Smart solutions for the fittest

Annual Report 2009

PSI

PSI AG is a leading supplier of software solutions and complete process control systems for utilities, industrial firms and infrastructure operators. Our innovative control software solutions have made us an industry leader both nationally and internationally. Founded in 1969, PSI is one of Germany's most experienced information technology companies.

In 2009, the PSI Group increased its revenues by 14 % to EUR 147.0 million. International revenue increased as a percentage of total revenue from 28 % to 34 %. PSI has eleven offices in Germany and international locations including Poland, Russia, China, Malaysia, Thailand, India, Bahrain, the UK, Belgium, the Netherlands, Austria, Switzerland, Argentina, Brazil and the US.

PSI AG has been a publicly traded company since 1998, and is now listed in the Prime Standard of the German Stock Exchange.

PSI GROUP IFRS FIGURES in EUR million

	2009	2008	2007	2006	2005
Sales revenues	147.0	128.9	123.2	117.0	116.5
Operating result	7.8	6.2	4.1 [2]	1.0	0.2
Earnings before tax	6.9	5.3	2.9 [2]	−0.3	−1.3
Group net result	6.6	4.1	1.9 [2]	0.4	0.02
Shareholders' equity	66.3	33.7	29.4 [2]	28.9	28.5
Equity ratio (in %)	42.8	32.9	32.5 [2]	34.2	32.4
Investments [1]	18.9	6.5	1.6	3.5	1.6
Research & Development expenditure	12.1	10.5	10.4	10.7	10.8
Research & Development ratio (in %)	8.2	8.1	8.4	9.1	9.3
New orders	150	152	132	125	115
Order backlog at Dec 31	97	101	78	74	70
Employees at Dec 31 (number)	1,411	1,126	1,016	1,049	1,058

1) Corporate acquisitions, intangible assets, plant and equipment.
2) adjusted.

PSI Group at a Glance

ENERGY MANAGEMENT

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

PRODUCTION MANAGEMENT

Software products and customized solutions for production planning, specialized production controls and efficient logistics. Focus on optimizing resource utilization and enhancing quality and efficiency.

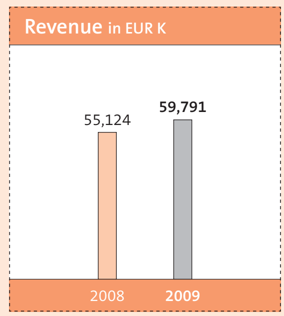
INFRASTRUCTURE MANAGEMENT

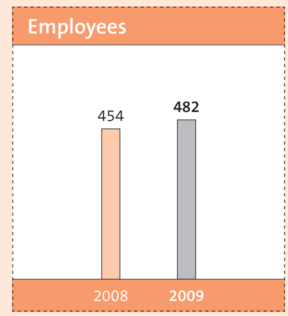
High-availability control solutions for the monitoring and effective operation of telecommunications, transport/traffic, public safety, environmental protection and disaster prevention infrastructures.

Electricity
Network control technology, operational and failure management, energy data and grid utilization management, combined energies control systems

Gas, oil, water
Gas management systems, planning, simulation and forecasting, pipeline management, leakage detection and localization

Energy trading and sales
Planning, analysis and optimization, integrated electricity and gas trading and sales, invoicing systems, energy efficiency consulting



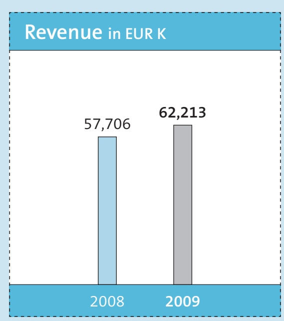


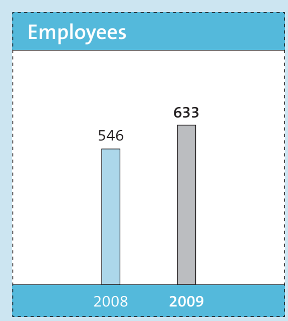
Metals
Production planning and optimization, manufacturing and process control, materials logistics and energy management, manager cockpit for the executive level, metals supply chain consulting

Mechanical engineering and plant construction
Production planning and control, enterprise resource planning, manufacturing execution systems, control systems for raw materials production

Carmakers and automotive suppliers
Production planning and control, supply chain management and logistics, process control systems for industrial production

Logistics/airport
Warehouse management systems, planning, control and optimization of logistics networks, passenger, baggage and cargo handling for airports, transport management systems

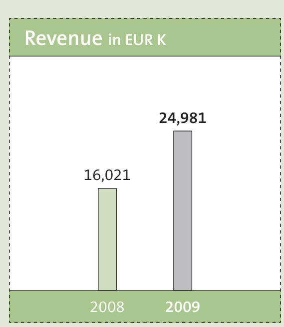


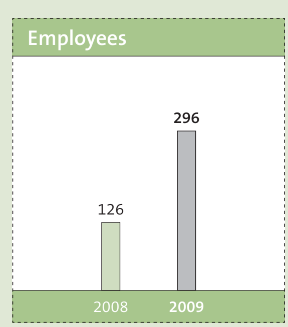


Telecommunications
Network and service management, mobile services and value added services, fault and performance management

Transport and traffic
Operations control systems for public and rail transport, depot management systems, passenger information systems, automated train dispatch, traffic control systems, telematics and operational monitoring

Public safety
Control systems for safety issues, control systems for environmental and disaster prevention, mobile security applications, railroad video management





CONTENTS

CONTENTS

02 Letter from the Board of Directors
06 Report from the Supervisory Board
10 Corporate Governance
14 PSI Shares
16 Smart solutions for the fittest
24 2009 at a Glance
25 Consolidated Management Report
39 Consolidated Financial Statements
79 Auditor's Report
80 Investor Relations

Letter from the Board of Directors

Left:
Dr. Harald Schrimpf (45)
Since July 2002
PSI director of Marketing, Sales and Technology.

Right:
Armin Stein (58)
Since January 2001
PSI director of Finance, Controlling and Human Resources.

DEAR LADIES AND GENTLEMEN,

Despite an extremely weak economy, we exceeded our growth and income targets for 2009: In our anniversary year, which marked „40 Years of Process Control and Information Systems“, we posted the latest in our many years of successive earnings increases amid a very difficult economic climate. As a consequence, we made investments in acquisitions and technology which had long been planned for the event of a downturn. Investments made in technology platforms, export structures, and extended workbenches in earlier years contributed significantly to earnings. An increasing number of national and international customers are realizing that PSI software solutions help them in achieving ambitious emissions reduction and energy and labor efficiency goals with measurable results. In heavy industry, PSI made its first inroads into global market leadership. Already well-positioned on the German and key export markets of the energy industry, the company is expanding its footprint to become world leader.

Despite the downturn, our new orders remained roughly constant at EUR 150 million, as did our order backlog at EUR 97 million. As of the start of 2010, PSI has a backlog totaling EUR 97 million, or eight solid months of work on hand per employee. Revenue increased by 14 % to EUR 147 million. The percentage attributable to exports rose from 28 % to 34 %. Our operating result before depreciation/amortization (EBITDA) grew 29 % to EUR 11.4 million. We posted a further rise in the operating result (EBIT), of 26 % to EUR 7.8 million. This includes EUR 1 million in depreciation and amortization resulting from the purchase price allocation for corporate acquisitions. The group result after taxes increased 61 % to EUR 6.6 million. Earnings per share increased from EUR 0.32 to EUR 0.46, or EUR 0.42 based on the number of shares at year-end. The Board of Directors announced after the 2009 Annual General Meeting that it would propose to the 2010 Annual General Meeting that at least half of the net income for the year be paid out as a dividend. That represents EUR 0.21 per share. Cash flow from operating activities declined from EUR 9.9 million to EUR 4.4 million due to acceptance dates that fell somewhat late in the year. The capital increase subscribed to by RWE generated cash flows from financing activities of EUR 8.6 million. The acquisition of the steel software specialist AIS was a key flow in cash flows from investing activities being EUR –15.7 million. This resulted in EUR –2.9 million in free cash flow (previous year +4.7 million). Cash and cash equivalents therefore decreased from EUR 23.7 million to EUR 20.8 million.

The **PSI share,** after recovering from the shock surrounding the Lehman affair and rising to EUR 4 after December 18, 2008, the date on which annual targets were confirmed, jumped to EUR 7 on the strength of off-market demand in May following the publication of the results for the first quarter, and then rose to a range around the EUR 9 mark in July. The higher share price also allowed for the already announced capital increase and increase through contributions in kind to be undertaken and thus for the counter-cyclical investment strategy to be realized. On May 20, 2009, a 10 % capital increase (i.e. about 1.19 million shares) to EUR 7.61 per share signed by RWE Energy was announced. On May 27, 2009, we reported the acquisition of the Malaysian-based inControl Tech Group in exchange for the issue of 2.6 million shares.

In 2009, the counter-cyclical **Energy Management** business worked through its backlog of major orders from previous years. Revenue increased by 8 % to EUR 59.8 million. The effects of regulation and a high backlog of orders caused new orders in Germany to come in lower than the previous year, but the second half of the year saw a significant increase in inquiries. This gives us reason to anticipate a resurgence of new orders in 2010. In the Netherlands, Russia and Poland, key reference contracts were won. The operating result rose by 19 % to EUR 4.3 million. The segment contributed strongly to consolidated net income. The Gas and Oil business came in well above budget, while the Energy Market business rebounded.

The cyclical **Production Management** business increased revenue by 8% to EUR 62.2 million despite adverse market conditions. New orders also came in higher than the previous year. The operating result of the segment reached EUR 2.6 million (previous year: EUR 2.8 million) before depreciation and amortization resulting from the purchase price allocation of EUR 0.5 million. While the Metals business delivered rising positive contributions, and even the Mining/Telematics and FLS (optimization) businesses made a relevant contribution, the Logistics segment declined to generate a balanced result. Measures were introduced to cut costs and improve productivity. In 2010, our newly developed logistics network simulation and transportation management products are expected to add to earnings. After proving to be extremely sensitive to economic fluctuation, PSIPENTA showed surprising stability throughout the year; new orders and order backlogs were even increased. The AIS Group acquired in August contributed positively to the result before depreciation and amortization resulting from the purchase price allocation. 4Production, acquired in 2008, was one of the most profitable business units. The metal-producing industry, which saw major globalization in the last economic cycle, responded very positively to the entry of PSI as a global leader in the provision of software. The mining control system made great advances in the ambitious pilot project, opening up major export opportunities, particularly in China.

The non-cyclical **Infrastructure Management** business contributed EUR 2.2 million (previous year: EUR 0.5 million) to the operating result and EUR 25 million (previous year: EUR 16 million) to consolidated revenue. With a passable result in the Transport business and fresh investment in Telecommunications, PSI Transcom GmbH delivered a modest contribution to earnings. PSI Poland continues to show positive performance in new orders and earnings. New to the business is the inControl Tech Group of Malaysia, which had a major impact on the segment result. inControl Tech, a partner of PSI for many years, will step up its imports and integration of PSI software from Germany into South Asia (Southeast Asia, India, and the Gulf region). In exchange, PSI will import complete inControl Tech systems with Asian components into Europe and sell them through the Germany-based Energy and Transport businesses.

During the 2008 downturn, PSI began to take advantage of decreasing company valuations to make **investments**. In 2009, we invested EUR 33 million in corporate acquisitions. This brought us market shares, functionalities, expertise, and increased exports in the steel industry. In South Asia, we gained access to export markets and added to our project management, systems development and integration capacities. In view of the increase in company valuations, PSI plans to focus on smaller acquisitions in the energy sector in 2010. Investments in the group-wide **platform convergence** were in excess of EUR 5 million. The platform convergence will reduce redundant work on the software platforms of the business units, speed software updates, allow software functions to be combined and reused, and open the door to extended production and sales in low-wage countries such as Poland and Malaysia. Common software platforms, tools and standards will enable employees to work much more flexibly than in former years and to be shared between the business units and international locations. In 2008 and 2009, all business units contributed to a common platform, designating 2010 and 2011 as years of migration. For cost reasons, we will group our business units and make heavy use of the technology center in Poland. By means of its own graphic design, PSI will position itself between modern design (such as Apple) and industry standards (such as SAP).

We thank our customers for their continued confidence and many major contracts during these economically challenging times. Our heartfelt thanks are due particularly to those who have shown their commitment to the independent company PSI. In its 41st year, PSI will continue to prove an expert solution partner with a worldwide presence. PSI solutions improve energy efficiency, emissions and labor efficiency for energy companies, industrial enterprises and infrastructure operators. A sharp price rise has been the reward for holding the PSI share even in turbulent times. The performance of the company going forward could cause the share price to double again in two to three years. By paying a dividend, we hope to provide an incentive for holding PSI shares over the long term. We would like to thank our employees and managers, to whom ultimately our success is owed. Without their dedication and enthusiasm, the group's realignment and internationalization would be inconceivable. Today, PSI offers 1,400 highly qualified employees an attractive workplace rich in prospects.

For 2010, we anticipate another increase in new orders in the Energy and Metals businesses. In the energy market, intelligent transmission and distribution grids are becoming more necessary in the lower distribution and local grids (Smart Grids) to cover increasing load fluctuations with local renewable energies and electro-mobility. Renewable energy will be transported internationally (Desertec, North Sea Supergrid) on an unprecedented level. Growth in China, India, and other emerging nations will bring new price rises and major investments for the extraction, transportation and processing of basic commodities (oil, gas, coal, mineral ores, steel, aluminum, and copper). These trends will significantly boost demand and margins for PSI Software in the years to come. In 2010, we will pursue annual targets of EUR 170 million for new orders, EUR 160 million for revenue, and over EUR 10 million for the operating result. Under the motto „Smart solutions for the fittest", we have made a solid start to 2010. Now in our sixth year of successive increases, we will press ahead with the transformation of PSI into a global software provider.

Berlin, March 2010 Dr. Harald Schrimpf Armin Stein

Report from the Supervisory Board

Prof. Dr. Rolf Windmöller (61)
Chairman of the Supervisory Board

DEAR PSI SHAREHOLDERS, FRIENDS AND PARTNERS,

During the 2009 financial year, our main focus was on continuing our strategy of growth and internationalization and on further improving the Group's financial indicators. Once again in the past year, in our capacity as members of the Supervisory Board, we assumed the responsibilities incumbent on us by law, the Articles of Association and the German Corporate Governance Code. The Supervisory Board monitored the activities of the Board of Directors on a regular basis, advising it on its management of the company. The Board of Directors informed the Supervisory Board regularly, promptly and comprehensively on the position of PSI AG by means of written and oral reports, thereby creating the basis for compliance with legal monitoring duties. The Board of Directors has met its disclosure obligations to the Supervisory Board in full.

The Supervisory Board ensured that legal provisions, the Articles of Association and the bylaws of the Supervisory Board and the Board of Directors were complied with, and was directly involved in all decisions of significance and fundamental importance. The Supervisory Board passed the resolutions required by law and by the Articles of Association. If transactions required the approval of the Supervisory Board, the Board of Directors was consulted in depth before resolutions were passed. The Chairman of the Supervisory Board was in regular contact with the Board of Directors outside Supervisory Board meetings as well, and was informed regularly of important transactions and of the business situation.

Cooperation between the Supervisory Board and the Board of Directors was consistently constructive and goal-oriented in nature. Coordination between the Chairman of the Supervisory Board and the two members of the Board of Directors was characterized by an ongoing and intensive exchange. The Chairman of the Supervisory Board communicated important information received in the exchange with the Board of Directors to the other members of the Supervisory Board whenever necessary.

Focuses of Supervisory Board discussions

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

- Securing new orders and earnings against the backdrop of the global financial and economic crisis,
- Expanding international market positions and export structures with two corporate acquisitions,
- Executing capital increases, one against a cash contribution and one against contributions in kind, as part of its general business activities and realizing strategic objectives, particularly that of financing acquisitions,
- Integrating the companies acquired in 2008 and 2009,
- Constructing an addition to the Aschaffenburg location, and
- Reviewing and further developing the Group risk management system.

Regular discussions and resolutions of the Supervisory Board focused on the Annual Financial Statements, reviewing the Group strategy and its implementation, long-term and short-term planning, undertaking capital increases against cash and against contributions in kind, the acquisitions of the inControl Tech and AIS groups, current business, reviewing and upgrading the Group risk management system, and auditing the Board's own work. The Supervisory Board concerned itself not only with the financial development of PSI AG and the Group, but also with the development of individual subsidiaries, while also monitoring activities abroad. The Board of Directors reported to the Supervisory Board comprehensively and on an ongoing basis regarding the assets and financial position, risk position, market and competitive position, and personnel situation. The Supervisory Board held eight meetings in 2009 to fulfill its aforementioned duties. These included a meeting mainly devoted to discussing and adopting the Annual Financial Statements, a strategy meeting, a planning meeting and an audit meeting.

Activities of Supervisory Board committees

The Supervisory Board formed two committees. The Personnel Committee is concerned with the employment contracts and personnel matters of the Board of Directors. The committee met four times over the course of the financial year to discuss, among other things, ongoing development of the performance-related components of Board of Directors remuneration and the establishment of a deductible for the D&O insurance for members of the Board of Directors in line with changes in legal requirements.

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

Corporate Governance

As in previous years, the Board of Directors and Supervisory Board monitored the Group's compliance with the German Corporate Governance Code. On December 11, 2009, the Supervisory Board approved the Declaration of Compliance in accordance with Article 161 of the German Stock Corporation Act. The Company meets most of the recommendations of the Code. The few departures are also explained in the Corporate Governance Report on page 10f. The audit revealed no indications of non-compliance with respect to further recommendations of the Code other than those mentioned in the Declaration of Compliance.

Once again in 2009, the Supervisory Board reviewed the efficiency of its own activity in an audit meeting.

Composition of the Supervisory Board and Committees

During the entire 2009 financial year, the membership of the Supervisory comprised the shareholder representatives Prof. Rolf Windmöller (Chairman), Wilfried Götze (Deputy Chairman), Bernd Haus and Karsten Trippel, and employee representatives Barbara Simon and Dr. Ralf Becherer. The current members of the Personnel Committee are Supervisory Board Members Prof. Rolf Windmöller as Chairman, Wilfried Götze and Barbara Simon; those of the Audit Committee are Supervisory Board members Bernd Haus as Chairman, Dr. Ralf Becherer, Wilfried Götze and Prof. Rolf Windmöller.

Audit of the Annual and Consolidated Financial Statements

Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, appointed as auditor at the April 25, 2008 Annual General Meeting of PSI AG, audited the Annual Financial Statements, Management Report, Consolidated Financial Statements and Group Management Report for the fiscal year from January 1 to December 31, 2009, and issued an unqualified audit opinion.

All members of the Supervisory Board received the financial statements and management reports, the audit reports of the auditor and the recommendation of the Board of Directors regarding the appropriation of net retained profits following preparation and promptly before the meeting. After a preparatory discussion by the audit committee, the plenary Supervisory Board addressed these documents in its meeting on March 1, 2010. Both the members of the Board of Directors and representatives of the auditor attended this meeting. They reported on the audit in general, on the main points established in the audit, on the key findings of the audit and on services that the auditor rendered in addition to the audit services, and further answered questions from members of the Supervisory Board. The Supervisory Board did not raise any objections, and thus acknowledged and approved the findings of the audit.

After completing its own examination of the Consolidated Financial Statements, the Group Management Report, the Annual Financial Statements and the Management Report for the 2009 fiscal year and of the findings of the audit by the auditor. The Supervisory Board raised no objections and endorsed the Annual and Consolidated Financial Statements in the Supervisory Board meeting on March 1, 2010. The Annual Financial Statements have thus been adopted and the Consolidated Financial Statements endorsed. The Supervisory Board concurs with appropriation of profits proposed by the Board of Directors, which provides for a dividend of EUR 0.21 per share.

Even in 2009, a year dominated by the recession, the PSI Group kept new orders at a stable level and continued its positive performance with respect to consolidated net income and revenue. By continuing our strategy of profitable growth, we managed to exceed the targets set for 2009. The Group continued to invest in technology, market share and export structures. Both in Germany and abroad, PSI gained new customers and completed major projects. In consideration of the difficult market environment during PSI's 40th anniversary year, the joint achievements of the Board of Directors, the management, and the employees deserve special recognition. The Supervisory Board would like to express its gratitude to all concerned for their outstanding commitment and productivity.

The Supervisory Board thanks its customers and shareholders for the confidence shown us during 2009. In 2010 as well, PSI will continue to be a reliable partner to its customers and make every effort to further improve the efficiency of its business processes. Only if our reference customers are satisfied will we succeed in winning further new customers and continuing PSI's history of growth.

Berlin, March 2010

R. Windmöller

Prof. Dr. Rolf Windmöller
Chairman of the Supervisory Board

Corporate Governance

CORPORATE GOVERNANCE DECLARATION

Responsible and long-term oriented management and control of the Company is of key significance at PSI. Efficient cooperation between the Board of Directors and the Supervisory Board, clear rules, respecting shareholders interests, openness and transparent corporate communication, customer orientation, fair business practices and protection of intellectual property are core principles of Company management. The key principles of dealing with customers, shareholders, employees, partners and competitors of PSI are set forth in the Code of Conduct, which is posted on the Group's website at www.psi.de.

Corporate Governance report

Declaration of Compliance of PSI AG with the German Corporate Governance Code under Article 161 German Stock Corporation Act (Aktiengesetz – AktG) of December 11, 2009

The Board of Directors and Supervisory Board of PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie declare pursuant to Article 161 of the German Stock Corporation Act:

PSI has complied with the recommendations of the government commission for the German Corporate Governance Code in its version of June 6, 2008, with the exceptions listed in the disclosure of November 6, 2008.

PSI AG has complied and does comply with the recommendations of the government commission for the German Corporate Governance Code, version of June 18, 2009, published August 5, 2009 since its publication, with the following exceptions:

- **Item 2.3.2:** From the date of the Annual General Meeting on April 28, 2009, the company will send a notice of Annual General Meeting, including the notification documents, electronically to all domestic and foreign financial services providers, shareholders and shareholder associations if the requirements have been met under Article 30(b)(3)(1)(c) and (d) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The recommendation could not be followed until the aforementioned date, as the necessary approval resolution of the Annual General Meeting had not yet been adopted.
- **Item 3.8:** No personal deductible for D&O insurance has been set or agreed for the Supervisory Board pursuant to the personal deductible of the Board of Directors because management feels that the agreed personal deductible is appropriate.
- **Item 4.2.1:** The Company had no appointed spokesperson or chairperson, as the PSI AG Board of Directors is comprised of only two members.
- **Item 5.3.3:** The Supervisory Board has not formed a Nomination Committee, as all four shareholders' representatives on the Supervisory Board are involved in nominating candidates for voting at the Annual General Meeting.
- **Item 5.4.3:** Supervisory Board appointments may be conducted on the basis of nominee lists, as permitted by applicable law. This allows for the bundling of nominees for voting purposes.

- **Item 5.4.6:** Supervisory Board remuneration does not include performance-related components. It involves a basic remuneration component and a component linked to meeting attendance. The Supervisory Board feels that performance-related Supervisory Board remuneration conflicts with its supervisory and controlling duties.
- **Item 7.1.2:** The Supervisory Board or a Board-appointed audit committee does not discuss the half-year or quarterly reports with the Board of Directors prior to their release. This information is not necessary, as the Supervisory Board receives a monthly report and is continually informed on the future quarterly developments in the Supervisory Board meetings.

Cooperation between Board of Directors and Supervisory Board

The PSI Board of Directors is comprised of two members, who cooperate with great effectiveness. The Supervisory Board is comprised of two employee representatives and four independent members who are committed to upholding the interest of the Company and shareholders. The Board of Directors informs the Supervisory Board regularly, promptly and comprehensively regarding all relevant questions pertaining to planning, business development and risk management of the Company. During the year under review, no business transactions took place between related parties and the PSI Group.

Description and composition of the committees

The Supervisory Board has established committees to enhance the efficiency of its decision-making processes. These committees consist of at least three Supervisory Board members each. The committee members' term of office corresponds to their term of office as member of the Supervisory Board, unless a shorter term has been stipulated upon their election to the Supervisory Board. The Supervisory Board has formed a Personnel Committee and a Balance Sheet Committee.

The Personnel Committee prepares the personnel decisions of the Supervisory Board. This applies in particular to coordination of the Board of Directors employment agreements. Members of the Personnel Committee currently are Supervisory Board members Prof. Dr. Rolf Windmöller as Chairman, Wilfried Götze and Barbara Simon.

The Balance Sheet Committee is concerned with issues in accounting, risk management and the related recommendations by the Corporate Governance Code. It ensures the independence of the auditor, determines the audit focus and prepares the audit mandate. Further, it prepares the decision of the Supervisory Board regarding approval of the annual financial statements and consolidated financial statements. To this end, it reviews the preliminary balance sheet, the consolidated financial statements, the management report and the proposal for the appropriation of profits. Members of the Balance Sheet Committee currently are Supervisory Board members Bernd Haus as Chairman, Wilfried Götze, Dr. Ralf Becherer and Prof. Dr. Rolf Windmöller.

Directors' remuneration and shareholdings

Per resolution of the Annual General Meeting of April 13, 2004, the current remuneration of the Supervisory Board members comprises a basic remuneration component and a component linked to meeting attendance. Basic remuneration is EUR 30,000 a year plus sales tax for the Supervisory Board chairman, EUR 20,000 for the deputy chairman and EUR 10,000 for each additional Supervisory Board member. There is also compensation of EUR 5,000 for each activity in a Supervisory Board committee for each committee chairman and EUR 3,000 for the other committee members.

The component linked to attendance at meetings is EUR 300 per meeting for each Supervisory Board member. Supervisory Board members received remuneration totaling EUR 120,000 in fiscal year 2009, which breaks down as follows:

	Total EUR K
Dr. Ralf Becherer	16
Wilfried Götze	23
Bernd Haus	18
Barbara Simon	16
Karsten Trippel	13
Prof. Dr. Rolf Windmöller	34
	120

The members of the Board of Directors received the following remuneration in 2009:

	Fixed remuneration EUR K	Variable remuneration EUR K	Total EUR K
Dr. Harald Schrimpf	198	212	410
Armin Stein	198	214	412
	396	**426**	**822**

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

Each board member has an employment agreement that provides for a non-performance related fixed remuneration in the amount of EUR 186,000 a year. It is paid in twelve equal monthly installments. Additionally, each board member is given a leased vehicle for business and personal use for the actual term of office. Additional benefits include sick pay, interim payments to the employee's widow in case of death, D&O insurance and group accident insurance.

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

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

Another long-term performance-related remuneration is linked to a long-term increase in PSI AG's market capitalization above a set amount. The requirements for the payment of these remuneration components have not yet been reached.

As of December 31, 2009, members of the Board of Directors and Supervisory Board held the following number of PSI shares:

	2009 shares	2008 shares
Board of Directors		
Dr. Harald Schrimpf	71,000	69,000
Armin Stein	23,300	21,000
Supervisory Board		
Dr. Ralf Becherer	2,268	2,268
Wilfried Götze	54,683	54,683
Bernd Haus	1,000	1,000
Barbara Simon	7,890	7,890
Karsten Trippel	124,450	116,600
Prof. Dr. Rolf Windmöller	6,305	3,795

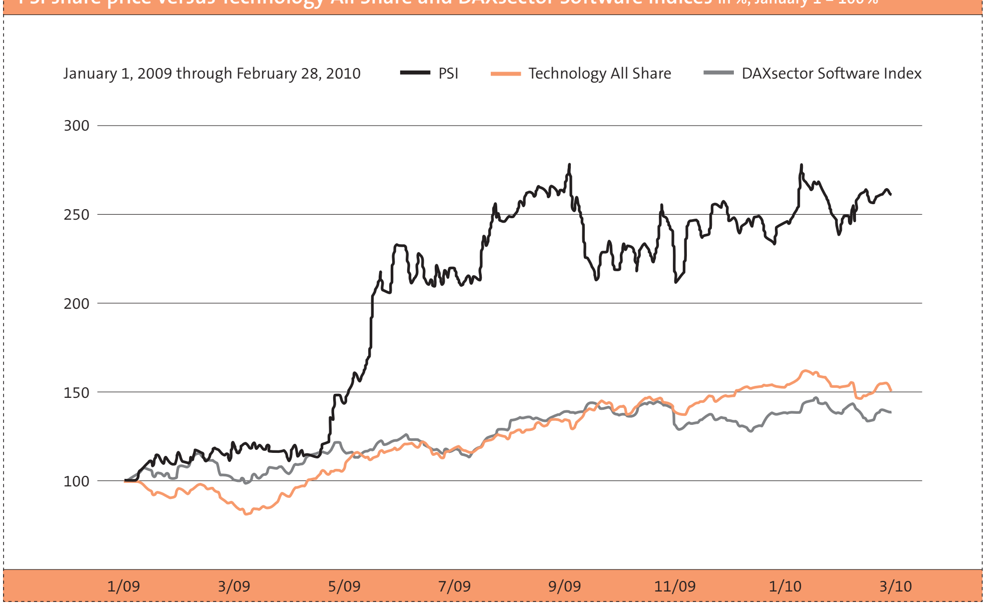
At this time, PSI has no stock option program or comparable incentive systems in place. In 2009, 7 board member share transactions were reported and published on the PSI website under Directors' Dealings.

PSI Shares

In 2009 the markets returned to positive growth after the free falls of the previous year. After the major stock market indices reached their low for the year at the beginning of March, they recovered in the months that followed and managed to close out the year with an increase ranging from 24 % (DAX) to 61 % (TecDAX). The PSI share performed considerably better than the market in 2009. With a price rise of more than 145 %, it saw a steeper increase than all relevant indices, becoming one of the year's winning shares.

After starting off the year at EUR 3.60, the PSI share recovered quickly in January, bypassing the EUR 4 mark and then leveling off by mid-April. Thanks to strong quarterly results and increased attention on the capital market and in the media, the PSI share made a strong comeback in May and July and achieved its high for the year at the end of August with a price of EUR 10.07. After that it remained level between EUR 7.50 and EUR 9.30 and closed out the year at EUR 8.85. Up 145 % for the year, PSI shares performed significantly better than the DAXsector Software Index, which was up 39 % for the year, and the Technology All Share Index, which rose by 55 %. The DAXsector Software Index includes all software shares listed in the Prime Standard of Deutsche Börse. The broader Technology All Share Index encompasses all technology stocks in the Prime Standard.

PSI share price versus Technology All Share and DAXsector Software indices in %, January 1 = 100 %



As in previous years, we maintained intensive communication with analysts and investors. PSI held three analysts' conferences and several investor road shows in financial centers in Germany and Europe. On the occasion of the company's 40th anniversary, we held a press conference and participated in many interviews and background discussions with representatives of the financial and business media. Key topics were the company's history, our solid financial growth in spite of the economic crisis, the acquisition of new major investors, and the importance to PSI's business of the intelligent power consumption controls afforded by Smart Grids. This prompted extensive coverage in newspapers and magazines, online media, radio, and television over the course of the entire year. This included not only various market letters, investment magazines, and business and daily newspapers, but also the ARD-Börse and 3satbörse, Bloomberg TV, euronews and the ARD-Tagesschau program.

This broad media presence not only brought about price increases, but also tripled the trading volume of the PSI share. The percentage of shares held by investors subject to disclosure requirements increased from 10 % in 2008 to 56.5 % after the new major investors came on board. In June 2009, we converted the PSI shares from bearer shares to registered shares. As part of this, our plans for the future are to communicate even more directly and transparently with our shareholders and particularly to further streamline our preparations for the Annual General Meeting.

Once again in 2009 we were recognized for our financial communications. At the world's largest annual report competition, the „International ARC Awards – World's Best Annual Reports", the PSI Annual Report received one Bronze and one Honors award.

In 2010, we hope to continue our history of successful growth and globalization and to increase our revenue and income for the sixth year in a row. We will continue our intensive capital market communication in order to attract the attention of other institutional investors and analysts. At the start of 2010 the PSI share reached a new eight-year high at EUR 10.14, once again besting the market in terms of performance.

The growth in revenue and earnings forecast by analysts for the years to come, along with the dividend payments planned to start in 2010, afford significant potential for rising share prices.

Key figures on the PSI share

		2009	2008
Earnings per share	EUR	0.46	0.34
Market capitalization on December 31	EUR million	138,921,689	43,606,332
Annual high	EUR	10.07	5.85
Annual low	EUR	3.60	2.82
Number of shares outstanding on December 31		15,697,366	12,112,870

Data on the PSI share

Stock exchanges	Xetra, Frankfurt, Berlin, Stuttgart, Dusseldorf, Hamburg, Munich
Stock market segment	Prime Standard
Index affiliation	Technology All Share, Prime All Share, DAXsector All Software, DAXsector Software, DAXsubsector All Software, DAXsubsector Software, DAX International Mid 100, CDAX
ISIN	DE000A0Z1JH9, DE000A0Z1LP8 (until May 2010)
German Security Code	A0Z1JH, A0Z1LP (until May 2010)
Stock exchange code	PSAN

Smart solutions for the fittest

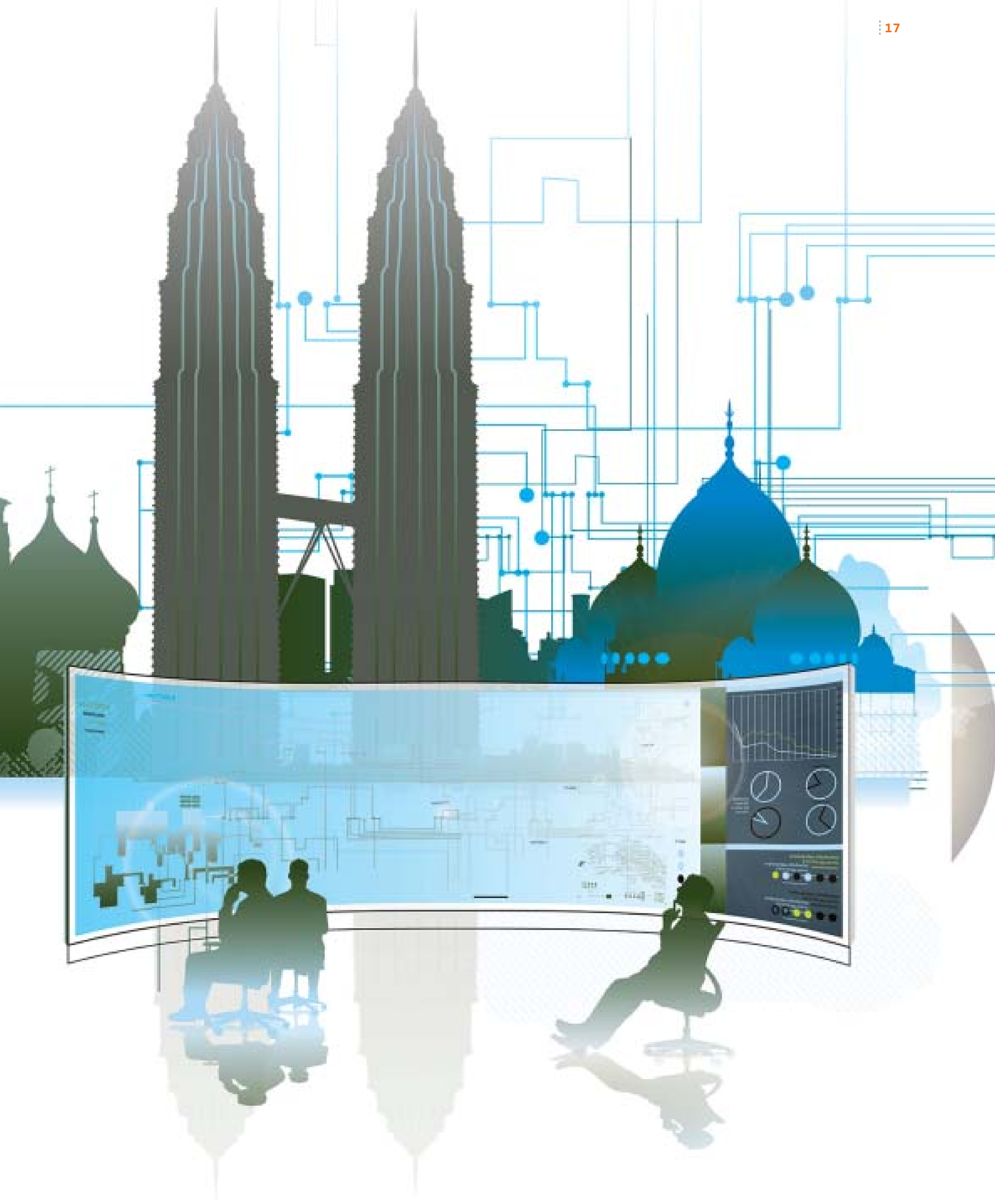
PSI solutions enable intelligent control of industrial processes and large-scale grid infrastructures, thereby contributing significantly to energy efficiency and labor efficiency both in Europe and across the globe.

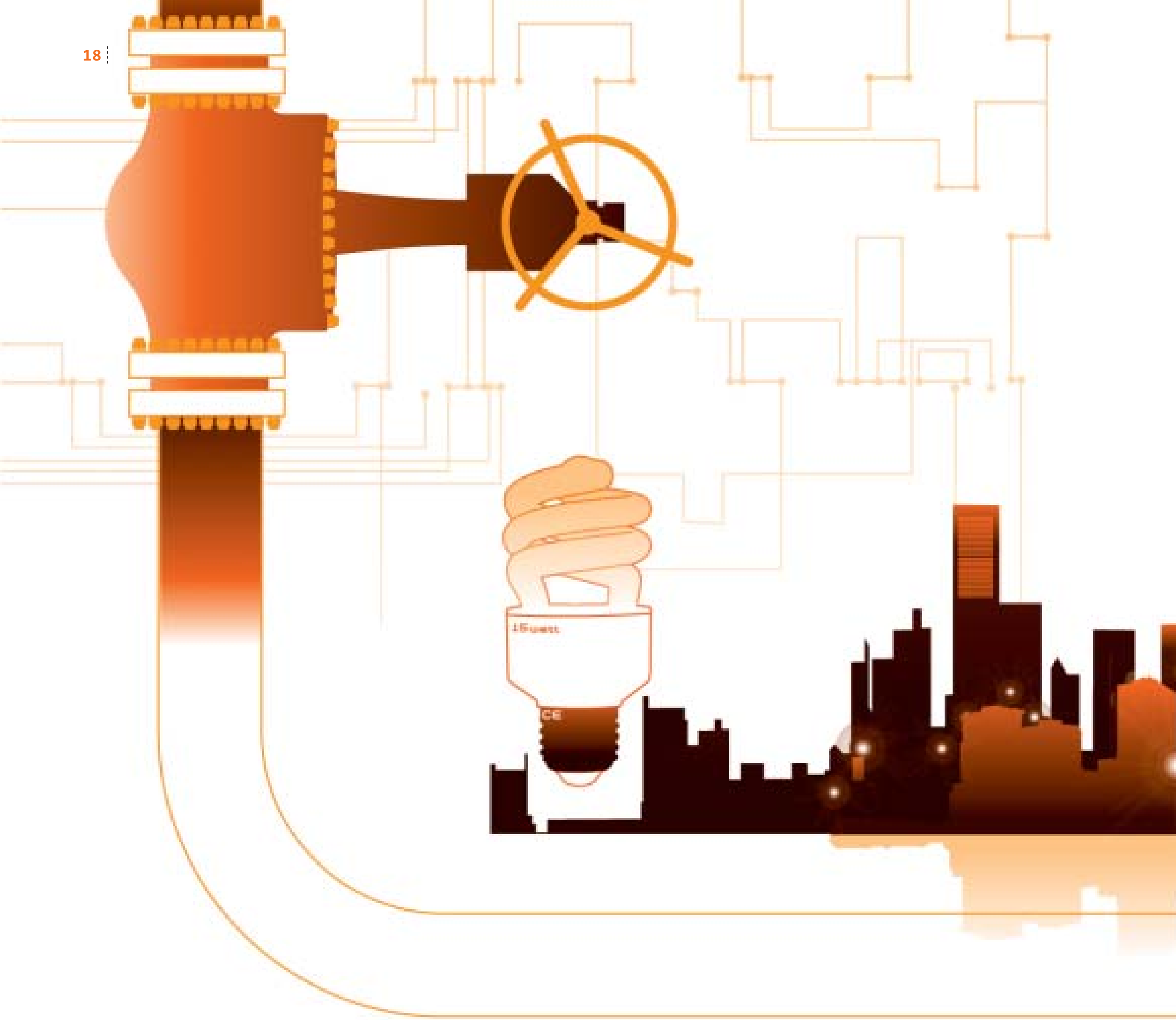
The times call for efficient process control

Particularly during an economic downturn, priority should be given to those investments that directly target the efficiency of value-adding processes and that pay for themselves with the utmost speed. Solutions that support companies worldwide in the economical and ecological management of labor, energy and raw materials are crucial. Modern software applications must help the user to react flexibly to fluctuating demand while making the best possible decisions. This enables companies to expand their competitive advantages and achieve sustainable success, even during difficult economic times.

Intelligent solutions enjoy international demand

PSI process control solutions were developed for the management of large-scale energy grids and complex production and logistics processes. Informed by the particular characteristics of the German market, they are highly scalable and offer comprehensive options for simulation and optimization. In years past, these unique selling propositions helped us to expand our market position internationally as well. Our locations in Asia, North and South America, Central and Eastern Europe allow us to contribute, both today and in the future, to the growth and sustainable development of these regions.





Changing the world with all its energy

The German and European energy markets are undergoing profound changes. The increasing proportion of renewable energies is causing fluctuating levels of energy production. Electro mobility and flexible usage control demand intelligent distribution grids. Renewable energies will be transported internationally – in hitherto unprecedented volumes and over long distances – to render energy from wind farms on the North Sea and solar energy plants in desert regions usable across Europe. New pipelines transport gas and oil across long distances to consumer nations from regions rich in raw materials.

Established player for a changing industry

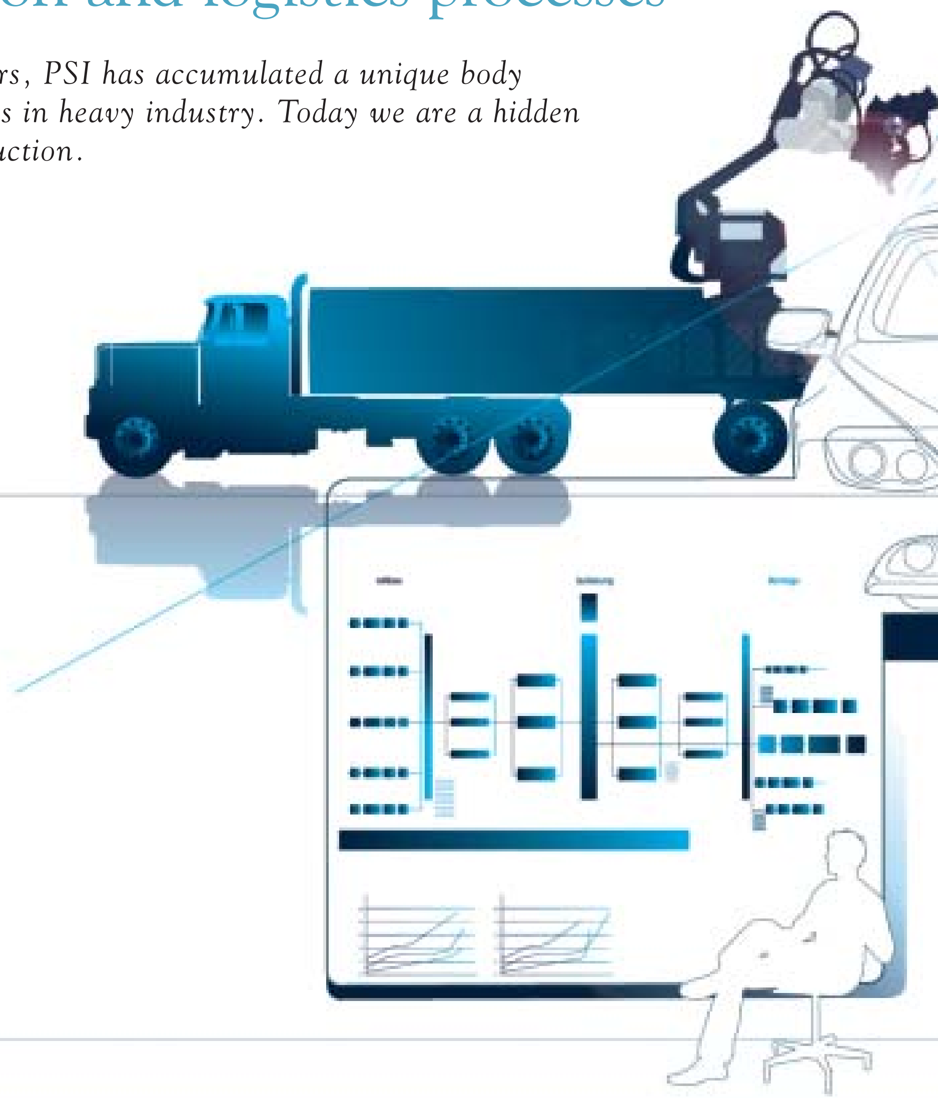
For years, PSI control systems have enabled optimized management of energy transportation and distribution in the sectors of electricity, gas, oil, heat and water. The fail-safe functioning and scalability of our systems have allowed us to attain technological leadership, which we have leveraged in recent years for expansion into Southeast Asia and Central and Eastern Europe. With their extensive energy portfolio management, trading, planning, simulation, operations management, power supply calculation and energy management functions, our solutions are already prepared to meet the future demands of the energy markets.

The changing energy markets

For more than 35 years, PSI has been developing intelligent control systems for the management of large-scale energy grids. PSI's customers include almost all major German utilities, as well as many in Europe and Asia.

Optimum production and logistics processes

Over the course of more than 40 years, PSI has accumulated a unique body of knowledge about business processes in heavy industry. Today we are a hidden champion in software for metal production.

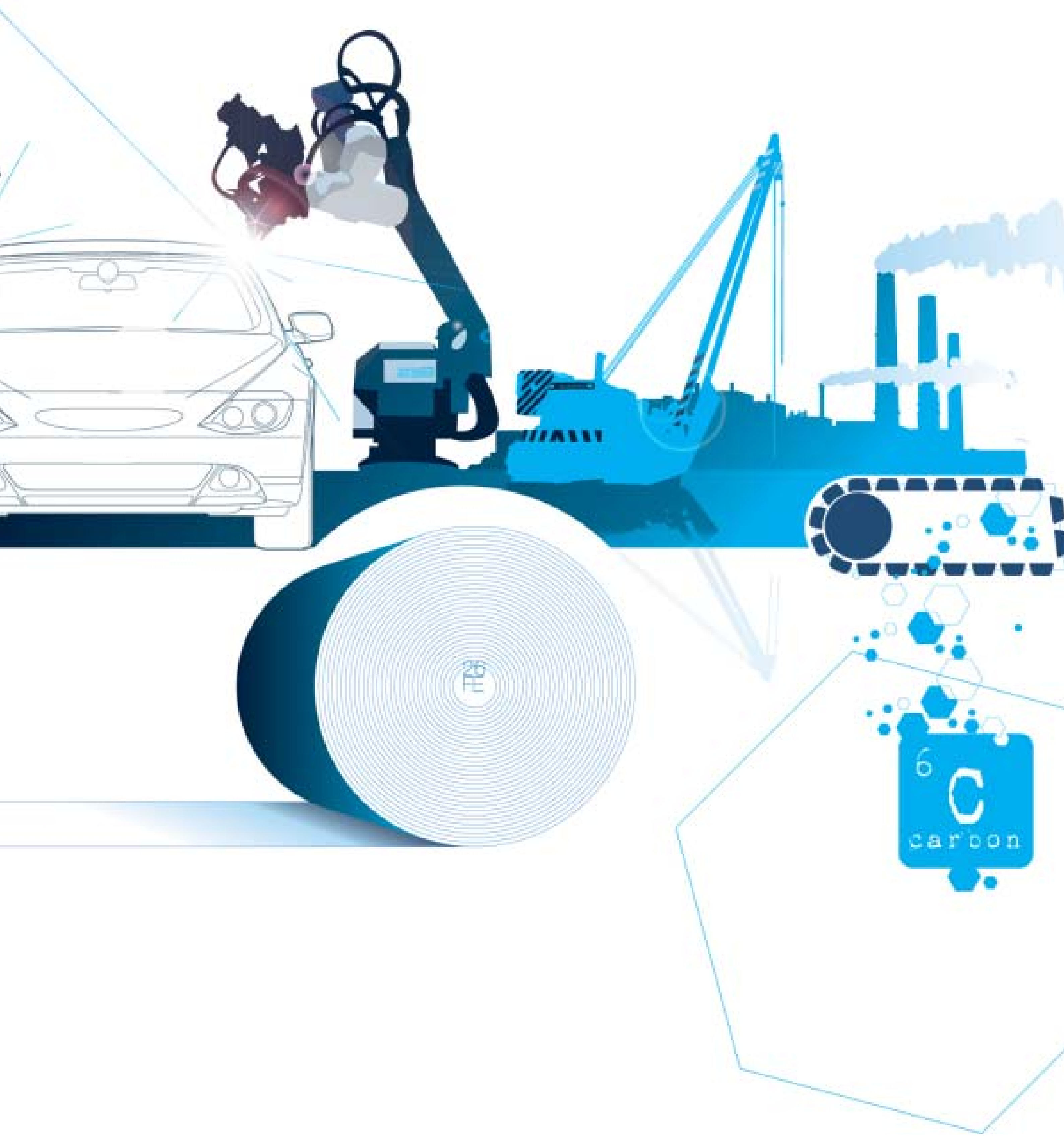


Control for every aspect of production

Over the past two years, the global economic crisis has changed the requirements for production processes. The focus is now on making industrial processes more efficient, optimizing existing systems and shortening throughput times – all with increased flexibility – rather than on expanding capacity and fine-tuning throughput. Software solutions for production control and optimization of logistic chains are thus becoming more important. Companies that invest in this area now will join the winners' circle as the economy takes off anew.

Beat tough competition with software

PSI offers a broad portfolio of applications for managing and comprehensively optimizing industrial value chains. Our solutions for the metal-producing, automotive, mechanical engineering and logistics industries boast future-proof basic technologies and market leading functions for sequence optimization and improved use of resources. They have allowed us in past years to successfully build up our worldwide exports, attain a global leadership position in metal production, and launch our new product for managing mining operations on the market.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Infrastructure solutions for mobility and safety

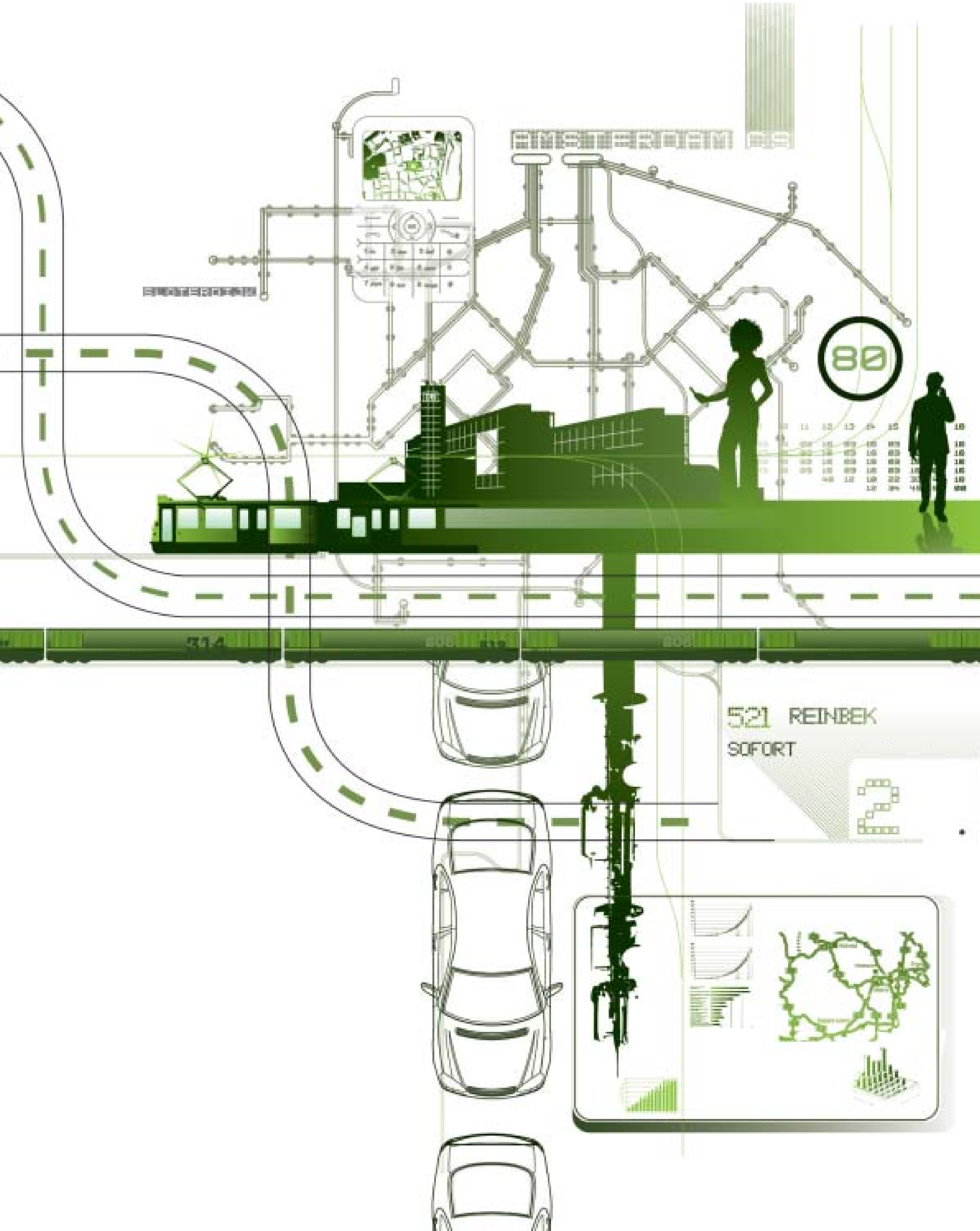
Innovative PSI control systems guarantee reliable operation of infrastructures in the areas of transport and traffic, public safety and telecommunications. Mobile applications ensure security and customer service.

Fail-safe answers to the location question

Reliable and fail-safe infrastructures for transport, traffic and communications are significant location factors that are key to the economic development of entire regions. Monitoring, operating and maintaining these infrastructures pose particular challenges for operators because these infrastructures must meet high safety requirements and play an important role in the economy. At the same time, consumers' demands for service quality and additional information are also increasing.

Infrastructures for growth

PSI supplies telematics solutions and mobile applications based on event-driven and object-oriented technologies to infrastructure operators in the areas of transport and traffic, public safety, environmental protection and telecommunications. With special functions for video monitoring, energy optimization and dynamic passenger information, our systems are extremely well suited to the operation of sensitive infrastructures. Since 2009, our new subsidiary inControl Tech has provided us with a presence in the fast-growing markets of Asia.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2009 at a Glance

Production Management weathers crisis

Despite the challenging economic climate, we once again won numerous important national and international contracts in heavy industry and further increased our new and existing orders in the Production business.

RWE reinforces shareholder structure

The RWE Group, a longtime customer, became a shareholder in PSI in order to secure long-term collaboration in product development and implementation.

PSI marks 40th anniversary

In May 2009, we celebrated PSI's 40th year in business. As one of the oldest German software companies and a market leader in special control software applications, PSI's success story is unmatched in Germany.

New subsidiaries expand export structures

The acquisition of the inControl Tech Group of Malaysia gives PSI its own access to the growth markets of Southeast Asia, India and the Middle East, along with highly qualified experts who possess knowledge of the target markets and PSI technology.

Metals business builds on global leadership position

The acquisition of steelmaking software specialist AIS allowed us to build on our global leadership in this market and to expand our export structures in Western Europe, Latin America and Asia.

Marketing partnership for the new mining control system

We formed a partnership with RAG Mining Solutions GmbH to market the world's first control system for automation of mining operations on a global scale. Sales of the solution in the Chinese market started in the autumn.

Investments in the future Smart Grids market

In the Energy business, we were involved in developing innovative system components for smart energy grids of the future and made further investments in the functionality of our control systems for energy transmission and distribution grids.

CONSOLIDATED MANAGEMENT REPORT

CONSOLIDATED MANAGEMENT REPORT

26 Business and strategy

27 Business Developments and Economic Situation

29 Results of operations, financial position and net assets

32 Research and Development

33 Employees

34 Legal Disclosures

35 Events after the Balance Sheet Date

35 Risk report

38 Outlook

Consolidated Management Report

BUSINESS AND STRATEGY

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

- Utilities (electricity, gas, oil, district heating and water)
- Industry: metal, mechanical and plant construction, automotive and automotive supply, logistics
- Infrastructural operations for transport, safety and telecommunications

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

In Energy Management, the PSI Group develops control systems for electric networks, multi-sector control systems, gas and pipeline management systems and solutions for energy trade, energy sales and portfolio management on the deregulated energy market.

In Production Management, PSI has an integrated solutions portfolio for planning and control of production and logistics processes in selected industries and for logistics providers.

Infrastructure Management includes control solutions for the monitoring and operation of transport/traffic, telecommunications, public safety, environmental protection and disaster prevention infrastructures.

With more than 1,400 employees, PSI is one of Germany's largest software manufacturers. As a specialist for high-end control systems, PSI has grown to become a leader, particularly among utilities and metal manufacturers – not only in Germany but also in other parts of the world. The functionality and innovative character of PSI's products are key competitive advantages. Founded in 1969, PSI is one of Germany's most experienced information technology companies.

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

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

PSI is pursuing a growth strategy with a heavy emphasis on international markets. The number one source of growth is exports to the markets of eastern Europe and Asia. PSI plans to further expand its export business in the years to come, which will generate scale effects while building a foundation to boost profitability.

In the last five years, this strategy has enabled the PSI Group to continually increase revenues and earnings. During this time period, the Group's share of international revenues and incoming orders more than doubled.

BUSINESS DEVELOPMENTS AND ECONOMIC SITUATION

IT and software markets contract due to the general economy

Because of the poor economic environment, the German IT market contracted by – 2.6 % (2008: + 3.4 %); this impacted the hardware, software and IT services segments. The software segment, relevant for PSI, underperformed the general market at – 3.2 %, after having recorded 4.8 % growth in 2008.

2009: German economy in the worst recession since WWII

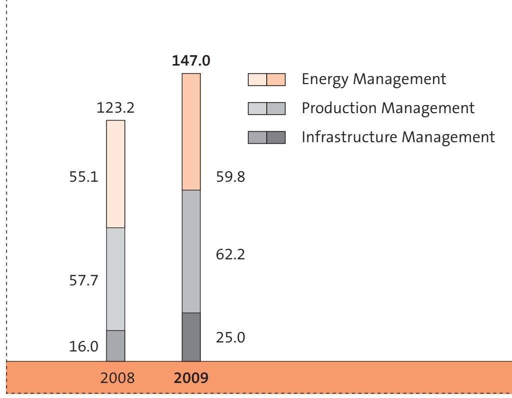
The German economy contracted in 2009 at the highest rate in the post-war era. The gross domestic product dropped by – 5 %, down from moderate 1.3 % growth in 2008. Capital expenditure in other assets, including computer software and copyrights, increased by 5 %, less than the previous year's 5.3 % rise.

The manufacturing industry recorded – 16.9 % in gross value added in 2009 (2008: + 0.2 %). The global steel industry, to which PSI is a major software provider, declined again in 2009. Global raw steel production dropped – 8 % (2008: – 1.5 %).

PSI holds steady in turbulent times

The PSI Group maintained its positive momentum despite the turbulent markets, posting double-digit growth in revenues, operating results and Group earnings. Incoming orders remained approximately at last year's level of EUR 150 million, despite the challenging economy; the order backlog was slightly down at EUR 97 million.

Revenue growth in all segments in EUR million



Particularly clients in the Production Management segment invested in 2009 with a view to making industrial value added processes more efficient, optimizing inventory and shortening throughput times. All of these factors directly impact competitiveness.

Of advantage to the PSI Group is that its process control solutions are directly tailored to efficient value creation processes. This helps clients quickly realize the benefits, especially in economically tough times. Pursuant to its plan, PSI has made counter-cyclical investments in expanding its market position, enhancing its export structures and converging its technology platforms.

Group structure as of December 31, 2009

Energy Management	
PSI AG Electric energy Gas/Oil	
Nentec GmbH	100 %
PSI Energy Markets GmbH	100 %
PSI CNI GmbH	100 %
OOO PSI Energo (Russia)	24.9 %
caplog-x GmbH	25 %

Production Management	
PSI Production GmbH	100 %
PSIPENTA GmbH	100 %
PSI BT GmbH	100 %
PSI Information Technology Co. Ltd. (China)	100 %
AIS Group	100 %
4Production AG	100 %
PSI Logistics GmbH	100 %
PSI AG (Switzerland)	100 %
FLS GmbH	100 %
OOO PSI (Russia)	100 %

Infrastructure Management	
PSI Transcom GmbH	100 %
PSI Produkty i Systemy Informatyczne Sp. z o.o. (Poland)	100 %
inControl Tech-Gruppe	100 %
Cellls GmbH	100 %

International presence and locations worldwide

The inControl Tech Group, which PSI acquired via purchase and contribution agreement of May 27, 2009, is a specialist provider of control systems and automation technology for energy supply, infrastructure and industry. The company is on a growth track with 150 employees and offices in Malaysia, Thailand, Bahrain and India.

Per purchase agreement of August 26, 2009, PSI acquired the AIS Group to reinforce its global market position in the metals industry. It now stands as an international leader in production management and software. AIS has offices in Austria, Belgium, Russia, South America and India. Worldwide, clients in more than 60 locations and 25 countries use AIS solutions for the steel industry.

Both acquisitions have boosted international business. PSI has continued to strengthen its client base in exports with orders in central and eastern Europe, South America, the Middle East, Russia, China and Southeast Asia.

As at January 31, 2009, PSI CNI GmbH was merged into PSI AG, thereby streamlining the PSI Group's structure. In February 2009 PSI acquired a 25 % stake in caplog-x GmbH headquartered in Leipzig. caplog-x is a new company for energy data management on the deregulated gas market and is owned by VNG-Erdgascommerz GmbH, trac-x GmbH and PSI AG.

The structure of the PSI Group changed through these acquisitions along with the incorporation in late 2009 of Cellls GmbH to develop, market and sell push-to-talk and positioning services on the telecommunications market. The AIS Group is part of Production Management, while inControl Tech Group and Cellls GmbH are active in Infrastructure Management.

PSI*mining* is a new product developed under a global marketing partnership with RAG Mining Solutions GmbH. A central control system for mining automation, it was unveiled to the general public in November at the China Coal & Mining Expo in Beijing.

In its fortieth year, the PSI Group surpassed its own 2009 targets of EUR 140 million in revenues and EUR 7.5 million in operating results despite the difficult economic environment.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Earnings

Consolidated revenue up

Consolidated revenue for 2009 came in at EUR 147 million, surpassing last year's figure of EUR 128.9 million by 14 %. The two new subsidiaries accounted for EUR 15 million in revenues. Infrastructure Management posted the biggest gain, though Energy Management and Production Management also generated significant revenue. Revenue per employee, measured by the average number of Group employees, declined from EUR 117,000 to EUR 108,000, primarily due to the higher international share of revenues.

Ratio of purchased services lower

Expenditure on acquired goods and services increased by EUR 6.3 million to EUR 28.5 million, particularly due to higher costs of goods purchased for Infrastructure Management and Energy Management. While expenditure for purchased services grew by just EUR 0.6 million, project-related purchases of hardware and licenses were up by EUR 5.7 million. Personnel expenses rose 11 % to EUR 83.6 million as result of increasing capacity and both acquisitions.

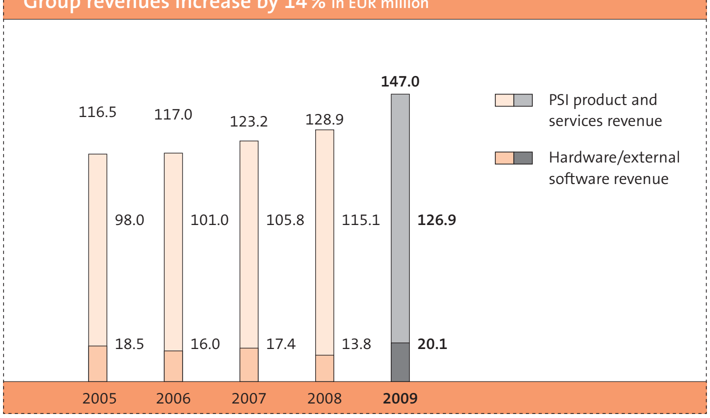
Consolidated net profit up significantly

The Group's operating result improved by 26 % from EUR 6.2 million for the previous year to EUR 7.8 million. Consolidated net profit rose 61 % to EUR 6.6 million for the year under review from a previous EUR 4.1 million. Earnings per share grew from EUR 0.34 to EUR 0.46. The electrical energy, gas and oil segments, the metals and manufacturing industry along with inControl Tech Group contributed in particular to this outcome.

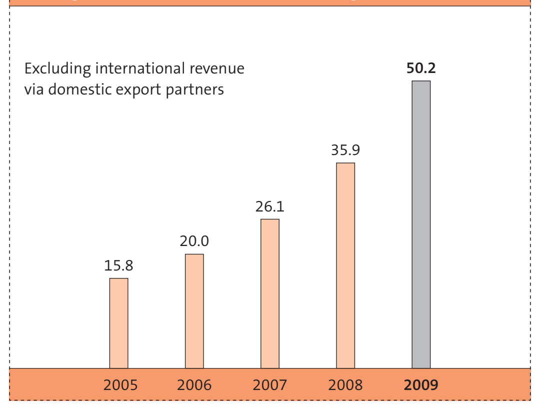
Incoming orders remain stable

In 2009 incoming orders were EUR 150 million, largely unchanged from 2008's figure of EUR 152 million. The orders backlog finished the year at EUR 97 million versus EUR 101 from the prior year.

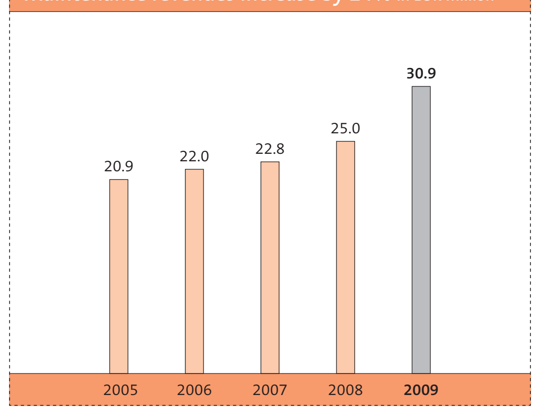
Group revenues increase by 14 % in EUR million



Foreign share in sales continues to grow in EUR million



Maintenance revenues increase by 24 % in EUR million



Exports up again as percentage of total revenue

Revenues generated outside Germany rose from EUR 35.9 million to EUR 50.2 million pursuant to the acquisitions and the high number of export orders received in 2008. Exports thus increased from 28 % to 34 % of total. International orders increased from 32 % last year to 33 % of total orders. Maintenance revenue rose from EUR 25 million to EUR 30.9 million.

Production Management was again the main sales engine in 2009. It generated 42 % of revenues (2008: 45 %). Energy Management contributed 41 % as compared to a previous 43 %, while Infrastructure Management accounted for 17 %, up from 12 %. Infrastructure Management includes the revenues from inControl Tech Group.

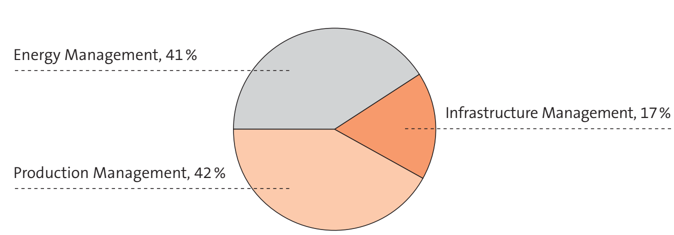
Energy Management segment increases revenues and earnings

In 2009 Energy Management generated fewer large orders, particularly in exports. Regular client business only partly compensated for this reduction. Even so, revenues increased by 8 % to EUR 59.8 million due to a very high order backlog. The segment encompasses electrical energy, gas, oil, heat, water and energy trading. Despite continued investments in the export business, the operating result rose year-on-year from EUR 3.6 million to EUR 4.3 million. Electrical Energy completed a number of large projects. Gas and oil continued its strong performance seen in recent years, booking orders from German gas providers and attracting new international oil customers. Energy trading systems, which remained under pressure in 2009 from expenditure in the development of the newly integrated electricity and gas trading system, improved its earnings again.

Production Management generates higher revenues

Production Management posted 8 % higher revenue in 2009 of EUR 62.2 million. Incoming orders were higher than the previous year despite the tough market. PSI develops solutions for production and logistics planning and controls in this segment. The segment's operating result dropped from EUR 2.7 million for the previous year to EUR 2.1 million. This was primarily due to depreciation/amortization from the allocation of the purchase price for the AIS Group, which is part of this segment. PSI BT, which specializes in the steel industry, posted steady earnings despite a lower number of international orders. ERP software provider PSIPENTA acquired a number of major clients, generating positive earnings once again in a very difficult environment. FLS and 4Production, which were acquired in 2008, were further integrated into the Group. They continued to enhance their good results from the prior year, as did PSI Production.

Revenue allocation by segment



Infrastructure Management generates significant growth

At EUR 25 million, Infrastructure Management had 56 % higher revenues in 2009. This was primarily due to the acquisition of inControl Tech Group. The operating result rose sharply from EUR 0.5 million in 2008 to EUR 2.2 million, although it included the depreciation/amortization from the allocation of the purchase price for inControl Tech Group. PSI Poland, along with inControl Tech, contributed to the segment's higher earnings.

Financial position

PSI conducts monthly liquidity planning to ensure the coverage of operational and capital expenditure. A rolling monthly risk management forecast is performed for all companies with a planning horizon of twelve months. This serves to minimize bank borrowing by individual Group companies and optimizes interest income on fixed term deposits.

Predominant financing through operating business

PSI capital expenditure goes mainly to product optimization and further internationalization of the Group. Both are to be financed as far as possible from the operating business. PSI focuses on major pilot customers and dependable partnerships for the development of new products and functionalities.

As at December 31, 2009, PSI had guarantee and credit lines of EUR 87.9 million to finance ongoing business. Utilization almost exclusively concerned the guarantee credit line, amounting to EUR 42 million on the balance sheet date. The Group was in a position to fulfill its payment obligations at all times in fiscal 2009.

PSI AG implemented a cash capital increase on May 20, 2009 and a capital increase from authorized capital against non-cash contributions on June 8, 2009. The shares for the cash capital increase were subscribed and acquired by RWE Energy AG; the shares from the non-cash capital increase were subscribed to and acquired by the contributor Jubilee System Sdn Bdh which transferred its Malaysian subsidiary – inControl Tech Sdn Bhd. The cash inflow of EUR 9.1 million from the cash capital increase financed part of the acquisition of AIS Group.

Cash flow from operating activities remained positive in 2009

Cash flow from operating activities decreased to EUR 4.4 million from EUR 9.9 million in the prior year. This was caused in particular by a project-related working capital increase. Changes in working capital stem mainly from fluctuations between project phases, in which advance payments from customers are greater than the services performed, and project phases, in which the services performed are greater than the customer payments already received.

Cash flow from investment activities was negative at EUR –15.9 million, due in large to the acquisition of the AIS Group. In 2008, it was EUR –4.5 million due to the acquisition of FLS and 4Production.

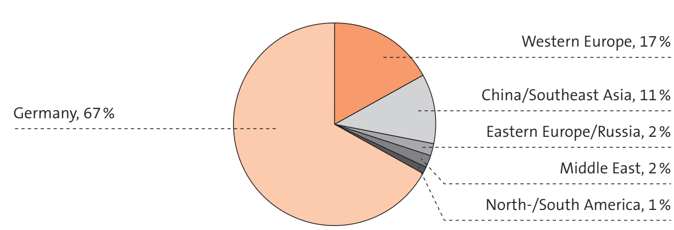
Cash flow from financing activities grew following the cash capital increase to EUR 8.6 million; the prior year's level was EUR –0.7 million due to the acquisition of own shares. As at year end, cash and cash equivalents dropped from EUR 23.7 million to EUR 20.8 million.

Assets

Assets structure: Goodwill increases through acquisitions

In 2009, the PSI Group invested EUR 18.9 million cash in intangible assets and property, plant and equipment, after EUR 6.5 million in the previous year. Capital expenditure represents intangible assets and plant, property and equipment acquired from third parties. Software developed by the Group and acquired know-how, with the exception of PSI*gantt* developed by PSI Poland, were recorded as ongoing expenses. PSI*gantt* is a software module that visualizes Gantt diagrams, useful in various PSI Group products.

Export share in new orders at 33 %



In 2009, through both acquisitions, the carrying amount of goodwill increased by EUR 27.8 million to EUR 43.9 million.

Balance sheet structure:
Equity ratio rises to over 40 %

The PSI Group's total assets rose in 2009 by 51 % to EUR 154.7 million.

On the assets side, non-current assets were up from EUR 29 million to EUR 61.2 million, due in large to the goodwill increase following the acquisitions. Current assets were up from EUR 73.6 million to EUR 93.5 million. Cash and cash equivalents dropped by EUR 2.9 million, while trade receivables grew by EUR 10.5 million and receivables from long-term contract manufacturing rose by EUR 10.1 million.

On the liabilities side, current liabilities grew from EUR 40.1 million to EUR 55.2 million, primarily due to the EUR 5 million increase in trade payables and other liabilities of EUR 5 million. Non-current liabilities were up from EUR 28.8 million to EUR 33.3 million. Equity rose from EUR 33.7 million to EUR 66.3 million following both capital increases and the Group's net profit. This increased the equity ratio to 43 %.

Overall assessment of the results of operations, financial position and net assets

Results of operations, financial position and net assets improved for the PSI Group in fiscal year 2009. Earnings developed particularly well. For 2010, management expects higher earnings and a positive cash flow. The Group thus remains well-positioned financially to realize the envisioned growth objectives.

RESEARCH AND DEVELOPMENT

Innovative products and maintaining technological leadership are key competitive advantages in the software market. The development of new products is thus extremely important for the PSI Group. Offering products with cutting-edge functionalities is just as critical to business success as the use of joint development platforms and sharing new functionalities within the Group.

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

The implementation of the group-wide platform strategy is a central focus of development activities. PSI thus established a corporation-wide development community designed to promote sharing software components within the Group and product platform convergence. Convergence promotes further export growth and the use of core products across all business units. It also allows for lower development costs.

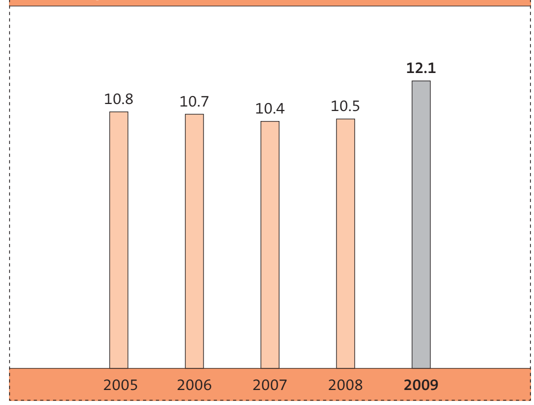
In parallel with platform convergence and internal technology transfer, the Group continually develops new products, product expansions and product versions. The effectiveness is evaluated by pilot projects and market acceptance monitoring.

At EUR 12.1 million, PSI Group's R&D expenditure in 2009 was above the previous year's figure of EUR 10.5 million. This does not include any relevant purchased services.

The primary R&D objectives were:

- the functional expansion of control systems for the management of high and medium voltage grids on the Asian market
- the new electricity and gas energy trading system
- technological integration of production software for steel manufacturing
- new PSI*penta* industry functions for mechanical and plant construction
- a new control system for mining automation
- expansion of the depot management systems to include planning and operational optimization functions
- new mobile communication systems for push-to-talk, message routing and telematics applications
- the group-wide standardization of user interfaces, Gantt diagrams and system components.

R&D expenditures increase in EUR million



The new product PSI*mining*, a central control system for mining automation, was successfully implemented for a pilot customer; marketing efforts began in November 2009. The new product PSI*ptt* (push-to-talk – mobile conference calling via mobile communication networks) is being used by multiple pilot customers from various industries.

In Energy Management, the PSI Group has experienced greater international demand in recent years for control systems and more requests for functions related to the increased use of renewable energy sources. Accordingly, the PSI Group has invested more heavily in the expansion of international business, foreign-language versions of its products and the development of new functions.

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

The findings of the projects will be implemented under the cooperation/consortium agreements as concluded among the participants of the respective research association. The funding covers approximately 40 % to 50 % of personnel and non-labor costs that the PSI Group incurs for its research projects. The provider of development funds is continually updated as to the use of the funds and the project status. In 2009, the PSI Group received a total of EUR 0.9 million in public subsidies.

EMPLOYEES

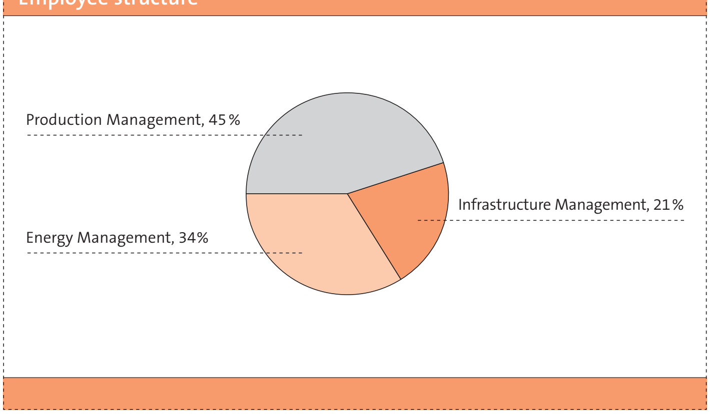
For a specialized software provider like PSI, having highly qualified and motivated staff members provides a critical competitive advantage. For this reason, the PSI Group has for many years employed a high percentage of university graduates with specialist industry knowledge. The number of employees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

Human resources development and employee qualification are key to the functionality and innovative character of PSI's products. The focus was again on specialist training of new employees at international locations and locations in Germany as well as qualification of employees for an internationalized Group.

In terms of employee education, PST emphasizes collaboration on customer projects and training sessions on special topics. Standardization and knowledge transfer within the Group were further advanced through Group-wide working groups on technology, infrastructure, maintenance, quality management, controlling and marketing.

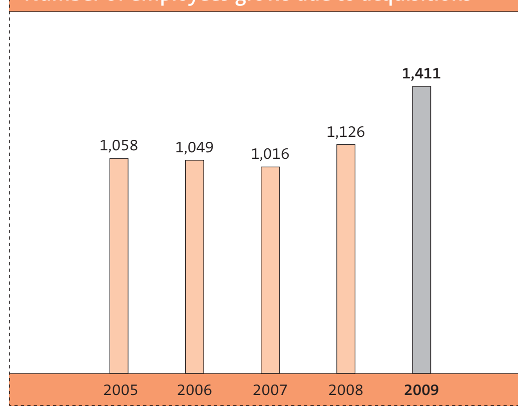
A special feature of PSI is the high number of PSI shares held by employees. A large number of employees formed a consortium after PSI AG's IPO. The consortium's primary goals include coordinating unanimous votes of those employee shareholders participating in the Annual General Meeting and the long-term stabilization of the PSI share price. The employee consortium has 10.6 % voting rights, 4.09 % of which were pooled, as at last notification.

Employee structure



Higher staff costs in EUR million

Number of employees grows due to acquisitions



The workforce increased in size by 285 in 2009 to 1,411 employees. 230 of these came from the two PSI acquisitions, in addition to hiring for Energy Management and Production Management. Energy Management numbered 482 employees, Production Management 633, and Infrastructure Management 296.

At EUR 83.6 million, personnel expenditures were up 11 % versus the previous year's figure of EUR 75.3 million, thus rising somewhat below the level of revenue. With increasing direct service providing in export regions Southeast Asia, China, Poland and Russia, average per-personnel expenditures are close to the industry average.

LEGAL DISCLOSURES

Disclosures under Article 315(4) HGB

PSI AG's subscribed capital was increased in 2009 by the issue of 3,797,366 shares. As at December 31, 2009 it totaled EUR 40,185,256.96, consisting of 15,697,366 no-par value shares with a notional par value of EUR 2.56. Each share entitles its holder to one vote. Shareholders exercise their voting rights at the Annual General Meeting in accordance with applicable law and the Articles of Association. There are no restrictions with respect to voting rights or the disposal of shares.

In fiscal year 2009, the consortium of current and former employee shareholders of PSI AG held 10.61 % of voting rights in capital of PSI AG. The consortium's representatives are Mr. Paul G. Söhnchen and Mr. Eberhardt Amrhein, both from Germany. Voting rights attributable to individual consortium members are determined on the basis of the consortium articles.

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

Kajo Neukirchen GmbH held a 21.68 % stake in PSI AG in the 2009 fiscal year. Kajo Neukirchen GmbH, according to information of PSI AG, is a holding company wholly owned by Dr. Karl-Josef Neukirchen. The company is not aware of the purpose of Dr. Karl-Josef Neukirchen's stake in PSI AG.

PSI has authorized capital of EUR 5.8 million, per an Annual General Meeting resolution on May 19, 2005, that will expire on May 18, 2010. This resolution authorizes the Board of Directors to increase the company's share capital against cash or non-cash contributions upon approval of the Supervisory Board and without further resolution at the Annual General Meeting. It can be used in particular to finance corporate acquisitions.

Through April 27, 2014, PSI AG has contingent capital in the amount of EUR 15.2 million. This is intended for convertible bonds and bonds with warrants as well as profit participation certificates, which the company was authorized to issue for a total par value of up to EUR 120 million at the Annual General Meeting on April 28, 2009. To date, the company has not exercised this authority.

PSI AG's Board of Directors was authorized by the Annual General Meeting on April 28, 2009, to acquire and sell its own shares to an amount up to 10 % of subscribed capital as at the date of the authorizing resolution. This authorization applies up to October 27, 2010. Based on the share capital from that date, the company is authorized to buy back up to 1,190,000 shares.

In accordance with Article 8 of the Articles of Association, the Supervisory Board appoints the members of the Board of Directors and determines their number. All other details of appointment and termination are regulated by Articles 84f. German Stock Corporation Act.

In accordance with Article 11 of the Articles of Association, the Supervisory Board is authorized to make changes and amendments to Articles of Association relating only to its version. Otherwise, the Articles of Association may be amended by the Annual General Meeting with a three-quarters majority of voting share capital present, in accordance with Article 179 German Stock Corporation Act.

Directors' remuneration

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

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

Each board member has an employment agreement that provides for a non-performance related remuneration in the amount of EUR 186,000 a year. It is paid in twelve equal monthly installments. Additionally, each board member is given a leased vehicle for business and personal use for the actual term of office.

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

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

Variable long-term remuneration, which may be paid out under certain conditions (also in the case of change of control) is linked to a long-term increase in PSI AG's market capitalization above a set amount. The requirements for the payment of these remuneration components have not yet been reached.

EVENTS AFTER THE BALANCE SHEET DATE

On January 21, 2010, all 3,797,366 shares from the capital increase in 2009 were approved for trading on the regulated market (Prime Standard) on the Frankfurt Stock Exchange.

RISK REPORT

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

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

Description of the significant characteristics of the internal control and risk management system with regard to the consolidated financial statements (Article 289(5) and Article 315(2)(5) HGB).

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

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

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

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

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

- Market: insufficient incoming orders or order backlog
- Employees: too little availability of the necessary qualifications
- Liquidity: adverse payment conditions and inadequate credit lines
- Costs and income: deviation from projections, particularly in project execution and development.

Risk management policy governs

- Risk strategy: explicit principles for minimizing primary risks and general risk management guidelines
- Risk management organization: responsibilities on the various management levels and for the relevant controllers
- Risk recognition, control and monitoring: risk identification instruments and monitoring metrics
- Risk management system: use of Group-wide Professional Services Automation (PSA) solution.

Supplemental project risk management policies have been in place since 2005. These govern risk management in a project context, including the identification, documentation, analysis and evaluation of risks as well as planning, specifying and monitoring measures for minimizing project-related risks. In particular, this concerns measures for limiting project pre-financing.

The Professional Services Automation (PSA) solution, featuring an integrated Management Information System (MIS), is a standardized information and control instrument for all levels of the Group. Regular MIS reports, which are generally created monthly, provide risk parameter data on:

- Order situation and capacity utilization
- Liquidity planning
- Assets and financial situation
- Forecast of key economic factors
- Sales forecast and market changes
- Project controlling and contract management.

Risk and opportunity analysis

The PSI Group is exposed to a number of risks. These include normal risks of doing business, general economic risks, tax and finance risks as well as risks that can arise from the shareholder structure. In 2009, the risk profile changed particularly due to higher revenues, a higher portion of international business, a new shareholder structure and the negative economic situation.

Opportunities and risks by segment

In **Energy Management** PSI acquired new customers around the world, reducing its dependency on the German market. In the German-speaking home market, PSI consolidated its very good position with follow-up orders from existing customers. There is further growth potential worldwide, especially in eastern Europe and Asia following greater demand for reliable and efficient energy infrastructure. At the same time, the need for pre-financing and guarantees is increasing as our international business grows.

The political debate regarding the further deregulation of the European energy markets may create uncertainty on the part of market participants, leading to delays in capital expenditure. PSI would be sharply affected by market weakness of this sort, in view of a continuing high degree of dependency of the German market. On the other hand, the convergence of the electricity and gas markets in Europe, new cross-border grid structures for the use of renewable energy sources, innovative energy services and the trend toward intelligent transmission and distribution grids provide additional business potential for PSI, as capital expenditure will be necessary.

Large export projects involve inherent execution risk due to reliance on local partners, their level of experience, conflicting ideas of quality and standards, and even shifting customer policies in some cases. Partnerships concluded over the last two years increase our distribution reach, and thus sales opportunities for PSI products. Yet they also bring new dependencies.

In **Production Management,** PSI continued to expand its international business, particularly in metals. The acquisition of AIS Group and additional orders from China, France, the US, Brazil, Venezuela and Slovakia strengthened PSI's position as the world's leading specialized software provider in this area. The present decline in the global steel industry poses a risk for PSI, which has been counteracted with a stronger market position and lower dependency on the trends in specific regions. PSI additionally limits risk by concentrating on the regions that are less impacted by sluggish markets and on subsegments of the steel industry. Another risk lies mainly in persistent cultural differences with some countries in east Asia in terms of ideas of quality and brand protection.

Due to its customer base, Logistics and ERP are particularly hard hit by the negative economic situation. Incoming orders thus could suffer if the domestic economy becomes mired in a protracted slump. Therefore, in the logistics market, PSI has concentrated increasingly on solutions for complex situations, characterized by short amortization periods. PSI recently received orders in connection with major rationalization programs and garnered success on the Polish logistics market. In 2009, ERP subsidiary PSIPENTA acquired important new customers in less cyclical segments of industry such as special vehicle production and maintenance; it again recorded a positive result in a difficult economic environment.

PSI Production successfully concluded its first orders in mining automation in 2009 and, together with partner RAG Mining Solutions, began to market its PSI*mining* product. This new solution has outstanding export prospects, to China especially, though these too must be seen in the context of the costs and risks relating to market entry.

In **Infrastructure Management,** traffic and transport systems were stable, while PSI invested heavily in the telecommunications area, specifically in new mobile communications services such as conference calling and message routing. While these provide sales opportunities for PSI, marketing entails costs and risks. PSI Poland, which is part of Infrastructure Management, again developed well. It has proven valuable for pre-production and in 2009 received its first relevant order from the Polish energy industry.

The acquisition of inControl Tech Group, Malaysia, in mid-2009, has given PSI its own access to growth markets in Southeast Asia, India and the Middle East. PSI also has access to low-cost hardware and integration solutions. The use of a larger pool of highly qualified specialists in the region had reduced the cost of services and equipment. At the same time, there are new integration risks associated with the acquisition.

Opportunities and risks of internationalization

Internationalization plans were driven forward in 2009 with the acquisition of inControl Tech and AIS Group. This has reduced PSI's dependency on the German market and opened up new growth opportunities. However, this expansion involves additional risks through the integration of new subsidiaries into the Group and dependency on international partners, exchange rates and legal systems. Further expanding international activities diversifies opportunities and risks over a wider area.

Opportunities and risks of new products and technologies in 2009

PSI kept up investment in new product versions and expansions to heighten competitiveness. At the same time, product platforms and components are being merged in a PSI-wide convergence process so as to profit from volume production. PSI Group income and liquidity depends primarily on the market success of new products, and the mastering of newly developed technology.

Risks from the shareholder structure

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

Tax risks

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

PSI feels there is a very high risk that the acquisition and attribution of a total 28.60 % of voting rights in the company by Kajo Neukirchen GmbH, Eschborn, has caused a loss of up to 28.60 % of tax losses carried forward since January 1, 2009. The exclusion of the possibility to use the carry forward amounts could cause a higher tax burden on the company for the tax period starting from the fiscal year of the detrimental share acquisition.

Financial risks

PSI primarily uses trade receivables, liquid funds, liabilities to banks and guarantees as instruments to finance the operating business. The most important risks in this respect are default risk, liquidity risk and market value risk. Default and liquidity risks are managed using credit lines and control procedures.

For PSI, there is no concentration of default risk among individual contractual partners or groups thereof. The Group endeavors to have sufficient liquidity and credit lines to fulfill its obligations. The economic crisis has increased the risk of payment delays and defaults.

There is no appreciable exchange rate risk, as the PSI Group carries out its transactions predominantly in euro. The carrying amount of Group financial instruments not recognized on the balance sheet at market value is very close to the market value due to their short-term durations. Market value risk is thus minimal.

Employees

We are successful at recruiting qualified employees with sophisticated skills, integrating and retaining them at our company for a long time. Our fluctuation level is low. We will continue aligning our remuneration structure around performance and results. With the freezing of pension provisions at the end of 2006, all future benefits are defined, direct salary components.

Future risks

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

OUTLOOK

In 2010, conditions are also good for further profitable growth despite the difficult economic situation. In 2009, the PSI group booked EUR 150 million in incoming orders, more than revenue for the year. The orders backlog finished the year at EUR 97 million. The operating result of EUR 7.8 million came in above the estimate for the year. Despite the worst recession in decades, PSI made further gains in Energy and Production Management in both the domestic and international markets, seeing stable growth of our business because of our having realigned in recent years to concentrate on the fast-growing Asian and eastern European markets.

The German and European economies are expected to begin recovery in 2010. The economic outlook in China, Poland, the Czech Republic, Slovakia, Russia and the Southeast Asian „tiger nations“ is also positive. These economies in particular are the key export markets for our specialized solutions in the areas of utilities, manufacturing and transport infrastructure. We intend to continue to benefit with our new international subsidiaries, increasing our share of international business to 50 % over the next three years. Even with stagnation of the home markets of German-speaking Europe, we still expect our growth targets to be obtainable.

To achieve this end, we will continue pursuing our focus and internationalization strategy. We expect our new subsidiary in Malaysia to continue its dynamic momentum. We are targeting further growth in the new business segments we are entering in China, Poland and Russia starting in 2010.

Internationalization objectives include further increasing the product and the license share of revenues relative to domestic market sales. These efforts will be enhanced from 2010 by migrating our business units to the newly created, single product platform and further investing in the convergence of our technical basis. We will be systematically adding to the portfolio and further enhancing efficiency. In this manner we will lay the foundation for achieving double-digit earnings growth going forward.

Over the next two years, we anticipate further growth impetus in the counter-cyclical Energy Management segment by capital expenditure in intelligently managed grids. In Production Management, we were able to pick up market share and emerge from the crisis period stronger than before. In Infrastructure Management we expect growth impetus particularly from Southeast Asia, which we will benefit from by way of higher revenues and rising earnings. We want to increase consolidated revenue for 2010 to approximately EUR 160 million. Over the next three years, we plan to boost the operating margin to over 10 %; for 2010 our target is for an operating result of more than EUR 10 million. To achieve these targets, we will continue investing in the functionality of our products, the efficiency of our business processes, and the internationalization of our core business.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

40 Consolidated Balance Sheet
42 Consolidated Income Statement
43 Consolidated Cash Flow Statement
44 Consolidated Statement of Changes in Equity
46 Consolidated Segment Reporting
48 Statement of Changes in Fixed Assets
50 Notes to the Consolidated Financial Statements

Consolidated Balance Sheet

dated December 31, 2009 (IFRS)

ASSETS	Note	31.12.2009 EUR K	31.12.2008 EUR K
Non-current assets			
Property, plant and equipment	C. 1	9,344	8,002
Intangible assets	C. 1	48,585	18,658
Investments in associates	C. 2	359	0
Deferred tax assets	C. 14	2,904	2,373
		61,192	**29,033**
Current assets			
Inventories	C. 3	2,837	1,681
Trade receivables, net	C. 4	33,751	23,253
Receivables from long-term development contracts	C. 5	32,686	22,636
Other assets	C. 6	3,504	2,365
Cash and cash equivalents	C. 7	20,765	23,650
		93,543	**73,585**
		154,735	**102,618**

TOTAL EQUITY AND LIABILITES	Note	31.12.2009 EUR K	31.12.2008 EUR K
Shareholders' equity			
Subscribed capital	C. 8	40,185	30,464
Capital reserves	C. 8	35,244	31,642
Reserve for Treasury stock		0	−26
Other reserves	C. 8	−1,589	275
Accumulated losses		−7,551	−28,632
		66,289	**33,723**
Non-current liabilities			
Non-current loans	C. 10	843	0
Pension provisions	C. 9	30,096	26,653
Deferred tax liabilities	C. 14	2,314	2,164
		33,253	**28,817**
Current liabilities			
Trade payables		14,610	9,558
Other liabilities	C. 13	23,147	18,113
Liabilities from long-term development contracts	C. 5	15,398	11,126
Financial liabilities	C. 11	1,561	341
Provisions	C. 12	477	940
		55,193	**40,078**
		154,735	**102,618**

Consolidated Income Statement

for the period January 1 to December 31, 2009 (IFRS)

	Note	2009 EUR K	2008 EUR K
Revenues	D. 15	146,985	128,851
Other operating income		3,590	2,449
Increase/decrease in inventories and work in progress		71	−48
Cost of materials	D. 16	−28,487	−22,142
Personnel expenses	D. 17	−83,628	−75,331
Depreciation and amortization	D. 18	−3,631	−2,638
Other operating expenses	D. 19	−27,086	−24,911
Operating result		**7,814**	**6,230**
Interest income		607	682
Interest expense		−1,758	−1,632
Income from investments in associates		282	0
Earnings before taxes		**6,945**	**5,280**
Taxes on income	C. 14	−342	−1,140
Consolidated net profit		**6,603**	**4,140**
Group earnings per share (basic and diluted)	D. 20	0.46	0.34
Average shares outstanding (thousand)	D. 20	14,201	12,082

Consolidated Cash Flow Statement

for the period January 1 to December 31, 2009 (IFRS)

	2009 EUR K	2008 EUR K
1. Cash flow from operating activities		
Consolidated net loss before tax	**6,945**	**5,280**
Adjustment for non-cash expenses		
Amortization of intangible assets	1,758	992
Depreciation of property, plant and equipment	1,873	1,617
Losses from the disposal of assets	28	33
Interest income	−437	−682
Interest expense	1,759	1,632
Other non-cash income/expenses	−166	−148
	11,760	**8,724**
Change in working capital		
Changes in inventories	2,260	712
Changes in trade receivables	−10,198	−4,225
Changes in other assets	−824	1,136
Changes in provisions	−1,503	−1,286
Changes in trade payables	2,291	−12
Changes in other liabilities	1,269	5,705
	5,055	**10,754**
Interest paid	−161	−90
Income taxes paid	−493	−771
	4,401	**9,893**
2. Cash flow from investment activities		
Additions to intangible assets	−477	−338
Additions to property, plant and equipment	−2,394	−1,792
Additions to financial assets	−77	0
Additions to investments in subsidiaries, minus cash acquired	−13,350	−3,098
Disposals of financial assets	0	20
Interest received	429	682
	−15,869	**−4,526**
3. Cash flow from financing activities		
Change in subscribed capital	3,046	
Changes in capital reserves	6,001	
Outflows for share buybacks	−1	−701
Inflows from current financial liabilities incurred	−463	36
	8,583	**−665**
4. Cash and cash equivalents at end of period		
Change in cash and cash equivalents	−2,885	4,702
Cash and cash equivalents at beginning of period	23,650	18,948
Cash and cash equivalents at end of period	**20,765**	**23,650**

Consolidated Statement of Changes in Equity

dated December 31, 2009 (IFRS)

	Subscribed capital EUR K	Capital reserves EUR K	Retained earnings EUR K
Note	C. 8	C. 8	
Balance at December 31, 2007	**31,009**	**31,772**	**0**
Consolidated net profit			
Other earnings after taxes			
Total Group earnings after taxes	0	0	0
Share buybacks			
Share withdrawal	−545	−130	
Total capital transactions	−545	−130	0
Balance at December 31, 2008	**30,464**	**31,642**	**0**
Consolidated net profit			
Other earnings after taxes			
Total group earnings after taxes	0	0	0
Cash capital increase	3,046	6,001	
Capital increase against non-cash contributions	6,675	12,079	
Share buybacks			
Share sales			
Total capital transactions	9,721	18,080	0
Set-off of capital reserves against accumulated losses		−14,478	
Balance at 31 December 2009	**40,185**	**35,244**	**0**

Reserve for Treasury stock EUR K	Other reserves EUR K	Accumulated losses EUR K	Total EUR K
	C. 8		
0	**−582**	**−32,772**	**29,427**
		4,140	4,140
	857		857
0	857	4,140	4,997
−701			−701
675			0
−26	0	0	−701
−26	**275**	**−28,632**	**33,723**
		6,603	6,603
	−1,864		−1,864
0	−1,864	6,603	4,739
			9,047
			18,754
−1			−1
27			27
26	0	0	27,827
		14,478	0
0	**−1,589**	**−7,551**	**66,289**

Consolidated segment reporting

2009 and 2008 (IFRS)

	Energy Management		Production Management	
	31.12.2009 EUR K	31.12.2008 EUR K	31.12.2009 EUR K	31.12.2008 EUR K
REVENUES				
External revenue	59,791	55,124	62,213	57,706
Inter-segment revenue	1,117	1,153	2,347	2,029
Total revenue	**60,908**	**56,277**	**64,560**	**59,735**
Other income	4,522	4,344	4,240	3,793
Changes in finished goods and work in progress	0	0	71	−48
Cost of purchased services	−2,151	−3,441	−6,756	−6,091
Costs of purchased goods	−9,318	−6,650	−2,340	−3,105
Personnel expenses	−35,613	−32,795	−38,855	−34,679
Depreciation and amortization	−1,242	−1,248	−907	−877
Other operating expenses	−12,704	−12,744	−17,401	−15,948
Segment operating result before depreciation/amortization	**5,644**	**4,991**	**3,519**	**3,657**
Segment operating result before depreciation/ amortization resulting from purchase price allocation	**4,402**	**3,743**	**2,612**	**2,780**
Amortization/depreciation resulting from purchase price allocation	−130	−130	−555	−53
Segment-operating result	**4,272**	**3,613**	**2,057**	**2,727**
Financial result	−350	−659	−517	−346
Segment result	**3,922**	**2,954**	**1,540**	**2,381**
Investments in associates carried at-equity	**359**	**0**	**0**	**0**
SEGMENT ASSETS	**45,757**	**42,801**	**60,076**	**46,400**
SEGMENT LIABILITIES	**22,582**	**19,348**	**37,682**	**30,135**
SEGMENT INVESTMENTS	**903**	**669**	**15,588**	**5,092**

[1] Thereof acquisition by issuing shares EUR 16,034k.

Infrastructure Management		Reconciliation		PSI Group	
31.12.2009 EUR K	31.12.2008 EUR K	31.12.2009 EUR K	31.12.2008 EUR K	31.12.2009 EUR K	31.12.2008 EUR K
24,981	16,021	0	0	146,985	128,851
1,760	1,368	−5,224	−4,550	0	0
26,741	**17,389**	**−5,224**	**−4,550**	**146,985**	**128,851**
1,180	613	−6,352	−6,301	3,590	2,449
0	0	0	0	71	−48
−3,301	−2,287	1,977	2,197	−10,231	−9,622
−8,104	−3,657	1,506	892	−18,256	−12,520
−9,098	−7,553	−62	−304	−83,628	−75,331
−461	−290	−39	−40	−2,649	−2,455
−4,508	−3,730	7,527	7,511	−27,086	−24,911
2,910	**775**	**−628**	**−555**	**11,445**	**8,868**
2,449	**485**	**−667**	**−595**	**8,796**	**6,413**
−297	0	0	0	−982	−183
2,152	**485**	**−667**	**−595**	**7,814**	**6,230**
−2	55	0	0	−869	−950
2,150	**540**	**−667**	**−595**	**6,945**	**5,280**
0	**0**	**0**	**0**	**359**	**0**
40,069	**11,186**	**5,929**	**−142**	**151,831**	**100,245**
17,711	**10,344**	**7,670**	**6,602**	**85,645**	**66,429**
17,311 [1)]	**165**	**1,127**	**601**	**34,929**	**6,527**

Statement of changes in fixed assets (IFRS)

for the period January 1 to December 31, 2008 (IFRS)

2008	Costs of acquisition/production			
	1.1.2008 EUR K	Additions through corporate acquisitions EUR K	Additions EUR K	Disposals EUR K
Intangible assets				
Other intangible assets	9,812	1,036	338	1,540
Goodwill	15,174	3,253	0	0
Capitalized software development costs	1,696	0	0	0
	26,682	**4,289**	**338**	**1,540**
Property, plant and equipment				
Land and buildings	12,490	0	300	30
Computers and equipment	9,031	70	1,129	1,360
Operating and office equipment	4,771	38	363	742
	26,292	**108**	**1,792**	**2,132**
	52,974	**4,397**	**2,130**	**3,672**

Statement of changes in fixed assets (IFRS)

for the period January 1 to December 31, 2009 (IFRS)

2009	Costs of acquisition/production			
	1.1.2009 EUR K	Additions through corporate acquisitions EUR K	Additions EUR K	Disposals EUR K
Intangible assets				
Other intangible assets	9,646	3,454	248	0
Goodwill	18,427	27,755	0	0
Capitalized software development costs	1,696	0	228	0
	29,769	**31,209**	**476**	**0**
Property, plant and equipment				
Land and buildings	12,760	214	714	0
Computers and equipment	8,870	141	1,240	391
Operating and office equipment	4,430	493	442	209
	26,060	**848**	**2,396**	**600**
Financial assets				
Investments in associates	0	0	359	0
	0	**0**	**359**	**0**
	55,829	**32,057**	**3,231**	**600**

	Accumulated amortization/depreciation				Net carrying amount	
31.12.2008 EUR K	1.1.2008 EUR K	Additions EUR K	Disposals EUR K	31.12.2008 EUR K	31.12.2008 EUR K	31.12.2007 EUR K
9,646	7,698	992	1,533	7,157	2,489	2,114
18,427	2,258	0	0	2,258	16,169	12,916
1,696	1,696	0	0	1,696	0	0
29,769	**11,652**	**992**	**1,533**	**11,111**	**18,658**	**15,030**
12,760	6,790	397	30	7,157	5,603	5,700
8,870	7,662	951	1,353	7,260	1,610	1,369
4,430	4,095	269	723	3,641	789	676
26,060	**18,547**	**1,617**	**2,106**	**18,058**	**8,002**	**7,745**
55,829	**30,199**	**2,609**	**3,639**	**29,169**	**26,660**	**22,775**

	Accumulated amortization/depreciation				Net carrying amount	
31.12.2009 EUR K	1.1.2009 EUR K	Additions EUR K	Disposals EUR K	31.12.2009 EUR K	31.12.2009 EUR K	31.12.2008 EUR K
13,348	7,157	1,758	0	8,915	4,433	2,489
46,182	2,258	0	0	2,258	43,924	16,169
1,924	1,696	0	0	1,696	228	0
61,454	**11,111**	**1,758**	**0**	**12,869**	**48,585**	**18,658**
13,688	7,157	438	0	7,595	6,093	5,603
9,860	7,260	1,051	390	7,921	1,939	1,610
5,156	3,641	384	181	3,844	1,312	789
28,704	**18,058**	**1,873**	**571**	**19,360**	**9,344**	**8,002**
359	0	0	0	0	359	0
359	**0**	**0**	**0**	**0**	**359**	**0**
90,517	**29,169**	**3,631**	**571**	**32,229**	**58,288**	**26,660**

Notes to the Consolidated Financial Statements

PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie, Berlin, as of December 31, 2009

A. GENERAL COMPANY INFORMATION

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

The Board of Directors prepared the consolidated financial statements dated December 31, 2009 and the Consolidated Management Report for the 2009 financial year dated February 15, 2010, submitting these to the Supervisory Board for approval on February 18, 2009.

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

The PSI Group is organized into three main business area (segments): Energy Management, Production Management and Infrastructure Management. See section F. regarding changes to segment reporting.

The company is listed in the Prime Standard of the German Stock Exchange (Deutsche Börse AG) in Frankfurt.

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

Reporting principles

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

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

Changes in accounting and valuation principles

The same accounting and valuation principles were applied as last year. The PSI Group has applied the new and revised standards obligatory for financial years starting on or after January 1, 2009, listed below.

- Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements under IFRS* took effect January 1, 2009.
- Amendments to IFRS 7 *Financial Instruments: Disclosures* took effect January 1, 2009
- IAS 1 *Presentation of Financial Statements* took effect January 1, 2009
- IAS 23 *Borrowing Costs (amended)* took effect January 1, 2009

- IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – puttable financial instruments and obligations arising on liquidation* took effect on January 1, 2009
- IAS 39 Financial instruments: *Recognition and Measurement: qualifying exposures* took effect July 1, 2009 (applied early)
- IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* are first to be used for financial years ending on or after June 30, 2009
- IFRIC 13 *Customer Loyalty Programs* took effect on July 1, 2008
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* took effect on October 1, 2008
- IFRIC 18 *Transfer of Assets from Customers* took effect on July 1, 2009
- *Improvements to IFRS 2008* collective standard on various IFRSs.

If the application of a standard or interpretation has an effect on the Group's net assets, financial position or results of operations, these are reported below in more detail:

IAS 1 Presentation of financial statements (amended)

This amended standard was announced in September 2007 and is applicable for the first time starting with fiscal years beginning on or after January 1, 2009. The standard requires separate presentation of changes in equity resulting from transactions with shareholders in their capacity as investors as well as other changes in equity. The statement of changes in shareholders' equity is to break down all relevant details concerning transactions with shareholders, while all other changes in equity are to be presented in a single line. The standard also introduces the presentation of comprehensive income for the period, in which all income items are either presented in a single schedule or in two related schedules. The Group has decided to present it in two separate schedules.

Effects of new accounting standards not yet applicable

The PSI Group did not opt for early application of the following IAS/IFRS rules and interpretations becoming mandatory next fiscal year:

IFRS 3 Business Combinations (amended) and IAS 27 Consolidated and Separate Financial Statements (amended)
took effect on July 1, 2009.

IFRS 9 Financial Instruments

This standard was published by IASB in November 2009 and represents the first of a total three phases for the complete replacement of IAS 39. As each phase is completed, the relevant content is taken from IAS 39 and inserted into IFRS 9. The first phase leads to a fundamental change in the regulations about categorizing and assessing financial instruments. Its content relates solely to financial assets. IAS 39 is scheduled for total replacement in the second half of 2010. IFRS 9 is mandatory for fiscal years starting on or after January 1, 2013. It has yet to be adopted under European law. The application of the new standard will lead to changes in the presentation and accounting for financial instruments.

Improvements to IFRS 2009 collective standard on various IFRSs

In April 2009, the IASB issued a first-ever collective standard amending various different IFRS standards in a move designed primarily to eliminate inconsistencies and clarify wording. The transitional regulations are given for each amended standard. Amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are to be used for the first time in the financial year that begins on or after July 1, 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 17, IAS 36 and IAS 39 (with the exception of par. 80) are to be used for the financial year beginning from January 1, 2010. Amendments to IAS 39.80 are to be used for the first time in the financial year that begins on or after January 1, 2009. Early adoption of certain amendments is allowed, unless the interim regulations specifically prescribe otherwise.

Important judgments and estimates

In applying accounting principles, management has made no discretionary judgments having a material effect on the amounts presented in the financial statements. The most important forward-looking assumptions, and any material causes of uncertainty concerning estimates as of the reporting date, involving a considerable risk of substantial restatement of the carrying amounts of assets or liabilities in the next reporting period, are presented below.

Impairment of non-current assets

The PSI Group tests for the impairment of non-current assets on an annual basis, in line with IAS 36. Impairment testing is based on future cash flows generated by individual assets or groups of assets combined into cash-generating units. Goodwill reported by the PSI Group is a significant non-current asset subject to annual impairment testing. See note C. 1 for further details regarding impairment testing. The carrying amount of goodwill as per the impairment test as of December 31, 2009 was EUR 17,966k (previous year: EUR 16,169k), not including goodwill gained through acquisitions.

Project accounting

The PSI Group realizes revenue based on estimated project performance. Performance estimates are made based on an estimated hourly volume or contractual milestones, and are updated continually. See Note C. 5 for further information on realized project revenue not yet invoiced. At December 31, 2009 realized income from ongoing projects totaled EUR 16,274k (previous year: EUR 6,006k).

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses and temporary accounting differences to the extent likely or that there are objective indications that taxable income will be generated so that the losses can actually be used. Significant deferred tax assets have furthermore been recognized in the 2005 to 2008 fiscal years due to internal restructuring (asset deals). Determination of the amount of the deferred tax assets requires an estimate to be made by corporate management based on the expected date of accrual and the amount of the income to be taxed in future, in view of tax planning strategy (timing of taxable income accrual, consideration of tax risks etc.). As of December 31, 2009 capitalized tax loss carryforwards totaled EUR 0k (2008: EUR 0k), uncapitalized tax loss carryforwards totaled EUR 54.9m (2008: EUR 74.5m). No deferred tax assets were classified from these tax losses. Deferred tax assets arising from temporary accounting differences totaled EUR 2,904k at December 31, 2009 (2008: EUR 2,373k); deferred tax liabilities totaled EUR 2,314k (2008: EUR 2,164k). See note C. 14. for further details.

Pensions and other post-employment benefits

Post-employment expense from defined benefit plans is determined on the basis of actuarial calculations. Actuarial calculation involves assumptions pertaining to discount rates, expected retirement age, future wage and salary increases, mortality and future pension increases. Such estimates are subject to considerable uncertainty, commensurate with the long-term nature of these plans. Provisions for pensions and similar obligations totaled EUR 30,0963k at December 31, 2009 (2008: EUR 26,653k). See note C. 9 for further details.

Development costs

Development costs have been capitalized according to the reporting method on page 58 f.The first-time capitalization of the costs is based on the management's best estimate that the technical and economical feasibility has been demonstrated. To determine the amounts to be capitalized, management makes assumptions about the amount of the future estimated cash flows from the project. The carrying amount of the capitalized development costs as of December 31, 2009 was EUR228k (2008: EUR0k).

Principles of consolidation

a) Subsidiaries

The consolidated Group financial statements encompass PSI AG and the companies it controls as of December 31, 2009. A control relationship typically exists when PSI AG directly or indirectly holds over 50 % of the voting rights on the subscribed capital of a company, and can influence a company's financial and business policy in such a way that PSI AG profits from its activities.

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

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

There were no significant changes among fully consolidated companies in fiscal year 2009 other than the acquisitions listed below. Accordingly, apart from PSI AG,

- PSIPENTA Software Systems GmbH ('PSIPENTA')
- PSI Logistics GmbH ('PSI Logistics')
- Nentec Gesellschaft für Netzwerk Technologie mbH ('Nentec')
- PSI Business Technology für Industries GmbH ('PSI BT')
- PSI Transcom GmbH ('PSI Transcom')
- PSI AG für Produkte und Systeme der Informationstechnologie, Switzerland ('PSI AG/CH')
- PSI Production Gesellschaft für Steuerungs- und Informationssysteme mbH ('PSI Production')
- PSI Energy Markets GmbH ('PSI Energy') (formerly: PSI Büsing & Buchwald GmbH ('BuB')
- PSI CNI Control Networks & Information Management GmbH ('CNI')
- PSI Produkty i Systemy Informatyczne Sp. z o.o. ('PSI Poland')
- PSI Information Technology Shanghai Co. Ltd. ('PSI China')
- 4Production Holding GmbH ('4Production')
- FLS FUZZY Logik Systeme GmbH ('FLS')
- OOO "PSI" ('PSI Russia')
- Cellls GmbH, ('Cellls')
- Riverside Europe Engineering GmbH ('Riverside GmbH') as a holding company of the following companies (together 'AIS Group'):

  a) Advanced Information Systems GmbH & co. KG, Linz, Austria
  b) AIS Advanced Information Systems Verwaltungs GmbH, Vienna, Austria
  c) AIS Advanced Information Systems NV, Brussels, Belgium
  d) AIS Advanced Information Systems Auslandsbeteiligungen GmbH, Vienna, Austria
  e) AIS Advanced Information Systems Private Limited, Kolkata, India
  f) OOO AIS Advanced Information Systems, Moscow, Russia,

- die inControl Tech Sdn Bhd, Petaling Jaya, Malaysia ('inControl Tech') as holding company of the following companies (together 'inControl Tech-Group'):

  a) inControl Tech Private Limited, Chennai, Tamil Nadu, India,
  b) inControl Tech Manufacturing SPC, Bahrain,
  c) inControl Tech Holding Thailand Ltd., Thailand,
  d) inControl Tech (Thailand) Ltd., Thailand,

are included in the consolidated financial statements. PSI AG exercised the option to include in the disclosures required by Article 313 (4) of the HGB (share ownership schedule) in a separate schedule filed with the commercial register. The schedule is part of the Notes.

Changes to scope of consolidation – 2009

In a contract signed May 27, 2009, a 100 % stake was acquired in inControl Tech Group headquartered in Malaysia. The company reported assets of EUR 10,283k and liabilities of EUR 7,049k as of the acquisition date. Accordingly, net assets (at carrying amount) were EUR 3,234k. In the context of the purchase price allocation, these net assets are set against the acquisition cost. The resulting difference is allocated to intangible assets with limited useful life and goodwill.

The table below provides a preliminary view of acquisition cost broken down by the market value of assets and liabilities acquired:

	Carrying amount before acquisition EUR K	Adjustment amount EUR K	Carrying amount after acquisition EUR K
Non-current assets			
Property, plant and equipment	718	0	718
Other intangible assets	0	1,101	1,101
Goodwill	0	15,208	15,208
Current assets			
Inventories	3,131	0	3,131
Receivables from long-term contract manufacturing	3,436	0	3,436
Trade receivables	2,286	0	2,286
Other assets	250	0	250
Cash and cash equivalents	369	0	369
Receivables from related companies	93	0	93
Liabilities			
Liabilities with banks	1,683	0	1,683
Deferred tax liabilities	56	275	331
Trade payables	2,139	0	2,139
Other liabilities	1,864	0	1,864
Liabilities from long-term development contracts	1,307	0	1,307
Net assets	**3,234**	**16,034**	**19,268**

Hidden reserves are attributed to existing customer relationships. Goodwill results in particular from the position of inControl Tech on the Malaysian market and the management competence.

From the initial consolidation date through the reporting date, inControl Tech Group contributed EUR 12,335k to consolidated revenue and EUR 2,402k to the Group net profit/loss. This includes depreciation and amortization with regard to the hidden reserves for the client relationships disclosed in the purchase price allocation. If included in the PSI Group consolidated financial statements as of January 1, 2009, consolidated revenue would have increased to EUR 150,030k and the Group net profit declined to EUR 6,125k.

In a contract signed August 26, 2009, a 100 % stake was acquired in the AIS Group headquartered in Austria. The company reported assets of EUR 7,670k and liabilities of EUR 6,374k as of the acquisition date. Accordingly, net assets (at carrying amount) were EUR 1,296k. In the context of the purchase price allocation, these net assets are set against the acquisition cost. The resulting difference is allocated to intangible assets with limited useful life and goodwill.

The table below provides a preliminary view of acquisition cost broken down by the market value of assets and liabilities acquired:

	Carrying amount before acquisition EUR K	Adjustment amount EUR K	Carrying amount after acquisition EUR K
Non-current assets			
Property, plant and equipment	131	0	131
Other intangible assets	38	2,315	2,353
Goodwill	0	10,718	10,718
Current assets			
Inventories	285	0	285
Receivables from long-term contract manufacturing	3,041	0	3,041
Trade receivables	1,587	0	1,587
Other assets	107	0	107
Cash and cash equivalents	2,481	0	2,481
Liabilities			
Liabilities with banks	843	0	843
Deferred tax liabilities	69	579	648
Trade payables	715	0	715
Other liabilities	2,590	0	2,590
Liabilities from long-term development contracts	2,157	0	2,157
Net assets	**1,296**	**12,454**	**13,750**

Hidden reserves are attributed to existing customer relationships. Hidden goodwill results in particular from the position of AIS Group on the global market and the management competence.

From the initial consolidation date through the reporting date, AIS Group contributed EUR 2,668k to consolidated revenue and EUR –205k to the Group net profit/loss. This includes depreciation and amortization with regard to the hidden reserves for the client relationships disclosed in the purchase price allocation. If included in the PSI Group consolidated financial statements as of January 1, 2009, consolidated revenue would have increased to EUR 154,192k and the Group net profit declined to EUR 6,208k.

In the year under review, Cellls GmbH, headquartered in Berlin, was incorporated. This is a subsidiary of PSI Transcom GmbH. It was entered into the Commercial Register on October 2, 2009.

Changes to scope of consolidation - 2008

In a contract signed August 11, 2008, a 100% stake was acquired in 4Production Holding GmbH headquartered in Würselen. The company reported assets of EUR 3,159k and liabilities of EUR 2,597k as of the acquisition date. Net assets (at carrying amount) thus totaled EUR 562k. In the context of the purchase price allocation, these net assets are set against the acquisition cost. The resulting difference is allocated to intangible assets with limited useful life and goodwill.

As part of the purchase price agreement with the former owner of 4Production Holding GmbH, a contingent consideration was agreed on. Because the agreed condition took effect in the 2009 financial year, an additional cash payment of EUR 1,797k was made. The adjustment to goodwill as recognized in the consolidated financial statements as of December 31, 2009 was therefore increased in 2009 to EUR 1,797k.

The table below provides a preliminary view of acquisition cost broken down by the market value of assets and liabilities acquired:

	Carrying amount before acquisition EUR K	Adjustment amount EUR K	Carrying amount after acquisition EUR K
Non-current assets			
Property, plant and equipment	102	0	102
Other intangible assets	9	689	698
Goodwill	0	4,708	4,708
Current assets			
Inventories	1,273	0	1,273
Trade receivables	103	0	103
Other assets	47	0	47
Cash and cash equivalents	1,625	0	1,625
Liabilities			
Liabilities with banks	203	0	203
Deferred tax liabilities	0	206	206
Trade payables	156	0	156
Other liabilities	722	0	722
Liabilities from long-term development contracts	1,516	0	1,516
Net assets	**562**	**5,191**	**5,753**

Hidden reserves are recognizable for the acquired customer base and for products having an estimated useful life of 10 and 7 years respectively. Goodwill is recognized reflecting the present earnings outlook for 4Production.

From the initial consolidation date through December 31, 2008, 4Production contributed EUR 2,020k to consolidated revenue and EUR 220k to the Group net profit/loss. If included in the PSI Group consolidated financial statements as of January 1, 2008, consolidated revenue for 2008 would have increased to EUR 131,361k and the Group net profit/ loss to EUR 4,315k.

In a contract signed May 19, 2008, a 100 % stake was acquired in FLS FUZZY Logik Systeme GmbH headquartered in Dortmund. The company reported assets of EUR 875k and liabilities of EUR 603k as of the acquisition date. Net assets (at carrying amount) thus totaled EUR 272k. In the context of the purchase price allocation, these net assets are set against the acquisition cost. The resulting difference is allocated to intangible assets with limited useful life and goodwill. A variable portion of the purchase price is agreed in the purchase contract.

The table below provides a preliminary view of acquisition cost broken down by the market value of assets and liabilities acquired:

	Carrying amount before acquisition EUR K	Adjustment amount EUR K	Carrying amount after acquisition EUR K
Non-current assets			
Property, plant and equipment	6	0	6
Other intangible assets	2	336	338
Goodwill	0	297	297
Current assets			130
Inventories	130	0	
Trade receivables	176	0	176
Other assets	16	0	16
Cash and cash equivalents	545	0	545
Liabilities			
Liabilities with banks	256	0	256
Deferred tax liabilities	0	100	100
Trade payables	27	0	27
Other liabilities	207	0	207
Liabilities from long-term development contracts	113	0	113
Net assets	**272**	**533**	**805**

Hidden reserves are recognizable for the acquired customer base and for products having an estimated useful life of 10 and 7 years respectively. Goodwill is recognized reflecting the present earnings outlook for FLS FUZZY GmbH.

From the initial consolidation date through December 31, 2008, FLS FUZZY GmbH contributed EUR 1,121k to consolidated revenue and EUR 109k to the Group net profit/loss. If included in the PSI Group consolidated financial statements as of January 1, 2008, consolidated revenue for 2008 would have increased to EUR 129,443k and the Group net profit/ loss to EUR 4,210k.

b) Associates

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

As of December 31, 2009, shares in the following associates were valued at equity:

- OOO PSI Energo, Moscow, Russia ('PSI Energo')
- caplog-x GmbH, Leipzig ('caplog-x').

c) Consolidation measures and uniform Group valuation
The annual financial statements of the subsidiaries and associated companies included in the consolidated financial statements are produced applying uniform accounting standards and reporting periods/dates.

Intragroup balances and transactions, resulting intragroup profits, and unrealized profits and losses between consolidated companies were eliminated in full. Unrealized losses were only eliminated if there were no substantial indications in the transactions of impairment of the asset transferred.

Currency translation

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

The functional currency of the foreign companies such as PSI AG/CH, PSI Poland, PSI Russia, the inControl Tech Group companies and PSI China is generally the respective national currency. The assets and liabilities of these subsidiaries are translated into the presentation currency of PSI AG (euro) on the balance sheet at the rate effective at the reporting date. Income and expense amounts are translated at the rate effective at the reporting date, or at the weighted average rate for the fiscal year, as a simplification measure. Exchange rate differences arising from translation are recognized separately in equity.

Non-current assets

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

Intangible assets encompass:

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

Industrial property rights and licenses
Amounts paid for the purchase of industrial property rights and licenses are capitalized and then written down on a straight line basis over their estimated useful life (4 to 5 years).

The cost of new software not an integral component of associated hardware is capitalized and treated as an intangible asset. Software is depreciated on a straight line basis over a 3 to 5 year useful life.

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

Research and development costs

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

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

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

b) Property, plant and equipment

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

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

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

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

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

c) Impairment of non-current non-financial assets

Non-current assets are tested for impairment if the situation or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The first step in impairment testing is to determine the recoverable amount of the asset or cash-generating unit. This is defined as the higher of fair value less cost to sell or value in use. Fair value less costs to sell is defined as the price recoverable from sale of an asset or cash-generating unit in a transaction between two knowledgeable and willing parties in an arm's length transaction, less the cost to sell. The value in use of an asset or cash-generating unit is determined as the present value of expected cash flows based on current use. No impairments of non-current assets were recognized in fiscal years 2009 or 2008.

Financial assets

Financial assets are classifiable into the following basic categories:

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

At December 31, 2009 and December 31, 2008 the PSI Group had only loans and receivables extended and at December 31, 2009, it had financial assets held for trading.

Loans and receivables extended are non-derivative financial assets with fixed or definable payments that are not listed on an active market. These assets are measured at amortized cost using the effective interest method. Profits and losses from the charging off, impairment or amortization of loans and receivables are included in profit/loss reportable for the period.

The PSI Group uses derivative financial instruments to a limited extent in the form of foreign exchange forward contracts to protect itself against exchange rate risks. These derivative financial instruments are carried at fair value at the time the contract is concluded and revalued at fair value in the subsequent periods. Profit or loss from changes to fair value of derivatives are immediately recognized. For details, see the information under C. 6.

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

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

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

Financial liabilities

Financial liabilities are classifiable into the following categories:

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

Financial liabilities reported in the PSI Group consolidated financial statements were classified as other financial liabilities.

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

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

At December 31, 2009, the maturities of financial liabilities were as follows:

	Due immediately EUR K	Due within 1 year EUR K	Due after 1 year EUR K	Total EUR K
Trade payables	6,030	8,580	0	14,610
Other liabilities	0	22,303	844	23,147
Non-current loans	0	0	843	843
Financial liabilities	17	1,362	182	1,561
	6,047	**32,245**	**1,869**	**40,161**

There were no material differences between balance sheet carrying value and undiscounted cash flows for 2009 due to the short-term maturities of financial liabilities held.

At December 31, 2008, the maturities of financial liabilities were as follows:

	Due immediately EUR K	Due within 1 year EUR K	Due after 1 year EUR K	Total EUR K
Trade payables	1,668	7,847	43	9,558
Other liabilities	0	17,689	424	18,113
Financial liabilities	42	299	0	341
	1,710	**25,835**	**467**	**28,012**

There were no material differences between balance sheet carrying value and undiscounted cash flows for 2008 due to the short-term maturities of financial liabilities held.

Objectives and methods of financial risk management

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

a) Default risk

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

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

b) Capital management

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

The PSI Group manages its capital structure in view of prevailing economic circumstances. No adjustments or changes were made to capital management objectives/policies in 2009 and 2008 fiscal years.

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

Current assets

a) Inventories

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

b) Cash and cash equivalents

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

Shareholders' equity

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

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

Retained earnings includes profit appropriation in accordance with Article 174 German Stock Corporation Act.

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

Unrealized gains/losses from currency translation and actuarial gains/losses from the measurement of pension provisions are reported under other reserves

Pension provisions

The PSI Group has several defined benefit plans and defined contribution pensions plans in place, the latter of which do not involve plan assets. The expenditure for defined benefit plan benefits is determined separately for each plan using the projected unit credit method. Actuarial gains/losses are taken directly to equity.

Current liabilities

Other provisions

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

Government grants

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

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

In 2009 the PSI Group received a total of EUR 872k for various development projects, including European Union projects (previous year: EUR 773k). The subsidies granted were recognized as income in 2009 and shown as a reduction to the corresponding expenses. There are no additional requirements or obligations in connection with development projects other than the obligation to verify expenses in the amount for which subsidies were granted.

Borrowing costs

The Group capitalizes borrowing costs for all qualifying assets for which production was begun on or after January 1, 2009. Borrowing costs in connection with the course of production that were begun before January 1, 2009 are still recognized by the Group in the period incurred. In 2009, no borrowing costs were incurred for qualifying assets.

Research and development costs

Research and development costs came to EUR 12.1 million in the 2009 fiscal year (2008: EUR 10.5 million).

Leasing

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

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

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

Revenue realization and recognition

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

a) Project business

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

b) Sales of licenses

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

c) Maintenance, other services

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

d) Recognition of interest income

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

Taxes on income

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

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

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

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

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

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

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

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

Sales tax

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

- accrued sales tax for purchased assets or services uncollectible by the tax revenue office is classified as production costs of or expenditure for the asset in question.
- receivables and liabilities are recorded including applicable sales tax.

The sales tax amount which is refunded by the tax revenue office or deducted by it is included in the company financial statement under liabilities and/or debts.

Segment reporting

a) Business segments

The PSI Group is organized into three main business segments:

- Energy Management,
- Production Management,
- Infrastructure Management.

Financial information by business segment and geographical segment is shown under note F. and in a separate appendix to the Notes to the Consolidated Financial Statements.

b) Transactions between the business segments

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

C. NOTES ON THE CONSOLIDATED BALANCE SHEET

Non-current assets

1 Intangible assets and property, plant and equipment

With respect to the change in non-current assets in the fiscal year ending on December 31, 2009, reference is made to the attached schedule "Change in intangible assets and property, plant and equipment" (appendix to the Notes to the Consolidated Financial Statements).

a) Goodwill and property, plant and equipment

The PSI Group carried out impairment testing on non-current assets on December 31, 2009 and December 31, 2008. Impairment testing to determine value in use is based on the following cash-generating units and proportionate with goodwill carrying amounts:

	31.12.2009 EUR K	31.12.2008 EUR K
Energy Management		
Electrical Energy sub-segment of PSI AG, Nentec and CNI	1,493	1,493
Gas and oil sub-segments of PSI AG	1,576	1,576
PSI Energy	2,267	2,267
	5,336	**5,336**
Produktion Management		
PSIPENTA	574	574
PSI BT	3,490	3,490
PSI Logistics	838	838
PSI Production	285	285
PSI AG/CH	41	41
FLS	342	342
4Production	4,708	2,911
AIS Group	10,750	0
	21,028	**8,481**
Infrastructure Management		
PSI Transcom	2,352	2,352
inControl Tech Group	15,208	0
	17,560	**2,352**
Total goodwill	**43,924**	**16,169**

The goodwill of inControl Tech Group (EUR 15,208k) and AIS Group (EUR 10,750k) arising from the 2009 acquisition were not included in the impairment testing for that year, as the purchase price allocation was still preliminary as of the time the consolidated financial statements were prepared.

Impairment testing is based on cash flow projections for individual cash-generating units in view of market expectations (growth rates in relevant market segments, software project revenue and maintenance revenue, hourly and daily rates for employees, average personnel expenditure, mark-ups on sales of hardware and third-party licenses). The 3-year planning time frame reflects long-term business projections. Cash flows employed derive from historical data. Cash flows were also adjusted downward in recent testing to reflect the current economic situation. Assumptions made by the management with regard to business trends in the software industry accord with the expectations of industry experts and market observers.

A discount rate of 7.97 % after tax and 9.27 % before tax was applied (previous year: 9.31 % after tax and 10.79 % before tax). The discount rate was adjusted in view of the current economic situation (real economy developments and financing conditions). Cash flows arising after the three-year time period are extrapolated using a growth rate of 1.3 % (2008: 1.3 %).

Management believes that at this time, no reasonably possible change in the fundamental assumptions made for determining value in use of the cash-generating units could result in the carrying amount of the cash-generating unit substantially exceeding its recoverable amount. Because of considerable economic uncertainty regarding projected cash flows and financing conditions, the PSI Group Board of Directors applied 30 % lower cash flows and a 12 % after-tax discount rate as a worst-case scenario for impairment testing. Even under these parameters, no impairment was identified.

b) Capitalized software development costs

The Group capitalized development costs in the amount of EUR 228k (2008: EUR 0k). This is a software package that can be operated together with existing Group software modules and is useful for various industry solutions that the PSI Group provides. Depreciation and amortization of the software developed is conducted over an estimated time period of three years.

2 Investments in associates

Since June 5, 2008 the Group has held a 24.9 % stake in PSI Energo. This company was established to build up a distribution structure. PSI Energo is not listed on the stock exchange. The table below includes a summary of financial information about the Group's stake in PSI Energo:

	2009 EUR K	2008 EUR K
Share in assets and liabilities of associates:		
Current assets	n/a	2,323
Non-current assets	n/a	166
Current liabilities	n/a	−2,189
Non-current liabilities	n/a	0
Equity	**n/a**	**300**
Share in the revenue and result of associates:		
Revenue	n/a	3,266
Result	n/a	282
Carrying value of the investment	**309**	**0**

At the time of preparation of the 2009 consolidated financial statements, there was no information available as to the assets, liabilities, revenues or operating result of PSI Energo.

In 2009, PSI AG subscribed shares in the amount of EUR 27k as part of a capital increase in PSI Energo; the share PSI Energo's capital after the capital increase remains 24.9 %.

Per agreement of March 3, 2009, PSI AG acquired 25 % of the shares in caplog-x GmbH headquartered in Leipzig, for EUR 50k. The company provides gas market participants with the full information chain from data collection to remote data supply, particularly for invoicing major customers. No material assets, liabilities, expenses or income were recognized in fiscal 2009.

Current assets

3 Inventories

	2009 EUR K	2008 EUR K
Unfinished products	180	124
Hardware and third-party licenses	2,282	1,544
Subcontractor payments	375	13
	2,837	**1,681**

4 Trade receivables, net

	2009 EUR K	2008 EUR K
Trade receivables, gross	33,898	21,835
Receivables from associates	642	2,000
Individual valuation allowances	−789	−582
	33,751	**23,253**

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

	2009 EUR K	2008 EUR K
As at January 1	582	365
Appropriation recognized as expense	490	311
Additions through corporate acquisitions	214	0
Claimed	0	−11
Reversals recognized as income	−497	−83
As at December 31	**789**	**582**

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

	2009 EUR K	2008 EUR K
Neither past due nor impaired:	**22,690**	**15,463**
Past due, not impaired:		
< 30 days	5,008	5,063
30 – 60 days	1,004	635
60 – 90 days	526	166
90 – 120 days	791	83
> 120 days [1) 2)]	3,732	1,843
	11,061	**7,790**
As at December 31	**33,751**	**23,253**

1) Amount of which from collateral retained EUR0k (2008: EUR 313k) and contractually secured: EUR 141k (2008: EUR 0k).
2) Paid as of February 15, 2010: EUR 350.

5 *Receivables from long-term development contracts*

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

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

	2009 EUR K	2008 EUR K
Costs incurred	69,876	41,333
Share of profit	16,274	6,006
Contract revenue	**86,150**	**47,339**
Advance payments received	–68,862	–35,829
Set off against contract revenue	–53,464	–24,703
Receivables from long-term development contracts	32,686	22,636
Liabilities from long-term development contracts	15,398	11,126

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

Receivables from long-term contract manufacturing in the amount of EUR 32,686k (2008: EUR 22,636k) are neither past due nor impaired as of the balance sheet date.

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

6 *Other assets*

	2009 EUR K	2008 EUR K
Tax credits	932	787
Prepaid expenses	913	666
Subcontractor payments	729	268
Subsidies	272	264
Foreign currency contracts (fair value)	173	0
Other	485	380
	3,504	**2,365**

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

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

The Group used a small number of foreign exchange forward contracts in 2009 to protect itself against a portion of exchange rate risks. These foreign exchange forward contracts are not categorized as hedges against cash flow, fair value or net investments. The time period for which the foreign exchange forward contracts are concluded corresponds to the time period in which foreign currency transactions exist, generally 1 to 12 months.

7 *Cash and cash equivalents*

	2009 EUR K	2008 EUR K
Bank balances	13,597	13,861
Fixed term deposits	7,134	9,767
Cash	34	22
	20,765	**23,650**

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

8 *Shareholders' equity*

See the schedule of changes in Group equity.

a) Subscribed capital

Fully paid-up share capital recorded in the commercial register totals EUR 40,185,256.96 (2008: EUR 31,008,947.20). In a December 22, 2008 resolution, the PSI AG Board of Directors, with Supervisory Board approval, declared 212,870 shares withdrawn pursuant to the shareholder resolution passed at the April 25, 2008 Annual General Meeting, reducing share capital by EUR 544,947.20 from EUR 31,008,947.20 to EUR 30,464,000.00. The share capital reduction was recorded in the Commercial Register on March 9, 2009. Share capital is comprised of 15,697,366 no-par shares (2008: 12,112,870).

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

On June 8, 2009, the Board of Directors resolved with Supervisory Board approval to use an additional part of the aforementioned authorized capital from 2005. By way of capital increase against contributions in kind, the share capital was increased by EUR 6,674,859.92 from EUR 33,510,397.44 to EUR 40,185,256.96. 2,607,367 new shares were issued. The capital increase was implemented on the basis of the contribution of all shares in inControl Tech by its sole shareholder, Jubilee Systems Sdn Bhd, Kuala Lumpur, Malaysia. The capital increase was recorded in the Commercial Register on June 10, 2009.

At the PSI AG Annual General Meeting on April 28, 2009 the Board of Directors was authorized to buy back shares up to 10 % of share capital. Based on the share capital of that date in the amount of EUR 30,464,000, the company is authorized for a maximum amount of own shares in the share capital of EUR 3,046,400. This is about 1,190,000 shares of the company. The authorization expires on October 27, 2010.

b) Contingent and authorized capital

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

To fulfill any exercised rights as above, the Annual General Meeting on April 27, 2009 created a new "contingent capital 2009." Thereunder, the company's share capital of up to EUR 15,232,000, divided in up to 5,950,000, is contingently increased.

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

	2009 EUR K	2008 EUR K
Authorized capital (AC)		
AC I/2005 (expires May 18, 2010)	15,504	15,504
	15,504	**15,504**
Contingent capital (CC)		
CC II/2009 (expires April 27, 2014)	15,232	10,240
	15,232	**10,240**
	30,736	**25,744**

There were no changes in authorized capital in 2009. This was utilized in 2009 in the amount of EUR 9,721k by capital measures.

c) Capital reserves

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

d) Treasury shares

The company has no treasury shares as of December 31, 2009. PSI AG held 8,246 treasury shares as of the 2008 balance sheet date.

e) Other reserves

Other reserves break down as follows:

	2009 EUR K	2008 EUR K
Currency translation	63	−53
Actuarial losses	−2,947	−125
Deferred taxes	1,295	453
	−1,589	**275**

Non-current liabilities

9 *Pension provisions*

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

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

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

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

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

	2009 %	2008 %	2007 %	2006 %
Discount rate	5.50	5.70	5.30	4.40
Increase in salaries	2.00	2.00	1.00	1.00
Increase in pension payouts	1.75	1.00	1.00	1.00
Staff turnover	4.50	4.50	4.50	4.50

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

At December 31, 2009 a retirement age of 64 (previous year: 64) was assumed in calculating pension obligations. The retirement age is based on statistical surveys of retirement ages within the PSI Group.

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

Pension benefits break down as follows:

	2009 EUR K	2008 EUR K
Work time expenditure recorded in staff costs	58	85
Interest expense recorded in interest result	1,499	1,440
Pension benefits	**1,557**	**1,526**

Liabilities from defined benefit plans:

	2009 EUR K	2008 EUR K
Cash value of defined benefit plan	30,096	26,653
Current pension obligation	**30,096**	**26,653**

Adjustment of plan liabilities:

	2009 EUR K	2008 EUR K	2007 EUR K
Cash value of defined benefit plan	30,096	26,653	27,391
Adjusted of plan liabilities	209	50	135

The table below shows the change in pension obligations:

	2009 EUR K	2008 EUR K
Pension obligation, start of period	26,653	27,391
Actuarial losses recognized in equity (2008: profits)	2,822	−1,432
Pension benefit payments	−936	−832
Pension benefits	1,557	1,526
Pension obligation at end of period	**30,096**	**26,653**

The following shows the expected payment structure for the years 2009 to 2011:

	EUR K
Pension benefit payments	
2008	832
2009	936
Projected pension benefit payments	
2010	1,070
2011	1,185
2012	1,339

10 Non-current loans

As of December 31, 2009, the Group reported a EUR 843k bank loan due March 31, 2012, which was acquired as part of the business combination with the AIS Group.

Current liabilities

11 Financial liabilities

The PSI Group uses short-term, variable interest rate bank credit lines for financing purposes. Financial liabilities are paid back monthly, interest rates range between 4.3 % and 8.3 %. Collateral is not provided. The objective is to ensure funds to meet all current financial liabilities. The fair value of financial liabilities is the carrying amount. As of December 31, 2009 the PSI Group had unutilized credit lines in the amount of EUR 10,047k (previous year: EUR 7,617k).

Interest expenses from bank overdrafts amounted to EUR 90k in the 2008 fiscal year (2007: EUR 95k).

12 Provisions

The change in provisions was as follows:

	As of 1.1.2009 EUR K	Drawn EUR K	Interest EUR K	Additional EUR K	As of 31.12.2009 EUR K
Personnel provisions	551	−409	98	33	273
Other provisions	389	−185	0	0	204
	940	**−594**	**98**	**33**	**477**
Of which current	499				203
Of which non-current	441				274

Personnel provisions principally represent provisions in connection with phased retirement schemes. Provisions are calculated on the basis of the applicable agreement terms in place with employees and a discount rate of 5.5 % (previous year: 5.7 %) for the projected cash flows in connection with the agreements concluded. Provisions for phased retirement schemes were offset in the amount of EUR 298k against the asset value of insolvency reserves, the provision of which is required by law.

13 Other liabilities

	2009 EUR K	2008 EUR K
Personnel-related liabilities	10,917	8,292
Tax liabilities (payroll and sales tax)	4,039	4,201
Deferred income	3,483	1,830
Social security liabilities	138	10
Other	4,570	3,780
	23,147	**18,113**

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

14 Deferred taxes/taxes on income

The trade income tax in Germany is levied on taxable income of the PSI Group, determined by deducting certain income not subject to trade tax and adding certain expenses not deductible for trade income tax purposes. The effective trade tax rate varies by municipality in which the PSI Group operates. The average trade tax rate in 2009 was approximately 15 %. Corporation tax rates of 15 % and 15 % applied in the 2008 and 2009 fiscal years. A solidarity surcharge of 5.5 % is additionally levied on corporation tax assessed. The effective income tax rate for 2009 was thus 29.83 % for 2009 (2008: 29.83 %).

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

	2009 EUR K	2008 EUR K
Effective tax expense		
Current year	**−718**	**−430**
Deferred tax expense		
Change in intangible assets	153	−316
Change in long-term development contracts	638	198
Changes in inventories	−16	22
Phased retirement programs	−26	11
Change in pension provisions	−89	−44
Project-related provisions	−96	−177
Other provisions	−27	0
Fixed assets	−18	0
Cost of equity issue	−143	0
Capitalization of tax loss carryforwards	0	−404
	376	**−710**
Income tax expense	**−342**	**−1,140**

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

	2009 EUR K	2008 EUR K
Net earnings before taxes	6,945	5,280
Theoretical income tax expense (29.83 %; 2008 29.83 %)	−2,072	−1,575
Uncapitalized tax loss carryforwards	−63	−404
Tax effects from asset deals	−321	−256
Use of non-capitalized loss carryforwards	2,183	1,296
Other	−69	−201
Actual tax expense	**−342**	**−1,140**

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

	2009 EUR K	Change EUR K	2008 EUR K
Deferred taxes			
Pension provisions	1,272	−89	1,361
Pension provisions (DBO)	964	842	122
Intangible assets	−748	−521	−227
Tax-deductible goodwill impairment	479	−180	659
Phased retirement programs	132	−26	158
Project-related provisions	−241	−96	−145
Receivables from long-term development contracts	−1,263	529	−1,792
Inventories	57	−16	73
Fixed assets	−62	−62	0
	590	**381**	**209**
thereof effective on income		518	
thereof equity change		842	
thereof corporate acquisitions		−979	
Balance sheet			
Deferred tax assets	2,904		2,373
Deferred tax liabilities	**−2,314**		**−2,164**

The PSI Group has the following tax loss carryforwards:

	2009 EUR m	2008 EUR m
Loss carryforward domestic trade tax	47.8 [1)]	71.4
Loss carryforward domestic corporation tax	49.3 [1)]	71.2
Loss carryforwards abroad	5.6 [2)]	3.3

Domestic loss carryforwards do not expire.

[1)] The information regarding the domestic carryforwards take into account the high risk that the 2009 purchase and addition of 28.60 % of voting rights by Kajo Neukirchen GmbH, Eschborn, has led to a reduction of up to 28.60 % of tax loss carryforwards since January 1, 2009.

[2)] The increase is primarily due to corporate acquisitions.

D. NOTES ON THE CONSOLIDATED INCOME STATEMENT

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

15 Revenues

	2009 EUR K	2008 EUR K
Software development and maintenance	116,715	104,044
License fees	8,726	8,144
Merchandise	21,544	16,663
	146,985	**128,851**

16 Cost of materials

	2009 EUR K	2008 EUR K
Cost of purchased services	10,231	9,622
Costs of purchased goods	18,256	12,520
	28,487	**22,142**

17 Staff costs

	2009 EUR K	2008 EUR K
Salaries and wages	70,960	63,881
Social security	12,668	11,450
	83,628	**75,331**

Staff costs include expenses for payments in connection with defined contribution pension commitments of EUR 610k (previous year: EUR 583k) and und state pension funds of EUR 5,601k (previous year: EUR 4,756k).

18 Depreciation and amortization

	2009 EUR K	2008 EUR K
Of intangible assets and property, plant and equipment	3,631	2,609
Of current assets	0	29
	3,631	**2,638**

19 Other operating expenses

	2009 EUR K	2008 EUR K
Rent/leasing property	5,338	4,993
Travel costs	5,113	4,557
Advertising and marketing	3,237	3,058
Project expenses	2,154	3,393
Equipment leasing	2,104	1,942
Data line, IT and telephone costs	2,045	1,888
Legal and advisory costs	1,509	1,150
Contributions, fees, expenses	683	260
Other	4,903	3,670
	27,086	**24,911**

20 Earnings per share

In accordance with IAS 33, basic earnings per share is calculated by dividing the Group net profit/loss by the weighted average number of shares outstanding.

	2009	2008
Net profit/loss for the period (EUR k)	6,603	4,140
Weighted number of shares outstanding (in thousand)	14,201	12,082
Basic/diluted earnings per share (EUR/share)	**0.46**	**0.34**

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

E. NOTES TO THE CASH FLOW STATEMENT

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

F. NOTES ON SEGMENT REPORTING

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

Segment after restructuring/application of IFRS 8

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

- Production Management: Software products and customized solutions for production planning, specialized production controls and efficient logistics. Focus on optimizing resource utilization and enhancing quality and efficiency.

- Infrastructure Management: High-availability control solutions for the monitoring and effective operation of telecommunications, transport/traffic, public safety, environmental protection and disaster prevention infrastructures.

Reconciliation of segment assets and liabilities

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

	2009 EUR K	2008 EUR K
Gross assets per balance sheet	154,735	102,618
Deferred tax assets	−2,904	−2,373
Segment assets	**151,831**	**100,245**
Gross liabilities per balance sheet	88,446	68,895
Tax provisions	−486	−302
Deferred tax liabilities	−2,314	−2,164
Segment liabilities	**85,646**	**66,429**

Additional geographical disclosures

In the 2009 fiscal year, the PSI Group generated domestic revenue of EUR 96.8 million (previous year: EUR 92.9 million) and international revenue of EUR 50.2 million (previous year: EUR 35.9 million). Non-current fixed assets of EUR 29,678k (2008: EUR 139k) are allocated to foreign entities. Deferred tax assets, pension obligations and rights from insurance agreements are primarily attributable to domestic activities, so that extensive classification is unnecessary.

G. OTHER NOTES

Other financial obligations and contingencies

Tenancy and leasing agreements

Cars, office furniture and fixtures, data processing systems and other equipment were leased under operating leasing agreements. In 2009, leasing charges of EUR 157k accrued (2008: EUR 103k) for leased office equipment; EUR 946k (2008: EUR 1,033k) accrued for leased data processing systems, vehicles and other equipment.

In the 1996 fiscal year, PSI AG concluded a tenancy agreement for an office building in Berlin. This tenancy agreement expires on March 31, 2012.

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

	Tenancy payments EUR K	Leasing payments EUR K	Total EUR K	Prior year total EUR K
2010	3,887	1,222	5,109	3,774
2011	3,090	779	3,869	2,791
2012	1,203	308	1,511	780
2013	363	83	446	50
2014	1	8	9	0
2015 and beyond	3	1	4	0

Guaranteed sureties

At the balance sheet date PSI AG had guaranteed sureties totaling EUR 40,651k (2008: EUR 36,011k) from various insurers and banks.

Letters of subordination and comfort

PSI AG has provided letters of subordination totaling EUR 104k (previous year: EUR 190k) for various subsidiaries from which it has receivables. In addition, letters of comfort have been provided for various subsidiaries.

Employees

The average number of PSI Group employees in the fiscal year was 1,370 (2008: 1,099). Employees break down by function as follows:

	2009	2008
Production	1,112	895
Administration	87	69
Revenue	142	113
Development	29	22
Total	**1,370**	**1,099**

Auditing expenses

Audit fees for the auditing of PSI AG, the PSI consolidated financial statements and all material subsidiaries of the PSI Group amounted to EUR 165k (previous year: EUR 165k). For additional consultancy services from the auditors of the financial statements, the PSI Group recorded fees in the amount of EUR 50k (2008: EUR 0k).

Related party disclosures

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

Related companies

The associates included in the consolidated financial statements are considered related companies. PSI Energo and caplog-x are associates that are considered related parties. There are no other related companies.

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

Related persons

The following are considered related individuals:

Members of the PSI AG Board of Directors
Dr. Harald Schrimpf
Armin Stein

Members of the PSI AG Supervisory Board
Barbara Simon
Karsten Trippel
Prof. Dr. Rolf Windmöller
Dr.rer.nat. Ralf Becherer
Bernd Haus
Wilfried Götze

Transactions with related persons

No business transactions took place between the PSI Group and related individuals in 2009.

Supervisory Board

The individuals below were Supervisory Board members in fiscal year 2009:

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

Remuneration for Board of Directors and Supervisory Board

Remuneration of EUR 822k was paid to the PSI AG Board of Directors in fiscal year 2009 (2008: EUR 862k):

	2009 EUR K	2008 EUR K
Fixed remuneration		
Armin Stein	198	196
Dr. Harald Schrimpf	198	196
	396	**392**
Variable remuneration		
Armin Stein	214	235
Dr. Harald Schrimpf	212	235
	426	**470**
Board of Directors – total	**822**	**862**

No pension commitments existed for Board of Directors.

Pension provisions of EUR 591k are reported for former Board of Directors members (2008: EUR 562k). No further remuneration was paid to former Board of Directors members in the 2009 fiscal year other than pension benefit payments.

The Supervisory Board was paid remuneration of EUR 120k (2008: EUR 117k):

	2009 EUR K	2008 EUR K
Prof. Dr. Rolf Windmöller	34	28
Wilfried Götze	23	15
Bernd Haus	18	12
Dr. rer. nat. Ralf Becherer	16	16
Barbara Simon	16	16
Karsten Trippel	13	12
Christian Brunke (until April 25, 2008)	0	11
Wolfgang Dedner (until April 25, 2008)	0	7
	120	**117**

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

	2009 Number of shares	2008 Number of shares
Dr. Harald Schrimpf	71,000	69,000
Armin Stein	23,300	21,000
Karsten Trippel	124,450	116,600
Dr. rer. nat. Ralf Becherer	2,268	2,268
Barbara Simon	7,890	7,890
Prof. Dr. Rolf Windmöller	6,305	3,795
Bernd Haus	1,000	1,000
Wilfried Götze	54,683	54,683

Disclosures concerning the German Corporate Governance Code

PSI AG submitted the declaration prescribed per Article 161 of the German Stock Corporation Act on December 11, 2009. This document is available for viewing by shareholders at all times on the PSI AG website (www.psi.de) in the Investor Relations section.

Berlin, February 15, 2010

Dr. Harald Schrimpf

Armin Stein

Auditor's Report

We granted the following audit certificate for the consolidated financial statements and the Group management report:

"We audited the consolidated financial statements prepared by PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie, Berlin – consisting of the balance sheet, income statement, comprehensive income statement, statement of changes in shareholders' equity, cash flow statement, and Notes to the consolidated financial statements – and the Group management Report for the financial year January 1 to December 31, 2009. The preparation of the Consolidated Financial Statements and Group management report in accordance with IFRS as applicable within the EU and with the supplementary provisions of Section 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 Group management report based on our audit.

We conducted the audit of the consolidated financial statements in accordance with article 317 HGB 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 manner that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements and the Group management report in accordance with the applicable financial reporting framework will, with reasonable assurance, be detected. The effectiveness of the accounting-related internal control system and documentation supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a spot-check basis within the framework of the audit. The audit includes assessing 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 significant estimates made by the legal representatives, as well as evaluation of the overall presentation of the consolidated financial statements and the Group management report. We believe that the audit conducted 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, the additional requirements of German commercial law pursuant to Article 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 Group 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, February 18, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schepers	Weiß
Public accountant	Public accountant

Financial dates for 2010

Publication of the annual financial statements	March 15, 2010
Analysts' conference	March 15, 2010
Q1 report	April 28, 2010
Annual General Meeting	May 3, 2010
Q2 report	July 30, 2010
Q3 report	October 28, 2010
Analysts' conference German Equity Forum	November 22 – 24, 2010

PSI shares

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German Security Code:	A0Z1JH, A0Z1LP (until May 2010)
ISIN:	DE000A0Z1JH9, DE000A0Z1LP8 (until May 2010)

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

„In 2009 we generated double-digit growth rates in terms of revenue, result and export, despite the global economic crisis. We are thus emerging from the crisis stronger than before."

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