRisk requirements.

MDS
The range of products and services offered in the Managed Desktop Solutions (MDS) area – which covers personal computers (PCs), monitors, and laptops – include advice on requests for proposal (RFPs), business processes, and technology lifecycles as well as physical inventory checks, procurement, rollout services, support, and financial management. At the end of each technology lifecycle, CHG-MERIDIAN offers a full-service package comprising rollback services, professional equipment reconditioning, recycling, and TÜV-certified data erasure.

NET ASSET VALUE
The net asset value (NAV) provides information on a leasing company's long-term net worth, and for CHG-MERIDIAN this value is calculated using the methodology applied by the Federation of German Leasing Companies (BDL). When income from leasing is accounted for, it is apportioned over the term of the lease. Consequently, a large proportion of the profit earned from a portfolio of leases is recognized at a balance sheet date in the future. When calculating its net asset value, CHG-MERIDIAN therefore computes the present value of future net income from its existing portfolio of leases at the balance sheet date, adds its total stockholders' equity, and subtracts its estimated future expenses.

NON-FULL-PAYOUT LEASES
A non-full-payout lease is a leasing model under which lease installments are only paid on a portion of the equipment's acquisition cost. This means that CHG-MERIDIAN is left with a residual value for which the lessee does not pay any lease installments.

OPS
Output Solutions (OPS) is the solution used for structured, standardized IT output environments (photocopying, printing, scanning, and faxing). CHG-MERIDIAN helps its customers to implement IT output projects by, for example, offering advice on requests for proposal (RFPs), business processes, and technology lifecycles as well as physical inventory checks, procurement, rollout services, support, and financial management (e.g. price per click).

PRICE-PER-PORT MANAGED NETWORKS
Price-per-port managed networks offer a solution that enables customers to set up network infrastructure that comprises the necessary hardware and software as well as the services needed to operate them. The total price is based solely on the number of active and inactive ports.

PRICE PER SEAT CALCULATION
This is a comprehensive calculation of the various costs incurred per workplace over the entire technology lifecycle. It factors in the cost of setting up the workplace, equipment installation, extended warranty cover and other services as well as deinstallation at the end of the lease and certified data erasure, thereby enabling the total cost per user to be charged to the Company's relevant cost units.

PROPORTION OF BUSINESS WITH NEW CUSTOMERS
This is defined as the volume of leases originated for new customers as a proportion of the total leases originated.

PROPORTION OF LEASES FUNDED EXTERNALLY
This is defined as the volume of loan-based finance and non-recourse funding (forfaiting) disbursed as a proportion of the total leases originated during the reporting year.

RESIDUAL VALUE
The residual value represents the negative difference between the present value of a lease and the acquisition cost of the corresponding leased equipment.

ROLLBACK
The term 'rollback' refers to the deinstallation and removal of existing equipment infrastructure at the end of the technology lifecycle.

ROLLOUT
A rollout denotes the process of introducing and setting up new equipment. It is used, for example, to describe the replacement of all computer hardware when a new generation of IT equipment is purchased.

SALE AND LEASEBACK (LEASING MODEL)
Capital equipment that is already owned by the future lessee is sold to CHG-MERIDIAN and then continues to be used under a lease.

SWS
CHG-MERIDIAN offers a wide range of services for complex ERP rollouts through its Software Solutions (SWS) solution area. Individual leasing models and intelligent financial planning and reporting ensure sustainable long-term financial management.

TOTAL COST OF OWNERSHIP
The total cost of ownership (TCO) is a calculation method that helps companies to estimate all the costs that will be incurred by their capital spending on technology (such as hardware and software). The basic idea behind this approach is to compute a number that comprises not only the cost of purchasing the equipment but also all expenses associated with its subsequent use (e.g. energy costs, repairs, and maintenance).

TESMA®
TESMA® is CHG-MERIDIAN's technology and service management system. It brings together technical information such as equipment type, specification, location and quantity, and commercial information such as leasing costs, cost centers, funding periods and consumption costs. TESMA® thus combines two worlds that otherwise often exist in isolation from one another.

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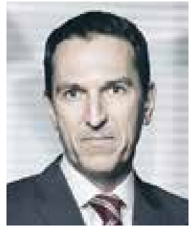

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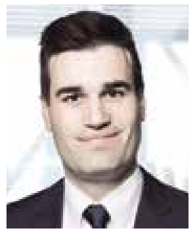

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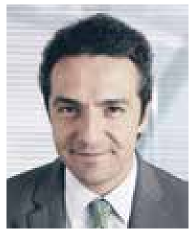

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May 13, 2016

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DISCLAIMER

This report includes assertions relating to the future, which reflect the current view of the board of CHG-MERIDIAN AG regarding future events. These assertions relating to the future are based on our currently valid plans, estimations and expectations. Assertions relating to the future only reflect the status at the time that they were made. These assertions are dependent on risks and uncertainties as well as other factors over which CHG-MERIDIAN has no influence and which can lead to significant deviations from the actual results of these assertions. These risks and uncertainties as well as other factors are extensively described in our risk report in the business report of CHG-MERIDIAN AG. CHG-MERIDIAN AG does not intend to update such assertions relating to the future.