2016

ANNUAL REPORT 2016

CLERE AG

MISSION STATEMENT

With the resolutions of the Annual General Meeting on 9 November 2016, the headquarters of CLERE AG were relocated from Bad Oeynhausen to Berlin and the second half of 2016 was declared as a short fiscal year. The Articles of Association were extended by one paragraph to concretise the Company's business purpose: investing in and operating projects and plants and providing services in the field of regenerative energy production and environmental technology. All resolutions of the Annual General Meeting were registered in the commercial register in December 2016.

CLERE AG is active in the field of environmental and energy technology. Here, attractive investments in environmental and energy solutions are to be undertaken and/or a lucrative portfolio of holdings in medium-sized enterprises will be established, the focus of which may also lie in environmental and energy technology. This investment strategy is to be supplemented by regular short-term financing activities, predominantly for the construction of infrastructure projects.

The business activities will be concentrated in Europe. Other important activities will take place in markets outside Europe, such as the USA and Japan.

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THE COMPANY

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THE COMPANY

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

We report as follows on our activities in the short fiscal year from 1 July to 31 December 2016:

Work of the Supervisory Board in the reporting period

The Supervisory Board held a total of four attended meetings and three telephone conferences in the short fiscal year 2016. With the exception of two meetings, all Supervisory Board members were present at all meetings.

In addition, six resolutions were adopted by circular. Due to the fact that the Supervisory Board comprises only three members, it did not form any committees during the reporting period.

Key topics in the reporting period

The discussions and resolutions of the Supervisory Board focused on the following issues:

- management of proceedings at the regional court against Dominik Müser, review of compensation claims against Dominik Müser, discussion of a possible settlement;
- accompanying the plea of Balda USA against a class-action lawsuit, discussion of a corresponding settlement;
- settlement of a rescissory action concerning the resolutions of the Annual General Meeting of 30 November / 1 December 2015;
- completion and audit of the separate and consolidated financial statements as of 30 June 2016;
- transfer of registered office and relocation to Berlin;
- discussions on the realignment of the corporate strategy following the sale of the operative business;
- and, in this context, initial activities, namely the subscription of bearer bonds and an equity holding in a solar project in Japan.

Corporate Governance

In October 2014, the Management Board and Supervisory Board submitted a declaration of compliance with the German Corporate Governance Code (GCGC) in accordance with Section 161 of the German Stock Corporation Act (AktG), which is published on the Company's website.

This was updated in September 2015 and September 2016.

Personnel matters

The following changes occurred to the composition of the Management Board of CLERE AG in the short fiscal year 2016:

The appointment of Oliver Oechsle expired as planned on 31 December 2016. The Supervisory Board had already passed a resolution on 15 June 2016 to appoint Thomas Krupke as a further member of the Management Board with effect from 16 June 2016.

No changes occurred to the Supervisory Board during the period under review.

Separate and consolidated annual financial statements

On 9 December 2016, the Supervisory Board engaged Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, which had been elected as the financial statement auditor at the Company's Annual General Meeting on 9 November 2016, to audit the annual separate financial statements of CLERE AG and the consolidated financial statements for the short fiscal year 2016. The annual separate financial statements were prepared in accordance with the principles of Sections 242 to 256 and Sections 264 et seq. of the German Commercial Code (HGB) as well as the German Stock Corporation Act (AktG), while the consolidated financial statements were prepared in accordance with the principles of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the supplementary provisions of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB). The auditor audited the separate annual financial statements for the short fiscal year 2016 and the consolidated financial statements for the short fiscal year 2016, as well as the management report for CLERE AG and the Group management report and issued these with an unqualified auditors report dated 27 March 2017.

The Supervisory Board has examined the separate financial statements and management report, the consolidated financial statements and the Group management report, as well as the proposal of the Management Board for the appropriation of net unappropriated profit.

On 21 March 2017, the auditor participated in the Supervisory Board's discussion of the documents submitted, reported on the principal results of its audit and responded to questions from the Supervisory Board. Above and beyond this, in collaboration with the Management Board, the Supervisory Board members concerned themselves intensively with documents relating to the annual financial statements.

The Supervisory Board concerned itself with the following audit focus area:

- Value of the holding in the (indirect) Japanese limited partnership and the associated shareholder loan.

Following its own examination, the Supervisory Board came to the conclusion that the development of the Company and the Group has been presented and assessed correctly by the Management Board in the management report and the Group management report and that the disclosures concur with the Supervisory Board's own assessments. The Supervisory Board finds that the separate annual financial statements and consolidated financial statements comply with legal requirements and contain all of the required disclosures.

Following its own examination, the Supervisory Board concurs with the findings of the audit of the separate annual financial statements and consolidated financial statements. The final results of the Supervisory Board's examination did not give rise to any objections to the separate annual financial statements and consolidated statements as prepared by the Management Board.

The Supervisory Board has examined the Management Board's proposal concerning the application of unappropriated profit through carrying it forward to a new account, and concurs with it.

The Supervisory Board discussed the separate annual financial statements and the consolidated financial statements at its meeting on 21 March 2017 in the presence of the auditor and approved the annual financial statements of CLERE AG on 28 March 2017. The Company's separate annual financial statements have been adopted as a consequence. The Supervisory Board also approved the consolidated financial statements on 28 March 2017.

Dependent company report

The Management Board also prepared a dependent company report in the short fiscal year 2016 and submitted it in good time to the Supervisory Board.

The auditor audited the dependent company report and awarded it the following audit certificate on 27 March 2017:

"According to the audit and assessment incumbent upon us, we confirm that
1. the actual disclosures contained in the report are correct, and
2. in the case of the legal transactions listed in the report, the Company's consideration was not inappropriately high."

For its part, the Supervisory Board examined the Management Board's dependent company report and the auditor's audit report; the subsequent examination and discussion by the Supervisory Board occurred in the auditor's presence at the Supervisory Board meeting on 21 March 2017.

The Supervisory Board was persuaded of the proper nature of the dependent company report and the audit in this context. In particular, it arrived at the conviction

- that the reports correspond to statutory requirements;
- that the group of affiliated entities was determined with the requisite care, and
- that the necessary precautions and measures to record the reportable legal transactions and measures were taken.

Following the conclusive result of the Supervisory Board's own examination of the dependent company report, the Supervisory Board—with Dr. Thomas van Aubel abstaining—passed a resolution that no objections are to be raised against the Management Board's statement in relation to the dependent company report.

Expression of thanks

The Supervisory Board would like to thank the employees for their conscientious work in the short fiscal year 2016. Moreover, the Supervisory Board would like to thank Oliver Oechsle for his work.

The Supervisory Board would also like to thank the shareholders for the interest that they show in the Company, and especially for the trust and confidence they have placed in the Supervisory Board.

Berlin, 28 March 2017

The Supervisory Board

DR. THOMAS VAN AUBEL CHAIRMAN OF THE SUPERVISORY BOARD

LETTER FROM THE MANAGEMENT BOARD

LADIES AND GENTLEMEN,

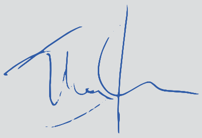
During the short fiscal year 2016 elapsed, at the Annual General Meeting on 9 November 2016 in Berlin, the Company's current general purpose was specified by a majority of nearly 99%: the investment in and operation of projects and plants and the provision of services in the field of renewable energy production and environmental technology. The shareholders also approved the transfer of the Company's registered office from Bad Oeynhausen to Berlin and the changeover of CLERE AG's financial year to the calendar year with a short fiscal year 2016.

The business purpose of CLERE AG now encompasses renewable energies / environmental technology and SME financing. The core business now lies in both investments and holdings in the area of environmental and power technology, which offer attractive investment opportunities with appreciation potential, as well as in the financing of medium-sized companies. The aim is to attain attractive returns, as well as establish stable investments and financing models that can be planned in advance with a sense of proportion and without haste.

In the short fiscal year 2016, we oversaw the development of the future business purpose. The remaining employees have contributed decisively to the successful restructuring of the business segments and are now active in new jobs in companies close to the previous business location in Bad Oeynhausen. Moreover, we have set up an office with competent employees for our new business purpose at our new headquarters in Berlin. We completed our first business transactions in the new business segment that encompasses regenerative energies and SME financing within a short time period, thereby achieving initial profit contributions.

In the third calendar quarter, we have underwritten initial SME financing through bearer bonds and examined potential regenerative power plants on the competitive market for acquisition; in the fourth calendar quarter, we made a small equity investment.

Yours sincerely,



THOMAS KRUPKE MANAGEMENT BOARD MEMBER

THE CLERE AG SHARE

THE CLERE AG SHARE ON 31.12.2016

WKN / ISIN	A2AA40 / DE000A2AA402
Stock exchange segment	Prime Standard / Regulated Market
Trading segment	Industry
Prime-sector	Industrial goods
Sub-sector	Industrial products + services
Index	CDAX, Prime all Share
Date of initial listing	23.11.1999
Designated Sponsor	BHF Bank
Share capital	5,889,063 Euro
Number of shares issued	5,889,063
Average daily trading volume	8,450
High for the short fiscal year 2016	EUR 27.90 on 12.09.2016
Low for the short fiscal year 2016	EUR 15.95 on 23.12.2016
Closing price for the short fiscal year 2016	EUR 15.98
Market capitalisation on 31.12.2016	EUR 94.1 million
Earnings per share for the short fiscal year 2016	EUR 0.67

1. EQUITY MARKET PERFORMANCE

Equity markets during the 1 July to 31 December 2016 reporting period were characterised by an overall upward trend. The strong markets resulted from the continued existence of funds provided by central banks, global events, including the decision of the United Kingdom of Great Britain to leave the European Union (BREXIT), elections in the United States and the recovering economic development in China. The German stock index (DAX) gained 17.4% during the reporting period. On 1 July 2016, it started out with 9,776 points; the lowest value was already reached on 6 July 2016 at 9,373. On 30 December 2016, the DAX then reached its peak at 11,481 points.

The small-cap index SDAX was also able to close off positively: on 1 July 2016, it started out with 8,881 points; the lowest value was already reached on 6 July 2016 at 8,468 points. The highest mark was reached on 10 August 2016 with 9,535 points. On 30 December 2016, the SDAX closed at 9,519 points, close to the peak value in this half-year. Unlike the DAX, however, the SDAX rose by only 7.2% during the reporting period.

2. PERFORMANCE OF THE CLERE SHARE

On 29 January 2016, the EGM of CLERE AG (still called Balda AG at that time) approved a 10 : 1 capital reduction. The Company's consolidated (so-called converted) shares have been listed on the Frankfurt Stock Exchange under WKN A2AA40 / ISIN DE000A2AA402 since 22 April 2016, and securitised in a global certificate deposited at Clearstream Banking AG, Frankfurt am Main. Only the converted figures are referred to in the rest of this report following below.

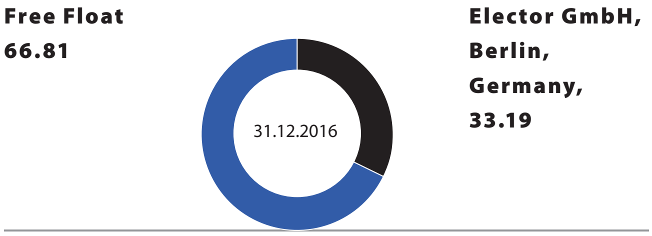
Due to the capital reduction on 14 October 2016, the shareholders were paid a tax-exempt sum of EUR 9 per converted share from the Company's equity.

At the start of the reporting period, the CLERE AG share was valued on 1 July 2016 at EUR 25.36. The high was reached at EUR 27.90 on 12 September 2016; the low for the period of EUR 15.95 was touched on 23 December 2016. At the end of the period under review, the CLERE share was valued at EUR 15.98 on 30 December – which corresponds to a market capitalisation of EUR 94.1 million. The CLERE share thus did not behave analogously to the markets, but developed worse, comparatively speaking. In the short financial year, its value fell by 2.3% (adjusted for the disbursement of EUR 9 per converted share from the capital reduction).

3. SHAREHOLDER STRUCTURE

At the beginning of the financial year, Elector GmbH held 32.47% of the shares. At the end of the short fiscal year 2016, Elector GmbH held 33.19% of the shares; the free float thus stood at 66.81% at the end of the reporting period. Apart from Elector GmbH, no shareholders have reported on the achievement of specific thresholds ► Graphic 01 .

01 SHAREHOLDER STRUCTURE IN%



4. INVESTOR RELATIONS

The investor relations work at CLERE AG pursues the objective of informing both stakeholders and the capital market quickly and transparently about all relevant developments.

Due to the changes in the Company's business purpose, the implementation of the sale of the previous operative business, the set-up of the new operative business including the Company's relocation to Berlin, CLERE AG did not participate in capital market conferences; the conference calls on the quarterly figures were also suspended.

During the short fiscal year 2016, CLERE AG was covered by First Berlin Equity Research GmbH and M.M. Warburg & CO. These research houses prepare frequent detailed reports, and include their own valuations and recommendations.

CLERE AG will concentrate in future on investing the Group's assets, with a focus on high-yielding long-term investments in the regenerative energy segment. CLERE AG continuously informs its shareholders about DGAP press releases, and its investor relations pages on the Company's website at ► **www.clere.de/investors** provide updated information on current topics.

B

GROUP MANAGEMENT REPORT

B

GROUP MANAGEMENT REPORT

THE GROUP

1. OVERVIEW OF THE GROUP STRUCTURE

With the commencement of new business operations, the CLERE Group will be active in the growing market for renewable energies and environmental technology.

The CLERE Group will finance medium-sized companies and invest in renewable energy production projects that enjoy strategic long-term prospects. The focus is on investments in regions that promise stable long-term returns due to their political stability, statutory frameworks and existing energy and environmental policies.

From its headquarters, now based in Berlin, CLERE AG performs not only the aforementioned financing and investment activities, but also acts as the strategy and financial holding company for the CLERE Group. These tasks also include controlling and strategically developing the Group, securing and managing the Group's financing, as well as providing shared services such as Group accounting and controlling, investor relations and public relations, as well as holding equity investments in other Group companies. Mr. Oliver Oechsle and Mr. Thomas Krupke were appointed as Management Board members during the reporting period. On 31 December 2016, Mr. Oliver Oechsle left the Management Board of CLERE AG as planned.

The CLERE AG share is listed in the Prime Standard segment of Deutsche Börse AG under WKN / ISIN A2AA40 / DE000A2AA402.

CLERE AG holds a 100% interest in CLERE Investments B. V. (formerly: Balda Investments Netherlands B. V.), Amsterdam, Netherlands, which acts as an intermediate holding company. CLERE Investments B. V. holds a 100% interest in the intermediate holding company BIMA International Pte. Ltd., Singapore (formerly: Balda Investments Malaysia Pte. Ltd.).

CLERE AG also holds a 100% direct interest in CLERE BSD GmbH, Berlin, and in CLERE BWZB GmbH, Berlin.

CLERE Investments B. V. indirectly holds all of the shares of the company Widesphere Sdn. Bhd., Kuala Lumpur, Malaysia. In June 2016, the ordinary liquidation of the Malaysian company was initiated.

CLERE Investments B. V. also holds a 100% direct interest in BIUSA LLC, Wilmington, USA (formerly: Balda Investments USA LLC).

In addition, CLERE AG acquired a minority interest of 45% in saferay Japan project portfolio GmbH & Co. KG, Berlin, in November 2016 ► **see page 94 Group structure.**

Management of future business depends on the growth and number of projects in the business model of "financing" and "equity investments" in the environmental and energy technology areas. All responsibilities currently rest with the Management Board due to the Company's present size.

2. OVERVIEW OF BUSINESS ACTIVITIES

The new core business, which is currently being established, lies firstly in investments and equity interests in the environmental and energy technology area that offer attractive investment options with value enhancement potential, and secondly in the financing of medium-sized companies.

In the case of investments in the energy and environmental technology area, the focus is on buying and operating solar and wind parks by means of asset or share deals (also as proportionate purchases), depending on the particular situations. When acquiring new energy producing plants, the CLERE Group will concentrate on turnkey projects. The purchase of already existing operation companies will be based on guaranteed feed-in tariffs (FiTs) or power purchase agreements (PPAs).

In geographic terms, investments will be realised as a rule in regions that enjoy stable economic and legal environments and are distinguished by reliable investment and overall conditions. The aim is to generate attractive returns and stable and plannable cash flows.

With their internal and external technical and commercial knowledge, the CLERE Group examines and evaluates the investment in new facilities and will secure unobstructed operations of these facilities through asset management.

The Company pursues a growth-oriented acquisition strategy resulting in a low-risk investment strategy by collaborating with experienced and well-known partners from the solar and wind area.

When acquiring participating interests in energy and environmental technology companies, the Company will concentrate on transparent, sustainable and value-enhancing business models. The focus here will not be on investing in start-ups.

When financing medium-sized companies, the concentration will be on growth financing and interim financing, subsequent to related checks on creditworthiness and the ability of debt retirement as well as intrinsic value of securities. Such financing facilities will not be subject to the directives of the German Banking Act (KWG) and Capital Investment Law Code (KAGB).

3. CORPORATE GOVERNANCE REPORT

Good corporate governance, defined as compliance with the principles of responsible corporate management and supervision, is an important prerequisite to fulfil, so that the Company can gain, maintain and foster the trust of shareholders, lenders, employees, business partners and the general public.

The commitment to open and responsible management and supervision geared to sustainable value creation forms an integral part of corporate governance in the CLERE Group.

In addition to the fulfilment of legal requirements, corporate governance is characterised by a high degree of personal responsibility on the part of every employee. Complying with transparency criteria and avoiding conflicts of interest take top priority as the core elements of good corporate governance.

- The current full version of the declaration on the corporate management of CLERE AG is available on CLERE's website in the Investors section at ► **www.clere.de/1/investors/corporate-governance**.

- In accordance with the German Corporate Governance Code (GCGC), the Management Board has set a 15% target for the proportion of women at the second management level and a deadline of 30 June 2017 to reach this target. The Group already reached the target by the end of 2016. The Company does not have a third management level due to its flat hierarchy.

- No other external codes or standards that exceed the statutory requirements are applied in the CLERE Group.

- The **Management Board reports regularly to the Supervisory Board**, usually several times monthly, both verbally and in writing, **concerning the Group's position** and specific transactions, particularly its business performance and financial position, the market situation and developments, and the Company's strategy. Key transactions are explained in detail by the Management Board to the Supervisory Board by way of reports, templates and presentations. The Supervisory Board Chairman is also informed regularly by the Management Board in person and by telephone on all key issues. When invited by the Supervisory Board, the Management Board participates in regular Supervisory Board meetings.

- **Responsible handling of business risks** forms one of the statutory obligations and principles of good corporate governance. The Management Board of CLERE AG and the management within the CLERE Group have at their disposal comprehensive, cross-Group and company-specific reporting and controlling systems. These allow risks to be recorded, measured and managed. The systems are continuously refined and adapted to changing conditions. The Management Board informs the Supervisory Board on a regular basis about existing risks and their development. In particular, the Supervisory Board member responsible for accounting handles the monitoring of the accounting process, including reporting, the effectiveness of the internal control system, risk management, the internal auditing system and compliance as well as financial statement audits. Details concerning **risk management in the CLERE Group** and the accounting-related internal control and risk management system are outlined in the Group report on opportunities and risks ► **see pages 30–34.**

4. COMPENSATION REPORT

4.1 MANAGEMENT BOARD COMPENSATION

The Company's Management Board consisted of Mr. Oliver Oechsle and Mr. Thomas Krupke during the reporting period. Mr. Thomas Krupke's appointment is contractually stipulated for the period until 31 July 2018. On 31 December 2016, Mr. Oliver Oechsle left the Management Board of CLERE AG as planned.

Compensation of the Management Board members was composed as follows during the period under review (Section 4.2.5 of the German Corporate Governance Code):

The compensation of Management Board members Mr. Oliver Oechsle and Mr. Thomas Krupke comprises monetary compensation components consisting, as a matter of principle, of both fixed and variable components (Section 4.2.3 of the German Corporate Governance Code), as well as ancillary benefits. Along with monthly salary payments to the Management Board members, fixed compensation in Mr. Oechsle's case also includes compensation for dispensing with use of a company car, as well as the costs of accommodation at the place of work along with related expenses such as parking charges. In Mr. Krupke's case, the monthly fixed compensation increased from the date when his family's home was moved abroad. This occurred in September 2016. Ancillary benefits include contributions and allowances for health insurance and the professional trade association, as well as Group accident insurance coverage, among other items. No other pension commitments were granted.

The Management Board members' variable compensation contains components that are generally oriented on the Company's business and financial success and profitability (performance-based compensation). The Company does not plan to include an additional compensation component with long-term incentive effect in the Management Board contracts due to the fact that these contracts are time-limited, and because of the strategic change in operating activities following the disposal of the Group's previous operating business units – entailing the Company's realignment and predominantly short-term action targets.

As far as the Company is aware, the Management Board members did not receive any payments from third parties that were pledged to them for their Management Board work, or were granted in the short fiscal year 2016 (Section 4.2.3 of the German Corporate Governance Code). As already reported in the reporting periods of the previous years, the Company is engaged in an ongoing court case with former Management Board member Mr. Dominik Müser concerning compensation claims connected with the termination of his former Management Board contract as of 14 October 2013. The Company had already brought a counterclaim against Mr. Dominik Müser in the 2014 / 2015 reporting year for payment of compensation for damages and losses due to violations of duty. The Company has formed corresponding provisions for these disputes with the former Management Board member, currently totalling EUR 1.0 million. Moreover, Mr. Dominik Müser was paid fixed compensation of EUR 0.2 million (gross salary including court interest payments) in the 2015 / 2016 financial year due to provisional rulings in summary proceedings.

Allowances granted for the short fiscal year 2016 (pursuant to the GCGC)

The following table presents the allowances, including ancillary benefits, granted for the 2015 / 2016 financial year and the short fiscal year 2016, as well as the minimum and maximum compensation achievable in the short fiscal year 2016. In line with the Code's requirements, one-year, performance-based compensation is to be stated with the target value, i.e. the value that is granted to the Management Board member given 100% target attainment ► Graphic 02.

Management Board compensation short fiscal year (SFY) 2016 (allowances presented pursuant to GCGC)

02 MANAGEMENT BOARD COMPENSATION (ALLOWANCES PRESENTED PURSUANT TO GCGC)

IN EUR THOUSAND	OLIVER OECHSLE MANAGEMENT BOARD				THOMAS KRUPKE[1] MANAGEMENT BOARD			
	2015 / 2016	SFY 2016	SFY 2016 (MIN.)	SFY 2016 (MAX.)	2015 / 2016	SFY 2016	SFY 2016 (MIN.)	SFY 2016 (MAX.)
Fixed compensation	368	182	182	182	8	108	108	108
Ancillary benefits	2	1	1	1	0	2	2	2
TOTAL	**370**	**183**	**183**	**183**	**8**	**110**	**110**	**110**
One-year variable compensation	460	60	0	60	0	33	0	33
TOTAL COMPENSATION	**830**	**243**	**183**	**243**	**8**	**143**	**110**	**143**

[1] From 16 June 2016

Receipts for the short fiscal year 2016 (pursuant to GCGC)

Due to the fact that compensation granted to Management Board members for the financial year under review is partly unaccompanied by a payment during the respective financial year, a separate table (in line with the Code's recommendation) now presents the actual amounts that Management Board members have received for the short fiscal year 2016. In line with the Code, both fixed and one-year, performance-based compensation are to be stated as receipts for the respective financial year. The following table shows the total compensation that the individual Management Board members have actually received for the short fiscal year 2016—presented according to their respective components. The setting and payment of target premiums for a (previous) reporting year occur—depending on targets agreed—during the first months of the following reporting year, as a rule ► **Graphic 03**.

MANAGEMENT BOARD COMPENSATION SFY 2016 (RECEIPTS PRESENTED PURSUANT TO GCGC)

03 MANAGEMENT BOARD COMPENSATION SFY 2016 (RECEIPTS PRESENTED PURSUENT TO GCGC)

IN EUR THOUSAND	OLIVER OECHSLE MANAGEMENT BOARD		THOMAS KRUPKE 1) MANAGEMENT BOARD	
	2015 / 2016	SFY 2016	2015 / 2016	SFY 2016
Fixed compensation	368	182	8	108
Ancillary benefits	2	1	0	2
TOTAL	**370**	**183**	**8**	**110**
One-year variable compensation	440	60	0	0
TOTAL COMPENSATION	**810**	**243**	**8**	**110**

[1] From 16 June 2016

4.2 SUPERVISORY BOARD COMPOSITION AND COMPENSATION

As a German stock corporation ("Aktiengesellschaft" or "AG"), CLERE is subject to German stock corporation law. For this reason, the Company operates a dual management and supervisory structure consisting of the Management Board and a three-member Supervisory Board, as stipulated in its Articles of Association.

During the year under review, the Company's Supervisory Board consisted of Dr. Thomas van Aubel, Berlin, Chairman, Mrs. Frauke Vogler, Berlin, Deputy Chair, and Mr. Klaus Rueth, Darmstadt.

As a result of the resolution passed by the Shareholders' General Meeting on 27 May 2011, Supervisory Board compensation now consists of just fixed compensation. Each Supervisory Board member receives fixed compensation of EUR 25 thousand accordingly. The Chair receives double this fixed compensation, and the Deputy Chair one and a half times. The Supervisory Board members also receive fixed compensation of EUR 1.5 thousand in meeting fees per meeting. A total of seven meetings were held in the reporting year ► **Graphic 04**.

The members of the Supervisory Board received the following compensation:

04 COMPENSATION

SFY 2016 IN EUR THOUSAND	FIXED COMPENSATION	MEETING FEES	TOTAL COM-PENSATION
Dr. Thomas van Aubel	25	11	36
Frauke Vogler	18	11	29
Klaus Rueth	13	7	20
TOTAL COMPENSATION	**56**	**29**	**85**

05 COMPENSATION PREVIOUS YEAR

2015 / 2016 IN EUR THOUSAND	FIXED COMPENSATION	MEETING FEES	TOTAL COM-PENSATION
Dr. Thomas van Aubel	50	23	73
Frauke Vogler	37	23	60
Klaus Rueth	25	20	45
TOTAL COMPENSATION	**112**	**66**	**178**

In the reporting year, the Company did not commission the Supervisory Board members to provide any advisory or agency services. In addition, CLERE did not pay any separate compensation (Section 5.4.4 of the German Corporate Governance Code).

5. RESEARCH AND DEVELOPMENT

Due to the realignment of its business operations, CLERE AG will realise financing and investments in the renewable energy segment. The Company is primarily interested in investments in operating companies with completed plants. For this reason, no research and development work is required at CLERE AG.

6. GROUP MANAGEMENT

As its holding company, CLERE AG performs the Group's main management functions. The Management Board of CLERE AG is responsible for developing and defining the Group's basic strategy. CLERE AG also ensures that the operating units comply with strategic guidelines. Further information on Group Management can be found under the section "Financial Reporting Process" ► **see page 35.**

The Management Board is responsible for managing the Group. The Supervisory Board appoints, monitors and advises the Management Board, and is directly involved in decisions of fundamental importance for the Company.

The CLERE Group is currently in a phase of re-establishing its business for the future ("transition phase"). During this transition phase, the Management Board manages business on a Group-wide basis. In the future new business, investment and financing will relate to individual projects involving significant financial volumes. The Management Board will monitor the Group's re-establishment very closely in collaboration with the subsidiaries' managers. Future management of the Company will be based on the Group's development and growth.

6.1 FINANCIAL PERFORMANCE INDICATORS AND FINANCIAL TARGETS

CLERE's objective is to measure and assess the Group's long-term commercial success on the basis of clearly defined financial indicators.

The control parameters for new business is oriented on the development of the Group within the new business model. For the planned investments in photovoltaics and wind power stations, the achievable return on investment, either through contractual or legal framework conditions, is crucial. Regarding financing, we consider the return of investment on the capital employed, the term and the amount and quantity of the collateralisation, as well as the credit-worthiness and profitability of the debtor as crucial control instruments.

The aim of all investments and financing is the generation of long-term, attractive dividends for the shareholders of CLERE AG.

6.2 NON-FINANCIAL PERFORMANCE INDICATORS

Along with the defined key financial performance indicators, non-financial performance indicators are also significant for a group's long-term corporate success and profitability. These indicators relate to particular strengths and skills, whose relevance can be derived from the business models.

The CLERE Group's new business model consists of financing and investments, primarily in environmental and energy technologies. In terms of non-financial performance indicators of the CLERE Group, human resources will play a major role in the context of the new business strategy. The CLERE Group can only acquire projects that promise success by developing and further training personnel in relation to innovations in the area of environmental and energy technologies. Only in this manner the Group's success and intrinsic worth can be enhanced and grown in order to uphold a sustainable dividend policy.

Personnel

The CLERE Group regards the expertise of its own employees and the continuing maintenance of contacts with multipliers and experts in the sector as crucial elements for the success of the Group. Especially in the renewable energy sector, with its innovative market players, the education and training of its personnel is a strategic component. Ensuring that staff remain at the cutting edge of technology is indispensable to the Company's long-term and sustainable value growth.

Environmental management and occupational health & safety

The conservation of natural resources and the protection of employees form intertwined and integral elements of the CLERE Group's corporate policy. The CLERE Group has put this into practice in the past and it will continue to do so in the future. CLERE is committed to its social and environmental responsibility and therefore aims to continually improve in all of the Company's divisions.

Particularly the conversion of the business model to renewable energy confirms this intention and objective of the Group.

7. INFORMATION RELATING TO TAKEOVERS PURSUANT TO SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

7.1 COMPOSITION OF SUBSCRIBED SHARE CAPITAL

As of 31 December 2016, the parent company's share capital amounted to EUR 5,889,063.00 and was divided into 5,889,063 ordinary shares, each with a nominal amount of EUR 1.00 in the share capital. Each share entitles the holder to one vote in the General Meeting.

7.2 RESTRICTIONS AFFECTING VOTING RIGHTS OR THE TRANSFER OF SHARES

As stipulated in the Articles of Association, all of the Company's shares are freely transferable. At the reporting date, the Company's Management Board was not aware of any restrictions affecting voting rights or the transfer of shares.

7.3 INTERESTS EXCEEDING 10% OF THE SHARE CAPITAL

As far as we are aware, on 31 December 2016 the following shareholder held a direct or indirect interest in the Company's share capital, which grants more than 10% of the voting rights:

- Dr. Thomas van Aubel via Elector GmbH, Berlin: 33.19% of the share capital and the voting rights

7.4 HOLDERS OF SHARES WITH SPECIAL RIGHTS

No shares exist with special rights that endow control authorisations.

7.5 MANAGEMENT BOARD AUTHORISATIONS WITH REGARD TO THE POSSIBILITY TO ISSUE OR REPURCHASE SHARES

7.5.1 Acquisition of treasury shares

Based on the resolution of the Annual General Meeting of 30 November / 1 December 2015, the Management Board is authorised until 29 November 2020, subject to Supervisory Board consent, to purchase treasury shares in the scope of up to a total of 10% of the share capital existing on the resolution date, or—if this value is lower—the share capital existing on the date when this authorisation is exercised.

This authorisation may not be used by the Company for the purpose of trading in treasury shares. The authorisation may be exercised in whole or in part, once or several times, by the Company; it may also be exercised by its subordinated Group companies, or for its or their account by third parties. The acquired shares, along with the treasury shares held by the Company or attributable to it pursuant to Sections 71d and 71e of the German Stock Corporation Act (AktG), may not at any time represent more than 10% of the Company's respective share capital.

The Management Board can elect to acquire the shares by way of the stock exchange or as part of a public purchase offer. If the shares are acquired on the stock exchange, the consideration that the Company pays for each share (not including incidental acquisition costs) may not exceed by more than 10% or fall below by more than 20% the market price of the Company's shares of the same class and features as determined in the opening auction in Xetra trading (or a functionally comparable successor system) on the Frankfurt Stock Exchange, Frankfurt am Main, ("Frankfurt Stock Exchange") on the date on which the obligation to purchase the shares is entered into.

If the shares are acquired in a public purchase offer to all of the Company's shareholders, the purchase price or threshold values of the purchase price range per share (not including incidental acquisition costs) may not exceed by more than 10% or fall below by more than 20% of the mean of the closing prices of the Company's shares of the same class and features in Xetra trading (or a functionally comparable successor system) on the Frankfurt Stock Exchange on the last three stock market trading days prior to publication of the offer. If a purchase price range is specified, the final price will be determined from the acceptance statements or offers for sale submitted. If the applicable market price determined using this method changes substantially after publication of the purchase offer, the offer can be amended. The date on which the final decision concerning the purchase price adjustment is published is then applicable in place of the date of publication of the offer. The offer volume can be limited. If the offer is oversubscribed beyond this volume, any right of a shareholder to tender shall be excluded insofar as the acquisition can be realised pro rata to the respective tendered or offered shares. A preferential purchase of small volumes up to 100 units of tendered shares per shareholder or custodian account, and exclusion of fractional amounts (e.g. in the case of commercial rounding), can be provided for under partial exclusion—as far as concerned—of any shareholders' right to tender shares.

The Management Board is authorised with the approval of the Supervisory Board to utilise the Company's treasury shares for all purposes permitted by law and, in addition to disposal via the stock exchange or by way of an offer directed to all shareholders, can utilise them as follows:

- They can be retired in whole or in part without an additional resolution by the Annual General Meeting. The Management Board can decide to reduce the Company's share capital in the event of retirement, or leave the share capital unchanged and instead increase the proportion of the share capital accounted for by the remaining shares by way of the retirement pursuant to Section 8 (3) of the German Stock Corporation Act (AktG). In this case, the Management Board is authorised to adjust the information concerning the number of shares in the Company's Articles of Association.

- Provided the subscription rights of shareholders are excluded, they can be offered and sold as part of a merger with companies or an acquisition of companies, parts of companies, or equity investments in companies, or other assets, including receivables.

- Provided the subscription rights of shareholders are excluded, they can be used to satisfy conversion or warrant rights or obligations arising from bonds that the Company, or a company in which the Company holds a direct or indirect majority interest, issues or has issued.

- Provided the subscription rights of shareholders are excluded, they can be sold for cash consideration if the selling price does not fall substantially below the market price of the Company's shares of the same class and features at the time at which the Company enters into the obligation to sell. This authorisation shall only be valid with the proviso that the proportional amount of the Company's share capital accounted for by the shares sold while excluding subscription rights pursuant to Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG) may not exceed a total of 10% of the share capital either at the time of coming into force or at the time of exercise of this authorisation; this maximum threshold shall be reduced by the proportional amount of the share capital accounted for by shares or relating to the conversion or warrant rights or obligations issued while excluding subscription rights during the term of this authorisation based on other authorisations in direct or analogous application of Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG).

If the Company's treasury shares are sold in an offer directed to all shareholders, the Management Board, with the approval of the Supervisory Board, can implement commercial rounding and exclude the subscription rights of shareholders for fractional amounts.

The aforementioned authorisations for the use of treasury shares can be exercised once or several times, individually or jointly and in whole or in part; they may also be exercised by its subordinated Group companies, or for its or their account by third parties.

The Management Board made a written report on the reasons for excluding subscription rights with the invitation to the Annual General Meeting on 30 November / 1 December 2015 in accordance with Sections 71 (1) No. 8 Clause 5, 186 (4) Clause 2 of the German Stock Corporation Act (AktG).

7.5.2 Authorised capital

Through a resolution passed at the Annual General Meeting on 9 November 2016, the existing authorisation of the Management Board to increase the share capital pursuant to Article 5 (Authorised Capital) of the Company's Articles of Association was suspended with effect from the effective date of the Authorised Capital 2016.

The Management Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital by a maximum of EUR 2,944,531.00 on one or several occasions up to 8 November 2020 by issuing up to 2,944,531 new no par value bearer shares against cash and/or non-cash contributions (Authorised Capital 2016).

As a rule, the new shares must be offered to the shareholders for subscription; they may also be assumed by one or more credit institution(s) or one or more equivalent institutions with the obligation to offer them to the shareholders for subscription. However, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the statutory subscription rights of shareholders in the following cases:

- to round fractional amounts;

- to acquire companies, parts of companies or equity investments in companies, or other assets, including receivables, against the issue of shares;

- insofar as it is necessary to grant subscription rights to the holders of conversion or option rights or obligations that were issued by the Company or a company in which the Company holds a direct or indirect majority interest to the extent that they would be entitled to these after exercise of their conversion or option rights, or after their respective obligations are fulfilled;

- as long as the proportion of the share capital attributable to the new shares for which subscription rights are being excluded does not exceed a total of 10% of the share capital either at the time of coming into force or at the time of exercise of this authorisation, and the issuing price of the new shares does not substantially fall below the market price of the Company's shares of the same class and features within the meaning of Sections 203 (1) and (2), 186 (3) Clause 4 of the German Stock Corporation Act (AktG). The proportional amount of the share capital attributable to the shares sold during the term of this authorisation while excluding subscription rights in accordance with Sections 71 (1) No. 8 Clause 5, 186 (3) Clause 4 of the German Stock Corporation Act (AktG) must be counted against the limit of 10% of the share capital. Moreover, the proportional amount of the share capital attributable to the shares or relating to the conversion or option rights or obligations issued during the term of this authorisation while excluding subscription rights based on other authorisations in direct or analogous application of Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG) must be counted against the limit of 10% of the share capital.

Including other authorisations to exclude subscription rights, the authorisation to exclude subscription rights may not exceed a total of 20% of the share capital, either at the time of entry into force or when the authorisation is exercised.

Otherwise, the Management Board, with Supervisory Board approval, shall decide concerning the issuing of new shares, the content of the share rights, and the terms of the share issue.

The Management Board included a written report on, and made known, the reasons for excluding subscription rights with the invitation to the Annual General Meeting on 9 November 2016 in accordance with Sections 203 (2) Clause 2 and 186 (4) Clause 2 of the German Stock Corporation Act (AktG).

7.5.3 Contingent capital

In accordance with a resolution passed at the Annual General Meeting on 9 November 2016, the contingent capital increase (Contingent Capital 2012), which was adopted by the EGM on 11 May 2012, and contained in Article 4 of the Company's Articles of Association, amended by resolution of the EGM on 29 January 2016, was suspended.

Furthermore, at the Annual General Meeting on 9 November 2016, a new version of Article 4 of the Company's Articles of Association (Contingent Capital) was adopted.

The Company's share capital shall be contingently increased by up to EUR 1,766,718.00 through the issue of up to 1,766,718 new no par value bearer shares carrying dividend entitlement from the start of the financial year in which they are issued (Contingent Capital 2016).

The contingent capital increase shall serve the purpose of granting shares to the holders of convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds (or combinations of such instruments) issued up to 8 November 2020 by the Company or by entities in which the Company holds a direct or indirect majority interest, to the extent that such instruments are issued for cash, on the basis of the authorisation by the Annual General Meeting on 9 November 2016.

The contingent capital increase shall only be exercised to the extent that the conversion or warrant rights from the aforementioned bonds are exercised, or conversion or warrant obligations from such bonds are fulfilled and not used to satisfy other forms of performance.

7.5.4 Debt instruments

The following resolutions were adopted at the Annual General Meeting on 9 November 2016:

The resolution of the EGM of 11 May 2012 to authorise the Management Board to issue, with Supervisory Board approval, until 10 May 2017 convertible bonds and/or bonds with warrants, participation rights and/or profit participation bonds (or combinations of such instruments) (together referred to as the "bonds") in a total nominal amount of up to EUR 100,000,000.00 shall be suspended if no shares have been issued pursuant to this resolution.

The Management Board is authorised to issue, with Supervisory Board approval, once or on several occasions until 8 November 2020 convertible bonds and/or bonds with warrants, participation rights and/or profit participation bonds (or combinations of such instruments) (together referred to as the "bonds") in a total nominal amount of up to EUR 100,000,000.00 with or without maturity date, and to grant to the holders of the bonds conversion or warrant rights to the Company's ordinary bearer shares with a proportional amount of the share capital totalling up to EUR 1,766,719.00 according to the more detailed terms and conditions of the bonds, and to substantiate corresponding conversion or warrant rights. The bonds can carry a fixed or variable rate of interest. Furthermore, the interest rate can, similarly to a profit participation bond, depend entirely or partially on the amount of the Company's dividend.

The bonds may be issued in euros or in the official currency of an OECD member country, as long as the corresponding euro equivalent is not exceeded. They can also be issued by companies in which CLERE AG holds a direct or indirect majority interest. In such a case, the Management Board shall be authorised, subject to Supervisory Board assent, to assume the guaranty for the bonds and to grant the holders conversion or warrant rights on no par value bearer shares of CLERE AG, or create corresponding conversion or warrant obligations.

The individual bond issues may be divided into fractional convertible bonds, each bearing identical rights. The bonds may also be issued against non-cash contributions, provided the value of the non-cash payment accords with the issue price.

The shareholders shall have the right to subscribe for the bonds. However, the Management Board is authorised to exclude such subscription rights, with Supervisory Board approval,

- for fractional amounts,
- if it is necessary for granting holders of bonds with conversion or warrant rights or conversion or option obligations an exchange or subscription right to the extent to which they would be entitled after exercise of the conversion or warrant right or fulfilment of the conversion or warrant obligation,
- to the extent that bonds are issued against non-cash capital contributions and the value of the non-cash capital contributions is suitably proportional to the theoretical market value of the bonds according to generally accepted mathematical valuation models,
- to the extent that bonds with conversion or warrant rights or conversion or warrant obligations are expected to be issued against cash capital contributions and the issuing price in analogous application of Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG) does not fall substantially below the theoretical market value of the bonds with conversion or warrant rights or conversion or warrant obligations determined according to generally accepted mathematical valuation models. However, this authorisation to exclude subscription rights applies only to the extent that the shares issued or to be issued to satisfy conversion or warrant rights or fulfil conversion or warrant obligations do not account for more than a total of 10% of the Company's share capital at the time of coming into force and at the time of exercise of the authorisation. The proportional amount of the share capital attributable to the shares issued or sold while excluding subscription rights during the term of this authorisation in direct, analogous or corresponding application of Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG) must be applied to this maximum threshold,
- insofar as participation rights or income bonds without conversion or warrant rights or conversion or warrant obligations are issued, provided these participation rights or income bonds are structured like straight bonds, in other words, they do not create any membership rights in the Company or grant any interest in the liquidation proceeds and the level of interested is not linked to the net income for the year, the distributable profit or the dividends. In addition, the interest and amount issued for the profit participation certificates in this instance must correspond to current market conditions at the time of the issue.

The authorisation to exclude subscription rights shall be limited to the extent that the proportional amount of share capital attributable to the new shares issued to fulfil conversion or warrant rights and satisfy conversion or warrant obligations, including other authorisations to exclude subscription rights, may not exceed a total of 20% of the share capital either at the time of coming into force or when the authorisation is exercised.

The Management Board included a written report on, and made known, the reasons for excluding subscription rights with the invitation to the Annual General Meeting on 9 November 2016 in accordance with Sections 221 (4) Clause 2 and 186 (4) Clause 2 of the German Stock Corporation Act (AktG).

Neither authorised nor contingent capital had been utilised as of the balance sheet date.

7.6 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Amendments to the Articles of Association are subject to resolution by the General Meeting. Article 18 (4) of the Articles of Association stipulates that, with the exception of a change in the Company's purpose or duration, a simple majority of the share capital represented at the adoption of the resolution shall be sufficient to pass a resolution to amend the Articles of Association. Pursuant to Article 23 of the Articles of Association, however, the Supervisory Board is authorised to pass resolutions on amendments to the Articles of Association that affect only the wording, as well as, in particular, changes to disclosures on the share capital concerning the amount of capital increases from contingent or authorised capital or capital reductions resulting from the redemption of shares.

Besides the aforementioned changes in relation to the Company's Contingent Capital (Article 4) and Authorised Capital (Article 5), the following amendments to the Articles of Association were made be resolution of the Annual General Meeting on 9 November 2016:

- the registered office was relocated from from Bad Oeynhausen to Berlin (Article 1 (2) of the Articles of Association)
- the Company's purpose was reformulated as follows (Article 2):

  a) the investment in and operation of projects and facilities and the provision of services in the field of renewable energy production and environmental technology,

  b) the administration of the Company's own assets,

  c) the acquisition, holding, management and sale of holdings in companies and enterprises in Germany and abroad in its own name and for its own account,

  d) the acquisition, holding, management and sale of properties,

  e) the capital investment in other assets of any kind in its own name and for its own account.

- the fiscal year has been changed. In the future, the fiscal year will be the calendar year. This results in a short fiscal year beginning on 1 July 2016 and ending on 31 December 2016.

The precise details of the wording are presented in the version of the text of the Articles of Association dated 21 November 2016, which is published, among other places, on the Company's website under Investors, sub-item Corporate Governance, under the title "2016 Articles of Association".

The amendment relating to the fiscal year was entered in the commercial register of the Company on 23 November 2016; the amendments relating to the Company's registered office and purpose on 6 December 2016.

7.7 COMPENSATION AGREEMENTS FOR THE INSTANCE OF A TAKEOVER OFFER

No compensation agreements exist with members of the Management Board and the employees for the instance of a takeover offer.

The other disclosures required pursuant to Section 315 (4) of the German Commercial Code (HGB) relate to matters that do not exist within the CLERE Group.

ECONOMIC, BUSINESS AND FINANCIAL REPORT

1. BUSINESS AND ECONOMIC ENVIRONMENT

1.1 MACROECONOMIC TRENDS

As a result of turbulence on global financial markets in the first half of the year, economic growth in 2016 was the weakest since 2008 / 2009. It was not until the second half of the year that a revival of the global economy emerged, e.g. as a result of rising productivity indicators in the manufacturing industry – both in developed industrial countries and in emerging economies. In many countries, this development was accompanied by weakening inflationary tendencies, which were largely due to rising commodity prices.

Already in the third quarter of 2016, individual economic areas such as the UK and Spain were able to generate real growth rates that were above the forecasts of the International Monetary Fund (IMF); the same applied to the growth of the Japanese economy. A few advanced industrial nations, such as Germany and the USA, have recently been operating at virtually full capacity. Against this backdrop, the IMF has revised the 2017 growth forecasts for Germany, Japan, Spain and the UK upward in comparison to the last World Economic Outlook (WEO) from October 2016. In 2017, China will also remain a key driver of global economic growth.

While there is still great uncertainty about the further development of the global economy, e.g. in light of the implementation of the BREXIT, the new US administration, a high number of upcoming national elections in the European Union and ongoing international conflicts, most economic research institutes expect moderate global economic growth.

For example, the IMF forecasts global economic growth of 3.4% for 2017 and 3.6% for 2018, based on the expected growth of 3.1% in 2016, as part of its WEO update from January 2017.

For the Eurozone, economic growth in 2017 increased by 0.1% to 1.6%, as compared to the last forecast in October 2016, based on an expected growth of 1.7% in 2016. For 2018, the IMF also forecasts GDP growth of 1.6%.

For the German economic area, the growth forecast in October for 2017 and 2018 was slightly increased by 0.1% from 1.4% to 1.5%. The IMF recorded an increase of 1.7% in economic growth for the past year 2016.

GDP GROWTH IN%

	WORLDWIDE	EUROZONE	GERMANY
2016*	3.1	1.7	1.7
2017**	3.4	1.6	1.5
2018**	3.6	1.6	1.5

*Estimate **Forecast
Source: IMF World Economic Outlook UPDATE, January 2016

http://www.imf.org/external/pubs/ft/weo/2017/update/01/pdf/0117.pdf

Monetary policy

In the second half of 2016, the US dollar recovered and strengthened after the election on 8 November 2016. This development is attributable to a rise in long-term US interest rates and higher long-term inflation expectations in the United States. This development was accompanied by a decline in other key currencies, in particular the yen and the euro. The British pound was also affected by this development, exhibiting its own interaction with the Eurozone in the context of the upcoming BREXIT negotiations.

Over the past six months, long-term interest rates have increased appreciably. On January 3, 2017, 10-year US Treasury bonds were approximately 100 basis points higher than in August 2016. They increased by 60 basis points after the presidential elections in November 2016.

In the Eurozone, the change in long-term government bonds was more moderate. After August 2016, the interest rate in Germany only rose by 35 basis points, while in Italy it rose by 70 basis points, reflecting the continuing uncertainties in the banking sector and in the political environment of the euro area.

1.2 SECTOR TRENDS

Sector-specific development

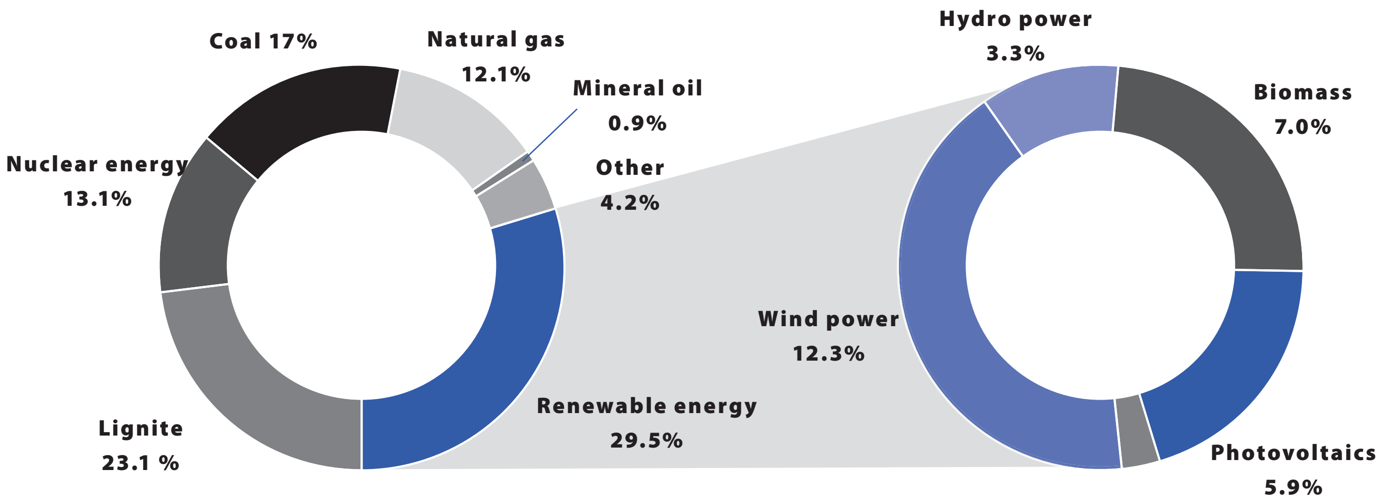
According to the German Federal Ministry for Economic Affairs and Energy (BMWi), the share of renewable energies in gross electricity consumption (the total electric power consumed in Germany) continued to rise in 2016, reaching a peak of 32.3% (previous year: 31.5%). The share of renewable energies in gross electricity generation during 2016 was 29.5% (► see following graphic). In terms of electricity generation, renewable energies are already the most important energy source in Germany. By the year 2025, up to 45% of the electricity consumed in Germany shall come from renewable energy sources. In Germany and Europe, the production costs for electricity from photovoltaic systems are, in some cases, already at the same level as the production costs from established fossil and nuclear energy sources.

In addition to digitalisation, renewable energies thus represent a megatrend in the global energy revolution. In addition, they are the natural and preferred solution for a sustainable, climate-friendly energy supply, which has become more and more competitive in recent years. Against this backdrop, long-term investors, including national and international pension funds and life insurers, have long regarded renewable energies as an attractive asset class and have recently reduced, or, in some cases, completely ceased investments in fossil fuels.

The legislature, which has subsidised renewable energies for many years in the context of feed-in tariffs, has now decided to allow the forces of the free market to determine the tariff. As the cost of electricity generated from photovoltaic systems has been reduced by more than 75% since 2005 due to technological advances in production as well as scale effects in the planning, construction and management of plants, a subsidy in the traditional form has become superfluous. Against this background, the 2017 Renewable Energy Sources Act (EEG 2017) entered into force on 1 January 2017, which will determine the remuneration structure from this year on as part of a tender procedure.

The globally growing market for regenerative energies will continue to gain significance and is therefore an attractive investment target with great potential for CLERE AG.

GROSS ELECTRICITY GENERATION IN GERMANY IN 2016 IN TERAWATT HOURS (TWH)



Source: German Federal Ministry for Economic Affairs and Energy (BMWi)
https://www.bmwi.de/Redaktion/DE/Dossier/erneuerbare-energien.html

Renewable energy—costs, investments, installed output

Renewable energy continues to stand at the centre of the incipient global energy revolution. The market for renewable energy will remain a growth market for the coming decades, even if there are occasional market contractions, as occurred in the past year. After a record year in 2015 with investments totalling 348.5 billion US dollars, only 287.5 billion US dollar flowed into the renewable energies sector in 2016, according to Bloomberg New Energy Finance (BNEF). This represents a decrease of about 18%. Part of this development is due to the continuing decline in system costs, particularly in the area of photovoltaics. The drop in prices continues to lead to falling production costs for the generation of renewable energy.

After 2015, in which China accounted for the lion's share of the world market at around one-third, it was the country most affected by the decline in the market in 2016, along with Japan. In the wake of strong expansion activities, both countries are currently in a consolidation phase, particularly in the area of large-scale plants. The share of the EMEA market region in new investments at 80 billion US dollars in 2016 remained roughly at the previous year's level (81 billion US dollars).

According to the Fraunhofer Institute for Solar Energy Systems (FISE), new photovoltaic power plants with an output of approximately 1.2 GW were installed in Germany in 2016, which corresponds to just under 2% of the global expansion. The annual photovoltaic capacity addition stipulated by the federal government within the framework of the Renewable Energy Sources Act (EEG) 2014 and 2017 is 2.5 GW.

In order to cover the German energy supply either predominantly or completely from renewable energies by the year 2050, on average 4-5 GW of photovoltaic generation capacity will have to be constructed annually, according to FISE. Even if the federal government is currently targeting a minimum share of 80% renewable energies for the year 2050 as part of the energy transition, there will be a considerable need for investment in the coming years, reinforced by successive replacement investments in existing systems.

Investors are therefore being offered interesting opportunities, extended by new technologies in the area of grid infrastructure, battery storage, etc. For the first time in 2016, investments in existing renewable energy plants (so-called "secondary transactions") exceeded the 100.00 billion US dollar mark. At 117.5 billion US dollars, this was significantly above the 2015 level (97.0 billion US dollars).

The CLERE Group aims to benefit from the positive trend in renewable energy with its reorientation on investments in renewable energy and the financing of medium-sized companies.

Medium-sized companies from the renewable energy sector and other industrial areas frequently seek capital for interim growth and project financing on a very short-term basis. Here, CLERE AG will examine the extent to which supporting such companies makes business sense.

The Company's business model in the renewable energy area focuses on buying and operating solar and wind parks. As a general rule, CLERE will concentrate on turnkey projects when purchasing energy generation systems. When purchasing already existing plants that have state-guaranteed feed-in tariffs (FiTs) or power purchase agreements (PPAs), the Company will focus on geographic regions that ensure a stable economic policy environment and reliable framework conditions. Along with Germany, these include the European countries of Italy, France, Spain, the Netherlands and the United Kingdom. Countries outside Europe under consideration include the USA and Japan. Investment opportunities in selected emerging markets will be analysed as far as safeguards exist through national and international development banks which enable the reduction of the overall investment risk to the desired level of European target countries.

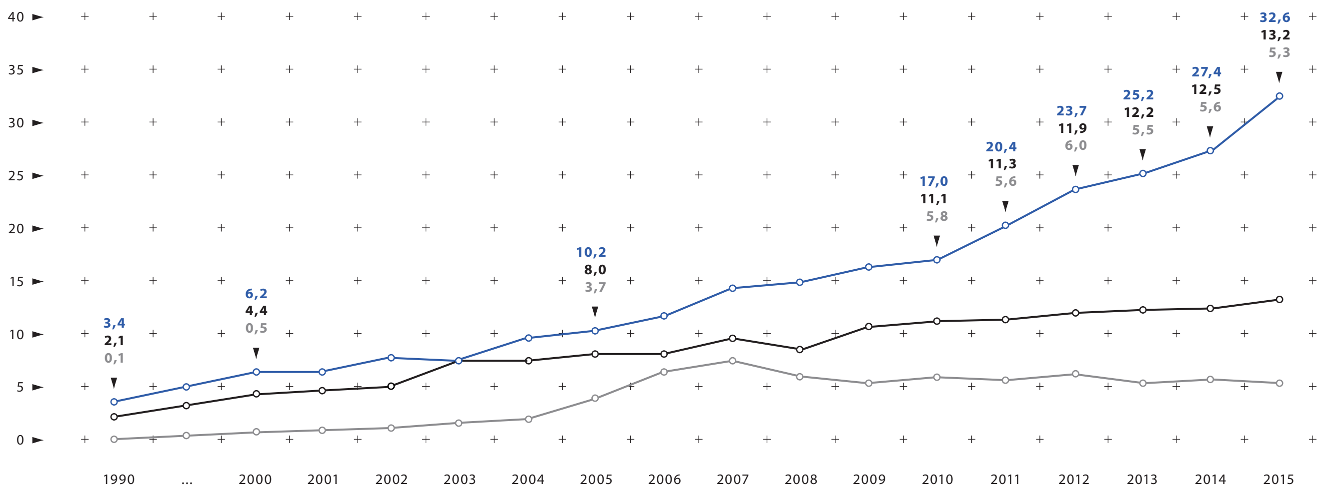
Support models in the regions

The expansion of renewable energy enjoys active support in many European countries. The model prevailing to date in Germany, France, Italy, Spain and the United Kingdom of fixed payment through feed-in tariffs is being increasingly replaced by tendering models, premium models and quota models. On 1 January 2017, the 2017 Renewable Energy Sources Act (EEG 2017) came into effect in Germany, which from this year onwards determines the remuneration structure within the framework of a tender procedure.

The focus in the USA is on power purchase agreements (PPAs) combined with tax incentives, while in Japan still fixed feed-in tariffs apply.

SHARE RENEWABLE ENERGY IN GROSS POWER CONSUMPTION, IN ENERGY CONSUMPTION FOR HEAT AND IN CONSUMPTION OF END-USE ENERGY FOR TRANSPORT

DEVELOPMENT 1990 – 2015 IN %



Share renewable energy: power **Share renewable energy: heat** **Share renewable energy: transport**

SOURCE Federal Ministry for Economic Affairs and Energy on the basis of AGEE-Stat, time series on the development of renewable energy in Germany, as of: February 2016.

2. SIGNIFICANT EVENTS IN THE FINANCIAL YEAR

The CLERE Group's reorientation on the regenerative energy sector with the relocation of the corporate headquarters to Berlin and the establishment of a new team marked the short fiscal year 2016. The consolidated profit for the year of EUR 4.0 million essentially resulted from income tax refunds at CLERE Investments Netherlands B. V. for earlier periods. As part of the new business activities, initial sales revenues from bonds totalling EUR 0.6 million were generated in the short fiscal year 2016.

The short fiscal year 2016 was characterised by the following changes within the Group:

New business model in the area of regenerative energy was launched with first business transactions

On 19 July 2016, the first bearer bonds totalling EUR 12 million were subscribed, which were secured by operational solar parks. This was the first step in the new business model. Two additional subscriptions totalling EUR 4.5 million each and one subscription totalling EUR 4.2 million were concluded in the following months. The bearer bonds have a term of up to seven months. In the medium term, renewable energy projects are to be acquired as strategic investments in order to secure long-term returns.

Shareholders received a tax-free sum of EUR 9 per converted share from the capital reduction

On 14 October 2016, shareholders were paid a tax-exempt sum of EUR 9 per converted share from the Company's equity on the basis of the capital reduction resolution of the Annual General Meeting on 29 January 2016. A total of EUR 53.0 million was distributed.

Annual General Meeting on 9 November 2016 in Berlin

At the Annual General Meeting in Berlin, the shareholders of CLERE AG approved both the modification of the corporate purpose and the relocation of the Group headquarters to Berlin by a large majority. There, a competent team was set up for the new regenerative energy business model.

Registered office relocated from Bad Oeynhausen to Berlin

Following the sale of the operative business, including the operational properties in Bad Oeynhausen, the Board of Management decided to open a subsidiary in Berlin where a competent team for the new regenerative energy business model was set up. An office was opened in Berlin in September 2016, which following the resolution of the Annual General Meeting on 9 November 2016 then became the new headquarters of CLERE AG. The new employees were fully on board by the end of the year.

Holding in a planned Japanese solar park

On 24 November 2016, a stake of 45.46% was acquired in saferay Japan project portfolio GmbH & Co. KG, Berlin. It plans the construction of a solar park in Japan with an output of 40 MWp. The park is expected to be built and connected in 2018. Parts of this solar park are also being pre-financed. To date, a long-term loan of EUR 4 million has been issued to saferay Japan project portfolio GmbH & Co. KG, Berlin.

Expiration of Mr. Oliver Oechsle's Management Board contract

At its meeting on 15 June 2016, the Supervisory Board of CLERE AG passed a resolution to extend Mr. Oliver Oechsle's Management Board appointment until 31 December 2016. Mr. Oliver Oechsle thus left the Management Board of CLERE AG with the expiry of his mandate on 31 December 2016. Mr. Thomas Krupke is now the sole member of the Management Board.

3. FINANCIAL POSITION AND PERFORMANCE

3.1 GENERAL INFORMATION ABOUT REPORTING

The reporting in the Management Report is based on IFRS standards, as applicable in the EU.

3.2 RESULTS OF OPERATIONS

Since the short fiscal year 2016 only involved a period of six months from 1 July to 31 December 2016, and the 2015 / 2016 financial year was essentially characterised by the sale of the operative business, the comparability of the periods is only possible to a limited extent.

Sales revenues of EUR 0.6 million concerned interest income from subscribed bearer bonds within the framework of the new SME financing business segment.

Other operating income of EUR 0.7 million (previous year: EUR 0.5 million) in the period under review mainly concerned income from the reversal of provisions for legal disputes and income from charges passed on.

Staff costs amounted to EUR 1.0 million, as compared to EUR 1.3 million in the previous year. The staff costs in the short fiscal year 2016 take into account the establishment of a new team for the regenerative energy business model, as well as personnel costs for certain employees in Bad Oeynhausen.

Other operating expenses of EUR 3.3 million were EUR 2.6 million less than the previous year's level (previous year: EUR 2.7 million before and EUR 5.9 million after special effects). In the short financial year, other operating expenses included legal and consulting costs of EUR 1.4 million (previous year: EUR 4.1 million including special effects) and EUR 0.4 million for investor relations expenses (previous year: EUR 0.9 million, mainly due to additional expenses for two annual general meetings). In addition, expenses of EUR 1.1 million resulting from a verbal comparison in the context of a tax audit for previous years were incurred by CLERE AG.

In the short fiscal year 2016, the CLERE Group recorded negative **earnings before interest, tax, depreciation and amortisation** (EBITDA) of EUR -3.0 million (previous year: EUR -3.5 million before, or EUR -6.7 million after one-off effects).

The **earnings before interest and tax** (EBIT) amounted to EUR -3.0 million in the short fiscal year 2016. In the previous year, the earnings before interest and tax (EBIT) amounted to EUR -3.5 million before taking special items into account, or EUR -6.7 million after taking these one-off effects into account.

In the period under review, the CLERE Group generated a **financial result** of EUR -0.5 million (previous year: EUR 0.0 million). Currency effects of EUR 0.6 million (previous year: EUR -0.2 million) led to a negative financial result. In contrast, interest income totalling EUR 0.1 million (previous year: EUR 0.2 million) was generated.

The **earnings before taxes** (EBT) amounted to EUR -3.5 million, as compared to EUR -6.7 million in the previous year.

The **consolidated profit** for the fiscal year stood at EUR 4.0 million (previous year: EUR 32.8 million), mainly resulting from the reversal of tax provisions for previous years. The result for the previous year mainly resulted from the sale of the entire operative business.

At EUR 0.67, the **earnings per share** were therefore positive, based on the new number of shares of 5,889,063 units (previous year: EUR 5.56), on both a diluted and undiluted basis.

3.3 FINANCIAL POSITION

3.3.1 Principles and objectives of financial management

The primary objective of the financial management function is to ensure that the CLERE Group remains able to repay its debts and that it retains a solid equity-debt structure. A system with appropriate parameters for managing short-, medium- and long-term financing and liquidity requirements is being adjusted to the new strategic orientation.

The goal remains to ensure a solid financial basis for the Group. Minimum cash reserves are also held for the purpose of continuing to avoid possible liquidity bottlenecks in the financing of the Group's business activities. The financing of companies should only be of a short-term nature, and will only be realised if sufficient collateral is provided.

Given persistent uncertainty on financial markets, the specific aim of investing excess cash reserves is not to maximise profit, but to preserve assets on the basis of a risk-minimised investment strategy, as well as the avoidance or reduction of negative interest.

3.3.2 Cash flow trends

The following disclosures analyse the cash flows in the short fiscal year 2016 and the 2015 / 2016 financial year. The statement of cash flows has been prepared in accordance with the provisions of the IFRS and is designed to aid an assessment of the Group's financial capabilities.

The individual sections of the statement of cash flows are as follows:

Cash flow from operating activities

The CLERE Group generated a cash inflow of EUR 1.8 million from operating activities in the short fiscal year 2016 (previous year: cash outflow of EUR 5.6 million). This mainly resulted from income tax refunds for previous financial years.

Cash flow from investing activities

The cash outflow from investing activities totalled EUR 17.4 million (previous year: cash inflow of EUR 104.0 million). The cash outflow from investing activities in the short fiscal year was essentially the result of the subscription of bearer bonds totalling EUR 25.2 million. Up to the balance sheet date, this resulted in repayments totalling EUR 12.0 million. In addition, a long-term loan was made to an associate company totalling EUR 4.0 million to finance a Japanese solar park. The inflow of funds in the previous year resulted mainly from the sale of the entire operative business.

Cash flow from financing activities

The cash outflow from financing activities stood at EUR 53.0 million (previous year: EUR 65.0 million) and arose mainly from the payments made in October 2016 to the shareholders of CLERE AG at the end of the six-month legal retention period from the capital reduction concluded in the previous financial year.

Cash and cash equivalents at the end of the financial year

Cash and cash equivalents within the Group amounted to EUR 104.1 million on the 31 December 2016 reporting date (previous year: EUR 172.5 million), and corresponded to the liquid assets on the consolidated statement of financial position.

Credit lines

The Group continues to hold sufficient liquidity reserves for strategic investments. On the reporting date, the Group possessed no credit lines.

3.3.3 Investments and depreciation, amortisation and impairment losses

In the short fiscal year 2016, no notable investments were made and no notable depreciation, amortisation and impairment losses were incurred in addition to the financial assets.

3.4 NET ASSET POSITION

3.4.1 Changes in net assets

The CLERE Group reported EUR 161.8 million of **total assets** as of 31 December 2016. This corresponds to a EUR 54.9 million decrease compared with the previous year's level. The reduction in the balance sheet total is mainly due to the disbursement to shareholders in October 2016 as part of the capital reduction.

Non-current assets increased to EUR 5.0 million, as compared to EUR 0.4 million in the previous year. This is primarily due to the issuance of a long-term loan to finance a Japanese solar park.

Current assets decreased from EUR 216.3 million on 30 June 2016 to EUR 156.7 million on 31 December 2016.

Cash and cash equivalents decreased by EUR 68.4 million to EUR 104.1 million. The decrease was mainly due to the disbursement to the shareholders of CLERE AG within the framework of the capital reduction resolved during the past financial year. In addition, payments were made in connection with subscribed bearer bonds.

Other current assets mainly relate to fixed term deposits of EUR 35.5 million with a term of more than three months. The cash guarantee of EUR 4.5 million deposited in the USA as part of litigation was repaid in full in August 2016.

3.4.2 Changes in equity

On the liabilities side of the balance sheet, the CLERE Group reported **equity** of EUR 148.5 million as of 31 December 2016, compared to EUR 143.8 million as of 30 June 2016. The change in equity was based on the net profit for the short fiscal year 2016 of EUR 4.0 million as well as a change in the currency reserve by EUR 0.7 million. The equity ratio rose to 91.8% as at 31 December 2016, compared to 66.4% on 30 June 2016.

3.4.3 Changes in liabilities

Current liabilities decreased by EUR 59.3 million to EUR 12.5 million. The main reason for this is the capital reduction of EUR 53.0 million paid to the shareholders of CLERE AG. In addition, CLERE Investments Netherlands B. V., Netherlands, reported a reversal of income tax liabilities amounting to EUR 6.0 million as the result of a completed tax audit.

3.4.4 Capital structure

A significant objective of capital management is to continue to be able to secure the Group's congruent maturity capital structure. Such a capital structure existed on the balance sheet date. Current assets showed a surplus in relation to current liabilities of EUR 144.3 million, which is virtually unchanged compared with the previous year (EUR 144.5).

REPORT ON OPPORTUNITIES AND RISKS

1. STRATEGIC FOCUSES AND OPPORTUNITIES

CLERE AG is an active partner and investor in the growing market for renewable energies and environmental technology, and invests in projects with long-term potential. In order to make attractive investments, the Company will collaborate with project developers and is already involved in the planning and construction phase. The focus is on regions which, due to their political stability, legal framework and the existing energy and environmental policies, promise long-term stable returns.

In the past short fiscal year, the Company made initial financial investments, discussed various project proposals and began to examine these in closer detail. The current project proposals show opportunities for sustainable growth and confirm the Company's strategic orientation.

2. THE MANAGEMENT OF OPPORTUNITIES AND RISKS IN THE CLERE GROUP

An effective and reliable opportunities and risk management system is installed within the CLERE Group, which in its continued form requires ongoing adjustment to the new business processes. The following section describes how our opportunities and risk management system functions.

2.1 FUNCTIONALITY OF THE CLERE GROUP'S OPPORTUNITY AND RISK MANAGEMENT SYSTEM

	IDENTIFICATION	ASSESSMENT	AGGREGATION	ANALYSIS	REPORTING	CONTROLLING
Process elements	Ongoing monitoring of the Company	Assessment of the peak influences of opportunities / risks on EBITDA	Aggregation of related opportunities / risks into categories of opportunities and risks	Analysis of opportunities and risks in order to implement (counter) measures	General, quarterly reporting	Project and Asset Management
	Identification of all aspects of an opportunity / a risk	Assessment of (counter) measures	Consolidation of local opportunities and risks to regional portfolios	Identification of further (counter) measures on a regional and local basis	Quarterly reporting to the Management Board and Supervisory Board	Implementation of (counter) measures
	Identification of the affected areas of the Company and the business environment	Assessment based upon the guidelines and Group-wide specifications	Consolidation of regional portfolios and Group-wide opportunities and risks into one Group portfolio		Ad hoc reports	
Top-down responsibility lies with	Management Board	Management Board	Management Board	Management Board	Management Board	Management Board
Bottom-up responsibility lies with		Project and Asset Management		Project and Asset Management	Project and Asset Management	Project and Asset Management

Risks are recorded quarterly, and reported to the Management and Supervisory Boards on the basis of functional areas and individual companies.

In addition, risks that are identified during the course of the quarter and that exert an effect on the CLERE Group's results are reported on an ad hoc basis to the Management Board. Due to the small size of the CLERE team, this is done promptly when a potential risk is identified by the employees. The Management Board then reports to the Supervisory Board at the regular Supervisory Board meetings. Where required, appropriate measures are approved and initiated.

Operating opportunities are identified, documented and analysed in regularly-occurring review meetings with employees, as well as within the Management Board. Measures to implement strategic and operating opportunities through current projects are also approved at these discussions. The recording and success of the implementation of potential opportunities are followed up and assessed as part of periodical reporting and quarterly budget monitoring. Strategic opportunities are included as strategy assumptions in the medium-term planning that is prepared annually. Identified opportunities and risks are assessed using systematic valuation processes, and quantified as to their financial effects.

In order to analyse the overall risk to the CLERE Group and launch appropriate countermeasures, we aggregate individual risks at participation level as well as Group-wide risks into a risk portfolio. The consolidation scope of risk management corresponds to the consolidation scope utilised in the consolidated financial statements in this context.

We continue to split risks according to the type and functional area that they impact. This enables specific risks to be aggregated in a structured manner into risk groups. Along with individual risk steering, this aggregation also allows us to identify trends, and especially CLERE-specific risk types, in order to thereby sustainably influence and reduce risk factors for particular risk types.

2.2 OPPORTUNITIES AND RISK PORTFOLIO OF THE CLERE GROUP

As part of compiling and monitoring our opportunities and risk profile, we measure the financial effects of opportunities and risks in absolute amounts:

I Low: up to EUR 1.0 million of EBITDA
II Moderate: more than EUR 1.0 million and up to EUR 2.5 million of EBITDA
III High: more than EUR 2.5 million of EBITDA

The effects presented always take into account the impact of measures and countermeasures that have been launched. This forms a net evaluation of the opportunities and risks.

We measure the event probabilities of individual opportunities and risks on a scale of 1 to 5. These are then aggregated within categories.

Improbable = 1
Possible = 2 – 3
Probable = 4 – 5

3. OPPORTUNITIES AND RISKS

For the CLERE Group with its new strategic orientation on regenerative energy, the significant opportunities and risks are described in the following sections:

ECONOMIC OPPORTUNITIES AND RISKS

The success of the CLERE Group depends to a not insignificant extent on changes in overall conditions for renewable energy and environmental technology in individual economies. However, we assume that renewable energy will experience worldwide growth over the coming years. When planning to invest in existing plants, opportunities and risks on the serviceable life of the plants are, to a large extent, contractually secured and insured respectively. The current phase of low interest rates makes it possible to obtain attractive financing terms as part of planned investments, and consequently expand the total volume of potential operating activities.

SECTOR-SPECIFIC AND TECHNOLOGICAL OPPORTUNITIES AND RISKS

Continuous innovations in renewable energy and environmental technology constantly improve their competitiveness and possibilities for deployment. Key concepts such as "electromobility", "energy efficiency" and "digitalisation" represent further drivers of accelerating change in the energy and transport sector. Emergent battery storage technologies – both mobile and static – will make the expansion of renewable energy even more economically efficient through their own decreasing cost trends over the coming years, and will exert a "pull effect" on production types. In a few years, for example, the combination of decentralised electricity supplies generated from photovoltaic or wind power, paired with battery storage technology, will push costs for a kilowatt-hour of electricity to significantly below 15 eurocents. Many opportunities will exist in this sector for new, attractive business models, which will also be offset, naturally, by risks emerging from accelerated realignment within the energy sector.

Moreover, extensive replacement investments will need to be made within energy generation in the USA, Europe and Japan over the coming years for the nuclear and coal power plants that are being phased out. These will in turn trigger cost reductions through economies of scale for the renewable energies "solar" and "wind".

OPPORTUNITIES AND RISKS IN PERSONNEL MANAGEMENT

With the relocation to Berlin and realignment of the business model to regenerative energy, CLERE assembled a team of expert staff. Retaining such staff represents a typical risk at any enterprise. CLERE counters such a risk through modern management methods and attractive working conditions.

IT-RELATED RISKS

The ability to access and exchange information quickly, completely and appropriately, and to deploy performant IT systems, is of great importance to innovative and global companies such as the CLERE Group. Staff access to sensitive information is secured with the help of authorisation concepts tailored to corresponding centres and functions while taking into account the functional separation concept. We regard it as unlikely that IT-related risks will materialise. We gage the potential financial effects as low.

FINANCIAL OPPORTUNITIES AND RISKS

The following opportunities and risks exist in connection with existing financial instruments:

Currency

Apart from a few exceptions, the Clere Group's cash is invested in euros. These exceptions concern the local foreign companies' funds for their short-term liquidity requirements. For this reason, no notable risks or opportunities exist arising from currency differences.

As individual Group companies prepare their financial accounts in local currency, especially in the US dollar, additions to or disposals from currency reserves in line with exchange rate changes may result in effects on profit or loss.

As soon as subsidiaries which have a functional currency other than the euro leave the Group (e.g. through sale or liquidation), existing positive or negative currency reserves are amortised, resulting in a reclassification in the profit and loss statement with corresponding effects on profit or loss.

Liquidity and default risks and their steering

As of the reporting date, the Clere Group's cash is invested mainly in accounts at European commercial banks. Money deposits are either covered by the Deposit Protection Fund, or the relevant banks or securities carry investment grade ratings.

Interest rates

Negative interest rates on the deposited cash were avoided during the short fiscal year elapsed; however, in the 2017 financial year, negative interest rates are likely to be due to the high level of cash. Such risk of negative interest rates can be avoided by establishing the new business model and investing funds in high-yield assets or alternative investments. As with all investments, the CLERE Group's deposits and investments entail sector-typical impairment and default risks. Here, the CLERE Group takes care to avoid such risk through careful selection, extensive due diligence measures and sufficient collateral. The SME financing that has been issued so far is subject to a fixed interest rate, so that there is no risk of change. However, as SME financing is more likely to take place over a short-term period, there is an associated reinvestment risk.

LEGAL OPPORTUNITIES AND RISKS

Legal risks may result from the many regulations and laws which concern the Company. In order to prevent possible risks, the CLERE Group's decisions and transactions are based on extensive national and international legal advice.

In the 2014 / 2015 financial year, the Supervisory Board of Clere AG had registered approvingly the assertion of the Company's loss compensation claims against the former Supervisory Board members Dr. Michael Naschke, Mr. Yu-Sheng Kai and Mr. Chun-Chen Chen, and also approved the claim on the then sole Management Board member. It is alleged that the former directors violated their duty in relation to the planned disposal of shares in TPK Holding Co. in July 2011, due to which the TPK shares could only be sold at a subsequent date at a significantly lower price. Based on current estimations, the potential damages amount to a two-digit figure in the millions. The Management Board submitted the lawsuit against then Supervisory Board members to the Bielefeld District Court on 14 July 2016. In the context of judicial enforcement, cost risks can arise that are to be categorised as moderate. A provision for such risk cannot be formed as CLERE AG is claiming these receivables in active litigation.

An analysis of history has uncovered indications of misdemeanour on the part of further former directors. At its meeting on 24 September 2014, the Supervisory Board passed a resolution to bring a lawsuit against a former director. Out of consideration for the director concerned, it is currently impossible for the Management Board to make any statements concerning these matters.

In the agreement relating to the disposal of the operating units to the Stevanato Group, assurances were made and guarantees and indemnities were issued in relation to individual matters. Where known, we have included these in our provisions and liabilities. Provisions have been formed in the Group's financial statements for all other legal risks that are known to us in the context of the consolidated financial statements.

No other material legal disputes or litigation risks existed as of the end of the financial year on 31 December 2016.

TAX LAW RISKS

Tax risks may arise due to the international integration and structure of the Group with regard to loans or dividend payments, for example.

The CLERE Group seeks the advice of renowned tax consulting firms in all relevant tax matters in order to minimise tax risks. Where possible, important tax issues are discussed before implementation with the tax authorities. Nevertheless, the final tax assessment is the responsibility of the respective local tax authorities.

Tax authority inquiries exist in Germany as part of current tax audits and are being processed. These have been responded to in the main. These have not yet resulted in any further findings, apart from the matters that have already been recognised in the financial statements.

ASSESSMENT BY THE MANAGEMENT BOARD OF THE OVERALL OPPORTUNITIES AND RISK PORTFOLIO

The overall Group position is derived from aggregating all opportunities and individual risks of all of the categories of the business units and functions. While taking into account the event probabilities and potential financial effects, as well as the background to the current business prospects, the Management Board of the CLERE Group anticipates no individual or aggregated risk that might jeopardise the Group as a going concern.

In summary, the opportunities and risk position of CLERE is as follows:

12 12 OPPORTUNITY AND RISK PORTFOLIO OF THE CLERE GROUP

	EVENT PROBABILITIES			FINANCIAL EFFECTS		
	IMPROBABLE (1)	**POSSIBLE** (2 – 3)	**PROBABLE** (4 –5)	**LOW** UP TO EUR 1.0 MILLION OF EBITDA	**MODERATE** MORE THAN EUR 1.0 MILLION AND UP TO 2.5 MILLION EURO OF EBITDA	**HIGH** MORE THAN EUR 2.5 MILLION OF EBITDA
ECONOMIC RISKS						
Risks	*				*	
Opportunities		*			*	
SECTOR- SPECIFIC AND TECHNOLOGICAL OPPORTUNITIES AND RISKS						
Risks	*			*		
Opportunities		*			*	
OPPORTUNITIES AND RISKS IN PERSONNEL MANAGEMENT						
Risks		*		*		
Opportunities			*	*		
IT-RELATED RISKS						
Risks	*			*		
Opportunities						
FINANCIAL OPPORTUNITIES AND RISKS						
CURRENCY						
Risks			*	*		
Opportunities		*		*		
LIQUIDITY AND DEFAULT RISKS						
Risks	*			*		
Opportunities						
LEGAL OPPORTUNITIES AND RISKS						
Risks			*		*	
Opportunities		*				*
TAX LAW OPPORTUNITIES AND RISKS						
Risks	*			*		

4. FINANCIAL REPORTING PROCESS

The Group's internal risk and control management systems are designed to ensure a proper financial reporting process. All business transactions are recorded in the accounts in full and in a timely manner in accordance with IFRS standards. The structures and processes are defined to ensure that the financial reporting complies with all of the relevant laws, regulations and standards.

The two systems complement one another. On the one hand, deficiencies in the control system, among other aspects, can be detected by identifying new risks. Additional controls can eliminate these shortcomings. On the other hand, monitoring of the control system might result in the conclusion that certain risks require more effective control.

4.1 STRUCTURES, PROCESSES AND CONTROL

The Group finance division of CLERE AG manages processes relating to Group financial accounting. Uniform guidelines on reporting and Group financial accounting exist as the basis for financial accounting, bookkeeping and controlling across the entire Group. They are set out in the Group accounting manual. The Group also has a uniform set of accounts. The Group finance division continually analyses new laws—if necessary, through the utilisation of external consultants—, applicable IFRS accounting standards and other announcements with regard to their relevance for and impact on the consolidated financial statements and the management report.

Relevant requirements are included in the guidelines for Group accounting. Together with the CLERE AG financial statements calendar that is applicable throughout the Group, they form the basis for the process of preparing the consolidated financial statements.

These procedures were not applied during the transitional period during the reporting period; they will be adjusted with the future investments and the resulting expansion of the business operations according to the Group's needs.

At the CLERE Group, the process of uniform and proper accounting within the Group is supported by supplementary procedures, standardised reporting formats and IT-assisted reporting and consolidation processes. Received or forwarded bookkeeping data are continually checked for completeness and correctness, e.g. through random samples or in the context of the "two sets of eyes" principle when they are prepared.

The consolidated financial statements are prepared based on the financial statement information reported by the Group companies. They are based on the transactions posted in the Group companies. Each month, the units deliver lists of totals and balances to the Group finance division. These are entered into the consolidation system and aggregated to form the consolidated financial statements.

Besides inquiries with the persons responsible for accounting and bookkeeping in the Group companies, this involves, in particular, plausibility checks and analyses in the form of period and time series comparisons, as well as analyses of individual items in the income statement. Differences are discussed with the staff responsible. Local accounting departments are responsible for the proper bookkeeping and accounting of the foreign Group companies. The causes of any validation message or warning are to be corrected by the supplying units before final approval of the financial statement information.

For the new business model that is to be established, reporting figures are to be prepared initially at project level and then aggregated at the level of the respective participating interest. Appropriate key data will be defined as the new business is established. The Management Board is to continue to report monthly to the Supervisory Board.

Aggregated Group reporting is also conducted on a quarterly basis, including the income statement, statement of financial position and cash flow.

The employees who are involved in the accounting process of the CLERE Group are suitable in terms of professional expertise and undergo regular training. The Group companies are responsible for compliance with the guidelines and procedures that are applicable across the entire Group and for the proper and timely processing of their accounting processes and systems. The local companies are supported by personnel from the holding company throughout the accounting process.

Internal controls that have been determined in terms of risk considerations are built into the accounting process of the CLERE Group. CLERE's control system includes both preventive and detection control elements. They comprise a systematic separation of functions, as well as manual and IT-based coordination. Furthermore, the CLERE Group's ICS works in accordance with the principle of dual control and with general IT controls. The financial systems used are protected against unauthorised access by appropriate IT measures. An internal access authorisation system and constant monitoring of this system ensure that no unauthorised access is possible.

The employees involved in the accounting process are suitably equipped, in terms of both quantity and quality. In the event of any shortages, recourse is made to qualified external consultants. The principle of dual control is applied in all accounting processes.

The clear demarcation of responsibility ensures that business transactions are recorded, processed and documented in accordance with legal regulations, the Articles of Association and internal guidelines, and posted in a correct and timely manner in the accounts. At the same time, it is ensured that assets and liabilities are recognised, reported and measured correctly and that reliable and relevant information is provided in full and in a timely manner.

4.2 DEVIATIONS FROM BUDGETS

Comparison against budget data forms a key controlling parameter. In the event of significant deviations from budgets, the Management Board of CLERE AG immediately initiates control and steering measures based on trend analyses.

The internal control system for the financial reporting process, the key features of which have been explained above, ensures that business transactions are always recorded, processed and assessed correctly and included in the accounts.

4.3 INVOLVEMENT OF THE SUPERVISORY BOARD

The Supervisory Board is integrated into the control system. It monitors the accounting process, the effectiveness of the control system and the internal audit system, as well as the audit of financial statements in advance. It is also responsible for the examination of documents for the consolidated financial statements. The full Supervisory Board also discusses the consolidated financial statements and the management report with the Management Board and the auditor.

4.4 INTERNAL AUDITING SYSTEM

Due to the sharp reduction in number of employees and low number of transactions, the previous internal audit system was to be relinquished following the disposal of the operating units. A new, adapted system is to be created with the establishment of the new business model.

OUTLOOK

MACROECONOMIC CONDITIONS

In its World Economic Outlook (WEO) update published January 2017, the International Monetary Fund (IMF) forecasted 3.4% global growth for 2017 and 3.6% global growth for 2018. The expectations remain unchanged at the level of the WEO of October 2016. A 3.1% economic growth rate is expected for the past year 2016.

For the Eurozone, economic growth in 2017 was increased by 0.1% to 1.6%, compared to the last forecast of October 2016, based on an expected growth of 1.7% in 2016. For 2018, the IMF also forecasts GDP growth of 1.6%.

For the German economy, the growth forecast in October for the years 2017 and 2018 was increased slightly by 0.1% from 1.4% to 1.5%. The IMF notes economic growth of 1.7% for the past year 2016.

For CLERE AG's business model, climate protection and cost development for renewable energies represent central drivers of economic growth. Climate protection has become firmly entrenched worldwide as a key topic with the Paris Agreement, which the USA and China have also now signed. Efforts to slow or limit global warming worldwide in accordance with agreed climate protection targets will result in further investments in this area over the coming decades, which will open up new business opportunities. However, changes in the policy of the new US administration are possible and are currently difficult to estimate.

Irrespective of this factor, efforts to slow or limit global warming worldwide in accordance with agreed climate protection targets, along with the increasing competitiveness of sustainably produced electricity, will open up new fields of business and investment opportunities in the coming decades. This industrial revolution is accompanied by Digitalisation 4.0, which will result in a major change to the global energy market. The CLERE Group is active in this environment.

DEVELOPMENT AND GROWTH OF THE CLERE GROUP

Since mid-2016, a large number of projects have been screened and reviewed. Most of these are investments in the equity of existing or newly constructed solar and wind power plants. As a rule, these are existing plants that receive state guaranteed feed-in tariffs. Investments are occurring in geographic regions that ensure a stable economic policy environment and reliable conditions. Along with Germany, these include the European countries of Italy, France, the Netherlands and the United Kingdom. Countries under consideration outside Europe include the USA and Japan.

Investments in renewable energy mainly have calculable sales revenues in the form of feed-in tariffs, which differ by region and commissioning date. In Germany, Italy and Japan, for example, these include guaranteed payments from feed-in legislation, while purchase power agreements (PPAs) tend to predominate in the United Kingdom and USA.

Investments are offset by incidental purchase costs, ongoing administrative expenses and depreciation. The expected cash flows are significantly higher than the expected costs, and should make a key contribution to a sustainable dividend policy in the medium term.

Currently, several projects are in an advanced transaction phase. We assume that we will be able to report on initial successful acquisitions in the coming weeks and months.

In addition to investments in solar and wind power plants, CLERE AG supports small and medium-sized companies from the renewable energy sector with SME financing. During the reporting period, CLERE AG concluded four projects with a cumulative double-digit million volume. These projects will continue to deliver a positive contribution to earnings beyond the reporting period, even though they are generally of short to medium-term nature.

Although further financing projects are currently being evaluated, concrete statements about the future development of this area cannot be reliably made, as the demand from third parties for financing cannot be planned in advance.

In the case of financing projects, which are generally short-term, there are calculable returns in the form of interest income, the total amount of which depends on the number and volume of the projects, as well as the interest rate on the capital market at the time of closing, and therefore cannot be precisely predicted from the current perspective. In the new allocation of financing for medium-sized businesses, we strive for a very high degree of collateralisation of our receivables and give considerable attention to the strong earning power and the resulting sound credit standing of the borrowers.

CLERE AG was thus able to successfully usher in the repositioning of the former Balda Group initiated last year. The Company is still in its planned transitional phase, which continues to result in higher personnel expenses as well as restructuring costs.

For the 2017 financial year, the Management Board plans not only to award several financing options to medium-sized companies in the renewable energy sector, but also to acquire solar and wind power plants in the mid-double-digit million range.

The Management Board expects its investment in power generation plants to run for up to 20 years, and a return on equity of between 5% and 10%, depending on the region and type of energy production.

Revenue and income from this new business area will rise significantly, but will not lead to a balanced pre-tax result.

As a result of the current planning, a consolidated loss in the low single-digit million range is expected.

Berlin, 27 March 2017

The Management Board

THOMAS KRUPKE MANAGEMENT BOARD MEMBER

CONSOLIDATED FINANCIAL STATEMENTS

C

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

OF CLERE AG AS OF 31.12.2016

IN EUR THOUSAND		CONSOLIDATED NOTES II	31.12.2016	30.06.2016
ASSETS				
A.	**NON-CURRENT ASSETS**			
I.	Property, plant and equipment	5. a.	137	10
	Fixtures, furniture and office equipment		137	10
II.	Intangible assets	5. c.	40	28
	Software		40	28
III.	Financial assets	5. d.	4,039	0
	Other financial assets		4,039	0
IV.	Deferred taxes	5. e.	819	351
	NON-CURRENT ASSETS		**5,035**	**389**
B.	**CURRENT ASSETS**			
I.	Trade receivables	5. f.	605	0
II.	Receivables from SME financing	5. g.	13,200	0
III.	Other current assets	5. h.	38,773	43,163
IV.	Current income tax assets	5. i.	43	629
V.	Cash and cash equivalents	5. j.	104,108	172,549
	CURRENT ASSETS		**156,729**	**216,341**
TOTAL ASSETS			**161,764**	**216,730**

IN EUR THOUSAND		CONSOLIDATED NOTES II	31.12.2016	30.06.2016
EQUITY AND LIABILITIES				
A.	**EQUITY**			
I.	Subscribed capital		5,889	5,889
II.	Reserves		31,539	30,765
III.	Net retained profits		111,110	107,157
	1. Consolidated profit or loss		3,953	32,752
	2. Retained profits brought forward		107,157	74,405
	EQUITY, GROUP	5. k.	**148,538**	**143,811**
B.	**NON-CURRENT LIABILITIES**			
I.	Deferred taxes	5. l.	754	1,081
II.	Non-current financial liabilities	5. m.	0	2
	NON-CURRENT LIABILITIES		**754**	**1,083**
C.	**CURRENT LIABILITIES**			
I.	Trade payables	5. n.	574	1,009
II.	Other current financial /nonfinancial liabilities	5. o.	8,792	8,814
III.	Liabilities against shareholders of CLERE AG	5. p.	0	53,002
IV.	Income tax liabilities	5. q.	2,135	7,998
V.	Current provisions	5. r.	971	1,013
	CURRENT LIABILITIES		**12,472**	**71,836**
TOTAL EQUITY AND LIABILITIES			**161,764**	**216,730**

CONSOLIDATED INCOME STATEMENT

OF CLERE AG FOR THE PERIOD FROM 1.7.2016 – 31.12.2016

IN EUR THOUSAND	CONSOLIDATED NOTES II	1.7.-31.12.2016 (6 MONTHS)	2015/2016 (12 MONTHS)
Sales revenues	6. a.	603	0
Other operating income	6. b.	696	547
Staff costs	6. c.	957	1,273
a) Wages and salaries including social security costs		912	1,240
b) Expenses for temporary employees		45	33
Depreciation, amortisation and impairment losses	6. d.	25	85
Other operating expenses	6. e.	3,332	5,931
PROFIT / LOSS FROM OPERATIONS		**-3,015**	**-6,742**
Net interest income	6. f.	115	195
Other finance income (net)	6. g.	-624	-181
EARNINGS BEFORE TAXES		**-3,524**	**-6,728**
Taxes on income	6. h.	-7,477	5,122
EARNINGS FROM CONTINUING OPERATIONS		**3,953**	**-11,850**
Earnings from discontinued operations		0	44,602
CONSOLIDATED PROFIT OR LOSS	6. i.	**3,953**	**32,752**
EARNINGS PER SHARE:	6. j.		
Number of shares, undiluted and diluted (in thousands)[1]		5,889	5,889
Earnings per share (EUR)—undiluted and diluted		0.67	5.56

[1] Calculation in previous year based on number of shares after capital reduction in the ratio 10 : 1. Regarding statements pursuant to IAS 33, please refer to the consolidated notes under section 6. j.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF CLERE AG FOR THE PERIOD FROM 1.7.2016 – 31.12.2016

IN EUR THOUSAND	CONSOLIDATED NOTES II	1.7.-31.12.2016 (6 MONTHS)	2015/2016 (12 MONTHS)
CONSOLIDATED PROFIT OR LOSS		**3,953**	**32,752**
OTHER COMPREHENSIVE INCOME	**7.**	**774**	**-5,272**
Currency translation differences occurred during the reporting period:			
Items that were reclassified to profit or loss		-154	-3,882
Items that will be reclassified to profit or loss		928	-1,390
COMPREHENSIVE INCOME FOR THE PERIOD		**4,727**	**27,480**

CONSOLIDATED STATEMENT OF CASH FLOWS

OF CLERE AG FOR THE PERIOD FROM 1.7.2016 – 31.12.2016

	IN EUR THOUSAND	CONSOLIDATED NOTES II	1.7.-31.12.2016	2015 / 2016
	CASH FLOW FROM OPERATING ACTIVITIES			
	Net loss / income before income tax, net finance income and depreciation (EBITDA)—continuing operations		-2,990	-6,657
+	Net loss / income before income tax, net finance income and depreciation (EBITDA)—discontinued operations		0	45,566
-	Gain from disposal of operations (Deconsolidation result)		0	-40,477
-	Interest paid		-16	-41
+	Interest received		68	227
-	Income tax paid		-2	-236
+	Income tax received		1,383	0
-	Non-cash expenses / income		-1,265	-1,539
+/-	In- / decrease in tax assets and tax liabilities		500	-435
-	Decrease in provisions		-44	-1,405
+/-	In- / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities		-980	-1,901
+	Increase in liabilities and other liabilities not attributable to investing or financing activities		565	1,293
=	**CASH FLOW FROM OPERATING ACTIVITIES**	4. a.	**-2,781**	**-5,605**
	of which discontinued operations		0	-725
	CASH FLOW FROM INVESTING ACTIVITIES			
-	Cash payments for property, plant and equipment and intangible assets		-164	-1,767
-	Cash payments for other financial investments		-4,039	0
+	Cash receipts from the sale of subsidiaries, property, plant and equipment and intangible assets		0	90,458
-	Cash payments to secure bank guarantees		0	-4,702
+	Cash receipts from repayments to secure bank guarantees		4,702	0
+	Cash receipts in connection with current and non-current financial planning		12,000	19,983
-	Cash payments in connection with current and non-current financial planning		-25,200	0
=	**CASH FLOW FROM INVESTING ACTIVITIES**	4. b.	**-12,701**	**103,972**
	of which discontinued operations		0	88,763

	IN EUR THOUSAND	CONSOLIDATED NOTES II	1.7.-31.12.2016	2015 / 2016
	CASH FLOW FROM FINANCING ACTIVITIES			
-	Cash payments from bank borrowings		0	-249
-	Dividend payments		0	-64,780
-	Cash payments to shareholders from the ordinary capital reduction		-53,002	0
=	**CASH FLOW FROM FINANCING ACTIVITIES**	4. c.	**-53,002**	**-65,029**
	of which discontinued operations		0	-249
	NET CHANGE IN CASH AND CASH EQUIVALENTS		**-68,484**	**33,338**
	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR (INCLUDING DISCONTINUED OPERATIONS)		**172,549**	**139,477**
+/-	Effects of changes in foreign exchange rates on cash held in foreign currencies		43	-266
=	**CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR**	4. d.	**104,108**	**172,549**
	COMPOSITION OF CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR			
	Cash and cash equivalents		104,108	172,549

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF CLERE AG FOR THE PERIOD FROM 1.7.2016 – 31.12.2016 (PREVIOUS YEAR: 1.7.2015 – 30.6.2016)

		RESERVES				
IN EUR THOUSAND	SUBSCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	CURRENCY TRANSLATION RESERVE	NET RETAINED PROFITS	EQUITY OF SHAREHOLDERS OF GROUP
BALANCE ON 1.7.2015	**58,891**	**34,555**	**1,881**	**-399**	**139,185**	**234,113**
Consolidated profit or loss	-	-	-	-	32,752	32,752
Other comprehensive income	-	-	-	-5,272	-	-5,272
Total comprehensive income	-	-	-	-5,272	32,752	27,480
Distribution to shareholders	-	-	-	-	-64,780	-64,780
Ordinary capital reduction	-53,002	-	-	-	-	-53,002
BALANCE ON 30.6.2016	**5,889**	**34,555**	**1,881**	**-5,671**	**107,157**	**143,811**
BALANCE ON 1.7.2016	**5,889**	**34,555**	**1,881**	**-5,671**	**107,157**	**143,811**
Consolidated profit or loss	-	-	-	-	3,953	3,953
Other comprehensive income	-	-	-	774	-	774
Total comprehensive income	-	-	-	774	3,953	4,727
BALANCE ON 31.12.2016	**5,889**	**34,555**	**1,881**	**-4,897**	**111,110**	**148,538**

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS OF CLERE AG, BERLIN, FOR THE SHORT FISCAL YEAR FROM 1 JULY 2016 UNTIL 31 DECEMBER 2016

I. GENERAL INFORMATION

1. GENERAL INFORMATION ABOUT CLERE

CLERE AG (also referred to as "CLERE" or "the Company") relocated its registered office from Bad Oeynhausen to 10707 Berlin, Schlüterstraße 45, pursuant to the 6 December 2016 entry in the commercial register. CLERE AG is registered with the Charlottenburg District Court under the registration number HRB 182215 B.

CLERE AG with its subsidiaries (also referred to as the "CLERE Group") is currently setting up a new business model. This includes investments in environmental and energy solutions and the development of a profitable portfolio of investments in medium-sized companies that may also focus on the field of environmental and energy technology. This investment strategy is to be supplemented by short-term financing, particularly for the development of infrastructural projects in the field of energy technology. The focus of the business activities will be in Europe.

These consolidated financial statements were approved for publication by the Management Board on 27 March 2017.

The consolidated financial statements prepared as of 31 December 2016 and the Group management report were submitted to the operator of the Federal Gazette (Bundesanzeiger) for publication pursuant to Section 325 of the German Commercial Code (HGB).

2. PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF CLERE AG

These consolidated financial statements of CLERE AG as of 31 December 2016 were prepared in accordance with Section 315 a of the German Commercial Code (HGB) and in compliance with the provisions of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, as applicable in the European Union and in force on the reporting date, as well as the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC).

The consolidated financial statements have been prepared in euros. Unless indicated otherwise, all of the figures shown are in thousands of euros (EUR thousand). This may give rise to rounding differences. The separate financial statements of the consolidated companies are prepared on the basis of the reporting date of the consolidated financial statements.

The consolidated financial statements were prepared on the basis of the 31 December 2016 reporting date.

In accordance with IAS 1, CLERE prepared its consolidated statement of financial position applying a current / non-current classification. All assets and liabilities due in more than one year are classified as non-current.

The Group prepares a separate income statement applying the nature of expense method, as well as a statement of comprehensive income. As per the resolution of the Annual General Meeting on 9 November 2016, the financial year was converted to the calendar year, resulting in a short fiscal year during the reporting period. The notes on the income statement refer to the period from 1 July 2016 to 31 December 2016. The short fiscal year 2016 thus amounts to six months, compared to 12 months in the reference period from 1 July 2015 to 30 June 2016. The comparability of the reporting period with the previous year is thus restricted.

The financial statements of the companies included in the consolidated financial statements are based on uniform accounting policies that comply with those of IFRS as adopted by the EU.

The significant accounting policies applied in the preparation of these consolidated financial statements are presented below. Unless otherwise specified, the accounting policies described were consistently applied to the reporting periods presented. Amortised cost comprises the most important measurement base for the financial statements.

3. INFORMATION ABOUT CONSOLIDATION

3. A. SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of CLERE AG and the companies it controls as of 31 December each year (its subsidiaries). Control exists if CLERE AG can exercise power over the participating interest, is exposed to fluctuating returns from its investment, and can influence the level of return on the basis of its power.

In addition to CLERE AG, two German (previous year: two) and four foreign (previous year: four) subsidiaries were included in full in the consolidated financial statements.

NUMBER OF COMPANIES

	31.12.2016	30.6.2016
Consolidation scope as of 31 December (previous year: 30 June)	6	6
German entities (excluding CLERE AG)	2	2
Foreign entities	4	4

3. B. CONSOLIDATION METHODS

The purchase method is applied for capital consolidation. On the acquisition of a company, the assets and liabilities of the corresponding subsidiaries are measured at their fair values at the date of purchase. Where the acquisition costs exceed the fair value of the proportionate share of the assets and liabilities acquired, the Group recognises the difference as goodwill.

The income and expenses of the subsidiaries sold in the course of a financial year are correspondingly included in the consolidated income statement up until the date of the loss of control.

Receivables and corresponding liabilities between the Group companies are set off against each other.

Sales revenues from intercompany deliveries and services and other intercompany income are set off against the corresponding expenses. Intercompany profits or losses from intercompany deliveries and services are eliminated.

Furthermore, in the short fiscal year 2016, CLERE AG acquired a limited partnership interest of 45.46% in saferay Japan project portfolio GmbH & Co. KG, Berlin, amounting to EUR 0.5 thousand. This associated company is included in the consolidated financial statements at equity. There are no material financial effects for the consolidated financial statements.

3. C. CURRENCY TRANSLATION

All foreign operations of the CLERE Group run the financial, economic and organisational aspects of their business independently. The Group companies prepare the financial statements that are included in the consolidated accounts in their respective functional currency, which is the national currency, with the exception of the company in Singapore (where the functional currency is the US dollar).

The assets and liabilities of the Group's foreign operations are translated from their functional currencies (where they differ from the euro) into euros at the rate on the balance sheet date. Income and expense items are translated at the average rate for the period. Equity items of the foreign subsidiaries are translated at historical exchange rates. The Group recognises the differences compared with the rate on the balance sheet date in other comprehensive income in the statement of comprehensive income or presents them as a separate component of equity in the currency translation reserve. The differences that are recognised in this reserve are reclassified to the income statement if the subsidiary leaves the scope of consolidation, or discontinues active operating activities.

The Group recognises goodwill arising on the acquisition of foreign operations as assets of the economically independent subsidiary and translates them at the closing rate (IAS 21.47). The resulting exchange differences are recognised in the currency translation reserve.

Foreign currency transactions are translated using the exchange rate at the date of the transaction.

The exchange rates taken as basis for the currency translation related to EUR 1.00 report the following changes:

EXCHANGE RATES

		MID SPOT RATE ON BALANCE SHEET DATE		ANNUAL AVERAGE RATE	
		31 DECEMBER 2016	30 JUNE 2016	FINANCIAL YEAR	
CURRENCY	ISO CODE			SFY 2016	2015 / 2016
US dollar	USD	1,0525	1,1105	1,0978	1,1098
Malaysian ringgit	MYR	4,7242	4,4522	4,5922	4,5874

II. INFORMATION ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS OF CLERE AG

1. INFORMATION ABOUT NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The amended standards that must be applied for the first time in the short fiscal year 2016 are listed below. All IFRS standards and IFRIC interpretations that were in force at the reporting date and were effective for the short fiscal year 2016 within the EU were applied in the consolidated statements, provided these had been endorsed by the EU.

STANDARDS OR INTERPRETATIONS

STANDARD OR INTERPRETATION	TITLE (DATE OF ENTRY INTO FORCE)
IAS 1	Amendments relating to the exercising of judgment in the presentation of financial statements (1 January 2016)
IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation (1 January 2016)
IAS 16 and IAS 41	Amendments relating to the accounting treatment of bearer plants (1 January 2016)
IAS 27	Amendments relating to the equity method in separate financial statements (1 January 2016)
IFRS 10, 12 and IAS 28	Consolidation exceptions (1 January 2016)
IFRS 11	Acquisition of an interest in a joint operation (1 January 2016)
Various	Annual improvement projects (AIPs) 2012-2014 cycle (1 January 2016)

The initial application of these new or revised IFRS / IAS / IFRIC standards do not have a material effect on the consolidated financial statements of CLERE AG.

New and amended standards as well as recently published interpretations that are not yet effective, although earlier application is permitted (subject to EU endorsement), which are not yet applied by the Company:

STANDARDS OR INTERPRETATIONS (APPLICATION FOR FINANCIAL YEARS THAT START ON THE DATE OF COMING INTO FORCE OR LATER)

STANDARD OR INTER-PRETATION	TITLE (DATE OF ENTRY INTO FORCE)
IAS 7	Disclosure Initiative (1 January 2017)
IAS 12	Recognition of deferred tax assets for unrealised losses (1 January 2017)
IFRS 2	Classification and measurement of share-based payment transactions (1 January 2018)
IFRS 9	Financial instruments (1 January 2018)
IFRS 15	Revenue from contracts with customers (1 January 2018)
IFRS 16	Leases (1 January 2019)

In relation to the first-time application of these amended standards and promulgations, we identify no significant effects on the consolidated financial statements of CLERE AG based on the Group's position as of the reporting date.

The 1 January 2016 coming into force date was originally planned for the following standards. The IASB has postponed the date for an unspecified period.

STANDARDS OR INTERPRETATIONS

STANDARD OR INTER-PRETATION	TITLE (DATE OF ENTRY INTO FORCE)
IFRS 10 and IAS 28	Amendments relating to the recognition of gains or losses in transactions with associates or joint ventures

2. ACCOUNTING PRINCIPLES

The accounting policies used in the preparation of these consolidated financial statements are described in the following sections.

USE OF ESTIMATES AND DISCRETIONARY DECISIONS

All **estimates and discretionary decisions** are continuously reassessed and are based on historical experience and other factors, including expectations regarding future events that appear reasonable under given circumstances. The most important forward-looking statements, as well as the main sources of uncertainty regarding estimates that could create a significant risk requiring a material adjustment to the reported assets and liabilities within the next financial year are shown below in the relevant passages of the notes.

The measurement of **items of property, plant and equipment and intangible assets** requires estimates of the expected useful lives of the assets. CLERE reviews the estimated useful lives at the end of each financial year and adjusts them as necessary. We refer to our general explanations below and to the details on the calculation and the carrying amounts under II.5.a. "Property, plant and equipment" and II.5.c. "Intangible assets".

The maturity structure of the balance of receivables and customers' credit standing as well as changes in payment terms are taken into account for the **allowance for doubtful accounts**. The extent of the actual derecognitions may exceed the extent of the expected derecognitions if the customers' financial position deteriorates. We refer to our general explanations below and to the details on the calculation and the carrying amounts under II.5.f. "Trade receivables".

Assessments must be made for the calculation of **current and deferred taxes**. Deferred tax assets are recognised to the extent that it is probable that they can be utilised. A variety of factors such as past financial performance and tax planning must be taken into account in assessing the probability that particularly deferred tax assets on loss carryforwards can be utilised in the future. If the actual results deviate from these estimates, this could have adverse effects on the financial position, cash flows or financial performance. We refer to our general explanations below and to the details on the calculation and the carrying amounts under II.5.e. "Deferred taxes".

Areas in which discretionary decisions with significance for the consolidated financial statements are made are primarily the classification of financial assets and financial liabilities in accordance with IAS 39 as well as the classification as non-current assets held for sale and disposal groups in accordance with IFRS 5.

Unless stated otherwise, the **accounting policies** were uniformly applied in the Group and are the same as in the previous year.

FINANCIAL INSTRUMENTS

The financial instruments reported in the statement of financial position (financial assets and financial liabilities) as defined in IAS 32 and IAS 39 include cash, trade receivables and trade payables, financial investments, loans, non-current and current borrowings, as well as other specific receivables and payables based on contractual arrangements.

Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in a regular business transaction between market participants on the measurement date.

The **amortised cost** of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Financial assets and financial liabilities are divided into the following categories:

- **financial assets and financial liabilities that are measured at fair value through profit or loss,**
- **loans and receivables (LaR),**
- **held-to-maturity financial investments,**
- **available-for-sale financial assets,**
- **financial liabilities at amortised cost (FLAC).**

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets upon initial recognition and reviews the classification at each reporting date. An assessment is made at each reporting date as to whether there are objective indicators that a financial asset or a group of financial assets has been impaired.

At the end of the financial year under review, the Group held financial instruments in the categories of loans and receivables (LaR) and financial liabilities (FLAC).

Financial instruments are recognised in the statement of financial position if the Company is party to a contract associated with the financial instrument. The instruments are always recognised at the settlement date. The Group only derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset as well as substantially all the risks and rewards incidental to ownership of the asset to a third party. The Group derecognises financial liabilities when the obligations specified in the contract have been settled, cancelled or have expired.

These financial assets or financial liabilities are initially recognised at fair value plus transaction costs. This does not include financial assets designated as at fair value through profit or loss. In this category, recognition is at fair value excluding transaction costs. Subsequent measurement there is for the different categories of financial assets and liabilities, and is described in detail as part of the accounting methods for the respective balance sheet items.

Loans and receivables (LaR) and financial liabilities (excluding derivatives and liabilities designated as at fair value through profit or loss) are generally measured at amortised cost.

Primary and derivative financial instruments are measured according to the following levels:

Level 1: Fair value measurements are derived from listed prices (unadjusted) on identical markets for identical financial assets or liabilities.

Level 2: Valuation techniques based on observable inputs derived from quoted prices for assets and liabilities, either directly (in other words, as prices) or indirectly (in other words, derived from prices).

Level 3: Valuation techniques using inputs for the measurement of assets or liabilities that are not based on observable market data (unobservable inputs, assumptions).

Financial investments are recognised at amortised cost and allocated to the loans and receivables category. Insofar as the financial assets are not subject to market interest rates, they are discounted to the present value applying the market interest rate on the initial recognition date.

Loans are recognised at amortised cost and allocated to the loans and receivables category. Insofar as the financial assets are not subject to market interest rates, they are discounted to the present value applying the market interest rate on the initial recognition date.

Receivables and other assets (LaR) are carried at amortised cost, considering directly attributable transaction costs, which corresponds to the fair value of the contribution. Receivables classified as "available for sale" are recognised at fair value. Through the recognition of appropriate specific valuation allowances, adequate provisions were made for estimated irrecoverable amounts from all identifiable risks.

In accordance with IAS 39, **financial liabilities** are carried at the acquisition date fair value. Costs that are directly attributable to the purchase (transaction costs) are taken into account if the liabilities are not measured at fair value through profit or loss. At subsequent reporting dates, these liabilities are measured at amortised cost using the effective interest method. Monetary liabilities in foreign currencies are translated at the closing rate.

FURTHER GENERAL ACCOUNTING POLICIES

The going concern principle was assumed by the Group when preparing the consolidated financial statements.

Property, plant and equipment and intangible assets are carried at cost and reduced by straight-line depreciation or amortisation plus any impairment losses.

Depreciation and amortisation are calculated using the following economic useful lives:

	YEARS
Fixtures, furniture and office equipment	3 – 10
Software and other intangible assets	3 – 10

Leases in which the CLERE Group is the lessee are classified as finance leases if substantially all the risks and rewards incidental to ownership are transferred to the lessee under the lease agreement. All other leases are classified as operating leases.

If the beneficial ownership of leased assets lies with the lessor (operating lease), the lessee recognises the lease payments as an expense over the term of the lease. Where the Group is the lessor in an operating lease, the lease payments are recognised in profit or loss over the lease term.

The useful lives of all intangible assets are limited.

To the extent required by IAS 36, items of property, plant and equipment and intangible assets were **impaired** to the lower recoverable amount.

The Group reviews the carrying amounts of its items of property, plant and equipment and intangible assets at the end of each reporting period to assess whether there is any indication that an **asset may be impaired**. If any such indication exists, the Group estimates the recoverable amount of the asset to determine the extent of any impairment losses. If the recoverable amount cannot be determined for an individual asset, the Group calculates the recoverable amount of the cash-generating unit to which the asset belongs. The amount is allocated suitably and consistently to the individual cash-generating unit or to the smallest group of cash-generating units.

The **recoverable amount** is the higher of an asset's fair value less costs of disposal and its value-in-use. In measuring the value-in-use, the Group discounts the future cash flow estimates to the present value using the plan values with the current market interest rate before taxes that reflects the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the calculated **recoverable amount** of an asset (or a cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognised immediately in profit or loss.

If the **impairment** loss is subsequently **reversed**, the carrying amount of the asset (or cash-generating unit) is increased to the recalculated recoverable amount. The increased carrying amount of an asset (or cash-generating unit) attributable to a reversal of an impairment loss must not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss for an asset is recognised immediately in profit or loss.

Non-current assets (or groups of assets and liabilities) are classified as **held for sale** and measured at the lower of carrying amount and fair value less costs to sell (IFRS 5 in combination with IAS 36) if their carrying amount will be realised principally through a sale transaction rather than through continuing use.

Where the carrying amounts exceed the fair value less costs of disposal, an **impairment loss** is to be recognised. Such an impairment loss is applied initially to any existing goodwill, and any surplus loss is then allocated proportionally to the property, plant and equipment, and to intangible assets. A subsequent increase in fair value less costs of disposal for an asset is to be recognised as a gain, albeit only to the level of the cumulative impairment loss.

Deferred taxes are recognised for the expected tax losses and tax reliefs arising from temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, as well as on consolidation measures with a temporary effect. The balance sheet liability method is applied. In addition, deferred tax assets are recognised on tax loss carryforwards. Deferred tax assets and liabilities are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Deferred taxes on temporary differences arising from goodwill are not recognised.

Deferred taxes are measured at the tax rates that apply or are expected to apply in the relevant country as of the date when the asset is realised or liability is settled, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of the deferred tax assets is reviewed at the end of each annual reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Deferred tax is recognised in profit or loss, except for items that are recognised either in other comprehensive income or directly in equity, in which case the deferred tax is also recognised either in other comprehensive income or directly in equity.

Provisions are recognised when an entity has a legal or constructive obligation to a third party as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Non-current provisions are carried at their present value where the effect of the time value of money is material.

Provisions for warranty obligations are recognised at the time when the product in question is sold. This amount is based on the best estimate by management of the expense needed to settle the obligation.

Revenues from the sale of goods are recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. The amount of sales revenues is measured net of value-added tax and any trade discounts and volume rebates when the significant risks and rewards of ownership of the goods have been transferred to the buyer pursuant to the agreed delivery terms. The interest on the bearer bonds subscribed under the new business model is reported under sales revenues.

Interest income and expenses are recognised in profit or loss using the effective interest method when the amortised cost of a financial asset or a financial liability is calculated.

3. SEGMENT REPORTING

The business area with the holding companies in Europe, America and Asia, along with two shell companies in Germany, is currently being realigned. The subsidiaries do not have any operating business. In the short fiscal year 2016, sales revenues of EUR 603 thousand were generated from the interest paid on the subscribed bearer bonds within the scope of the new business area SME financing, so that no distinction was made between the different segments in the short fiscal year. Revenues were generated through business relations with two customers. 88.4% of the revenues were generated from three subscribed bearer bonds with one customer (EUR 533 thousand) and 11.6% (EUR 70 thousand) with a further customer. All SME financing was carried out in Germany.

Decisions and control variables for the Group as a whole are currently being carried out by the Management Board. There are no significant non-current assets. There are no other applicable mandatory disclosures on customers, products and regions.

4. STATEMENT OF CASH FLOWS

The statement of cash flows is prepared applying IAS 7. Cash flows are divided into cash flows from operating, investing and financing activities.

The statement of cash flows shows the development and composition of cash flows. The cash flow from operating activities was calculated using the indirect method.

The individual sections of the statement of cash flows are as follows:

4. a. Cash flow from operating activities

The CLERE Group generated a cash outflow of EUR 2,781 thousand in the short fiscal year 2016 (previous year: cash outflow of EUR 5,605 thousand).

4. b. Cash flow from investing activities

The cash outflow from investing activities totalled EUR 17,403 thousand (previous year: cash inflow of EUR 103,972 thousand).

The cash outflow from investing activities during the reporting period resulted primarily from the subscription of bearer bonds totalling EUR 25,200 thousand. Of this amount, EUR 12,000 thousand had already been repaid as of the balance sheet date. The cash inflow of the previous year mainly resulted from the sale of the operative business.

4. c. Cash flow from financing activities

The cash outflow from financing activities of EUR 53,002 thousand (previous year: EUR 65,029 thousand) arose mainly from the disbursement to the shareholders in the context of the capital reduction at the end of the six-month vesting period. The cash outflow in the previous year resulted in particular from the dividends paid to the shareholders of CLERE AG.

4. d. Cash at the end of the financial year

The Group's total cash at the 31 December 2016 reporting date amounted to EUR 104,108 thousand (previous year: EUR 172,549 thousand), corresponding to the cash and cash equivalents reported in the consolidated statement of financial position.

5. NOTES TO INDIVIDUAL CONSOLIDATED BALANCE SHEET ITEMS

NON-CURRENT ASSETS

5. a. Property, plant and equipment

The figures reported in the consolidated statement of financial position reflect the fair value at the date of initial consolidation or the cost at the date of initial recognition reduced by depreciation and impairment losses.

The changes in property, plant and equipment were as follows:

PROPERTY, PLANT AND EQUIPMENT

SFY 2016 IN EUR THOUSAND	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	FIXTURES, FURNITURE AND OFFICE EQUIPMENT	PRE- PAYMENTS AND CONSTRUCTION IN PROGRESS	PROPERTY, PLANT AND EQUIPMENT, TOTAL
COST					
Balance on 01.07.2016	0	0	23	0	23
Additions	0	0	144	0	144
Disposals	0	0	7	0	7
BALANCE ON 31.12.2016	**0**	**0**	**160**	**0**	**160**
CUMULATIVE DEPRECIATION					
Balance on 01.07.2016	0	0	13	0	13
Additions	0	0	17	0	17
Disposals	0	0	7	0	7
BALANCE ON 31.12.2016	**0**	**0**	**23**	**0**	**23**
NET CARRYING AMOUNTS					
Balance on 30.06.2016	0	0	10	0	10
Balance on 31.12.2016	0	0	137	0	137

PROPERTY, PLANT AND EQUIPMENT (PREVIOUS YEAR)

2015 / 2016 IN EUR THOUSAND	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	FIXTURES, FURNITURE AND OFFICE EQUIPMENT	PRE- PAYMENTS AND CONSTRUCTION IN PROGRESS	PROPERTY, PLANT AND EQUIPMENT, TOTAL
COST					
BALANCE ON 01.07.2015	**37,528**	**27,178**	**5,526**	**593**	**70,825**
Currency differences	-25	-297	-14	-12	-348
Additions	393	438	152	946	1,929
Disposals	0	633	1,950	104	2,687
Disposal from deconsolidation	37,896	27,113	3,691	996	69,696
Reclassifications	0	427	0	-427	0
BALANCE ON 30.06.2016	**0**	**0**	**23**	**0**	**23**
CUMULATIVE DEPRECIATION					
BALANCE ON 01.07.2015	**28,133**	**18,211**	**4,914**	**0**	**51,258**
Currency differences	-22	-184	-11	0	-216
Additions	342	1,333	223	0	1,898
Disposals	0	280	1,902	0	2,182
Reversal of impairment losses	40	520	20	0	581
Disposal from deconsolidation	28,413	18,560	3,191	0	50,164
BALANCE ON 30.06.2016	**0**	**0**	**13**	**0**	**13**
NET CARRYING AMOUNTS					
BALANCE ON 30.06.2015	**9,395**	**8,967**	**613**	**593**	**19,568**
BALANCE ON 30.06.2016	**0**	**0**	**10**	**0**	**10**

No loans, guarantees and leasing agreements are secured by means of security assignments on property, plant and equipment.

5. b. Goodwill

With the transfer of the shares to the US companies, all goodwill was disposed of in a carrying amount of EUR 8,027 thousand in the previous year. The following overview presents the changes in goodwill allocated to cash generating units in the previous year. In the short fiscal year 2016, no new goodwill arose, so that the value as of the balance sheet date was still EUR 0 thousand.

GOODWILL (PREVIOUS YEAR)

2015 / 2016 IN EUR THOUSAND	BALDA MEDICAL VERWALTUNG	BALDA C. BREWER	BALDA PRECISION	GOODWILL, TOTAL
	SEGMENT EUROPE	SEGMENT AMERICA	SEGMENT AMERICA	
COST				
BALANCE ON 01.07.2015	**2**	**26,219**	**751**	**26,973**
Currency differences	0	-608	-17	-625
Disposal from deconsolidation	2	25,611	734	26,347
BALANCE ON 30.06.2016	**0**	**0**	**0**	**0**
CUMULATIVE DEPRECIATION AND IMPAIRMENT LOSSES				
BALANCE ON 01.07.2015	**0**	**16,902**	**375**	**17,277**
Currency differences	0	-389	-10	-399
Amortisation	0	1,266	176	1,442
Disposal from deconsolidation	0	17,779	541	18,320
BALANCE ON 30.06.2016	**0**	**0**	**0**	**0**
NET CARRYING AMOUNTS				
BALANCE ON 30.06.2015	**2**	**9,317**	**376**	**9,696**
BALANCE ON 30.06.2016	**0**	**0**	**0**	**0**

5. c. Intangible assets

Intangible assets relate mainly to purchased software.

The development of intangible assets is as follows:

INTANGIBLE ASSETS

SFY 2016 IN EUR THOUSAND	SOFTWARE	BRANDS, PATENTS, LICENCES, RIGHTS	INTERNALLY GENERATED INTANGIBLE ASSETS	INTANGIBLE ASSETS, TOTAL
COST				
BALANCE ON 01.07.2016	**1,618**	**0**	**0**	**1,618**
Additions	20	0	0	20
BALANCE ON 31.12.2016	**1,638**	**0**	**0**	**1,638**
CUMULATIVE DEPRECIATION AND IMPAIRMENT LOSSES				
BALANCE ON 01.07.2016	**1,590**	**0**	**0**	**1,590**
Additions	8	0	0	8
BALANCE ON 31.12.2016	**1,598**	**0**	**0**	**1,598**
NET CARRYING AMOUNTS				
BALANCE ON 30.06.2016	**28**	**0**	**0**	**28**
BALANCE ON 31.12.2016	**40**	**0**	**0**	**40**

INTANGIBLE ASSETS (PREVIOUS YEAR)

2015 / 2016 IN EUR THOUSAND	SOFTWARE	BRANDS, PATENTS, LICENCES, RIGHTS	INTERNALLY GENERATED INTANGIBLE ASSETS	INTANGIBLE ASSETS, TOTAL
COST				
BALANCE ON 01.07.2015	**4,306**	**14,544**	**201**	**19,051**
Currency differences	0	-276	0	-276
Additions	8	0	0	8
Disposals	2,242	2,645	0	4,887
Disposal from deconsolidation	454	11,623	201	12,278
BALANCE ON 30.06.2016	**1,618**	**0**	**0**	**1,618**
CUMULATIVE DEPRECIATION AND IMPAIRMENT LOSSES				
BALANCE ON 01.07.2015	**3,813**	**7,000**	**50**	**10,863**
Currency differences	0	-177	0	-177
Additions	61	380	23	464
Disposals	1,848	0	0	1,848
Reversal of impairment losses	0	685	0	685
Disposal from deconsolidation	436	6,518	73	0
BALANCE ON 30.06.2016	**1,590**	**0**	**0**	**1,590**
NET CARRYING AMOUNTS				
BALANCE ON 30.06.2015	**493**	**7,544**	**151**	**8,188**
BALANCE ON 30.06.2016	**28**	**0**	**0**	**28**

Due to the sale of the previous operative business, research and development costs did not arise in the short fiscal year 2016. Total research and development costs that cannot be capitalised amounted to EUR 635 thousand in the 2015 / 2016 financial year and related to the discontinued operations.

5. d. Financial assets

The financial assets include a 45.46% stake in saferay Japan project portfolio GmbH & Co. KG, Berlin (hereinafter "saferay"), acquired on 24 November 2016. The acquisition costs for this limited partnership share amounted to EUR 0.5 thousand. The investment is included at equity in the consolidated financial statements. CLERE AG exercises a decisive influence over saferay on the basis of the acquired voting rights. The loan is a major transaction between CLERE AG and saferay. However, it does not indicate control, since CLERE AG does not have the majority of the voting rights. The management is carried out by the general partner. The other limited partners are not related entities of CLERE AG. Saferay plans to build a solar park in Japan with an output of 40 MWp. The park is expected to be built and connected in 2018. Parts of this solar park have also been pre-financed. In December, a long-term loan was issued to saferay Japan project portfolio GmbH & Co. KG totalling EUR 4,039 thousand for the construction phase. The loan has a fixed interest rate. The rate which will be redefined after the development and construction phase has been completed.

5. e. Deferred taxes

The following amounts for temporary differences and losses carried forward were recognised under deferred tax assets as of 31 December 2016 and 30 June 2016:

DEFERRED TAX ASSETS IN EUR THOUSAND	30.06. 2016	RECOGNISED THROUGH PROFIT OR LOSS	31.12.2016
Tax losses (loss carryforwards)	351	465	816
Temporary differences in provisions	0	3	3
	351	**468**	**819**

Deferred tax assets are recognised only if it appears probable as of the reporting date that taxable profits will be available against which the deductible temporary differences can be utilised. Due to business trends and tax planning calculations, the CLERE Group assumes that sufficient positive taxable profits will arise to realise the tax claim.

As of 31 December 2016, deferred tax assets on loss carryforwards of EUR 819 thousand existed whose utilisation depends on the availability of future taxable income that is higher than the effects on earnings from the reversal of existing taxable temporary differences. Based on the corresponding tax planning for a five-year period, it is probable that the tax assets will be realised.

As of the balance sheet date, tax loss carryforwards exist relating to German trade tax in an amount of EUR 74,523 thousand (previous year: EUR 76,959 thousand), and relating to both German and foreign corporation tax in an amount of EUR 65,166 thousand (previous year: EUR 70,767 thousand), for which no deferred taxes have been recognised. It is nevertheless assumed that it will be possible to offset these loss carryforwards against future profits. However, since these profits are expected in periods that are outside the planning horizon, they are not recognised.

Deferred taxes with respect to the German companies are calculated at the tax rate of 30.2% (previous year: 30.9%). The decrease is attributable to a lower trade tax rate due to the relocation to Berlin. Otherwise, tax rates were recognised for the foreign companies that were applicable according to the legal position as of the balance sheet date, or were expected; there were no deferred taxes abroad.

CURRENT ASSETS

5. f. Trade receivables

Trade receivables amounting to EUR 605 thousand (previous year: EUR 0 thousand) relate to interest receivable resulting from the subscribed bonds.

All receivables were due in less than one year.

The specific valuation allowances on trade receivables changed as follows:

IN EUR THOUSAND	SFY 2016	2015/2016
Balance of impairment losses at the start of the financial year	0	10
Disposal due to changes in scope of consolidation	0	-10
BALANCE OF IMPAIRMENT LOSSES AT END OF FINANCIAL YEAR	**0**	**0**

Please also refer to our comments on credit risk in section II.5. under "Management of risks arising from financial instruments and capital management".

The terms of the trade receivables that are not impaired are as follows:

IN EUR THOUSAND	CARRYING AMOUNT	OF WHICH: NEITHER IMPAIRED NOR OVERDUE AS OF THE REPORTING DATE	OF WHICH: NOT IMPAIRED AS OF THE BALANCE SHEET DATE AND OVERDUE IN THE FOLLOWING TIME BANDS					IMPAIRED AS OF THE BALANCE SHEET DATE
			UP TO 30 DAYS	BETWEEN 31 AND 60 DAYS	BETWEEN 61 AND 90 DAYS	BETWEEN 91 AND 120 DAYS	MORE THAN 120 DAYS	
Trade receivables as of 31.12.2016	605	605	0	0	0	0	0	0
Trade receivables as of 30.06.2016	0	0	0	0	0	0	0	0

5. g. Receivables from SME financing

On the balance sheet date, secured bearer bonds amounting to EUR 13,200 thousand (previous year: EUR 0 thousand) were recorded. The term is up to seven months.

5. h. Other current assets

Other current assets are comprised as follows:

IN EUR THOUSAND	31.12.2016	30.06.2016
Financial assets	38,300	42,542
Non-financial assets	473	621
OTHER CURRENT ASSETS, TOTAL	**38,773**	**43,163**

Financial assets include:

IN EUR THOUSAND	31.12.2016	30.06.2016
Corporate bonds with a term of more than 3 months	35,500	35,000
Bank deposits with restricted access	0	4,702
Refund claims against Stevanato Group	2,300	2,300
Other	500	540
TOTAL AMOUNT	**38,300**	**42,542**

Term deposits include a cancellable term deposit of EUR 20,000 thousand with a maximum term of two years. Termination is possible with a three-month notice period. The interest rate is 0%. In the previous year, the interest rate was flexible and amounted to between 0.01% and 0.05%.

Term deposits also included a EUR 15,500 thousand term deposit (borrower's note loan) with a notice period of three months. In the previous year, this investment carried a fixed interest rate of of 0.87%.

The deposited amounts are subject to the Private Banks' Deposit Protection Fund, and carry a good rating (investment grade).

In the previous year, restricted-availability bank deposits related mainly to a cash deposit for litigation in connection with a civil lawsuit in the USA. The procedure has been completed and the security deposit has been released again.

In the 2014 / 2015 financial year, CLERE BSD GmbH (formerly: Balda Solutions GmbH) had acquired patents and technical equipment to produce a dosing pipette system. The entire remaining purchase price fell due to the original seller with the disposal of this business to the Stevanato Group. Only after this occurred was CLERE BSD GmbH able to transfer ownership of the assets to the Stevanato Group. This resulted in reimbursement claims of EUR 2,300 thousand due from the Stevanato Group.

As of the 31 December 2016 and 30 June 2016 balance sheet dates, the financial assets that were extended were neither overdue nor impaired.

As of the balance sheet date, no indications existed that the debtors will fail to meet their payment obligations.

Other current non-financial assets are comprised as follows:

IN EUR THOUSAND	31.12.2016	30.06.2016
VAT reimbursement claims	473	621

5. i. Income tax claims

The income tax claims solely relate to refund claims for income taxes in accordance with IAS 12.

5. j. Cash and cash equivalents

Cash and cash equivalents amounting to EUR 104,108 thousand (previous year: EUR 172,549 thousand) comprise cash and bank balances. For more information on the development of cash, please refer to our comments on the statement of cash flows in section II.4. "Statement of cash flows".

Cash and cash equivalents with restricted access existed in an amount of EUR 0 thousand (previous year: EUR 4,702 thousand). They were reported among other current assets in the previous year.

5. k. Consolidated equity

The changes in consolidated equity are presented in the statement of changes in equity.

The Group's equity amounted to EUR 148,538 thousand as of 31 December 2016, compared with EUR 143,811 thousand as of the 30 June 2016 balance sheet date.

Subscribed share capital amounts to EUR 5,889 thousand as of the reporting date, and is divided into 5,889,063 ordinary bearer shares that are fully dividend-entitled. One share represents a notional amount in the share capital of EUR 1.00. All shares are fully paid in.

In October 2016, the disbursement resulting from the resolved capital reduction in January 2016 was paid to the shareholders at the end of the six-month vesting period.

Pursuant to the resolution passed at the Annual General Meeting on 9 November 2016, the contingent capital increase, which was passed by the Annual General Meeting on 11 May 2012 and contained in Article 4 of the Company's Articles of Association of the Company (Contingent Capital 2012), adapted by resolution of the Annual General Meeting on 29 January 2016, was repealed.

In addition, at the Annual General Meeting on 9 November 2016, the new version of Article 4 (Contingent Capital) of the Articles of Association was resolved as follows:

The company's share capital shall be contingently increased by up to EUR 1,766,718.00 through the issue of up to 1,766,718 new no par value bearer shares carrying dividend entitlement from the start of the financial year in which they are issued (Contingent Capital 2016).

The contingent capital increase serves the purpose of granting shares to the holders of convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds (or combinations of these instruments) issued up to 8 November 2020 by the Company, or entities in which the Company has a direct or indirect majority holding, on the basis of the authorisation by the Annual General Meeting on 9 November 2016, to the extent that these are issued for cash.

The contingent capital increase shall only be exercised to the extent that the conversion or warrant rights from the aforementioned bonds are exercised, or conversion or warrant obligations from such bonds are fulfilled and not used to satisfy other forms of performance.

The following resolutions were also adopted at the Annual General Meeting on 9 November 2016:

The resolution of the EGM of 11 May 2012 to authorise the Management Board to issue, with Supervisory Board approval, until 10 May 2017 convertible bonds and/or bonds with warrants, participation rights and/or profit participation bonds (or combinations of such instruments) (together referred to as the "bonds") in a total nominal amount of up to EUR 100,000,000.00 shall be suspended if no shares have been issued pursuant to this resolution.

The Management Board is authorised to issue, with Supervisory Board approval, once or on several occasions until 8 November 2020 convertible bonds and/or bonds with warrants, participation rights and/or profit participation bonds (or combinations of such instruments) (together referred to as the "bonds") in a total nominal amount of up to EUR 100,000,000.00 with or without maturity date, and to grant to the holders of the bonds conversion or warrant rights to the Company's ordinary bearer shares with a proportional amount of the share capital totalling up to EUR 1,766,719.00 according to the more detailed terms and conditions of the bonds, and to substantiate corresponding conversion or warrant rights. The bonds can carry a fixed or variable rate of interest. Furthermore, the interest rate can, similarly to a profit participation bond, depend entirely or partially on the amount of the Company's dividend.

Neither authorised nor contingent capital as well as an authorised issuing of borrower's notes had been utilised as of the balance sheet date.

The capital reserves derive mainly from premiums through issuing new shares of CLERE AG. In addition, the capital reserves include the statutory reserve of CLERE AG.

Differences arising from the translation of the statements of financial position and income statements of the foreign companies prepared in foreign currency are transferred to the foreign currency translation reserve under equity in accordance with IAS 21.

The currency translation reserve in equity changed as follows:

IN EUR THOUSAND	SFY 2016	2015 / 2016
Balance at start of financial year	-5,671	-399
Change in foreign currency translation reserve reported in comprehensive income		
Change in currency translation reserve resulting in neither profit nor loss	928	-1,390
Disposal from reclassification to income statement	-154	-3,882
AT END OF FINANCIAL YEAR	**-4,897**	**-5,671**

Net retained profits comprise the profit or loss generated by the Group to date, less any dividend distributions. As of 31 December 2016, net retained profits amounted to EUR 111,110 thousand, following EUR 107,157 thousand in the previous year.

NON-CURRENT LIABILITIES

5. l. Deferred taxes

Deferred tax liabilities changed as follows in the short fiscal year 2016:

DEFERRED TAX ASSETS IN EUR THOUSAND	AS OF 30.06.2016	RECOGNISED THROUGH PROFIT OR LOSS	AS OF 31.12.2016
Temporary differences for financial investments	1,081	-327	754
DEFERRED TAXES ACCORDING TO BALANCE SHEET	**1,081**	**-327**	**754**

In the consolidated financial statements of CLERE AG, deferred tax liabilities relating to outside basis differences are generally formed only if the management plans to distribute earnings within the foreseeable future (two years). At the reporting date, deferred tax liabilities of EUR 754 thousand (previous year: EUR 1,081 thousand) were recognised on temporary differences between the net assets of subsidiaries and the corresponding carrying amount of the investments for tax purposes. In accordance with Section 8b (1) in conjunction with (5) of the German Corporation Tax Act (KStG), this amount constitutes the tax charge in connection with the planned dividend distributions by subsidiaries to CLERE AG. Besides this, no deferred tax liabilities were formed for taxable temporary outside basis differences in an amount of EUR 1,636 thousand (previous year: EUR 3,813 thousand), because on this scale it is unlikely that these temporary differences will reverse in the foreseeable future.

5. m. Non-current provisions

Non-current provisions changed as follows:

IN EUR THOUSAND	AS OF 30.06.2016	LIQUIDATION	AS OF 31.12.2016
Anniversary obligation provisions	2	2	0

CURRENT LIABILITIES

5. n. Trade payables

Trade payables of EUR 574 thousand (previous year: EUR 1,009 thousand) principally result from services, as in the previous year.

5. o. Other current financial / non-financial liabilities

The other current financial liabilities mainly include:

IN EUR THOUSAND	SFY 2016	2015/2016
Indemnities against Stevanato Group	6,224	6,614
Obligations from legal dispute in the USA	434	522
Personnel obligations	290	266
Miscellaneous other current liabilities	1,857	1,412
TOTAL AMOUNT	**8,792**	**8,814**

All of the liabilities are due within one year.

5. p. Liabilities against shareholders of CLERE AG

The decrease in liabilities against shareholders (EUR 53,002 thousand) results from a payment to the shareholders in October 2016 in connection with the capital reduction authorised in fiscal year 2015 / 2016.

5. q. Income tax liabilities

The tax liabilities relate exclusively to obligations for income taxes in accordance with IAS 12.

5. r. Current provisions

The current provisions are composed as follows:

IN EUR THOUSAND	BALANCE 30.06.2016	EXCHANGE RATE DIFFERENCES	UTILISATION	DISPOSAL FROM DECON- SOLIDATION	LIQUIDATION	RECLASSI- FICATION TO LIABILITIES	BALANCE 31.12.2016
Personnel obligations	1,013	0	42	0	0	0	971

The personnel obligations primarily relate to a deferral for potential payments to a former Management Board member and potential payments after laying off the management of the US companies that were sold in March 2016.

No assurance can be given that additional costs will not arise which exceed the provisions that have been formed. Further information on existing legal cases and their extent can be found in the management report in the section “Report on opportunities and risks”.

Cash outflows for the provisions are anticipated in the 2017 financial year.

5. s. Share-based compensation

The Group has no share-based compensation schemes.

5. t. Additional information about financial instruments

The carrying amounts and valuations by measurement category for the continuing operations are shown in the table below:

	MEASUREMENT AS PER IAS 39					
31.12.2016 IN EUR THOUSAND	MEASUREMENT CATEGORY AS PER IAS 39	CARRYING AMOUNT AS OF 31.12.2016	(AMORTISED) COST	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE DIRECTLY TO EQUITY	MEASURE- MENT AS PER OTHER IFRS
ASSETS						
Cash and cash equivalents	LaR	104,108	104,108	0	0	0
Trade receivables	LaR	605	605	0	0	0
Receivables from SME financing	LaR	13,200	13,200	0	0	0
Other current financial assets	LaR	38,773	38,773	0	0	0
Other financial investments	LaR	4,039	4,039	0	0	0
LIABILITIES						
Trade payables	FLAC	574	574	0	0	0
Other current financial liabilities	FLAC	8,792	8,792	0	0	0
OF WHICH AGGREGATED ACCORDING TO MEASUREMENT CATEGORIES AS PER IAS 39:						
Loans and receivables (LaR)	LaR	156,686	156,686	0	0	0
Financial liabilities measured at amortised cost (FLAC)	FLAC	9,366	9,366	0	0	0

30.06.2016 IN EUR THOUSAND		MEASUREMENT AS PER IAS 39				
	MEASUREMENT CATEGORY AS PER IAS 39	CARRYING AMOUNT AS OF 30.06.2016	(AMORTISED) COST	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE DIRECTLY TO EQUITY	MEASUREMENT AS PER OTHER IFRS
ASSETS						
Cash and cash equivalents	LaR	172,549	172,549	0	0	0
Other current financial assets	LaR	43,163	43,163	0	0	0
LIABILITIES						
Trade payables	FLAC	1,009	1,009	0	0	0
Other current financial liabilities	FLAC	8,814	8,814	0	0	0
Liabilities against shareholders of CLERE AG	FLAC	53,002	53,002	0	0	0
OF WHICH AGGREGATED ACCORDING TO MEASUREMENT CATEGORIES AS PER IAS 39:						
Loans and receivables (LaR)	LaR	215,712	215,712	0	0	0
Financial liabilities measured at amortised cost (FLAC)	FLAC	62,825	62,825	0	0	0

As in the previous year, the carrying amounts of current financial assets and liabilities approximate their fair values.

As of 31 December 2016 and 30 June 2016, the CLERE Group held no financial assets or liabilities measured at fair value on its balance sheet.

31.12.2016 IN EUR THOUSAND	FROM SUBSEQUENT MEASUREMENT		FROM INTEREST PAYMENTS	FROM DISPOSAL	NET PROFIT / LOSS 2016
	AT FAIR VALUE	CURRENCY TRANSLATION			
Loans and receivables (LaR)	0	0	634	0	634
Financial liabilities measured at amortised cost (FLAC)	0	-516	0	470	-46
TOTAL	**0**	**-516**	**634**	**470**	**588**

30.06.2016 IN EUR THOUSAND	FROM SUBSEQUENT MEASUREMENT		FROM INTEREST PAYMENTS	FROM DISPOSAL	NET PROFIT / LOSS 2016
	AT FAIR VALUE	CURRENCY TRANSLATION			
Loans and receivables (LaR)	0	-181	227	0	46
Financial liabilities measured at amortised cost (FLAC)	0	0	-32	362	330
TOTAL	**0**	**-181**	**195**	**362**	**376**

5. u. Management of risks arising from financial instruments and capital management

The Group is currently in a period of realignment. The new business will entail financing and investment in the environmental and energy technology area. This can result in different weightings given the requirements made of financial management. The following section describes the management system for the short fiscal year 2016, and also the future system, where possible and known.

Currency risks

The CLERE Group's international activities generated cash flows in euros, as well as cash flows in other currencies. Future currency risks depend mainly on the regions in which investments are made.

The objective of the currency management function at CLERE is to minimise foreign currency risks. Where appropriate and reasonable, hedging instruments are used to eliminate exchange risks. Currency movements are continuously observed in conjunction with the banks. The Group does not have any substantial foreign currency holdings. Where no hedging instruments can be used, foreign currency is exchanged immediately.

For the reporting of market risks, IFRS 7 requires sensitivity analyses which show effects of hypothetical changes in relevant risk variables on profit / loss and equity. CLERE Group companies are always exposed to foreign currency risk when their cash flows are denominated in a currency other than their functional currency. The foreign currency risks presented in the sensitivity analysis result from the following transactions:

Currency risks exist within the Group mainly from US dollar-denominated bank deposits, and the liabilities of subsidiaries whose functional currency is another currency.

The periodic effects are determined by correlating the hypothetical changes in the risk variables to the holdings of financial instruments at the reporting date. Here, it is assumed that the holdings at the reporting date are representative for the entire year.

Currency risks as defined by IFRS 7 arise as a result of financial instruments that are denominated in a currency other than the functional currency and are of a monetary nature; exchange rate-related differences arising from the translation of financial statements into the Group currency are not taken into account. All non-functional currencies in which the Group enters into financial instruments are considered relevant risk variables.

The following table shows, from a Group perspective, the sensitivity to a rise or fall in the euro against the foreign currency in question. The sensitivity analysis merely considers outstanding monetary items in foreign currency and adjusts their translation at the end of the period in accordance with a 5% change in the exchange rates. The sensitivity analysis includes transactions if these transactions are denominated in a currency other than the Company's functional currency. It also includes the effects of a change in the exchange rate on the financial investments held. No risks arise yet from the new business. If the euro had been 5% stronger (weaker) relative to all currencies as of 31 December 2016, total comprehensive income and consolidated equity would have been approximately EUR 1 thousand (previous year: EUR 6 thousand) lower (higher).

IN EUR THOUSAND	NOMINAL VOLUME AS OF 31.12.2016	SFY 2016 +/- 5%	NOMINAL VOLUME AS OF 30.06.2016	2015 / 2016 +/- 5%
EFFECTS ON COMPREHENSIVE INCOME				
from USD	11	1	29	2
from SGD	27	1	73	6
		2		6

Credit risk

Actively pursued debtor management is designed to ensure that information is received in advance of business relationships on the creditworthiness of business partners from corresponding credit bureaus and credit insurers. The customers' past payment behaviour can provide additional insight. The receivables from the subscribed bearer bonds are secured by solar parks.

The number of projects and associated number of customers will comprise a low volume in the future. Due to the higher individual financing amounts, the Group holding company will centrally monitor the borrowers' creditworthiness. The subscribed bearer bonds are secured by solar installations. The intrinsic value of the solar installations is analysed in a due diligence process. The creditworthiness of the customers is verified. The entire level of receivables from SME financing is secured by the solar installations. The receivables are not overdue or impaired. Initial receivables became due in the reporting period and were repaid by the debtor at the nominal amount. CLERE AG currently sees no default risk arising from these claims.

The Group companies follow internal investment guidelines when investing monetary assets. These restrict the level of investments per bank and investment transaction depending on rating. This creates a higher level of diversification and avoids risk concentration. Investments can only be made in assets that are either covered by deposit protection funds or that carry investment- grade ratings.

Interest rate risk

The CLERE Group is subject to interest rate risk primarily in Europe. Operations were financed locally in close collaboration with the Corporate Finance department of CLERE AG. Major interest rate transactions continue to be negotiated directly with the Group finance function. On account of the uncertainty in the financial markets, the investment of excess liquidity reserves is focused on the preservation of assets in monetary terms rather than the maximisation of profit.

The Group's future financing business from its new business model will tend to be rather short-term in nature. The interest rates are fixed and are not be subject to market changes.

The interest rate sensitivity analysis presents the effects of changes in market interest rates on interest payments, interest income and interest expense, as well as on equity. Sensitivity analyses for interest rate risk are based on the following assumptions:

- Primary financial instruments with fixed interest rates are only subject to a risk of changes in value in terms of their carrying amounts if they are measured at fair value. Such financial instruments are measured at amortised cost in the CLERE Group.

- Primary variable-rate financial instruments whose interest payments are not included as hedged items in a hedge that has been recognised as a cash flow hedge are subject to interest rate risk both in terms of recognition in the income statement and in terms of cash flow.

As in the previous year, the CLERE Group had no financial liabilities at the balance sheet date. As of the 31 December 2016 reporting date, the Group held variable rate financial receivables (borrower's note loans) of EUR 20,000 thousand, which were subject to variable interest rates during the previous year.

Liquidity risk

Liquidity risk, in the narrower sense of the word, refers to the risk that there will not be sufficient funds available to punctually meet all payment obligations.

In the wider sense of the term, however, liquidity risk for the CLERE Group also refers to any limitation to the Group's ability to raise debt or capital (ratings, for example), which could jeopardise the implementation of corporate strategies or the Group's general financial flexibility. Key factors of influence on liquidity risk (economic developments, assessment of the credit standing by external parties) are outside the control of the financial management function.

The following table shows the contractually agreed interest and principal repayments of the primary financial liabilities:

SFY 2016 IN EUR THOUSAND	CARRYING AMOUNT 31.12.2016	CASH FLOWS 2017		CASH FLOWS 2018		CASH FLOWS 2019 - 2021		CASH FLOWS 2022 ET SEQ.	
		INTEREST	REPAY-MENT	INTEREST	REPAY-MENT	INTEREST	REPAY-MENT	INTEREST	REPAY-MENT
PRIMARY FINANCIAL LIABILITIES									
Trade payables	574	0	574	0	0	0	0	0	0
Other current financial liabilities	8,792	0	8,792	0	0	0	0	0	0

The previous year was as follows:

2015 / 2016 IN EUR THOUSAND	CARRYING AMOUNT 30.06.2016	CASH FLOWS 2016/17		CASH FLOWS 2017/18		CASH FLOWS 2018/2019 - 2020/2021		CASH FLOWS 2020/21 ET SEQ.	
		INTEREST	REPAY-MENT	INTEREST	REPAY-MENT	INTEREST	REPAY-MENT	INTEREST	REPAY-MENT
PRIMARY FINANCIAL LIABILITIES									
Trade payables	1,009	0	1,009	0	0	0	0	0	0
Other current financial liabilities	8,814	0	8,814	0	0	0	0	0	0
Liabilities against shareholders of CLERE AG	53,002	0	53,002	0	0	0	0	0	0

Objectives of capital and liquidity management

In terms of equity, the primary objective of capital management is to ensure that the Group retains a capital structure with matching maturities and remains able to repay its debts. The Management Board is authorised to raise short-term debt to finance current assets. For its strategic investments, the Group has at its disposal, in addition to a high level of cash reserves, the raising of loans, and the issuing of equity instruments and bonds. The Group has implemented a system with appropriate parameters for managing short-, medium- and long-term financing and liquidity requirements, which may need to be adjusted to the new strategic orientation. The Group secures short-term solvency through holding sufficient cash and cash equivalents. Future and actual cash flows are monitored at the same time.

Important parameters of the Company's capital management system are the optimisation of net financial liabilities and net gearing. Net financial liabilities include all liabilities to banks and prepayments received, net of cash. The high level of cash and cash equivalents results in a surplus of liquid assets above and beyond the aforementioned liabilities (= net financial receivables). Net financial receivables decreased to EUR 104,108 thousand (previous year: EUR 172,549 thousand). The ratio of net financial liabilities to the Group's equity led to a net gearing of -70.1% (previous year: -120.0%).

The following table provides an overview of the significant capital management parameters:

	31.12.2016	30.06.2016
Net financial receivables (in EUR thousand)	104,108	172,549
Net gearing (in %)	-70.1	-120.0
Equity ratio (in %)	91.8	66.4
Equity (in EUR thousands)	148,538	143,811
Return on equity (in %)	2.7	22.8

The Group's liquidity ratios at the reporting dates were as follows:

(IN %)		31.12.2016	30.06.2016
First-degree liquidity	Liquid assets + short-term money deposits	1,119.37	288.9
	Current liabilities		
Third-degree liquidity	Current assets	1,256.6	301.2
	Current liabilities		

These figures illustrate the matched maturities in the Group's financing. Over and above the investments for strategic growth, the goal is to secure the healthy financial position of the Group and guarantee that the Group enjoys a solid cash flow. CLERE AG and its subsidiaries continuously exchange information with the commercial banks.

6. NOTES TO INDIVIDUAL ITEMS OF THE CONSOLIDATED INCOME STATEMENT

6. a. Sales revenue

Sales revenue of EUR 603 thousand (previous year: EUR 0 thousand) relates to the interest on the subscribed bearer bonds.

6. b. Other operating income

Other operating income in the consolidated financial statements is comprised as follows:

IN EUR THOUSAND	SFY 2016	2015/2016
Other income relating to other accounting periods	516	362
Income from charges passed on	149	170
Miscellaneous	31	15
TOTAL AMOUNT	**696**	**547**

The other income relating to other accounting periods concerns the release of deferred expenses from the previous year, among other items.

6. c. Personnel expenses

Personnel expenses in the Group amounted to EUR 957 thousand (2015 / 2016 financial year: EUR 1,273 thousand).

Personnel expenses in the reporting year include employer contributions to pension plans in the amount of EUR 57 thousand (2015 / 2016 financial year: EUR 77 thousand).

6. d. Depreciation, amortisation and impairment losses

Planned depreciation and amortisation on property, plant and equipment and intangible assets amounted to EUR 25 thousand in the reporting period (2015 / 2016 financial year: EUR 85 thousand). Extraordinary depreciation and amortisation or value and adjustment were not to be conducted.

6. e. Other operating expenses

The other operating expenses mainly concern:

IN EUR THOUSAND	SFY 2016	2015/2016
Legal and advisory costs and litigation risks	1,395	4,109
Other taxes	1,069	0
Travel / vehicle / advertising costs and investor relations expenses	444	960
Supervisory Board compensation	85	178
Rent and leasing expenses	71	52
IT costs	57	282
Insurance	48	106
Administrative costs	26	46
Training courses / incidental personnel expenses	0	33
Miscellaneous	137	165
TOTAL AMOUNT	**3,332**	**5,931**

The legal and advisory costs resulted from legal disputes in connection with the former operative business. Other taxes result from the provisional results of an operating audit and concern capital gains tax payable to third parties (EUR 1,069 thousand). The higher expenses for investor relations in the previous year essentially resulted from holding two general shareholder meetings.

6. f. Net interest income / expense

The interest result is comprised as follows:

IN EUR THOUSAND	SFY 2016	2015/2016
Interest expenses	0	32
Interest income	115	227
NET INTEREST INCOME / EXPENSE	**115**	**195**

6. g. Other finance income (net)

Other finance income is comprised as follows:

IN EUR THOUSAND	SFY 2016	2015/2016
Expenses from currency differences	470	181
Expenses from the release of currency differences in equity	154	0
TOTAL AMOUNT	**624**	**181**

As in the previous year, the other net finance income includes currency losses incurred from the measurement of assets and liabilities on the reporting date. In addition, expenses from the dissolution of currency reserves amounting to EUR 154 thousand are due to the liquidation of Widesphere Sdn. Bhd. in July 2016.

6. h. Taxes on income

The income taxes recognised in the income statement are comprised as follows:

IN EUR THOUSAND	SFY 2016	2015/2016
Current income tax expense	143	2,135
Previous years' tax expense / income	-6,824	54
Deferred tax expense / income arising from the origination or reversal of temporary differences	-327	113
Change in the deferred tax assets recognised on loss carryforwards	-469	2,820
TOTAL INCOME TAX EXPENSE / INCOME	**-7,477**	**5,122**

The applicable tax rate in Germany is composed of trade tax of 14.4% (2015 / 2016 financial year: 15.1%) and corporation tax of 15.8% (2015 / 2016 financial year: 15.8%) including the solidarity surcharge. The lower trade tax rate is due to the relocation to Berlin. The tax on the Group's earnings before taxes differs from the theoretical amount calculated on application of the theoretical income tax rate of approximately 30.2% (2015 / 2016 financial year: approximately 30.9%) on earnings before taxes, as follows:

IN EUR THOUSAND	SFY 2016	2015/2016
Result before taxes	-3,524	-6,728
Theoretical tax expense at a tax rate of 30.2% (previous year: 30.9%)	-1,063	-2,082
Non-tax deductible income and expenses	33	5,511
Taxes for previous years	-6,824	54
Tax rate differences	-55	-70
Tax effect deriving from unutilised tax losses that are not reported as deferred tax assets	261	1,527
Tax effect deriving from the recognition of deferred taxes relating to loss carryforwards and interest carried forward	-605	361
Outside basis differences	754	0
Other	22	-179
TOTAL INCOME TAX EXPENSE / INCOME	**-7,477**	**5,122**

6. i. Consolidated profit or loss

The consolidated profit or loss of EUR 3,953 thousand (2015 / 2016 financial year: EUR 32,752 thousand) is attributable in full to the shareholders of CLERE AG.

6. j. Earnings per share—basic and diluted

The basic and diluted earnings per share for continuing operations are as follows:

	SFY 2016	2015/2016
Group share of earnings after taxes for the year on basis of income statement (EUR thousand)	3,953	32,752
Weighted average of shares issued (units in thousand)	5,889	5,889
BASIC AND DILUTED EARNINGS PER SHARE PURSUANT TO IAS 33 (EUR)	**0.67**	**5.56**

In the short fiscal year 2016, the Group share of earnings after taxes for the year on the basis of the income statement was EUR 3,953 thousand. In the previous year, a consolidated net profit for the year of EUR 32,752 thousand was recorded, which contained the results of the continuing and discontinued operational areas. As in the previous year, no financial instruments with dilutive effect were applied in the short fiscal year 2016. With consideration of the capital reduction in the reporting period, the weighted average of the shares amounts to 46,983 thousand shares. In relation to the average amount, the basic and diluted earnings per share amount to EUR 0.70, with a consolidated net income for the year of EUR 32,752 thousand.

7. STATEMENT OF COMPREHENSIVE INCOME

The other comprehensive income of EUR 774 thousand (2015 / 2016 financial year: EUR -5.272 thousand) primarily includes the net gains / losses from the currency translation of the statements of financial position and income statements of the foreign companies prepared in foreign currency.

III. OTHER DISCLOSURES

A. AVERAGE NUMBER OF EMPLOYEES

The following figures relate to the average headcount in the CLERE Group including temporary help staff and temporary employees:

	SFY 2016	2015/2016
Commercial employees (average)	9	6
Number of employees as of the balance sheet date	10	8

For further information, please refer to our comments on employees in the management report.

B. GUARANTEES AND OTHER COMMITMENTS

The CLERE Group has issued guarantees in the amount of a maximum of EUR 5,700 thousand to the acquirer of the operating business, and liabilities in the amount of EUR 2,403 thousand have been formed for them. Beyond that, the sellers have, jointly and severally, issued an unlimited indemnity for the balanced taxes as of 30 June 2015. Due to all perceptions gained to date and regular discussions with the buyer, no claim exceeding the balanced amount is considered very likely, according to the assessment of the Management Board. As of the reporting date, as in the previous year, the Company is not aware of any other contingencies that are not reflected through provisions or liabilities.

C. OTHER FINANCIAL OBLIGATIONS

No other financial obligations existed as of the 31 December 2016 reporting date.

For more information about the rental and leasing obligations, please refer to our comments in section III.D. "Leasing".

D. LEASING

LESSEE—OPERATING LEASE

As of 31 December 2016, rental and leasing obligations amounted to:

MINIMUM LEASE PAYMENTS IN EUR THOUSAND	SFY 2016	2015/2016
≤ 1 year	106	183
1 to 5 years	343	463
TOTAL AMOUNT	**449**	**646**

Payments of EUR 49 thousand were expensed in the period under review (previous year: EUR 1,487 thousand), and relate exclusively to minimum lease payments.

The obligations under rental and lease agreements relate to agreements in which the Group companies are not beneficial owners in accordance with IFRS (operating leases). The rental and lease obligations principally concern rents for office premises and motor vehicles. No contractual purchase options exist at the end of the lease term.

LESSEE—FINANCE LEASE

As in the previous year, no finance leases existed as of the 31 December 2016 reporting date.

E. LIST OF SHAREHOLDINGS

The following represents the list of shareholdings of CLERE AG as of 31 December 2016:

FULLY CONSOLIDATED EQUITY INVESTMENTS

ENTITY	DOMICILE	EQUITY INVESTMENT	PERCENTAGE INTEREST HELD AND SHARE OF VOTING RIGHTS *)
CLERE BSD GmbH (formerly: Balda Solutions GmbH)	Berlin, Germany	Direct	100 %
CLERE BWZB GmbH (formerly: Balda Werkzeug- und Vorrichtungsbau GmbH)	Berlin, Germany	Direct	100 %
CLERE Investments B. V. (formerly: Balda Investments Netherlands B. V.)	Amsterdam, Netherlands	Direct	100 %
BIMA International Pte. Ltd. (formerly: Balda Investments Malaysia Pte. Ltd.) via CLERE Investments	Singapur, Singapur	Indirect	100 %
BIUSA LLC (formerly: Balda Investments USA LLC) via CLERE Investments Netherlands B. V.	Wilmington, Delaware, USA	Indirect	100 %
Widesphere Sdn. Bhd via BIMA International Pte. Ltd.	Kuala Lumpur, Malaysia	Indirect	100 %

*) No change compared with the previous year.

AT EQUITY CONSOLIDATED HOLDINGS IN ASSOCIATED COMPANIES

In the short fiscal year 2016, CLERE AG acquired a limited partnership of 45.46% in saferay Japan project portfolio GmbH & Co. KG, Berlin, amounting to EUR 0.5 thousand. This is included in the consolidated financial statements at equity. The business year of saferay Japan project portfolio GmbH & Co. KG is the calendar year. The pro rata loss for the year of saferay Japan project portfolio GmbH & Co. KG was not included in the at-equity valuation in the short fiscal year 2016 for reasons of immateriality.

As of the balance sheet date, no facts or circumstances are known which would indicate that saferay Japan project portfolio GmbH & Co. KG has a limited ability to make payments when due in the future. This essentially concerns loan repayments and interest payments.

F. CORPORATE BODIES OF CLERE AG

SUPERVISORY BOARD OF CLERE AG

- Dr. Thomas van Aubel, Berlin, since 4 September 2013 (Chairman), lawyer,
  VAN AUBEL & PARTNER Rechtsanwälte law firm, Berlin

- Mrs. Frauke Vogler, Berlin, since 4 September 2013 (Deputy Chair), lawyer / tax adviser,
  VOGLER, ROESSINK, CHALUPNIK law and tax advisory firm, Berlin

- Mr. Klaus Rueth, Darmstadt, since 4 September 2013, retired, former CFO of EMD Chemicals, USA

Dr. Thomas van Aubel is also

- Supervisory Board member
  - Rubin 33. AG, Berlin
  - Market Logic Software AG, Berlin
  - Enligna AG, Berlin (Chairman)
  - ALEA Energy Solutions AG, Berlin (Chairman)

MANAGEMENT BOARD OF CLERE AG

- **Mr. Oliver Oechsle**, Düsseldorf, Management Board member until 31 December 2016

- **Mr. Thomas Krupke**, Berlin, Management Board member since 16 June 2016

No allocation of Management Board responsibilities and tasks is planned. Both Management Board members were jointly responsible for all of the Company’s areas in the short fiscal year 2016.

Mr. Oliver Oechsle was also

- Chairman of the Board of Directors of
  BIUSA LLC., Wilmington, Delaware, USA (until 23 November 2016)
  (formerly: Balda Investments USA LLC., Wilmington, Delaware, USA)

- Member of the Board of Directors
  BIMA International Pte. Ltd
  (formerly: Balda Investments Malaysia Pte. Ltd., Singapore, Singapore) (until 23 November 2016)
  Widesphere Sdn. Bhd., Kuala Lumpur, Malaysia (until 23 November 2016)

Mr. Thomas Krupke is also

- Supervisory Board member of
  SolarWaterWorld AG, Berlin

- Member of the Board of Directors of
  BIMA International Pte. Ltd
  (formerly: Balda Investments Malaysia Pte. Ltd., Singapore, Singapore) (from 24 November 2016)

MANAGEMENT AND SUPERVISORY BOARD COMPENSATION

The compensation paid to managers in key positions that must be disclosed pursuant to IAS 24 comprises compensation paid to the Management and Supervisory Boards of the CLERE Group. The following compensation (payments due short-term) was granted:

IN EUR THOUSAND	SFY 2016	2015/2016
Management Board	386	838
Supervisory Board	85	178

The Management Board compensation includes variable components in an amount of EUR 93 thousand (previous year: EUR 460 thousand).

As in the previous year, no loans were granted, either to the Management Board members or to the Supervisory Board members as of 31 December 2016; equally, no contingent liabilities were entered into on behalf of the Management and Supervisory boards.

The Management Board members receive no compensation for fulfilling their tasks at subsidiaries. Please refer to the remarks in the compensation report contained in the Group management report for an individualised breakdown of pay and other details relating to compensation.

DIRECTORS' HOLDINGS

IN EUR THOUSAND			SHARE CAPITAL
31.12.2016			**5,889,063**
MANAGEMENT BOARD	**O. OECHSLE**	**T. KRUPKE**	**MANAGEMENT BOARD TOTAL**
30.06.2016	800	401	1,201
Acquisitions	0	0	0
31.12.2016	**800**	**401**	**1,201**
SUPERVISORY BOARD	**T. VAN AUBEL [1)]**	**F. VOGLER**	**SUPERVISORY BOARD TOTAL**
30.06.2016	1,912,395	10	1,912,405
Acquisitions	42,000	0	42,000
31.12.2016	**1,954,395**	**10**	**1,954,405**
DIRECTORS TOTAL			**1,955,606**
In % of total capital			33.21 %

[1)]) Shareholding via Elector GmbH, Berlin

G. RELATED PARTIES

Related parties as defined by IAS 24 are legal entities or individuals who control or exercise significant influence over CLERE AG and its subsidiaries. This includes individuals and companies that are significantly influenced by CLERE AG and/or its subsidiaries.

Only the members of the corporate bodies of CLERE AG count as members of management in key positions within the CLERE Group. Relationships with directors are presented in the compensation reports of the Management and Supervisory Boards in section III.G. "Corporate bodies of CLERE AG" in the notes to the consolidated financial statements and in the Group management report in section 4. "Compensation report".

Supervisory Board Chairman Dr. Thomas van Aubel is the sole shareholder of Elector GmbH, Berlin. Elector GmbH had no business relationships with a Group company during the short fiscal year 2016. As in the previous year, no open items due from Elector GmbH existed as of the balance sheet date.

For his function as Supervisory Board Chairman, Dr. Thomas van Aubel received fixed compensation and meeting fees of EUR 36 thousand (previous year: EUR 73 thousand). Besides this, Dr. Thomas van Aubel indirectly received EUR 17,212 thousand via Elector GmbH deriving from his shareholder position.

The Management Board prepared a report pursuant to Section 312 of the German Stock Corporation Act (AktG) on relationships to affiliated companies in the short fiscal year 2016.

No other transactions occurred with related parties.

H. EVENTS AFTER THE REPORTING DATE

Holding in a planned solar park in Japan

On 15 January 2017, CLERE AG acquired a 25% stake in a German project company that plans the construction of a solar park in Japan with an output of 30 MWp. The park is expected to be built and connected in 2018. The Company will proportionally pre-finance this solar park with up to EUR 10 million. In the future, positive profit contributions will be generated in the form of interest income, which is dependent on the project progress. A positive contribution to earnings will not be expected until 2019.

Acquisition of a solar park in Italy

On 22 February 2017, CLERE acquired the operating company for an operational solar park in Italy with a capacity of 1 MWp. The solar park will receive a guaranteed feed-in tariff for 16 years and is financed by an Italian bank. Due to the volume of the investment, only a small contribution to earnings is expected in the form of sales revenues from electricity sales less expenses incurred by the Company as well as financing expenses in the current financial year.

No further events of key significance for the Group's financial position and performance occurred after the 31 December 2016 reporting date.

I. AUDITORS' FEES

The following fees were expensed for the independent auditor:

IN EUR THOUSAND	SFY 2016	2015 / 2016
Audits of financial statements	136	178
Tax advisory services	53	88
Other services	6	28
TOTAL AMOUNT	**195**	**294**

The services were rendered entirely for the respective financial years. The fees for the closure audit services contain EUR 46 thousand in off-period expenses.

CORPORATE GOVERNANCE

Clere follows and will follow the recommendations and suggestions of the German Corporate Governance Code as amended on 5 May 2015 with certain exceptions. The declaration for the short fiscal year 2016 pursuant to Section 161 of the German Stock Corporation Act (AktG) is permanently available to shareholders and the general public together with previous declarations of compliance on the CLERE website under Investor Relations / Publications / Corporate Governance (► www.clere.de). The most recent corporate governance declaration can also be downloaded from the corporate governance area of the CLERE website.

Berlin, 27 March 2017

The Management Board

THOMAS KRUPKE MANAGEMENT BOARD MEMBER

INDEPENDENT AUDITOR'S REPORT

To CLERE AG, Berlin

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of CLERE AG, Berlin, and its subsidiaries (the Group), comprising the consolidated balance sheet as at 31 December 2016, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the short business year from 1 July to 31 December 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

According to Section 322 (3) Sentence 1, second half-sentence German Commercial Code (HGB), we state that, in our opinion, based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) German Commercial Code (HGB) and give true and fair view of the net assets, financial position of the Group as of 31 December 2016, as well as of its results of operations for the short business year from 1 July to 31 December 2016.

According to Section 322 (3) Sentence 1, first half-sentence German Commercial Code (HGB), we state that our audit has not led to any reservations with respect to the propriety of the consolidated financial statements.

Basis for the Audit Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with Section 317 German Commercial Code (HGB) and the EU Auditor's Regulations (No. 537 / 2014, hereinafter "EU-APrVO") in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW). Our responsibilities under these regulations and principles is further described in the section "Responsibility of the Auditor for the Audit of the Consolidated Financial Statements" of this report. We are independent of the Group in accordance with the provisions under German commercial law and professional standards, and we have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In accordance with Article 10 (2) (f) EU-APrVO we declare that we have not provided any prohibited non-audit services pursuant to Article 5 (1) EU-APrVO and that we have maintained our independence from the Group while carrying out the audit.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the short business year from 1 July to 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following, we present the key audit matters in our view:

1) Remaining risks from the sale of the operative business in the previous year, and
2) Existence and creditworthiness of the debtors and recoverability of receivables from SME financing.

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

- Description of the facts and reference to further information,
- Risks for the consolidated financial statements,
- Our audit approach and
- Key observations.

REMAINING RISKS FROM THE SALE OF THE OPERATIVE BUSINESS IN THE PREVIOUS YEAR

Description of the facts and reference to further information

Liabilities totalling EUR 6.6 million were recognised as risks arising from the transaction, in particular for guarantees and indemnities (including taxes) of the seller. These are disclosed under the item "Other current financial / non-financial liabilities". The notes to the consolidated financial statements include information in section II.5.o. in this regard.

Risks for the consolidated financial statements

In the previous business year from 1 July 2015 to 30 June 2016, the former Balda Aktiengesellschaft (now CLERE AG, hereinafter referred to as the "seller") transferred its operating subsidiaries to the Stevanato Group, Italy (hereinafter referred to as the "buyer").

The seller's guarantees are covered by 6 % of the purchase price (i.e. EUR 5.7 million), of which EUR 2.4 million are recognised as a liability. These liabilities are estimated values, since the actual amount of the commitment depends on the current or future negotiations between the buyer and the seller. The liabilities are valued at the commitment amount translated into Euro at the balance sheet date.

The seller's tax exemptions for potential taxes are also reported in the amount of EUR 4.2 million as current liabilities against the buyer. These figures are estimated, as the tax assessment has not yet been carried out for the assessment period concerned. The tax exemption risks are not covered by the above-mentioned contractual upper limit for guarantees.

We considered this fact to be a key audit matter, as the recognition and measurement of the liabilities in question are based to a large extent on estimates and assumptions made by the Management Board of CLERE AG.

Our audit approach

In the course of our audit, we critically assessed the development of the liabilities reported in the consolidated balance sheet for the previous year and analysed the measures taken by the Management Board to assess the completeness and valuation of the liabilities. In doing so, we have prepared our analysis based on our knowledge of the contracts and the audit results from the previous year, as well as the current negotiation level by means of evidence in the form of a written statement by the Management Board, correspondence between the contractual parties and individual audit reports. We have consulted internal specialists in the area of income tax to verify the tax base.

Key observations

The Management Board valued the liabilities according to the negotiating level with the buyer as of the balance sheet date, using the best possible estimate. No payments had been made or were due as of the balance sheet date.

EXISTENCE AND CREDITWORTHINESS OF THE DEBTORS AND RECOVERABILITY OF RECEIVABLES FROM SME FINANCING

Description of the facts and reference to further information

In the consolidated balance sheet as of 31 December 2016, bearer bonds amounting to EUR 13.2 million are reported under the line item "Receivables from SME financing". The notes to the consolidated financial statements include the Company's disclosures in section II.5.g.

Risks for the consolidated financial statements

For the first time, CLERE AG has obtained SME financing in the form of individual bearer bonds from companies in the solar sector. This was carried out within the context of the reorientation of the business model. The receivables are subject to sector-specific default and liquidity risks.

Our audit approach

Within the scope of our audit, we have examined and appraised the contracts, reviewed the commercial register statements of the debtors, reviewed the internal processes and internal controls of the Management Board for the investment decision / use of funds, in particular the credit assessment of debtors, and compared written confirmations on the part of the contracting parties on the existence and amount of the receivables as of the balance sheet date with the disclosed amounts. In addition, we have checked the payments for the receivables made by the debtors up to the end of our audit, as well as the assumptions made by the Management Board for the valuation of the outstanding balance.

Key observations

We agree with the conclusion of the Management Board of CLERE AG that no impairment of the receivables from SME financing was to be recognised as of the balance sheet date.

Other information

The Management Board is responsible for the other information published in connection with the consolidated financial statements and the Group management report. The other information comprises

- the Corporate Governance Report pursuant to No. 3.10 of the German Corporate Governance Code,
- the corporate governance Statement pursuant to Section 315 (5) in conjunction with Section 289a (2) German Commercial Code (HGB),
- other parts of the annual report of CLERE AG, Berlin, which are not required by law to be audited for the short business year ending on 31 December 2016.

Our audit opinion does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility in the context of our audit of the consolidated financial statements and the Group management report is to read the other information and to consider any discrepancies between the other information and the consolidated financial statements and the Group management report or our findings for material misstatements. If, as a result of this, we find that the other information contains a material misstatement, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Management Board and Those Charged with Governance for the Consolidated Financial Statements

The Management Board is responsible for the preparation of the consolidated financial statements in accordance with IFRS standards as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315a (1) German Commercial Code (HGB) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process to prepare the consolidated financial statements.

Responsibility of the Auditor for the Audit of the Consolidated Financial Statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB), the EU Auditor's Regulations (No. 537/2014, hereinafter "EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on a basis of these consolidated financial statements.

As part of an audit in accordance with Section 317 German Commercial Code (HGB) and the EU Auditor's Regulations (EU-APrVO) we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS, as adopted be the EU, and the additional German legal requirements applicable under Section 315a (1) German Commercial Code (HGB).

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND STATUTORY REQUIREMENTS

Report on the Audit of the Group Management Report

Audit Opinion on the Group Management Report

We have audited the Group management report of CLERE AG, Berlin, for the short business year from 1 July to 31 December 2016.

In our opinion, based on the findings of the audit, the accompanying Group management report provides us a suitable view of the Group's position. In all material respects, the Group management report is consistent with the consolidated financial statements, complies with the legal requirements and suitably presents the opportunities and risks of future development.

Our audit has not led to any reservations with respect to the propriety of the Group management report.

Basis for the Audit Opinion on the Group Management Report

We conducted our audit of the Group management report in accordance with Section 317 (2) German Commercial Code (HGB) and German generally accepted standards for the audit of management reports promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Management Board and the Supervisory Board for the Group Management Report

The Management Board is responsible for the preparation of the Group management report, which as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements, complies with the legal requirements and accurately presents the opportunities and risks of future development. Furthermore, the Management Board is responsible for such arrangements and measures (systems) as the Management Board determines is necessary to enable the preparation of a Group management report in accordance with the German legal requirements pursuant to Section 315a (1) German Commercial Code (HGB) and to provide sufficient and appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the Group management report.

Responsibility of the Auditor for the Audit of the Group Management Report

Our objective is to obtain reasonable assurance about whether the Group management report as a whole provides a suitable view of the Group's position, as well as, in all material respects, is consistent with the consolidated financial statements, complies with legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the Group management report.

As part of an audit, we examine the Group management report in accordance with Section 317 (2) German Commercial Code (HGB) and German generally accepted standards for the audit of management reports promulgated by the IDW. In this context, we draw attention to the following:

- The audit of the Group management report is integrated into the audit of the consolidated financial statements.
- We obtain an understanding of the arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not with the aim of providing an audit opinion on the overall effectiveness of these arrangements and measures (systems).
- We perform audit procedures on the prospective information presented by the Management Board in the Group management report. Based on appropriate and sufficient audit evidence, we hereby, in particular, evaluate the material assumptions used by the Management Board as a basis for the prospective information.

- We perform audit procedures on the prospective information presented by the Management Board in the Group management report. Based on appropriate and sufficient audit evidence, we hereby, in particular, evaluate the material assumptions used by the Management Board as a basis for the prospective information and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions.

- We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.

- We are also not issuing a separate audit opinion on individual disclosures in the Group management report; our audit opinion covers the Group management report as a whole.

Other Specifications in accordance with Article 10 EU-APrVO

We were selected as the auditor of the consolidated financial statements by the Annual General Meeting on 9 November 2016. We were appointed by the Supervisory Board on 9 December 2016. Since the business year from 1 July 2013 to 30 June 2014, we have been the continuous auditor and Group auditor of CLERE AG, Berlin (formerly: Balda Aktiengesellschaft, Bad Oeynhausen).

We declare that the auditor opinions contained in this report are in accordance with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (Audit Report).

Engagement Partner

The engagement partner on the audit is Mr. Tobias Löser.

Frankfurt am Main, 27 March 2017

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

PROF. DR. LEUSCHNER WIRTSCHAFTSPRÜFER (German public auditor)

LÖSER WIRTSCHAFTSPRÜFER (German public auditor)

RESPONSIBILITY STATEMENT

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

Berlin, 27 March 2017

The Management Board

THOMAS KRUPKE MANAGEMENT BOARD MEMBER

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FURTHER INFORMATION

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FURTHER INFORMATION

INVESTOR RELATIONS CONTACT

CLERE AG
Tel +49 30 213 00 43 0
info@clere.de

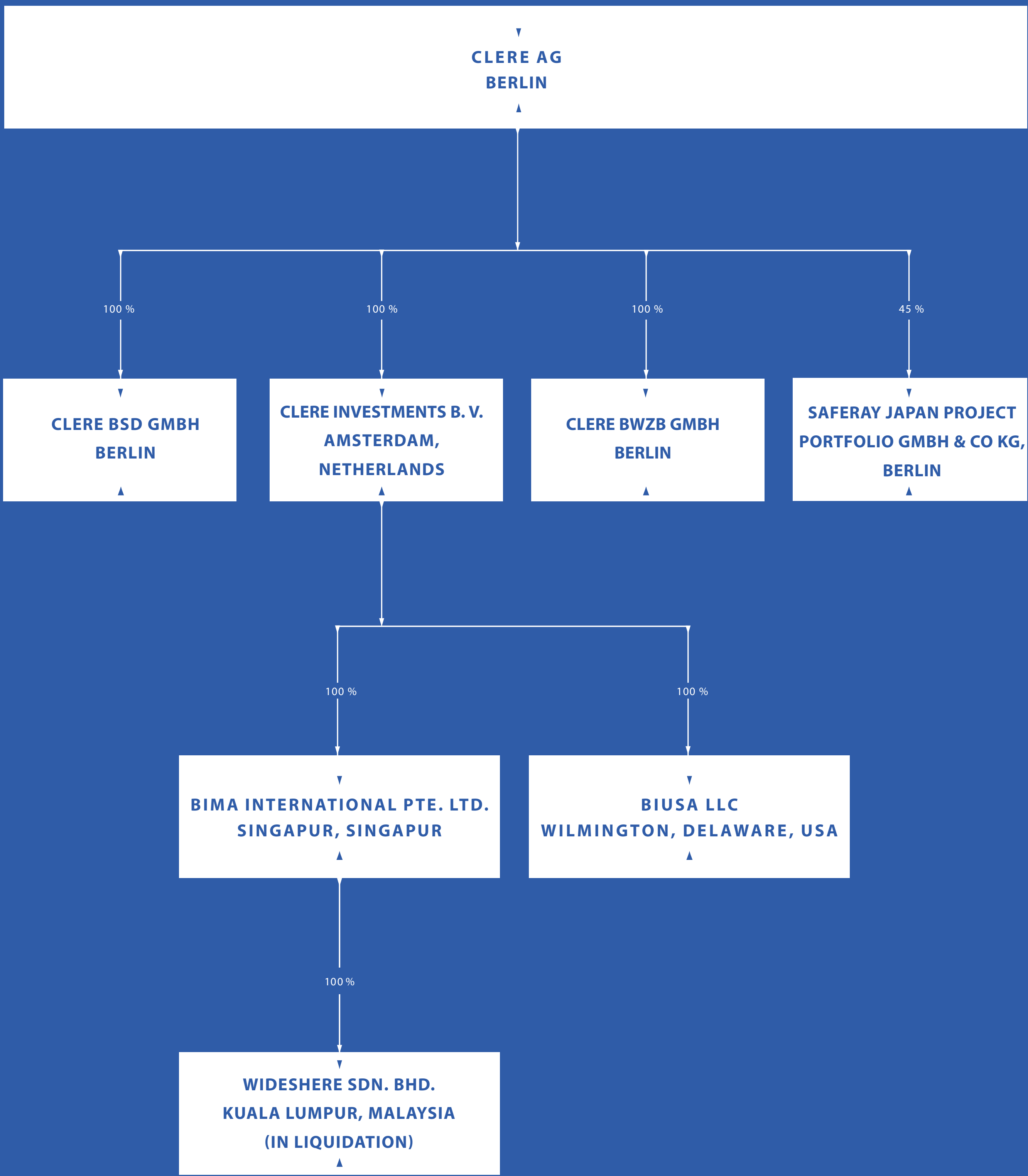
IMPRINT

PUBLISHER
CLERE Aktiengesellschaft
Schlüterstr. 45
10707 Berlin

Tel + 49 30 213 00 43 0
Fax + 49 30 213 00 43 99
info@clere.de
www.clere.de

GROUP STRUCTURE

THE GROUP'S LEGAL STRUCTURE WITH ITS GROUP COMPANIES IS AS FOLLOWS:



FINANCIAL CALENDAR

Q1 REPORT

12.
05.
2017

Q2 REPORT

11.
08.
2017

Q3 REPORT

10.
11.
2017

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