ENERGY EFFICIENCY

WORK EFFICIENCY

MATERIAL EFFICIENCY

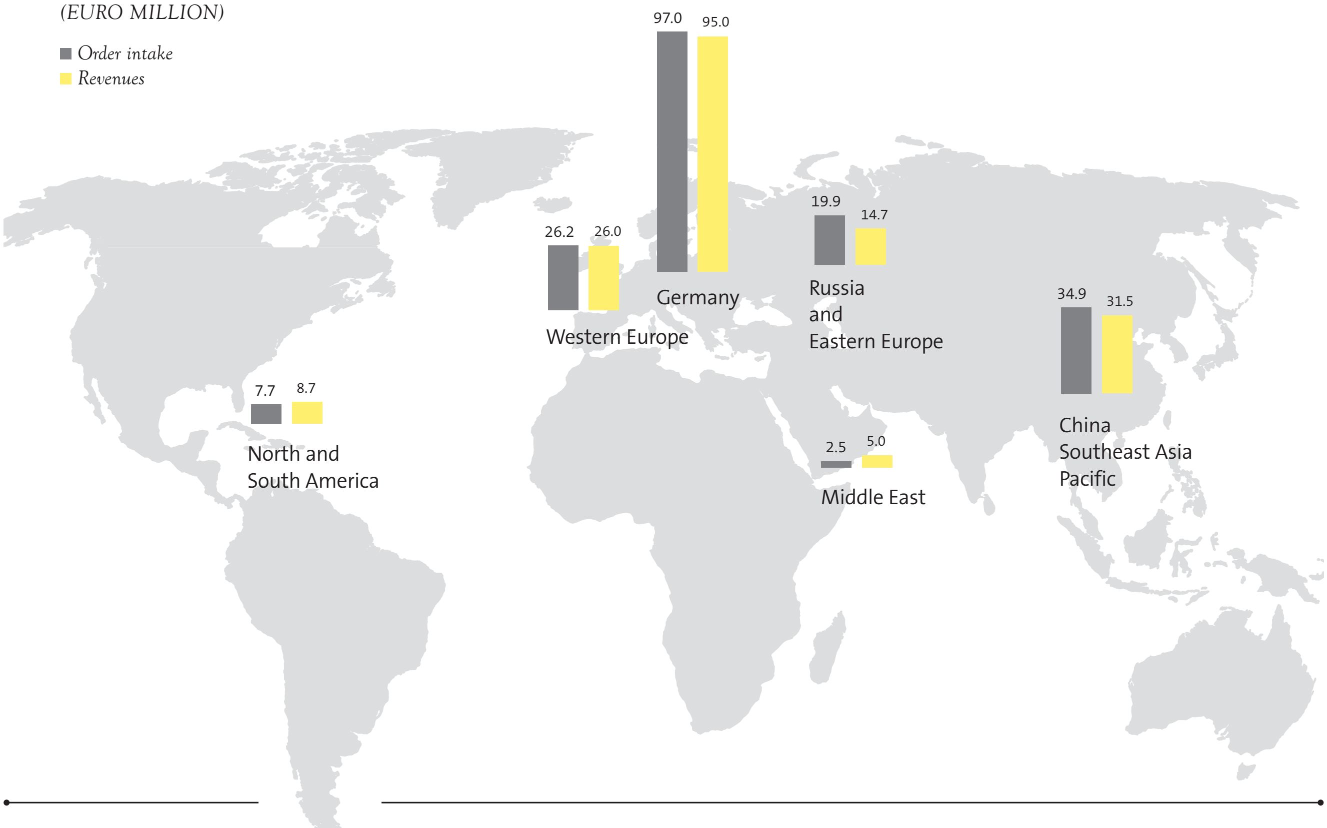
Annual Report 2012

PSI

PSI GROUP AT A GLANCE

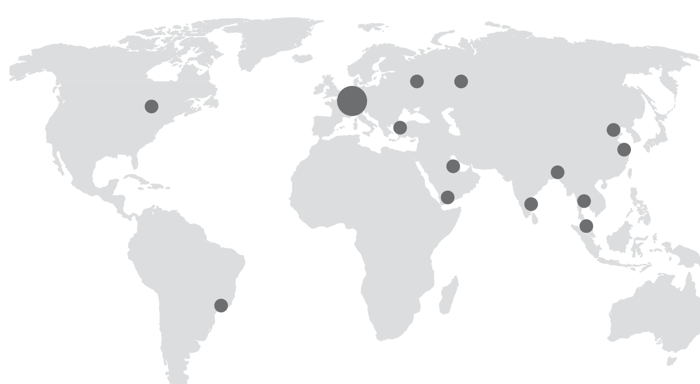
EXPORT SALES GROWTH DURING THE PAST EIGHT YEARS **458%**

WORLD-WIDE ACTIVITIES
(EURO MILLION)



EMPLOYEES IN EXPORT MARKETS

495



PSI locations: Austria, Bahrain, Belgium, Brazil, China, Germany, Great Britain, India, Malaysia, Oman, Poland, Russia, Switzerland, Thailand, Turkey, USA

PSI GROUP

IN FIGURES (IFRS) IN EURO MILLION

	2012	2011	%
Revenues	180.9	169.5	6.7
Operating result	12.9	10.7	20.6
Earnings before taxes	11.3	8.7	29.9
Group net result	9.4	7.4	27.0
Shareholders' equity	73.6	72.9	1.0
Equity ratio (in %)	39.5	41.5	−4.8
Shareholders' equity (in %)	12.8	10.2	25.5
Investments [1]	5.2	4.4	18.2
Research & Development expenditure	17.9	16.2	10.5
Research & Development ratio (in %)	9.9	9.6	3.1
New orders	188	174	8.0
Order backlog on 31 December	118	112	5.4
Employees at 31 December (Number)	1,591	1,491	6.7

[1] Corporate acquisitions, intangible assets, plant and equipment.

• Growing demand for production solutions due to fast amortisation • Continued growth in market share in the steel industry • Major follow-on order for mining control system • High investment in functions for managing renewable energy • Gas and Oil growing in Central Europe, Russia and Middle East • Strong growth and the first large order from a transportation company in Poland

SALES GROWTH
DURING THE PAST
EIGHT YEARS (IN %)

57

ENERGY MANAGEMENT

Intelligent utility solutions for electricity, gas, oil, water and district heating. Focus on delivering reliable and efficient solutions for intelligent grid, gas and pipeline management, and for trading and sales in the deregulated energy markets.

Strengths

• Technologically leading gas management system • Most accurate pipeline leak detection system • Grid control system with functions for the intelligent use of renewable energy • Solution for optimising maintenance and repair of large grids • Strong market position in Germany, Central Europe, Asia and Russia

	2012	2011
Revenues (EUR K)	62,293	68,886
Operating result (EUR K)	3,195	4,045
Employees	546	524

PRODUCTION MANAGEMENT

Software products and solutions for production planning, control and logistics. The focus is on optimising resource utilization and enhancing quality and efficiency in the metallurgy, raw materials extraction, plant and mechanical engineering, automotive and logistics industries.

Strengths

• Solution for optimising production and logistics in the metals industry • Unique control system for increasing raw materials yield in mining • Market-leading software for optimising production sequences in the automotive industry • New solution for the evaluation and control of logistics processes

	2012	2011
Revenues (EUR K)	89,422	78,590
Operating result (EUR K)	6,637	5,488
Employees	660	650

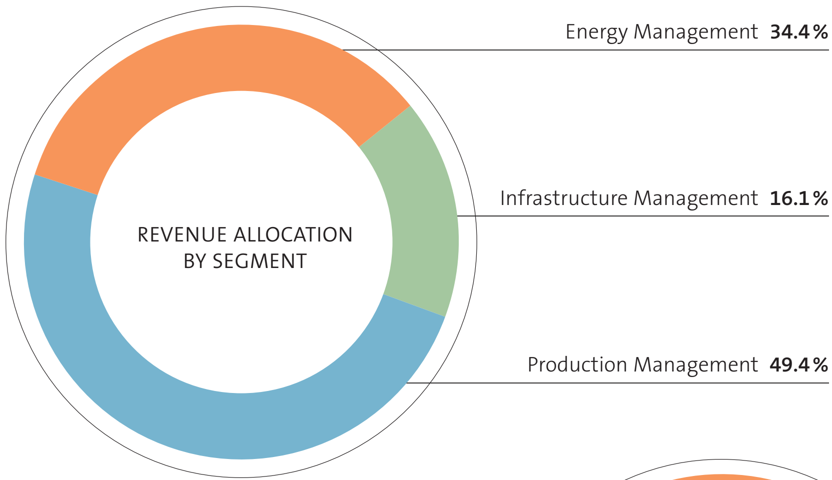
INFRASTRUCTURE MANAGEMENT

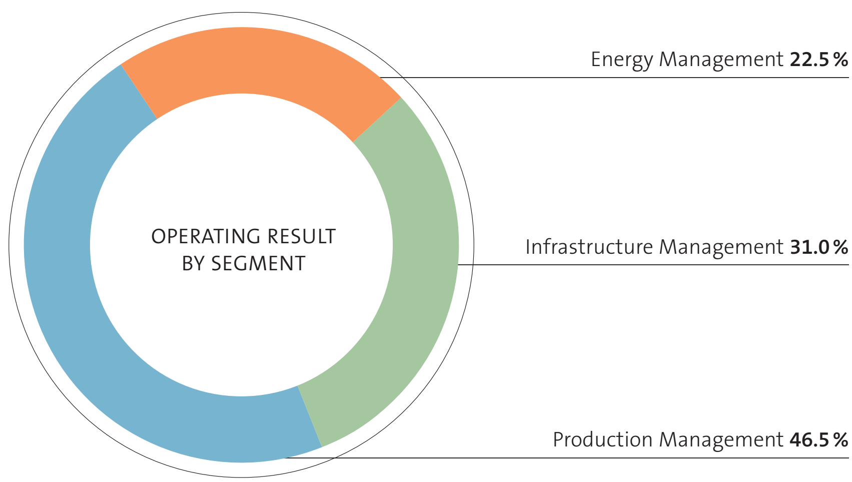
High-availability control solutions for the monitoring and effective operation of transport/traffic, public safety, environmental protection and disaster prevention infrastructures, focusing on operations control systems, mobile safety and telematics applications.

Strengths

• Innovative telematics platform for local transportation • Control system for road transportation maintenance and repair • Depot management system with integrated optimisation for more efficient vehicle use • Integrated video management for higher safety • Good market position in Europe and Asia

	2012	2011
Revenues (EUR K)	29,173	22,068
Operating result (EUR K)	4,346	3,121
Employees	385	317





»CONTENTS

INTELLIGENT SOLUTIONS FROM PSI ENSURE THAT ALL RESOURCES ARE USED EFFICIENTLY.

PSI solutions are extremely reliable, and ensure that energy, labour and raw materials are used effectively. For decades, PSI has been developing and integrating software solutions and complete systems for process control at energy suppliers, designed for managing large energy grids and complex production and logistics processes. The Group has a leading position in its core markets. In doing so, PSI contributes to sustainable development with locations in Asia, America, and Central and Eastern Europe.

Letter from the Board of Directors

Dr. Harald Schrimpf (48)

Responsibilities: Marketing, Sales, Technology and Investor Relations

Armin Stein (61)

Responsibilities: Organization, HR, Finances and Controlling

LADIES AND GENTLEMEN,

In 2012, the sovereign debt crisis in Europe subsided. China saw a change of leadership, and cheap shale gas fired up industry in North America. In this context, PSI again showed good growth, although higher goals had been set. In our third quarter report we had to revise our projections downwards somewhat, due to a slowdown in the energy transition. The PSI share started at EUR 14.72 with the TecDax between EUR 14 and 19, and ended 5 % higher at EUR 15.41.

GROWTH IN THE PRODUCTION AND INFRASTRUCTURE SEGMENT

Our order volume rose by 8 % from EUR 174 to 188 million. Sales rose by 6.7 % from EUR 170 to 181 million, which is less than our long-term average. This was due to a retraction in Energy Management which was not fully compensated by the two-digit growth in other segments. Our operating result before depreciation/amortisation (EBITDA) grew by 15.5 % from EUR 14.6 million to

"Our 1,600 employees and executives are justifiably proud of the way that with our strategy, our energy as a medium-size company, and our creative ideas we repeatedly face up to the big corporations and come out ahead."

EUR 16.9 million. The operating result (EBIT) rose by 20.8 % from EUR 10.7 million to EUR 12.9 million. On the one hand we are glad to have returned to the growth rates of former years. On the other, the operating result was below our target corridor of EUR 13 to 16 million. The Group net result rose by 25.7 % from EUR 7.4 million to EUR 9.4 million. Domestically we still benefit from the EUR 37 million tax losses from the dotcom years. With 15.7 million shares, whose number was affected only slightly by employee shares, the profit per share was EUR 0.60. At the Annual General Meeting we will propose distributing EUR 0.30 dividend per share. A planned acquisition was intended to bring sales growth as well as a better operating result. However, we stopped two advanced negotiations because the price and risk were not appropriate. Instead, we made only a small, but nice acquisition of a company specialising in the economic optimisation of energy storage, increased our minority share in our joint venture for gas meter management in Germany, and sold the minority share of a joint venture in Russia at the beginning of 2013. Burdened by upfront financing for projects in the Far East and the energy transition, operative cash flow declined from EUR +15.4 to +0.8 million. Cash flow from investments was burdened only by the small acquisition, at EUR -3.6 million. With the EUR 3.9 million dividend payment and EUR 3.5 million export loans, cash flow from financing rose to EUR +2.3 million. Yet overall, at negative EUR 0.5 million cash flow is disappointing, and we have taken measures to implement better payment terms in Asia and with some utilities. Liquidity sank from EUR 33.8 to 33.3 million, still sufficient to finance organic growth and targeted acquisitions.

GAS AND OIL CARRY THE ENERGY SEGMENT

At EUR 65 million the Energy segment saw steady incoming orders, but sales decreased by 9.6 % to EUR 62.3 million. The demand bottleneck caused by the energy shift was again not completely compensated by foreign business. In total, the operating result fell from EUR 4.0 million to EUR 3.2 million. It was burdened by development costs in Electrical Energy, to become more product-oriented and create many new USPs in the management of the fluctuations of renewable energies. It also includes a large provision for the settlement of the only operative legal risk of recent years. That should take care of the market entry costs for export in the area of electric energy. Our position in the gas and oil is more advanced, and we continue very successful in all export target regions of Central Europe, Eastern Europe, Russia and the Gulf. For the New Year, we project a slight recovery in Electrical Energy, both in our core markets of Central Europe and Russia and in export projects. For Energy Trading, we will need to invest even more than last year in technology and sales in order to cope with the current supply surplus and market more aggressively to neighbouring countries.

PRODUCTION MANAGEMENT REMAINS STRONG

New orders in Production Management increased another 19 % from EUR 80 to 95 million and sales grew by 14 % from EUR 78.6 to 89.4 million. But after the strong years, in 2013 we will need more time to get our structures caught up and consolidate our technology. The operating profit rose from EUR 5.5 to 6.6 million, as expected. Metal Production and Raw Materials Extraction accounted for the greater part of this. In Logistics we were busy with large projects and technology convergences, and opened up new growth potential. Machinery Construction continued to improve, while profit in Automobile and Turbine Manufacturing did not meet targets, despite further export measures. The new Java platform is helping more and more to combine the strengths of all business units and reduce costs. In addition to Production, in the future the Infrastructure and Energy segments will also use this growth and profit driver much more than in the past.

INFRASTRUCTURE MANAGEMENT AGAIN DOUBLE-DIGIT

Infrastructure Management again jumped from EUR 22.1 to 29.2 million in sales, so that within two years the sale of the Telecommunications business has been more than made up for. New orders held approximately steady at EUR 28.9 million after inflation. A retraction in Public Transport and Far East was compensated by a doubling in Eastern Europe/Poland. The operating profit again rose by 39 % from EUR 3.1 to 4.3 million, most of which came from the export units. In 2013 we plan to grow exports and use cost advantages to an even greater extent.

OUTLOOK

The last few years saw succession in numerous business units, and will again in mid-2013 in the Board of Directors. Since 2002 the current team has grown the Company value from the single digits to over EUR 240 million.

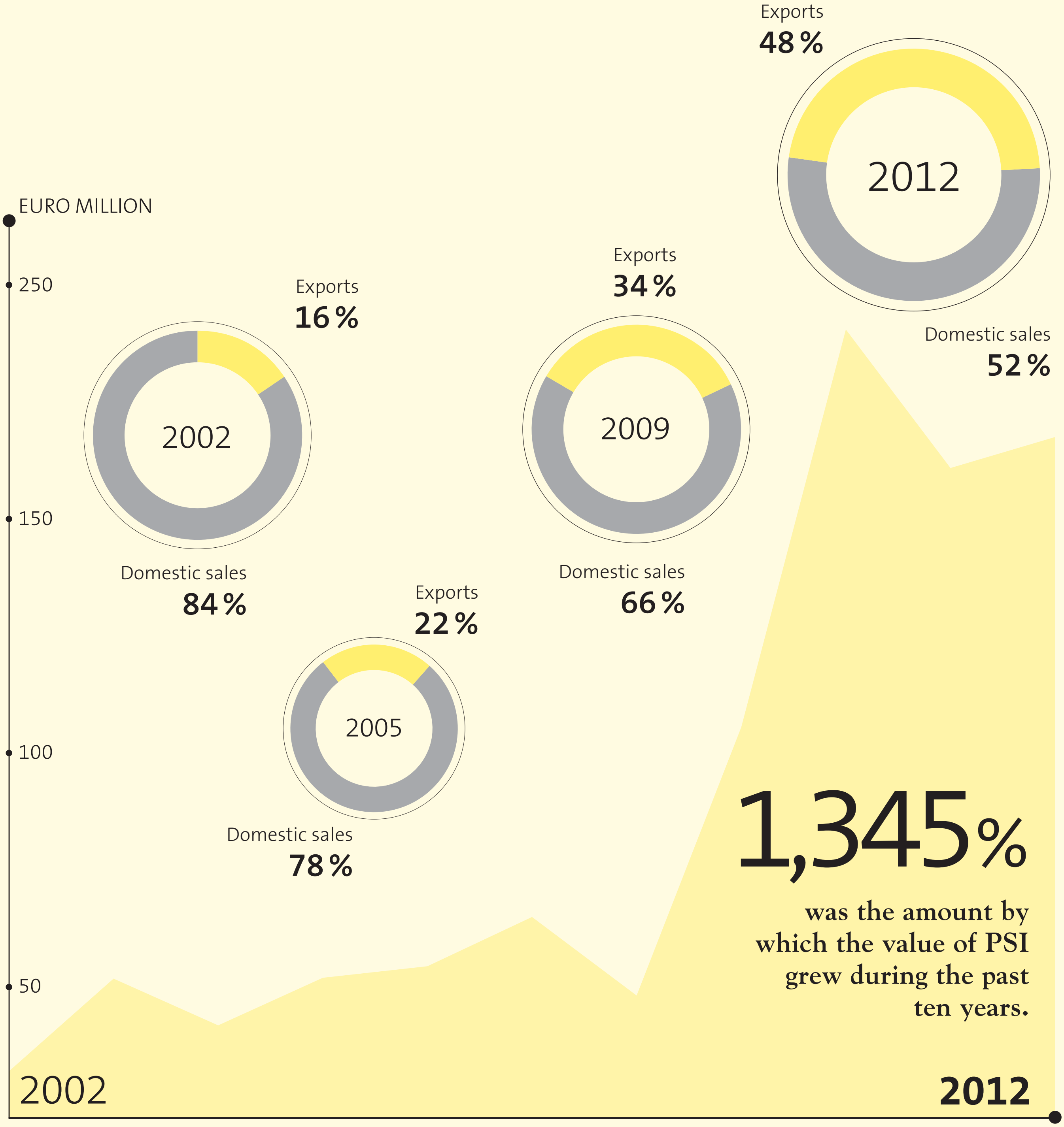
We are aware that in return for the capital they have provided, shareholders expect not just increasing dividends, but also the stock price to rise. Our 1,600 employees and executives are justifiably proud of the way that with our strategy, our energy as a medium-size company, and our creative ideas we repeatedly face up to the big global corporations and come out ahead. We are grateful to our customers, who control their most important value creation processes in the production and distribution of goods, material and energy with PSI software. We are starting strong in 2013 with the motto "energy efficiency, working efficiency, material efficiency" and working towards the EUR 200 million mark in new orders, EUR 190 million in sales, and EUR 14 to 17 million in operating result.

Berlin, March 2013

Dr. Harald Schrimpf Armin Stein

2002 TO 2012

OUR STRATEGY HAS PAID OFF



1,345%

was the amount by which the value of PSI grew during the past ten years.

OUR GOALS FOR 2015

- Leading supplier of software for the control of highly complex processes
- Highest pace of development, trendsetter
- Single platform company
- Strong partner network

65 % export to growth regions

Employees
2,000

EBIT margin
11–13%

EUR million sales
250

SUCCESSFUL COMPANY GROWTH

Since 2002 we have been transforming PSI from a broadly diversified IT service provider with a focus on the German-speaking countries to an international software provider. By refocussing on our original core competencies of process control and information systems, and through the successful establishment of export structures in Europe and Asia in particular, since 2004 we have grown sales by 57 % to over EUR 180 million, and more than quintupled our export sales. We plan to build on this and continue to grow sales, profits and exports in the coming years.

Report from the Supervisory Board

Prof. Dr. Rolf Windmöller (64)
Chairman of the Supervisory Board

DEAR PSI SHAREHOLDERS, FRIENDS AND PARTNERS,

The PSI AG Supervisory Board continued its close working relationship with the Board of Directors in the fiscal year 2012. As in previous years, our attention was focused on expanding our international market position and further improving the PSI Group's financial indicators. In addition, we regularly monitored and played an advisory role in the Board of Director's work in accordance with the law, Company Articles of Association and the German Corporate Governance Code. The Board of Directors informed the Supervisory Board regularly, promptly and comprehensively on the situation of PSI AG by means of written and oral reports, thereby creating the basis for compliance with legal monitoring duties. The Board of Directors has met its disclosure obligations to the Supervisory Board in full.

The Supervisory Board ensured that legal provisions, the Articles of Association and the bylaws of the Supervisory Board and the Board of Directors were complied with. It was involved in all significant decisions concerning the Company. The Supervisory

Board passed the resolutions required by law and by the Articles of Association. If transactions required the approval of the Supervisory Board, the Board of Directors was consulted in depth before resolutions were passed. Cooperation between the Supervisory Board and the Board of Directors was consistently constructive and goal-oriented in nature.

The Chairman of the Supervisory Board was in regular contact with the Board of Directors outside of Supervisory Board meetings, and kept abreast of the business situation and important transactions. There was ongoing and intensive cooperation between him and both members of the Board of Directors. The Chairman of the Supervisory Board communicated important information from this exchange to the other members of the Supervisory Board.

FOCUSES OF SUPERVISORY BOARD DISCUSSIONS

In fulfilling its monitoring duties, the Supervisory Board focused on the following main points, among others:

- Expansion of existing international structures in sales and organisational structures particularly in mining and metal production in preparation for further growth,
- Organisational measures to strengthen Electrical Energy, to use the opportunities of the German energy transition and master the challenges associated with it,
- Support and control the acquisition of the Swiss Time-steps AG, a specialist in optimising energy storage, as well as possible additional acquisitions,
- Support the strong international growth and related business processes, particularly in Poland.

In 2012, the Supervisory Board focused in particular on changes to the Board of Directors of PSI AG. Effective 1 July 2013, Mr. Harald Fuchs was appointed the new Board Member for Organisation, HR, Finances and Controlling at PSI AG. He replaces Mr. Armin Stein, who will leave the Company on 30 June 2013, on expiry of his contract. At the same time, the contract with Dr. Harald Schrimpf was renewed for further five years to 30 June 2018, and he was appointed Chairman of the Board of Directors effective 1 July 2013.

The Supervisory Board would like to thank Mr. Stein for his personal commitment in the last twelve years, which contributed much to the success story of PSI. During this time, Mr. Stein very successfully influenced the Company's strategic development and key performance indicators.

Regular discussions and resolutions of the Supervisory Board focused on the Annual Financial Statements, reviewing the Group strategy and its implementation, appointments to the Board of Directors, long-term and short-term planning, the acquisition of Time-steps AG, ongoing operative business, reviewing and upgrading the Group risk management system, and auditing the Board's own work. The Supervisory Board concerned itself not only with the financial development of PSI AG and the Group, but also with the development of individual subsidiaries, while also monitoring activities abroad. The Board of Directors reported to the Supervisory Board comprehensively and on an ongoing basis regarding the assets and financial position, risk position, market and competitive position, and personnel situation. The Supervisory Board held eight regular meetings in 2012 to fulfil its aforementioned duties. These included a meeting mainly devoted to discussing and adopting the Financial Statements, a strategy meeting, a planning meeting and an audit meeting. Attendance at Supervisory Board meetings averaged 96 %. Since Ms. Barbara Simon left the Supervisory Board at the Annual General Meeting, she was unable to attend at least half of the meetings. Of the remaining Supervisory Board Members, none attended fewer than half of the meetings.

ACTIVITIES OF SUPERVISORY BOARD COMMITTEES

The Supervisory Board formed two committees.

The Personnel Committee is concerned with the employment contracts and personnel matters of the Board of Directors. The committee met three times during the financial year. The focus of the meetings was on preparing Supervisory Board resolutions regarding the appointment of Mr. Harald Fuchs to the Board of Directors effective 1 July 2013, the unanimously agreed retirement of Mr. Armin Stein on 30 June 2013, and the renewal of the contract with Dr. Harald Schrimpf until 30 June 2018, as well as his appointment as Chairman of the Board of Directors effective 1 July 2013.

The Audit Committee focuses on accounting and risk management matters. The committee met three times in 2012, one session of which was devoted to the adoption of the Annual Financial Statements and endorsement of the Consolidated Financial Statements.

CORPORATE GOVERNANCE

As in previous years, the Board of Directors and Supervisory Board monitored the Group's compliance with the German Corporate Governance Code. On 13 September 2012, the Supervisory Board approved the Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act. The Company meets most of the recommendations of the Code. The few exceptions are also explained in the Corporate Governance Report, which is published on the website www.psi.de together with the Corporate Governance Declaration. The audit revealed no indications of non-compliance with respect to further recommendations of the Code, other than those mentioned in the Declaration of Compliance.

In 2012 again, the Supervisory Board reviewed the efficiency of its own activity in an audit meeting.

COMPOSITION OF THE SUPERVISORY BOARD AND COMMITTEES

On 16 April 2012, degreed mathematician Elena Günzler was newly elected to the Supervisory Board of PSI as employee representative. During the fiscal year 2012, the membership of the Supervisory Board therefore comprised the shareholder representatives Prof. Dr. Rolf Windmöller (Chairman), Wilfried Götze (Deputy Chairman) Bernd Haus and Karsten Trippel, and employee representatives Barbara Simon (until 3 May 2012), Elena Günzler (from 3 May 2012) and Dr. Ralf Becherer. Members of the Personnel Committee currently are Supervisory Board members Prof. Dr. Rolf Windmöller as Chairman, Wilfried Götze and Elena Günzler, members of the Audit Committee are Bernd Haus as Chairman, Dr. Ralf Becherer, Wilfried Götze and Professor Dr. Rolf Windmöller.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The accounting firm Ernst & Young GmbH was appointed as auditor at the Annual General Meeting of PSI AG on 3 May 2012. Ernst & Young GmbH audited the Company Financial Statements, Management Report, Consolidated Financial Statements and Group Management Report for the fiscal year from 1 January to 31 December 2012, and issued an unqualified audit certificate.

All members of the Supervisory Board received the Financial Statements and Management Reports, the audit reports of the auditor and the recommendation of the Board of Directors regarding the appropriation of net retained profits, following the preparation of these reports and in good time before the meeting. After a preparatory discussion by the Audit Committee, the plenary Supervisory Board discussed these documents in its meeting of 4 March 2013. Both the members of the Board of Directors and representatives of the auditor attended this meeting. They reported on the audit in general, on the main points established in the audit, on the key findings of the audit and on services that the auditor rendered in addition to the audit services, and further answered questions from members of the Supervisory Board. The Supervisory Board did not raise any objections, and thus acknowledged and approved the findings of the audit.

The Supervisory Board checked the Consolidated Financial Statements and the Consolidated Management Report, as well as the Company Statements and Management Report for 2012 and the results of the Auditor's Audit. Based on the final results of these checks, the Supervisory Board raised no objections and at the Supervisory Board meeting on 4 March 2013, it approved the Company Financial Statements and Consolidated Financial Statements.

The Supervisory Board concurs with appropriation of profits proposed by the Board of Directors, which provides for a dividend of EUR 0.30 per share.

In 2012, the PSI Group was able to further increase revenues and earnings for the eighth time in a row and thereby continued its profitable growth. Despite the investment slowdown on the German energy utilities market, new orders exceeded the previous year and were above revenues. The Group invested further in technology and export structures in order to create the conditions for sustainable growth also in future. In Germany, and even more so abroad, PSI gained important new customers and received important approvals in demanding export pilot projects. The successes achieved together with the Board of Directors, Management and employees deserve special recognition and respect. The Supervisory Board would like to express its gratitude to all concerned for their outstanding commitment and productivity.

The Supervisory Board thanks PSI's customers and shareholders for the confidence shown during 2012. PSI will also be a reliable partner for its customers in 2013 and will make every effort to support them with even better solutions for improving the efficiency of their business processes. It is only with satisfied reference customers that we can successfully continue to gain new international customers and continue PSI's history of growth into the future.

Berlin, March 2013

R. Windmöller

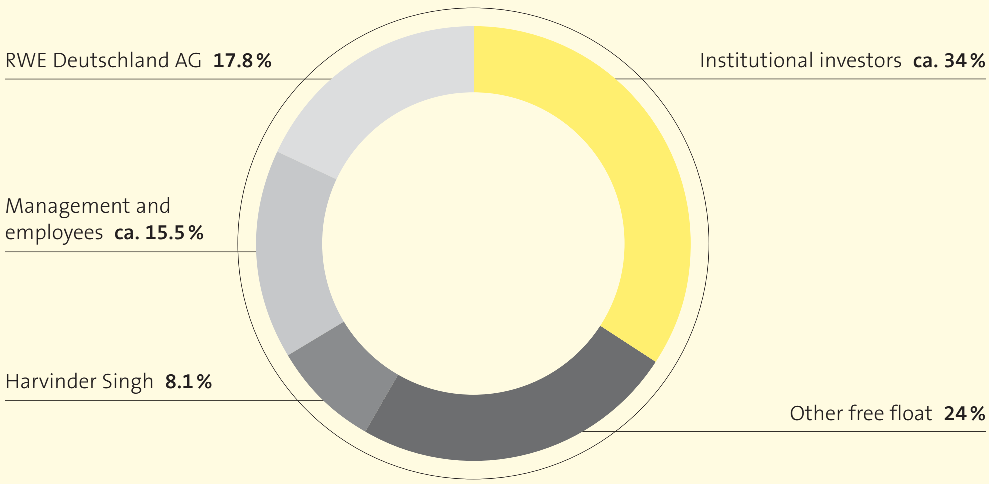
Prof. Dr. Rolf Windmöller
Chairman of the Supervisory Board

THE PSI SHARE

REASONS TO INVEST

- PSI develops software for the efficient use of energy, work and materials. This allows us to profit from the increasing demand for energy and raw materials.
- Since 2003, we have been changing from a broadly diversified IT service provider into a focussed software product provider for energy supply and complex production processes. This allows us to increase our margins through economies of scale.
- By developing our new Group-wide technology platform, we avoid duplicate developments and increase our productivity and profitability.
- Since 2004, we have increased the proportion of revenue from exports from 13 % to 50 %. We are gaining market share internationally, increasing the installed base of our products and improving our margins.
- Using local resources in international markets allows us to improve our cost structure and profitability.
- Our products improve our customers' business processes during booms as well as in downturns. This means that we can enjoy continual growth based on stable demand.
- New products for raw material extraction and intelligent management of electrical networks put us in an excellent starting position to profit from future issues, such as the raw material shortage and the European energy transition.

SHAREHOLDER STRUCTURE



KEY FIGURES ON THE PSI SHARE

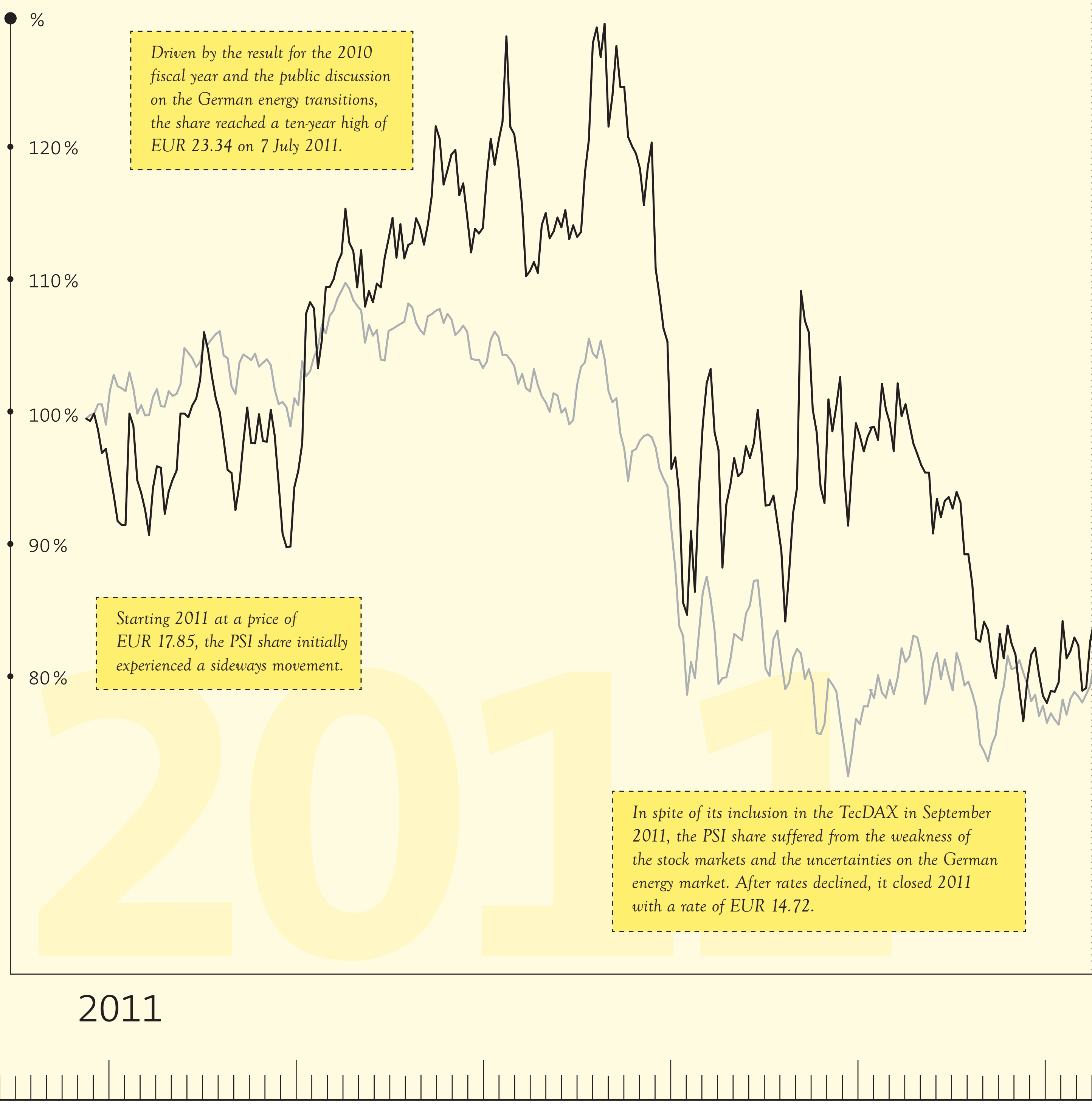
		2012	2011
Earnings per share	Euro	0.60	0.47
Market capitalisation on 31 December	Euro	241,896,410	231,065,228
Annual high	Euro	19.16	23.34
Annual low	Euro	13.80	13.38
Number of shares outstanding on 31 December		15,697,366	15,697,366

DATA ON THE PSI SHARES

Stock markets:	Xetra, Frankfurt, Berlin, Stuttgart, Dusseldorf, Hamburg, Munich
Stock market segment:	Regulated market, prime standard
Indices:	TecDAX, Technology All Share, DAXsector Software, DAXsector All Software, DAXsubsector Software, DAXsubsector All Software, DAX International Mid 100, Midcap Market Index, HDAX, Prime All Share, CDAX
ISIN:	DE000A0Z1JH9
German Security Code:	A0Z1JH
Exchange symbol:	PSAN

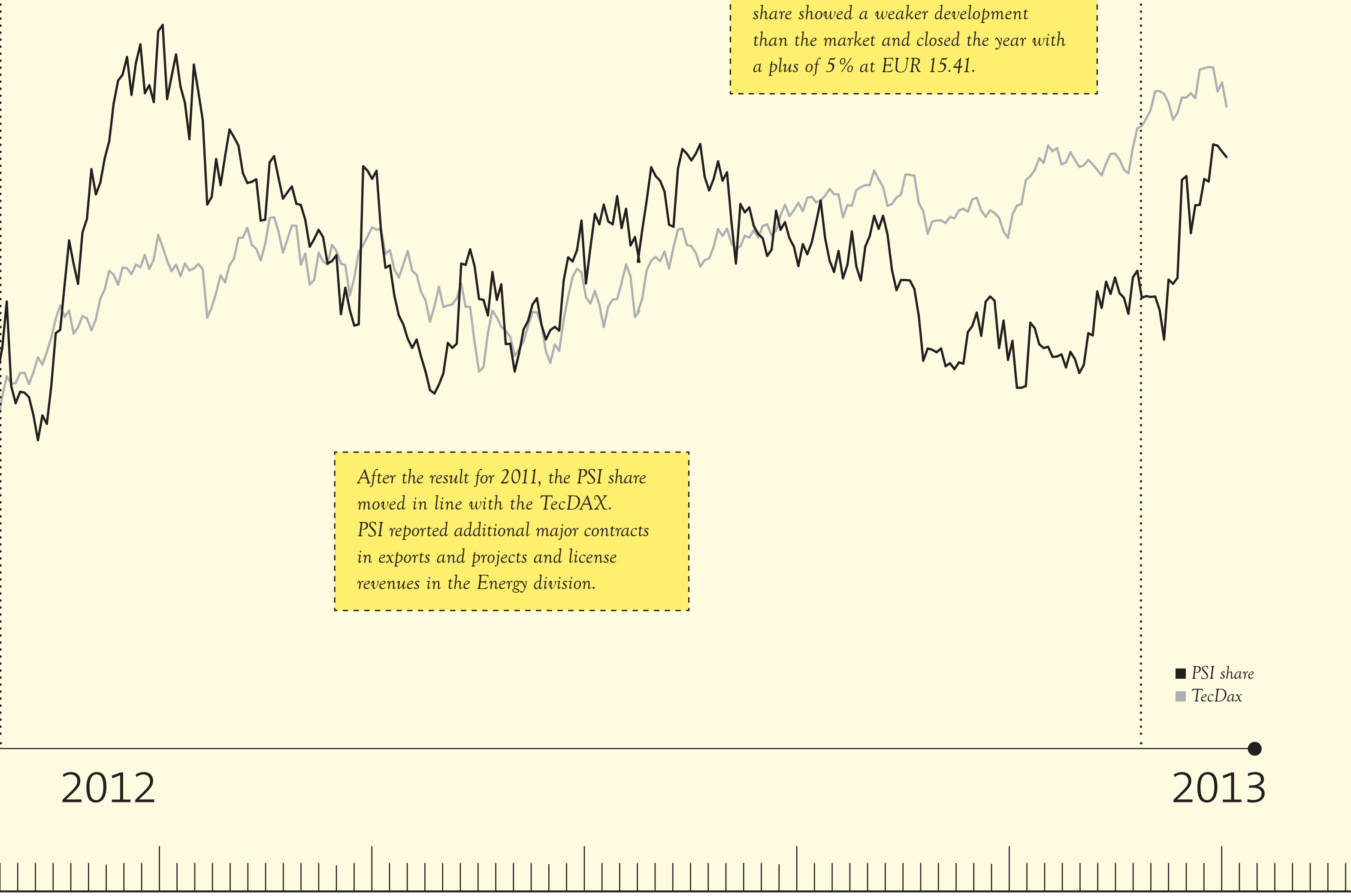
PSI SHARE PRICE

COMPARED TO TECDAX



In early 2012, PSI attracted numerous major international orders in the steel business – and the share reached its annual high of EUR 19.16.

In the nine-month report, management specified the targets for the year as at the lower end of the target corridor. The share showed a weaker development than the market and closed the year with a plus of 5 % at EUR 15.41.



After the result for 2011, the PSI share moved in line with the TecDAX. PSI reported additional major contracts in exports and projects and license revenues in the Energy division.

Application Edit View Workspace Windows ? Goto Filter

Function Explorer

- Success through efficiency
- Using resources better
- Assuring profitability
- Optimising all resources
- Sustained competitive advantage

WHAT WE STAND FOR

ENERGY EFFICIENCY

WORK EFFICIENCY

MATERIAL EFFICIENCY

EFFICIENCY BASED ON INNOVATION.

Improving efficiency has been a central theme in business for years. Whether to get more out of existing resources in growth phases or ensure profitability in a weak economic environment: Efficiency is the key to sustained business success.

Today it is no longer enough to consider resources separately. Only when the use of energy, work and raw materials is optimised in unison do efficiency increases bring lasting competitive advantage for companies or entire economies, by improving not only efficiency, but also flexibility.

Application Edit View Workspace Windows ? Goto Filter

Function Explorer

- Integration of renewable energies
- Managing higher complexity
- Managing networks better
- Making use of capacity reserves
- Minimising losses

ENERGY EFFICIENCY WORK EFFICIENCY

WE OFFER CAPACITY FOR ANY GRID.

The generation of energy from renewable sources like wind and sun continues to grow apace, making network control much more complex and leading to bottlenecks in transmission and distribution. PSI control technology helps grid operators make full use of available capacity reserves, while avoiding critical conditions. This ensures that the greatest possible amount of renewable energy is transmitted to where it is needed, for efficient use. For example, the effective capacity of individual high-voltage lines has been increased by up to 50 % merely through the use of the overhead power line monitoring function developed by PSI.

In addition to facilitating the utilisation of existing capacity reserves, the integrated network calculation functions of PSI grid control systems help prevent transmission losses in electrical grids. Depending on the situation in the grid area, functions like bottleneck management, load flow simulation and load flow optimisation can reduce transmission losses by several percentage points, for notably more efficient electricity grids.

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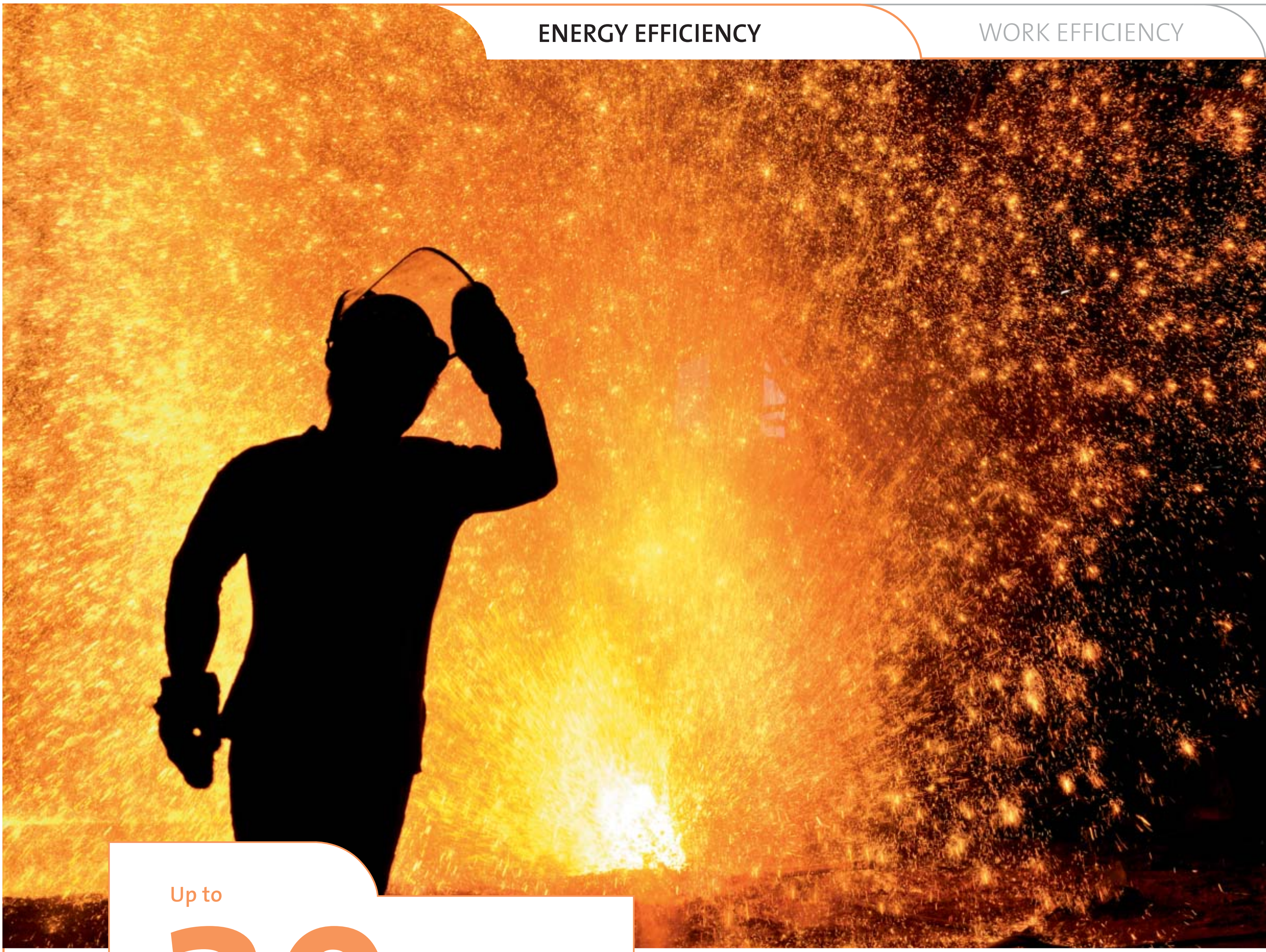
ENERGY EFFICIENCY WORK EFFICIENCY



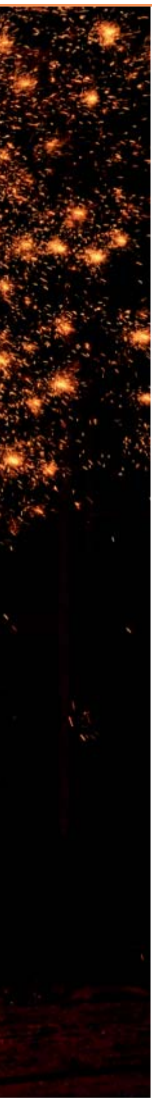
Up to

30%

of total expenditure

in steel production goes for energy costs. PSI*metals* helps save a significant amount of that energy.

Energy management systems can provide important cost savings potential in the steel, aluminium, and copper industries.



THERE'S A LOT OF ENERGY IN METAL.

METAL PRODUCERS ARE AMONG THE HEAVIEST USERS OF ENERGY. SOFTWARE SOLUTIONS HELP THEM SAVE ENERGY COSTS.

World population growth and economic expansion in the emerging markets are driving the demand for energy. But fossil energy sources are limited and extraction is becoming more and more costly, while alternative energy sources and infrastructure also require extensive investment.

Both of these factors are driving energy price rises with major consequences for energy-intensive industries like steelmaking, in which energy costs account for about 20 to 30 percent of all expenditures. The integrated energy management of the PSI*metals* production management solution makes it possible to save a significant part of these costs.

PSI*metals* offers functions for the projection and control of energy consumption in all areas and stages of metal production. These functions ensure that limit values are adhered to, thus creating a sound basis for cost-optimised energy contracts. Expensive peak loads are avoided, and energy consumption can be further reduced through the use of exhaust heat or gas.

Working together with detailed production planning, PSI*metals* calculates the exact energy consumption needed to fill orders, taking into account steel quality, alloys, weight, temperature and material dimensions.

Load management functions control energy demand during production, to avoid penalties for exceeding the agreed maximum amount.

"A PSI*metals* energy management project amortises in less than a year."

Application Edit View Workspace Windows ? Goto Filter

Function Explorer

- Individual customer demands
- Increasing production complexity
- More models and variants
- Faster planning
- Optimised production sequence

ENERGY EFFICIENCY

WORK EFFICIENCY

PRODUCING INDIVIDUALITY EFFICIENTLY.

The automotive industry has changed in the past few years, as more individual customer demands have greatly increased the complexity of production processes. The rising number of models and variants makes it ever more difficult to plan production for maximum efficiency. At the same time, manufacturers must react faster to order changes as well as bottlenecks in production capacity and parts availability. Despite last-minute changes, customers expect on-time deliveries, and of course everything has to be as efficient as possible.

To meet these contradictory demands, the most successful European car makers use optimisation software from PSI. It allows them to greatly speed production planning and boost efficiency while improving on-time delivery performance, despite frequent short-notice changes. For all these reasons, an investment in PSI software pays off in a very short time.

Application Edit View Workspace Windows ? Goto Filter

ENERGY EFFICIENCY

WORK EFFICIENCY

Up to

20%

higher efficiency with the PSI Workforce Management System.

Maintenance and overhaul are major cost factors in the operation of large supply networks. Workforce management systems reduce costs without sacrificing reliability.

LARGE-SCALE INFRASTRUCTURE.

EFFICIENT MAINTENANCE, REPAIR AND OVERHAUL PROCESSES ARE A KEY FACTOR IN THE RELIABLE OPERATION OF LARGE-SCALE INFRASTRUCTURE.

As cost pressure and global competition ramp up, efficient work processes are becoming critical for industrial and service companies alike, and investment in measures to improve efficiency is rising. The investments pay off – it has been demonstrated that intelligent optimisation can give clear efficiency benefits without impairing flexibility or reliability.

The operation of large-scale infrastructures like energy supply, road and rail networks requires extremely good planning and management of all activities, and is almost inconceivable without powerful workforce management software and mobile devices. Effective management of planned maintenance and construction work, clearance of unplanned faults and integrated support in crisis situations minimise downtime and reduce travel time. The result is efficiency gains across the board.

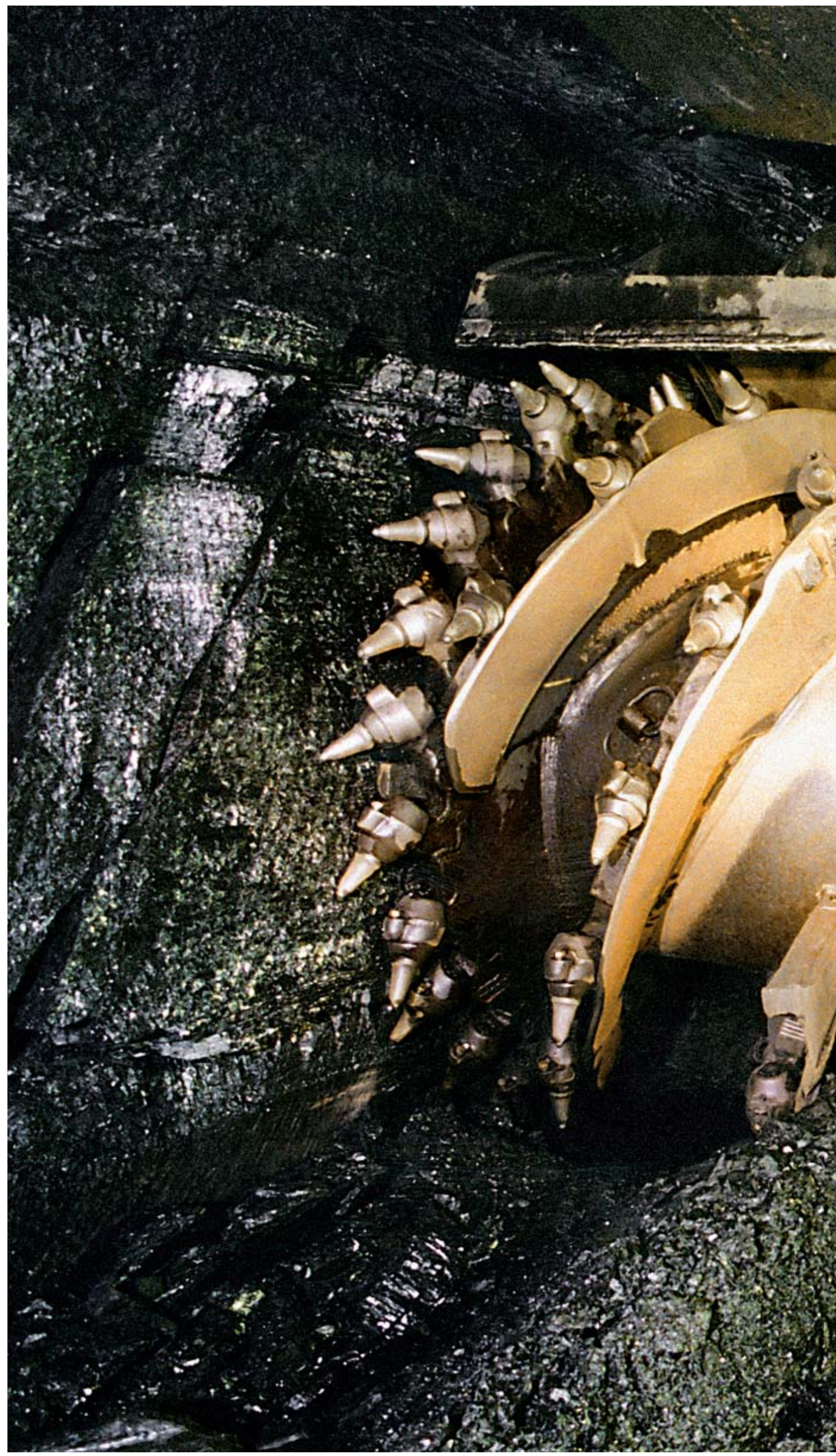
The software ensures that personnel, vehicles and machines are properly allocated to their respective tasks, and provides for an even workload. It assists staff by providing mobile access to all important information, reducing the burden on central coordination and dispatching. Overall efficiency gains of up to 20 % are possible with the PSI Workforce Management System.

Application Edit View Workspace Windows ? Goto Filter

Function Explorer

- Rising demand for raw materials
- Safety and environmental issues
- Making use of synergies
- Higher productivity and quality
- Fast amortisation

ENERGY EFFICIENCY WORK EFFICIENCY



MAKING MINING BETTER.

The strong economic growth and industrialisation of the emerging markets are driving increasing demand for raw materials, but extracting these raw materials is increasingly difficult and costly. This makes efficiency in mining more and more important. Simultaneously, safety and environmental concerns around mining are coming more into focus in the emerging markets.

To meet all these requirements, PSI has developed a new type of control system in cooperation with a pilot customer. It integrates all mining and operations management processes in a single application, creating synergies that have a direct, positive influence on productivity, quality, safety, workload and costs. For example, by analysing geological and sensor data from the mining process, the amount of waste stone brought out with coal can be minimised.

The reduced wastage means that the control system amortises quickly, while mining consumes fewer natural resources.

ENERGY EFFICIENCY WORK EFFICIENCY

34.9

million tons of crude oil

were pumped across the Alps in 2012 through the Transalpine pipeline, monitored and controlled with PSI software.

Personal and environmental safety are a top priority in the operation of long-distance pipelines, so pipelines are subject to high safety standards and strictly regulated procedures.

MATERIAL EFFICIENCY INNOVATIVE STRENGTH SUSTAINABILITY

PROGRESS FOR PIPELINES THAT DON'T LEAK.

OIL AND GAS PIPELINES ARE SUBJECT TO RIGOROUS SAFETY REQUIREMENTS THAT CAN BE MET ONLY WITH THE HELP OF MODERN SOFTWARE SOLUTIONS.

The worldwide gas, oil and petrochemical pipeline network continues to grow, spanning ever greater distances. Modern pipeline management systems are increasingly vital to protect the environment and prevent losses by quickly and reliably detecting leaks and precisely locating them. In gas pipelines, the compressor stations also need to run efficiently to reduce the amount of gas necessary for operation, while in oil pipelines energy costs can be reduced by optimising pump operations. These measures also extend the life of the pipeline.

Pipeline management systems from PSI combine different physical processes to detect leaks, depending on the material being transported and the extent to which the pipeline is automated. The PSI monitoring system is notable for its high precision, and naturally meets the most rigorous national and international standards for safe pipeline operations.

Accordingly, PSI pipeline management systems are used not just in Europe, but also increasingly in Russia and the Middle East.

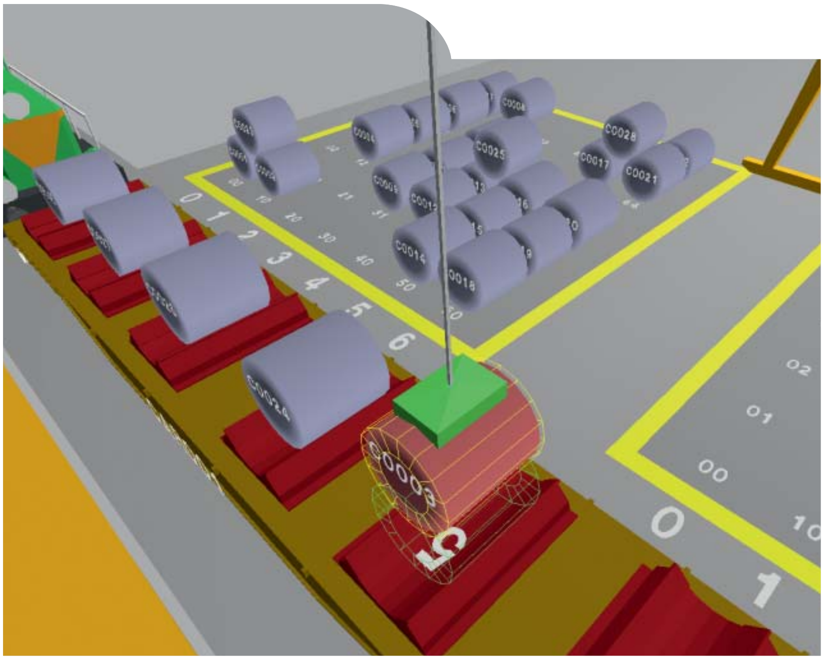
"Leak detection and location systems from PSI offer the highest precision and reliability for monitoring large pipelines with pump stations and gradients."

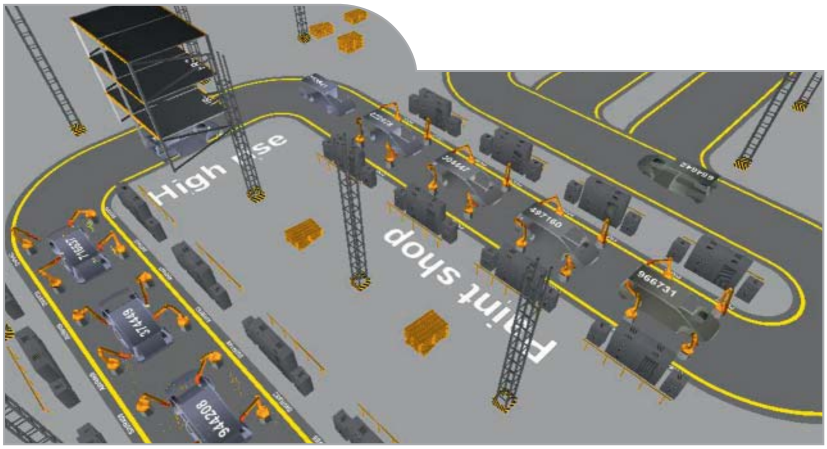
Application Edit View Workspace Windows ? Goto Filter

Function Explorer

- Group-wide technology platform
- Modern development tools
- Industry expertise
- Convenient user interface
- Faster development

ENERGY EFFICIENCY | WORK EFFICIENCY





The modern user interface of the new PSI software platform is intuitive to operate, and offers two and three-dimensional views of systems and processes.

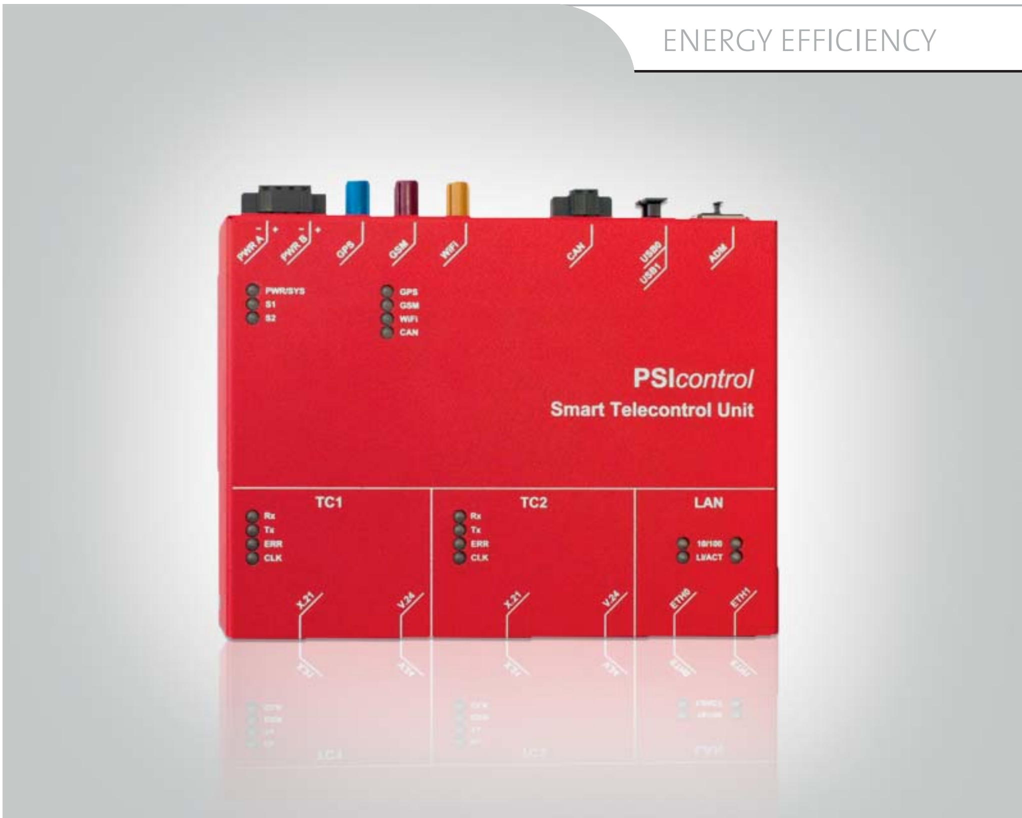
THE PLATFORM OF TOMORROW.

INNOVATIVE PRODUCTS AND MAINTAINING OUR TECHNICAL AND FUNCTIONAL ADVANTAGE ARE FUNDAMENTAL TO THE BUSINESS SUCCESS OF PSI.

In the past few years PSI has invested in the development of a new Group-wide technology platform. It is based on the most recent development tools, programming languages and standards, and bundles the industry and development expertise of the entire Group. The new software platform boosts productivity in customer projects and gives developers a new level of flexibility. At the same time, it ensures a high level of investment security for our customers.

The new technology platform includes extensive components that enable simple and seamless integration with existing business applications, while supporting all hardware platforms, communication standards and web technologies. Its system architecture is designed to be scalable, and ensures high availability. The modern GUI is also a benefit, offering intuitive operation, two and three-dimensional graphic depictions, and new techniques like multitouch and gesture control that make users' jobs easier.

Since 2011, our investment in the technology platform has focussed on rollouts in the divisions and migration of existing products. Experience thus far shows that the new platform saves time and money for customers and PSI. At the same time, it creates synergies by combining the strengths of all business units on a shared platform, accelerating the development of new functions.



The Smart Telecontrol Unit, developed in cooperation with large grid operators, enables the distributed, automated control of local grids and creates the basis for the widespread use of smart grid technologies.

Over

500,000

substations

in German electrical distribution grids. Intelligent distributed control allows more feed-in of renewable energy to these grids.

MATERIAL EFFICIENCY INNOVATIVE STRENGTH SUSTAINABILITY

INVENTING THE FUTURE TOGETHER.

THE SHIFT TO RENEWABLE ENERGY IS A HUGE TECHNOLOGICAL CHALLENGE, AND ESSENTIAL FOR THE FUTURE OF EUROPE. PSI IS INVESTING TODAY IN THE TECHNOLOGY OF TOMORROW.

Today, PSI is a leading provider of control systems for electrical transmission and distribution grids. To expand that position, PSI continuously invests in new functions for the energy supply of the future. Energy generation and consumption must be intelligently balanced to eliminate the bottlenecks that can result as more renewable energy sources come online, without sacrificing supply security and grid efficiency. This affects not just high-voltage grids, but also more and more medium and low-voltage grids. Going forward, grids at all voltage levels will need to be automated to a substantially greater degree than is the case today.

In order to help utility companies set up smart grids, in cooperation with large grid operators PSI has developed the Smart Telecontrol Unit (STU). It provides secure process coupling with high availability, and incorporates functions for the distributed control of microgrids and for connecting smart meter components. It acts as an autonomous switchpoint in the grid, continuously measuring and coordinating current supply and demand to provide continuous voltage quality. When requirements change, its flexible interfaces allow intelligent, autonomous, distributed applications to be added to the Smart Telecontrol Unit at any time.

In addition, PSI is working with energy utilities and researchers to develop intelligent energy supply infrastructures for the future. Among the research projects we are involved in are Smart Area Aachen, Smart Operator, econnect Germany, Smart Watts and InfoStrom.

Application Edit View Workspace Windows ? Goto Filter

Function Explorer

- Customer orientation
- Transparency
- Employee development
- Social commitment
- Energy and raw material efficiency

ENERGY EFFICIENCY WORK EFFICIENCY

SUSTAINABILITY

For many years the PSI Group and its employees have supported civic and charity projects in their local areas. The Group also supports team sports activities by its employees.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY HAVE BEEN PRIORITIES AT PSI FOR 43 YEARS.

Since our founding in 1969, PSI has been helping customers in the energy and manufacturing industries by providing software solutions that enable the efficient and responsible use of energy, labour and raw materials. In addition to taking into account environmental issues, sustainability-directed action in client projects and in our own projects includes company and employee social responsibility and good management.

CORPORATE ETHICS

PSI follows ethical principles in its dealing with customers, shareholders, employees, partners and competitors. These are set forth in the Code of Conduct, which is posted on the Group's website at www.psi.de. In it, PSI undertakes to follow ethical business practices and comply with legal standards of work dignity and fair business practices, protect natural resources and respect intellectual property.

MANAGEMENT

Responsible and long-term oriented management and control of the Company is of key significance for the PSI Group. Accordingly, PSI has adopted a guideline system regulating many aspects of sustainable and responsible company management. Since adopting the German Corporate Governance Code in 2002, PSI has complied with its recommendations with few exceptions. These are explained each year in a compliance declaration.

EMPLOYEES

For a specialist software provider like PSI, having highly qualified and motivated staff provides crucial competitive advantage. As a result, the PSI Group has employed a high percentage of university graduates with specialist industry knowledge. Most of them have engineering degrees.

A special feature of PSI is that employees and management hold around 25 % of PSI shares. In 2012, employee fluctuation at PSI was 5 %.

PSI respects and follows legal mandates on freedom of association, non-discrimination and the employment of severely handicapped.

Personnel development and qualifications are critical for a technology company like PSI. The major focus is on the specialist training of new employees at international locations and locations in Germany, as well as qualification of employees for international work. In 2012, the Company invested an average of 6.5 days per employee for further training.

VENDORS

Most of PSI's vendors are large international IT companies with extensive social responsibility standards. In addition, PSI works with freelancers for whom the same standards apply as for PSI employees. PSI vendors and partners comply with legal standards of dignified working and fair business practices, protection of natural resources and protection of intellectual property. The PSI Group has been certified to ISO 9001 since 1994. A defined process for vendor selection and evaluation is part of the quality management system.

CUSTOMERS

Sensitive business information entrusted to employees by customers in the course of their work is treated confidentially and protected from third-party access. PSI protects its own secrets and also respects the intellectual property rights of third parties. Employees are required to keep business secrets and sensitive data confidential.

PHILANTHROPY

PSI has been involved in social welfare projects for years. In 2012 again, the Company and its employees at several locations supported charitable works and organisations. As every year, at Christmas PSI Energy Markets made a donation to the Löwenherz Children's Hospice. In Berlin, the employees of PSIPENTA GmbH made a collection at their Christmas party for the Sonnenhof Children's Hospice of the Björn Schulz foundation. At the Aschaffenburg facility, at Christmas PSI made a donation to the aid associations Grenzenlos e.V. and Deutscher Kinderhospizverein e.V.

In Malaysia, our Asian subsidiary PSI Incontrol distributed 250 schoolbags to children of families affected by severe flooding. In Thailand, PSI Incontrol and its employees together contributed funds to support a flood victim.

ENVIRONMENT

PSI software solutions make a major contribution to ensuring that energy, raw materials and labour in energy management and the energy industry are used carefully and sustainably. As a result, PSI production management systems for the steel and aluminium industry have functions which help to avoid

In Thailand, PSI Incontrol and its employees together contributed funds to assist a victim of the devastating flooding in Bangkok.

In Malaysia, 250 schoolbags were given to children of families affected by severe flooding.

At many locations, the Company supports employee sports activities by sponsoring jerseys and fees, such as here at the Team Relay at the Berlin Tiergarten.

In addition to various foot racing events, the Company sponsored participation in the Aschaffenburg Dragon Boat Race.

consumption peaks by predicting energy consumption for all production stages. This means that energy use can be optimised. They also support the reuse of energy released during production, using special functions and optimisation methods.

PSI is continuously extending its management systems for large electrical transmission grids by adding functions which aid in the transmission of increasing amounts of renewable energy. This includes functions such as safety calculations, thermal overhead circuit monitoring, bottleneck, manufacturing and infeed management. PSI gas management systems enable optimum control of the compressor stations needed for network operations, and minimise losses due to technical causes. Leak detection and localisation systems contribute to reducing losses during gas and oil transport over large distances and to preventing environmental damages.

In Logistics and Traffic in the past years, PSI has developed new solutions for the dynamic control of optimised logistics networks and energy-optimised rail traffic, among other things. This allows us to effectively support customers in reducing greenhouse gases and saving energy.

PSI has applied a travel policy, uses green IT hardware and power-heat cogeneration at its own Aschaffenburg facility. An environmental management system is under development. Since 2011, PSI has participated in the Carbon Disclosure Project.

2012 HIGHLIGHTS

With the acquisition of Time-steps AG in Switzerland, we have added new strength for smart grids and smart energy markets.

In the Electricity and Gas business, we have received large control system orders for the east Asian part of Russia.

We have received a second major order from China for our PSI*mining* control system.

Our Metals segment has extended its worldwide leadership position with orders from China, Southeast Asia, Eastern Europe, the Middle East, and North and South America.

With orders from Brazil and China in the automotive and train sector, we took an important step towards further internationalisation.

In Poland, we received our first major order from a transportation company.

FINANCIAL INFORMATION

BUSINESS AND STRATEGY

The PSI Group's core business is process control and information systems, tailored to the following industries:

- Electricity, gas, oil, district heating utilities
- Metals, raw material extraction, mechanical and plant engineering, automobile and automotive supply, and logistics
- Infrastructure operators in the fields of traffic, safety and environment.

Accordingly, the Group is organised into the three segments Energy Management, Production Management and Infrastructure Management. The PSI Group develops and sells its own software products for these sectors, including complete systems based on these products.

In Energy Management, the PSI Group develops control systems for electric networks, combined energies control systems, gas and pipeline management systems and solutions for energy trading, energy sales and portfolio management on the deregulated energy market.

In Production Management, PSI has an integrated solutions portfolio for the planning and control of production and logistics processes in the fields of raw material extraction, metal production, logistics, and mechanical and vehicle engineering.

Infrastructure Management includes control solutions for the monitoring and operation of transportation/traffic, public safety and environmental protection.

With almost 1,600 employees, PSI is one of Germany's largest software manufacturers. As a specialist for high-end control systems, particularly for energy providers and metal manufacturers, PSI has grown to become an international leader, both nationally and in target export markets. The functionality and innovative character of PSI's products are key competitive advantages. Founded in 1969, PSI is one of Germany's most experienced information technology companies.

The PSI Group's German offices are in Berlin, Aschaffenburg, Dortmund, Dusseldorf, Essen, Hamburg, Hanover, Karlsruhe, Munich, Stuttgart and Würselen. It also has international locations, including subsidiaries and representative offices in Austria, Bahrain, Belgium, Brazil, China, Great Britain, India, Malaysia, Oman, Poland, Russia, Switzerland, Thailand, Turkey and the US.

The Group strategy is centred around growth, international expansion and concentration on the core business. To meet its strategic goals, the PSI Group aims to be a technological leader with a high rate of innovation, helping to set the pace and shape trends in its target industries. Product and technology development includes collaboration with clients on pilot projects.

PSI is pursuing a growth strategy with a heavy emphasis on international markets. The most important source of growth is exports to the markets of Asia and Eastern Europe. PSI aims to further extend its export share in the upcoming years and to invest in additional geographic target markets. This will bring economies of scale, thereby improving opportunities for further profitability growth.

In the last eight years, this strategy has enabled the PSI Group to continually grow revenues and earnings. During this time, the international share of Group revenues and incoming orders more than tripled.

BUSINESS DEVELOPMENTS AND ECONOMIC SITUATION

Growth in the IT and software markets continued in 2012

The German IT market, which includes hardware, software and IT services, grew again in 2012, by 2.3 %. The software market segment of particular relevance to PSI again experienced the strongest growth in the overall IT market, with a 4.4 % expansion in sales.

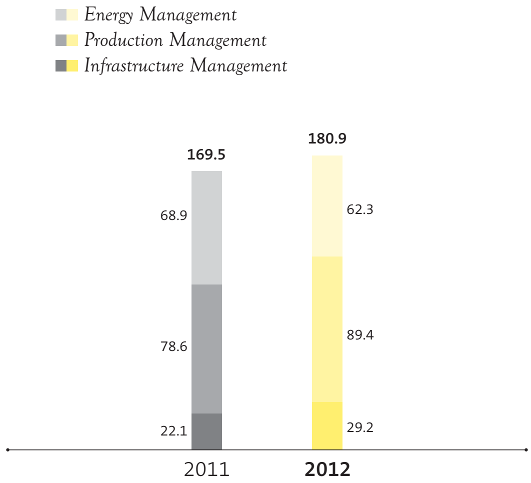
Growth in Germany slowed in 2012

The German economy experienced much weaker growth in 2012 than in previous years. GDP increased by 0.7 % compared to 3.0 % the previous year. Investments in equipment, which still grew substantially in the previous year, experienced a significant slowdown (–4.4 %).

The manufacturing sector, representing an important group of PSI's customers, saw –0.8 % in gross value added in 2012, after + 6.2 % in 2011. The global steel industry, to which PSI is a major software provider, grew once again. Following rapid growth of 6.8 % in 2011, global raw steel production increased by a further 1.2 % in 2012.

PSI SALES ONCE AGAIN UP BY 7 %

(EURO MILLION)



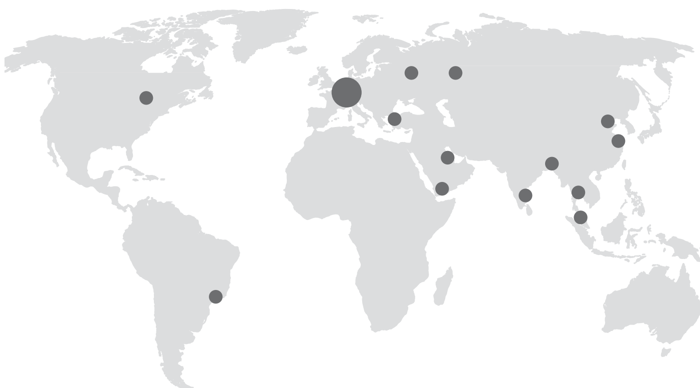
GROUP STRUCTURE AS OF 31 DECEMBER 2012

Energy Management	
PSI AG Elektrische Energie Gas/Oil	
PSI Nentec GmbH	100 %
PSI Energy Markets GmbH	100 %
PSI CNI GmbH (Austria)	100 %
OOO PSI (Russia)	100 %
PSI TURKEY BILIŞIM TEKNOLOJILERY SANAYI VE TICARET A.Ş., Istanbul (Turkey)	100 %
Time-steps AG (Switzerland)	100 %
caplog-x GmbH	33.3 %
OOO PSI Energo (Russia)	24.9 %

Production Management	
PSI Production GmbH	100 %
PSIPENTA GmbH	100 %
PSI Metals GmbH	100 %
PSI Metals Austria GmbH	100 %
PSI Metals Belgium NV	100 %
PSI Metals Non Ferrous GmbH	100 %
PSI Information Technology Shanghai Co. Ltd. (China)	100 %
PSI Metals North America Inc.	100 %
PSI Logistics GmbH	100 %
PSI AG (Switzerland)	100 %
FLS FUZZY Logik Systeme GmbH	100 %

Infrastructure Management	
PSI Transcom GmbH	100 %
PSI Produkty i Systemy Informatyczne Sp z o.o. (Poland)	100 %
PSI Incontrol-Gruppe	100 %
Talk IP International AG	30 %

INTERNATIONAL PRESENCE AND LOCATIONS
IN EUROPE AND WORLDWIDE



● *PSI locations: Austria, Bahrain, Belgium, Brazil, China, Germany, Great Britain, India, Malaysia, Oman, Poland, Russia, Switzerland, Thailand, Turkey, USA*

Production Management is continuing to perform strongly

Despite the difficult circumstances, the PSI Group continued the positive development of previous years in this field, achieving increases in revenue and operational and Group earnings. Incoming orders grew from EUR 174 million to EUR 188 million. Orders in hand at the end of the year increased to EUR 118 million.

In Production Management, the PSI Group benefited from the fact that its process control solutions focus directly on the efficiency of industrial added value and therefore amortise very quickly. In the energy market, discussions continued on the future conditions of the German energy transition, causing increased investment backlog for many German customers of the Energy Management segment. Despite this, PSI itself has continued to invest in solutions for intelligent grid control, in expanding its international market position and in the migration of additional business units to the new, Group-wide uniform technology platform.

In a contract signed 3 February 2012, a 100 % stake was acquired in Time-steps AG headquartered in Switzerland. The PSI Group thus extended its solutions portfolio in smart grid and smart energy market activities to add an additional unique selling point. Time-steps offers a leading technology for the optimisation of energy portfolios and the effective operation of energy storage.

In the second quarter of 2012, PSI won a strategically important order for the PSI*mining* product from one of the biggest Chinese coal producers. PSI*mining* is a central control system used to increase mining productivity, and was developed during the past few years specifically for use in countries such as China, Australia and Russia.

The PSI Group reached its target for 2012 of around EUR 180 million in revenues. The EUR 13 million operating result target was very nearly reached with EUR 12.9 million, despite changes in Electrical Energy. At EUR 188 million, the target of EUR 190 million for incoming orders was also almost reached, although the awarding of several large orders was postponed to 2013.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

EARNINGS

Consolidated revenue up

In 2012, Group revenue exceeded the previous year's total of EUR 169.5 million by 6.7 % with EUR 180.9 million. Whereas Production and Infrastructure Management saw double-digit growth rates, revenues in Energy Management were lower than previous year levels, due primarily to the difficult market situation in electrical energy. Revenue per employee, measured by the average number of Group employees, remained constant at EUR 116,000, as revenue and capacity increased to roughly the same extent.

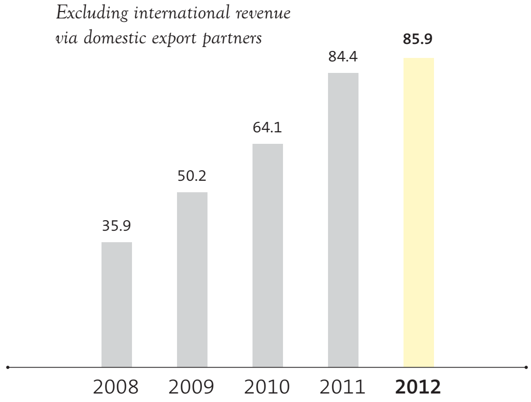
Increased third-party proportion

The cost of materials and services increased by EUR 5 million to EUR 36.1 million. Expenditure for project-related purchases of hardware and licenses increased by EUR 3.4 million, and costs for purchased services increased by EUR 1.6 million. Personnel expenses increased by 5.3 % to EUR 100.9 million.

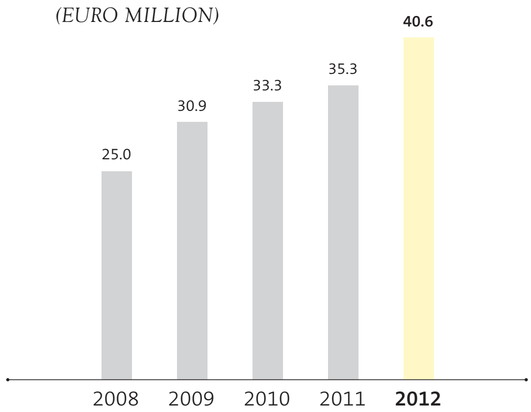
Improved operating and Group result

The Group's operating result improved by more than 20 % from EUR 10.7 million in the previous year to EUR 12.9 million. The Group result for the reporting year increased by 27 % from EUR 7.4 million to EUR 9.4 million. Earnings per share grew from EUR 0.47 to EUR 0.60. The major contributors to this outcome were the Metals and Gas and Oil businesses, along with subsidiaries in Poland and Malaysia. The result was negatively impacted by expenditures for research and development in the Electrical Energy and Energy Trading Systems business.

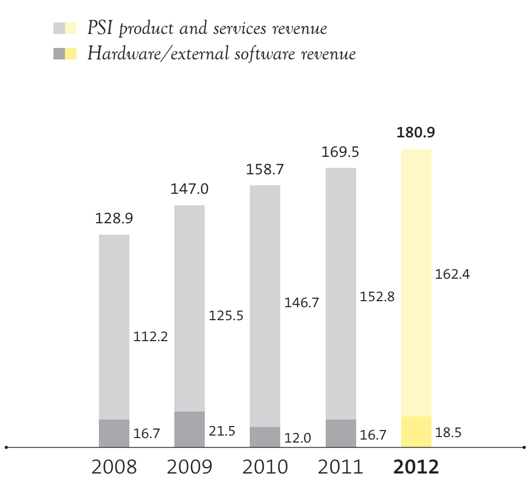
EXPORT RATIO AT NEARLY 50 %
(EURO MILLION)



CONTINUED INCREASE IN MAINTENANCE REVENUE
(EURO MILLION)



OWN ADDED VALUE ROSE AGAIN
(EURO MILLION)



New orders were above revenues

At EUR 188 million in 2012, new orders were 8 % higher than the previous year's EUR 174 million, and also above revenues. Orders in hand at the end of the year increased over the previous year's level of EUR 112 million, to EUR 118 million.

Exports up again as percentage of total revenue, more license revenues

Revenue earned outside Germany increased slightly from EUR 84.4 million the previous year to EUR 85.9 million. This corresponds to a slight decrease in export percentage from 50 % to 47 %. The percentage of international orders increased from 45 % to 48 %, following a decline in the previous year.

Maintenance revenue rose from EUR 35.3 million to EUR 40.6 million. License revenues rose from EUR 14.2 million to EUR 17.4 million. As part of the focus on increasing software business, it is planned to substantially grow license, maintenance and permanent upgrade contracts.

In 2012, Production Management further increased its share in the consolidated revenue; revenues from this segment increased from 46 % last year to 49 %. Energy Management contributed 34 % as compared to a previous 41 %, while Infrastructure Management accounted for 16 %, up from 13 %. Infrastructure Management includes the revenues of the PSI Incontrol Group, which, in addition to infrastructure projects, also trades in Energy Management for Asian customers.

Energy Management segment with continued investment in the product base in 2012

In 2012, Energy Management was on the one hand affected by further growth in the Gas and Oil division, and on the other hand by a drop in sales in the Electrical Energy division due to the German energy transition. Total revenue decreased by 9.6 % to EUR 62.3 million. The segment encompasses Electrical Energy, Gas, Oil, Heat and Energy Trading. The operating result suffered due to investment delays in electricity distribution networks in Germany and simultaneously by investments in the product base, and fell from EUR 4.0 million in the previous year to EUR 3.2 million. The Gas and Oil segment continued on a positive course and received further orders from Gazprom. The Energy Trading business invested further in the product base and expanded its range of services by including the technology of the Group's new subsidiary Time-steps AG.

Production Management once again reports double-digit growth

Revenues from Production Management in 2012 increased by 13.7 % to EUR 89.4 million. New orders also continued to increase over an already strong previous year. In this market segment, PSI develops solutions for efficient planning and control of production and logistics processes. The segment's operating result rose from EUR 5.5 million for the previous year to EUR 6.6 million. The highest margins were achieved by PSI Metals, which focuses on the steel industry and once again significantly improved its result, and by automation specialist PSI Production. With a further large order from China for its raw material extraction control system, PSI Production remains on a growth course. ERP software provider PSIPENTA and PSI Logistics repeated their positive performance of the previous year.

Infrastructure Management sees its major growth in exports

At EUR 29.2 million, Infrastructure Management had 32.1 % higher revenues in 2012 than in 2011. The operating result rose from EUR 3.1 million to EUR 4.4 million. PSI Incontrol (Asia) and PSI Poland once again made the largest income contributions. PSI Poland also experienced very strong growth in new orders and sales.

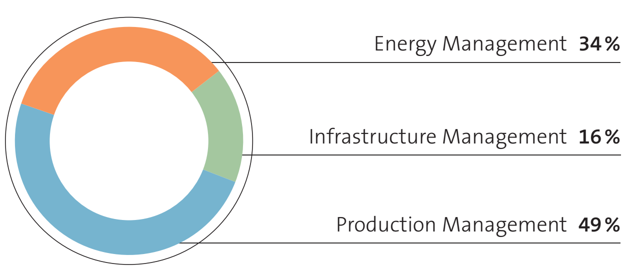
FINANCIAL POSITION

PSI conducts monthly liquidity planning to ensure the coverage of operational and capital expenditure. A rolling monthly risk management forecast is performed for all companies, with a planning horizon of twelve months. This serves to minimise bank borrowing by individual Group companies, and optimises interest income on fixed term deposits. To finance the expansion of business in Southeast Asia, a long-term loan was taken out in 2012.

Financing predominantly through business operations

PSI capital expenditure goes mainly to product optimisation and further internationalisation of the Group. Both are financed as far as possible from the operative business. PSI focuses on major pilot customers and dependable partnerships for international growth and for the development of new products and functionalities.

REVENUE ALLOCATION BY SEGMENT



As of 31 December 2012, PSI had guarantee and credit lines of EUR 105.8 million to finance ongoing business. In the prior year, the guaranteed and bank credit facility totalled EUR 99.8 million. The claimed amount related almost entirely to the guaranteed loan, and on the balance sheet date had increased from EUR 42.9 million in the prior year to EUR 45.1 million. The Group was in a position to meet its payment obligations at all times in fiscal 2012. The Group has internal ratings issued by its banks, which correspond to ratings in the A- to BBB range.

Cash flow from operating activities below the previous year

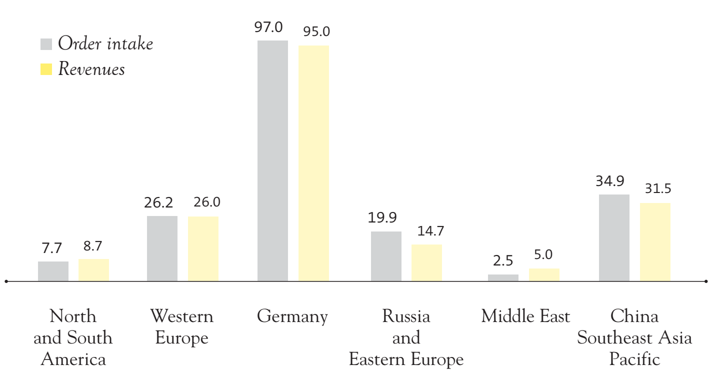
Cash flow from operating activities decreased from EUR 15.4 million in the previous year to EUR 0.8 million, mainly due to expansion of working capital in Infrastructure Management. Changes in working capital stem mainly from fluctuations between project phases, in which advance payments from customers are greater than the services performed, and project phases, in which the services performed are greater than the customer payments already received.

Cash flow from investing activities decreased to EUR −3.6 million mainly due to the acquisition of Time-steps AG. In the previous year it totalled EUR −1.6 million.

Cash flow from financing rose to EUR 2.3 million due to taking out a loan to finance growth in Southeast Asia. In the previous year this figure was EUR −9 million, due to the repayment of a property loan. As of year end, cash decreased slightly from EUR 33.8 million to EUR 33.3 million.

EXPORT SHARE IN NEW ORDERS INCREASES TO 48 %

Worldwide activities (EURO MILLION)



ASSETS

Assets structure:
Goodwill increased through acquisition

In 2012, the PSI Group invested EUR 5.2 million in intangible assets and property, plant and equipment compared to EUR 4.4 million the previous year. Capital expenditure was for intangible assets and plant, property and equipment acquired from third parties. Included in this figure was the takeover of Time-steps AG in 2012.

The goodwill carrying amount rose from EUR 43.9 million to EUR 44.5 million due to this acquisition.

Balance sheet structure:
Shareholder equity remained at 40 %

The PSI Group's total assets rose in 2012 by 6.1 % to EUR 186.4 million.

On the assets side, non-current assets experienced an increase from EUR 65.2 million to EUR 68.1 million. Current assets were up from EUR 110.5 million to EUR 118.3 million. Cash and cash equivalents fell slightly by EUR 0.5 million, while trade receivables increased by EUR 2.9 million and receivables from long-term contract manufacturing rose by EUR 4.7 million.

On the liabilities side, current liabilities grew marginally from EUR 67.5 million to EUR 67.8 million. Non-current liabilities rose from EUR 35.3 million to EUR 45.0 million, due to taking out a long-term loan and increased pension provisions. Shareholder equity increased from EUR 72.9 million to EUR 73.6 million. The equity ratio went down slightly from 42 % to 40 %.

OVERALL ASSESSMENT OF THE RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

In the 2012 fiscal year, the operating result, financial position and net assets for the PSI Group remained stable compared to the previous year. Earnings in particular showed a positive development, while cash flow from operating activities decreased due to the expansion of working capital. For 2013, management expects higher earnings and an improvement in cash flow. The Group thus remains well-positioned financially to finance organic growth.

RESEARCH AND DEVELOPMENT

Innovative products and maintaining technological leadership are key competitive advantages in the software market. The development of new products is thus extremely important for the PSI Group. The functionality and modernity of products are just as decisive for business success as the use of Group-wide development platforms and the exchange of new functionalities within the Group.

In new product development, PSI works closely with pilot customers who are industry leaders. This collaboration ensures that customers gain benefits from the products right from the start. Products are optimised on an ongoing basis in follow-up projects, and adapted to the shifting requirements in our target markets. The resulting core products provide the basis for broader distribution and export.

The focus of development activities shifted further during 2012 to implementing the Group-wide software platform in the PSI business fields. PSI has established a Group-wide development community which promotes the exchange of software components within the Group and accelerates further convergence of product platforms. Convergence improves the foundations for further export growth and also reduces development costs.

In parallel with platform convergence and internal technology transfer, the Group continually develops new products, product expansions and product versions. The effectiveness is evaluated by pilot projects and market acceptance monitoring in the target markets.

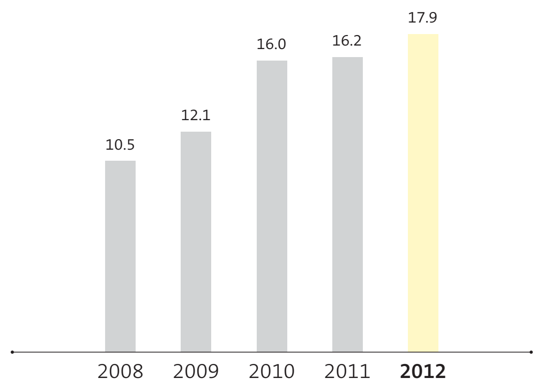
At EUR 17.9 million, the PSI Group's R&D expenditure in 2012 was above the previous year's figure of EUR 16.2 million. This does not include any relevant purchased services.

The primary development objectives were:

- The new control system release and product variants for electricity transmission and distribution networks
- Secure communications solutions for smart grids and their testing as part of research projects
- New industry solutions for the automotive industry with extended planning functionalities and integrated process optimisation
- The merger of the electricity trading system and the planning tool for gas suppliers into an integrated energy business solution
- A new SCADA component based on the new Group-wide software platform
- Continual expansion of the Group-wide software platform with further applications and tools.

After delivering the first PSI*mining* test system to China, PSI received its first large order for this new product, also from China. PSI*mining* is a central control system designed to automate the mining process.

R+D EXPENSES REMAIN AT A HIGH LEVEL
(EURO MILLION)



A new Java-based just-in-sequence solution based on the PSI*penta* product was presented at CeBIT 2012. After successfully implementing PSI*metals* 5 production management solution in several projects, PSI received numerous follow-on orders.

In Energy Management, the PSI Group has in the past few years invested heavily in the product character of its control system software, variants for export, support for international standards and the development of new functions for better integrating renewable energies.

Apart from product development, PSI has participated for many years in research projects for innovative technology development funded by the public sector. Topics of these research projects include developing platforms for creating self-regulating energy networks, controlling intelligent logistics networks and improving transport security.

The findings of the projects are implemented under cooperation/consortium agreements concluded among the participants of the respective research association. The funding covers approximately 40 % to 50 % of personnel and non-labour costs that the PSI Group incurs for its research projects. The provider of development funds is continually updated as to the use of the funds and the project status. In fiscal 2012, the PSI Group received a total of EUR 1.6 million in public subsidies.

SUSTAINABILITY

Since the foundation of the Company 43 years ago, the sustainability of its customer projects and own processes has been of key significance at PSI. In addition to environmental protection, this also includes social responsibility of the Company and its employees as well as of the Management.

Sustainability in PSI's solutions and own processes

PSI software solutions make a major contribution to ensuring that energy, raw materials and labour in energy management and the energy industry are used carefully and sustainably. PSI uses heat and power cogeneration for its Aschaffenburg facility, and Group-wide it deploys energy-efficient IT. PSI has participated in the Carbon Disclosure project since 2011.

Social responsibility of Company and employees

PSI has been involved in social welfare projects for years. Examples from 2012 are aid for flood victims in Malaysia and various regional fundraising campaigns for charitable organisations in the areas where PSI is located.

Transparent and responsible corporate governance

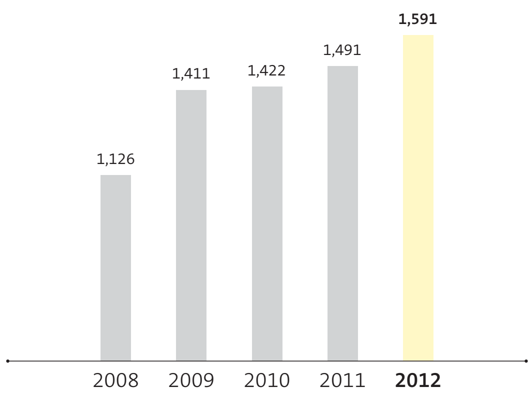
Besides a binding code of conduct, PSI has adopted guidelines which set out rules for numerous aspects of sustainable and responsible corporate governance. PSI also complied with the recommendations of the government commission for the German Corporate Governance Code in 2012, with few exceptions.

Further details about sustainability are published on the PSI websites at http://www.psi.de/en/psi-investor-relations/sustainability/ and in the sustainability chapter of the Group's Annual Report.

EMPLOYEES

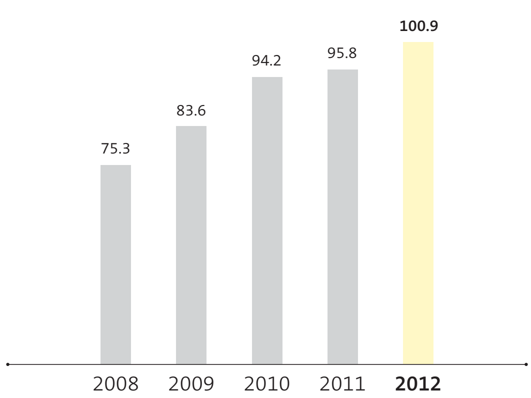
For a specialist software provider like PSI, having highly qualified and motivated staff members provides crucial competitive advantage. As a result, the PSI Group has for many years employed a high percentage of university graduates with specialist industry knowledge. The number of employees with university degrees exceeds 80 %, most of whom have engineering backgrounds.

NUMBER OF EMPLOYEES INCREASED FURTHER

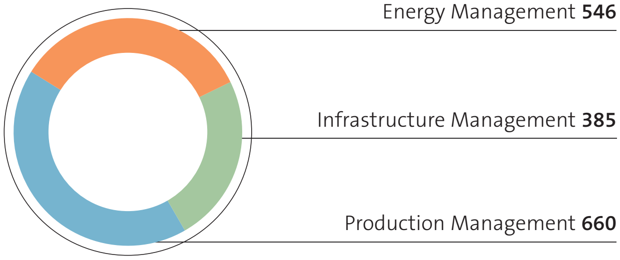


PERSONNEL EXPENSES ROSE LESS THAN REVENUE

(EURO MILLION)



MOST EMPLOYEES IN PRODUCTION MANAGEMENT



Personnel development and employee qualification are key to the functionality and innovative character of PSI's products. The major focus is on the specialist training of new employees at international locations and locations in Germany, as well as qualification of employees for international work. Standardisation and knowledge transfer within the Group are further promoted through Group-wide working groups on technology, infrastructure, maintenance, quality management, controlling and marketing. Group-wide, employees have been receiving training for the uniform Java technology platform for two years now.

In order to make early contact with graduates of appropriate degree courses, PSI is involved in promoting education and research in engineering and natural sciences on many levels. PSI also maintains working ties with universities near the Group's most important locations, including by offering traineeships and through cooperation on dual major programmes.

Since autumn 2010, PSI has been a committed commercial partner for the logistics research cluster and a project partner for the environmentally friendly and sustainable energy technology cluster at the new RWTH Aachen campus.

A special feature of PSI is that employees and management hold around 25 % of PSI shares. A large number of employees formed a consortium after PSI AG's IPO. Coordinating unified voting behaviour among participating employee shareholders at the Annual General Meeting is an essential goal.

The workforce at year end increased by 100 to 1,591 employees. Energy Management numbered 546 employees, Production Management 660, and Infrastructure Management 385.

At EUR 100.9 million, personnel expenditures were up 5.3 % versus the previous year's figure of EUR 95.8 million. With increasing direct service in export regions Southeast Asia, China, Poland and Russia, average per-employee expenditures will be close to the international industry average.

LEGAL DISCLOSURES

DISCLOSURES UNDER SECTION 315 (4) HGB (GERMAN COMMERCIAL CODE)

As of 31 December 2012, the subscribed capital of the PSI AG totalled EUR 40,185,256.96, consisting of 15,697,366 no-par value shares with a notional par value of EUR 2.56. Each share entitles its holder to one vote. There are no different types of shares. Shareholders exercise their voting rights at the Annual General Meeting in accordance with applicable law and the Articles of Association. Legal restrictions on voting rights may exist, for example pursuant to Section 136 of the German Stock Corporation Act or, insofar as the Company holds shares, pursuant to Section 71b of the German Stock Corporation Act. In the second half of 2011, PSI AG issued a total of 9,332 PSI AG shares as workforce shares to employees. These shares are subject to an agreed contractual lock-up period until 8 December 2013. In the second half of 2012, PSI AG issued a total of 17,330 PSI AG shares as workforce shares to employees. These shares are subject to an agreed contractual lock-up period until 23 October 2014. There are no further restrictions with respect to voting rights or the disposal of shares.

One part of the shares bundled in the consortium of current and former employee shareholders was transferred to the consortium in trust (pool shares). Of the voting right proportion of 9.35 % last announced by the consortium, 3.74 % were pool shares. Since each consortium member may only remove his or her pool shares with the approval of the consortium management or after terminating membership in the consortium with a notice period of three months before the end of a year, there is an actual sales restriction. Among the purposes of the consortium is to coordinate consistent voting behaviour for the employee shareholders involved in the Annual General Meeting of PSI AG.

In the 2012 fiscal year, RWE Deutschland AG, Essen, held a 17.77 % share in PSI AG. According to information of PSI AG, RWE Deutschland AG is a company managed by RWE AG, Essen. The RWE Group is a major utility and key customer of PSI AG's Energy Management segment. According to a disclosure under Section 27a (1) Securities Trading Act (Wertpapierhandelsgesetz – WpHG) of 22 September 2009, the RWE Group's investment in PSI AG serves to secure the cooperation between PSI AG and the RWE Group on a sustained basis.

PSI AG did not issue shares with special rights.

In terms of employee shares, PSI AG does not have control of voting rights if the employees have a share in the Company's capital and do not directly exercise control rights.

Board members are appointed and dismissed by the Supervisory Board according to Section 8 (1) of the Articles. The Supervisory Board also determines the number of members. Otherwise, Sections 84 f. of the Stock Corporation Act (AktG) apply to the appointment and dismissal of Board members.

In accordance with Section 11 of the Articles of Association, the Supervisory Board is authorised to make changes and amendments to Articles of Association relating only to its version. Apart from this, the Annual General Meeting approves the Articles according to Section 19 of the Articles by a simple majority of submitted votes and a simple majority of the share capital represented when passing the resolution. This applies insofar as there are no legal provisions stating that resolutions are to be passed with a majority of at least three quarters of the subscribed capital represented when passing the resolution.

PSI has authorised capital of EUR 8.0 million, per an Annual General Meeting resolution on 3 May 2010, that will expire on 2 May 2015. This resolution authorises the Board of Directors to increase the Company's share capital against cash or non-cash contributions upon approval of the Supervisory Board and without further resolution at the Annual General Meeting. It can be used in particular to finance corporate acquisitions. To date, the Company has not exercised this authority.

Through 27 April 2014, PSI AG has contingent capital in the amount of EUR 15.2 million. This serves to meet the requirements of convertible and warrant bonds and profit certificates. On 28 April 2009, the General Meeting authorised the Company to issue these up to a total nominal amount of EUR 120 million. To date, the Company has not exercised this authority.

PSI AG's Board of Directors was authorised by the Annual General Meeting on 3 May 2010, to acquire and sell its own shares until 30 June 2013, to an amount up to 10 % of the subscribed capital as of the date of the authorising resolution. Based on the share capital from that date, the Company is authorised to buy back up to 1,569,736 shares. The authorisation can be exercised in full or in partial amounts, in one go or in several parts. It may furthermore be exercised by companies authorised by PSI AG to exercise this right or by companies majority-owned by PSI AG. The authorisation must not be used for the purpose of trading own shares. Acquisition can be either on the stock market, adhering to the equality principle, or using a public bid addressed to all shareholders of the Company.

There are no major Company agreements subject to a change in control due to a takeover offer.

BOARD MEMBERS' REMUNERATION

Supervisory Board remuneration does not include performance-related components. It involves a basic remuneration component and a component linked to meeting attendance.

The remuneration of both Board of Directors members comprises non-performance-related, fixed remuneration (fixed salary component includes a cash value benefit from the private use of a company car), a variable component consisting of an achievement bonus, a short-term and long-term performance-related component, and an annual lump sum for a defined contribution pension fund.

Each board member has an employment agreement that provides for a non-performance-related fixed remuneration in the amount of EUR 232,000 a year. It is paid in twelve equal monthly instalments. Included in this figure is a leased vehicle for each board member for business and personal use for the actual term of office.

In addition to the non-performance-related fixed component, the Company can pay each board member a voluntary annual achievement bonus up to a set maximum amount. The members have no legal claim to repeat payments. The payment and amount of the achievement bonus is determined by the Supervisory Board after proper assessment, to the extent warranted by PSI AG's financial success.

Apart from the achievement bonus, the employment agreements provide for performance-related components, the amount of which is set by the Supervisory Board based on the PSI Group's performance. Accordingly, each board member is entitled to a variable short-term performance bonus, the amount of which depends on the targets reached in each fiscal year with regard to pre-tax earnings, key balance sheet ratios and certain strategic goals. The goals are agreed in an annual target agreement made between the Supervisory Board and each member of the Board of Directors.

In January 2011, a variable, long-term performance-based remuneration plan was agreed with the members of the Board of Directors, which, under certain circumstances, also pays out in the case of change of control. The amount of remuneration is linked to a long-term increase in PSI AG's market capitalisation above a set amount and the development of the PSI Group's EBITA in the period from 1 January 2011 to 30 June 2013. Partial payment of this remuneration component will take place in the fiscal year 2013 at the earliest and the rest will take place in 2014.

EVENTS AFTER THE BALANCE SHEET DATE

On 16 January 2013, the PSI Group sold its 24.9 % share in the Moscow distribution joint venture PSI Energo. Russian customers of the Electrical Energy segment will in the future be served either by our wholly-owned subsidiary OOO PSI in Moscow or directly by PSI AG.

RISK REPORT

The PSI Group's risk policy is designed to ensure the long-term success of the Company. The effective identification and assessment of business risks is necessary in order to avert or limit these through suitable countermeasures.

To this end, PSI has established a risk management system that assists with early risk detection and prevention. This applies in particular to risks that may jeopardise the continued existence of the PSI Group. The responsibilities of risk management include risk recording, evaluation, communication, management and control, documentation and system monitoring. The Company's risk management system is refined on an ongoing basis; findings from the management system are included in corporate planning.

DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE CONSOLIDATED FINANCIAL STATEMENTS (SECTION 289 (5) AND SECTION 315 (2) (5) HGB).

The PSI Group's risk management system comprises all organisational regulations and measures to detect and handle risks associated with business operations.

The Board of Directors bears full responsibility for the internal control and risk management system with regard to accounting for the consolidated companies and for the Group. All companies and divisions are included in the Consolidated Financial Statements by way of a strictly defined management and reporting organisation.

With regard to the accounting processes of the consolidated companies and the consolidated financial statements, we consider characteristics of internal control and risk management systems to be important insofar as they are able to significantly impact the consolidated balance sheet and the general consolidated financial statements, including the management report. This includes in particular:

- Identifying major risk and control areas with relevance to the Group accounting processes controlling
- Monitoring the Group accounting processes and their results at Group and division level
- Preventive control measures in accounting for the Group and its divisions as well as in operational, economically productive company processes that generate significant information for the preparation of the consolidated financial statements, including the management report, with a separation of functions and predefined approval processes in the relevant areas
- Measures to ensure proper IT-supported processing of issues and data used for the consolidated financial statements
- The Group has also implemented a risk management system for the accounting process that includes measures to identify and evaluate significant risks and risk-reducing methods, to ensure the proper preparation of the consolidated financial statements.

PSI has identified the following risks, which are tracked by the early warning system:

- Market: Too few new orders or orders in hand
- Employees: Insufficient availability of required qualifications
- Liquidity: Unfavourable payment terms and insufficient credit limits
- Costs and revenues: Deviations from projected values, especially for project handling and development.

Risk management policy governs:

- Risk strategy: Explicit basic principles for minimising main risks, and general risk management principles
- Risk management organisation: Responsibilities of the management levels and controllers involved
- Risk detection, control and monitoring: Risk detection tools and tools for monitoring key performance indicators
- Risk management system: Use of the Group-wide Professional Services Automation (PSA) and a Group-wide issue-tracking solution.

Supplemental project risk management policies are in place. These govern risk management in projects, including the identification, documentation, analysis and evaluation of risks as well as planning, specifying and monitoring measures for minimising project-related risks. In particular, this concerns measures for limiting project pre-financing.

The Professional Services Automation (PSA) solution, featuring an integrated Management Information System (MIS), is a standardised information and control instrument for all levels of the Group. Regular MIS reports, which are generally created monthly, provide key performance indicators defined in the policies on:

- Development of orders and capacity use
- Liquidity planning
- Development of asset and financial position
- Forecast of economic key figures
- Sales forecast and market development
- Project controlling and contract management.

RISK AND OPPORTUNITY ANALYSIS

The PSI Group is exposed to a number of risks. These include normal risks of doing business, general economic risks, tax and finance risks, as well as risks that can arise from the shareholder structure. In the 2012 fiscal year, the risk profile changed only marginally, as there were substantial changes neither to the regional distribution of the business, the shareholder structure nor the regulatory environment of the energy division.

Opportunities and risks by segment

In **Energy Management,** PSI won further international contracts but could still not entirely compensate for the effects of the German energy transition. German energy utilities were still suffering from falling incomes in 2012, meaning that they invested only modestly in the restructuring of grid infrastructure. As a result, the electricity distribution network division at PSI again received only a few new orders. Further opportunities in neighbouring European countries as well as further growth potential in Asia must be seen in the context of the risk of a continued investment backlog in the German market. However, the need for pre-financing and guarantees is increasing as our international business grows.

In the long term, the cross-border effects of the expansion of renewable energies, the convergence of the electricity and gas markets in Europe, the expansion of storage technologies, innovative energy services and smart grid technologies will require investments and thus provide additional business potential for PSI.

Large export projects involve inherent execution risk due to reliance on local partners and their training, conflicting interpretations of performance and standards, and shifting customer policies in some cases. Existing international partnerships increase our distribution reach, and thus sales opportunities for PSI products. Yet they also bring new dependencies.

In **Production Management,** PSI continued to expand its international business in 2012, particularly in Metals. With new customers and follow-up orders from China, France, the US, Canada, India, the United Arab Emirates, Argentina, Brazil, Mexico, Luxembourg, Denmark, Turkey and Indonesia, our position as the world's leading specialised software supplier in this area was further extended. Given that the global steel market only experienced slight growth in 2012, there is risk of a further slowdown in this weak business climate. That said, the risk in this segment was reduced for PSI, since a dependency on the development of individual regions or customers was further reduced due to the improved market position and important new customers. Additional risks could come from a rise in the cost of raw materials. Another risk lies in the still underdeveloped awareness of the importance of quality and brand protection in some countries in East Asia.

Due to their market position and customer base, the Logistics and Production Control/ERP divisions are particularly hard hit by the fluctuations of the business climate. Incoming orders thus could suffer if the domestic economy slumps. Therefore, in the logistics market, PSI has concentrated increasingly on solutions for complex requirements, characterised by short amortisation periods. PSI Logistics continued its positive development in 2012 with orders from large logistics service providers. ERP subsidiary PSIPENTA also saw improvement in the sub-segment Mechanical Engineering in 2012, while the activities in the Vehicle and Turbine Engineering segments performed worse than expected despite some successes in exports.

Following its entry into the Chinese market the previous year, PSI Production received another large order from a Chinese customer for its new raw material extraction control system in 2012. This confirmed the very strong export prospects of the new solution. However, opportunities for gaining further large orders must be seen in the context of the costs and risks associated with market entry.

In **Infrastructure Management,** the Transportation Systems segment reported a decline in domestic orders, but this was offset by growth in the Polish market. In this area, PSI is heavily dependent on the financial situation of its primarily public-sector customers. In recent years, the Transportation segment's dependency on the German market has been reduced by orders from Eastern Europe and the growth regions in Southeast Asia. PSI Poland, which is part of Infrastructure Management, grew well again in 2012. It proved its value in pre-production and in 2012 won a large order in the Polish market.

With PSI Incontrol Group, since 2009 PSI has had its own access to growth markets in Southeast Asia, India and the Middle East. PSI also has access to low-cost hardware and integration solutions. The use of a larger pool of highly qualified specialists in the region can reduce the cost of services and equipment. With its large share in the systems integration business and the associated need for pre-financing, the integration of PSI Incontrol into the processes of the PSI Group involves risks.

Opportunities and risks of internationalisation

In 2012, international activities expanded further through an increase in international orders and revenue as well as new customers. This has reduced PSI's dependency on the German market and opened up new growth opportunities. However, this expansion involves additional risks through the integration of new subsidiaries into the Group and dependency on international partners, exchange rates and legal systems. Further expansion of international activities will spread opportunities and risks over a wider area.

Opportunities and risks of new products and technologies

PSI kept up investment in new product versions and extensions, to heighten competitiveness. At the same time, PSI merged its products and components onto one platform in a Group-wide convergence process, to benefit from economies of scale. The PSI Group's future income and liquidity depends to a large degree on the market success of new products, and the mastering of newly developed technology.

Risks from the shareholder structure

If attendance at the Annual General Meeting is well under 100 %, there is a risk that one of the major shareholders of PSI AG would have a dominating influence on the Annual General Meeting that it could use to serve its own interests, which may conflict with the Company's goals. The same risk could arise if attendance at the Annual General Meeting is high and major shareholders coordinate their voting.

Tax risks

PSI cannot rule out the risk that following external audits by the tax authorities, claims for back taxes will be filed for which the Company has not set aside any provisions, or that an unforeseen need for liquidity may arise.

PSI considers that there is a minimal risk that the acquisition and attribution of a total of 28.60 % of voting rights in the Company by Kajo Neukirchen GmbH, Eschborn, could have caused a loss of up to 28.60 % of tax losses carried forward in the second quarter of 2009. The exclusion of the possibility to use the carry-forward amounts could cause a higher tax burden on the Company for the tax period starting from the fiscal year of the detrimental share acquisition. The Board of Directors takes the view that there was no detrimental share acquisition and that the unused tax losses were therefore not lost.

Financial risks

PSI primarily uses trade receivables, liquid funds, liabilities to banks and guarantees as instruments to finance operative business. The most important risks in this respect are default risk, liquidity risk and market value risk. Default and liquidity risks are managed using credit lines and control procedures. For PSI, there is no concentration of default risk among individual contractual partners or groups of them. The Group endeavours to have sufficient liquidity and credit lines to fulfil its obligations.

PSI Group carries out its transactions predominantly in Euros. In the 2012 fiscal year, the Group again made hedges in the form of exchange-forward contracts to protect itself from currency risks. Details on these hedges and the hedged risks are provided in the Notes.

Employees

We are successful at recruiting qualified employees with sophisticated skills, and integrating and retaining them at our Company for a long time. Our fluctuation rate is low. The compensation structure includes performance and results-based components. With the freezing of pension provisions at the end of 2006, all future benefits are defined, direct salary components.

Future risks

The central focus of PSI's strategy for the next few years is further profitable growth and internationalisation of the Group. If this does not go according to plan, there is a risk that the PSI Group may not reach its revenue and earnings targets. PSI would also continue to be dependent to a high degree on the economy and the regulatory framework in Germany.

OUTLOOK

PSI started 2013 with improved conditions for continued profitable growth. In 2012, we booked EUR 188 million in incoming orders, more than annual revenues. The order backlog at year end increased to EUR 118 million. The operating result rose by more than 20 % to EUR 12.9 million. Problems resulting from the slump in the Energy Management division were countered by very strong operational growth in Product Management. The international market position was extended further in the Steel business in particular. PSI was able to profit from a clear focus on attractive niche markets and the high investments in previous years in the product base and the extension of international sales structures.

The trend towards more efficient handling of energy, raw materials and workforce will continue for the next two years. In 2013, PSI will benefit in Production Management especially. In this segment, we went into the year with a high order volume and have experienced continued strong demand for our solutions. We project that the German shift to renewable energy will continue after the German Bundestag elections in 2013. We therefore hope that the investment slowdown on the German energy utilities market will have been resolved by the turn of 2013/2014. At the same time, in the Electrical Energy division we see increasing demand for our solutions from neighbouring countries affected by severe fluctuations in energy produced in Germany from renewable sources. The Gas and Oil segment and its solutions likewise remain in high demand internationally. In Infrastructure Management, we are expecting a normalisation in investment patterns, with moderate increases in Germany and Eastern Europe and continuing high demand in Southeast Asia. We also want to use these encouraging results in 2013 to meet our international growth targets and further reduce our dependency on the German market.

With the continuation of our successful strategy of focus and internationalisation, we intend to intensify business at our existing international sites as well as enter new geographical markets. For the next few years, we are targeting further growth in new business segments in China, Poland, Russia and Southeast Asia.

Internationalisation objectives include further increasing the product and the license share of revenues relative to domestic market sales. These positive effects will be enhanced by migrating additional business units to the newly created single product platform, and further investment in the convergence of our technical basis. We will be systematically adding to the portfolio in order to make use of opportunities and enhance efficiency. In this manner, we will improve the foundation for achieving double-digit margins in the future.

Over the next two years, we anticipate further growth impetus in the counter-cyclical Energy Management segment after the investment backlog has cleared in Germany, through investments in the expansion and intelligent management of grids. In Production Management, we hope to build on our increased market share to achieve further growth and higher profitability. In Infrastructure Management, we expect moderate increases in revenue and profit. In total, we want to increase Group revenue over the next few years by an average of 8 % each year; our revenue target for 2013 is at least EUR 190 million. Over the next few years, we plan to improve our operating margin by 1 to 2 % each year; for 2013, our target is an operating profit of EUR 14 to 17 million. To reach these targets, we will continue investing in the quality and productivity of our solutions and the internationalisation of our core businesses.

Berlin, 22 February 2013

Dr. Harald Schrimpf   Armin Stein

Consolidated Balance Sheet

dated 31 December 2012 (IFRS)

ASSETS	Note	31.12.2012 EUR K	31.12.2011 EUR K
Non-current assets			
Property, plant and equipment	C. 1	14,242	14,464
Intangible assets	C. 1	47,487	46,188
Investments in associates	C. 2	427	208
Deferred tax assets	C. 14	5,984	4,333
		68,140	**65,193**
Current assets			
Inventories	C. 3	4,020	4,048
Trade receivables, net	C. 4	34,068	31,163
Receivables from long-term development contracts	C. 5	42,241	37,551
Other assets	C. 6	4,634	3,860
Cash and cash equivalents	C. 7	33,338	33,846
		118,301	**110,468**
		186,441	**175,661**

EQUITY AND LIABILITIES	Note	31.12.2012 EUR K	31.12.2011 EUR K
Shareholders' equity			
Subscribed capital	C. 8	40,185	40,185
Capital reserves	C. 8	35,137	35,137
Reserve for own stock		−106	−368
Other reserves	C. 8	−7,146	−2,172
Net retained profit		5,567	128
		73,637	**72,910**
Non-current liabilities			
Financial liabilities	C. 10	3,900	795
Pension provisions	C. 9	38,997	32,104
Deferred tax liabilities	C. 14	2,105	2,356
		45,002	**35,255**
Current liabilities			
Trade payables		15,646	16,979
Other liabilities	C. 13	27,976	27,705
Liabilities from long-term development contracts	C. 5	18,553	20,233
Financial liabilities	C. 11	5,449	2,336
Provisions	C. 12	178	243
		67,802	**67,496**
		186,441	**175,661**

Consolidated Income Statement

for the period 1 January to 31 December 2012 (IFRS)

	Note	2012 EUR K	2011 EUR K
Revenues	D. 15	180,888	169,544
Other operating income		8,523	5,058
Changes in inventories		−224	−27
Cost of materials	D. 16	−36,125	−31,123
Personnel expenses	D. 17	−100,850	−95,775
Depreciation and amortisation	D. 18	−4,034	−3,981
Other operating expenses	D. 19	−35,293	−33,031
Operating result		**12,885**	**10,665**
Interest income		243	250
Interest expense		−1,963	−2,222
Income from investments in associates		170	31
Earnings before taxes		**11,335**	**8,724**
Taxes on income	C. 14	−1,977	−1,280
Consolidated net profit		**9,358**	**7,444**
Group earnings per share (basic and diluted)	D. 20	0.60	0.47
Average shares outstanding (thousand)	D. 20	15,680	15,685

Consolidated Comprehensive Income Statement

for the period 1 January to 31 December 2012 (IFRS)

	Note	2012 EUR K	2011 EUR K
Consolidated net profit		**9,358**	**7,444**
Currency translation for foreign operations		−72	−243
Net result from cashflow hedges	C. 11	−26	189
Income tax effects	C. 14	8	−56
		−18	**133**
Actuarial losses (previous year profits)	C. 9	−6,960	2,085
Income tax effects	C. 14	2,076	−621
		−4,884	**1,464**
Other earnings after taxes		**−4,974**	**1,354**
Total Group earnings after taxes		**4,384**	**8,798**

Consolidated Cash Flow Statement

for the period 1 January to 31 December 2012 (IFRS)

	Note	2012 EUR K	2011 EUR K
1. Cash flow from operating activities			
Consolidated net earnings before tax		**11,335**	**8,724**
Adjustment for non-cash expenses			
Amortisation of intangible assets	C. 1	1,250	1,511
Depreciation of property, plant and equipment	C. 1	2,784	2,470
Losses from the disposal of assets		66	82
Income from investments in associates	C. 2	−170	0
Interest income		−243	−250
Interest expense		1,963	2,222
Other non-cash income/expenses		265	3
		17,250	**14,762**
Changes in inventories		28	−712
Changes in trade receivables and long-term development contracts		−7,641	−3,600
Changes in other assets		−1,396	861
Changes in provisions		−1,641	−1,657
Changes in trade payables		−1,353	1,494
Changes in other liabilities		−2,029	5,543
		3,218	**16,691**
Interest paid		−310	−480
Income taxes paid		−2,099	−845
		809	**15,366**
2. Cash flow from investment activities			
Additions to intangible assets		−1,394	−773
Additions to property, plant and equipment		−2,615	−3,239
Additions to financial assets		0	−30
Payments for investments in associated companies	C. 2	−102	0
Payments for investments in subsidiaries (minus cash acquired)		−556	0
Inflows from the sale of subsidiaries in previous years		746	1,973
Inflows from the distribution of associated companies		53	201
Interest received		243	264
		−3,625	**−1,604**
3. Cash flow from financing activities			
Outflows for share buybacks		0	−503
Payments from the repayment of long-term financial liabilities		0	−4,838
Inflows from financial liabilities incurred	C. 10	6,191	0
Dividends paid to the shareholders of the parent company	C. 8	−3,919	−3,610
		2,272	**−8,951**
4. Cash and cash equivalents at end of period			
Change in cash and cash equivalents		−544	4,811
Changes to the financial resource fund due to exchange rate fluctuations		36	153
Cash and cash equivalents at beginning of period		33,846	28,882
Cash and cash equivalents at end of period		**33,338**	**33,846**

Consolidated Statement of Changes in Equity

dated 31 December 2012 (IFRS)

	Subscribed capital EUR K	Capital reserves EUR K	Reserve for Treasury stock EUR K
Note	C. 8	C. 8	
Balance at 31 December 2010	**40,185**	**35,137**	**0**
Consolidated net profit			
Other earnings after taxes			
Total Group earnings after taxes	0	0	0
Dividend distributions			
Share buybacks			−503
Issue of own shares			135
Total capital transactions	0	0	−368
Balance at 31 December 2011	**40,185**	**35,137**	**−368**
Consolidated net profit			
Other earnings after taxes			
Total Group earnings after taxes	0	0	0
Dividend distributions			
Share buybacks			0
Issue of own shares			262
Total capital transactions	0	0	262
Balance at 31 December 2012	**40,185**	**35,137**	**−106**

Other reserves EUR K	Balance sheet profit/-loss EUR K	Total EUR K
C. 8		
−3,526	**−3,706**	**68,090**
	7,444	7,444
1,354		1,354
1,354	7,444	8,798
	−3,610	−3,610
		−503
		135
0	−3,610	−3,978
−2,172	**128**	**72,910**
	9,358	9,358
−4,974		−4,974
−4,974	9,358	4,384
	−3,919	−3,919
		0
		262
0	−3,919	−3,657
−7,146	**5,567**	**73,637**

Consolidated Segment Reporting

2012 and 2011 (IFRS)

	Energy Management		Production Management	
	31.12.2012 EUR K	31.12.2011 EUR K	31.12.2012 EUR K	31.12.2011 EUR K
REVENUES				
External revenue	62,293	68,886	89,422	78,590
Revenues with other segments	1,947	1,263	1,087	1,544
Total revenue	**64,240**	**70,149**	**90,509**	**80,134**
Other income	6,638	5,529	7,317	5,573
Changes in inventories	44	0	−268	−27
Cost of purchased services	−5,515	−5,169	−14,026	−8,977
Costs of purchased goods	−4,572	−8,772	−3,599	−3,047
Personnel expenses	−40,974	−40,566	−49,027	−45,554
Depreciation and amortisation	−1,461	−1,281	−1,322	−1,026
Other operating expenses	−15,094	−15,715	−22,579	−20,736
Segment operating result before depreciation/amortisation	**4,767**	**5,456**	**8,327**	**7,366**
Segment operating result before depreciation/ amortisation resulting from purchase price allocations	**3,306**	**4,175**	**7,005**	**6,340**
Amortisation/depreciation resulting from purchase price allocations	−111	−130	−368	−852
Segment operating result	**3,195**	**4,045**	**6,637**	**5,488**
Financial result	−314	−768	−937	−660
Segment result	**2,881**	**3,277**	**5,700**	**4,828**
Carried at equity, shareholdings in associated companies	**415**	**193**	**0**	**0**
SEGMENT ASSETS	**39,041**	**52,347**	**73,251**	**66,828**
SEGMENT LIABILITIES	**27,095**	**28,666**	**48,004**	**45,539**
SEGMENT INVESTMENTS	**2,659**	**1,126**	**1,239**	**1,736**

	Infrastructure Management		Reconciliation		PSI Group	
	31.12.2012 EUR K	31.12.2011 EUR K	31.12.2012 EUR K	31.12.2011 EUR K	31.12.2012 EUR K	31.12.2011 EUR K
	29,173	22,068	0	0	180,888	169,544
	6,370	4,631	−9,404	−7,438	0	0
	35,543	**26,699**	**−9,404**	**−7,438**	**180,888**	**169,544**
	2,152	2,143	−7,584	−8,187	8,523	5,058
	0	0	0	0	−224	−27
	−4,426	−4,461	4,732	952	−19,235	−17,655
	−11,586	−6,013	2,867	4,364	−16,890	−13,468
	−10,704	−9,398	−145	−257	−100,850	−95,775
	−694	−581	−60	−60	−3,537	−2,948
	−5,921	−5,217	8,301	8,637	−35,293	−33,031
	5,058	**3,753**	**−1,233**	**−1,929**	**16,919**	**14,646**
	4,364	**3,172**	**−1,293**	**−1,989**	**13,382**	**11,698**
	−18	−51	0	0	−497	−1,033
	4,346	**3,121**	**−1,293**	**−1,989**	**12,885**	**10,665**
	−299	−513	0	0	−1,550	−1,941
	4,047	**2,608**	**−1,293**	**−1,989**	**11,335**	**8,724**
	12	**15**	**0**	**0**	**427**	**208**
	52,223	**44,755**	**15,942**	**7,398**	**180,457**	**171,328**
	21,411	**17,117**	**13,268**	**7,983**	**109,778**	**99,305**
	604	**488**	**950**	**1,079**	**5,452**	**4,429**

Statement of Changes in Fixed Assets

for the period 1 January to 31 December 2011 (IFRS)

2011	Purchase and production costs			
	1.1.2011 EUR K	Additions EUR K	Disposals EUR K	Transfers EUR K
Intangible assets				
Other intangible assets	13,309	1,124	59	0
Goodwill	46,182	0	0	0
Capitalised software development costs	228	0	0	0
	59,719	**1,124**	**59**	**0**
Property, plant and equipment				
Lots and buildings	13,111	398	1	4,273
Computers and equipment	10,106	1,999	195	0
Other equipment, operating and office equipment	5,530	893	334	733
Subcontractor payments and plants under construction	5,006	0	0	−5,006
	33,753	**3,290**	**530**	**0**
Financial assets				
Investments in associates	401	15	208	0
	401	**15**	**208**	**0**
	93,873	**4,429**	**797**	**0**

Statement of Changes in Fixed Assets

for the period 1 January to 31 December 2012 (IFRS)

2012	Purchase and production costs			
	1.1.2012 EUR K	Changes to the consolidated Group EUR K	Additions EUR K	Disposals EUR K
Intangible assets				
Other intangible assets	14,374	550	1,123	563
Goodwill	46,182	605	0	0
Capitalised software development costs	228	0	271	0
	60,784	**1,155**	**1,394**	**563**
Property, plant and equipment				
Lots and buildings	17,781	0	23	0
Computers and equipment	11,910	4	1,707	555
Other equipment, operating and office equipment	6,822	9	885	700
	36,513	**13**	**2,615**	**1,255**
Financial assets				
Investments in associates	208	0	275	56
	208	**0**	**275**	**56**
	97,505	**1,168**	**4,284**	**1,874**

	Accumulated depreciation				Net carrying amounts	
31.12.2011 EUR K	1.1.2011 EUR K	Additions EUR K	Disposals EUR K	31.12.2011 EUR K	31.12.2011 EUR K	31.12.2010 EUR K
14,374	10,794	1,435	43	12,186	2,188	2,515
46,182	2,258	0	0	2,258	43,924	43,924
228	76	76	0	152	76	152
60,784	**13,128**	**1,511**	**43**	**14,596**	**46,188**	**46,591**
17,781	7,912	556	0	8,468	9,313	5,199
11,910	7,986	1,297	185	9,098	2,812	2,120
6,822	4,145	617	279	4,483	2,339	1,385
0	0	0	0	0	0	5,006
36,513	**20,043**	**2,470**	**464**	**22,049**	**14,464**	**13,710**
208	0	0	0	0	208	401
208	**0**	**0**	**0**	**0**	**208**	**401**
97,505	**33,171**	**3,981**	**507**	**36,645**	**60,860**	**60,702**

	Accumulated depreciation				Net carrying amounts	
31.12.2012 EUR K	1.1.2012 EUR K	Additions EUR K	Disposals EUR K	31.12.2012 EUR K	31.12.2012 EUR K	31.12.2011 EUR K
15,484	12,186	1,174	563	12,797	2,687	2,188
46,787	2,258	0	0	2,258	44,529	43,924
499	152	76	0	228	271	76
62,770	**14,596**	**1,250**	**563**	**15,283**	**47,487**	**46,188**
17,804	8,468	539	0	9,007	8,797	9,313
13,066	9,098	1,495	537	10,056	3,010	2,812
7,016	4,483	750	652	4,581	2,435	2,339
37,886	**22,049**	**2,784**	**1,189**	**23,644**	**14,242**	**14,464**
427	0	0	0	0	427	208
427	**0**	**0**	**0**	**0**	**427**	**208**
101,083	**36,645**	**4,034**	**1,752**	**38,927**	**62,156**	**60,860**

Notes on the Consolidated Financial Statements

PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie,
Berlin, 31 December 2012

A. GENERAL COMPANY INFORMATION

The parent of the PSI Group is PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie (PSI AG), headquartered at Dircksenstrasse 42 – 44 in 10178 Berlin, Germany. It is entered in the commercial register of Berlin-Charlottenburg under the number HRB 51463.

The Board of Directors prepared the Consolidated Financial Statements dated 31 December 2012 and the Consolidated Management Report for the 2012 fiscal year dated 22 February 2013 and submitted these to the Supervisory Board for approval.

The operations of the PSI Group encompass the production and distribution of software systems and products that meet the special needs and requirements of customers, primarily in the following industries and service sectors: Energy supply, production, infrastructure, software technology, internet applications and corporate consultancy. The PSI Group also provides the full range of data processing services, distributes electronic equipment and operates data processing systems.

The PSI Group is organised into three main business areas (segments): Energy Management, Production Management and Infrastructure Management.

The Company is publicly listed in the Prime Standard of the German Stock Exchange in Frankfurt/Main (German Security Code 696822) and listed there in the TecDax. Inclusion in the TecDax took place in September 2011.

B. PRESENTATION OF ACCOUNTING AND VALUATION PRINCIPLES AND FINANCIAL RISK MANAGEMENT METHODS

REPORTING PRINCIPLES

The PSI Group Consolidated Financial Statements are prepared based on historical cost. Excepted from this are derivative financial instruments and available-for-sale financial assets carried at fair value.

The PSI Group Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. The Consolidated Financial Statements were prepared in euro. Unless otherwise indicated, all figures are rounded up or down two decimal places to the nearest thousand (EUR K).

CHANGES IN ACCOUNTING AND VALUATION PRINCIPLES

The accounting and valuation principles applied in the fiscal year 2012 were generally in line with the principles applied last year.

EFFECTS OF NEW ACCOUNTING STANDARDS

There were no significant changes to the standards from the IFRS or IFRIC interpretations applied mandatorily in the fiscal year 2012.

The following IFRS have already been published but not yet applied.

IFRS 9 "Financial Instruments" was published by the IASB in November 2009. In the future, financial assets must be assigned only to the two valuation categories "at amortised cost" and "at fair value" and measured accordingly. The regulations for recognising financial liabilities were published as a supplement in October 2010 and led to changes in the application of the fair value option. Due to a change published in December 2011, IFRS 9 is now mandatory for fiscal years starting on or after 1 January 2015 (application was originally planned for 1 January 2013). This change also introduces simpler transitional provisions, thereby changing the associated disclosure requirements of IFRS 7. It has yet to be adopted under European law. The application of the new standard will result in changes to the presentation and accounting of financial assets and liabilities.

In May 2011, the IASB published IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Agreements", IFRS 12 "Disclosure of Interests in Other Entities", changes to the IAS 27 "Separate Financial Statements" and changes to the IAS 28 "Investments in Associates and Joint Ventures". IFRS 10 replaces the previous regulations concerning Consolidated Financial Statements (parts of the IAS 27 "Consolidated and Separate Financial Statements") and special purpose entities (SIC-12 "Consolidation – Special Purpose Entities") and in future sets forth the control approach as a unifying principle. In cases of doubt, the standard also contains guidelines for the assessment of control. The current prevailing regulations governing the accounting of shares in joint ventures (the IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers") will in future be replaced by IFRS 11. The disclosure requirements formerly set out in the IAS 27, IAS 28 and IAS 31 are being merged in IFRS 12 and extended by additional disclosures. Due to these changes, the IAS 27 now contains only those regulations governing the accounting of shares in subsidiaries, associated companies and joint ventures disclosed in the individual Financial Statements of the parent company. The IAS 28 is being extended by regulations governing the accounting of shares in joint ventures and sets forth the obligatory application of the carried-at-equity method for associated companies and joint ventures. The amendments are mandatory for fiscal years starting on or after 1 January 2014. In June 2012, the IASB published changes to IFRS 10, IFRS 11 and IFRS 12 which have not yet been adopted under European law. Following an analysis performed by us, we can assume that the new or revised standards will have no significant effects on the PSI Group's net assets, financial position and results.

Also published in May 2011, IFRS 13 "Fair Value Measurement" introduces an overall framework for the measurement of fair value. However, the new standard does not contain any regulations governing if and when assets and liabilities should be measured at fair value. IFRS 13 is mandatory for fiscal years starting on or after 1 January 2013. It has yet to be adopted under European law. The standard will have no significant effect on the PSI Group's net assets, financial position and results of operations.

In June 2011, the IASB published "Amendments to IAS 1 – Changes to the presentation of other comprehensive income." The option to present the profit and loss statement and other comprehensive income either continuously or alternatively in two successive presentations will remain in force. In the future, items of other comprehensive income should however be grouped in a way that a separate presentation is generated afterwards regarding whether these items will or will not need to be reclassified in the profit and loss statement. The associated income tax items must be assigned accordingly. The changes are mandatory for fiscal years starting on or after 1 July 2012. It has yet to be adopted under European law. The application of the changed standard will result in changes to the presentation of the consolidated statement of comprehensive income.

"Changes to IAS 19 – Employee Benefits" were published in June 2011. The changes lead to an abolition of the corridor method and require the actuarial gains and losses to be recognised immediately in other comprehensive income. Furthermore, the interest rate used to discount pension obligations is in the future essential for the expected return on plan assets. In addition, past service cost should in future always be fully recognised in the period of plan amendment. The revised standard also changes the rules for payments resulting from the termination of employment relationships and extends the disclosure requirements. The changes are mandatory for fiscal years starting on or after 1 January 2013. It has yet to be adopted under European law. Following an analysis performed by us, we can assume that the revised standard will have no significant effects on the PSI Group's net assets, financial position and results.

The IASB and the IFRS IC published further announcements in the reporting year which have not had nor will have any significant influence on the PSI Group's consolidated financial statement.

IMPORTANT JUDGMENTS AND ESTIMATES

Preparing the Consolidated Financial Statements requires the application of estimations and assumptions which have effects on the presentation of the Group's net assets, financial position and results of operations. The most important forward-looking assumptions, and any material causes of uncertainty concerning estimates as of the reporting date, involving a considerable risk of substantial restatement of the carrying amounts of assets or liabilities in the next reporting period, are presented below.

Impairment of non-current assets

The PSI Group tests for the impairment of non-current assets on an annual basis, in line with IAS 36. Impairment testing is based on future cash flows generated by individual assets or groups of assets combined into cash-generating units. Goodwill reported by the PSI Group is a significant non-current asset subject to annual impairment testing. Further details about testing on non-current assets can be found in note C. 1. The carrying amount of goodwill as per the impairment test as of 31 December 2012 was EUR 44,529 K (previous year: EUR 43,924 K).

Project accounting

The PSI Group realises revenue based on estimated project performance. Performance estimates are made based on an estimated hourly volume or contractual milestones, and are updated continually. Further details about revenues from projects which have been recognised but not yet invoiced are provided in note C. 5. At 31 December 2012, realised income from ongoing projects totalled EUR 10,505 K (previous year: EUR 28,454 K).

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and temporary accounting differences to the extent they are likely or that there are objective indications that taxable income will be generated so that the losses can actually be used. Significant deferred tax assets have furthermore been recognised in the 2005 to 2012 fiscal years due to internal restructuring (asset deals). Determining the amount of the deferred tax assets requires an estimate to be made by corporate management based on the expected date of accrual and the amount of the income to be taxed in future, in view of tax planning strategy (timing of taxable income accrual, consideration of tax risks etc.). At 31 December 2012, capitalised tax loss carry-forwards totalled EUR 0 K (previous year: EUR 71 K) and uncapitalised tax loss carry-forwards totalled EUR 43.2 million (previous year: EUR 46.4 million). No deferred tax assets were classified from these tax losses. At 31 December 2012, deferred tax assets allocated to temporary posting differences totalled EUR 5,984 K (previous year: EUR 4,333 K); deferred tax liabilities totalled EUR 2,105 K (previous year: EUR 2,356 K). For further details, see note C. 14.

Pensions and other post-employment benefits

Post-employment expense from defined benefit plans is determined on the basis of actuarial calculations. Actuarial calculation involves assumptions pertaining to discount rates, expected retirement age, future wage and salary increases, mortality and future pension increases. Such estimates are subject to considerable uncertainty, commensurate with the long-term nature of these plans. At 31 December 2012, provisions for pensions and similar obligations totalled EUR 38,997 K (previous year: EUR 32,104 K). For further details, see note C. 9.

Development costs

Development costs are capitalised according to the accounting method explained on page 69, right. The first-time capitalisation of the costs is based on management's opinion that the technical and economic feasibility has been demonstrated. To determine the amounts to be capitalised, management makes assumptions about the amount of future estimated cash flows from the project. The carrying amount of the capitalised development costs as at 31 December 2012 was EUR 271 K (previous year: EUR 76 K).

PRINCIPLES OF CONSOLIDATION

a) Subsidiaries

The Consolidated Group Financial Statements encompass PSI AG and the companies it controlled as of 31 December 2012. A control relationship typically exists when PSI AG directly or indirectly holds over 50 % of the voting rights on the subscribed capital of a company, and can influence a company's financial and business policy in such a way that PSI AG profits from its activities.

The purchase method is applied for the accounting of corporate acquisitions in accordance with IFRS 3. Companies acquired or sold in the course of a fiscal year are included in the Consolidated Financial Statements from the time of acquisition or until the time of the sale.

Acquisition premiums paid in excess of the fair value of identifiable assets and liabilities on the acquisition transaction date are recognised as goodwill, an asset. Identifiable assets and liabilities are carried at fair value as of the acquisition date.

The following changes occurred among fully consolidated companies in the fiscal year 2012:

In a contract signed 3 February 2012, a 100 % stake was acquired in Time-steps AG headquartered in Switzerland. The Company reported assets of EUR 275 K and liabilities of EUR 116 K as of the acquisition date. Net assets (at carrying amount) totalled EUR 159 K. In the context of the purchase price allocation, these net assets were set against the acquisition cost (EUR 1,150 K). The resulting difference is attributable to intangible assets with a time of use of between six and eight years and goodwill. The intangible assets are mainly due to the evaluation of a software product developed by Time-steps itself called "Stochastic Optimisation". Goodwill is due in particular to Time-steps' position among storage operators in the Swiss market and technological know-how. The total purchase price of EUR 650 K was paid in cash. Included is a variable portion of the purchase price totalling EUR 500 K, which is measured according to expected future licensing receipts for the years 2012 to 2015.

Had the newly acquired subsidiary already been included in the Consolidated Financial Statements at 1 January 2012, the consolidated revenue and consolidated net profit would have totalled EUR 180,897 K and EUR 9,342 K accordingly.

	Carrying amount before acquisition EUR K	Adjustment amount EUR K	Carrying amount after acquisition EUR K
Non-current assets			
Property, plant and equipment	13	0	13
Other intangible assets	0	550	550
Goodwill	0	605	605
Current assets			
Trade receivables	13	0	13
Other assets	155	0	155
Cash and cash equivalents	94	0	94
Liabilities			
Deferred tax liabilities	0	164	164
Liabilities from trade receivables	10	0	10
Other liabilities	106	0	106
Net assets	**159**	**991**	**1,150**

Besides PSI AG, the following companies were included in the Consolidated Financial Statements:

- PSIPENTA Software Systems GmbH ('PSIPENTA'),
- PSI Logistics GmbH ('PSI Logistics'),
- PSI Nentec GmbH ('Nentec'),
- PSI Metals GmbH ('PSI Metals'),
- PSI Transcom GmbH ('PSI Transcom'),
- PSI AG für Produkte und Systeme der Informationstechnologie, Switzerland ('PSI AG/CH'),
- PSI Production GmbH ('PSI Production'),
- PSI Energy Markets GmbH ('PSI Energy'),
- PSI CNI Control Networks & Information Management GmbH ('CNI'),
- PSI Produkty i Systemy Informatyczne Sp z.o.o. ('PSI Poland'),
- PSI Information Technology Shanghai Co. Ltd. ('PSI China'),
- PSI Metals Non Ferrous GmbH ('PSI Metals NF'),
- FLS FUZZY Logik Systeme GmbH ('FLS'),
- OOO PSI ('PSI Russia'),
- PSI Metals Austria GmbH ('PSI Metals Austria'),
- PSI Metals Belgium NV ('PSI Metals Belgium'),
- AIS Advanced Information Systems Private Limited, India,
- PSI Incontrol Sdn. Bhd., Selangor, Malaysia ('PSI Incontrol') as the holding company of the following companies (hereinafter jointly called the 'PSI Incontrol Group'):
  a) inControl Tech Private Limited, Chennai, Tamil Nadu, India,
  b) inControl Tech For Shares SPC, Bahrain,
  c) inControl Tech Holding Thailand Ltd., Thailand,
  d) inControl Tech (Thailand) Ltd., Thailand,
- PSI NORTH AMERICA INC., USA ('PSI Metals NA'),
- PSI TURKEY BILISIM TEKNOLOJILERI SANAYI VE TICARET ANONIM SIRKETI, Turkey ('PSI Turkey'),
- Time-steps AG ('Time-steps')

The following changes occurred among fully consolidated companies in the fiscal year 2011:

In January 2011, PSI METALS NORTH AMERICA INC., USA was founded as a 100 % subsidiary. The company was recorded in the Commercial Register of Delaware.

PSI AG held a 24.9 % share in the equity of EIT BILISIM TEKNOLOJILERI SANAYI VE TICARET ANONIM SIRKETI ANA SÖZLESMESI, Turkey. To date, investments have been reported using the equity method. In September 2011, an agreement was made with the other shareholders concerning the takeover of remaining shares for a purchase price of EUR 7 K. The company was renamed PSI TURKEY BILISIM TEKNOLOJILERI SANAYI VE TICARET ANONIM SIRKETI. Starting at this time, the company was integrated into the Consolidated Financial Statements as part of the full consolidation.

On the basis of a notarised agreement dated 25 August 2011, the entire assets of Cellls GmbH were merged with PSI Transcom by means of absorption.

b) Associated companies

Investments in associated companies are reported using the equity method. An associate is a company over which the Group exercises material influence. Carrying at equity means that shareholdings in associates are carried at cost plus/minus the change in the Group's percentage ownership of the net assets of the associate. Goodwill from associates is included in the carrying amount of the investment, and is neither amortised nor impairment tested. The profit and loss statement shows the Group's percentage ownership of associates. The Group records changes in associates' equity reported in the applicable ownership percentage and presents this in the statement of changes in shareholders' equity, as applicable. Unrealised gains and losses from transactions between the Group and its associates are eliminated in accordance with the percentage ownership of associates.

As of 31 December 2012, shares in the following associates were valued at equity:

- OOO 'PSI Energo', Moscow, Russia ('PSI Energo')
- caplog-x GmbH, Leipzig ('caplog-x')
- Talk-IP International AG, Eching ('Talk-IP').

c) Consolidation measures and uniform Group valuation

The Financial Statements of the subsidiaries and associated companies included in the Consolidated Financial Statements are based on uniform accounting standards and reporting periods/dates.

Intra-Group balances and transactions, resulting intra-Group profits, and unrealised profits and losses between consolidated companies were eliminated in full. Unrealised losses were eliminated only if there were no substantial indications in the transactions of impairment of the asset transferred.

CURRENCY TRANSLATION

The PSI Consolidated Financial Statements are prepared in euro, the functional currency and presentation currency of the Group. Each Group company determines its own functional currency. The financial statement items of the respective companies are measured using this functional currency. Foreign currency transactions are translated initially at the applicable spot rate for the functional currency and the foreign currency for the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency as of the reporting date rate. Any currency translation differences are recognised in net profit or loss for the period.

The functional currency of the major foreign companies such as PSI AG/CH, PSI Poland, PSI Russia, the PSI Incontrol Group companies, PSI Metals NA and PSI China is generally the respective national currency. The assets and liabilities of these subsidiaries are translated into the presentation currency of PSI AG (euro) on the balance sheet at the rate effective at the reporting date. Income and expenses are translated at the rate effective at the reporting date. Exchange rate differences arising from translation are recognised separately in equity.

NON-CURRENT ASSETS

a) Intangible assets

Intangible assets are measured initially at cost of purchase or manufacture. Intangible assets are recognised if it is likely that future economic benefit from the asset will flow to the Company, and the cost of purchasing or manufacturing the asset can be measured reliably. For the purposes of subsequent measurement, intangible assets are recognised at cost of purchase or manufacture less accumulated amortisation and accumulated impairment losses (reported in depreciation/amortisation). The depreciation/amortisation schedule and method are reviewed at the end of each fiscal year.

Intangible assets encompass:

Goodwill

Goodwill from a business combination is carried at cost on initial recognition, measured as the premium paid for the acquisition of the business combination above the PSI Group's percentage ownership of the fair value of identifiable assets, liabilities and contingent liabilities acquired. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year, and whenever the situation or changed circumstances would indicate that the carrying amount may be impaired. To test whether impairment has occurred, goodwill acquired in a business combination must be assigned to a cash-generating unit. If the recoverable amount of the cash-generating unit is less than its carrying value, an impairment loss must be recognised. Impairment losses are not reversed.

Industrial property rights and licenses

Amounts paid for the purchase of industrial property rights and licenses are capitalised and then written down on a straight line basis over their estimated useful life (four to five years).

The cost of new software that is not an integral component of its associated hardware is capitalised and treated as an intangible asset. Software is depreciated on a straight line basis over a three to five year useful life.

Costs incurred to restore or maintain future economic benefits originally expected by the Company are expensed.

Research and development costs

Research costs are recognised in the period incurred. Development costs of a single project are capitalised as an intangible asset only if the Group can demonstrate the following:

- The technical feasibility that the intangible asset can be completed
- The intention to complete the intangible asset and the ability to use or sell it
- How the asset will have a future economic benefit
- The availability of resources for the purpose of completing the asset
- The ability to reliably measure the expenditure attributable to the intangible asset during development.

Development costs are carried after their initial recognition pursuant to the cost model, i.e. costs less accumulated impairment losses. The depreciation begins with the conclusion of the development phase and from the time that the asset can be used. It is applied over the time period for which the future benefit is expected, and is included in the depreciation. During the development phase, an annual impairment test is carried out.

b) Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. For property, plant and equipment that is sold or scrapped or from which no further economic benefit is expected, the corresponding costs and the accumulated depreciation are derecognised; realised profit or loss from the disposal is reported on the income statement.

The cost of property, plant and equipment represents the purchase price plus costs required to bring the property, plant and equipment into working condition for its intended use. Subsequent expenditures, such as maintenance and upkeep costs incurred after fixed assets are put into operation, are expensed in the period incurred. Expenditure likely to generate additional economic benefit in excess of that originally measured for a given asset is capitalised as additional property, plant and equipment costs.

Depreciation is calculated on a straight-line basis over an estimated useful life assuming a residual carrying amount of EUR 0. The following useful lives are applied for individual asset groups:

Buildings and exterior installations:	10 to 50 years
Computer hardware:	3 to 4 years
Leasehold improvements:	the shorter of the remaining lease term or actual useful life
Other office furniture and fixtures:	5 to 13 years

The useful life and depreciation methods for property, plant and equipment are reviewed annually to ensure these are consistent with the expected business-related benefits generated by the property, plant and equipment over time.

c) Impairment of non-current, non-financial assets

Non-current assets are tested for impairment if the situation or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The first step in impairment testing is to determine the recoverable amount of the asset or cash-generating unit. This is defined as the higher of fair value less cost to sell, or value in use. Fair value less costs to sell is defined as the price recoverable from sale of an asset or cash-generating unit in a transaction between two knowledgeable and willing parties in an arm's length transaction, less the cost to sell. The value in use of an asset or cash-generating unit is determined as the present value of expected cash flows based on current use. No impairments of non-current assets were recognised in fiscal years 2012 or 2011.

FINANCIAL ASSETS

Financial assets are classifiable into the following basic categories:

- Extended loans and receivables
- Financial investments to be held to maturity
- Financial assets held for trading and
- Financial assets available for sale.

On 31 December 2012 and 31 December 2011, the PSI Group had mainly loans and receivables extended.

Loans and receivables extended are non-derivative financial assets with fixed or definable payments that are not listed on an active market. These assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired as well as through the amortisation process.

The PSI Group uses derivative financial instruments in the form of foreign exchange forward contracts to protect itself against exchange rate risks. A part of these derivative financial instruments is carried at fair value at the time the contract is concluded and revalued at fair value in the subsequent periods. Profits or losses from changes to the fair value of derivatives are immediately recognised.

The Group uses the following hierarchy to determine and report fair value of financial instruments for each valuation method: Step 1: Listed (not adjusted) prices on active markets for similar assets or similar liabilities. Step 2: Procedures where input parameters have a significant effect on the fair value, either directly or indirectly. Step 3: Procedures where input parameters have a significant effect on the fair value, either directly or indirectly, and are not based on observed market data. The foreign exchange forward contracts mentioned on page 83 f. are attributed to Step 2.

Financial assets are tested for impairment on each balance sheet date. An impairment or bad debt allowance is recognised in income for financial assets carried at amortised cost, when it is likely the Company cannot recover all amounts due from loans, receivables and held-to-maturity financial investments according to contractual terms. An impairment loss is defined as the difference between the carrying amount of the asset and the present value of expected future cash flows measured using the effective interest method. The carrying amount of the asset is reduced by way of a value adjustment account. The impairment loss is recognised in income. A previous expensed impairment is reversed for income if the subsequent partial value recovery (or reduction in impairment) can be objectively attributed to circumstances occurring after the original impairment. Reversal write-ups are only performed, however, up to the amortised cost that would have resulted had the impairment not occurred. The financial asset is derecognised upon being classified as uncollectible.

As in the previous year, the carrying amounts of financial assets and liabilities are largely at fair value.

FINANCIAL LIABILITIES

Financial liabilities are classifiable into the following categories:

- Financial liabilities held for trading, and
- Other financial liabilities.

Financial liabilities reported in the PSI Group Consolidated Financial Statements were classified as other financial liabilities.

Financial liabilities are carried at cost of purchase upon initial recognition, which corresponds to the market value of consideration provided; transaction costs are included.

Financial liabilities are no longer reported if they are repaid, i.e. if the liabilities stipulated in the contract are settled, cancelled or have expired.

At 31 December 2012, the maturities of financial liabilities were as follows:

	Due immediately EUR K	Due within up to 1 year EUR K	Due in longer than 1 year EUR K	Total EUR K
Trade payables	4,835	10,811	0	15,646
Other liabilities	485	27,004	487	27,976
Financial liabilities	0	5,449	3,900	9,349
	5,320	**43,264**	**4,387**	**52,971**

The trade payables due within up to 1 year include provisions for services still to be rendered in the amount of EUR 5,844 K.

For the 2012 fiscal year, there were no significant variations between the balance sheet carrying values and the undiscounted cash flows.

At 31 December 2011, the maturities of financial liabilities were as follows:

	Due immediately EUR K	Due within up to 1 year EUR K	Due in longer than 1 year EUR K	Total EUR K
Trade payables	3,683	13,296	0	16,979
Other liabilities	338	26,847	520	27,705
Financial liabilities	0	2,336	795	3,131
	4,021	**42,479**	**1,315**	**47,815**

The trade payables due within up to 1 year include provisions in the amount of EUR 8,458 K for services still to be rendered.

For the 2011 fiscal year, there were no significant variations between the balance sheet carrying values and the undiscounted cash flows.

OBJECTIVES AND METHODS OF FINANCIAL RISK MANAGEMENT

The main financial instruments used to finance the Company's operations are cash, available-for-sale financial assets, current liabilities (bank credit lines) and other liabilities. Current receivables and liabilities arising from long-term contract manufacturing are another component of financial risk management. The primary risks are default and liquidity risk. Interest rate and currency translation risks were incurred only to a minor extent due to relatively insignificant interest-bearing liabilities and foreign-currency receivables/payables. Market value risks were incurred exclusively in association with available-for-sale financial assets, and also to a minor extent only.

a) Default risk

Default or counterparty non-payment risk is managed through credit lines, establishing partial order prepayment percentages and control procedures. The Group conducts transactions only with creditworthy parties. Customers requesting credit for transactions with the Group must undergo a credit check. The Company obtains collateral as necessary. Since the main customers of the PSI Group are prominent major companies in the energy, utility, steel and automotive industries, with credit ratings of either "very good" or "good," the Board of Directors believes the PSI Group's overall portfolio has a below-average risk profile compared to that of other software suppliers. Risk concentration may occur with individual customers or customer groups that are exposed to similar risk scenarios or exhibit similar features (same industry, customers, sales region, currency etc.). For the PSI Group, there is no substantial concentration of default risk with either individual partners or groups thereof with similar features. The maximum default risk is the total balance sheet carrying amounts of financial assets from trade receivables and other assets.

The Group uses liquidity planning tools (maturity, expected cash flows) to monitor liquidity risk on an ongoing basis. The objective is to preserve a balance between having adequate financial resources at all times and the necessary flexibility. Monitoring project financing is an especially important part of maintaining financial balance. The PSI Group endeavors to maximise project prepayment (ratio of advance payments for projects to receivables from longterm contract fulfilment). As there are considerable differences in customer prepayment history depending on the industry to which the customer belongs, the PSI Group does not stipulate fixed percentages for prepayment. The fundamental objective is to achieve a Group-wide prepayment percentage of 50 % to 60 %. No other specific data are employed for liquidity monitoring.

b) Capital management

The primary objective of PSI Group capital management is to ensure that a high credit rating and a solid equity ratio are maintained in the interest of operational stability and maximising shareholder value.

The PSI Group manages its capital structure in view of prevailing economic circumstances. No adjustments or changes were made to capital management objectives or policies in the 2012 and 2011 fiscal years.

The PSI Group monitors capital on a consolidated basis utilising the equity ratio. Internal policy dictates that PSI Group equity may not fall below 30 % of total assets, in line with IFRS.

CURRENT ASSETS

a) Inventories

Inventories are measured at the lower of purchase cost or net sales revenue expected, less costs incurred.

b) Cash

Cash and cash equivalents are comprised of cash, fixed-term deposits and sight deposits. The Group Cash Flow Statement likewise employs the above definition of cash and cash equivalents.

SHAREHOLDERS' EQUITY

Equity is comprised of subscribed capital, capital reserves, retained earnings, treasury shares, other reserves and accumulated profit or loss.

Capital reserves include premiums in accordance with Section 150 German Stock Corporation Act, as well as loss carry-forwards applied in accordance with profit appropriation resolutions.

Retained earnings include profit appropriation in accordance with Section 174 of the German Stock Corporation Act.

Own shares purchased by the PSI Group into treasury are deducted from equity. The purchase, sale, issuance and withdrawal of own shares are not recognised in income.

Unrealised gains/losses from currency translation and actuarial gains/losses from the valuation of pension provisions as well as the cash flow hedge reserve are reported under other reserves.

PENSION PROVISIONS

The PSI Group has several defined benefit plans and other defined contribution pension plans in place. The former do not involve plan assets. The expenditure for defined benefit plan benefits is determined separately for each plan using the projected unit credit method. Actuarial gains/losses are taken directly to equity without affecting profit.

CURRENT LIABILITIES

Other provisions

A provision is reported if the PSI Group has a current (statutory, contractual or constructive) obligation due to a past occurrence, if it is likely that settlement of the obligation will require an outflow of resources representing an economic benefit, and if a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to the best current estimate. If the corresponding interest effect is substantial, the provision amount equals the present value of the probable expenditure required to settle the obligation. In discounting, provisions increasing over time are recorded as borrowing costs.

GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the Company will comply with the applicable conditions. Government grants are recognised in income on a scheduled basis in a similar way to the recognition of the related expenditure which they are to compensate. Grants obtained for the purchase of property, plant and equipment are reported in other liabilities as deferred income; this is recognised as revenue over the useful life of the asset in question in accordance with the recorded depreciation. Realised revenue associated with expenditures is reported as other operating income on the income statement.

Funds provided to the Company by Investitionsbank Berlin as investment grants are subject to future compliance conditions. These mainly include adherence to job guarantees and guarantees of the non-transfer of funded investment assets. Investment grants received from tax authorities are subject to guarantees of the non-transfer of funded investment assets. According to PSI Group planning, these conditions will be met in full.

In 2012, the PSI Group received a total of EUR 1,618 K for various development programmes, including governmental programmes, programmes in the state of Berlin and in the European Union (previous year: EUR 1,710 K. The subsidies granted were recognised as income in 2012 and shown as a reduction in the corresponding expenses. There are no additional requirements or obligations in connection with development projects, other than the obligation to verify expenses in the amount for which subsidies were granted.

BORROWING COSTS

The Group capitalises borrowing costs for all qualifying assets for which production was begun on or after 1 January 2012. Borrowing costs in connection with the course of production that began before 1 January 2012 are still recognised by the Group in the period incurred. In 2012, no significant borrowing costs were incurred for qualifying assets.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs came to EUR 17.9 million in the 2012 fiscal year (previous year: EUR 16.2 million).

LEASING

The determination as to whether an agreement is or contains a lease, is made on the basis of the financial substance of the agreement, requiring an assessment as to whether fulfilment of the contractual agreement depends on the use of a certain asset or certain assets, and whether the agreement grants a right to use the asset.

A lease is classified as an operating lease if all risks and rewards associated with property remain with the lessor. Lease payments for operating leases are recognised as expenses on a straight-line basis over the lease term.

Most PSI Group leases are for vehicles and hardware (servers). These operating leases generally have a term of between three and four years.

REVENUE REALISATION AND RECOGNITION

PSI Group revenue is generated primarily from project business and licensing software products to end users, both with and without customer-specific adaptation. Revenue is also generated from the sale of third-party software, hardware and services, e.g. installation, consultancy, training and maintenance.

a) Project business

The partial profit realisation method is used for long-term project agreements fulfilling the conditions required to apply this method, in which revenue from the development and distribution of software systems and products is deferred and realised based on the percentage of project completion. The percentage of completion is determined as the ratio of man hours accrued to the total estimated man hours, or on the basis of milestones. Advance payments received from customers are offset directly in equity against the corresponding receivables. Changes in project terms can lead to adjustments in originally recognised costs and revenue for individual projects. These change effects are recorded in the period in which they are implemented. In addition, provisions for contingent losses from uncompleted contracts are allocated in the period in which losses are recognised, and are offset against project receivables.

b) Sale of licenses

The PSI Group realises revenue from contracts once a license is provided, the sale price is fixed or can be determined, there are no material obligations to customers, and the collection of receivables is likely.

c) Maintenance, other services

Revenue from maintenance agreements is realised on a straight-line basis over the term of the agreement based on historical data. Revenue from consultancy and training is realised once the service has been provided. Maintenance revenue is reported in the Notes to the Consolidated Financial Statements as revenue from software creation and maintenance, together with revenue from project business (less reallocated merchandise/hardware).

d) Recognition of interest income

Interest is recognised proportionately over time based on the effective yield on the asset.

TAXES ON INCOME

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The amount is determined by applying tax rates and tax laws that have been in force or substantively in force at the balance sheet date.

Deferred taxes are reported using the balance sheet-oriented liability method for all temporary differences between the carrying amount of an asset or liability and its tax cost basis as of the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of:

- Deferred tax liabilities arising from the initial recognition of goodwill or of an asset, or liabilities in transactions not constituting a business combination which at the time of the transaction impact neither financial-accounting net profit or loss for a period or the taxable profit, and
- Deferred tax liabilities from temporarily taxable differences connected with investments in subsidiaries, associated companies and interests in joint ventures, may not be recognised if the timing of the reversal of temporary differences can be controlled, and it is likely that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carry-forwards and unused tax credits to the extent that it is likely, or to which there are substantial and convincing indications, that taxable income will be available against which deductible temporary differences or unused tax loss carry-forwards/credits can be offset, with the exception of:

- Deferred tax assets from deductible temporary differences arising from the initial recognition of an asset or liability in transactions not constituting a business combination, where neither the financial-accounting net profit or loss for a period or the taxable profit are impacted at the time of the transaction, and deferred tax assets from taxable temporary differences, and
- Deferred tax assets from taxable temporary differences connected with investments in subsidiaries, associated companies and interests in joint ventures, may be recognised only to the extent that it is likely that the temporary differences will be reversed in the foreseeable future and there is sufficient taxable profit against which the temporary differences can be used.

The carrying amount of the deferred tax assets is reviewed on each balance sheet date and written off to the extent it is no longer likely that there will be sufficient profit against which the deferred tax asset can at least partially be offset. Unrecognised deferred tax assets are reviewed on each balance sheet date and recognised to the extent that it has become likely, or of which there are now substantial and convincing indications, that a future taxable profit will enable the realisation of the deferred tax asset.

Deferred tax assets and liabilities are measured at the tax rates expected to be valid for the period in which an asset is realised or a liability discharged. Tax rates (and tax laws) valid or announced on the balance sheet date are applied. Income taxes concerning items recognised directly in equity are recognised in equity rather than the income statement.

Deferred tax assets and liabilities are offset against one another if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and this relates to taxes on income levied on the same taxable entity by the same taxation authority.

SALES TAX

Sales revenues, expenditures, and assets are recorded after deducting sales tax, with the exception of the following cases:

- Accrued sales tax for purchased assets or services uncollectible by the tax revenue office is classified as production costs of or expenditure for the asset in question
- Receivables and payables are stated with the amount of sales tax included.

The sales tax amount which is refunded by the tax revenue office or deducted by it is included in the Company Financial Statements under liabilities and/or debts.

SEGMENT REPORTING

a) Business segments

The PSI Group is organised into three main business segments:

- Energy Management
- Production Management
- Infrastructure Management

Financial information by business segment and geographical segment is shown under note F. and on pages 60/61.

b) Transactions between the business segments

Segment revenue, segment expenses and the segment result involve only minimal transfers between business segments. Such transfers are accounted for at regular market prices paid by customers unassociated with the Company for comparable services. These transfers were eliminated in consolidation.

C. NOTES ON THE CONSOLIDATED BALANCE SHEET

NON-CURRENT ASSETS

1 Intangible assets and property, plant and equipment

With respect to the change in non-current assets in the fiscal year ending on 31 December 2012, reference is made to the attached schedule change in intangible assets and property, plant and equipment (Appendix to the Notes on the Consolidated Financial Statements).

Goodwill and property, plant and equipment

The PSI Group carried out impairment testing on non-current assets on 31 December 2012 and 31 December 2011. Impairment testing to determine value in use takes the following units and proportionate goodwill carrying amounts into account:

	31.12.2012 EUR K	31.12.2011 EUR K
Energy Management		
Electrical Energy business of PSI AG, Nentec and CNI	1,493	1,493
Gas and Oil businesses of PSI AG	1,576	1,576
PSI Energy Markets	2,267	2,267
Time-steps AG	605	0
	5,941	**5,336**
Production Management		
PSIPENTA	615	615
PSI Metals	8,198	8,198
PSI Logistics	838	838
PSI Production	285	285
FLS	342	342
PSI Metals Austria Group	10,750	10,750
	21,028	**21,028**
Infrastructure Management		
PSI Transcom	2,352	2,352
PSI Incontrol Group	15,208	15,208
	17,560	**17,560**
Total goodwill	**44,529**	**43,924**

Impairment testing is based on cash flow projections for individual cash-generating units given market expectations (growth rates in relevant market segments, proportion of software project and maintenance revenue, hourly and daily rates for employees, average personnel expenditure, mark-ups on sales of hardware and third-party licenses). The three-year planning time frame reflects long-term business projections. The estimated cash flows are determined based on past information. Cash flows were also adjusted downward in recent testing to reflect the current economic situation. A further 1 to 2 % growth of the operating margin has been taken into account in the budgets for the next few years. Assumptions made by management with regard to business trends in the software industry are in accord with the expectations of industry experts and market observers.

Apart from for the Incontrol Group, a discount rate of 5.64 % after tax and 6.74 % before tax was applied (previous year: 5.86 % after tax and 7.14 % before tax). For the Incontrol Group, taking into account a country risk surcharge, a discount rate of 8.35 % before tax and 6.85 % after tax was applied (previous year: 8.64 % before tax and 7.12 % after tax). The discount rate was adjusted in view of the current economic situation (real economy developments and financing conditions). Cash flows arising after the three-year time period are extrapolated using a growth rate of 1.3 % (previous year: 1.3 %).

Management believes that at this time, no reasonably possible change in the fundamental assumptions used for determining value in use of the cash-generating units could result in the carrying amount of the cash-generating unit substantially exceeding its recoverable amount. Because of considerable economic uncertainty regarding projected cash flows and financing conditions, the PSI Group Board of Directors applied 20 % lower cash flows and a 9 % after-tax discount rate as a worst-case scenario for impairment testing. Even under these parameters, no impairment was identified.

2 Investments in associates

Since 5 June 2008, the Group has held a 24.9 % stake in PSI Energo, Moscow, Russia. This company was established to build up a distribution structure in Russia. PSI Energo is not listed on the stock exchange. In 2009, PSI AG subscribed shares in the amount of EUR 27 K as part of a capital increase in PSI Energo; the share in PSI Energo's capital after the capital increase remains 24.9 %.

As per the agreement dated 3 March 2009, PSI AG acquired 25 % of the shares in caplog-x GmbH, headquartered in Leipzig, for EUR 50 K. The Company provides companies in the gas market with the full information chain from data collection to remote data supply, particularly for invoicing large customers. As per the agreement dated 28 December 2012, further shares were acquired for a purchase price of EUR 102 K; the share in caplog-x GmbH's capital thus increased by 8.33 % to 33.33 %.

As per the agreement dated 28 June 2011, PSI Transcom acquired 30 % of the shares in Talk-IP International AG headquartered in Eching for EUR 15 K. The Company provides and markets telecommunications services.

The table below includes a summary of financial information about the Group's stakes in Talk-IP AG and caplog-x GmbH.

	2012 EUR K	2011 EUR K
Share in assets and liabilities of associates:		
Current assets	247	192
Non-current assets	41	5
Current liabilities	−71	−79
Non-current liabilities	0	0
Equity	**217**	**118**
Share in the revenue and result of associates:		
Revenue	1.189	411
Result	118	53

	2012 EUR K	2011 EUR K
Carrying value of the investment	**284**	**65**

The table below includes a summary of financial information about the Group's stakes in PSI Energo:

	2011 EUR K	2010 EUR K
Share in assets and liabilities of associate:		
Current assets	4,334	2,852
Non-current assets	46	765
Current liabilities	−4,263	−3,432
Non-current liabilities	0	0
Equity	**117**	**185**
Share in the revenue and result of associate:		
Revenue	4,957	1,156
Result	145	14

	2012 EUR K	2011 EUR K
Carrying value of the investment	**143**	**143**

At the time of preparation of the 2012 Consolidated Financial Statements, there was no information available as to the assets, liabilities, revenues or operating result of PSI Energo.

CURRENT ASSETS

3 *Inventories*

	2012 EUR K	2011 EUR K
Unfinished products	0	224
Hardware and third-party licenses	3,634	2,567
Subcontractor payments	386	1,257
	4,020	**4,048**

4 *Trade receivables, net*

	2012 EUR K	2011 EUR K
Trade receivables, gross	34,707	31,638
Receivables from associates	0	7
Individual valuation allowances	–639	–482
	34,068	**31,163**

Trade receivables are non-interest bearing and have a term of 0 to 90 days. The change in individual valuation allowances was as follows:

	2012 EUR K	2011 EUR K
As of 1 January	482	601
Appropriation recognised as expense	173	229
Claimed	0	–99
Reversals recognised as income	–16	–249
As of 31 December	**639**	**482**

The age structure of trade receivables on 31 December was as follows:

	2012 EUR K	2011 EUR K
Neither past due nor impaired:	**20,600**	**20,644**
Past due, not impaired:		
< 30 days	7,244	6,714
30 – 60 days	1,849	1,912
60 – 90 days	1,446	268
90 – 120 days	953	496
> 120 days [1) 2)]	1,976	1,129
	13,468	**10,519**
As of 31 December	**34,068**	**31,163**

1) Amount of which retained from collateral EUR 0 K (previous year: EUR 64 K)
2) Paid as of 20 February 2013: EUR 302 K

5 *Receivables from long-term development contracts*

Receivables are recognisable under the partial profit realisation method when revenue is realised but cannot yet be invoiced under contract terms. These amounts are realised according to various performance criteria, such as achieving certain milestones, projected versus cumulative billable working hours, the completion of certain units, or the completion of the contract. This balance sheet account shows directly attributable individual costs (personnel expenditure and purchased services), plus overhead and share of profits to an appropriate extent.

Receivables are measured using the partial profit realisation method, and break down as follows:

	2012 EUR K	2011 EUR K
Costs incurred	67,392	93,556
Share of profit	10,505	28,454
Contract revenue	**77,897**	**122,010**
Advance payments received	–54,209	–104,692
Set off against contract revenue	–35,656	–84,459
Receivables from long-term development contracts	42,241	37,551
Liabilities from long-term development contracts	18,553	20,233

Liabilities from long-term contract manufacturing are reported as advance payments which exceed the respective receivables from long-term contract manufacturing.

Receivables from long-term contract manufacturing in the amount of EUR 42,241 K (previous year: EUR 37,551 K) are neither past due nor impaired as of the balance sheet date.

Warranty obligations with regard to the contract manufacturing accepted occur as part of normal operations.

6 *Other assets*

	2012 EUR K	2011 EUR K
Tax credits	1,573	1,103
Prepaid expenses	1,333	915
Claims from the sale of business units	479	599
Subcontractor payments	236	291
Subsidies	83	84
Other	930	868
	4,634	**3,860**

The accruals basically contain deferred advance payments for maintenance and are expensed within a year.

No specific valuation allowances were recorded for other assets. There are no past due or impaired receivables.

7 *Cash*

	2012 EUR K	2011 EUR K
Bank balances	26,631	16,800
Fixed-term deposits	6,668	17,013
Cash	39	33
	33,338	**33,846**

The time deposit investments and bank balances are not past due; specific valuation allowances are not required.

8 *Shareholders' equity*

See the schedule of changes in Consolidated Statements of Changes in Equity.

a) Subscribed capital

Fully paid-up share capital recorded in the commercial register totals EUR 40,185,256.96 (previous year: EUR 40,185,256.96).

In a 22 December 2008 resolution, the PSI AG Board of Directors, with Supervisory Board approval, declared 212,870 shares withdrawn pursuant to the shareholder resolution passed at the 25 April 2008 Annual General Meeting, reducing share capital by EUR 544,947.20 from EUR 31,008,947.20 to EUR 30,464,000.00. The share capital reduction was recorded in the Commercial Register on 9 March 2009. Share capital is comprised of 15,697,366 no-par shares (2008: 12,112,870).

In its resolution of 20 May 2009, PSI AG's Board of Directors, with Supervisory Board approval, used part of the 2005 authorised capital. The authorised capital was increased upon resolution of the Annual General Meeting on 19 May 2005 by EUR 3,046,397.44 to EUR 33,510,397.44. A number of 1,189,999 new shares was issued. The capital increase was recorded in the Commercial Register on 22 May 2009.

On 8 June 2009, the Board of Directors resolved with Supervisory Board approval to use an additional part of the aforementioned authorised capital from 2005. By way of capital increase against contributions in kind, the share capital was increased by EUR 6,674,859.52 from EUR 33,510,397.44 to EUR 40,185,256.96. 2,607,367 new shares were issued. The capital increase was implemented on the basis of the contribution of all shares in inControl Tech by its sole shareholder, Jubilee Systems Sdn. Bhd., Kuala Lumpur, Malaysia. The capital increase was recorded in the Commercial Register on 10 June 2009.

At the PSI AG Annual General Meeting on 28 April 2009, the Board of Directors was authorised to buy back shares up to 10 % of share capital. Based on the share capital of that date in the amount of EUR 30,464,000.00, the Company was authorised for a maximum amount of own shares in the amount of EUR 3,046,400.00. This is about 1,190,000 shares of the Company. The authorisation expired on 27 October 2010.

At the PSI AG Annual General Meeting on 3 May 2010, the Board of Directors was authorised to buy back shares up to 10% of share capital. Based on the share capital from that date, the Company is authorised to buy back up to 1,569,736 shares. The authorisation will expire on 30 June 2013.

b) Contingent and authorised capital

Upon resolution of the Annual General Meeting on 28 April 2009, the Board of Directors was authorised to issue convertible bonds and bonds with warrants alongside profit-sharing rights and/or participating bonds (with the option to exclude subscription rights) up to 27 April 2014.

To fulfil any exercised rights as above, the Annual General Meeting on 28 April 2009 created a new "contingent capital 2009." Thereunder, the Company's share capital is contingently increased by up to EUR 15,232,000.00, divided into up to 5,950,000 no-par shares.

The contingent capital from an authorisation of 27 May 2004 (CC II/2004) was replaced by the aforementioned new contingent capital 2009.

	2012 EUR K	2011 EUR K
Authorised capital (AC)		
AC 2010 (expires 2 May 2015)	8,036	8,036
	8,036	**8,036**
Contingent capital (CC)		
CC 2009 (expires 27 April 2014)	15,232	15,232
	15,232	**15,232**
	23,268	**23,268**

The Annual General Meeting on 3 May 2010 agreed on a new authorised capital amount (AC 2010). The Board was authorised to increase the ordinary stock of the Company with the Supervisory Board's approval in the period up to 2 May 2015, either in one go or in several steps, up to a total to EUR 8,035,840.00 by issuing new nominal no-par shares in exchange for cash contributions or investments in kind. The authorised capital created in the General Meeting on 19 May 2005 was annulled.

There were no changes in contingent capital in 2012 and 2011.

c) Capital reserves

Capital reserves contain premiums from capital increases. The costs attributable to issuing equity instruments were posted directly in the equity as negative premiums, taking into account deferred tax effects.

d) Other reserves

Other reserves break down as follows:

	2012 EUR K	2011 EUR K
Currency fluctuation reserve	1,005	1,077
Actuarial losses	−11,305	−4,345
Deferred taxes	4,085	2,001
Cash flow hedge reserve	−931	−905
	−7,146	**−2,172**

The cash flow hedge reserve contains the effective part of hedges for future estimated payments in foreign currency at the balance sheet date.

e) Distributed dividends

During the financial year, a dividend on ordinary shares for the fiscal year 2011 amounting to EUR 0.25 (previous year: EUR 0.23) per share (EUR 3,919,174.50; previous year: 3,610,394.18) was distributed.

NON-CURRENT LIABILITIES

9 *Pension provisions*

Pension provisions are allocated for future obligations and current benefits (old-age, invalidity, and survivors' pension benefits) for active and former employees of the PSI Group and their surviving dependents.

Three different defined benefit pension plan models are employed at the PSI Group, which provide benefits to employees based on length of service and salary level prior to payout in accordance with plan provisions. On 5 December 2006, the PSI AG Board of Directors and the Group Works Council concluded a works agreement on the Company pension plan and compensation payments within the PSI AG Group, encompassing all hitherto existing defined benefit pension plans. The agreement between the PSI AG Board of Directors and the Group Works Council thus replaces existing individual agreements.

The purpose of this agreement is to modify existing pension plans and to convert them prospectively into defined contribution pension commitments:

- Vested rights as of 31 December 2006 of a majority of employees were frozen as fixed amounts. The result of this procedure is that accrued pension benefits will not increase beyond the level reached at 31 December 2006 through either future service or salary increases.
- Freezing of vested rights is done by determining pension benefits payable from age 65 for each plan participant. Vested rights are determined as though the employee had reached the age of 65 by 31 December 2006.
- As compensation for the discontinuation of future increases in the Company pension (pension increases), either equal increasing amounts will be paid into an insured provident fund until the end of employment, or the employees will be given increased gross cash compensation in the form of an annual payment increasing in equal amounts, ending at the latest upon reaching the age of 65. These compensation amounts are determined by actuarial formulas.
- The first step in determining compensation amounts is to establish the constant annual premium that would be payable to a fictitious insurer if the insurer had to pay pension benefits under the hitherto existing pension plans had they continued unchanged. The amount of compensation payment to employees in the first year equals 70 % of the constant annual premium payable to a fictitious insurer determined in the above manner, increasing annually by a constant percentage. If an employee leaves the Company early and the amounts paid into the provident fund do not yet equal 100 % of compensation due the employee, the PSI Group has no obligation to pay the difference to the employee.

The amount of pension obligations (present value of defined benefit pension commitments) was calculated by actuarial formulas applying the following assumptions:

	2012 %	2011 %	2010 %	2009 %
Discount rate	3.60	5.20	4.70	5.50
Increase in salaries	1.50	1.50	1.50	2.00
Increase in pension payouts	1.50	1.75	1.75	1.75
Staff turnover	4.50 [1)]	4.50 [1)]	4.96	4.50

[1] Fluctuation was based on an age-dependent probable employee turnover rate of between 4% and 5%.

The salary trend is comprised of expected future salary increases, which are estimated annually and depend on various factors including inflation and seniority.

At 31 December 2012, an age of 64 for expiry of financing was assumed in calculating pension obligations. The age for expiry of financing is based on statistical surveys of retirement ages within the PSI Group.

When measuring pension provisions, the legal principles of a decision by the Federal Labor Court (BAG) dated 15 May 2012 (file ref. 3 AZR 11/10) were taken into account, where applicable. The resulting effect on the amount of pension provisions for the PSI Group was EUR 443 K and this was recognised as negative past service cost.

In fiscal year 2008, the PSI Group opted to record actuarial gains and losses in connection with measurement of pension provisions directly in equity.

Expenses for pension benefits break down as follows:

	2012 EUR K	2011 EUR K
Service cost recorded in personnel expenses	37	96
Interest expense recorded in interest result	1,653	1,604
Expenses for pension benefits	**1,690**	**1,700**

Liabilities from defined benefit plans:

	2012 EUR K	2011 EUR K
Cash value of defined benefit plan	38,997	32,104
Pension obligation	**38,997**	**32,104**

Adjustment of plan liabilities based on experience:

	2012 EUR K	2011 EUR K	2010 EUR K	2009 EUR K
Cash value of defined benefit plan	38,997	32,104	33,610	30,096
Adjustment of plan liabilities	396	230	119	209

The table below shows the change in pension obligations:

	2012 EUR K	2011 EUR K
Pension obligation, start of period	32,104	33,610
Actuarial gains and losses recognised in equity	6,960	−2,085
Pension benefit payments	−1,242	−1,109
Pension benefit expenses	1,690	1,700
Past service cost to be taken into account retrospectively	−443	0
Group disposals	−72	−12
Pension obligation, end of period	**38,997**	**32,104**

The following shows the expected payment structure for the years 2013 to 2015:

	EUR K
Pension benefit payments	
2011	1,109
2012	1,242
Projected pension benefit payments	
2013	1,409
2014	1,526
2015	1,636

10 Financial liabilities

Financial liabilities contain liabilities from loans of EUR 3,596 K (previous year: EUR 252 K) and the non-current part of derivatives amounting to EUR 304 K (previous year: EUR 543 K). For more explanations on derivatives, please see page 84.

In the 2012 financial year, a loan contract was taken out with Landesbank Berlin for a nominal amount of EUR 3,600 K and a term to 31 December 2015. The loan is subject to a variable interest rate (3-month EURIBOR plus a margin of 1.220 %). The remaining value as at 31 December 2012 amounts to EUR 3,550 K. Collateral was not provided.

Interest expenses from non-current bank loans amounted to EUR 59 K in the financial year (previous year: EUR 158 K).

CURRENT LIABILITIES

11 Financial liabilities

Financial liabilities contain current account loans of EUR 4,822 K and the current part of derivatives amounting to EUR 627 K.

The PSI Group uses short-term, variable interest rate bank credit lines for financing purposes. Financial liabilities are paid back monthly, with interest rates between 3.5 and 8.3 %. Collateral is not provided. The objective is to ensure continuous refinancing of all short-term financial liabilities. The fair value of financial liabilities is the carrying amount. As of 31 December 2012, the PSI Group had unused credit lines in the amount of EUR 6,386 K (previous year: EUR 8,859 K).

Interest expenses from bank overdrafts amounted to EUR 186 K in the 2012 fiscal year (previous year: EUR 104 K).

In the 2010 fiscal year, in the context of contracted foreign currency customer orders, exchange forward contracts were agreed in order to hedge against currency risks. This is to hedge future cash flows from expected transactions. The Company has designated the expected transactions in the context of customer orders and exchange forward contracts as a hedge (cash flow hedge). Cash flows are expected to be received in the period from 12 April 2013 to 30 July 2014. The hedging instruments were included as in the previous year in the Balance Sheet at fair value on 31 December 2012 with no effect on profits.

The inventory of derivatives designated as hedges showed the following development:

Underlying transaction/ hedging relationship	Risk/type of hedge	Nominal amount EUR K	Amount of risk hedges EUR K	Fair value 31.12.2012 EUR K	Fair value 31.12.2011 EUR K
Future transactions/ foreign currency contracts	Curreny risk/ cash flow hedge	10,288	10,288	−931	−905
Total		**10,288**	**10,288**	**−931**	**−905**

Opposing cash flows relating to the secured risk of underlying transactions/expected transactions and hedges are expected to balance out fully over the hedging period, based on the information available when compiling the Group statements, because significant currency risk items are hedged at the same amount, duration and currency rate immediately after they arise, in accordance with Group risk policy. In order to measure the prospective effectiveness of hedges, the “Critical-Terms-Match-Method” is used. In order to measure retrospective effectiveness, the “Dollar-Offset-Method” is used.

12 Provisions

The change in provisions was as follows:

	As of 1.1.2012 EUR K	Claimed EUR K	Interest proportion/ Changes to interest rate EUR K	As on 31.12.2012 EUR K
Personnel provisions	35	−29	−1	5
Other provisions	208	−35	0	173
	243	**−64**	**−1**	**178**
thereof current	208			178
thereof non-current	35			0

Personnel provisions principally represent provisions in connection with phased retirement schemes. Provisions are calculated on the basis of the applicable agreement terms in place with employees and a discount rate for projected cash flows in connection with the agreements concluded of 0 % for cash flows expected in 2014 (previous year: 3.82 %).

13 Other liabilities

	2012 EUR K	2011 EUR K
Personnel-related liabilities	12,670	12,563
Tax liabilities (payroll and sales tax)	4,805	5,174
Deferred income	3,872	4,204
Social security liabilities	46	0
Other	6,583	5,764
	27,976	**27,705**

Employee liabilities principally represent claims to vacation, overtime and special payments. Deferred income (mostly prepaid maintenance revenue) is recognised in income within one year. Miscellaneous liabilities are non-interest bearing.

14 Deferred taxes/taxes on income

The trade income tax in Germany is levied on taxable income of the PSI Group, determined by deducting certain income not subject to trade tax and adding certain expenses not deductible for trade income tax purposes. The effective trade tax rate varies by the municipality in which the PSI Group operates. The average trade tax rate in 2012 was approximately 15 %. A corporation tax rate of 15 % was applied in the 2011 and 2012 fiscal years. A solidarity surcharge of 5.5 % is additionally levied on corporation tax assessed. The effective income tax rate for 2012 was thus 29.83 % (previous year: 29.83 %).

Income tax expense for the current fiscal year was as follows:

	2012 EUR K	2011 EUR K
Actual tax expense		
Current year	**−1,959**	**−1,294**
Deferred tax expense		
Change in intangible assets	58	−27
Change in long-term development contracts	282	−878
Change in inventories	−12	−12
Phased retirement programmes	−46	−34
Change in pension provisions	13	−87
Project-related provisions	−225	851
Other provisions	−49	89
Fixed assets	32	41
Use of tax loss carry-forwards	−71	71
	−18	**14**
Income tax expense	**−1,977**	**−1,280**

The table below shows the reconciliation of tax expense and income:

	2012 EUR K	2011 EUR K
Earnings before taxes	11,335	8,724
Theoretical income tax expense (29.83 %; previous year: 29.83 %)	−3,387	−2,602
Uncapitalised tax loss carry-forwards	−95	−781
Non tax-deductible business expense and trade tax additions	−109	−148
Use of non-capitalised loss carry-forwards	1,266	1,883
Effects of differences due to foreign tax rates	172	441
Capitalisation of temporary differences previously written down	122	0
Other	54	−73
Actual tax expense	**−1,977**	**−1,280**

The deferred taxes reported in the PSI Group are as follows:

	2012 EUR K	Change EUR K	2011 EUR K
Deferred taxes			
Pension provisions	4,581	2,089	2,492
Intangible assets	−40	75	−115
Tax-deductible goodwill impairment	−60	−180	120
Phased retirement programmes	20	−46	66
Project-related provisions	962	−225	1,187
Receivables from long-term development contracts	−1,927	280	−2,207
Derivatives/Financial instruments	335	68	267
Fixed assets	0	32	−32
Unused tax losses	0	−71	71
Inventories	10	−12	22
Other	−2	−108	106
	3,879	**1,902**	**1,977**
thereof with effect on income		−18	
thereof equity change		2,084	
thereof corporate acquisitions		−164	
Balance sheet			
Deferred tax assets	5,984		4,333
Deferred tax liabilities	−2,105		−2,356

The PSI Group has the following tax loss carry-forwards:

	2012 EUR million	2011 EUR million
Loss carry-forward, domestic trade tax	39.2*	43.7*
Loss carry-forward, domestic corporation tax	37.2*	40.9*
Loss carry-forwards abroad	6.0	5.6

Domestic loss carry-forwards do not expire.

* The information regarding the domestic carry-forwards takes into account the minimal risk that the 2009 purchase and addition of 28.60 % of voting rights by Kajo Neukirchen GmbH, Eschborn, may lead to a reduction of up to 28.60 % of tax loss carry-forwards since 1 January 2009.

D. DETAILS RELATING TO GROUP PROFIT/LOSS ACCOUNT

The income statement is prepared using the nature of expenditure method.

15 Revenues

	2012 EUR K	2011 EUR K
Software development and maintenance	144,945	138,650
License fees	17,445	14,155
Merchandise	18,498	16,739
	180,888	**169,544**

16 Cost of materials

	2012 EUR K	2011 EUR K
Cost of purchased services	19,235	17,656
Costs of purchased goods	16,890	13,467
	36,125	**31,123**

17 Staff costs

	2012 EUR K	2011 EUR K
Wages and salaries	84,971	80,927
Social security	15,879	14,848
	100,850	**95,775**

Staff costs include expenses for payments in connection with defined contribution pension commitments of EUR 657 K (previous year: EUR 682 K) and state pension funds of EUR 5,647 K (previous year: EUR 5,581 K).

18 Depreciation and amortisation

	2012 EUR K	2011 EUR K
Of intangible assets and property, plant and equipment	4,034	3,981
	4,034	**3,981**

19 Other operating expenses

	2012 EUR K	2011 EUR K
Travel costs	8,153	8,142
Rent/leasing property	6,032	5,428
Project expenses	1,617	1,203
Advertising and marketing	4,343	3,888
Equipment leasing	2,543	2,413
Data line, IT and telephone costs	2,603	2,501
Legal and advisory costs	1,222	1,354
Contributions, fees, expenses	395	326
Other	8,385	7,776
	35,293	**33,031**

20 Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group net profit/loss by the weighted average number of no-par shares.

	2012	2011
Net profit/loss for the period (EUR K)	9,358	7,444
Weighted number of no-par shares (in thousand)	15,680	15,685
Basic/diluted earnings per no-par share (EUR/share)	**0.60**	**0.47**

To calculate diluted earnings per share, net profit or loss for the period attributable to ordinary shareholders and the weighted average number of the shares outstanding are adjusted for the dilutive effect on common shares potentially issued from the exercise of stock options, rights and/or warrants.

E. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents reported are not subject to restrictions on disposal claims or rights imposed by third parties. The PSI Group has made no payments for extraordinary transactions. Interest and income tax payments have been reported. A dividend for the fiscal year 2011 was paid in the reporting year. The breakdown of cash and cash equivalents is shown under C. 7. Current account liabilities were not included in cash and cash equivalents.

F. NOTES ON SEGMENT REPORTING

The PSI Group complies with IFRS 8 – Segment Reporting. This standard has regulations on the reporting of data broken down by business and geographical segments.

Breakdown by segments

- Energy Management: Intelligent solutions for electricity, gas, oil and water utilities. The focus is on delivering reliable and efficient solutions for grid management and for trading and sales in the deregulated energy markets.

- Production Management: Software products and customised solutions for production planning, specialised production controls and efficient logistics. The focus is on optimising resource utilisation and enhancing quality and efficiency.

- Infrastructure Management: High-availability control solutions for monitoring and effective operations in the areas of traffic, public safety, environmental protection and disaster prevention.

Reconciliation of segment assets and liabilities

Segment assets and liabilities distribute to the gross assets and gross liabilities as follows:

	2012 EUR K	2011 EUR K
Gross assets per balance sheet	186,441	175,661
Deferred tax assets	−5,984	−4,333
Segment assets	**180,457**	**171,328**
Gross liabilities per balance sheet	112,804	102,751
Tax provisions	−921	−1,090
Deferred tax liabilities	−2,105	−2,356
Segment liabilities	**109,778**	**99,305**

Additional geographical disclosures

For the 2012 fiscal year, the PSI Group achieved domestic revenue of EUR 95.0 million (previous year: EUR 85.1 million) and revenue of EUR 85.9 million abroad (previous year: EUR 84.4 million). Non-current fixed assets of EUR 28,719 K (previous year: EUR 27,496 K) were allocated to foreign entities.

G. OTHER INFORMATION

Other financial obligations and contingencies

Tenancy and leasing agreements

Cars, office furniture and fixtures, data processing systems and other equipment were leased under operating leasing agreements. In 2012, leasing charges of EUR 242 K accrued (previous year: EUR 220 K) for leased office equipment; EUR 1,038 K for leased data processing systems, vehicles and other equipment (previous year: EUR 952 K).

In the 1996 fiscal year, PSI AG concluded a tenancy agreement for an office building in Berlin. The rental contract was renegotiated in 2010 and has a term up to 31 March 2017.

The rent and lease payments shown below stem from these rental and lease agreements:

	Rent payments EUR K	Leasing payments EUR K	Total EUR K	Previous year total EUR K
2013	3,723	1,295	5,018	3,193
2014	2,515	914	3,429	2,271
2015	1,918	456	2,374	1,743
2016	1,910	87	1,997	1,659
2017	516	9	525	373
2018	0	0	0	0
and beyond	0	0	0	0

Guaranteed sureties

At the balance sheet date PSI AG had guaranteed sureties totalling EUR 45,147 K (previous year: EUR 40,080 K) from various insurers and banks.

Letters of subordination and comfort

PSI AG issued a letter of comfort for a subsidiary.

Employees

The average number of PSI Group employees in the fiscal year was 1,559 (previous year: 1,455 employees). Employees break down by function as follows:

	2012	2011
Production	1,270	1,201
Administration	126	113
Sales	138	124
Development	25	17
Total	**1,559**	**1,455**

Equity statement

	Shares in %	Shareholders' equity[1] 31.12.2012 EUR K	Net result[1] 2012 EUR K
PSIPENTA Software Systems GmbH, Berlin	100	2,473	1,273
PSI Nentec GmbH, Karlsruhe	100	501	0 [2]
PSI Metals GmbH, Dusseldorf	100	5,671	2,508
PSI Information Technology Shanghai Co. Ltd., Shanghai, China	100	549	312 [3]
PSI Metals North America Inc., Pittsburgh, USA	100	292	168
PSI Transcom GmbH, Berlin	100	1,817	1,217
PSI AG Produkte und Systeme der Informationstechnologie, Glattzentrum, Switzerland	100	670	189
PSI Logistics GmbH, Berlin	100	703	315
PSI Energy Markets GmbH, Hanover	100	1,330	0 [2]
PSI Production GmbH, Berlin	100	−258	202
PSI Produkty i Systemy Informatyczne Sp z o.o., Poznan, Poland	100	1,365	855
PSI CNI Control, Networks & Information Management GmbH, Wels, Austria	100	941	−202
FLS FUZZY Logik Systeme GmbH, Dortmund	100	378	0 [2]
PSI Metals Non Ferrous GmbH, Würselen	100	1,005	0 [2]
OOO 'PSI', Moscow, Russia	100	1,995	954
PSI Incontrol Sdn. Bhd., Selangor, Malaysia	100	10,628	1,656 [3]
inControl Tech Private Limited, Chennai, India	100	−174	4 [3]
inControl Tech For Shares SPC, Salimabad, Bahrain	100	−226	−61 [3]
inControl Tech (Thailand) Ltd., Bangkok, Thailand	100	192	−3 [3]
inControl Tech Holding (Thailand) Ltd., Bangkok, Thailand	100	7	4 [3]
PSI Metals Austria GmbH, Linz, Austria	100	1,863	415
AIS Advanced Information Systems (India) Private Ltd., Kolkata, India	100	127	73
PSI Metals Belgien NV, Brüssel, Belgium	100	1,166	518
PSI TURKEY BILISIM TEKNOLOJILERY SANAYI VE TICARET A.Ş., Istanbul, Turkey	100	−4	−11
Time-steps AG, Affoltern am Albis, Switzerland	100	162	−13
Talk-IP International AG, Eching	30	39	−11
caplog-x GmbH, Leipzig	33.3	616	362
OOO 'PSI Energo', Moscow, Russia	24.9	469	582 [4]

[1] Values according to legal and local accounting regulations before consolidation bookings.
[2] Profit-pooling contracts.
[3] Values according to IFRS before consolidation bookings.
[4] Statements as on 31 December 2011.

Audit fees

Audit fees for the auditing of PSI AG, the PSI Consolidated Financial Statements and all material subsidiaries of the PSI Group amounted to EUR 213 K (previous year: EUR 179 K). For tax consultancy services from the auditors of the Financial Statements, the PSI Group recorded fees in the amount of EUR 101 K (previous year: EUR 85 K) and for other audit services EUR 0 K (previous year: EUR 0 K).

Related party disclosures

Companies and individuals are regarded as related parties if they have the possibility of controlling the PSI Group or exerting a significant influence over its financial and business policies. The existence of trustee relationships is taken into account in determining significant influence on the part of related individuals or companies to the PSI Group on financial and business policies, in addition to existing controlling relationships.

Related companies

The associates included in the Consolidated Financial Statements are considered related companies. PSI Energo, caplog-x, and Talk-IP International, are associates that are considered related companies. There are no other related companies.

There are trade relationships between PSI AG and its subsidiaries in terms of deliveries and services, cash management, central administration services and employee provision; these were eliminated in consolidation.

Related persons

The following are considered related individuals:

Members of the PSI AG Board of Directors

Dr. Harald Schrimpf
Armin Stein

Members of the PSI AG Supervisory Board

Barbara Simon up to 3 May 2012
Karsten Trippel
Prof. Dr. Rolf Windmöller
Dr. rer. nat. Ralf Becherer
Bernd Haus
Wilfried Götze
Elena Günzler since 3 May 2012

Transactions with related individuals

No business transactions took place between the PSI Group and related individuals in 2012.

Supervisory Board

The individuals below were Supervisory Board members in fiscal year 2012:

Name	Occupation	Location	Supervisory Board memberships at other companies
Prof. Dr. Rolf Windmöller (Chairman)	Graduate engineer	Ennepetal	ProDV Software AG, Dortmund (Chairman)
Wilfried Götze (Deputy Chairman)	Business graduate	Berlin	
Bernd Haus	Business graduate	Ranstadt	
Karsten Trippel	Businessman	Großbottwar	Berlina AG für Anlagewerte Preußische Vermögensverwaltung AG, Berlin Riebeck Brauerei von 1872 AG, Wuppertal
Barbara Simon (employee representative) to 3 May 2012	Graduate engineer	Berlin	
Elena Günzler (employee representative) since 3 May 2012	Graduate mathematician	Berlin	
Dr. rer. nat. Ralf Becherer (employee representative)	Graduate chemist	Aschaffenburg	

Remuneration for the Board of Directors and Supervisory Board

Remuneration of EUR 890 K was paid to the PSI AG Board of Directors in the fiscal year 2012 (previous year: EUR 1,364).

	2012 EUR K	2011 EUR K
Fixed remuneration		
Armin Stein	232	222
Dr. Harald Schrimpf	232	222
	464	**444**
Long-term fee components		
Armin Stein	0	250
Dr. Harald Schrimpf	0	250
	0	**500**
Variable remuneration		
Armin Stein	213	210
Dr. Harald Schrimpf	213	210
	426	**420**
Board of Directors – total	**890**	**1,364**

In addition, provisions for the Board of Directors' long-term fee components totalled EUR 300 K.

No pension commitments exist for Board of Directors members.

Pension provisions of EUR 638 K are reported for former Board of Directors members (previous year: EUR 591 K). In the 2012 fiscal year, no further remuneration was paid to former Board members other than pension benefit payments of EUR 52 K (previous year: EUR 51 K).

The Supervisory Board was paid remuneration of EUR 193 K (previous year: EUR 185 K):

	2012 EUR K	2011 EUR K
Dr. rer. nat. Ralf Becherer	28	27
Wilfried Götze	35	34
Bernd Haus	30	29
Barbara Simon	10	28
Karsten Trippel	25	23
Prof. Dr. Rolf Windmöller	46	44
Elena Günzler	19	0
	193	**185**

The Board of Directors and Supervisory Board shareholdings were as shown below:

	2012 Number of shares	2011 Number of shares
Dr. Harald Schrimpf	60,000	64,000
Armin Stein	23,300	23,300
Dr. rer. nat. Ralf Becherer	1,281	1,268
Wilfried Götze	54,683	54,683
Bernd Haus	1,000	1,000
Elena Günzler	1,013	–
Karsten Trippel	109,750	109,750
Prof. Dr. Rolf Windmöller	6,305	6,305
Barbara Simon (left the Company on 3 May 2012)	–	7,890

Disclosures concerning the German "Corporate Governance Code"

PSI AG submitted the declaration prescribed per Section 161 of the German Stock Corporation Act on 13 September 2012. This document is available for viewing by shareholders at all times on the PSI AG website (www.psi.de) in the Investor Relations section.

Berlin, 22 February 2013

Dr. Harald Schrimpf　　　　Armin Stein

Audit certificate

We granted the following audit certificate for the Consolidated Financial Statements and the Group Management Report:

"We have audited the Consolidated Financial Statements prepared by PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie, Berlin – consisting of the balance sheet, income statement, comprehensive income statement, statement of changes in shareholders' equity, cash flow statement, and Notes to the Consolidated Financial Statements – and the Group Management Report for the fiscal year 1 January to 31 December 2012. The preparation of the Consolidated Financial Statements and Group Management Report in accordance with IFRS as applicable within the EU and with the supplementary provisions of Section 315a (1) HGB are the responsibility of the legal representatives of the Company. Our responsibility is to express an opinion on the Consolidated Financial Statements and the Group Management Report based on our audit.

We conducted the audit of the Consolidated Financial Statements in accordance with Section 317 HGB (German commercial code) and generally accepted German standards for the auditing of financial statements outlined by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). These standards require that we plan and perform audits in such a way that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements and the consolidated management report in accordance with the applicable financial reporting framework will, with reasonable assurance, be detected. In determining the audit procedures, the business activity, business and legal environment, and expectations as to possible errors were taken into consideration. The effectiveness of the internal financial reporting control system and the evidence supporting the disclosures in the Group financial statements and the Consolidated Management Report, are assessed primarily on the basis of spot checks as part of the audit. The audit includes assessment of the Annual Financial Statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and key estimates made by the legal representatives, as well as evaluation of the overall presentation of the Consolidated Financial Statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the Consolidated Financial Statements comply with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) 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. The Consolidated Management Report is consistent with the Consolidated Financial Statements, and provides on the whole a true and fair view of the Group's position, suitably presenting business opportunities and risks going forward."

Berlin, 1 March 2013

Ernst & Young GmbH
Accounting firm

Schepers	Weiß
Public accountant	Public accountant

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 assets, liabilities, financial position and profit and loss of the Group, and the Consolidated Management Report includes a fair review of the performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, 22 February 2013

PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie

The Board of Directors

Dr. Harald Schrimpf	Armin Stein

PSI Multi-Year Overview

	2012 EUR K	2011 EUR K	2010 EUR K	2009 EUR K	2008 EUR K
Orders					
New orders	188	174	177	150	152
Order backlog	118	112	108	97	101
Income statement					
Revenues	180.9	169.5	158.7	147.0	128.9
thereof Energy Management	62.3	68.9	65.5	59.8	55.1
thereof Production Management	89.4	78.6	67.3	62.2	57.7
thereof Infrastructure Management	29.2	22.1	26.0	25.0	16.0
Export ratio in %	47.5	49.8	40.4	34.1	27.9
License revenue	17.4	14.2	9.8	8.7	8.1
License share in %	9.6	8.4	6.2	5.9	6.2
R&D expenditure	17.9	16.2	16.0	12.1	10.5
R&D ratio in %	9.9	9.6	10.1	8.2	8.1
Operating result (EBIT)	12.9	10.7	9.5	7.8	6.2
EBIT margin in %	7.1	6.3	6.0	5.3	4.8
Earnings before taxes (EBT)	11.3	8.7	7.9	6.9	5.3
Group result	9.4	7.4	7.0	6.6	4.1
Return on sales in %	5.2	4.4	4.4	4.5	3.2
Cash flow					
Cash flow from operating activities	0.8	15.4	13.1	4.4	9.9
Cash flow from investment activities	−3.6	−1.6	−6.8	−15.9	−4.5
Cash flow from financing activities	−2.3	−9.0	1.5	8.6	−0.7
Investments*	5.2	4.4	6.9	18.9	6.5
Balance sheet					
Shareholders' equity	73.6	72.9	68.1	66.3	33.7
Equity ratio in %	39.5	41.5	40.2	42.9	32.8
Return on equity in %	12.8	10.2	10.3	10.0	12.2
Balance sheet total	186.4	175.7	169.2	154.7	102.6
Share					
Earnings per share in EUR	0.60	0.47	0.45	0.46	0.34
Annual closing price in EUR	15.41	14.72	17.85	8.85	3.60
Market capitalisation at 31 December	241.9	231.1	280.2	138.9	43.6
Employees					
Number of employees at 31 December	1,591	1,491	1,422	1,411	1,126
Personnel expenses	100.9	95.8	94.2	83.6	75.3

*Corporate acquisitions, intangible assets, plant and equipment.

PSI Quarterly Overview 2012

	1st quarter EUR K	2nd quarter EUR K	3rd quarter EUR K	4th quarter EUR K
Orders				
New orders	69	45	31	43
Order backlog	140	142	132	118
Income statement				
Revenues	40.8	44.8	41.1	54.2
thereof Energy Management	15.8	14.9	13.8	17.8
thereof Production Management	20.8	22.9	20.5	25.2
thereof Infrastructure Management	4.2	7.0	6.7	11.3
Operating result (EBIT)	2.0	3.1	2.4	5.4
EBIT margin in %	4.9	6.9	5.8	10.0
Earnings before taxes (EBT)	1.6	2.8	2.0	4.9
Group result	1.3	2.8	1.4	3.9
Return on sales in %	3.2	6.3	3.4	7.2
Share				
Earnings per share in EUR	0.08	0.18	0.09	0.25
Quarterly closing price in EUR	16.85	15.80	16.38	15.41
Employees				
Number of employees at the end of the quarter	1,517	1,552	1,577	1,591
Personnel expenses	24.7	25.4	23.5	27.3

FINANCIAL DATES FOR 2013

Publication of annual result	15 March 2013
Analysts' Conference	15 March 2013
First quarter report	29 April 2013
Annual General Meeting	7 May 2013
First half-year report	30 July 2013
Third quarter report	29 October 2013
Analysts' Conference German Equity Forum	11 to 13 November 2013

PSI SHARES

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We would be glad to add your name to our shareholder information mailing list. Please get in touch as well if you would like a copy of the PSI AG Financial Statements. For the latest investor news, please visit our website at www.psi.de/ir.

"IN 2012, IN A DIFFICULT ENVIRONMENT, WE AGAIN INCREASED OUR INCOMING ORDERS, REVENUES AND PROFIT. OUR SOLUTIONS INCREASE EFFICIENCY AND ARE THEREFORE IN DEMAND IN ANY ECONOMIC CLIMATE."

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