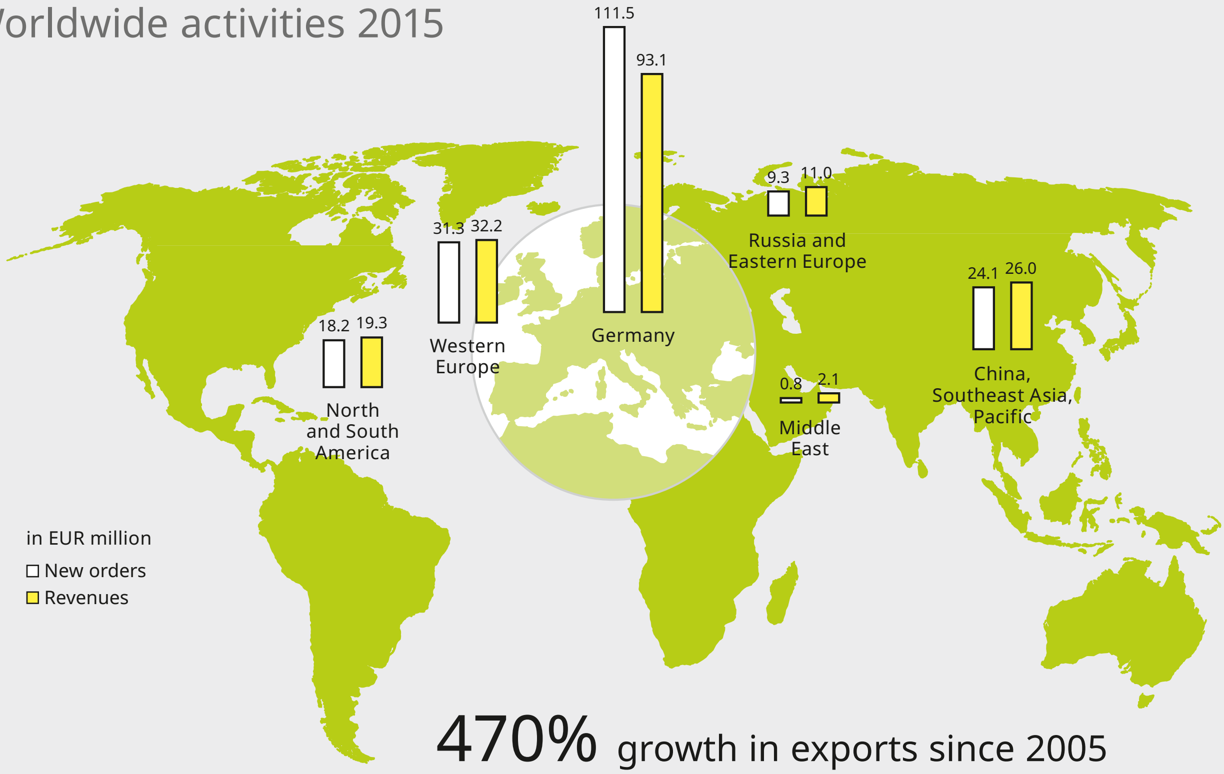
Growth through digitalisation

Annual Report 2015

PSI

PSI international

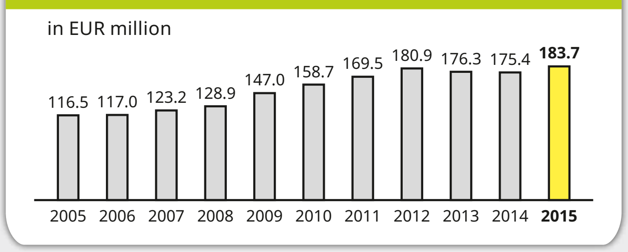
Worldwide activities 2015



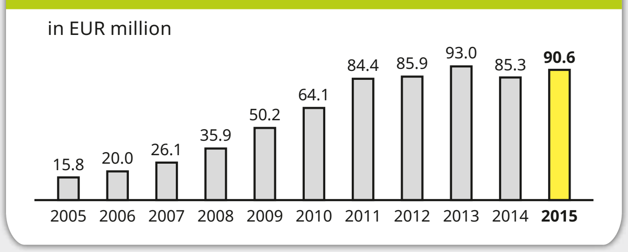
470% growth in exports since 2005

Revenues and earnings

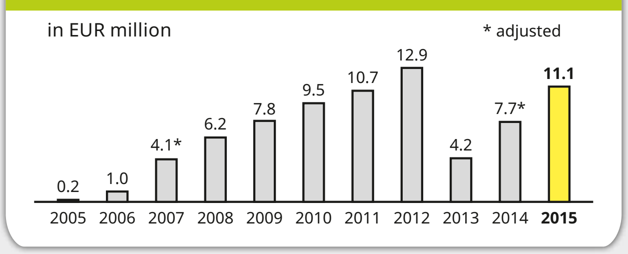
Consolidated revenues



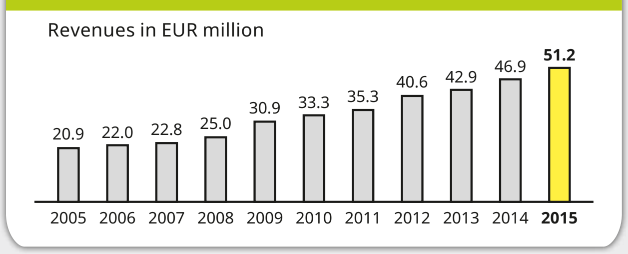
Export revenues



Operating result



Maintenance/upgrade agreements



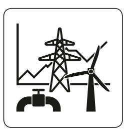
The PSI Group in figures (IFRS) in EUR million

	2015	2014	%
Revenues	183.7	175.4	4.7
Operating result	11.1	7.7[2]	44.2
Earnings before taxes	9.4	5.7	64.9
Group net result	7.5	4.1	82.9
Shareholders' equity	73.2	68.3	7.2
Equity ratio (in %)	36.7	35.5	3.4
Return on equity (in %)	10.2	6.0	70.0
Investments[1]	2.9	13.1[2]	–77.9
Research & Development expenditure	19.5	16.1	21.1
Research & Development ratio (in %)	10.6	9.2	15.2
New orders	195	184	6.0
Order backlog on 31 December	129	120	7.5
Employees at 31 December (number)	1,650	1,714	– 3.7

[1] Company acquisitions, intangible assets, plant and equipment
[2] Adjusted

Our segments

Energy Management

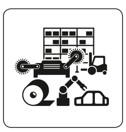


Intelligent solutions for utility companies in the electricity, gas, oil, water, district heating and combined energy sectors. The focus here is on reliable and cost-effective solutions for intelligent grid management, energy storage, energy trading and virtual power plants.

EUR K	2015	2014
Revenues	67,233	64,145
Operating result	5,265	4,847[1]
Employees	543	534

[1] Adjusted

Production Management

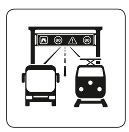


Software for production planning, production control and logistics. The focus is on optimising the use of resources and cost-effectiveness in the metal industry, machinery/plant engineering, the automotive industry and logistics.

EUR K	2015	2014
Revenues	86,387	79,606
Operating result	6,181	2,238[1]
Employees	667	676

[1] Adjusted

Infrastructure Management



Control system software for cost-effective operation of infrastructure in the areas of rail and road transport and public safety. The focus is on operations-control technology, depot management and on safety and telematics applications.

EUR K	2015	2014
Revenues	30,062	31,635
Operating result	836	1,767[1]
Employees	440	504

[1] Adjusted

Software for utilities and industry

PSI is an independent software producer that has been a technological leader in process control and information systems. PSI software ensures efficient use of energy, labour and raw materials in energy management (gas, oil, electricity, heating, water, energy trading), production management (raw material extraction, metal production, automotive, mechanical engineering, logistics) and infrastructure management (transport and safety).

PSI was founded in Berlin in 1969. Today its software products stand for safe, efficient energy supply and optimised production and logistics processes worldwide.

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Our growth drivers

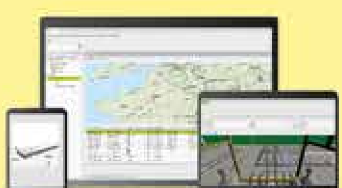
PSI pursues a long-term growth strategy with a particular focus on international business. The aim is to bring about a sustainable increase in enterprise value by expanding export business and transforming PSI into a software product provider.

Export

Through international sales of our product, we increase quantities and achieve economies of scale.

Transformation

The transformation from a project company to a product provider lays the foundations for steady growth in maintenance revenues.



Research and development

The development of new functions and algorithms forms the basis for new products and future growth.

Convergence

The convergence on a single technology platform saves resources and creates competitive advantages.

With advancing digitalisation, it is becoming clear that information technology can be used to develop new business processes and new markets. PSI is emblematic of this because our software rationalises processes in real time and creates new opportunities.

Harald Fuchs (51)
Responsibilities:
Organisation, HR,
Finances and Controlling

Dr. Harald Schrimpf (51)
Chairman
Responsibilities: Marketing, Sales,
Technology and Investor Relations

Dear ladies and gentlemen,

With the results for 2015, we have hit the targets of EBIT of EUR 11 million, revenues of EUR 185 million and new orders of EUR 195 million almost dead on.

We are thus maintaining the long-term upward trend begun in 2003 despite a difficult market environment. PSI software controls and optimises production processes along the industrial value chain – from raw material extraction (“upstream”), through transport and basic material production and energy generation (“midstream”) to production and distribution. The slump in raw material prices is shifting profits in all economies from upstream to downstream and geographically from producers to industrialised consumer countries. In the 2015 reporting year, PSI consequently strengthened the downstream business in Northern Europe and North America and achieved substantial growth in profits from energy distribution, goods production and logistics. We were still hindered in 2015 by the approval and commissioning of the long-term market launch projects started in 2011 and 2012 in China and Southeast Asia.

More sales in consumer countries

Despite the collapse of the raw materials market, we increased the intake of directly executable orders by approximately EUR 11 million from EUR 184 million to EUR 195 million and also started very strongly in the new year. We increased revenues by approximately EUR 9 million from EUR 175 million to EUR 184 million. We increased the long-term annual maintenance and upgrade contracts from EUR 46.9 million to EUR 51.2 million per year and want to continue building on this. This is assisted by increasing IT security standards such as ISO 27000. Licences were on a par with the previous year at around EUR 13 million, although we are actively replacing the licence business with the secure annual upgrade business. We increased EBITDA from EUR 11.5 million to EUR 15.4 million, EBIT from EUR 7.7 million to EUR 11.1 million. Pensions, currency effects and interest rates had a negative effect totalling EUR 1.7 million (previous year: EUR 2.0 million). At the bottom line, Group net result was EUR 7.5 million (EUR 4.1 million). We generated a sound operating cash flow of EUR 14.0 million. The extremely high figure for the previous year of EUR 24.1 million was dominated by catch-up effects. We improved cash flow from investing activities to EUR –2.2 million compared to the previous year’s figure of EUR –14.3 million, when we acquired a company in the metal sector. Due to further loan repayments, cash flow from financing activities was EUR –2.1 million after EUR –1.7 million in the previous year. In total, we increased cash flow by EUR 2 million on the previous year (EUR 7.5 million) to EUR 9.5 million. Cash and cash equivalents rose to

2015 was an important breakthrough year in the conversion of tendered turnkey orders into long-term product-based upgrade contracts.

EUR 38.8 million (previous year: EUR 29.3 million; two years ago: EUR 21.8 million) and provide security for our company in volatile economic times. Working capital in Southeast Asia and China must be scaled back again after the delivery of the pilot projects. In consultation with the Supervisory Board, the Board of Directors will propose a dividend of 21 euro cents to the Annual General Meeting. The share price improved from EUR 11.91 at the start of the year to EUR 12.90 at the end of the year after a low of EUR 9.30 in June.

Further development in the segments

The business units Gas and Oil Pipelines and Electrical Energy Networks made a sizeable contribution to new orders and earnings with EBIT margins of around 10% and 7% respectively despite the economic problems of German suppliers and major energy producing companies. 2015 was an important breakthrough year in the conversion of tendered turnkey orders into long-term product-based upgrade contracts. The Energy Trading division, which made a loss in the previous year due to the reimplementation of “Gas Industry Analysis and Planning” on the Group software platform PJF, generated a break-even result. On the basis of incipient hype around energy data trading platforms, we will invest in the migration, merger and development of energy data management. In the Production segment, the measures taken in the previous year took effect, with the result that the Logistics division achieved an EBIT margin of 10.4% and we implemented a successful turnaround following the losses of the two previous years. In addition, the division pushed ahead with the client migration of transport management and warehouse management software products to the Group platform. PSIPENTA division closed 2015 with a below-average EBIT margin of around 4%. In 2016, the subsidiary will be refocused with new management and a new, meaningful name “PSI Automotive & Industry” in the growing “Industry 4.0” market. The production planning and controlling software PSI*penta* with its 3,500 operation windows has been migrating to the client of the PSI Group platform for two years, and the first pilot customer project will be delivered in 2016. The large PSI Metals division increased its revenue and earnings to an EBIT margin of nearly 10% despite the global steel crisis. As a precaution, we have recognised provisions for payments outstanding from Chinese steel producers. In the Infrastructure segment, the public transport unit PSI Transcom contributed EBIT of nearly 6%, but, unlike in the previous year, no major orders were obtained. PSI Poland made progress in the energy market. For PSI Incontrol, the summer of 2015 was a major upheaval, when long-term market entry projects had to be finalised on the one hand and many new projects for existing customers had to be started on the other. The previously good EBIT margins around the 10% mark turned significantly negative over the summer and recovered again with good new orders at the end of the year, but they were negative overall. We are promoting the expansion of the software business in particular through technology transfer and the launch of internal test and development services.

Continuance of the transformation

In 2015, PSI continued its transformation from a contract developer within Germany into an international software company focused on software products for controlling and optimising energy and material flows. For this purpose, additional software products and modern technology to underlie all products were created. With regard to the modernisation of the technology, the priority in 2015 was the migration of user interfaces (“client”) to the Group platform PJF, which has been viable since 2011. The user interfaces of the major products of the Production Management segment were migrated in 2015, new projects are being delivered with the Group technology, and upgrades to customers’ existing systems will follow with the upgrade periods typical for the business. Customers are particularly impressed by the built-in PSI Click Design technology, which now makes designing or redesigning user interfaces as easy as creating PowerPoint presentations. The PJF platform was expanded into a model-based three-layer platform with a persistence layer and an application-server layer and equipped with numerous proprietary tools so that the upcoming migrations and later customer projects can be carried out cost-effectively. The field-force management software PSI*command* is the first product being migrated to this PJF three-layer platform since summer 2015. The client technology was upgraded to the platform PJF 3.0, which uses the faster programming language Java 8 and the faster and more modern graphics application JavaFX. This technology is used for the first time in our product PSI*penta*.

Customers are particularly impressed by the built-in PSI Click Design technology

Outlook: growth and earnings increase in 2016

We want to thank our shareholders for their patience through 2013 and 2014. We will pay dividends again for 2015, and we want to continue increasing the share price in 2016. Our customers deserve thanks for exciting projects and shared innovation. And we want to give our due respect to the employees, who put in so much effort, especially in the export business. The new year 2016 began with stock market turbulence in China and promises a fair few surprises yet. The hype over “Industry 4.0” has directed major electricity and software corporations’ attention to our market segment. With numerous takeovers and pilot projects, they are now pushing into our market and increasing investment pressure and the minimum size requirements. Nevertheless, we are targeting a further increase of new orders, revenues and earnings in 2016.

Berlin, March 2016

Dr. Harald Schrimpf   Harald Fuchs

Karsten Trippel Supervisory Board Chairman

Dear PSI shareholders, dear friends and partners of our company,

The Supervisory Board again continued its trusting cooperation with the Board of Directors in the 2015 financial year. Priorities were corporate planning, the current situation and the strategic development of the Group. We therefore regularly monitored the Board of Directors' work and provided advice according to the law, the company's Articles of Association and the German Corporate Governance Code. The Board of Directors regularly informed us promptly, in writing and orally about the situation of PSI AG. On this basis, we discussed business performance and decisions in detail. The Board of Directors fully met its obligations to provide the Supervisory Board with information.

The Supervisory Board ensured that the law, the Articles of Association and the rules of procedure of the Supervisory Board and the Board of Directors were complied with. It passed the resolutions required by the law and the Articles of Association. When business transactions required the Supervisory Board's approval, it discussed them in depth with the Board of Directors before passing a resolution. Cooperation between the Supervisory Board and the Board of Directors was always constructive and purposeful.

The Chairman of the Supervisory Board was also in regular contact with the Board of Directors outside of Supervisory Board meetings and was informed about the business situation and material business transactions; the consultation between him and the two members of the Board of Directors was ongoing and intensive. The Supervisory Board Chairman shared the material information from each of these exchanges with the other members of the Supervisory Board.

Main areas of discussion on the Supervisory Board

In the performance of its monitoring function, the Supervisory Board's discussions included the following main topics:

- Development of new orders, revenues and earnings of the PSI Group and the individual business units
- Supervision of measures to strengthen business in the downstream business processes in light of developments on the raw materials and currency markets

- Extension of the Board of Directors employment contract with Mr. Harald Fuchs to 30 June 2021
- Generation shift in the management of PSIPENTA Software Systems GmbH and its renaming to PSI Automotive & Industry GmbH
- Definition of a target ratio of women on the Board of Directors and the Supervisory Board
- Ongoing supervision of further steps in the transformation of the Group from a project-based to a more product-based business model
- Ongoing supervision of the migration of further Group activities and products to the new, Group-wide technology platform

At the end of the year, the Supervisory Board also concerned itself with the addition of a new member after the long-standing Supervisory Board Chairman Prof. Rolf Windmöller resigned his post for health reasons with effect from 31 December 2015. The members of the Supervisory Board thank Prof. Windmöller for the extraordinary commitment he showed in over ten years as a member of the Supervisory Board, seven of which as Chairman.

The Supervisory Board's regular discussions and resolutions concerned the annual financial statements, the review of the Group strategy and its implementation, short- and medium-term planning, the ongoing development of operating business, the review and enhancement of the Group risk management system and the audit of its own work. In addition to the financial performance of PSI AG and the Group, the Supervisory Board also concerned itself with the development of individual subsidiaries, paying particular attention to activities abroad. The Supervisory Board was also provided detailed information from the Board of Directors on an ongoing basis regarding the development of the business and financial situation, the risk situation, the market and competitive situation and the personnel situation in these areas. The Supervisory Board held eight ordinary meetings in order to perform its duties in 2015. These included one meeting devoted primarily to the discussion and adoption of the annual financial statements, one strategy meeting, one planning meeting, and one audit meeting. On 22 and 23 June 2015, the Supervisory Board met at the Polish PSI location Poznań in order to discuss the status of export activities and the international division of labour within the PSI Group. On 10 September 2015, the Supervisory Board set a ratio of 16.67% as a target for the proportion of women on the Supervisory Board and a ratio of 0% as a target for the proportion of women on the Board of Directors, which consists of only two people, for the period until 30 June 2017. This equates to the maintenance of the status quo. The Supervisory Board was in full attendance at all meetings. The employee representative Dr. Ralf Becherer left the Supervisory Board at the Annual General Meeting; Mr. Uwe Seidel was elected to the Supervisory Board by the employees as a new employee representative. The Supervisory Board thanks Dr. Ralf Becherer for his many years of trusting and constructive work as a member of the Supervisory Board.

Work of the Supervisory Board committees

The Supervisory Board has formed two committees.

The Personnel Committee deals with the employment contracts and personnel matters of the Board of Directors. The committee met three times in the financial year with full attendance. Among other things, it dealt with the extension of the contract with Mr. Harald Fuchs and with the structure of Board of Directors remuneration. This focused in particular on the vertical comparison between the remuneration of top management and the remuneration of the workforce of PSI as a whole – as required by the German Corporate Governance Code.

The Audit Committee is particularly concerned with issues of accounting and risk management. The committee met three times in 2015, whereby one meeting served to prepare the adoption of the annual financial statements and the approval of the consolidated financial statements. The Supervisory Board members were in full attendance at all meetings.

The activities of the shareholder representatives on the Supervisory Board (a Nominating Committee was not formed because of the low number of Supervisory Board members) focused on discussing the departure of the former Supervisory Board chairman Prof. Rolf Windmöller for health reasons and preparing a succession plan for the vacant Supervisory Board post from 1 January 2016.

Corporate governance

As in previous year, the Board of Directors and the Supervisory Board monitored the Group's compliance with the rules of the German Corporate Governance Code. The Supervisory Board adopted the declaration of compliance according to section 161 of the German Stock Corporation Act on 3 December 2015. The company fulfils the majority of the Code's recommendations. The few deviations are explained in the corporate governance report, which was published in connection with the corporate governance declaration on the website at www.psi.de. During the audit, the auditors found no indications of further deviations from the Code's recommendations that were not mentioned in the declaration of compliance.

The Supervisory Board examined the efficiency of its own work in one audit meeting in 2015.

Composition of the Supervisory Board and the committees

In the 2015 financial year, the Supervisory Board comprised the shareholder representatives Prof. Rolf Windmöller (Chairman), Prof. Ulrich Wilhelm Jaroni (Deputy Chairman), Bernd Haus and Karsten Trippel and the employee representatives Elena Günzler, Dr. Ralf Becherer (until 12 May 2015) and Uwe Seidel (from 12 May 2015). The Personnel Committee comprised the Supervisory Board members Prof. Rolf Windmöller as Chairman, Prof. Ulrich Wilhelm Jaroni and Elena Günzler, the Audit Committee the Supervisory Board members Bernd Haus as Chairman, Dr. Ralf Becherer (until 12 May 2015), Prof. Ulrich Wilhelm Jaroni, Uwe Seidel (from 12 May 2015) and Prof. Rolf Windmöller.

Audit of annual and consolidated financial statements

At the Annual General Meeting of PSI AG on 12 May 2015, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was elected as the auditor of the financial statements. This company audited the annual financial statements, the management report, the consolidated financial statements and the consolidated management report for the financial year from 1 January to 31 December 2015 and issued an unqualified audit opinion in each case.

All Supervisory Board members received the financial statements and management reports, the auditor's reports and the Board of Directors' proposal on the appropriation of net profit after they were compiled and in due time ahead of the meeting convened to approve the annual accounts. After preparatory discussion by the Audit Committee, the Supervisory Board as a whole dealt with these documents at its meeting on 14 March 2016. These meetings were attended by members of the Board of Directors and representatives of the auditor. The latter reported on the audit in general, the audit priorities set, the material findings of the audit and the services that the auditor provided in addition to the audit services, and answered the Supervisory Board members' questions. There were no objections from the Supervisory Board, which therefore acknowledged and approved the results of the audit.

The Supervisory Board examined the consolidated financial statements and consolidated management report and the annual financial statements and management report for 2015 as well as the results of the audit by the auditor. In accordance with the conclusive findings of these examinations, it raised no objections and adopted the annual financial statements and approved the consolidated financial statements at the Supervisory Board meeting on 14 March 2016. The Supervisory Board agrees with the Board of Directors' proposal on the appropriation of Group result, which stipulates a dividend of EUR 0.21 per entitled share.

2015 was dominated by geopolitical changes, which also influenced PSI's export business. The declining economic momentum in many emerging markets and the sharp drop in the price of oil required focus to be shifted from the producer countries to energy distribution and from basic material production to the production and distribution of consumer goods. Despite these changes, PSI increased new orders, revenues and earnings as planned in 2015. PSI benefited in 2015 from the investments in technology and export structures made in recent years, which also form the basis for further increases in earnings. As in the previous years, PSI gained important new customers and concluded significant framework and roll-out contracts with long-standing customers. The successes achieved jointly by the Board of Directors, management and employees against the backdrop of global transformation in the financial year deserve recognition and respect. The Supervisory Board therefore thanks everyone involved for the work they have done and for their great commitment.

The Supervisory Board thanks customers and shareholders for the confidence they showed in 2015. PSI will remain a reliable partner for customers in 2016 and work with all its strength on supporting them in the continuing digitalisation of their business processes. Satisfied reference customers are the basis for gaining further new customers in the future and continuing PSI's success story.

Karsten Trippel
Supervisory Board Chairman

Berlin, March 2016

Facts and figures

The year at a glance

Grid control technology continues its success

With a revised operating concept and new functions for managing renewable energy, the market success achieved by the PSI control system in the previous year was increased further.

Top provider for the steel industry: 13 out of 20 of the world's biggest steel producers use PSI software

28%

of our revenues in 2015 were attributable to long-term maintenance and upgrade contracts

Information security

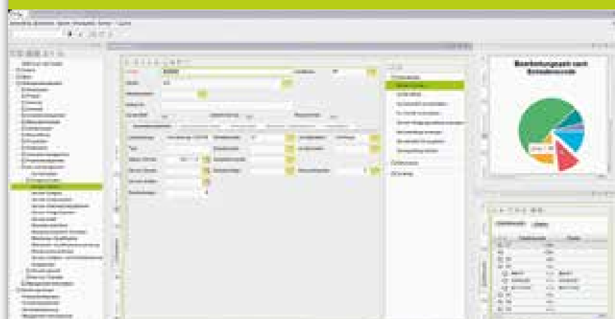
ISO 27001 TÜV SÜD ISO 9001

The Gas and Oil division was successfully audited in 2015 as part of the implementation of an information security management system in accordance with ISO 27001 in all business units of the Group.

619

out of a total of 1,650 employees work in export markets

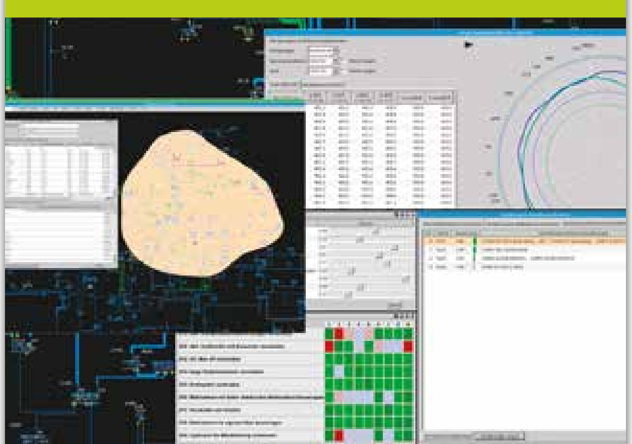
New PSI*penta* release presented



The new release of the production software PSI*penta* was successfully presented at CeBIT 2015. It has a new, Java-based user interface and incorporates several functional developments.

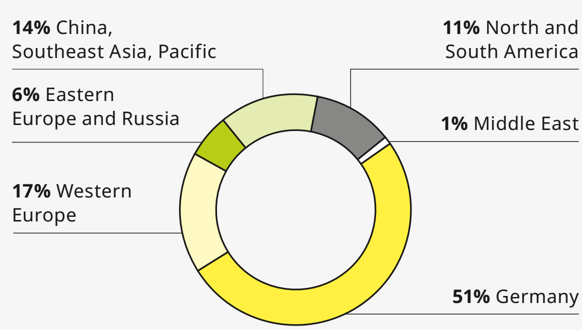
In 2015 we increased our research and development ratio from 9.2% to 10.6%

Grid status assessment



The new System Security Assessment and System Optimisation (SASO) contributes to assuring grid stability and efficiency.

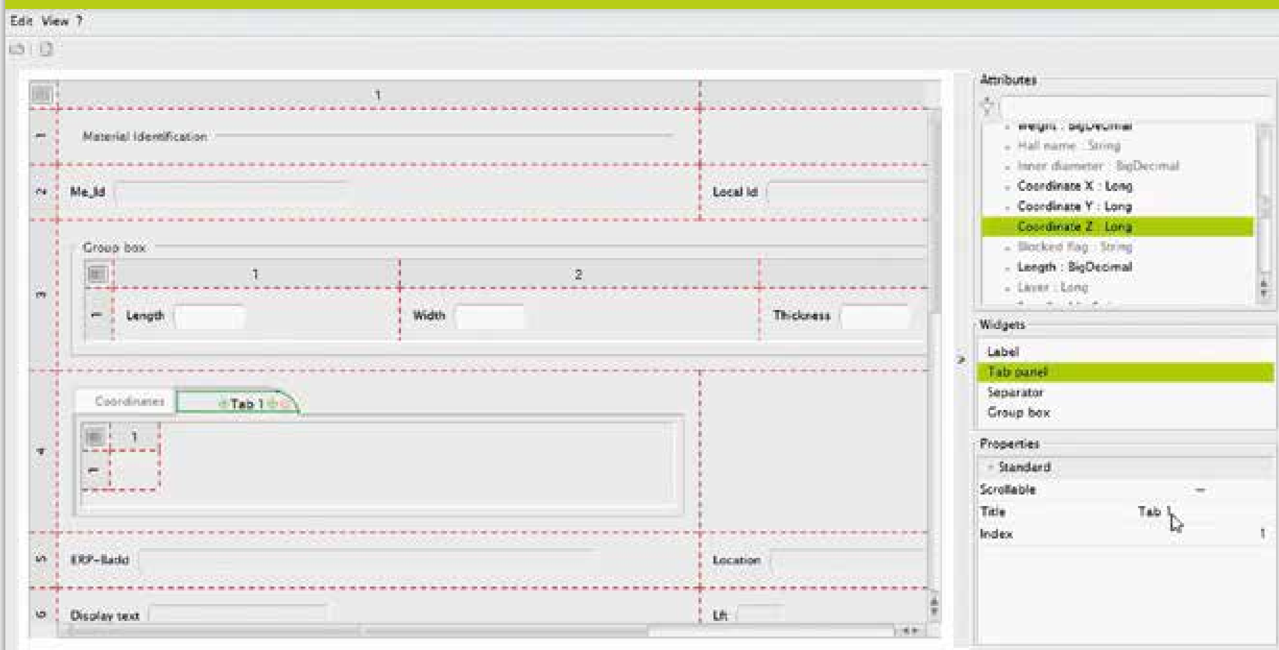
Revenue by region in %



Euro **195** million

new orders in a difficult market environment

The new PSI Click Design technology



Using the new PSI Click Design technology, users can easily adapt user interfaces relating to run time via drag & drop and can save them in profiles.

32 locations

in 17 countries

PSI is involved in more than ten research projects relating to the digital energy transition

30%

of our project revenues in 2015 were attributable to the new software platform

Attractive products creating new growth

In 2015, PSI returned to its long-term growth path. Our software solutions for controlling and optimising energy grids make a significant contribution to better management of renewable energy thanks to IT support. At the same time, demand for our products is growing in an increasingly connected industry. PSI is therefore among those who benefit from digitalisation and growing interconnection – a development that is only just beginning.

The strengths of our software architecture

The PSI technology platform combines the best elements of more than 45 years of software development experience. The high-availability, scalable framework based on the latest Java technology forms the shared high-performance platform for PSI products.

We apply global standards such as Java, Eclipse, WildFly/JBoss and Unix in order to achieve independence from technology cycles. Adaptations to essential customer requirements can be made quickly and flexibly through a modern user interface as well as numerous productivity improvements to the software.

The modern PSI Click Design provides a new dimension in configurability for freely adaptable user interfaces. Depending on the profile and user rights, users can generate new screens and views with an intuitive graphic editor.

In this way, menus, list and table dialogue boxes, detailed views, the composition of complex dialogue boxes and 2D graphic elements relating to run time can be easily adapted and saved in profiles via drag & drop. We thereby significantly increase the degree of individualisation potential while also reducing costs for customer-specific adjustments.

Real-time capability and high availability

PSI solutions were developed for real-time management and optimisation of success-critical business processes. They are characterised by particular reliability and error tolerance.

User-friendly

Modern, intuitive user interfaces ensure high productivity and help users to get used to the product quickly and get to grips with complex interdependences quickly.

State-of-the-art technology basis

We use state-of-the-art software technology and apply global industry standards for our infrastructure and framework that guarantee future viability.

Wide range of options and functions

A wide range of standard and industry-specific operating functions are available to users as standard, and they can easily be supplemented and individualised due to the open PSI system architecture.

+ Energy transition

Intelligent control of complex networks

In recent years, PSI has made significant investments in the new generation of its proven control system PSI*control*, with a particular focus on new standard functions for managing renewable energy and further improvements in the user interface.

The standard versions of PSI's control systems already meet the increased safety requirements for operating critical supply infrastructure.

In 2015, E.ON Deutschland and other large grid operators decided to standardise and further develop all of its regional utility companies' grid control systems on the basis of PSI software.

Particularly important aspects in this context are managing renewable energy, improving grid calculations for voltage and reactive power management as well as satisfying increased safety requirements.

Advancing digitalisation **is essential for successful energy transition**

As a result of the energy transition, the management of electrical transportation and distribution grids is becoming ever more complex. The fluctuating feed-in of energy from renewable sources, the growing share of decentralised generation and the increased IT security requirements represent major challenges for grid operators at all voltage levels.

New generation of grid control systems

As a long-standing partner of almost all major German grid operators, PSI has expanded the new control system generation with several functions. These functions make large-scale transportation and distribution grids more intelligent and support users even more effectively in maintaining high security of supply. They include functions for feed-in and grid management, grid security and forward-looking grid calculations.

Improved grid calculation functions support operators both with assessing the current grid condition and with forward-looking grid simulation. The new System Security Assessment and System Optimisation (SASO) particularly improves renewable energy management with reference to higher-level, lower-level and the neighbouring grids, thereby contributing to maintaining the stability and economic efficiency of the grids. In addition, energy management functions enable transportation and distribution grid operators to forecast future load profiles on the basis of archived measurements and meter data.

Cross-sector, multi-client control systems

Further efficiency gains can be achieved through cross-sector integration of all of an operator's supply grids in a joint combination utility control system that manages, for example, gas, water and heating networks as well as electricity. Another unique selling point of PSI's control systems is their multi-client capability. This means that multiple grid operators can use a shared system, thereby creating additional synergies.

New workforce management functions

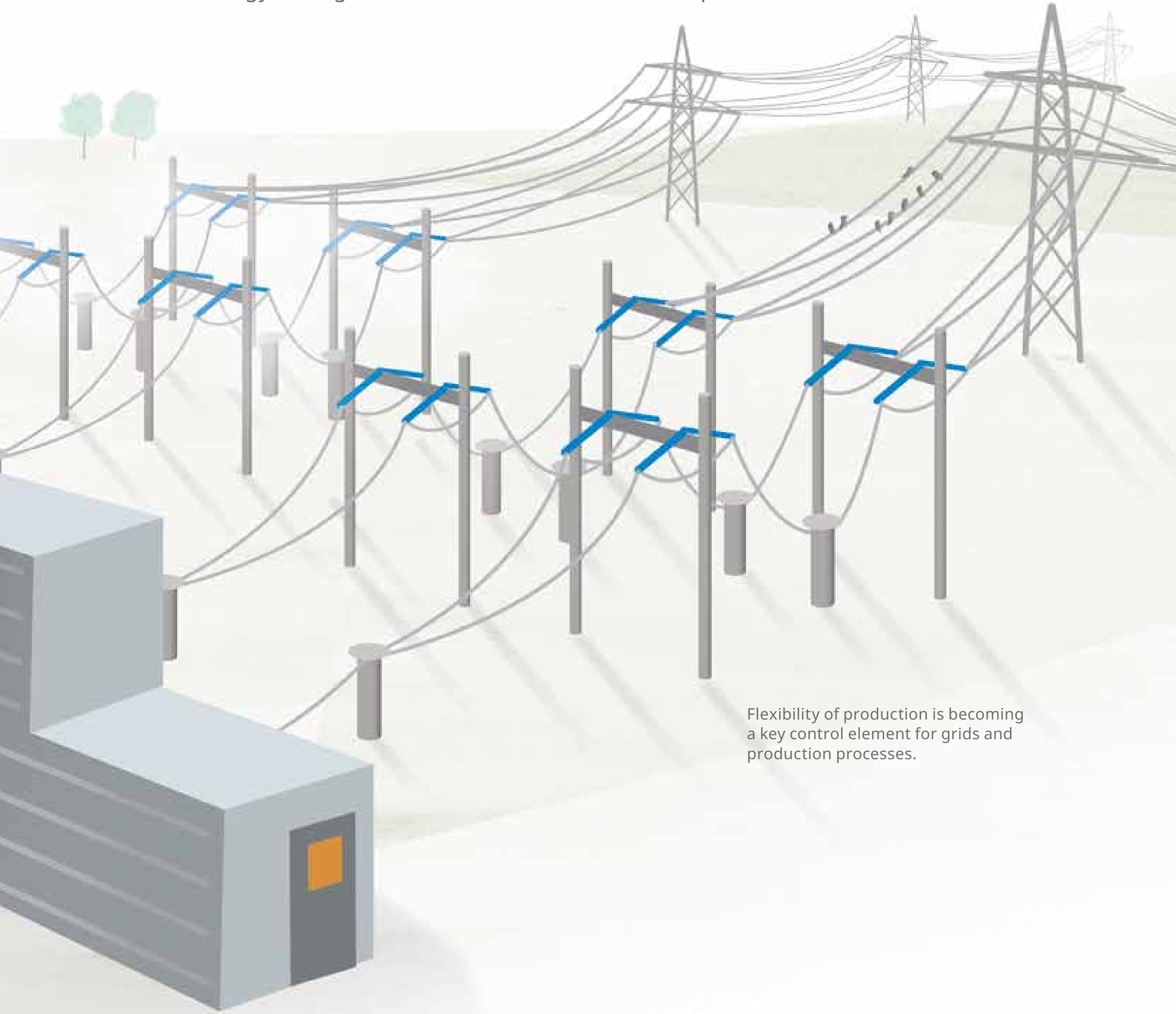
The workforce management system, which was extensively revised and functionally expanded in 2015, covers all tasks relating to planned maintenance, elimination of faults and crisis management. It can be seamlessly integrated in the grid management system and supports technicians on site using current mobile technologies. One special feature is multi-criteria optimisation, which takes account of multiple operational goals, employee qualification and satisfaction as well as all interdependencies without aberration at the same time and determines an optimal method for processing maintenance and fault elimination orders based on the weighting of the different criteria.

With our involvement in numerous research projects, we are working with partners to actively shape the future of energy supply. This includes projects for urban smart grids, intelligent decentralised grid control and grid restoration, taking account of future power plant structures.

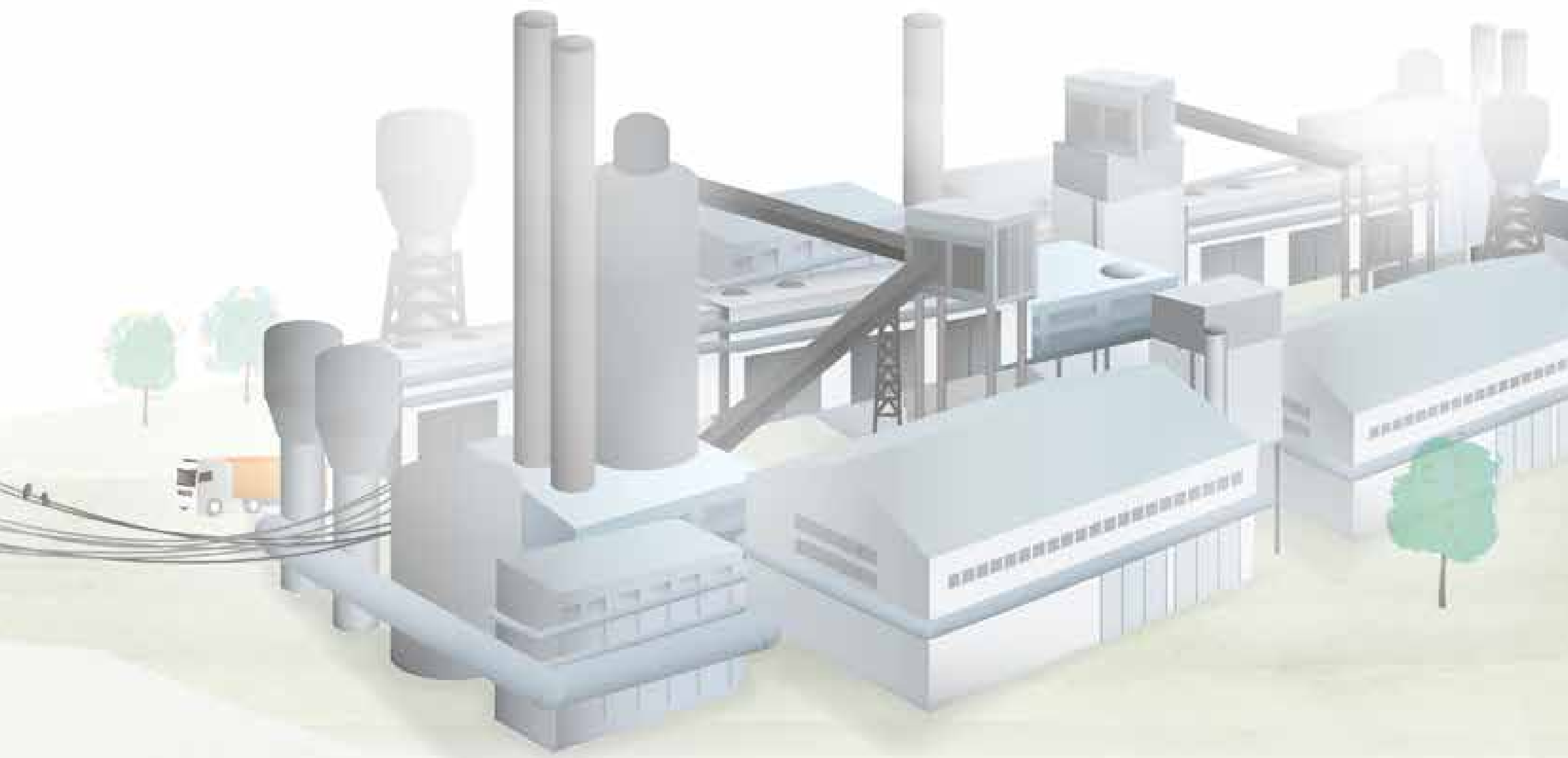
Energy management

Stability through flexibility

As the share of fluctuating power generation from renewable sources grows, flexible major industrial consumers are becoming increasingly important for grid stability. This gives rise to a need for energy management solutions for industrial companies, too.



Flexibility of production is becoming a key control element for grids and production processes.



Control technology for industrial networks

PSI's grid control technology products are already used by major industrial users and infrastructure operators. In addition to comprehensive standard functions for grid control in all sectors, they provide functions that allow for energy savings and cost-effective use of energy. Examples are the participation in the electricity balancing market and sheddable loads. The result is a valuable contribution to grid stability.

The standard versions of PSI's production management systems for the metal industry already include functions for forecasting and controlling energy consumption. In the energy markets sector, PSI also has products for pooling decentralised energy producers and consumers in virtual power plants and by way of proven energy trading software.

PSI invests in forward-looking issues **such as energy data trading and energy data management.**

New energy platform for marketing energy flexibility

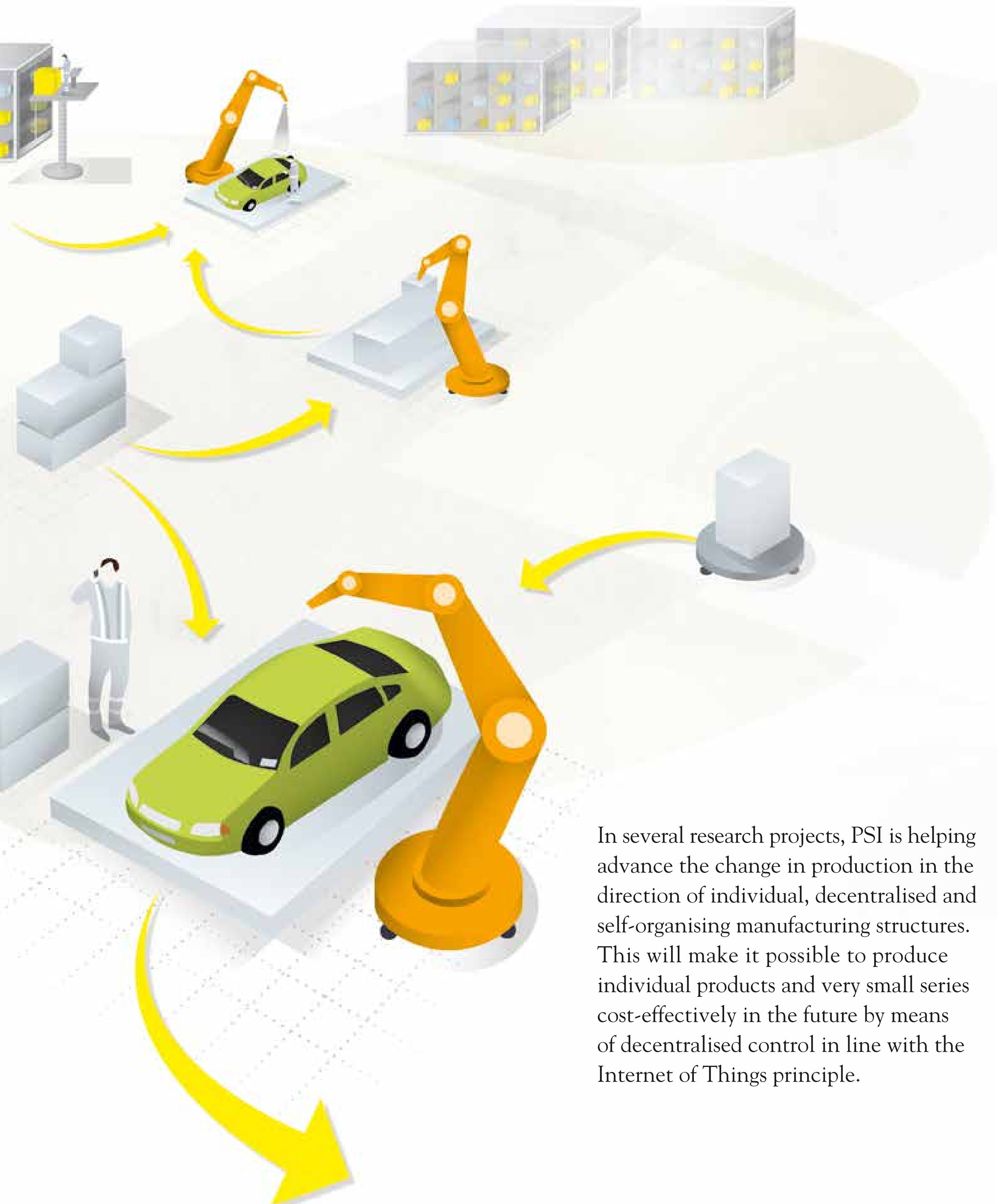
Since 2015, PSI has been playing an important role in the development of a platform for assessing the flexibility of regional industrial consumers that can be pooled to allow for participation in the electricity balancing market and the electricity spot market. PSI contributes to this project with its energy industry expertise and extensive process knowledge, as well as with sophisticated algorithms and methods for increasing energy efficiency in the manufacturing and metal industries.

By applying information technology, Industry 4.0 creates a new degree of freedom, completely new levels of productivity and a significant improvement in efficiency.

Industry 4.0

Software for the fourth industrial revolution

Industry 4.0 means a revolution in the way that production processes are designed with the aid of information technology. The conveyor belt as an organising principle is being replaced by flexible production that organises itself using information technology. Components manufactured in an intelligent fashion using IoT chips can be transported in a matrix of production cells with automated guided vehicles from one processing station to the next.



In several research projects, PSI is helping advance the change in production in the direction of individual, decentralised and self-organising manufacturing structures. This will make it possible to produce individual products and very small series cost-effectively in the future by means of decentralised control in line with the Internet of Things principle.

Production management

Global standard for the metals industry

As a leading global provider of software solutions for production management in the metals industry, PSI covers the entire value chain in metals production with its comprehensive range of solutions for the steel and non-ferrous industry.

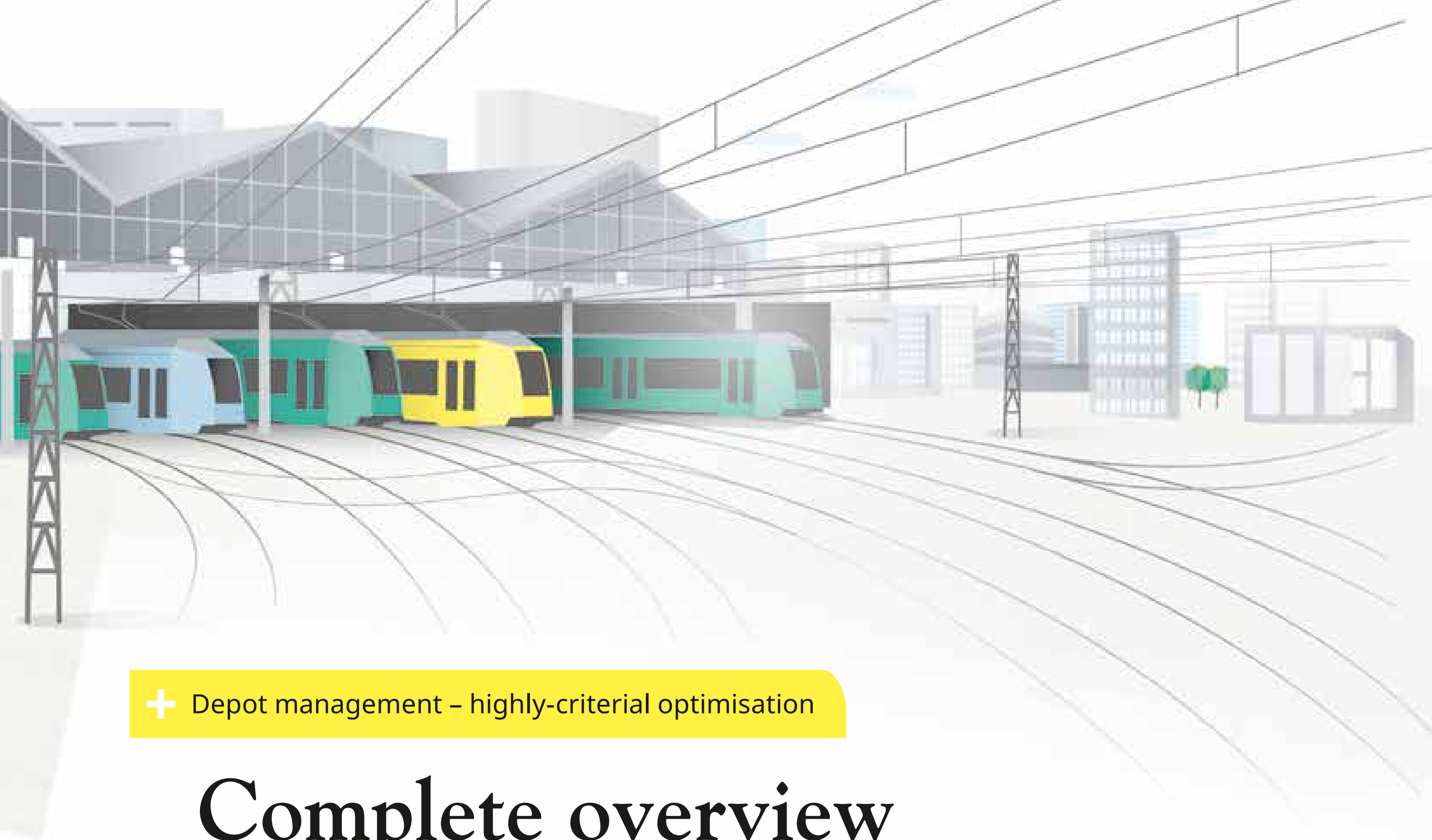
New product version offers more flexibility

With the new version of the leading worldwide standard software PSI*metals*, PSI further expanded its technology leadership in the metals industry target market in 2015. A new innovation was added in the form of the integrated flow configurator, which can be used to model business processes quickly and intuitively in the system.

For users of the extensive planning functions, it is even easier to evaluate results in the new version. Different planning scenarios can be compared with one another in a clear visual form. For example, improved heat scheduling allows for shorter lead times while also reducing energy consumption on the basis of considerably improved utilisation of process heat. Additional functional improvements relate to production control and quality management.

Growth in difficult environment

Despite the weak development in the steel market, PSI further increased its revenues and market share in the metal industry in 2015. Leading steel corporations such as Tata Steel and Thyssenkrupp Steel decided to expand their collaboration with PSI in order to improve their competitiveness by standardising the production software landscape. The customers benefit from a closer partnership with additional economies of scale, standardised project management and uniform contracts. For PSI, it improves the predictability of the long-term product and growth strategy.



Depot management – highly-criterial optimisation

Complete overview provides greater efficiency

For transportation businesses, the depot represents a central hub of the company. The depot management system developed by PSI provides all functions relating to automated scheduling of vehicles, parking spaces and trips.

High vehicle availability

Improved scheduling of drivers and vehicles on the basis of an intelligent optimisation core results in greater cost-effectiveness and efficiency. The vehicle fleet can be downsized while providing the same level of transportation services. Maintenance at the garage can be planned better. Time lost due to manoeuvring processes is reduced and a decrease in downtime and idle time is achieved.

The key functional components of vehicle deployment planning and trip scheduling are based on the current timetable and feature automated and semi-automated processes for supporting users. The desired degree of automation can be set up and adjusted flexibly.

Sophisticated technologies such as transponder systems and RFID are currently used to track buses and rail vehicles. PSI is also testing additional innovative tracking systems in order to offer customers optimal support with further digitalisation of their processes.

Significant improvement in transparency

Graphical displays for scheduling, garage maintenance and supply show operational processes in real time and ensure transparency. Extensive documentation forms the basis for quality management and process improvements.

The PSI share

Reasons to invest in the PSI share

Leading provider with clear industry focus
Through mathematical optimisation of core business processes, PSI software products allow for a completely new level of efficiency and quality in energy supply and industry.

Excellent position in attractive markets
PSI products are characterised by unique process knowledge, industry expertise accumulated over more than 45 years, and many different special functions. This brings measurable benefits for customers and gives PSI a significant competitive edge.

Very well positioned for future topics
PSI products take account of future trends such as Industry 4.0, decentralised energy generation and innovative services based on energy data as a result of participating in numerous research projects as well as a high R&D ratio.

Good international growth opportunities
Energy control systems and production solutions from the demanding German market are in demand internationally when it comes to accelerating and rationalising business processes.

Potential from the transformation
PSI's transformation into a software product provider creates economies of scale and cost benefits in development. An increasing share of long-term maintenance and upgrade agreements lays the foundations for steady growth in revenues and earnings.

Clear strategy geared towards sustainable increase in value
Research, development and long-term customer relationships are the prerequisites for technology leadership and expansion of leading market positions. This forms the basis for a long-term, sustainable increase in enterprise value.

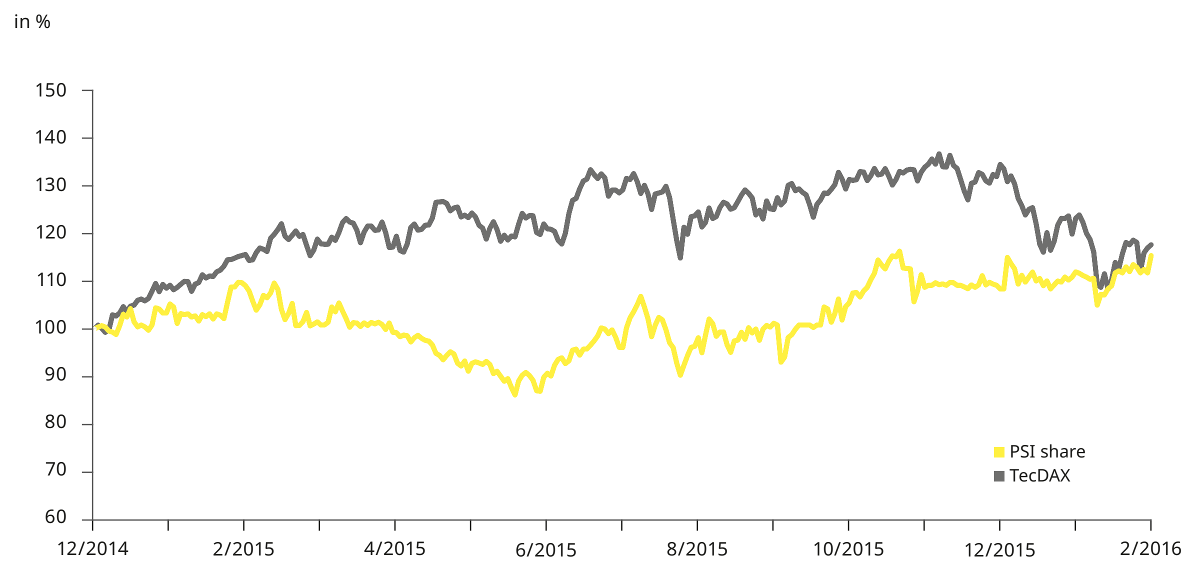
PSI share performance during the year

Share records decline in price in summer
The PSI share started 2015 at a price of EUR 11.91 and initially did not benefit from the upward trend on the markets. It tracked sideways until the end of April and then fell to its low for the year of EUR 9.30 by the end of June in line with the consolidation of the market as a whole.

Recovery in share price in second half of year
The share developed positively during the second half of the year, particularly after the publication of the quarterly reports, reaching its high for the year of EUR 13.95 on 10 November 2015. After this it fluctuated at around EUR 13 and ended the year at a price of EUR 12.90 – up 8.3% on its closing price from the previous year.

Communication focussing on international developments
The transformation of the PSI Group and the effects of international politics, exchange rates and raw material prices on its business development were the main points of interest for investors again in 2015. Another important topic was current developments in relation to the energy transition in Germany and their influence on PSI.

PSI share price compared with TecDAX



Market capitalisation 2009 – 2015

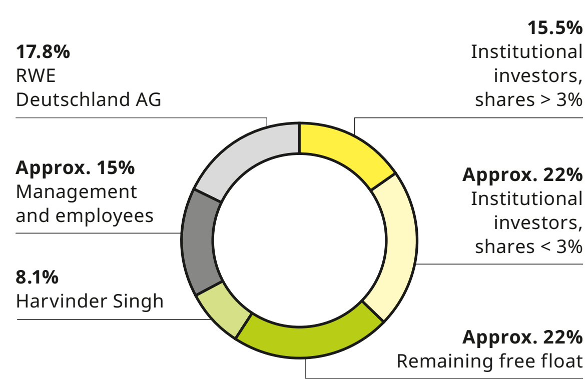
Intensive dialogue with the capital market

In view of the difficult economic environment and international crises, we communicated actively and intensively with the capital market again in 2015. We presented PSI at 19 investment conferences and roadshows in Europe and the USA. In addition, we held many discussions in which we explained our long-term strategy of transforming PSI into an international software product provider.

Key ratios to the PSI share		2015	2014
Earnings per share	in EUR	0.48	0.26
Market capitalisation on 31 December	in EUR	202,496,021	186,955,629
High for the year	in EUR	13.95	14.76
Low for the year	in EUR	9.30	10.28
Number of shares on 31 December		15,697,366	15,697,366

Data relating to the PSI share	
Stock exchange	Xetra, Frankfurt, Berlin, Stuttgart, Düsseldorf, Hamburg, Hanover, Munich, Tradegate
Stock exchange segment	Regulated market, Prime Standard
Inclusion in indices	Technology All Share, DAXsector Software, DAXsector All Software, DAXsubsector Software, DAXsubsector All Software, DAX International Mid 100, Prime All Share, CDAX
ISIN	DE000A0Z1JH9
Securities identification number (WKN)	A0Z1JH
Stock exchange	PSAN

Shareholder structure on 31 December 2015



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Consolidated management report

- **Group revenues** up 4.7%
- Further improvement in the **result of operations** and the **liquidity position**
- The **operating result** climbed by 44% to EUR 11 million
- **New orders** amounted to EUR 195 million, up 6% on the previous year's figure
- **Order backlog** consequently increased
- **Turnaround** in logistics sector

BASIC INFORMATION ON THE GROUP

Business model of the Group

The core business of the PSI Group consists of process control and information systems tailored to the following range of industries:

- utility companies in the electricity, gas, oil and district heating sectors
- industry in the metallurgy, raw material extraction, machinery and plant engineering, automobile and automotive supply and logistics sectors
- infrastructure operators in the areas of transport and safety

The Group is accordingly divided into three segments: Energy Management, Production Management and Infrastructure Management. For these economic sectors, PSI develops and sells its own software products and complete systems based on these software products.

In the Energy Management segment, the PSI Group develops control systems for electricity grids, cross-sector control systems, gas and pipeline management systems, and solutions for virtual power plants, energy trading, energy distribution and portfolio management in liberalised energy markets.

In Production Management, PSI has an integrated portfolio of solutions for planning and controlling production processes in raw material extraction, metal production, logistics, mechanical engineering and automotive manufacturing.

The Infrastructure Management segment comprises control system solutions for monitoring and operating infrastructure in the areas of transport and safety.

With 1,650 employees, PSI is one of the biggest software producers in Germany. As a specialist in high-quality process control systems, the Group has gained a leading position nationally, as well as internationally in the target export markets, particularly among utility companies and metal producers. The key competitive advantages are the functionality and innovativeness of PSI's products. PSI was established in 1969, making it one of the most experienced German companies in the field of information technology.

In Germany, the PSI Group has locations in Berlin, Aachen, Aschaffenburg, Dortmund, Düsseldorf, Essen, Hamburg, Hanover, Karlsruhe, Munich and Stuttgart. Internationally, PSI is represented by subsidiaries and representative offices in Australia, Austria, Bahrain, Belgium, Brazil, China, India, Japan, Malaysia, Oman, Poland, Russia, Saudi Arabia, Switzerland, Thailand, Turkey, the UK and the USA.

Strategy and control system

The central aspects of the Group's strategy are growth, internationalisation and a focus on core business. To achieve its strategic goals, the PSI Group focuses on technology leadership and a high pace of development in order to influence trends in the target sectors at an early stage. In some cases, products and technologies are developed in collaboration with customers in pilot projects.

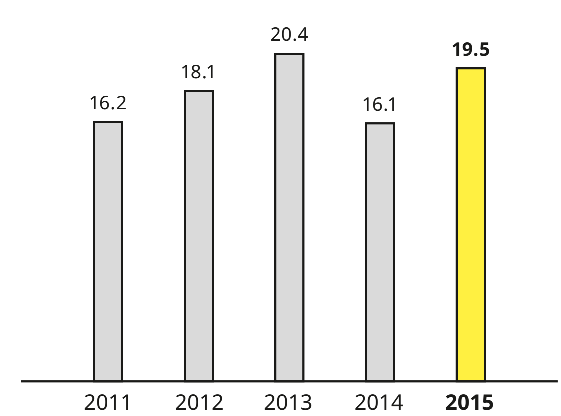
PSI pursues a growth strategy with a particular focus on international business. The main growth driver is exports to markets in Northern and Central Europe and increasingly also to North America. Over the coming years, PSI will endeavour to achieve a further increase in the share of revenues attributable to products, to expand the share attributable to exports, and to step up business in the geographical target markets. This will create economies of scale and therefore improve the conditions for further increases in profitability.

The key performance indicators for achievement of the strategic goals are:

- the ratio of operating result to revenues (EBIT margin) as the main key figure for improvement in the Group's profitability
- the development of revenues as a key figure for the Group's growth rate
- new orders as a significant leading indicator of future revenues growth
- the share of consolidated revenues attributable to licence revenues and maintenance revenues as key figures for PSI's transformation from a service-oriented IT provider to a software product provider

Since 2004 the PSI Group has increased its revenues from EUR 115.2 million to EUR 183.7 million as a result of its strategy focussing on growth and profitability. During this period, the share attributable to international revenues in the Group almost quadrupled, rising from 13% to 49%.

R&D expenses up



Research and development

Innovative products and maintaining a technological edge are among the most important competitive advantages in the software market. For this reason, the development of new unique selling points and products plays a key role for the PSI Group. Functionality and modernity are pivotal factors for economic success, as are the use of the Group-wide development platform and the exchange of new functionalities within the Group.

When developing new products, PSI works closely with industry-leading pilot customers. This collaboration ensures right from the start that the products will offer customer benefits. These products are then continuously evolved in follow-up projects and adapted to the development in the target markets. The resulting product cores form the basis for wider distribution and export.

Development activities in 2015 focused on the migration of the user interfaces of products in the Production Management segment to the Group-wide software platform, as well as on further development of this platform and its changeover to the latest Java version 8 and a higher-performance graphics standard FX. PSI has established a Group-wide development community and developed a modern software platform that will form the basis for all products in the medium term.

The objective is to further increase reuse of the same software modules in the Group and to standardise software tools and the programming language for all employees worldwide. The software platform improves the conditions for further export growth and also reduces development costs.

In 2015 the PSI Group's research and development expenses amounted to EUR 19.5 million, up from EUR 16.1 million in previous year. This amount did not include any relevant purchased services.

Development work in 2015 focused on:

- further development of the integrated solution for virtual power plants
- development of new, mobile components to support service processes for users of the production software PSI*penta*
- the new development of advanced scheduling and monitoring software to replace what the previous process control software and the development of production control for a manufacturer of rail vehicles
- extensive revision and functional expansion of the workforce management system PSI*command*

- revision of the operating concept and functional expansion of the grid control system PSI*control* with functions for feed-in and grid management, grid security and forward-looking grid calculations
- ongoing further development of the Group-wide software platform and its rollout in further business units. This further development particularly relates to modelling and configuration of user interfaces using PSI's Click Design technology, which will reduce development and implementation expenses in the future

The new release of the production software PSI*penta* was successfully presented at CeBIT 2015. It has a new, Java-based user interface and incorporates several functional developments. At the Hanover Trade Fair 2015, PSI presented smart factory scenarios for simplified information procurement and production control using Industry 4.0 processes.

In addition to product development, PSI has also been involved in state-subsidised research projects for fundamental technology development for many years. One focus of this research is projects dedicated to implementing the future-oriented Industry 4.0 project initiated by the German federal government. This includes developing platforms for creating adaptable production systems, controlling intelligent logistics networks and optimising series production by replacing conveyor belts with intelligent, self-managing components.

Another focus of PSI's research is projects that deal with the development of technologies for the digital transformation of energy supply. This includes developing smart grid technologies, combining load forecasts with the management of decentralised generation and final consumption, and involving industrial consumers in the marketing of energy flexibilities on the spot market for energy and on the balancing energy market.

The knowledge gained in the projects is used in accordance with the cooperation or consortium agreements concluded between the parties involved in the respective research association. The subsidy covers around 40% to 50% of the personnel expenses and operating expenses incurred for these research projects in the PSI Group. The use of the subsidy funds must be accounted for vis-à-vis the funding body on an ongoing basis and on completion of the project. In the 2015 financial year, the PSI Group received state subsidies totalling EUR 0.7 million.

ECONOMIC REPORT

Business performance and general conditions

Continued high demand for electricity grids in Germany

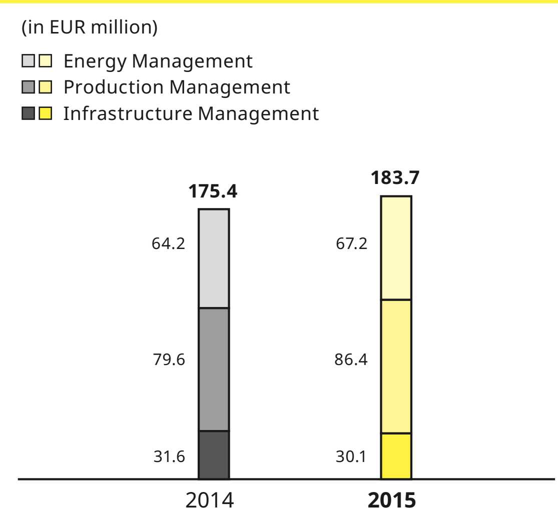
For a focussed software provider like PSI, the economic development in its key target sectors is particularly important. In 2015, as in the previous year, PSI posted a significant rise in new orders from operators of electricity grids in Germany, which represent an important group of customers for the Group.

According to the World Steel Association, the economic environment in the global steel market, in which PSI is one of the main software suppliers, worsened again in 2015. After growth of 0.8% in the previous year, global crude steel production declined by 2.8% in 2015. Despite the weak development of the steel market, PSI increased its new orders in this area again after a decrease in the previous year.

Recovery in energy and logistics sector

In 2015 the PSI Group benefited from the substantial development expenses of the previous years, particularly in the energy and logistics sectors. The further decrease in raw material prices

PSI revenues rise around 5%

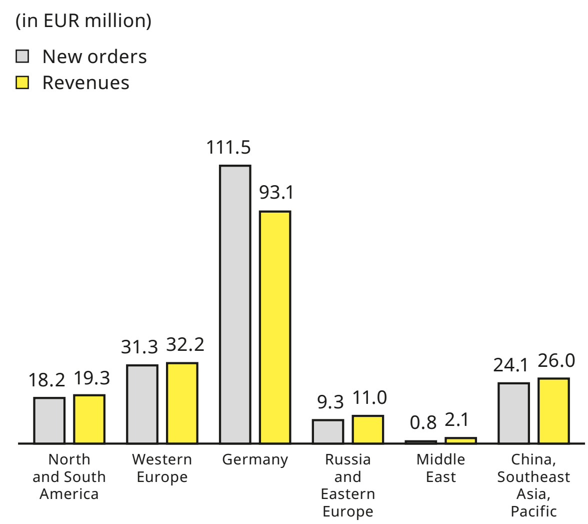


in 2015 resulted in a shift in growth from upstream business (close to raw material extraction) to downstream business (close to end consumers) and from regions that are heavily dependent on raw material exports to industrialised countries characterised by raw material imports. In this challenging environment, PSI increased its Group revenues and significantly improved its operating result and Group net result. New orders amounted to EUR 195 million, up 6% on the previous year's level of EUR 184 million. Order backlog at the end of the year rose from EUR 120 million in the previous year to EUR 129 million.

In the Production Management segment, there was a particular improvement in the Logistics division after projects with a negative impact on earnings were completed in the previous year. The Metal Production division completed the integration of Broner Metals Solutions, which was acquired at the end of 2014, and likewise increased its earnings. On the energy market, PSI recorded continuing growth in customer investments in distribution grids at the start of the regulatory base year 2016. In this area, the Group is chiefly benefiting from high research and development expenses for intelligent grid management functions and from the product-like nature of the solutions.

In 2015 PSI received an order from E.ON Deutschland for the further development and renewal of all grid control systems of its regional utility companies. The aim is to replace the existing grid control technology from PSI and in some cases from other manufacturers with completely standardised, modernised systems on the basis of the current PSI control system product.

New orders and revenues by regions



On 1 October 2015, PSI entered into a strategic partnership with Thyssenkrupp Steel Europe AG. The aim of the agreement is to develop PSI into the standard software provider for all companies within the Thyssenkrupp Group's Steel Europe business area.

International presence and locations in Europe and worldwide

● PSI locations: Australia, Austria, Bahrain, Belgium, Brazil, China, Germany, India, Malaysia, Oman, Poland, Russia, Saudi Arabia, Switzerland, Thailand, Turkey, United Kingdom, USA

Overall assessment of the business performance

With a 6% rise in new orders and 4.7% growth in revenues, PSI achieved the target set for 2015 of increasing new orders and Group revenues by a mid-single-digit percentage. The share attributable to licence business was unchanged at 7%, while that of maintenance business rose from 27% to 28%. Another year-on-year increase in earnings enabled the Group to achieve its target of EUR 11 million for operating result, resulting in an improvement in the EBIT margin from 4.4% in the previous year to 6%. Weaker business in Infrastructure Management, particularly in Southeast Asia, was offset by a positive business performance in Germany and Europe. Overall, business developed positively in many regions of the world despite the difficult market environment and uncertain conditions. All key targets were achieved and important conditions for continuing the positive trend were established.

Result of operations

Increase in Group revenues

Consolidated revenues amounted to EUR 183.7 million in 2015, up 4.7% on the previous year's level of EUR 175.4 million. Energy Management increased its revenues again, as in the previous year. While Production Management posted an 8.5% revenues increase, revenues in Infrastructure Management were down 5.0% year-on-year due to the weaker development in Southeast Asia. Revenues per employee in relation to the average number of people employed in the Group increased from EUR 104,000 to EUR 110,000.

Further reduction in share of purchased services

Expenses for purchased goods and services decreased by EUR 1.5 million to EUR 31.6 million. Expenses for project-related procurement of hardware and licences were down EUR 0.7 million, while expenses for purchased services declined by EUR 0.8 million. At EUR 106.8 million, personnel expenses were up 3.1% year-on-year.

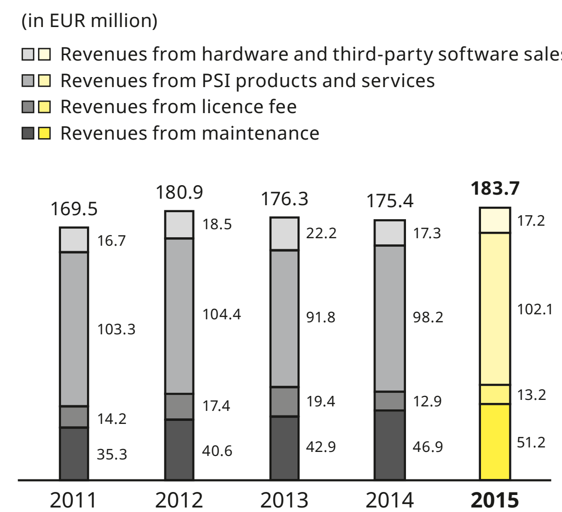
Further improvement in operating result and Group net result

The Group's operating result climbed by 44.2% from EUR 7.7 million in the previous year to EUR 11.1 million. Group net result accordingly increased from EUR 4.1 million to EUR 7.5 million in the year under review. The main reasons for the improvement in earnings were the better business performance in the field of energy and the turnaround in the logistics sector. Earnings per share accordingly improved from EUR 0.26 to EUR 0.48. The areas of gas and oil, electrical energy, metal production and logistics made a particularly strong contribution to earnings. The main factors with a negative impact on earnings were expenses for the rollout of the Group software platform in the Automotive and Industry division and project expenses along with a weak order situation in the raw material extraction sector and in Southeast Asia.

New orders up 6%

New orders amounted to EUR 195 million in 2015, up 6% on the previous year's figure of EUR 184 million and also 6% higher than revenues. Order backlog as at the end of the year consequently increased to EUR 129 million.

Share of maintenance revenues increased again



Revenues share attributable to exports unchanged, stable licence revenues

Revenues generated outside Germany increased by 6.2% from EUR 85.3 million in the previous year to EUR 90.6 million. This corresponds to a stable export share of 49%. The share attributable to international orders fell from 47% to 43% as a result of strong new orders in Germany. Maintenance revenues grew from EUR 46.9 million to EUR 51.2 million, causing the share attributable to maintenance to rise from 27% to 28%. Licence revenues posted a slight increase from EUR 12.9 million to EUR 13.2 million. In line with the focus on increasing software product business, maintenance and long-term upgrade contracts in particular are to be increased further.

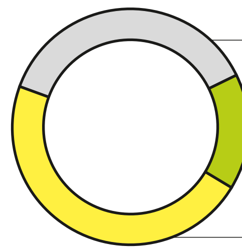
Production Management significantly increased its revenues, causing the share of Group revenues attributable to this segment to rise from 45% in the previous year to 47%. The share attributable to Energy Management was unchanged at 37%, while that of Infrastructure Management fell from 18% to 16%. Infrastructure Management includes the revenues of the PSI Incontrol Group, which operates in the energy management sector with Asian customers as well as in infrastructure projects.

Energy Management segment posts continued upward trend in 2015

As in the previous year, Energy Management was characterised by a stable development in the Gas and Oil division and an improvement in the Electrical Energy division in 2015. Overall, revenues increased by 4.8% to EUR 67.2 million. The segment comprises the Electrical Energy, Gas, Oil, Heating and Energy Trading divisions. Operating result improved from EUR 4.8 million in the previous year to EUR 5.3 million. The Gas and Oil division continued its good development with stable business with existing customers as well as new customers in Scandinavia. Following the reimplementation of the gas industry software on the Group platform, the Energy Trading division generated a break-even result.

Revenues allocation by segment

(in %)



Production Management sees earnings leap in logistics sector

Revenues in Production Management increased by 8.5% to EUR 86.4 million in 2015. In this segment, PSI develops solutions for efficient planning and controlling of production and logistics processes. PSI is continuing to invest heavily here in the future-oriented topic of Industry 4.0 and is developing interesting unique selling points and growth potential as a result. The segment's operating result rose significantly from EUR 2.2 million in the previous year to EUR 6.2 million. Despite the global steel crisis, the highest margins were generated by PSI Metals and PSI Logistics, which achieved a successful turnaround after two years of losses. The production software provider PSI Automotive & Industry launched the new, Group-platform-based release of the production software PSI*penta* and generated weaker earnings in comparison to the previous year.

Infrastructure Management records stable business in public transport and in Poland

Revenues generated in Infrastructure Management in 2015 were down 5.0% year-on-year at EUR 30.1 million. Operating result declined from EUR 1.8 million in the previous year to EUR 0.8 million. As in the previous year, positive earnings

Group structure as of 31 December 2015

Energy Management	
PSI AG Electrical Energy Gas/Oil	
PSI Nentec GmbH	100%
PSI Energy Markets GmbH	100%
PSI CNI GmbH	100%
PSI TURKEY BILIŞIM TEKNOLOJILERY SANAYI VE TICARET A. Ş., Istanbul (Turkey)	100%
Time-steps AG (Switzerland)	100%
OOO PSI (Russia)	100%
OOO OREKHsoft (Russia)	49%
caplog-x GmbH	31,3%

Production Management	
PSI Mines&Roads 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 Metals Brazil Ltda.	100%
Broner Metals Solutions Ltd.	100%
PSI Metals India Private Ltd.	100%
PSI Logistics GmbH	100%
PSI AG (Switzerland)	100%
FLS Fuzzy Logik Systeme GmbH	100%

Infrastructure Management	
PSI Transcom GmbH	100%
PSI Polska Sp. z o.o.	100%
PSI Incontrol Group	100%

were generated in the field of public transport, whereas the Asian PSI Incontrol companies were negatively impacted by the completion of major market entry projects and did not post a recovery in new orders until the end of the year.

Financial position

PSI's monthly liquidity planning and the measures derived on this basis ensure that the financial requirements for operating business and investments are covered. Risk Management prepares a rolling monthly forecast that covers all companies and has a planning horizon of twelve months. This minimises taking up bank loans by the individual Group companies and optimises interest income from fixed term deposits. Current and non-current financial liabilities were reduced further in 2015.

Financing from operating business as far as possible

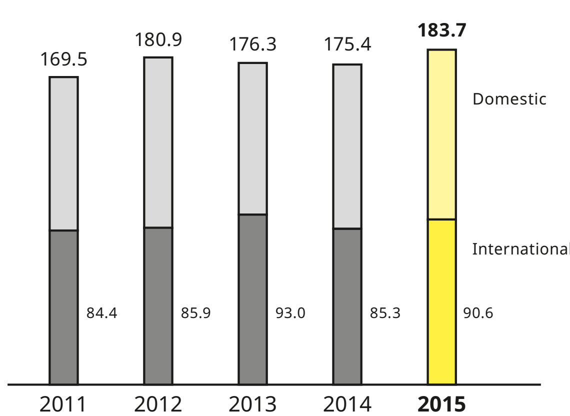
PSI's investing activities are focused on further development of its products and international expansion of its business, both of which are intended to be financed from operating business as far as possible. With regard to both internationalisation and the development of new products and functionalities, PSI focuses on major pilot customers and reliable partnerships.

On 31 December 2015, PSI had guarantee and cash credit facilities totalling EUR 116.5 million for financing its operating business. In the previous year, guarantee and cash credit facilities had amounted to EUR 121.6 million. Utilisation related almost entirely to the guarantee credit facilities and increased from EUR 42.1 million in the previous year to EUR 43.5 million as at the end of the reporting period. In the 2015 financial year, the Group was able to meet its payment obligations at all times. The Group has internal ratings from its principal banks that roughly correspond to the rating categories between A- and BBB.

Export revenues share unchanged

(in EUR million)

Not including foreign revenues from domestic export partners



Decline in cash flow from operating activities

Cash flow from operating activities declined from EUR 24.1 million in the previous year to EUR 14 million. In the previous year it was chiefly influenced by a decrease in working capital, which was not as significant in 2015.

Cash flow from investing activities recorded a significant improvement from EUR –14.3 million to EUR –2.2 million. In the previous year it was primarily affected by the acquisition of Broner Metals Solutions, whereas in 2015 it mainly related to replacement investments in property, plant and equipment and intangible assets.

Cash flow from financing activities decreased to EUR –2.1 million due to the repayment of further loans. In the previous year, it had amounted to EUR –1.7 million. Cash and cash equivalents at the end of the year rose from EUR 29.3 million to EUR 38.8 million.

Net asset situation

Asset structure: slight decrease in goodwill

In 2015 the PSI Group invested a total of EUR 2.9 million in intangible assets and property, plant and equipment. The investments primarily related to intangible assets and property, plant and equipment acquired from third parties. In the year under review, EUR 0.8 million was attributable to the Energy Management segment, EUR 0.9 million to Production Management, EUR 0.2 million to Infrastructure Management and EUR 1 million to assets used jointly by the segments. In the previous year, investments had amounted to EUR 13.1 million, with EUR 10.1 million attributable to intangible assets and property, plant and equipment acquired as part of the acquisition of Broner Metals Solutions.

The carrying amount of goodwill declined from EUR 51 million to EUR 49.6 million due to currency effects.

Structure of the balance sheet: equity ratio of 37%

Total assets of the PSI Group increased by 3.8% to EUR 199.5 million in 2015.

On the assets side, non-current assets decreased from EUR 80.3 million to EUR 78.8 million. Current assets rose from EUR 112.0 million to EUR 120.7 million. Within this category, cash and cash equivalents climbed by EUR 9.5 million and trade receivables by EUR 2.5 million, whereas receivables from long-term development contracts fell by EUR 3.5 million.

On the equity and liabilities side, current liabilities increased from EUR 75.7 million to EUR 77.3 million, particularly due to the increase in liabilities from long-term development contracts. Non-current liabilities climbed from EUR 48.2 million to EUR 49.0 million. Equity increased from EUR 68.3 million to EUR 73.2 million. The equity ratio accordingly improved from 36% to 37%.

Overall assessment of result of operations, financial position and net asset situation

In the 2015 financial year, the result of operations, financial position and net asset situation of the PSI Group improved in comparison to the previous year. There was a particularly significant further improvement in the result of operations and the liquidity position. For 2016 the management anticipates a further increase in earnings and a positive cash flow again. As such, the Group still has the financial prerequisites to finance organic growth and selective acquisitions.

SUSTAINABILITY

Ever since the company was founded in 1969, sustainability has been a very important issue for PSI, both in customer projects and in its internal processes. In addition to the environment, this also encompasses the social commitment of companies and employees as well as corporate governance.

Transparent and responsible corporate governance

PSI follows ethical principles in its dealings with customers, shareholders, employees, partners and competitors. These principles are set out in the Code of Conduct, which is publicly accessible on the Group's website at www.psi.de. Here, PSI commits to fair business practices and compliance with legal standards for fair working conditions, protection of natural resources, fair business conduct and protection of intellectual property.

In addition to the Code of Conduct, PSI has adopted a guideline system that governs many different aspects of sustainable and responsible corporate governance. PSI once again complied with the recommendations of the Government Commission on the German Corporate Governance Code in 2015, with a small number of exceptions that are discussed in the declaration of compliance. The declaration of compliance and the corporate government declaration are published on PSI's website at www.psi.de/en/psi-investor-relations/corporate-governance.

Sustainability in PSI solutions and internal processes

PSI's software solutions make a significant contribution to careful and sustainable use of energy, raw materials and labour in the energy industry and the production sector. For this reason, PSI's production management systems for the steel and aluminium industry incorporate functions for optimising the use of energy and using quantities of energy that are released during production.

PSI's control systems for managing major electricity grids have been and still are continuously expanded with functions for intelligent management of the feed-in of renewable energy. Together with partners from the energy industry and academia, PSI is actively involved in developing the intelligent energy supply infrastructure of the future. Among other things, this includes the new product for virtual power plants and intelligent microgrids. PSI's gas management systems allow for optimised control of the compressor stations required for grid operation and minimise technical losses. Leak detection and location systems help reduce losses when transporting gas and oil over long distances and avoid environmental damage.

In the field of logistics and transport, PSI has in recent years developed new solutions for dynamic control of optimised logistics networks that help reduce transport costs and emissions by up to 10%. Further functions include energy-optimised driving in rail transport and a depot management system with route and fuelling optimisation. This gives customer effective support in reducing greenhouse gases and saving energy.

PSI works with green IT equipment and uses combined heat and power generation at its own location in Aschaffenburg. PSI has participated in the Carbon Disclosure Project since 2011 and has considerably improved its score since then. In 2015, PSI was awarded the DZ Bank Seal of Quality for Sustainability again. An environmental management system is currently being developed.

Social commitment of company and employees
PSI has been involved in charitable activities for many years. Examples include support for victims of flooding in Southeast Asia and various regional initiatives to support charitable organisations based near PSI locations. In addition, PSI supports team sports activities of various different employee groups by funding participation in competitions and equipment.

Further details on the topic of sustainability are published on PSI's website at www.psi.de/en/psi-investor-relations/sustainability.

EMPLOYEES

For a specialised software provider like PSI, the high qualifications and motivation of its employees are key success factors. For this reason, the PSI Group has for many years been characterised by a particularly high proportion of graduates with specialist industry expertise. The proportion of employees with a university degree is above 80% on average. The largest share of these employees have an engineering degree.

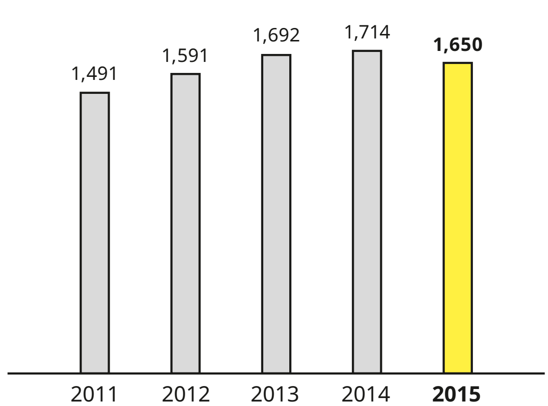
Employee development and training are crucial for the functionality and innovativeness of the products developed by PSI. The main focus areas here are specialist training for new employees at the international locations and in Germany and employee development for internationalisation in the form of sales, project management and contract law training courses as well as training in the Group software tool. Group-wide work teams focussing on the topics of technology, infrastructure, product management, maintenance, quality management, controlling and marketing promote knowledge transfer and standardisation within the Group. Employee training for the uniform Java technology platform is particularly important for the strategic development of the Group. In 2015 an average of five days per employee were invested in training.

In order to make contact with graduates in the relevant courses of study at an early stage, PSI is involved in promoting education and research in science and engineering at many different levels. For example, at its main locations the PSI Group has formed university partnerships that range from offering internships to cooperating on dual courses of study.

Since autumn 2010, PSI has been involved as an industry partner of the logistics research cluster and as a project partner in the environmentally friendly and sustainable energy engineering cluster, while since the beginning of 2016 it has also acted as a technology partner at the new European 4.0 Transformation Centre on the RWTH Aachen Campus.

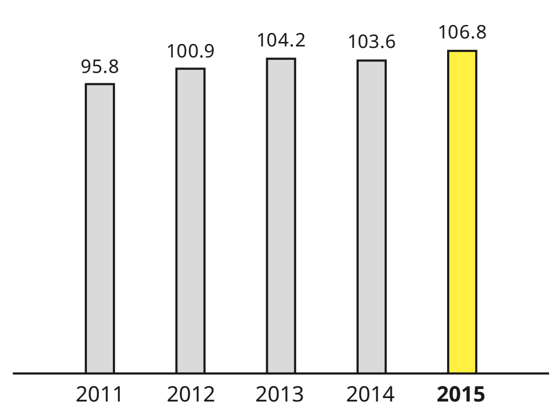
One special aspect at PSI is the significant share of PSI shares held by employees and managers, which comes to around 25%. After PSI AG went public, a large number of employees joined together to form a consortium. Its key objective is the coordination of uniform voting by the employee shareholders

Number of employees reduced



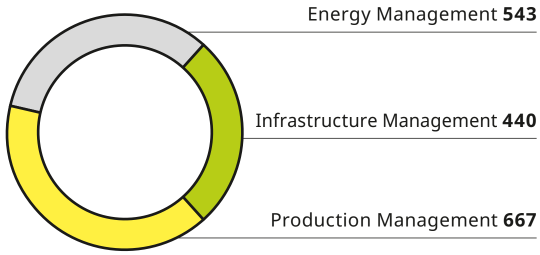
Personnel expenses slightly increased

(in EUR million)



Production Management remains the largest segment

(number of employees)



involved at the Annual General Meeting. Since 2011, PSI has issued staff shares to promote employee participation; these shares can be acquired for this purpose on the stock market, for example. The staff turnover rate in the PSI Group in 2015 was around 5%.

The number of employees as at the end of the year declined by 64 to 1,650. A total of 543 employees were allocated to the Energy Management segment, 667 to Production Management and 440 to Infrastructure Management.

Personnel expenses amounted to EUR 106.8 million, up 3.1% on the previous year's level of EUR 103.6 million. As use of internal services increases in the export regions of Southeast Asia, China, Poland and Russia, personnel expenses per employee will continue to move closer to the international industry average.

STATUTORY DISCLOSURES

Disclosures in accordance with section 315 (4) of the German Commercial Code (HGB)

As at 31 December 2015, the share capital of PSI AG amounted to EUR 40,185,256.96 and was divided into 15,697,366 no-par-value shares with an accounting par value of EUR 2.56. Each share confers the right to one vote. There are no different classes of shares. The shareholders exercise their voting rights at the Annual General Meeting in accordance with the statutory requirements and the Articles of Association. There may be statutory restrictions on voting rights in accordance with section 136 of the German Stock Corporation Act (AktG) or, to the extent that the company holds treasury shares, in accordance with section 71 b AktG.

In the second half of 2013, PSI AG issued a total of 19,657 shares in PSI AG to employees as staff shares. A contractual prohibition on the sale of these shares until 18 August 2015 was agreed. There are no further restrictions with regard to voting rights or transfers of shares.

In the 2015 financial year, RWE Deutschland AG, Essen, held a 17.77% interest in PSI AG. According to PSI AG's knowledge, RWE Deutschland AG is a company of the group managed by RWE AG, Essen. The RWE Group is a major utility company and an important customer of PSI AG in the Energy Management segment. According to the notification in accordance with section 27a (1) of the German Securities Trading Act (WpHG) dated 22 September 2009, the RWE Group's investment in PSI AG serves the purpose of sustainably securing the cooperation between PSI AG and the RWE Group.

PSI AG has not issued any shares with special rights.

There are no voting right controls at PSI AG in relation to employee shares if employees have an investment in the company's capital and do not exercise control rights directly.

In accordance with Article 8 (1) of the Articles of Association, Board of Directors members are appointed and dismissed by the Supervisory Board, which also determines the number of Board of Directors members. Sections 84 et seq. AktG also apply to the appointment and dismissal of members of the Board of Directors.

In accordance with Article 11 of the Articles of Association, the Supervisory Board is authorised to make amendments and additions to the Articles of Association that affect the wording only. Other than this, the Articles of Association are resolved by the Annual General Meeting with a simple majority of the votes cast and a simple majority of the share capital represented when the resolution is adopted, as stipulated in Article 19 of the Articles of Association. This applies except in cases where the law requires resolutions to be adopted with a majority of at least three-quarters of the share capital represented when the resolution is adopted.

PSI AG has authorised capital of EUR 8.0 million in place until 11 May 2020 that was created by resolution of the Annual General Meeting on 12 May 2015. This resolution authorises the Board of Directors, with the approval of the Supervisory Board and without requiring a further resolution by the Annual General Meeting, to increase the company's share capital in exchange for cash or contributions in kind. In particular, this can be used as acquisition currency for acquiring companies. The company has not yet exercised this authorisation to date.

PSI AG also has contingent capital of EUR 8.0 million in place until 6 May 2018. This serves the purpose of servicing convertible and warrant-linked bonds and profit-sharing certificates. The company was authorised to issue this contingent capital in a total nominal amount of up to EUR 100 million by the Annual General Meeting on 7 May 2013. The company has not yet exercised this authorisation to date.

The Board of Directors of PSI AG was authorised by the Annual General Meeting on 7 May 2013 to acquire and sell treasury shares totalling up to just under 10% of the share capital as at the time of the authorising resolution until the end of 30 June 2016. Based on the share capital at that time, this corresponds to an authorisation to repurchase up to 1,569,736 shares in the company. The authorisation can be exercised in full or in partial amounts on one or more occasions. It can also be exercised by dependent companies or companies in which PSI AG holds a majority interest that are commissioned with exercising the authorisation by PSI AG. The authorisation must not be used for the purpose of trading in treasury shares. Observing the principle of equal treatment, the acquisition can take place either on the stock market or by way of a public purchase offer addressed to all shareholders of the company.

There are no significant agreements of the company that are subject to the condition of a change of control following a takeover bid.

Remuneration of the governing bodies

The Supervisory Board remuneration does not include a performance-related component. It consists of basic remuneration and a component that is dependent on attendance of meetings.

The remuneration of each of the two members of the Board of Directors consists of non-performance-related fixed remuneration (fixed salary component including non-cash benefit from private use of a company vehicle) and a variable component that in turn consists of a recognition bonus considered possible by the Supervisory Board as well as a short-term and a long-term performance-related component.

The employment contracts provide for non-performance-related fixed remuneration of EUR 371,000 a year for the CEO and EUR 288,000 a year for the second Board of Directors member. This is paid out in twelve equal monthly instalments. It includes a leased vehicle for business and private use for each member of the Board of Directors for the duration of their actual term in office.

In addition to the non-performance-related fixed remuneration, the company can also pay each of the Board of Directors members a voluntary annual recognition bonus that is capped at a certain amount. However, there is no legal entitlement to this bonus, even if it is repeatedly paid. The Supervisory Board determines whether and in what amount the recognition bonus is to be paid according to its best judgement based on the extent to which the business performance of PSI AG justifies this.

In addition to the recognition bonus, the employment contracts also provide for performance-related components, the amounts of which are determined by the Supervisory Board on the basis of the PSI Group's business performance. Each of the Board of Directors members is entitled to a variable amount of short-term performance-related remuneration that depends on the level of target achievement in a financial year in the categories of earnings before taxes, specific accounting-related key figures and specific strategic targets. These targets are defined in an annual target agreement concluded between the Supervisory Board and the respective Board of Directors member.

In November 2013, long-term performance-related remuneration was agreed with the members of the Board of Directors. Under certain conditions, this may also be paid out in the event of a change of control. The amount of this remuneration is dependent on a long-term increase in the stock market capitalisation of PSI AG above a certain threshold and on the cumulative development of the PSI Group's EBITA over the period from 1 July 2013 to 30 June 2016. This remuneration component will be paid out at the earliest in instalments in the 2016 financial year, with the remainder to be paid in 2017.

SUPPLEMENTARY REPORT

On 12 February 2016, Mr. Norman Rentrop notified us in accordance with section 21 (1) WpHG that his share of the voting rights in PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie, Berlin, Germany, exceeded the threshold of 10% on 11 February 2016 and amounted to 10.01% (1,571,639 voting rights) on that date. All voting rights are attributable to him in accordance with section 22 WpHG.

In addition, Mr. Norman Rentrop notified us on 12 February 2016 in accordance with section 21 (1) WpHG that the share of the voting rights in PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie, Berlin, Germany, held by Investmentaktiengesellschaft für langfristige Investoren TGV exceeded the threshold of 10% on 11 February 2016 and amounted to 10.01% (1,571,639 voting rights) on that date.

RISK REPORT

The PSI Group's risk policy has the aim of securing the Group's success in the long term. This requires effective identification and analysis of business risks in order to eliminate or limit them by means of suitable control measures.

To this end, PSI has set up a risk management system that is used by the management of the company as a tool for the early recognition and prevention of risks. This particularly applies to risks whose effects could jeopardise the continued existence of the PSI Group as a going concern. The risk management tasks comprise risk identification, risk assessment, risk communication, risk management and control, risk documentation and risk system monitoring. The company's risk management system is developed further on an ongoing basis and the knowledge gained from the management system is integrated in corporate planning.

Description of the key features of the internal control and risk management system with regard to the Group accounting process (section 289 (5) and section 315 (2) no. 5 HGB)

The PSI Group's risk management system covers all organisational regulations and measures for identifying and dealing with the risks and opportunities of its business activities.

The Board of Directors has overall responsibility for the internal control and risk management system with regard to the accounting processes of the consolidated companies and the accounting process in the Group. The Accounting department prepares the consolidated financial statements for the PSI Group based on the recognised separate financial statements of the companies and reports consolidated financial information to the Board of Directors. The separate financial statements are prepared on the basis of a Group-wide accounting manual. All companies and divisions included in the consolidated financial statements are integrated by way of a clearly defined management and reporting organisation.

With regard to the accounting processes of the consolidated companies and the Group accounting process, we consider features of the internal control and risk management system to be material if they could have a significant impact on the Group accounting and the overall view presented in the consolidated financial statements including the Group management report. This particularly includes the following elements:

- identification of key risk areas and control areas relevant to the Group-wide accounting process
- controls for monitoring the Group-wide accounting process and its results at Board of Directors level and division level
- preventive control measures in the Finance and Accounting departments of the Group and the divisions and in operational, performance-related business processes that generate significant information for the preparation of the consolidated financial statements and the consolidated management report, including a separation of functions and predefined approval processes in relevant areas
- measures that ensure proper IT-based processing of facts and data relating to Group accounting
- In addition, the Group has implemented a risk management system with regard to the accounting process that includes measures to identify and assess significant risks and corresponding measures to limit risks in order to ensure the correctness of the consolidated financial statements.

PSI has identified the following key risks and integrated them in its early warning system:

- market: too low level of new orders/order backlog
- employees: lack of availability of the necessary qualifications
- liquidity: bad payment terms and insufficient credit facilities
- costs and revenues: deviation from planning figures, particularly in project implementation or development

The risks were classified as not jeopardising the Group's continued existence as a going concern, neither individually nor in combination.

The risk management guideline governs the areas of:

- risk strategy: explicit principles for minimising the main risks and general risk management principles
- risk management organisation: responsibilities of the management levels and controllers involved
- risk identification, control and monitoring: tools for identifying risks and monitoring the key figures used
- risk management system: application of the Group-wide professional services automation (PSA) system and a Group-wide issue tracking solution

These provisions are supplemented by a guideline on risk management in projects, which governs the implementation of risk management in the project, the identification, recording, analysis and assessment of risks and the planning, specification and monitoring of measures to minimise risks in the context of projects. This particularly relates to measures to limit prefinancing in projects.

The professional services automation (PSA) solution has an integrated management information system (MIS) and serves as a uniform information and controlling tool for all levels of the Group. Regular MIS reports, which are generally prepared on a monthly basis, provide key figures from the divisions as defined in the guideline system:

- development of the order situation and capacity utilisation
- liquidity planning
- development of net asset situation and financial position
- forecast of key economic figures
- sales forecast and market development
- project controlling and contract management

Analysis of opportunities and risks

The PSI Group is exposed to a number of risks, including normal risks from its business operations, general economic risks, tax and financial risks, and risks that could arise from the shareholder structure. In the 2015 financial year, the risk profile mainly changed as a result of macroeconomic changes, particularly due to decreasing raw material prices and exchange rate fluctuations. There were no substantial changes in the risk profile with regard to the regional distribution of business, the shareholder structure or the regulatory environment in the energy sector.

Opportunities and risks for the segments

In Energy Management, PSI significantly increased its new orders in 2015, with a decline in energy-producing countries being countered by substantial growth in Germany. The area of electricity grids developed especially positively. In the short term, there is an opportunity here to benefit from increased investments in distribution grids during the regulatory base year 2016. In the medium term, there is a risk of another investment backlog if the digitalisation of the energy transition is not implemented as planned. In the long term, the transnational effects of the expansion of renewable energy, the trend towards digitalisation, innovative energy services and the expansion of storage technologies will result in additional business potential, as investments will be required for these purposes. The expansion of international business is resulting in an increased need for prefinancing and guarantee credit.

By their nature, major export projects involve implementation risks in relation to local partners and their training, differing performance interpretations and standards and sometimes also changes in customer policy. The existing international partnerships extend the sales reach and thus increase the opportunities for sales of PSI's products. At the same time, they also create new dependencies.

In **Production Management**, PSI continued the expansion of international business in the area of metal production in 2015 with the integration of Broner Metals Solutions, which had been acquired in November 2014. Despite the difficult economic environment, PSI further expanded its leading global position as a specialist software provider in this area by gaining new customers and follow-up orders. Overall, however, the business climate in the cyclical steel market continued to cool off in 2015, meaning that relatively strong pricing pressure may arise in this business area. In addition to the risks of cyclical market fluctuations and the development of raw material prices, there are continued opportunities arising from growing demand among major metal producers for a Group-wide rollout of PSI's solution. In some East Asian countries, there is also a risk due to the fact that quality awareness and trademark protection are still not fully developed.

The Logistics and Production Control/ERP divisions are particularly affected by fluctuations in the economic climate on account of their market position and customer structure. For this reason, there is a risk that new orders may be too low in the event of a weak domestic economy. In the Logistics division, PSI is therefore primarily focussing on logistics solutions for complex requirements that are characterised by very short amortisation periods. The higher complexity results in project risks, but at the same time the new unique selling points enable PSI to tap particular business opportunities. After the high product expenses incurred in the two preceding years, the Logistics divisions achieved a significant turnaround in 2015. The current positive consumer climate, growth in online mail order business and the increasing complexity of industrial logistics flows will give rise to further growth potential for PSI's logistics solutions in the short and medium term. The production software subsidiary PSI Automotive & Industry is increasingly focussing on the growth trend "Industry 4.0" and has entered the Chinese market in the past few years. This creates further growth potential on the one hand, but also results in implementation risks, particularly in export business.

PSI Mines&Roads has also entered the Chinese market in the past few years and has received two major orders for the control centre for managing raw material extraction. In the long term, these two references will give rise to very good export opportunities for the new solution, but in the short term there is a risk that the level of investments may be very low on account of the falling prices in the raw material sector.

In **Infrastructure Management,** transport systems in Germany and Switzerland recorded lower new orders and, in contrast to the previous year, did not gain any major orders. In this area, PSI is largely dependent on the financial situation of its predominantly public-sector clients. The Transport division's dependency on the German market has been reduced in recent years with orders from neighbouring European countries, Eastern Europe and the growth regions of Southeast Asia. Special unique selling points have also been developed, particularly for depot management systems, resulting in additional business potential. PSI Poland, which is assigned to the Infrastructure Management segment, developed positively again in 2015 and took on an order from a Polish pipeline operator.

With the PSI Incontrol Group, PSI has had direct access to the growth markets in Southeast Asia, India and the Middle East since 2009. PSI has access to inexpensive hardware and integration services. The cost of services and equipment can be reduced by using a relatively large pool of highly qualified specialists in the region. As a result of the high share of system integration business and the associated need to prefinance projects, the integration of PSI Incontrol into the PSI Group's processes entails risks. In 2015 this risk was reduced due to the conclusion of complex major projects, while at the same time new orders in Southeast Asia picked up at the end of the year after several weak quarters.

Opportunities and risks of internationalisation

The share of international activities remained stable in 2015, as revenues developed equally positively in Germany and in export business. Overall, the export share of 49% indicates that PSI is still dependent on the domestic market to a minor extent and there are additional growth opportunities. However, this expansion will give rise to new risks from the integration of new subsidiaries into the Group and dependency on international partners, exchange rates and legal systems. On the other hand, opportunities and risks will be more broadly diversified as a result of the further expansion of international activities.

Opportunities and risks from new products and technologies

In order to strengthen its competitive position, PSI constantly invests in new product versions and product enhancements. At the same time, PSI has brought products and components together on a joint platform as part of a Group-wide convergence process to enable it to benefit from high quantities. The future income and liquidity development of the PSI Group will largely depend on the market success of its new products and on its command of newly developed technologies.

Risks from the shareholder structure

If attendance of the Annual General Meeting is considerably below 100%, there is a risk that one of the major shareholders of PSI AG may exercise decisive influence on the Annual General Meeting and use this for its own interests, which may differ from the company's aims. The same risk arises if there is high attendance at the Annual General Meeting but major shareholders coordinate their voting.

Tax risks

PSI cannot rule out the risk that external audits by the taxation authorities may lead to subsequent tax claims for which the company has not recognised provisions or that result in an unforeseen liquidity requirement.

The tax audit for the years 2005 to 2009 determined that the short-term ownership and the resulting possible allocation of a total of 28.60% of the voting right shares in the company by Kajo Neukirchen GmbH, Eschborn, and Mr. Kajo Neukirchen in the second quarter of 2009 resulted in the loss of 25.65% of the eligible tax loss carryforwards. Based on an order for reference submitted to the German Federal Constitutional Court by the Hamburg Fiscal Court, the Board of Directors believes that there is a chance that the underlying law is unconstitutional. If this is the case, then there is no detrimental acquisition of shares and the tax loss carryforwards therefore were not lost on a pro rata basis.

Financial risks

To finance its operating business, PSI uses instruments that chiefly consist of trade receivables, cash and cash equivalents, liabilities to banks and guarantees. The main risks in this context are credit risks, liquidity risks and fair value risks. Credit risks and liquidity risks are managed by using credit facilities and monitoring procedures. There is no concentration of credit risk for PSI with individual counterparties or with a group of counterparties. The Group endeavours to ensure that it has sufficient liquidity and credit facilities to meet its obligations.

The PSI Group predominantly enters into transactions concluded in euro. In the 2015 financial year, the Group did not use any transactions to hedge currency risks.

Employees

With technically challenging tasks, we succeed in hiring, integrating and permanently retaining qualified employees at our company. Our staff turnover rate is low. The remuneration structure includes performance- and earnings-related components. Following the freezing of the pension provisions as at the end of 2006, all future benefits are specified, direct salary components.

Future risks

PSI's strategy for the coming years is focussed on the Group's transformation into a software product provider and on further internationalisation. If this does not succeed as planned, there is a risk that the PSI Group may not achieve its revenues and earnings targets. In addition, PSI would then still be dependent to a large extent on the general economic development and regulatory framework in Germany.

FORECAST

After the 2015 financial year was characterised by a significant recovery in earnings in the Energy Management and Production Management segments, PSI started the new year with higher order backlog and a further renewal of the product base. The order backlog of EUR 195 million was higher than annual revenues in 2015 as well, with the effect that order backlog increased to EUR 129 million as at the end of the year. Despite increased expenses for research and development, there was a further recovery in operating result. In the steel business, the international market position was reinforced following the previous year's acquisition and in particular the integration of the international sales structures was completed.

The trend towards digitalisation of business processes in energy supply, production and logistics will continue in the years ahead. PSI will also benefit from this trend in 2016 in the Electrical Energy division, whereas the Gas and Oil division may see a further slowdown as a result of the decrease in raw material prices. We expect the energy transition in Germany to advance further, although some key questions still remain unanswered. In this context, we hope that IT investments in German transport and distribution networks will stabilise after the one-off regulatory effects in 2015 and 2016. In Infrastructure Management, we anticipate stable investment activities with moderate increases in Germany and Europe and a recovery in demand in Southeast Asia, particularly in the downstream section of value-added processes. We intend to use this positive impetus in 2016 to generate further growth, despite the decline in raw material prices and the economic slowdown in many regions of the world, and to broaden the basis of our business.

In continuing our successful strategy of specialisation and internationalisation, our focus has increasingly shifted from energy-producing countries to industrialised consumer countries as a result of the decrease in raw material prices. Consequently, we are aiming for further growth in Northern Europe and North America in particular over the coming years.

By means of the migration of further products to the new, uniform software platform and convergence of our technological basis, we intend to further increase the quantities sold and expand the share of revenues attributable to licences, upgrades and maintenance. We will continue to selectively expand our portfolio in order to take advantage of opportunities and increase our efficiency. In this way, we will improve the basis for enabling us to generate double-digit returns in the future.

In the Energy Management segment, we anticipate a continued recovery in earnings for Electrical Energy in 2016 and, in the event that oil and gas prices remain low, a slowdown in this business area. In Production Management, we are continuing to invest in the future-oriented topic of Industry 4.0 and intend to improve our profitability further with a renewal of the product base. In Infrastructure Management, we anticipate a slight increase in revenues and a recovery in earnings in Southeast Asia. Overall, in 2016 we are aiming for another mid-single-digit percentage increase in consolidated revenues, a slight rise in the EBIT margin and operating result of between EUR 11 million and EUR 13 million. Because there is currently a high degree of uncertainty with regard to the development of raw materials and exchange rates, we consider a forecast range to be appropriate. We are also aiming for a slight increase in licence and maintenance revenues, with our focus here being more on long-term maintenance and upgrade agreements and less on licences. In order to achieve our goals, we will continue to invest in the quality and productivity of our products and the efficiency of our internal processes.

Berlin, 10 March 2016

Dr. Harald Schrimpf　　Harald Fuchs

Consolidated balance sheet

dated 31 December 2015 (IFRS)

ASSETS in EUR K	Note	31.12.2015	31.12.2014 adjusted*
Non-current assets			
Property, plant and equipment	C. 1	12,214	12,949
Intangible assets	C. 1	59,418	61,502
Investments in associates	C. 2	149	149
Deferred tax assets	C. 13	6,999	5,657
		78,780	**80,257**
Current assets			
Inventories	C. 3	4,184	3,468
Trade receivables, net	C. 4	36,169	33,708
Receivables from long-term development contracts	C. 5	36,366	39,865
Other assets	C. 6	5,192	5,661
Cash and cash equivalents	C. 7	38,831	29,314
		120,742	**112,016**
		199,522	**192,273**

* Some of the figures presented deviate from the figures in the consolidated financial statements for the 2014 financial year as a result of adjustments (see Notes page 62, Subsidiaries).

EQUITY AND LIABILITiES in EUR K	Note	**31.12.2015**	31.12.2014 adjusted*
Shareholders' equity			
Share capital	C. 8	40,185	40,185
Capital reserves	C. 8	35,137	35,137
Reserve for treasury share		–1,193	–890
Other reserves		–13,771	–11,473
Net retained profit		12,794	5,335
		73,152	**68,294**
Non-current liabilities			
Financial liabilities	C. 10	83	188
Pension provisions	C. 9	46,981	47,080
Deferred tax liabilities	C. 13	1,963	1,016
		49,027	**48,284**
Current liabilities			
Trade payables		14,929	15,113
Other liabilities	C. 12	30,221	29,489
Liabilities from long-term development contracts	C. 5	28,819	26,011
Financial liabilities	C. 11	3,374	5,082
		77,343	**75,695**
		199,522	**192,273**

Consolidated income statement

for the period 1 January to 31 December 2015 (IFRS)

in EUR K	Note	**2015**	2014 adjusted*
Revenues	D. 14	183,682	175,386
Other operating income	D. 15	5,490	8,195
Cost of materials	D. 16	– 31,596	– 33,101
Personnel expenses	D. 17	– 106,820	– 103,604
Depreciation and amortisation	D. 18	– 4,286	– 3,882
Other operating expenses	D. 19	– 35,361	– 35,337
Operating result		**11,109**	**7,657**
Net finance cost	D. 20	– 1,671	– 1,993
Earnings before taxes		**9,438**	**5,664**
Taxes on income	C. 13	– 1,979	– 1,565
Group net result for the year		**7,459**	**4,099**
Group earnings per share in EUR (basic and diluted)	D. 21	0.48	0.26
Average number of shares outstanding (thousand)	D. 21	15,620	15,650

* Some of the amounts presented vary from the amounts in the consolidated financial statements for the 2014 financial year due to adjustments (see Notes page 65, Currency translation).

Consolidated comprehensive income statement

for the period 1 January to 31 December 2015 (IFRS)

in EUR K	Note	**2015**	2014
Group net result for the year		**7,459**	**4,099**
Currency translation for foreign operations		– 2,029	469
Net result from cash flow hedges		0	441
Income tax effects		0	– 132
		0	309
Other comprehensive income to be reclassified to the consolidated income statement in subsequent periods		**– 2,029**	**778**
Actuarial losses from the valuation of pension commitments	C. 9	– 381	– 6,994
Income tax effects	C. 13	112	2,086
		– 269	– 4,908
Other comprehensive income not to be reclassified to the consolidated income statement in subsequent periods		**– 269**	**– 4,908**
Other comprehensive income after taxes		**– 2,298**	**– 4,130**
Consolidated total comprehensive income after taxes		**5,161**	**– 31**

Consolidated cash flow statement

for the period 1 January to 31 December 2015 (IFRS)

in EUR K	**2015**	2014
1. Cash flow from operating activities		
Consolidated earnings before income taxes	**9,438**	**5,664**
Adjustment of annual earnings for non-cash transactions		
Amortisation of intangible assets	1,734	1,267
Depreciation of property, plant and equipment	2,552	2,615
Income from investments in associates	– 140	– 54
Interest income	– 65	– 132
Interest expense	1,344	1,690
Other non-cash income/expenses	4	4
	14,867	**11,054**
Changes in inventories	– 638	420
Changes in trade receivables and receivables from long-term development contracts	925	8,417
Changes in other assets	– 55	– 343
Changes in provisions	– 1,398	– 976
Changes in trade payables	– 18	– 1,163
Changes in other liabilities	3,155	8,319
	16,838	**25,728**
Interest paid	– 272	– 303
Income taxes paid	– 2,556	– 1,348
	14,010	**24,077**
2. Cash flow from investing activities		
Outflows for investments in intangible assets	– 1,241	– 1,124
Outflows for investments in property, plant and equipment	– 1,820	– 1,878
Inflows/outflows for investments in subsidiaries (less cash and cash equivalents acquired)	659	– 11,674
Inflows from the disposal of associated companies	0	149
Inflows from distributions by associated companies	103	54
Interest received	65	132
	– 2,234	**– 14,341**
3. Cash flow from financing activities		
Outflows for the acquisition of treasury shares	– 303	– 488
Inflows/outflows from the repayment/borrowing of financial liabilities	– 1,813	– 1,220
	– 2,116	**– 1,708**
4. Cash and cash equivalents at end of period		
Cash-effective change in cash and cash equivalents	9,660	8,028
Exchange-rate-related changes in cash and cash equivalents	– 143	– 514
Cash and cash equivalents at beginning of period	29,314	21,800
Cash and cash equivalents at end of period	**38,831**	**29,314**

Consolidated statement of changes in equity

as of 31 December 2015 (IFRS)

in EUR K	Share capital	Capital reserves	Reserve for treasury stock
Balance at 31 December 2013	**40,185**	**35,137**	**– 402**
Group net result			
Other comprehensive income after taxes			
Consolidated total comprehensive income after taxes	**0**	**0**	**0**
Acquisition of treasury shares		0	– 488
Total capital transactions	0	0	– 488
Balance at 31 December 2014	**40,185**	**35,137**	**– 890**
Group net result			
Other comprehensive income after taxes			
Consolidated total comprehensive income after taxes	**0**	**0**	**0**
Acquisition of treasury shares		0	– 303
Total capital transactions	0	0	– 303
Balance at 31 December 2015	**40,185**	**35,137**	**–1,193**

Other reserves	Balance sheet profit/loss	**Total**
–7,343	**1,236**	**68,813**
	4,099	4,099
– 4,130		– 4,130
– 4,130	**4,099**	**– 31**
		– 488
0	0	– 488
–11,473	**5,335**	**68,294**
	7,459	7,459
– 2,298		– 2,298
– 2,298	**7,459**	**5,161**
		– 303
0	0	– 303
–13,771	**12,794**	**73,152**

Consolidated segment reporting

2015 and 2014 (IFRS)

in EUR K	Energy Management 31.12.2015	Energy Management 31.12.2014 adjusted*	Production Management 31.12.2015	Production Management 31.12.2014 adjusted*
REVENUES				
External revenues	67,233	64,145	86,387	79,606
Revenues with other segments	1,771	972	1,892	2,313
Total revenues	**69,004**	**65,117**	**88,279**	**81,919**
Other operating income	5,706	5,867	8,019	8,443
Costs of purchased services	– 4,931	– 5,640	– 8,740	– 9,304
Costs of purchased goods	– 5,077	– 3,521	– 1,925	– 2,520
Personnel expenses	– 40,808	– 41,262	– 52,231	– 49,429
Depreciation and amortisation	– 1,490	– 1,411	– 1,298	– 1,299
Other operating expenses	– 17,054	– 14,218	– 25,364	– 25,296
Segment operating result before depreciation/amortisation	**6,840**	**6,343**	**8,038**	**3,813**
Segment operating result before depreciation/amortisation resulting from purchase price allocation	**5,350**	**4,932**	**6,740**	**2,514**
Amortisation/depreciation resulting from purchase price allocation	– 85	– 85	– 559	– 276
Segment operating result	**5,265**	**4,847**	**6,181**	**2,238**
Net finance cost	– 214	– 1,275	– 836	– 774
Segment result	**5,051**	**3,572**	**5,345**	**1,464**
Investments in associated companies accounted for using the equity method	**149**	**149**	**0**	**0**
SEGMENT ASSETS	**34,842**	**42,711**	**82,718**	**77,240**
SEGMENT LIABILITIES	**47,827**	**38,204**	**47,196**	**53,276**
SEGMENT INVESTMENTS	**766**	**673**	**925**	**10,678**

* Some of the amounts presented vary from the amounts in the consolidated financial statements for the 2014 financial year due to adjustments (see Notes page 64, Principles of consolidation and page 65, Currency translation).

Infrastructure Management		Reconciliation		PSI Group	
31.12.2015	31.12.2014 adjusted*	**31.12.2015**	31.12.2014 adjusted*	**31.12.2015**	31.12.2014 adjusted*
30,062	31,635	0	0	183,682	175,386
6,219	5,302	– 9,882	– 8,587	0	0
36,281	**36,937**	**– 9,882**	**– 8,587**	**183,682**	**175,386**
1,647	1,892	– 9,882	– 8,007	5,490	8,195
–7,726	– 6,162	5,153	4,105	–16,244	–17,001
– 9,503	–11,370	1,153	1,311	–15,352	–16,100
–13,571	–12,798	– 210	–115	–106,820	–103,604
–794	–750	– 60	– 61	– 3,642	– 3,521
– 5,498	– 5,982	12,555	10,159	– 35,361	– 35,337
1,630	**2,517**	**–1,113**	**–1,134**	**15,395**	**11,539**
836	**1,767**	**–1,173**	**–1,195**	**11,753**	**8,018**
0	0	0	0	– 644	– 361
836	**1,767**	**–1,173**	**–1,195**	**11,109**	**7,657**
– 621	56	0	0	–1,671	–1,993
215	**1,823**	**–1,173**	**–1,195**	**9,438**	**5,664**
0	**0**	**0**	**0**	**149**	**149**
55,066	**55,895**	**19,897**	**10,714**	**192,523**	**186,560**
19,071	**18,093**	**9,077**	**11,943**	**123,171**	**121,516**
219	**522**	**1,055**	**1,191**	**2,915**	**13,064**

Statement of changes in fixed assets

For the period 1 January to 31 December 2014 (IFRS)

2014	Purchase and production costs				
in EUR K	1.1.2014	Exchange differences	Changes to the scope of consolidation	Transfer	Additions
Intangible assets					
Other intangible assets	17,354	–13	6,084*	0	745
Goodwill	48,279	1,068	3,911*	0	0
Capitalised software development costs	1,140	0	0	0	379
	66,773	**1,055**	**9,995**	**0**	**1,124**
Property, plant and equipment					
Land and buildings	17,960	32	0	0	87
Computers and equipment	13,937	–5	55	–3	1,177
Other equipment, operating and office equipment	7,409	–83	11	3	614
	39,306	**–56**	**66**	**0**	**1,878**
Financial assets					
Investments in associates	298	0	0	0	0
	298	**0**	**0**	**0**	**0**
	106,377	**999**	**10,061**	**0**	**3,002**

* Some of the amounts presented vary from the amounts in the consolidated financial statements for the 2014 financial year due to adjustments (see Notes, page 62).

Statement of changes in fixed assets

For the period 1 January to 31 December 2015 (IFRS)

2015	Purchase and production costs		
in EUR K	1.1.2015	Exchange differences	Additions
Intangible assets			
Other intangible assets	23,882	–3	669
Goodwill	53,258	–1,441	0
Capitalised software development costs	1,519	0	426
	78,659	**–1,444**	**1,095**
Property, plant and equipment			
Land and buildings	18,079	–51	63
Computers and equipment	13,889	–11	1,260
Other equipment, operating and office equipment	7,383	–198	498
	39,351	**–260**	**1,821**
Financial assets			
Investments in associates	149	0	0
	149	**0**	**0**
	118,159	**–1,704**	**2,916**

		Accumulated depreciation					Carrying amounts	
Disposals	**31.12.2014**	1.1.2014	Exchange differences	Additions	Disposals	**31.12.2014**	**31.12.2014**	31.12.2013
288	23,882*	13,692	0	1,168	288	14,572	9,310*	3,662
0	53,258*	2,258	0	0	0	2,258	51,000*	46,021
0	1,519	228	0	99	0	327	1,192	912
288	**78,659**	**16,178**	**0**	**1,267**	**288**	**17,157**	**61,502**	**50,595**
0	18,079	9,402	33	437	1	9,871	8,208	8,558
1,272	13,889	11,045	– 4	1,433	1,273	11,201	2,688	2,892
571	7,383	5,078	72	745	565	5,330	2,053	2,331
1,843	**39,351**	**25,525**	**101**	**2,615**	**1,839**	**26,402**	**12,949**	**13,781**
149	149	0	0	0	0	0	149	298
149	**149**	**0**	**0**	**0**	**0**	**0**	**149**	**298**
2,280	**118,159**	**41,703**	**101**	**3,882**	**2,127**	**43,559**	**74,600**	**64,674**

		Accumulated depreciation					Carrying amounts	
Disposals	**31.12.2015**	1.1.2015	Exchange differences	Additions	Disposals	**31.12.2015**	**31.12.2015**	31.12.2014
381	24,167	14,572	1	1,510	381	15,702	8,465	9,310
0	51,817	2,258	0	0	0	2,258	49,559	51,000
0	1,945	327	0	224	0	551	1,394	1,192
381	**77,929**	**17,157**	**1**	**1,734**	**381**	**18,511**	**59,418**	**61,502**
0	18,091	9,871	– 51	442	0	10,262	7,829	8,208
6	15,132	11,201	– 11	1,411	5	12,596	2,536	2,688
15	7,668	5,330	– 198	699	12	5,819	1,849	2,053
21	**40,891**	**26,402**	**– 260**	**2,552**	**17**	**28,677**	**12,214**	**12,949**
0	149	0	0	0	0	0	149	149
0	**149**	**0**	**0**	**0**	**0**	**0**	**149**	**149**
402	**118,969**	**43,559**	**– 259**	**4,286**	**398**	**47,188**	**71,781**	**74,600**

Notes to the consolidated financial statements

PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie,
Berlin as at 31 December 2015

A. GENERAL INFORMATION ON THE COMPANY

The parent company 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 with the number HRB 51463.

The Board of Directors prepared the consolidated financial statements as at 31 December 2015 and the consolidated management report for the 2015 financial year on 10 March 2016 and then approved them for submission to the Supervisory Board.

The business operations of the PSI Group comprise the development and sale of software systems and products that meet the specific needs and requirements of customers chiefly operating in the following industries and service sectors: energy supply, production, infrastructure, software technology, internet applications and business consultancy. In addition, the PSI Group performs services of all kinds in the field of data processing, sells electronic equipment and runs data processing systems.

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

The company is publicly listed in the Prime Standard on the German stock exchange in Frankfurt am Main (securities identification number (WKN): A0Z1JH).

B. PRESENTATION OF ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT METHODS

Basis of preparation of the financial statements

The consolidated financial statements of the PSI Group are generally prepared on the basis of the historical cost principle, with the exception of derivative financial instruments and available-for-sale financial assets, which are recognised at fair value.

The consolidated financial statements of the PSI Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the EU. The consolidated financial statements were prepared in euro. Unless specified otherwise, all figures are rounded up or down to the nearest thousand euro in line with commercial rounding.

Changes in accounting policies

The accounting policies applied in the 2015 financial year generally correspond to those applied in the previous year. In the financial year under review, there was a change in connection with the presentation of currency translation effects in the income statement. Please refer to page 65 (Currency translation).

Effects of new accounting requirements

The IASB has published the following standards and interpretations that were not yet required to be applied in the 2015 financial year. These standards and interpretations have not yet been adopted by the EU and are not applied by the Group.

On 24 July 2014, the IASB published the final standard IFRS 9 “Financial Instruments” (IFRS 9 [2014]), which incorporates the results of all phases of the IFRS 9 project and supersedes both IAS 39 “Financial Instruments: Recognition and Measurement” and all earlier versions of IFRS 9 “Financial Instruments”. The standard includes new regulations on classification and measurement, impairment and hedge accounting. IFRS 9 is to be applied for the first time for the financial year beginning on or after 1 January 2018. The effects of these new regulations are being analysed by the Group. The current status of this analysis does not yet allow for any statement on the expected effect of the changed provisions on the net assets, financial position and result of operations.

IFRS 15 was published in May 2014 and is to be applied for the first time for the financial year beginning on or after 1 January 2018. Earlier application is permitted. The standard is to be applied retrospectively. The standard introduces a new model for revenues recognition with five analysis steps that is to be applied to all revenues from contracts with customers. The key principle of the standard is that an entity must recognise revenues at the time of the transfer of goods or services to customers and in the amount of the consideration that the entity can expect in return for the transfer of these goods or services. The principles in IFRS 15 provide a structured approach for the measurement and recognition of revenues. The scope of the standard extends to all types of sectors and companies and therefore supersedes all existing provisions relating to revenues recognition (IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programmes”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfers of Assets from Customers” and SIC 31 “Revenues – Barter Transactions Involving Advertising Services”). The application of the new standard requires more estimates and judgements than the currently applicable standards on revenues recognition, since the amount of revenues to be recognised is determined by the amount of the consideration that the entity can expect in return for the transfer of the goods or services. Particular challenges may arise when the consideration in question is variable. The application of the new standard will result in changes in the presentation of and accounting for revenues and receivables and liabilities from long-term development contracts.

The effects of these new regulations are being analysed by the Group. The current status of this analysis does not yet allow for any statement on the expected effect of the changed provisions on the net assets, financial position and result of operations.

In January 2016, the IASB published the new standard IFRS 16 on accounting for leases. For the lessee, this stipulates mandatory recognition of the right to use the leased asset and of a corresponding lease liability for most leases. For lessors, by contrast, there are only slight changes in comparison to the classification of and accounting for leases in accordance with IAS 17. IFRS 16 requires additional disclosures in the notes for both lessees and lessors. IFRS 16 applies for the first time to financial years beginning on or after 1 January 2019. Earlier application in permitted on the condition that IFRS 15 “Revenues from Contracts with Customers” is already applied or is applied at the same time as IFRS 16. It is estimated that the application of the new standard will result in an increase in total assets. However, the exact scope of the effects has yet to be determined.

As part of its overarching “Disclosure Initiative” project for the evaluation and improvement of presentation and disclosure requirements, the IASB has published initial amendments to IAS 1 “Presentation of Financial Statements”. These comprise limited amendments intended to encourage entities to exercise more judgement in the disclosure and presentation of information. For example, this relates to the clarification that materiality relates to the entire financial statements and disclosure of immaterial information may limit the usefulness of financial information. In addition, more judgement should also be exercised with regard to the position in the financial statements and the order in which information is presented. They are required to be applied for financial years beginning on or after 1 January 2016. Earlier application is permitted. Application of the new standards will result in changes in the notes.

The IASB and the IFRS IC published further pronouncements in the year under review. The standards and pronouncements required to be applied for the first time in the financial year did not have any significant effects on the consolidated financial statements of the PSI Group.

Significant judgements, estimates and assumptions

In preparing the consolidated financial statements, the management makes judgements, estimates and assumptions that affect the amount of reported income, expenses, assets and liabilities and the associated disclosures as well as the disclosure of contingent liabilities.

In applying the Group's accounting policies, the management did not make any significant judgements that have a significant impact on the amounts in the consolidated financial statements.

The main assumptions regarding the future and other major sources of estimation uncertainty at the end of the reporting period that entail a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group's assumptions and estimates are based on parameters that were available when the consolidated financial statements were prepared. However, these situations and the assumptions regarding future developments may change as a result of market trends and market conditions that are beyond the control of the Group. Such changes are not taken into account in the assumptions until they occur.

Impairment of non-current assets

The PSI Group tests non-current assets for impairment once a year based on the provisions of IAS 36. The impairment tests are based on the future surplus cash generated for individual assets or for groups of assets combined in cash-generating units. An asset or a cash-generating unit is impaired if its carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Value in use is calculated using a discounted cash flow method. The recoverable amount depends on the discount rate used when applying the discounted cash flow method as well as on the expected future cash inflows and the growth rate used for extrapolation purposes. Significant non-current assets that are tested for impairment on an annual basis relate to the goodwill reported in the PSI Group. Further details with regard to impairment testing can be found in section C. 1 of the notes. The carrying amount of the goodwill tested for impairment amounted to EUR 49,559 thousand as at 31 December 2015 (previous year: EUR 51,000 thousand, see page 74 (Goodwill and property, plant and equipment)).

Project valuation

The PSI Group recognises revenues on the basis of estimated performance in the projects. Performance estimates are based on an estimated hourly volume and estimated costs for purchased services or on contractually agreed milestones and are continuously updated. Further details on the income recognised for projects but not yet invoiced are provided in section C. 5 of the notes. Recognised partial profits amounted to EUR 12,537 thousand as at 31 December 2015 (previous year: EUR 14,671 thousand).

Deferred tax assets

Deferred tax assets are recognised for all unused tax loss carryforwards and temporary differences to the extent that it is probable or there is convincing evidence that taxable income will be available for this purpose, meaning that the loss carryforwards can actually be used. Parts of the deferred tax assets also arose in the financial years 2008 to 2015 as a result of internal restructuring within the Group (asset deals). To determine the amount of the deferred tax assets, the management must make an estimate based on the expected timing and amount of future taxable income and on the future tax planning strategy (timing of tax results, taking account of tax risks, etc.). As at 31 December 2015, the amount of non-capitalised tax benefits from loss carryforwards came to EUR 48.0 million (previous year: EUR 53.2 million). No deferred tax assets have been accrued for these tax losses. Deferred tax assets attributable to temporary differences amounted to EUR 6,999 thousand as at 31 December 2015 (previous year: EUR 5,657 thousand), while deferred tax liabilities amounted to EUR 1,963 thousand (previous year: EUR 1,016 thousand). Further details are presented in section C. 13 of the notes.

Pensions and other post-employment benefits
The expenses from post-employment defined benefit plans and the present value of the pension liability are determined using actuarial calculations. The actuarial valuation is based on assumptions relating to discount rates, the expected retirement age, future increases in wages and salaries, mortality, and future pension increases. In view of the long-term nature of these plans, such estimates are subject to significant uncertainties. All assumptions are reviewed at the end of each reporting period. The management determines an appropriate discount rate based on the interest rates of corporate bonds that are denominated in the same currency as the post-employment benefit obligation and have a rating of at least AA from an internationally recognised rating agency. Where necessary, these interest rates are adjusted to the expected duration of the defined benefit obligation by way of extrapolation along the yield curve. The provision for pensions and similar obligations amounted to EUR 46,981 thousand as at 31 December 2015 (previous year: EUR 47,080 thousand). In the financial year under review, the management made a change to an estimate. Further details can be found in section C. 9 of the notes.

Development costs
Development costs are capitalised using the accounting policy described on pages 66 et seq. Initial capitalisation of the costs is based on the management's assessment that technical and commercial viability is demonstrated. For the purposes of determining the amounts to be capitalised, the management makes assumptions with regard to the amount of expected future cash flows from the project. The carrying amount of capitalised development costs amounted to EUR 1,394 thousand as at 31 December 2015 (previous year: EUR 1,192 thousand).

Principles of consolidation

a) Subsidiaries
The financial statements of the Group comprise PSI AG and the companies it controls as at 31 December 2015. The consolidated financial statements include PSI AG and its subsidiaries over which it exercises control as defined in IFRS 10. PSI AG controls an investee when it has direct or indirect power over the investee, is exposed to variable returns from the investee and has the ability to affect the investee's variable returns through its power over it.

Company acquisitions are accounted for using the acquisition method in accordance with IFRS 3. Companies acquired or sold during the financial year under review are included in the consolidated financial statements starting from the date of the acquisition or sale.

The excess of the cost of an acquisition over the interest in the fair value of the identifiable assets and liabilities acquired as at the date of the acquisition transaction is referred to as goodwill and recognised as an asset. The identifiable assets and liabilities recognised are measured at their fair values as at the acquisition date.

The following changes occurred in the 2015 financial year with regard to the fully consolidated companies:

With an agreement dated 12 November 2014, 100% of the shares in Broner Metals Solutions Limited, based in Watford, UK, were acquired. A provisional purchase price allocation of the net assets was made in the annual financial statements as at 31 December 2014. In 2015 the purchase price was reduced by EUR 252 thousand to EUR 11,442 thousand due to agreed equity guarantees. The valuation was also finalised in 2015. As a result, other intangible assets increased by EUR 280 thousand and the deferred tax liability increased by EUR 56 thousand, while goodwill declined by EUR 476 thousand. The provisional useful life was between six and eight years, whereas now it is between two and just under 13 years. The previous year's figures were adjusted accordingly. The effect on amortisation and depreciation in the period between the acquisition and 31 December 2014 was not material.

Broner Metals Solutions Limited, 12 November 2014 in EUR K	Fair value as at acquisition date
Non-current assets	
Property, plant and equipment	66
Other intangible assets	6,804
Current assets	
Receivables from long-term development contracts	2,661
Trade receivables	1,511
Other assets	280
Cash and cash equivalents	427
Liabilities	
Deferred tax liabilities	1,223
Trade payables	875
Other liabilities	1,400
Total identifiable net assets at fair value	7,531
Goodwill resulting from the acquisition	3,911
Consideration	**11,442**

In October 2015, OOO OREKHsoft, Russia, was established as a 49% subsidiary. The company is registered in Moscow. PSI AG controls OOO OREKHsoft on the basis of contractual provisions.

In addition to 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 Mines&Roads GmbH ("PSI Mines&Roads")
- PSI Energy Markets GmbH ("PSI Energy")
- PSI CNI Control Networks & Information Management GmbH, Austria ("CNI")
- PSI Polska Sp. z o.o., Poland ("PSI Poland")
- PSI Information Technology Shanghai Co. Ltd., China ("PSI China")
- PSI Metals Non Ferrous GmbH ("PSI Metals NF")
- FLS FUZZY Logik Systeme GmbH ("FLS")
- OOO PSI, Russia ("PSI Russia")
- PSI Metals Austria GmbH, Austria ("PSI Metals Austria")
- PSI Metals Belgium NV, Belgium ("PSI Metals Belgium")
- AIS Advanced Information Systems Private Limited, India
- PSI Incontrol Sdn. Bhd., Malaysia ("PSI Incontrol") as the holding company of the following companies (hereafter collectively referred to as the "PSI Incontrol Group"):
- PSI Incontrol Private Limited, India
- Incontrol Tech For Shares SPC, Bahrain
- Incontrol Tech Holding Thailand Ltd., Thailand
- Incontrol Tech (Thailand) Ltd., Thailand
- PSI Incontrol Pty Ltd., Australia
- PSI METALS NORTH AMERICA INC., USA ("PSI Metals NA")
- PSI TURKEY BILISIM TEKNOLOJILERI SANAYI VE TICARET ANONIM SIRKETI, Turkey ("PSI Turkey")
- Time-steps AG, Switzerland ("Time-steps")
- PSI Metals Brazil Ltda., Brazil ("PSI Metals Brazil")
- Broner Metals Solutions Limited, UK ("Broner Metals")
- OOO OREKHsoft, Russia ("OREKHsoft")

The following changes occurred in the 2014 financial year with regard to the fully consolidated companies:

With an agreement dated 12 November 2014, 100% of the shares in Broner Metals Solutions Limited, based in Watford, UK, were acquired. At the time of the acquisition, the company had assets amounting to EUR 4,967 thousand and liabilities of EUR 2,286 thousand. Its net assets (at carrying amounts) totalled EUR 2,681 thousand. As part of a provisional purchase price allocation, these net assets, which include intangible assets with a useful life of between six and eight years, are compared to the acquisition cost (EUR 11,694 thousand). The resulting difference is attributable to goodwill. The intangible assets chiefly result from the valuation of the customer base.

The goodwill particularly results from Broner Metals Solutions' position as a leading provider of IT solutions in the field of production planning and control for the steel industry. The company has customers in twelve countries, including some of the world's biggest steel producers. The acquisition cost is made up of the purchase price of EUR 12,101 thousand less a variable purchase price component of EUR 407 thousand. The purchase price was paid in cash.

If the newly acquired subsidiary had already been included in the consolidated financial statements of PSI AG as at 1 January 2014, this would have resulted in Group revenues of EUR 182,089 thousand and a Group net result of EUR 4,456 thousand.

in EUR K	Carrying amount before acquisition	Adjustment amount	Fair value as at acquisition date
Non-current assets			
Property, plant and equipment	66	0	66
Other intangible assets	22	5,782	5,804
Current assets			
Receivables from long-term development contracts	2,661	0	2,661
Trade receivables*	1,511	0	1,511
Other assets	280	0	280
Cash and cash equivalents	427	0	427
Liabilities			
Deferred tax liabilities	11	1,156	1,167
Trade payables	875	0	875
Other liabilities	1,400	0	1,400
Total identifiable net assets at fair value	**2,681**	**4,626**	**7,307**
Goodwill resulting from the acquisition			4,387
Consideration			11,694

* Gross amount of contractual receivables. It is assumed that the receivables are recoverable.

Presentation of effects on cash flow:			
Cash and cash equivalents acquired			427
Purchase price paid			–12,101
Net cash flow from the acquisition			**–11,674**

b) Associated companies

Investments in associated companies are accounted for using the equity method. An associated company is an entity over which the Group has significant influence. In accordance with the equity method, investments in an associated company are recognised in the balance sheet at their acquisition cost plus changes in the Group's share of the associated company's net assets that occurred after the acquisition. The income statement includes the share of the associated company's profit or loss attributable to the Group. Changes reported directly in the associated company's equity are recognised by the Group in the amount of its share are presented in the statement of changes in equity where appropriate. Unrealised gains and losses from transactions between the Group and the associated company are eliminated in line with the share in the associated company.

The investment in the following associated company is measured using the equity method:

- caplog-x GmbH, Leipzig ("caplog-x")

c) Consolidation measures and uniform measurement throughout the Group

The annual financial statements of the subsidiaries and associated companies included in the consolidated financial statements are based on uniform accounting standards and reporting periods/reporting dates.

Intragroup balances and transactions and resulting intragroup gains and unrealised gains and losses between consolidated companies were eliminated in full. Unrealised losses were eliminated only if the transactions did not provide evidence of an impairment of the asset transferred.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In a fair value measurement, it is assumed that the transaction in which the asset is sold or the liability is transferred takes place either in the

- principal market for the asset or liability or
- the most advantageous market for the asset or liability, if there is no principal market

The Group must have access to the principal market or to the most advantageous market. The fair value of an asset or liability is measured based on the assumptions that the market participants would make when fixing a price for the asset or liability, assuming that the market participants act in their best economic interests. Measurements of the fair value of a non-financial asset take account of the market participant's ability to generate economic benefits from the highest and best use of the asset or from its sale to another market participant that finds the best use for the asset. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available for measuring the fair value. In doing so, the use of relevant observable inputs is to be maximised and the use of unobservable inputs is to be minimised.

All assets and liabilities whose fair value is determined or reported in the financial statements are classified in the fair value hierarchy described below based on the lowest-level input that is significant to the entire fair value measurement:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Valuation methods in which the lowest-level input that is significant to the entire fair value measurement is directly or indirectly observable on the market
- Level 3 – Valuation methods in which the lowest-level input that is significant to the entire fair value measurement is not observable on the market

In the case of assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether there have been any transfers between the levels of the hierarchy by reviewing the classification at the end of each reporting period.

Currency translation

PSI's consolidated financial statements are prepared in euro, the functional currency and presentation currency of the Group. Each company within the Group determines its own functional currency. The items included in the respective company's financial statements are measured using this functional currency. Foreign currency transactions are initially translated at the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the closing rate. All associated exchange differences are recognised in the net profit or loss for the period.

The functional currency of the main foreign companies, such as PSI AG/CH, PSI Poland, PSI Russia, the Incontrol Group companies, PSI Metals NA and PSI China, is generally the respective local currency. As at the end of the reporting period, the assets and liabilities of these subsidiaries are translated into the presentation currency of PSI AG (the euro) at the closing rate. Income and expenses are translated at the exchange rate on the date of the transaction. The exchange differences that arise on translation are recognised as a separate component of equity.

In the 2015 financial year, the presentation of currency translation effects in the income statement was changed. Whereas previously all currency translation effects requiring recognition in the statement of profit or loss had been reported as other operating income or other operating expense, in the current financial year a more differentiated presentation method was chosen that is more useful to users of financial statements for decision-making purposes. If the translation differences relate to operating business, they are still reported as other operating income or other operating expense, but if they relate to financing activities they are reported under net finance costs. The previous year's figures were adjusted accordingly. As a result of this change in the method, other operating income changed by EUR 221 thousand, other operating expenses by EUR 710 thousand and translation effects in net finance costs by EUR 489 thousand in the previous year. In the 2015 financial year, expenses from translation effects of EUR 532 thousand that would have been reported under other operating expenses using the old presentation method are shown under net finance costs.

Non-current assets

a) Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the company and if the cost of the asset can be measured reliably. For the purposes of subsequent measurement, intangible assets are recognised at their cost less accumulated amortisation and accumulated impairment losses (reported under amortisation and depreciation). The amortisation period and the amortisation method are reviewed at the end of each financial year.

Intangible assets comprise:

Goodwill

Goodwill from a business combination is initially measured at cost, which is calculated as the excess of the cost of the business combination over the PSI Group's interest in the fair values of the identifiable assets acquired and the identifiable liabilities and contingent liabilities assumed. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year or when facts or changes in circumstances indicate that its carrying amount may have decreased. To check whether goodwill acquired in a business combination is impaired, this goodwill must be allocated to a cash-generating unit. If the recoverable amount of the cash-generating unit is lower than its carrying amount, an impairment loss must be recognised. Reversals of impairment losses are not recognised.

Industrial property rights and licences

Amounts paid to purchase industrial property rights and licence rights are capitalised and subsequently amortised on a straight-line basis over their expected useful lives (three to eight years).

The acquisition cost of new software is capitalised and treated as an intangible asset, provided it does not constitute an integral part of the related hardware. Software is amortised on a straight-line basis over a period of three to five years.

Costs incurred to restore or maintain the future economic benefits that the company had originally expected are recognised as an expense.

Research and development costs

Research costs are recognised as an expense in the period in which they are incurred. Development costs for an individual project are capitalised as an intangible asset only if the Group can demonstrate the following:

- the technical feasibility of completing the intangible asset
- the intention to complete the intangible asset and the ability to use or sell it
- how the asset will generate future economic benefits
- the availability of resources for completing the asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

After their initial recognition, development costs are accounted for using the cost model, i.e. at cost less accumulated impairment losses. Amortisation begins when the development phase is completed and as soon as the asset is available for use. The asset is amortised over the period during which future use is expected and this amortisation is recognised under amortisation and depreciation. During the development phase, an impairment test is performed on an annual basis.

b) Property, plant and equipment

Property, plant and equipment is recognised at its cost less any accumulated depreciation and any accumulated impairment losses. If items of property, plant and equipment are sold or scrapped or if no further economic benefit is expected from their use, then the corresponding cost and accumulated depreciation are derecognised. Any realised gain or loss on disposal is reported in the income statement.

The cost of an item of property, plant and equipment comprises the purchase price including the costs necessary to bring the item into condition for its intended use. Subsequent expenses such as servicing and maintenance costs that arise after the fixed assets have started being used are recognised as an expense when incurred. If it is likely that expenses will result in the company receiving future economic benefits in excess of the originally assessed performance of the existing asset, these expenses are capitalised as additional costs of property, plant and equipment.

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

Buildings and exterior facilities:	10 to 50 years
Computer hardware:	3 to 4 years
Leasehold improvements:	Based on remaining term of the lease or actual useful life if shorter
Other office equipment:	5 to 13 years

The useful lives and depreciation method for property, plant and equipment are reviewed on an annual basis to ensure that the depreciation method and depreciation period are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

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

Non-current assets are tested for impairment when facts or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the first step of the impairment test, the recoverable amount of the asset or cash-generating unit must initially be determined. This is defined as the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is defined as the price that can be achieved in a sale of an asset or cash-generating unit between two knowledgeable, willing and independent business partners, less the costs to sell. The value in use of an asset or a cash-generating unit is determined by its present value in its current use on the basis of expected cash flows. No impairment of non-current assets was recognised in the 2015 and 2014 financial years.

Financial assets
Financial assets are divided into the following categories:

- originated loans and receivables
- financial assets held for trading

As at 31 December 2015 and 31 December 2014, the PSI Group mainly held originated loans and receivables.

Originated loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in the net profit or loss for the period when the loans and receivables are derecognised or impaired and through the amortisation process.

Financial assets held for trading are recognised at fair value when the relevant agreement is concluded and are remeasured at fair value in subsequent periods. Gains and losses from changes in the fair value of these financial assets held for trading are recognised immediately in profit or loss.

The Group uses the following hierarchy for determining and reporting the fair values of financial instruments depending on the valuation method used: Level 1: Quoted prices (unadjusted) in active markets for similar assets or liabilities Level 2: Methods in which all inputs with a significant effect on the recognised fair value are observable either directly or indirectly Level 3: Methods that use inputs with a significant effect on the recognised fair value that are not based on observable market data.

Financial assets are tested for impairment at the end of each reporting period. In the case of financial assets carried at amortised cost, if it is likely that the company will not be able to collect all amounts of loans, receivables or held-to-maturity investments due in accordance with the contractual conditions, then an impairment loss or a valuation allowance for receivables is recognised in profit or loss. The impairment loss is defined as the difference between the carrying amount of the asset and the present value of expected future cash flows measured in line with the effective interest method. The carrying amount of the asset is reduced using an allowance account. The impairment loss is recognised in profit or loss. Impairment losses previously recognised as expenses are adjusted in income if the subsequent partial recovery in value (or decrease in the impairment loss) can be related objectively to an event occurring after the original impairment. However, increases in value are recognised only to the extent that they do not exceed the amortised cost if there had been no impairment. Financial assets are derecognised if they are classified as uncollectible.

As in the previous year, the carrying amounts of the financial assets and liabilities generally correspond to their fair values.

Financial liabilities
Financial liabilities are divided into the following categories:

- financial liabilities held for trading
- other financial liabilities

The financial liabilities reported in the consolidated financial statements of the PSI Group were mainly classified as other financial liabilities.

On initial recognition, financial liabilities are accounted for at cost, which corresponds to the fair value of the consideration given; transaction costs are also included.

Financial liabilities are no longer reported when they are repaid, i.e. when the obligations specified in the contract have been settled or cancelled or have expired.

As at 31 December 2015, the maturities of financial liabilities broke down as follows:

in EUR K	Payable on demand	Payable within 1 year	Payable within more than 1 year	**Total**
Trade payables	3,383	11,546	0	14,929
Other liabilities	383	28,582	1,256	30,221
Financial liabilities	0	3,374	83	3,457
	3,766	**43,502**	**1,339**	**48,607**

Trade payables due within one year include provisions for services that have yet to be performed in the amount of EUR 8,781 thousand.

As at 31 December 2014, the maturities of financial liabilities broke down as follows:

in EUR K	Payable on demand	Payable within 1 year	Payable within more than 1 year	**Total**
Trade payables	3,017	12,096	0	15,113
Other liabilities	169	28,312	1,009	29,490
Financial liabilities	16	5,066	188	5,270
	3,202	**45,474**	**1,197**	**49,873**

Trade payables due within one year include provisions for services that have yet to be performed in the amount of EUR 6,031 thousand.

Financial risk management objectives and methods

The main financial instruments used by the company to finance its operating business consist of cash and cash equivalents, available-for-sale financial assets and current liabilities (overdrafts) and other liabilities. There are also current receivables and liabilities from long-term development contracts, which are also covered by financial risk management. The main risks result from credit and liquidity risks. The Group is exposed to currency risks as a result of its business operations and net investments in foreign subsidiaries. For significant loans issued within the Group, a sensitivity analysis in relation to exchange rates was performed in order to illustrate possible effects on the Group net result. If the EUR/MYR exchange rate had been 10% lower as at 31 December 2015, this would have resulted in a decrease in the Group net result of approximately EUR 575 thousand. Conversely, a 10% increase in the EUR/MYR exchange rate would have meant an increase in the Group net profit of approximately EUR 575 thousand. Due to the low significance of interest-bearing liabilities, interest risks exist only to a limited extent.

a) Credit risk

Credit risk, or the risk that a counterparty may fail to meet its payment obligations, is managed by using credit facilities, defining order-specific prefinancing ratios and applying monitoring procedures. The Group enters into transactions only with creditworthy third parties. A credit assessment is performed for all customers wishing to enter into transactions with the Group on a credit basis. Where appropriate, the company obtains collateral. Because most of the PSI Group's customers are well-known major companies from the energy and utilities sector or the steel and automotive industry that have a good or very good credit quality, the Board of Directors believes that the overall receivables portfolio of the PSI Group has a lower than average risk profile in comparison to other software providers. Concentrations of risk may arise with individual customers or groups of customers that are exposed to the same risk scenarios or operate in the same type of environment (same sector, same customers, same sales region, same currency, etc.). For the PSI Group, there is no significant concentration of credit risk either with an individual counterparty or with a group of counterparties with similar features. The maximum credit risk corresponds to the amount of the carrying amounts reported in the balance sheet for the financial assets from trade receivables and other assets.

The Group continuously monitors the risk of a liquidity shortage using liquidity planning tools (maturity, expected cash flows). The aim of this monitoring is to maintain a balance between continuously covering financing requirements and ensuring flexibility. In monitoring the financial balance, it is particularly important to monitor project financing. The PSI Group endeavours to maximise the prefinancing ratio (ratio of advance payments received for projects to receivables from long-term development contracts) for each project. Because there are significant differences in customers' payment history in relation to prefinancing depending on the industry in which the customers operate, the PSI Group has not made any specifications with regard to the exact amount of prefinancing. In general, a prefinancing ratio of between 50% and 60% is targeted in the Group as a whole. There are no further individual targets for key figures in the area of liquidity monitoring.

b) Capital management

The primary objective of the PSI Group's capital management is to ensure that a high credit rating and a good equity ratio are maintained so as to support business operations and maximise shareholder value.

The PSI Group manages its capital structure in line with the prevailing economic conditions. No adjustment measures or amendments to capital management goals and targets were made in the 2015 or 2014 financial years.

The PSI Group monitors its capital using the equity ratio on a consolidated basis. In accordance with the internal guidelines, an equity ratio of over 30% of total assets is targeted in relation to the equity calculated for the PSI Group according to IFRSs.

Current assets

a) Inventories

Inventories are measured at the lower of cost and expected net disposal proceeds less costs to be incurred.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, fixed term deposits and demand deposits. The cash and cash equivalents reported in the statement of cash flows are delimited according to the above definition.

Shareholders' equity

Equity comprises the share capital, the capital reserve, retained earnings, treasury shares, other reserves and accumulated profit or loss.

The capital reserve includes premiums in accordance with section 150 of the German Stock Corporation Act (AktG) and offset loss carryforwards in line with resolutions on the allocation of earnings.

Retained earnings include earnings allocations in accordance with section 174 AktG.

If the PSI Group acquires treasury shares, these are deducted from equity. The purchase, sale, issue or withdrawal of treasury shares is not recognised in profit or loss.

Other reserves include unrealised gains and losses from currency translation and actuarial gains and losses from the measurement of pension provisions.

Pension provisions

The PSI Group has several defined benefit pension plans. In some cases, there are plan assets in the form of pension liability insurance for the defined benefit plans. The expenses for benefits granted under the defined benefit plans are calculated separately for each plan using the projected unit credit method. Actuarial gains and losses are recognised directly in equity.

Current liabilities

Other provisions

A provision is reported if the PSI Group has a present (statutory, contractual or constructive) obligation due to a past event, if it is likely that the settlement of the obligation will result in an outflow of resources that represent an economic benefit, and if the amount of the obligation can be estimated reliably. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If the corresponding interest effect is material, the amount of the provision corresponds to the present value of the expenses likely to be required to settle the obligation. Where discounting is used, the increase in the provision to reflect the passage of time is recognised as borrowing costs.

Government grants

Government grants are recognised if there is reasonable assurance that the company will comply with the conditions attaching to it. Government grants are recognised in profit or loss as scheduled in line with the recognition of the related costs which they are intended to compensate. Grants received for the acquisition of property, plant and equipment are reported under other liabilities as deferred income that is recognised as income in line with the reported depreciation during the use of the asset in question. Income generated in connection with the grants is reported as other operating income in the income statement.

The grants provided to the company as investment subsidies by Investitionsbank Berlin are dependent on future compliance with certain conditions. These primarily include compliance with job guarantees and with guarantees to retain the subsidised economic assets. The investment subsidies received from the tax office are dependent on compliance with guarantees to retain the subsidised economic assets. Based on its planning, the PSI Group expects these conditions to be met in full.

In 2015 the PSI Group received subsidies totalling EUR 706 thousand (previous year: EUR 650 thousand) under various subsidy programmes, including programmes offered by the German federal government, the State of Berlin and the European Union. As in the previous year, the subsidies granted were recognised in profit or loss and reported as a reduction of the corresponding expenses. Besides the obligation to demonstrate the amount of the expenses for which the subsidies were granted, there are no further conditions or obligations arising from the subsidy projects.

Borrowing costs

No significant borrowing costs were incurred or capitalised as part of the production of qualifying assets in the financial year under review or in the previous year.

Research and development costs

Research and development costs amounted to EUR 19.1 million in the 2015 financial year (previous year: EUR 15.7 million).

Leases

Determining whether an arrangement is or contains a lease is based on the economic substance of the arrangement and requires an assessment as to whether the fulfilment of the contractual arrangement is dependent on the use of a specific asset or assets and whether the arrangement grants a right to use the asset.

A lease is classified as an operating lease if essentially all the risks and rewards associated with ownership remain with the lessor. Lease payments within an operating lease are recognised as expenditure on a straight-line basis over the term of the lease.

The PSI Group has mainly concluded leases for vehicles and hardware (servers). The term of these operating leases is generally three to four years.

Recognition of revenues and income

The PSI Group primarily generates its revenues from project business and from issuing licences for the use of its own software products to end customers, both with and without customer-specific adjustments. Revenues are also generated from the sale of third-party software, hardware and services such as installation, consultancy, training and maintenance.

a) Project business

For long-term project contracts that meet the requirements for applying the percentage-of-completion method, revenues from the development and sale of software systems and products are accrued and recognised depending on the percentage of completion of the project in line with the percentage-of-completion method. The percentage of completion is determined based on the ratio of labour hours worked to the total number of labour hours planned, or on the basis of milestones. Advance payments received from customers are offset against the corresponding receivables items with no effect on profit or loss. Changes in the project conditions may result in adjustments to the costs and revenues originally recognised for individual projects. Such changes are recognised in the period in which they are determined. In addition, provisions for anticipated losses from pending transactions are recognised in the period in which these losses are determined and are offset against the amount of receivables for the project.

b) Sale of licences

The PSI Group recognises its revenues on the basis of a corresponding contract as soon as the licence has been delivered, the selling price is fixed or determinable, there are no significant obligations to customers and collection of the receivables is considered probable.

c) Maintenance, other services

Income from maintenance agreements is recognised on a straight-line basis over the term of the agreement on the basis of past experience. Income from consultancy and training services is recognised as soon as the service is performed. Income from maintenance is reported as revenues from software development and maintenance in the notes to the consolidated financial statements, together with income from project business (less merchandise/hardware for which the costs are passed on).

d) Recognition of interest income

Interest is recognised on a time proportion basis, taking account of the effective yield on the asset.

Income taxes

Current tax assets and liabilities for the current and prior periods are to be measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is calculated based on the tax rates and tax laws that are applicable or will soon be applicable as at the end of the reporting period.

Deferred taxes are accounted for using the liability method for all temporary differences as at the end of the reporting period between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax liabilities are recognised for all taxable temporary differences with the exception of:

- deferred tax liabilities from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and does not affect the accounting profit for the period or the taxable profit at the time of the transaction
- the deferred tax liability from taxable temporary differences relating to investments in subsidiaries, associated companies and interests in joint ventures that cannot be recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carryforwards and unused tax credits to the extent that it is probable or there is convincing evidence that taxable income will be available against which the deductible temporary differences and the unused tax loss carryforwards and tax 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 a transaction that is not a business combination and does not affect the accounting profit for the period or the taxable profit at the time of the transaction
- deferred tax assets from deductible temporary differences relating to investments in subsidiaries, associated companies and interests in joint ventures. These can be recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of the deferred tax assets is reviewed at the end of each reporting period and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be at least partially offset. Unrecognised deferred tax assets are reviewed at the end of each reporting period and recognised to the extent that it has become probable or convincing evidence has emerged that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that are applicable or have been announced as at the end of the reporting period. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset against one another if they relate to income taxes of the same taxable entity levied by the same taxation authority and if it is not possible to offset the deferred taxes against one another.

Sales tax

Revenues, expenses and assets are recognised net of sales tax, except in the following cases:

- If the sales tax incurred when purchasing assets or services cannot be claimed from the taxation authority, the sales tax is recognised as part of the cost of the asset or as part of the expenses
- Receivables and liabilities are recognised including the associated amount of sales tax

The amount of sales tax reimbursed by or paid to the taxation authority is recognised in the consolidated balance sheet under receivables or liabilities.

Segment reporting

a) Business segments

The PSI Group is divided into three main business areas:

- Energy Management
- Production Management
- Infrastructure Management

Financial information on the business segments and geographical segments is presented in section F. of the notes and on page 83 et seq.

b) Transactions between business segments

Segment revenues, segment expenses and segment results include only minor transfers between business segments. Such transfers are accounted for at general market prices that are charged to non-associated customers for similar services. These transfers were eliminated on consolidation.

C. DISCLOSURES ON THE CONSOLIDATED BALANCE SHEET

Non-current assets

1 Intangible assets and property, plant and equipment

With regard to the development of non-current assets in the financial years that ended on 31 December 2015 and on 31 December 2014, please refer to the attached information on the development of intangible assets and property, plant and equipment (see page 56 et seq.).

Goodwill and property, plant and equipment

As at 31 December 2015 and 31 December 2014, the PSI Group performed an impairment test with regard to its non-current assets. For determining the value in use, the impairment test takes account of the following units with the attributable carrying amounts for goodwill:

in EUR K	**31.12.2015**	31.12.2014 adjusted*
Energy Management		
Electrical Energy division of PSI AG, Nentec and CNI	1,493	1,493
Gas and Oil division of PSI AG	1,576	1,576
PSI Energy Markets	2,267	2,267
Time-steps AG	605	605
	5,941	**5,941**
Production Management		
PSIPENTA	615	615
PSI Metals	8,198	8,198
PSI Logistics	838	838
PSI Mines&Roads	285	285
FLS	342	342
PSI Metals Austria-Gruppe	10,750	10,750
Broner Metals Solutions Ltd.	4,139	3,911
	25,167	**24,939**
Infrastructure Management		
PSI Transcom	2,352	2,352
PSI Incontrol Group	16,099	17,768
	18,451	**20,120**
Total goodwill	**49,559**	**51,000**

* For information on the adjustment of the previous year's figures, please see page 62 (Subsidiaries)

The impairment test is based on cash flow projections for the individual cash-generating units and expectations with regard to the market development (growth rates in the relevant market segment, ratio of software project income to maintenance income, hourly and daily rates for employees, average personnel expenses, higher margins for sales of hardware and third-party licences). The three-year planning period reflects the long-term corporate planning. The cash flows recognised were derived from past information. The cash flows are adjusted by means of discounts to take account of current economic conditions. An increase in the operating margin of between 1% and 2% is planned in the budgets for subsequent years. The assumptions made by the management with regard to the general trend for business development in the software industry correspond to the expectations of industry experts and market observers.

With the exception of the Incontrol Group, a discount rate of 5.36% after taxes and 6.47% before taxes (previous year: 5.18% after taxes and 6.16% before taxes) was applied. For the Incontrol Group, a country-specific risk premium was taken into account and a discount rate of 8.44% before taxes and 6.90% after taxes (previous year: 8.37% before taxes and 6.83% after taxes) was applied. The adjustment of the interest rate compared to the previous year reflects the current economic conditions in each case (development of the real economy and financing conditions). Cash flows arising after the three-year period are extrapolated using a growth rate of 1.3% (previous year: 1.3%).

In the view of the management, no currently reasonably possible change in any of the basic assumptions made in determining the value in use of the cash-generating units could result in the carrying amount of the cash-generating unit significantly exceeding its recoverable amount. Because the prevailing economic conditions mean that there are considerable uncertainties with regard to planned cash flows and financing conditions, the Board of Directors of the PSI Group performed the impairment test on the basis of worst-case scenarios, assuming a 20% decrease in cash flows and a discount rate of 9% after taxes. Even in this case, there would be no need to recognise impairment losses.

2 Investments in associated companies

By way of an agreement dated 3 March 2009, PSI AG acquired 25% of the shares in caplog-x GmbH, based in Leipzig, for a purchase price of EUR 50 thousand. This company provides market participants on the gas market with the entire information chain from data entry to remote data provision, particularly for the purposes of invoicing major customers. By way of a certified agreement dated 28 December 2012, further shares were acquired for a purchase price of EUR 102 thousand, causing the equity interest in caplog-x GmbH to increase by 8.33% to 33.33%. By way of a certified agreement dated 19 December 2014, shares were sold for a purchase price of EUR 57 thousand, causing the interest in caplog-x GmbH to decrease by 2% to 31.33%.

Current assets

3 Inventories

in EUR K	2015	2014
Hardware and third-party licences	3,780	2,935
Subcontractor payments	404	533
	4,184	**3,468**

4 Net trade receivables

in EUR K	2015	2014
Trade receivables, gross	37,871	34,864
Individual valuation allowances	−1,702	−1,156
	36,169	**33,708**

Trade receivables do not bear interest and are payable within 0 to 90 days. The specific valuation allowances recognised developed as follows:

in EUR K	2015	2014
As of 1 January	1,156	797
Appropriation recognised as expense	599	677
Claimed	0	– 66
Reversals recognised as income	– 53	– 252
As of 31 December	**1,702**	**1,156**

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

in EUR K	2015	2014
Neither past due nor impaired	**20,648**	**22,559**
Overdue		
< 30 days	7,896	3,971
30 – 60 days	2,048	1,383
60 – 90 days	908	260
90 – 120 days	1,080	703
> 120 days*	3,589	4,832
	15,521	**11,149**
As of 31 December	**36,169**	**33,708**

* Paid as of 19 February 2016: EUR 501 K (previous year: EUR 308 K)

5 Receivables from long-term development contracts

Receivables in accordance with the percentage-of-completion method arise when revenues are recognised but cannot yet be invoiced according to the contractual conditions. These amounts are recognised on the basis of various performance criteria such as the achievement of specified milestones, the ratio of planned labour hours to labour hours worked by internal employees, the completion of specified units or the completion of the contract. This item of the balance sheet comprises directly attributable costs (personnel expenses and purchased services) as well as an appropriate portion of general overhead costs and profit shares.

The receivables measured according to the percentage-of-completion method include the following components:

in EUR K	2015	2014
Costs incurred	79,253	75,442
Share of profit	12,537	14,671
Contract revenues	**91,790**	**90,113**
Advance payments received	– 84,243	–76,259
Set off against contract revenues	– 55,424	– 50,248
Receivables from long-term development contracts	36,366	39,865
Liabilities from long-term development contracts	28,819	26,011

Liabilities from long-term development contracts comprise advance payments received that exceed the corresponding receivables from long-term development contracts.

Receivables from long-term development contracts in the amount of EUR 36,366 thousand (previous year: EUR 39,865 thousand) were neither past due nor impaired as at 31 December of the respective year.

With regard to the development contracts work accepted, there are warranty obligations in the ordinary course of business.

6 Other assets

in EUR K	2015	2014 adjusted*
Tax credits	2,073	1,907
Prepaid expenses	1,152	1,756
Subcontractor payments	903	678
Subsidies	139	131
Other	925	1,189
	5,192	**5,661**

* For information on the adjustment of the previous year's figures, please see page 62 (Subsidiaries)

The prepaid expenses chiefly include accrued prepayments for maintenance and will be recognised as expenses within one year.

No specific impairment allowance was recognised for other assets; there are no past-due or impaired receivables.

7 Cash and cash equivalents

in EUR K	2015	2014
Bank balances	33,916	28,023
Fixed term deposits	4,890	1,258
Cash	25	33
	38,831	**29,314**

The fixed term deposits and bank balances are not past due; specific valuation allowances are not required.

8 Shareholders' equity

With regard to the development of equity, please refer to the statement of changes in consolidated equity.

a) Share capital

The fully paid-in share capital entered in the commercial register amounts to EUR 40,185,256.96 (previous year: EUR 40,185,256.96).

At the Annual General Meeting of PSI AG on 7 May 2013, the Board of Directors was authorised to acquire treasury shares of up to 10% of the share capital. Based on the share capital at that time, this corresponds to an authorisation to repurchase up to 1,569,736 shares in the company. The authorisation will expire on 30 June 2016.

b) Contingent capital and authorised capital

By way of resolution of the Annual General Meeting on 7 May 2013, the Board of Directors of the company was authorised to issue convertible and warrant-linked bonds as well as profit-sharing rights and/or income bonds, with the option of disapplying subscription rights in each case, until 6 May 2018.

To fulfil any rights exercised in the above context, a new "Contingent Capital 2013" was created at the Annual General Meeting on 7 May 2013. Under the Contingent Capital 2013, the company's share capital is contingently increased by up to EUR 8,035,840.00, divided into 3,139,000 shares.

By way of resolution of the Annual General Meeting on 12 May 2015, new authorised capital (AC 2015) was created. The Board of Directors was authorised, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions by a total of up to EUR 8,035,840.00 by issuing new registered shares in exchange for cash or contributions in kind in the period until 11 May 2020. The authorised capital created at the Annual General Meeting on 3 May 2010 was cancelled.

Contingent capital and authorised capital break down as follows:

in EUR K	2015	2014
Authorised capital (AC)		
AC 2015 (until 11 May 2020)	8,036	0
AC 2010 (until 2 May 2015)	0	8,036
	8,036	**8,036**
Contingent capital (CC)		
CC 2013 (until 6 May 2018)	8,036	8,036
	8,036	**8,036**
	16,072	**16,072**

c) Capital reserves

The capital reserve includes the premium from capital increases. The costs attributable to issuing equity instruments were deducted directly from equity as a negative premium, taking account of tax effects.

d) Other reserves
Other reserves break down as follows:

in EUR K	**2015**	2014
Currency fluctuation reserve	– 365	1,664
Actuarial losses	–19,722	–19,341
Deferred taxes	6,316	6,204
	–13,771	**–11,473**

The deferred tax resulted from actuarial losses.

e) Dividends distributed
During the financial year under review, no dividend was distributed for the 2014 financial year. There had likewise been no distribution to ordinary shares in the previous year.

Non-current liabilities

9 Pension provisions
Pension provisions are recognised for obligations (old-age pensions, disability benefits, widows' and orphans' pensions) from future entitlements and from current benefits to eligible current and former employees of the PSI Group and their surviving dependants.

In the PSI Group, there are three different models of defined benefit pension commitments that grant retirement benefits to employees depending on their length of service at the company and their remuneration before the start of the pension. On 5 December 2006, the Board of Directors of PSI AG and the Group works council concluded a Group works agreement governing the company pension plans and compensation payments within the PSI AG Group, which covers all existing models of defined benefit pension commitments. As a Group works agreement, the agreement between the Board of Directors of PSI AG and the Group works council thus superseded the existing individual agreements.

The content of this agreement concerns the modification of the existing retirement benefit plans:

- The vested rights of the majority of employees as at 31 December 2006 were frozen as a fixed amount. This freezing means that the acquired entitlement to an old-age pension does not rise beyond the level reached as at 31 December 2006, neither as a result of future service nor due to future salary increases.

- As compensation for the loss of future increases in the company pension (increases in entitlements), either steadily increasing contributions are paid into a provident fund with pension liability insurance until the end of the employment relationship, or at the latest until the employee reaches the age of 65, or the employees are granted an increase in the gross cash compensation in the form of a steadily increasing annual lump sum payment. These compensation amounts are calculated in accordance with actuarial principles.

- In calculating the compensation amounts, the first step is to determine what constant annual premium would have to be paid to a notional insurer if this insurer had to continue paying the retirement benefits under the previous pension plans with no changes. In the first year, the amount of the compensation payment to the employees corresponds to 70% of the constant annual premium of a notional insurer calculated in this way, and subsequently it is increased by a constant percentage each year. If an employee leaves the company early and the contributions paid into the provident fund have not yet reached 100% of the employee's compensation entitlement, the PSI Group is not required to pay the difference to the employee.

The amount of the pension obligation (present value of the pension commitments) was calculated using actuarial methods based on the following assumptions:

in %	2015	2014
Discount rate	2.30	2.30
Increase in salaries	1.50	1.50
Increase in pension pay-outs	1.50	1.50
Staff turnover	4.50[1)]	4.50[1)]

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

As in the previous year, the Heubeck 2005 G mortality tables were used.

The salary trend comprises anticipated future salary increases that are estimated on an annual basis depending on factors such as inflation and length of service at the company.

As at 31 December 2015, an age at the expiry of financing of 64 years (previous year: 64 years) was assumed when calculating the pension obligation. The age at the expiry of financing is based on statistics on retirement ages in the PSI Group.

Expenses for retirement benefits break down as follows:

in EUR K	2015	2014
Service cost reported under personnel expenses	18	30
Interest expense reported under net interest	1,072	1,388
Expenses for pension benefits	**1,090**	**1,418**

The following overview shows the development of the net amount of the provision:

in EUR K	2015	2014
Present value of defined benefit obligation	59,107	47,080
Plan assets *	–12,126	0
Pension liability	**46,981**	**47,080**

* For information on plan assets, please refer to the following table

The following overview shows the development of the present value of the defined benefit obligation:

in EUR K	2015	2014
Pension liability, start of period	47,080	40,087
Actuarial gains and losses from changes in demographical assumptions recognised in other comprehensive income	160	7,122
Actuarial gains and losses from changes in financial assumptions recognised in other comprehensive income	185	–128
Pension payments	–1,534	–1,419
Expenses for pension benefits	1,090	1,418
Present value of insured defined benefit obligation*	12,126	0
Pension liability, end of period	**59,107**	**47,080**

* In view of the capital market development up to the end of 2015, the management arrived at the assessment that the pension plan insured via the provident fund should be qualified as a defined benefit plan in 2015. This changed assessment did not have any significant impact on the consolidated financial statements.

The following overview shows the development of the present value of the plan assets:

in EUR K	2015	2014
Present value of plan assets, start of period	0	0
Plan assets*	12,126	0
Present value of plan assets, end of period	**12,126**	**0**

* The plan assets consist of pension liability insurance. Please refer to the footnote in the previous table.

The table below shows a quantitative sensitivity analysis of the key assumptions as at 31 December 2015.

Assumption	Interest rate sensitivity		Pension trend sensitivity	
Scenario	Increase by 0.2%	Decrease by 0.2%	Increase by 0.2%	Decrease by 0.2%
Effects of the defined benefit obligation (in EUR K)	–1,275	1,331	1,022	– 990

The above sensitivity analysis was performed using a method that extrapolates the effect of realistic changes in the key assumptions as at the end of the reporting period on the defined benefit obligation.

The average term of the defined benefit obligation as at the end of the reporting period was 13.58 years (previous year: 14.38 years).

The table below shows the expected payout structure for the coming years:

in EUR K	2015	2014
Pension payments made	1,534	1,419
Expected pension payments		
within the next twelve months	1,787	1,668

10 Financial liabilities

Non-current financial liabilities include liabilities from loans in the amount of EUR 83 thousand (previous year: EUR 188 thousand).

Expenses for interest from long-term bank loans amounted to EUR 2 thousand in the financial year under review (previous year: EUR 52 thousand).

Current liabilities

11 Financial liabilities

Financial liabilities include liabilities from loans in the amount of EUR 3,374 thousand (previous year: EUR 3,150 thousand) and liabilities from overdrafts in the amount of EUR 0 thousand (previous year: EUR 1,932 thousand).

The PSI Group uses short-term, floating-rate overdrafts for financing purposes. The financial liabilities are repaid on a monthly basis and bear interest at a rate of between 2.99% and 3.25%. No collateral is provided. Continuous refinancing of current financial liabilities is targeted. The fair values of the financial liabilities correspond to their carrying amounts. As at 31 December 2015, the PSI Group had undrawn borrowing facilities from overdrafts in the amount of EUR 24,481 thousand (previous year: EUR 22,537 thousand).

In the 2012 financial year, a loan agreement for a nominal amount of EUR 3,600 thousand with a term until 31 December 2015 was concluded with Landesbank Berlin. The loan has a floating rate of interest (3-month EURIBOR plus margin of 1.220%). It was repaid as at 30 December 2015 and the residual value is EUR 0 thousand. No collateral was provided.

Expenses for interest from overdrafts amounted to EUR 213 thousand in the 2015 financial year (previous year: EUR 251 thousand).

12 Other liabilities

in EUR K	2015	2014
Personnel-related liabilities	12,367	11,477
Tax liabilities (wage tax and sales tax)	6,976	6,778
Deferred income	6,322	6,427
Social security liabilities	212	14
Other	4,344	4,793
	30,221	**29,489**

Personnel-related liabilities mainly include obligations for holiday entitlements, overtime and special payments. The deferred income (primarily prepaid maintenance income) will affect profit or loss within one year, with the exception of EUR 1,264 thousand (previous year: EUR 1,256 thousand) that will affect profit or loss in the coming years.

13 Deferred taxes/income taxes

German trade tax is levied on the taxable profit of the German Group companies, which is calculated by deducting certain income that is not subject to trade tax and adding certain expenses that are not deductible for trade tax purposes. The effective trade tax rate depends on the municipality in which the respective German Group company operates. As in the previous year, the average trade tax rate in 2015 was approximately 15%. A corporation tax rate of 15% applied in the 2014 and 2015 financial years. In addition to corporation tax, a solidarity surcharge of 5.5% is levied on the corporation tax determined. This therefore results in an effective tax rate of 29.83% (previous year: 29.83%) for the calculation of current income taxes for the 2015 financial year.

Income tax expense for the current financial year breaks down as follows:

in EUR K	2015	2014 adjusted*
Current tax expense		
Current year	**– 2,262**	**–1,865**
Deferred tax expense		
Change in intangible assets	326	–114
Change in long-term development contracts	– 444	442
Partial retirement and anniversary bonus provisions	8	2
Changes in trade receivables	225	– 903
Change in pension provisions	– 221	– 84
Project-related provisions	494	– 484
Other provisions	270	– 62
Fixed assets	71	17
Deferred income	– 446	1,486
	283	**300**
Income tax expense	**–1,979**	**–1,565**

* For information on the adjustment of the previous year's figures, please see page 62 (Subsidiaries)

The following overview shows a reconciliation of tax expense/ income:

in EUR K	2015	2014
Earnings before taxes	9,438	5,664
Theoretical income tax expense (29.83%; previous year: 29.83%)	– 2,815	–1,690
Non-capitalisation of tax losses	–1,150	–1,057
Non-deductible operating expenses and trade tax additions	– 200	–190
Use of non-capitalised tax loss carryforwards	2,148	587
Effects from tax rate differences in foreign countries	– 69	681
Tax expense for previous years	2	6
Tax-exempt foreign income	23	– 20
Other	82	118
Current tax expense	**–1,979**	**–1,565**

The deferred taxes reported in the PSI Group break down as follows:

in EUR K	2015	Change	2014 adjusted*
Deferred tax			
Pension provisions	6,551	–109	6,660
Intangible assets	–764	321	–1,085
Goodwill amortisation with impact on tax	– 470	5	– 475
Partial retirement and anniversary bonus provisions	29	8	21
Project-related provisions	823	494	329
Receivables from long-term development contracts	– 2,048	– 444	–1,604
Derivatives/financial instruments	0	–19	19
Fixed assets	21	71	– 50
Trade receivables	– 385	225	– 610
Other provisions	369	273	96
Deferred income	952	– 446	1,398
Other	– 42	16	– 58
	5,036	**395**	**4,641**
thereof recognised in profit or loss		283	(previous year: 300)
thereof recognised in other comprehensive income		112	(previous year: 1,954)
thereof from acquisitions		0	(previous year: –1,168)
Balance sheet (previous year adjusted)			
deferred tax assets	6,999		5,657
deferred tax liabilities	–1,963		–1,016

* For information on the adjustment of the previous year’s figures, please see page 62 (Subsidiaries)

The PSI Group has the following tax loss carryforwards:

EUR million	2015	2014
Loss carryforward for trade tax in Germany	38.0*	45.4*
Loss carryforward for corporation tax in Germany	40.1*	47.2*
Loss carryforwards for foreign countries	7.9	6.0

* The disclosures on loss carryforwards in Germany take account of the fact that the acquisition that has since occurred in the 2009 financial year and the allocation of a total of 28.60% of the voting rights in the company by Kajo Neukirchen GmbH, Eschborn, since 1 January 2009 resulted in the loss of up to 28.60% of the eligible tax loss carryforwards.

The loss carryforwards in Germany do not expire.

D. DISCLOSURES ON THE CONSOLIDATED INCOME STATEMENT

The income statement is prepared using the nature-of-expense method.

14 Revenues

in EUR K	2015	2014
Software development and maintenance	153,305	145,153
Licences	13,196	12,930
Merchandise	17,181	17,303
	183,682	**175,386**

15 Other operating income

in EUR K	2015	2014 adjusted*
Project income	1,581	3,936
Income from currency translation	1,196	2,163
Income from 1% regulation for car leases	841	944
Other	1,872	1,152
	5,490	**8,195**

* For information on the adjustment of the previous year's figures, please see page 65 (Currency translation)

16 Cost of materials

in EUR K	2015	2014
Costs of purchased services	16,244	17,001
Costs of purchased goods	15,352	16,100
	31,596	**33,101**

17 Personnel expenses

in EUR K	2015	2014
Wages and salaries	90,962	88,109
Social security contributions	15,858	15,495
	106,820	**103,604**

Personnel expenses include expenses for payments to private pension institutions of EUR 643 thousand (previous year: EUR 643 thousand) and payments to state pension funds of EUR 5,286 thousand (previous year: EUR 5,469 thousand) in connection with defined contribution pension commitments.

18 Amortisation and depreciation

in EUR K	2015	2014
Of intangible assets and property, plant and equipment	4,286	3,882
	4,286	**3,882**

19 Other operating expenses

in EUR K	2015	2014 adjusted*
Travel costs	7,222	7,562
Rental, leasing of real estate	6,487	6,344
Project-related expenses	2,820	3,900
Advertising and marketing activities	4,445	4,430
Equipment leasing	2,126	2,323
Data line, IT and telephone costs	3,020	2,947
Legal and consulting costs	2,298	1,554
Contributions, fees, expenses	456	304
Other	6,487	5,973
	35,361	**35,337**

* For information on the adjustment of the previous year's figures, please see page 65 (Currency translation)

20 Net finance costs

in EUR K	2015	2014
Financial income	134	523
Financial expenses	–1,945	– 2,570
Net income from associated companies	140	54
	–1,671	**–1,993**

21 Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the Group net result or loss by the weighted number of shares.

	2015	2014
Net profit/loss for the period (EUR K)	7,459	4,099
Weighted number of no-par shares (in thousand)	15,620	15,650
Basic/diluted earnings per no-par share (EUR/share)	0.48	0.26

To calculate diluted earnings per share, the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares that could arise as a result of subscription rights being exercised.

E. DISCLOSURES ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The reported cash and cash equivalents are not subject to any restrictions on their availability due to third parties. In the year under review, no dividend was distributed for the 2014 financial year. The breakdown of cash and cash equivalents is shown in the table under C. 7. Overdraft liabilities were not included in cash and cash equivalents.

F. DISCLOSURES ON SEGMENT REPORTING

The PSI Group applies IFRS 8 "Segment Reporting". This standard includes regulations on the disclosure of information on business areas and geographical segments.

Classification of segments

- Energy Management: Intelligent solutions for utility companies in the electricity, gas, oil and water sectors. The focus here is on reliable and cost-effective solutions for grid management and for trade and distribution in liberalised energy markets
- Production Management: Software products and individual solutions for production planning, particularly tasks relating to production control and efficient logistics. The focus is on optimising the use of resources and increasing quality and cost-effectiveness
- Infrastructure Management: High-availability control system solutions for the monitoring and cost-effective operation of infrastructure in the areas of transport, public safety, environmental protection and disaster management

Reconciliation of segment assets and liabilities

Segment assets/liabilities are reconciled to gross assets/liabilities as follows:

in EUR K	2015	2014 adjusted*
Gross assets according to balance sheet	199,522	192,217
Deferred tax assets	– 6,999	– 5,657
Segment assets	**192,523**	**186,560**
Gross liabilities according to balance sheet	126,370	123,979
Tax provisions	–1,236	–1,447
Deferred tax liabilities	–1,963	–1,016
Segment liabilities	**123,171**	**121,516**

* For information on the adjustment with regard to gross liabilities and deferred tax liabilities, please see page 62 (Subsidiaries)

Additional geographical disclosures

In the 2015 financial year, the PSI Group generated revenues of EUR 93.1 million (previous year: EUR 90.1 million) in Germany and revenues of EUR 90.6 million (previous year: EUR 85.3 million) in foreign countries. Non-current assets of EUR 38,721 thousand (previous year: EUR 40,774 thousand) are attributable to foreign countries.

G. OTHER DISCLOSURES

Other financial obligations and contingencies

Rental agreements and leases

Cars, office equipment, data processing systems and other equipment were rented under operating leases. In the 2015 financial year, rent and leasing fees of EUR 1,029 thousand (previous year: EUR 1,110 thousand) were incurred in this context.

PSI AG concluded a rental agreement for an office building in Berlin in the 1996 financial year. The rental agreement was renegotiated in 2010 and had a term until 31 March 2017. In June 2015, an option agreed in the rental agreement for its renewal was exercised. The rental agreement now has a term until 31 March 2022.

As at 31 December 2015, these and other rental agreements and leases resulted in the following rent and lease payments:

in EUR K	Rent payments	Lease payments	**Total**
2016	4,372	1,015	5,387
2017	3,648	728	4,376
2018	2,861	388	3,249
2019	2,840	144	2,984
2020	2,564	12	2,576
2021 and beyond	3,249	0	3,249
Total	**19,534**	**2,287**	**21,821**

As at 31 December 2014, these and other rental agreements and leases resulted in the following rent and lease payments:

in EUR K	Rent payments	Lease payments	**Total**
2015	3,654	1,510	5,164
2016	2,627	763	3,390
2017	683	350	1,033
2018	138	64	202
2019	136	1	137
2020	136	0	136
and beyond	136	0	136
Total	**7,510**	**2,688**	**10,198**

Bill of exchange guarantees

Bill of exchange guarantees of EUR 43,487 thousand (previous year: EUR 42,087 thousand) were assumed for the PSI Group by various insurance companies and banks as at the end of the reporting period.

Employees

The average number of employees in the PSI Group in the financial year under review was 1,677 (previous year: 1,683). The workforce breaks down by function as follows:

	2015	2014
Production	1,365	1,380
Administration	161	137
Sales	124	138
Development	27	28
Total	**1,677**	**1,683**

Equity statement

	Shares in %	Shareholders' equity[1)] 31.12.2015 EUR K	Net result[1)] 2015 EUR K
PSIPENTA Software Systems GmbH, Berlin	100	7,134	2,227
PSI Nentec GmbH, Karlsruhe	100	501	0[2)]
PSI Metals GmbH, Düsseldorf	100	5,163	0[2)]
PSI Information Technology Shanghai Co. Ltd., Shanghai, China	100	1,573	– 401[3)]
PSI Metals North America Inc., Pittsburgh, USA	100	873	506
PSI Transcom GmbH, Berlin	100	894	– 265
PSI AG Produkte und Systeme der Informationstechnologie, Wil, Switzerland	100	1,447	624
PSI Logistics GmbH, Berlin	100	– 4,516	1,316
PSI Energy Markets GmbH, Hanover	100	1,330	0[2)]
PSI Mines&Roads GmbH, Berlin	100	–1,148	411
PSI Polska Sp. z o.o., Poznań, Poland	100	1,458	994
PSI CNI Control, Networks & Information Management GmbH, Leonding, Austria	100	1,123	123
FLS FUZZY Logik Systeme GmbH, Dortmund	100	378	0[2)]
PSI Metals Non Ferrous GmbH, Aachen	100	1,005	0[2)]
OOO 'PSI', Moscow, Russia	100	2,883	353
PSI Incontrol Sdn. Bhd., Selangor, Malaysia	100	11,141	– 536[3)]
PSI Incontrol Private Limited, Chennai, India	100	–15	87[3)]
Incontrol Tech For Shares SPC, Salimabad, Bahrain	100	708	290[3)]
Incontrol Tech (Thailand) Ltd., Bangkok, Thailand	100	– 920	– 446[3)]
Incontrol Tech Holdings (Thailand) Ltd., Bangkok, Thailand	100	–104	4[3)]
PSI Incontrol Pty Ltd, Australia	100	0	0[3)]
PSI Metals Austria GmbH, Graz, Austria	100	3,137	–79
PSI METALS INDIA PRIVATE LIMITED, Kolkata, India	100	352	190
PSI Metals Belgien NV, Brussels, Belgium	100	1,028	442
PSI Metals Brazil Ltda, Rio de Janeiro, Brazil	100	575	365
PSI TURKEY BİLİŞİM TEKNOLOJİLERİ SANAYİ VE TİCARET A.Ş., Istanbul, Turkey	100	7	16
Time-steps AG, Affoltern am Albis, Switzerland	100	470	154
Broner Metals Solutions Limited, Watford, United Kingdom	100	2,932	–199[3)]
OOO OREKHsoft, Moscow, Russia	49	0	– 2
caplog-x GmbH, Leipzig	31.3	647	447[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) Values as of 31 December 2014, as values as of 31 December 2015 were not available at the date of the financial statements

Audit fees

Audit fees for the audit of the financial statements of PSI AG, the PSI Group (consolidated financial statements) and all major subsidiaries of the PSI Group amounted to EUR 198 thousand (previous year: EUR 198 thousand). Fees of EUR 254 thousand (previous year: EUR 181 thousand) were recognised for the auditor of the consolidated financial statements for tax consultancy services and fees of EUR 154 thousand (previous year: EUR 61 thousand) for other assurance services.

Related party disclosures

Parties are considered to be related if they have the ability to control the PSI Group or exercise significant influence over its financial and operating policies. In determining whether related parties of the PSI Group exercise significant influence over its financial and operating policies, the existence of fiduciary relationships was taken into account as well as existing control relationships.

Related companies

The affiliated companies included in the consolidated financial statements are to be regarded as related companies. In addition, the associated company caplog-x is to be regarded as a related company. There are no other related companies.

There are transactions between PSI AG and its subsidiaries in the context of supplies and services, cash management, central administrative services and personnel provision; these are eliminated on consolidation.

Related persons

The following individuals are to be regarded as related persons:

Members of the Board of Directors of PSI AG
Dr. Harald Schrimpf (CEO)
Harald Fuchs

Members of the Supervisory Board of PSI AG
Prof. Rolf Windmöller until 31 December 2015
Bernd Haus
Karsten Trippel
Prof. Ulrich Wilhelm Jaroni
Dr. Ralf Becherer until 12 May 2015
Elena Günzler
Uwe Seidel since 12 May 2015

Transactions with related persons

There were no business transactions between the related persons and the PSI Group in 2015 or in 2014.

Supervisory Board

The following persons were members of the Supervisory Board in the 2015 financial year:

Name	Profession	Domicile	Membership of supervisory boards of other companies
Professor Dr. Rolf Windmöller (Chairman) until 31 December 2015	Engineering graduate	Ennepetal	ProDV Software AG, Dortmund (Chairman)
Bernd Haus	Economics graduate	Ranstadt	
Karsten Trippel	Businessman	Großbottwar	Berlina AG für Anlagewerte Preußische Vermögensverwaltung AG, Berlin Riebeck Brauerei von 1872 AG, Wuppertal CCP Systems AG, Stuttgart, until 13 March 2015
Prof. Dr.-Ing. Ulrich Wilhelm Jaroni (Deputy Chairman)	Engineering graduate	Aschau	
Elena Günzler (employee representative)	Mathematics graduate	Berlin	
Dr. rer. nat. Ralf Becherer (employee representative) until 12 May 2015	Chemistry graduate	Aschaffenburg	
Uwe Seidel (employee representative) since 12 May 2015	Chemistry graduate	Duisburg	

Remuneration of Board of Directors and Supervisory Board

Compensation totalling EUR 984 thousand (previous year: EUR 832 thousand) was granted to the Board of Directors of PSI AG for the 2015 financial year:

in EUR K	**2015**	2014 adjusted
Fixed remuneration		
Harald Fuchs	288	280
Dr. Harald Schrimpf	371	360
	659	640
Long-term remuneration components		
Harald Fuchs	0	0
Dr. Harald Schrimpf	0	8
	0	**8**
Variable remuneration		
Harald Fuchs	140	85*
Dr. Harald Schrimpf	185	99*
	325	**184**
Board of Directors – total	**984**	**832**

* In the previous year, the amounts paid out were disclosed under variable compensation.

In addition, provisions for long-term remuneration components for the Board of Directors amount to EUR 55 thousand (previous year: EUR 292 thousand).

There are no pension commitments for the Board of Directors members.

Pension provisions of EUR 658 thousand (previous year: EUR 693 thousand) are reported for former Board of Directors members. Besides pension payments to former members of the governing bodies in the amount of EUR 55 thousand (previous year: EUR 54 thousand), no other benefits were paid in the 2015 financial year.

The Supervisory Board received remuneration of EUR 194 thousand (previous year: EUR 188 thousand) in the year under review:

in EUR K	**2015**	2014
Dr. rer. nat. Ralf Becherer	10	27
Wilfried Götze	–	12
Bernd Haus	30	29
Karsten Trippel	26	24
Prof. Dr. Rolf Windmöller	45	45
Elena Günzler	29	28
Prof. Dr.-Ing. Ulrich Wilhelm Jaroni	36	23
Uwe Seidel	18	–
	194	188

The following numbers of shares were held by the Board of Directors and Supervisory Board members:

Number of shares	**2015**	2014
Dr. Harald Schrimpf	65,120	63,500
Harald Fuchs	3,023	3,023
Dr. rer. nat. Ralf Becherer	–	1,281
Bernd Haus	1,000	1,000
Elena Günzler	1,013	1,013
Prof. Dr.-Ing. Ulrich Wilhelm Jaroni	0	0
Uwe Seidel	62	–
Karsten Trippel	111,322	111,322
Prof. Dr. Rolf Windmöller	7,805	7,805

Disclosures on the German Corporate Governance Code

PSI AG issued the statements required in accordance with section 161 of the German Stock Corporation Act on 3 December 2015. They are permanently available to the shareholders in the Investor Relations section of PSI AG's website (www.psi.de).

Berlin, 10 March 2016

Dr. Harald Schrimpf (CEO)

Harald Fuchs

Audit certificate

We granted the following audit certificate for the Consolidated Financial Statements and the Consolidated 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 Consolidated Management Report for the fiscal year 1 January to 31 December 2015. The preparation of the Consolidated Financial Statements and Consolidated Management Report in accordance with IFRS as applicable within the EU and with the supplementary provisions of section 315 a (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 Consolidated 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 Consolidated 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 Consolidated 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 315 a (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, 14 March 2016

Ernst & Young GmbH
Accounting firm

Schepers	Böhm
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, balance sheet 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, 10 March 2016

PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie

The Board of Directors

Dr. Harald Schrimpf   Harald Fuchs

PSI multi-year overview

EUR million	**2015**	2014	2013	2012	2011
Orders					
New orders	195	184	185	188	174
Order backlog	129	120	118	118	112
Income statement					
Revenues	183.7	175.4	176.3	180.9	169.5
of which Energy Management	67.2	64.2	61.0	62.3	68.9
of which Production Management	86.4	79.6	84.1	89.4	78.6
of which Infrastructure Management	30.1	31.6	31.3	29.2	22.1
Export ratio in %	49.3	48.6	52.7	47.5	49.8
Licence revenues	13.2	12.9	19.4	17.4	14.2
Licence share in %	7.2	7.4	11.0	9.6	8.4
R&D expenditure	19.5	16.1	20.4	18.1	16.2
R&D ratio in %	10.6	9.2	11.6	10.0	9.6
Operating result (EBIT)	11.1	7.7 [2]	4.2	12.9	10.7
EBIT margin in %	6.0	4.4 [2]	2.4	7.1	6.3
Earnings before taxes (EBT)	9.4	5.7	3.1	11.3	8.7
Group result	7.5	4.1	0.4	9.4	7.4
Return on sales in %	4.1	2.3	0.2	5.2	4.4
Cash flow					
Cash flow from operating activities	14.0	24.1	– 0.1	0.8	15.4
Cash flow from investing activities	– 2.2	– 14.3	– 3.7	– 3.6	– 1.6
Cash flow from financing activities	– 2.1	– 1.7	– 7.2	– 2.3	– 9.0
Investments [1]	2.9	13.1	5.1	5.2	4.4
Balance sheet					
Shareholders' equity	73.2	68.3	68.8	73.6	72.9
Equity ratio in %	36.7	35.5	38.6	39.5	41.5
Return on equity in %	10.2	6.0	0.6	12.8	10.2
Balance sheet total	199.5	192.3 [2]	178.1	186.4	175.7
Share					
Earnings per share in EUR	0.48	0.26	0.02	0.60	0.47
Closing price at end of year in EUR	12.90	11.91	13.55	15.41	14.72
Market capitalisation at 31 December	202.5	187.0	212.7	241.9	231.1
Employees					
Number of employees at 31 December	1,650	1,714	1,692	1,591	1,491
Personnel expenses	106.8	103.6	104.2	100.9	95.8

[1] Company acquisitions, intangible assets, property, plant and equipment
[2] Adjusted

PSI quarterly overview 2015

EUR million	1st quarter	2nd quarter	3rd quarter	4th quarter
Orders				
New orders	62	42	45	46
Order backlog	139	131	128	129
Income statement				
Revenues	43.2	47.3	46.1	47.1
of which Energy Management	15.6	16.2	17.3	18.2
of which Production Management	21.6	22.6	21.4	20.8
of which Infrastructure Management	6.0	8.5	7.4	8.1
Operating result (EBIT)	2.2	2.1	3.2	3.8
EBIT margin in %	5.1	4.4	6.9	8.2
Earnings before taxes (EBT)	2.0	1.8	2.0	3.7
Group result	1.4	1.0	1.4	3.7
Return on sales in %	3.2	2.1	3.1	7.8
Share				
Earnings per share in EUR	0.09	0.06	0.09	0.24
Closing price at end of quarter in EUR	12.00	10.35	12.00	12.90
Employees				
Number of employees at the end of the quarter	1,718	1,677	1,665	1,650
Personnel expenses	27.1	27.2	25.9	26.7

2016 FINANCIAL DATES

Publication of annual results	22 March 2016
Analyst conference	22 March 2016
Report on first quarter	28 April 2016
Annual General Meeting	12 May 2016
Report on first half year	27 July 2016
Report on third quarter	31 October 2016
German Equity Capital Forum analyst conference	21–23 November 2016

THE PSI SHARE

Stock market segment:	Prime Standard
Exchange symbol:	PSAN
WKN:	A0Z1JH
ISIN:	DE000A0Z1JH9

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+ "In 2015 our business saw a shift from energy-producing countries towards industrialised consumer countries. Despite this, we further increased our new orders, revenues and earnings and also moved forward with our transformation into a product provider."

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

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