INTRODUCING AN INDUSTRIAL APP STORE

PSI Annual Report **2021**

Introducing an Industrial App Store

21

customers have ordered software via the new PSI app store for the first time

13%

of revenues are spent on R&D

1

award won for outstanding environmental commitment

THE FIRST

4

divisions have marketed products via the PSI app store

PARTICIPATION IN

11

research projects on the energy system of the future

IT TAKES

30

seconds to deliver software from the PSI app store to the customer's private cloud

5

MILLION EUROS

are the revenues the PSI app store will generate in 2022

INVOLVEMENT IN

8

research projects on the mobility transition and the decarbonization of industry

IN MORE THAN

100

different types of clouds PSI platform products are available

PSI – Intelligent Software for Sustainable Energy Supply, Mobility and Production

PSI software products stand for safe, environmentally friendly and efficient energy supply, sustainable mobility and optimized production and logistics processes worldwide.

As an independent software producer, PSI has been a technological leader in process control systems for energy grid operation and industrial production since 1969. PSI software ensures efficient use of energy, labor and raw materials in its target sectors. In the Energy Management segment, PSI products support electricity and gas grids, heating, cooling and water networks, energy trading and public transport. In the Production Management segment, PSI software ensures efficiency in metals production, vehicle manufacturing, mechanical engineering and logistics. To this end, PSI has been successfully relying on a combination of artificial intelligence methods and other industrially proven optimization methods for decades.

Contents

PSI Group in Figures

in EUR million	**2021**		Change in %
Revenues	248.4	217.8	14.0
Operating result	23.8	14.9	59.7
Earnings before taxes	23.3	13.7	70.1
Group net result	15.8	10.3	53.4
Equity	114.7	100.3	14.4
Equity ratio (in %)	40.4	38.7	4.4
Return on equity (in %)	13.8	10.3	34.0
Investments*	5.4	5.8	–6.9
Research and development expenses	32.3	27.8	16.2
Research and development ratio (in %)	13.0	12.8	1.6
New orders	266	229	16.2
Order backlog on December 31	160	149	7.4
Employees on December 31 (number)	2,223	2,056	8.1

* Company acquisitions, intangible assets, property, plant and equipment

Our Segments

Energy Management

Intelligent solutions for energy grid operators and for public transport. The focus here is on reliable and cost-effective solutions for intelligent grid management and safe operation of transport systems, as well as solutions for energy trading and distribution.

	2021	2020
Revenues*	139,386	120,002
Operating result*	8,319	6,023
Employees	1,114	1,038

* in EUR thousand

Production Management

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

	2021	2020
Revenues*	109,003	97,793
Operating result*	16,712	11,776
Employees	1,109	1,018

* in EUR thousand

INTRODUCING AN INDUSTRIAL APP STORE

Online marketplace for customers and partners

PSI software has been setting standards in the optimization of energy and material flows in the energy industry and energy-intensive sectors for more than 50 years. With the modern PSI software platform, we are now providing more and more products in our customers' clouds. In 2021, we created one of the first app stores for industrial software and automatically delivered our software to more than 20 projects. In doing so, we have shortened the procurement and supply process for customers and partners from months to minutes.

LETTER FROM THE EXECUTIVE BOARD

01

LADIES AND GENTLEMEN,

In the second year of the pandemic, 2021, PSI Software AG left the 3% revenues decline in the year of the outbreak far behind it, and grew by 14% to achieve a record revenues figure of EUR 248.4 million. We improved EBIT by 60% to achieve record earnings of EUR 23.8 million. Orders which can be directly implemented moved up by 16% to EUR 266 million, indicating strong growth for 2022. Our business developed well in Europe, in Germany and in Poland, recovered in Asia and remained very strong in America.

Energy Segment with Strong Growth

Our segment for energy grid management software expanded by 16% to EUR 139.4 million, with the EBIT margin remaining steady at approximately 6%. At EUR 146 million the segment posted a surge of 27% more orders, including many for Redispatch 2, a EU regulation with the objective of allowing distribution grids to compensate the fluctuations caused by wind and solar parks. We are working on software for balancing energy markets (AI algo trader), for Redispatch 3 and for corresponding software for transmission system operators. In this matter the advanced algorithms from NEPLAN, the grid planning software company acquired at the end of 2020, have been deployed very successfully. As anticipated the Swiss PSI Neplan contributed EUR 4.1 million with an 11% EBIT margin after amortization. Due to our 22% growth with power control rooms on the domestic market, we are exporting less to low-wage countries. With further orders for grid intelligence, we are preparing for the market entry into the USA. Our gas unit very successfully migrated its German customers to Upgrade-as-a-Service. As market leader with our software for electric bus depots, we celebrated further successes on the domestic market and also in European capitals.

Production Segment with Double-digit EBIT margin

In our segment for production management software, at EUR 120 million, it appeared that we generated an upturn of our 6%. However, in our order statistics we record only the current year for long-term upgrade orders. Revenues increased by 12% to EUR 109.0 million with an EBIT margin of approximately 15%. Our metals software business realigned its planning systems and logistics modules to PSI standard components. On the Polish market and for logistics, we want our customers to obtain these standard components from our app store and then align the software to their operations at runtime. We have extended our very successful neuro and

Dr. Harald Schrimpf, 57
Executive Board Chairman (right)

Responsibilities:
Marketing, Sales, Technology and Investor Relations

Gunnar Glöckner, 51
Member of the Board (left)

Responsibilities:
Organization, Human Resources, Finance/Controlling and Sustainability (ESG/CSR)

With the App Store we solve a big problem in the production industry

fuzzy logic companies to offer large series automobile production the market-leading production planning PSIqualicision and production (MES/SCADA) tools on the group platform from one source. This development is supported by PSI Automotive & Industry, which continues to contribute double-digit profit margins.

Research

In 2021, we invested EUR 32.3 million or 16% more in research, product functionality and platform technology. About 10% of research projects are state subsidized. The topics include autonomous and electrified driving, blockchain for supply chains, Industry 4.2, low-voltage grid management and grid management with a decreasing number of large power plants. With the field force management system (PSIcommand), with the time series component (TSM), the low voltage control system PSIngo and a country-wide gas control system (JSCADA), we are moving forward with our plan to take the software production and thus productivity and profit margin of the Energy segment to that of the Production segment.

Rationalization with Multi-cloud App Store Technology

With the motto of the year of **"Introducing an Industrial App Store"** we launched an app store in the production industry. App stores have been popular for consumers for years. But why are there virtually no for industrial software? Consumer apps can be adjusted with just a few sliding switches. On the other hand, industry applications require hundreds of thousands of consistent parameters for adjustment to the production facility, to the legacy software and to the production, logistics and management processes. We have solved this problem! We have developed the technology of the workflows, of the PSI Click Design, which develops virtual factories and dynamic data structures and rolls them out worldwide. For this reason, we establishing the PSI App Store which delivers to all customer clouds. In

2021, we tested this in 20 projects and want to generate over EUR 5 million in 2022. The app store shortens procurement and supply processes from months to minutes.

With our **Vision 2026** we now want to organize our corporate structures and partner networks in line with the multi-cloud-app store technology so as to multiply customer benefits more quickly, to improve resource efficiency, to contribute to climate protection, to offer opportunities to employees and partners alike and to strongly improve our earnings and enterprise value.

Ongoing Double-digit Growth for Revenues and Earnings

To the middle of the year, Mr. Gunnar Glöckner (51) joined the Executive Board with responsibility for Finance and HR. We have expanded the number of highly qualified staff to over 2,200. The business in Eastern Europe now has its main focus on PSI Poland which quickly grew to 355 employees.

At this point, we would like to warmly thank customers and partners for their trusting and responsible action during the pandemic. Our employees too have earned our great respect and thanks. With their innovative capacity, willingness to change and perseverance they have expanded the business. And our thanks also goes to the shareholders, who with their encouragement, motivation and loyalty participated in our performance.

In 2022, in an environment marked by increasing interest rates, high commodity and wage costs in conjunction with a green government agenda, we are aiming to again grow revenues by over 10% and earnings by close to 20% in line with our long-term average.

Berlin, March 2022

Dr. Harald Schrimpf Gunnar Glöckner

With Vision 2026, we want to strongly increase PSI's value

LETTER FROM THE SUPERVISORY BOARD

02

DEAR PSI SHAREHOLDERS, DEAR FRIENDS AND PARTNERS OF OUR COMPANY,

Your PSI Software AG returned to its growth path in the 2021 financial year. As in the previous years, the Supervisory Board continued to work in trusting cooperation with the Executive Board in the second year of the COVID-19 pandemic. Its work focused in particular on the Group's current financial situation in the context of the ongoing pandemic, corporate planning and the strategic development of the PSI Group over the next five years. We therefore regularly monitored the Executive Board's work and provided advice according to the law, the company's Articles of

Association and the German Corporate Governance Code. The Board regularly informed us promptly, in writing and orally about the situation of PSI Software AG. On this basis, we discussed business performance and decisions in detail. The Executive Board fully met its obligations to provide the Supervisory Board with information.

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

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

Karsten Trippel
Chairman of the
Supervisory Board

Main Areas of Discussion for the Supervisory Board

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

- → Development of new orders, revenues and earnings of the PSI Group and the individual business units,

- → Supervision of the app store and multi-cloud initiative for automated provision of a growing number of PSI platform products for customers and partners,

- → Supervision of the next steps in the conversion of energy control systems to the PSI platform and quicker upgrade services,

- → Ongoing supervision of further steps in the Group's transformation to a product-based business model with a focus on increasing recurring revenue and the expansion of partner business.

One particular focal point of the Supervisory Board's work in 2021 was the change in the Executive Board of PSI Software AG: Mr. Gunnar Glöckner has been the Board member for Organization, HR, Finance/Controlling and Sustainability at PSI Software AG since July 1, 2021. He took over from Mr. Harald Fuchs, who left the company when his contract ended as of June 30, 2021.

The Supervisory Board would like to thank Mr. Fuchs for his cooperation in a spirit of mutual trust and for his considerable efforts over the past eight years, which made a significant contribution to PSI's continued development and success.

On April 27, 2021, Ms. Elena Günzler and Mr. Uwe Seidel were reelected as employee representatives on the Supervisory Board of PSI Software AG.

Supervisory Board Meetings and Key Topics

The Supervisory Board held nine ordinary meetings to perform its duties in 2021, as well as one extraordinary meeting on the implementation of the requirements of the German Act to Strengthen Financial Market Integrity (FISG). Two of these meetings were held in person and eight took place as video conferences. The Supervisory Board was in full attendance at all meetings. The key topics addressed by the Supervisory Board and the dates of the meetings are shown in the table below:

March 18, 2021	Discussion of the 2020 annual financial statements
March 23, 2021	Adoption of the 2020 annual financial statements
May 12, 2021	Preparation for the Annual General Meeting
May 19, 2021	Constitutive meeting of the Supervisory Board
September 8, 2021	Discussion of Group strategy and planning
September 9, 2021	Discussion of Group strategy and planning
November 30, 2021	Extraordinary meeting on the implementation of the FISG requirements
December 1, 2021	Discussion of the vision and strategy for 2022–2026
December 2, 2021	Audit of the Supervisory Board’s work
December 20, 2021	Discussion and approval of planning for 2022

Focus on activities abroad and on the pandemic situation

In addition to the financial performance of PSI Software AG and the Group, the Supervisory Board also concerned itself with the development of individual subsidiaries, paying particular attention to their activities abroad and the pandemic situation in the individual regions. The Supervisory Board was also provided detailed information from the Executive Board on an ongoing basis regarding the development of the business and financial situation, the risk situation, the market and competitive situation and the personnel situation in these areas.

Work of the Supervisory Board Committees

The Supervisory Board has formed two committees.

The Personnel Committee deals with the employment contracts and personnel matters of the Executive Board. The committee met twice in the financial year with full attendance. One of the focal points of the committee's work was reviewing and adapting the existing remuneration system for the members of the Executive Board to reflect the changed recommendations of the 2020 German Corporate Governance Code. The revised remuneration system was presented to the Annual General Meeting on May 19, 2021, and was approved.

The Audit Committee is particularly concerned with issues of accounting and risk management. The committee met three times in 2021, with one meeting serving to prepare the adoption of the annual financial statements and the approval of the consolidated financial statements. All three meetings were attended by all committee members.

Corporate Governance

As in previous years, the Executive Board and the Supervisory Board monitored the Group's compliance with the rules of the German Corporate Governance Code. The Supervisory Board adopted the declaration of compliance according to Section 161 of the German Stock Corporation Act on December 20, 2021. The company fulfills the majority of the Code's recommendations. The few deviations are also explained in the corporate governance declaration, which has been published on the website at www.psi.de.

The Supervisory Board examined the efficiency of its own work again at an audit meeting in 2021.

In the 2022 financial year that has now begun, the company's corporate governance will once again be an important aspect of the work of the Supervisory Board and its committees. The German Act to Strengthen Financial Market Integrity (FISG) came into force on July 1, 2021. Among other things, it introduces new requirements for the future composition of the Supervisory Board and the Audit Committee as soon as new members are appointed. To this end, the Supervisory Board addressed the need to make adjustments to reflect the FISG requirements and will continue to do so in 2022.

Composition of the Supervisory Board and the Committees

In the 2021 financial year, the Supervisory Board comprised the shareholder representatives Karsten Trippel (Chairman), Prof. Ulrich Wilhelm Jaroni (Deputy Chairman), Andreas Böwing and Prof. Uwe Hack and the employee representatives Elena Günzler and Uwe Seidel. The Personnel Committee comprised the Supervisory Board members Karsten Trippel as Chairman, Prof. Ulrich Wilhelm Jaroni and Elena Günzler, while the Audit Committee comprised the Supervisory Board members Prof. Uwe Hack (Chairman), Andreas Böwing, Prof. Ulrich Wilhelm Jaroni, Uwe Seidel and Karsten Trippel.

Audit of Annual and Consolidated Financial Statements

At the Annual General Meeting of PSI Software AG on May 19, 2021, Deloitte GmbH Wirtschaftsprüfungsgesellschaft was elected as the auditor of the financial statements. This company audited the annual financial statements, the management report, the consolidated financial statements and the consolidated management report for the financial year from January 1 to December 31, 2021, and issued an unqualified audit opinion in each case.

All Supervisory Board members received the financial statements and management reports, the auditor's reports and the Executive Board's proposal on the appropriation of net profit after they were compiled and in due time ahead of the meeting convened to approve the annual accounts. After preparatory discussion by the Audit Committee, the Supervisory Board as a whole dealt with these documents at its meeting on March 28, 2022. These meetings were attended by members of the Executive Board and representatives of the auditor. The latter reported on the audit in general, the audit priorities set, the material findings of the audit and the services that the auditor provided in addition to the audit services, and answered the Supervisory Board members' questions. There were no objections from the Supervisory Board, which therefore acknowledged and approved the results of the audit.

The Supervisory Board examined the consolidated financial statements and Group management report and the annual financial statements and management report for 2021 as well as the results of the audit by the auditor. In accordance with the conclusive findings of these examinations, it raised no objections and adopted the annual financial statements and approved the consolidated financial statements on March 28, 2022.

In addition, the Supervisory Board also reviewed the Executive Board's (separate) non-financial CSR report for the company and the Group for 2021 and discussed it with the Executive Board at the meeting on March 28, 2022. There were no objections raised, so the Supervisory Board also approved the CSR report.

In 2021, PSI recorded growth in demand for solutions for the intelligent management of energy grids and the optimization of steel production, automotive manufacture, and logistics. Total new orders reached a new record high despite the ongoing impact of the coronavirus crisis in 2021. All in all, the PSI Group was thus able to exceed the targets for new orders, revenues and earnings in 2021 that it had set in March 2021. In 2021, PSI continued to benefit from the technology investments made in recent years and generated its first revenues on the basis of the new PSI app store and the multi-cloud initiative for the automated provision of standard software components from the cloud. Although the environment remained challenging, important new customers were acquired and follow-up orders from existing customers were obtained in Germany and in export business. The successes achieved jointly by the Executive Board, management and employees in the second year of the coronavirus crisis deserve recognition and respect. The Supervisory Board therefore thanks everyone for the work they have done and for their great commitment.

It also thanks customers and shareholders for the confidence they showed in 2021. In 2022, PSI will continue to make every effort to be a reliable partner to its customers and to support them in managing the upheaval in their markets with advanced products and market-leading functions. Satisfied reference customers are still the basis for gaining further new customers and continuing PSI's positive development.

Berlin, March 2022

Karsten Trippel
Supervisory Board Chairman

The successes achieved by the Executive Board, management and employees deserve recognition and respect

INTRODUCING AN INDUSTRIAL APP STORE

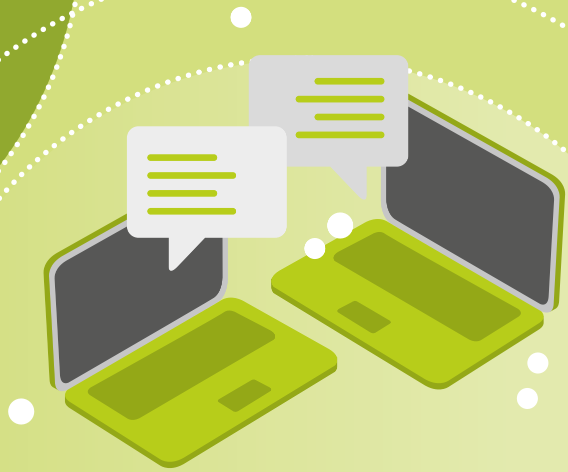
03

Quick and Easy Access to Industrial Software in the Cloud

Companies are having to adapt to fundamental changes in their target markets, supply chains and regulatory conditions at an ever-increasing pace. As a result, speed is decisive factor when it comes to procuring, modifying and commissioning industrial software. Unlike consumer software, this involves adjusting thousands of parameters. PSI makes this possible with a combination of multi-cloud technology, an app store, and a collaborative environment that encompasses workflow technology, PSI Click Design and integrated training.

CLOUD

Multi-cloud technology automatically delivers PSI's platform products to more than 100 different customer clouds



COLLABORATION

Customers and partners can adapt workflows and interfaces at runtime using workflow technology and PSI Click Design

APP STORE

Software products and simulation and training packages can be tested, purchased and expanded directly in the PSI App Store

The PSI App Store offers a wide range of software for decarbonizing industrial production and shaping the transition in energy and transport. The intelligent solutions enable the optimization of energy and material flows.

INDUSTRIAL PRODUCTION

04

Changes to Processes? Make Modifications with Just a Few Clicks

UPGRADE-AS-A-SERVICE

Automatic upgrade services mean that PSI's modern industrial software is always up-to-date and fit for the future

FLEXIBLE PRODUCTION CONTROL
Variable production planning helps industrial companies to contribute to a successful energy transition by making their energy consumption more flexible

The energy transition is increasingly also encompassing large-scale industrial production processes. In the future, fluctuations in wind and solar power generation will require significantly more flexible production planning based on the availability of energy. The combination of production and energy software allows energy-intensive production to take place when the grid is delivering solar and wind power – with less intensive production being prioritized when energy availability is low.

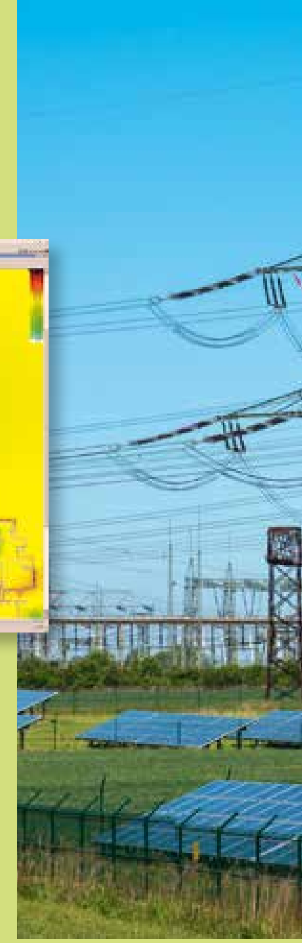
SELECTED PLATFORM PRODUCTS

PSImetals is the world's leading software for the entire supply chain in the metals industry

PSIwms offers efficient and transparent control for all warehousing and logistics processes

PSIasm combines planning, visualization and production control in a single software platform

GRID AUTOPILOT
The PSIsaso product visualizes current and expected disruptions to the electricity grid in the form of heat maps



GREEN ENERGY

05

Intelligent Software Ensures Security of Supply

MORE RENEWABLE ENERGY
AI-based forecasts and optimizations enable a higher proportion of renewable energy to be integrated into existing grids

CUSTOMER BENEFITS

50%

more renewable energy can be transported in intelligently managed grids

15%

saving in resources thanks to optimized processes for grid maintenance

The new German federal government, the European Green Deal and the US infrastructure package are aimed at significantly increasing the level of investment in renewable energy generation.

In recent years, PSI has expanded its portfolio to include numerous products and processes that use integrated AI to make an important contribution to sustainable energy supply. Precise feed-in forecasts based on machine learning and neural networks allow electricity grids to be managed proactively. Suggestions for resolving current and expected disruptions to the grid are identified, visualized, and evaluated using PSI's optimization software. The result is a self-learning grid autopilot that enables a higher proportion of renewable energy to be integrated into existing grids.

SMART CITY

06

Solutions for the City of the Future

PSI's smart city ecosystem combines intelligent software for the sustainable city of the future. PSI's AI-based and cloud-based products help urban structures to be operated reliably, intelligently, and sustainably. The system encompasses solutions for proactive traffic management, smart utility networks, integrated depot and charging management for electric vehicles, automated rail transport, and efficient airport logistics.

PSIairport
ensures optimal baggage flows at airports and integrates all of the relevant systems

PSIroads/MDS
uses KPI-based traffic management to improve traffic flow and security

QUALICISION
Qualicision is KPI-based decision support software that optimizes traffic flow management, network management and workflows at vehicle depots

PSIcontrol
is the tried-and-tested, high-availability, high-end control technology for economical, environmentally friendly energy flow optimization in power grids

PSItraffic/TMS
PSItraffic/TMS forms the basis for digital, automated, secure and failure-free workflows for overground and underground rail traffic

PSIebus
is a complete system for the operation of electric bus and tram fleets that covers all depot management tasks

HIGHLIGHTS IN 2021

New Research Projects for the Energy System of the Future

In 2021, PSI again participated in new energy transition research projects on topics including intelligent energy supply digitalization, adaptive grid protection systems, and blockchain-based peer-to-peer energy trading

PSI Software Supports Automated S-Bahn Train Operation

In October 2021, S-Bahn Hamburg presented the first fully automated S-Bahn commuter train. This involved linking the new Automatic Train Operation System to the PSI dispatching system

21

CUSTOMERS ordered software via the new PSI app store for the first time in 2021

PSI Software Recognized as ERP System of the Year 2021

The Center for Enterprise Research crowned PSIpenta as the winner in the “multi-variant serial production” category, awarding it the highest score in the entire competition

PSI Receives Award for Outstanding Environmental Commitment in 2021

In a study conducted for the first time by FOCUS magazine and the sustainability initiative For Our Planet, PSI was recognized as a company with outstanding environmental commitment

THE PSI SHARE

PSI's Positive Climate Contribution Attracts Increased Attention

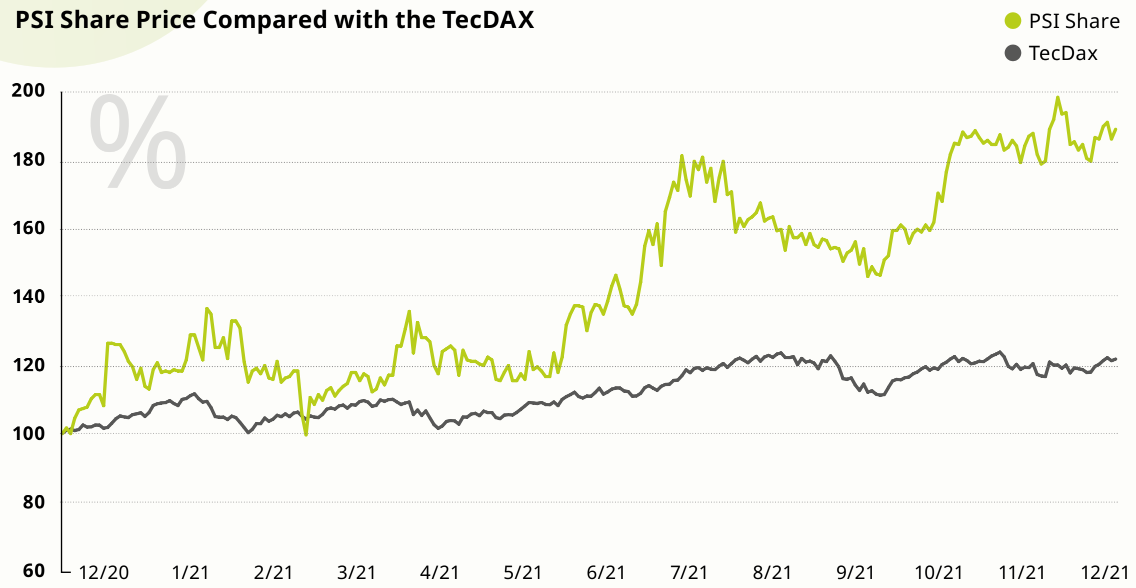
While the COVID-19 pandemic remained one of the dominant issues on the stock markets in 2021, the key topics also included the emerging economic recovery, as well as climate change and its impact. The stock markets reached new highs during the year even in the face of disruption to international supply chains, fears of inflation, the expected turnaround in interest rate policy, and rising commodity and energy prices. Despite substantial fluctuations, they closed the year well up on the previous year's levels.

SHARE PERFORMANCE DURING THE YEAR

Share Price Reaches Highest Level for More Than 22 Years

The PSI share price started 2021 at EUR 24.40 and climbed to over EUR 35 in February, before falling to its low for the year of EUR 24.20 following the publication of the figures for 2020. It quickly recovered to over EUR 30 then moved sideways with considerable fluctuations up until the publication of the half-yearly figures. The share price jumped to around EUR 45 in August before developing in line with the market up until the publication of the nine-month figures. Following another sharp rise, the share price reached its high for the year of EUR 49.30 on December 10 – the highest level since June 1999. It ultimately closed the year at EUR 46.30, up 89.8% on the previous year's closing price.

PSI Share Price Compared with the TecDAX



Capital Market Communications Primarily via Digital Channels

As in the previous years, we communicated actively and intensively with the capital market in 2021. In the same way as in 2020, we primarily used digital channels to achieve this, presenting PSI at a total of 14 virtual investor conferences and roadshows as well as two events that were held in person in the summer. Another 22 virtual investor visits also took place, while six investor visits were held in person following the easing of restrictions. Our continuous dialog with financial and business journalists resulted in almost 70 positive reports on PSI in print media, in online media, and on stock market radio and TV. As previously, the most important topic was the positive contribution PSI's products are making to climate protection and the associated growth potential. Reporting also focused on the conversion of products to the modern PSI platform, the app store strategy, and the resulting growth opportunities.

PSI Market Capitalization 2012–2021
(in EUR million)

CREATING LONG-TERM VALUE

Platform Provider with Industrial App Store and Multi-cloud Technology

PSI continued to invest in the PSI App Store and in multi-cloud technology in 2021 as part of its ongoing transformation into a platform provider with long-term customer relationships and increasing recurring revenues. The first pilot customers used the PSI App Store to purchase standard components and simulation products and load them directly into their own cloud. The app store, PSI Click Design and integrated workflow management speeds up business with existing customers and partners and automates the purchase of add-ons and upgrades.

Industrial Artificial Intelligence Offers Competitive Advantages

PSI combines the outstanding industry expertise it has gathered over more than five decades with the full range of artificial intelligence techniques. Our software uses more than 50 different artificial intelligence techniques on the basis of a modern PSI platform that has been tried and tested in industrial applications. This combination gives customers specific competitive advantages and makes them fit for the challenges of the future. This creates additional growth potential for revenues and profits at PSI.

Pioneer in Digitalization, Integrated Energy and Industrial Flexibilization

Because PSI software is used to control extensive industrial energy and material flows, it makes a significant contribution to security of supply, economic efficiency, and the protection of natural resources. In awareness of this fact, PSI invested at an early stage in future topics such as cloud-based, intelligent grid management for energy distribution, integrated energy in the energy transition, and the flexibilization of industrial energy consumption. This enables our customers to transform their business processes and opens up new growth potential for them and us alike.

Growth Potential from Climate Protection and the Transition in Energy and Transport

PSI products make an important contribution to integrating the growing share of renewable energy into the existing electricity grids. Our systems for safe and cost-effective gas supply management support the increased use of green gas and hydrogen as part of the supply infrastructure. Specialized solutions for intelligent charging management and the intelligent production of electric vehicles are helping to drive the transition to zero-emission public and private transport.

ANALYST RECOMMENDATIONS FOR THE PSI SHARE IN 2021

−2	+2	=	+19.96
3	**4**	**0**	**46.14**
positive recommendations	neutral recommendations	negative recommendations	Average price target in EUR

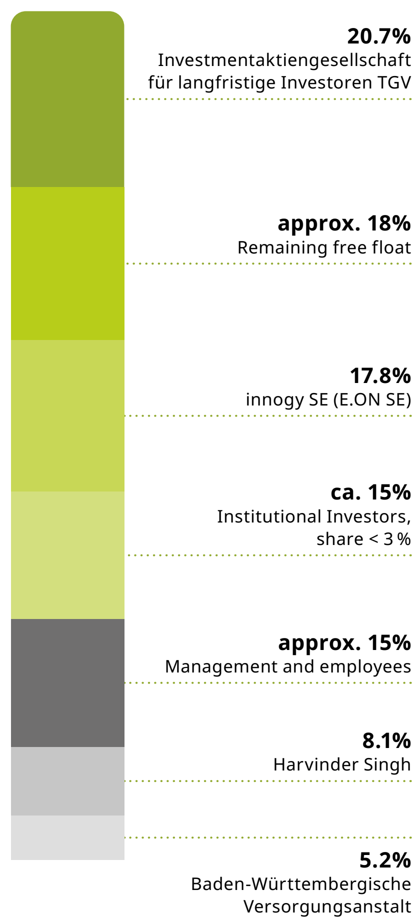
Key Figures and Data on the PSI Share

Key Figures on the PSI Share	2021	2020
Earnings per share in EUR	1.01	0.66
Market capitalization on December 31 in EUR	726,788,046	383,015,730
High for the year in EUR	49.30	27.80
Low for the year in EUR	24.20	11.90
Number of shares on December 31	15,697,366	15,697,366

Data on the PSI Share

Stock exchanges	Xetra, Frankfurt, Berlin, Stuttgart, Düsseldorf, Hamburg, Hanover, Munich, Tradegate
Stock exchange segment	Regulated Market, Prime standard
Inclusion in indices	Technology All share, DAXsector software, DAXsector All software, DAXsubsector software, DAXsubsector All software, Prime All share, CDAX
ISIN	DE000A0Z1JH9
Securities identification number (WKN)	A0Z1JH
Stock exchange symbol	PSAN

Shareholder Structure on December 31, 2021



INVESTORS ASK, PSI ANSWERS

1

What opportunities are available to PSI as a result of the new German federal government's goals?

The new German federal government, the European Green Deal and the US infrastructure package are all aiming to increase the level of investment in renewable energies. This will require investment in grid reinforcement, storage and conversion facilities, and intelligent software for managing these facilities. As the German-language market leader, PSI has developed the corresponding intelligent grid software and expects these initiatives to lead to a substantial boost in demand.

2

How will the partner-friendly Group platform affect PSI's business model and growth potential?

Thanks to the PSI app store and integrated multi-cloud technology, system integrators and IT departments can buy PSI software themselves, easily modify it to meet their operational requirements, and subsequently purchase upgrades and support services. The PSI platform runs on 100 different clouds and all operating systems, databases and browsers. This saves time and money for integrators and end customers, while the automation of sales and delivery processes will help to accelerate PSI's future growth.

3

In which business areas does PSI's management see the greatest growth potential in the years to come?

The energy transition for large-scale industrial production processes has now begun and is extremely interesting as far as PSI is concerned. Because of fluctuations in power generation from renewable sources, production planning will have to be geared toward the availability of energy in the future. This means energy-intensive production taking place when solar and wind power is being delivered, with less intensive production being prioritized when there is little wind or sun. This is made possible by combining our industrial software with our intelligent energy software. The shutdown of the power plants that previously provided flexibility will give this area a significant boost.

FINANCIAL STATEMENTS (IFRS)

of PSI Software AG for the 2021 Financial Year

CONSOLIDATED MANAGEMENT REPORT

of PSI Software AG for the 2021 Financial year

CONSOLIDATED REVENUES

increased by **14.0%** to **EUR 248.4 million –** doubling since 2004

OPERATING RESULT

lifted by **59.7%** to **EUR 23.8 million** and higher than target

GROUP NET RESULT

improved from **EUR 10.3 million** to **EUR 15.8 million**

EBIT MARGIN

up **6.8%** to **9.6%**

NEW ORDERS

up **16.2%** on previous year to **EUR 266 million**

MAINTENANCE SHARE

of revenues constant at **36.4%**

LICENSE REVENUES

39.5% higher at **EUR 16.6 million**

BASIC INFORMATION ON THE GROUP

Business Model of the Group

The core business of the PSI Group consists of process control and information systems for the management of energy and material flows in the following target industries:

- utility companies in the electricity grid, gas grid, pipeline, heating and water network sectors and public transport providers
- industry in the metallurgy, mechanical and plant engineering, automotive, automotive supply and logistics sectors

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

In the Energy Management segment, the PSI Group develops software products in the areas of control systems for electricity grids, cross-sector control systems, gas and pipeline management systems, and products for energy trading, energy distribution, smart grids, power plant optimization, gas industry planning and the operation of public transport system.

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

PSI has over 2,200 employees worldwide. As a specialist in process control and optimization systems, the Group has gained a leading position nationally, as well as internationally in the target export markets, particularly among utility companies and metals producers. PSI continuously invests in the functionality and innovativeness of its products in order to secure and improve its competitive position. PSI was established in 1969, making it one of the most experienced German software companies.

In Germany, the PSI Group has locations in Berlin, Aachen, Aschaffenburg, Dortmund, Düsseldorf, Essen, Hamburg, Hanover, Karlsruhe, Munich, Oldenburg, Potsdam and Stuttgart. Internationally, PSI is represented by subsidiaries and representative offices in Austria, Belgium, Brazil, China, Denmark, India, Japan, Malaysia, the Netherlands, Oman, Poland, Russia, Sweden, Switzerland, Thailand, the United Kingdom and the U.S.

Strategy and Control System

The central aspects of the Group's strategy are increasing its market share, internationalization and a stronger focus on the platform-based software product business. In this way, PSI creates and maintains sustainable and secure jobs. To achieve its strategic goals, the PSI Group focuses on technology leadership, the openness of the Group technology platform and a high pace of development in order to influence the target sectors. In some cases, products and technologies are developed in collaboration with customers in pilot projects.

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

As a result of its strategy aimed at growth and profitability, the PSI Group more than doubled its revenues from EUR 115.2 million in 2004 to EUR 248.4 million. The share of the Group's revenues attributable to international business climbed from 13.4% to 39.1% in this period. In the same period, the share of consolidated revenues attributable to license business rose from 4.1% to 6.7% and the share of revenues attributable to long-term maintenance agreements was more than doubled, increasing from 17% to 36.4%.

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

– the ratio of operating result to revenues (EBIT margin) as the main key figure for improvement in the Group's profitability

– the development of revenues as a key figure for the Group's growth rate

– new orders as a significant leading indicator of future revenues growth

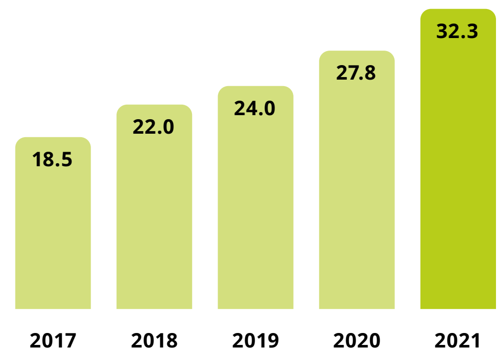
– the share of consolidated revenues attributable to license revenues and revenues from recurring maintenance and update contracts as key figures for PSI's transformation from a service-oriented IT provider to a software product provider

In the non-financial area, the PSI Group has been calculating the following key figures to measure its performance with regard to employee commitment and customer loyalty:

– an employee commitment index showing the employees' motivation and loyalty and the extent to which they identify with PSI

– a customer loyalty index that measures the customers' willingness to rely on PSI in the long term and to provide a reference.

R&D Expenses Increased Further
(in EUR million)



Research and Development

PSI continuously invests in the further development of existing products, new software products and components, and the modernity of the Group-wide technology platform. The goal of these investments is to strengthen the competitive position by developing innovative software products and creating new unique selling points. Functionality and modernity are pivotal factors for economic success, as are the use of Group-wide development platforms and the exchange of new functionalities within the Group.

When developing new products, PSI works closely with pilot customers. This collaboration is intended to ensure the marketability of the products right from the start. These products are then continuously evolved in follow-up projects and adapted to the development in the target markets. The resulting products form the basis for wider distribution and export.

In 2021, a focus of development activities was again the expansion of the Group-wide software platform to include multi-cloud technology and the PSI App Store, with the aim of delivering platform products directly to the private clouds of Group customers or to the PSI cloud. Easy-to-use tools allow customers and consulting partners to adjust workflows and graphic user interfaces during runtime and to use both traditional PC workstations (rich clients) and web applications (thin clients) from a single application. PSI has established a Group-wide development community and developed a modern software platform that will form the basis for all products in the medium term. All relevant products in the Production Management segment and a third of the Energy Management products already run on the platform. In 2021, work continued on the transition for additional products as part of pilot projects. Reusing the same software modules in the Group and standardizing software tools and programming language for all employees worldwide improves the conditions for further export growth and also reduces development costs.

In 2021, the PSI Group's research and development expenses (costs recognized as expenses) amounted to EUR 32.3 million, up 16.2% from EUR 27.8 million in the previous year. This amount did not include any relevant purchased services.

Development work in 2021 focused on:

- the new version 4.9 of the PSIcontrol grid control system with simplified grid management in graphic presentations, improved troubleshooting analysis and redesigned switching application management.
- the further development of Redispatch 2.0 components for grid status forecasting and the PSIsaso/DSO optimization software
- optimization of the new gas control system for high performance and high availability based on the PSI platform as part of a pilot project
- extending the PSImarket energy trading platform with a new algo trader module
- extending the PSImetals metals production software with a quality decision service and other services on the basis of the new service platform for business process optimization
- ongoing further development of the PSI software platform and its rollout in additional products. In particular, further development relates to expanding a multi-app store and ensuring that business processes and user interfaces can be easily modified using graphic tools

In addition, PSI has also been involved in state-subsidized research projects for fundamental technology development for many years.

This research focuses on projects related to successfully implementing the energy transition and integrating an increasing share of energy from renewable sources. This includes the development of smart grid technologies, intelligent integration of electric mobility in municipal distribution grids, grid restoration taking account of future generation structures, marketing of energy flexibilities of industrial consumers, and mathematical methods for the simulation of power grids taking account of future integrated energy scenarios.

Another focus of PSI's research is projects dedicated to implementing the future-oriented Industry 4.0 project initiated by the German federal government. This includes developing platforms for creating adaptable production systems, implementing autonomous transport and logistics concepts and optimizing series production through industrial artificial intelligence.

The knowledge gained in the projects is used in accordance with the cooperation or consortium agreements concluded between the parties involved in the respective research association. The subsidies cover around 40% to 50% of the personnel expenses and operating expenses incurred for these research projects in the PSI Group. In the 2021 financial year, the PSI Group recognized state subsidies totaling EUR 2.7 million.

ECONOMIC REPORT

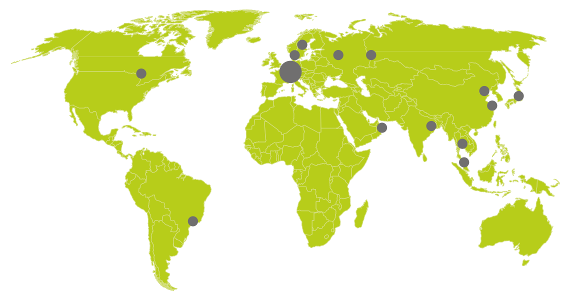
Business Performance and General Conditions

Global steel market increases production

In 2021, after the slump resulting from the COVID-19 pandemic, the global economy expanded again. Gross domestic product rose by 2.9%, after the considerable decline of 4.6% in the previous year. For a focused software provider like PSI, the economic development in its key target sectors is particularly important. According to the World Steel Association, the global steel market, in which PSI is one of the main software suppliers, recorded a 3.7% increase in global crude steel production in 2021 after contraction of 0.9% in the previous year. Declines of 3% in China were offset by rises of 18.3% in the USA and 12.3% in Germany. In this environment, PSI improved on the previous year's new order level for steel software, partly due to orders from USA and the EU. PSI's Gas Grids and Pipelines division experienced a strong increase in new orders in Germany, while in Russia contract awards were delayed.

In the Electrical Energy division, the strong trend of the previous years continued with another increase in new orders. Contributing factors here were demand for software relating to intelligent management of grid bottlenecks with transmission and distribution grid operators (Redispatch 2.0).

International Presence and Locations in Europe and Worldwide

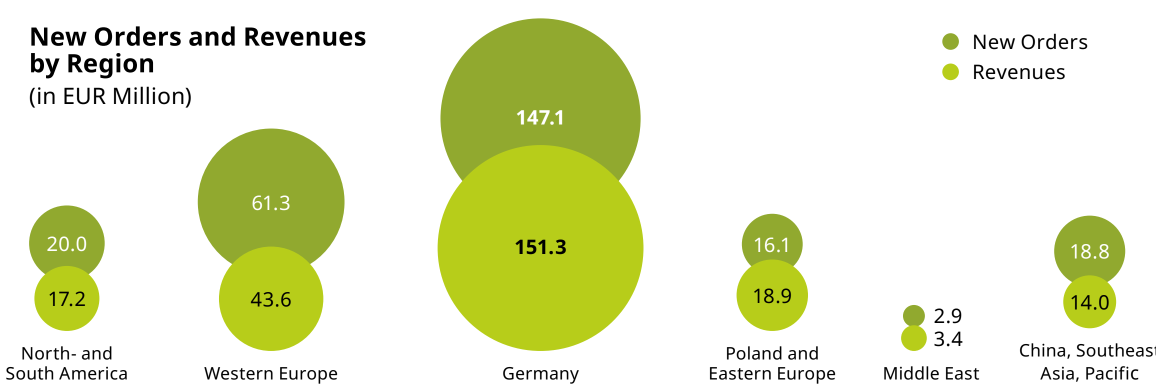


• **PSI locations:** Austria, Belgium, Brazil, China, Denmark, Germany, India, Japan, Malaysia, Netherlands, Oman, Poland, Russia, Sweden, Switzerland, Thailand, United Kingdom, USA

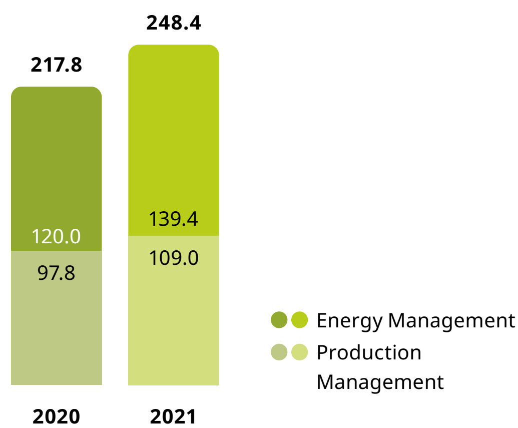
Energy and Production segment improve revenues and earnings

With the considerably improved results and double-digit revenue growth in the two segments, in the reporting year PSI moved away from the negative previous-year impact of the COVID-19 pandemic. Group revenues increased by 14.0%, with the operating result moving up by 59.7%. At EUR 266 million, the Group's new orders were 16.2% higher

New Orders and Revenues by Region
(in EUR Million)



PSI Revenues Expand by 14%
(in EUR million)



than the previous year's level of EUR 229 million. The order backlog as of the end of the year rose year on year by 7.4% to EUR 160 million.

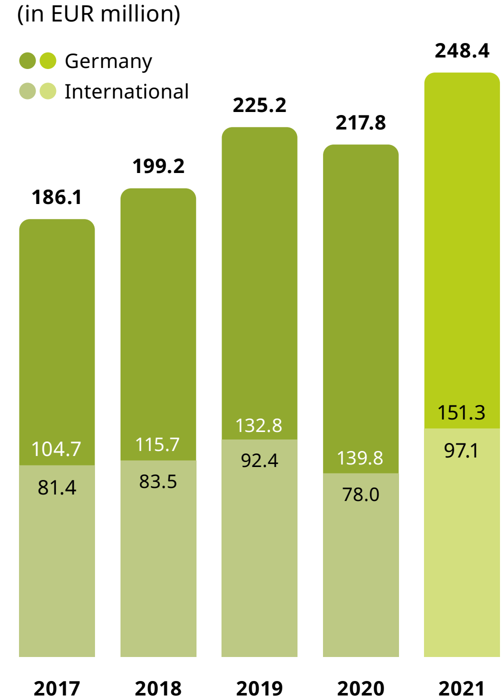
In the energy market, the Electrical Energy division and PSI Transcom increased its new orders, revenues and earnings. The Gas Grids and Pipelines division generated a decline in the revenues and earnings contribution, but improved new orders after the decline in the previous year.

In public transport business, demand for software for electric bus depots remained high and new orders, revenues and earnings picked up. In the Production Management segment, all businesses increased new orders, revenues and earnings.

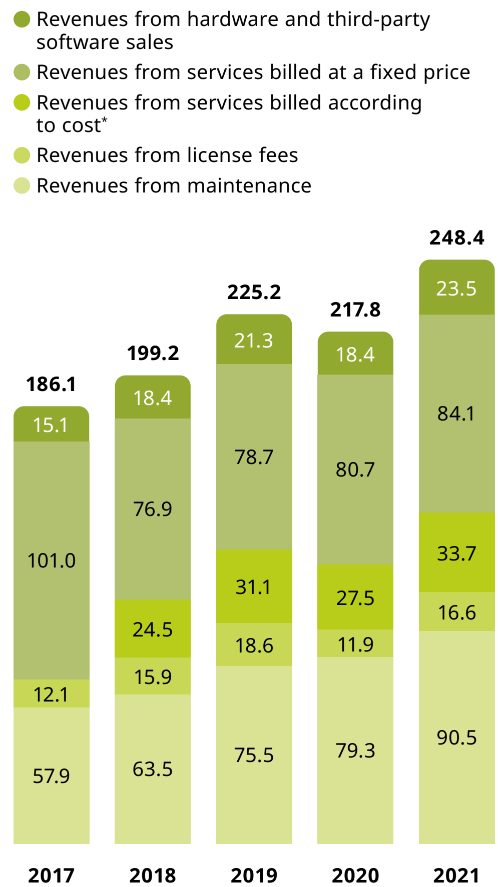
Overall Assessment of the Business Performance

PSI exceeded its 2021 target of a 5% increase in new orders and revenues, with new orders rising by 16.2% to EUR 266 million and revenues by 14.0% to EUR 248.4 million. The operating result expanded by 59.7% to EUR 23.8 million, higher than the EUR 20 million target. As a result, the EBIT margin was lifted from 6.8% in the previous year to 9.6%. The share of consolidated revenues attributable to license business rose from 5.5% to 6.7%, while the share of maintenance revenues remained constant at 36.4%. Unlike previous years, both segments contributed equally to the revenues and earnings upturn. Business increased, particularly in the industrialized countries of Northern and Western Europe, while Southeast Asia recovered and China and Russia saw downturns. Overall, the PSI Group reached its targets in 2021.

Significant Growth in Export Revenues
(in EUR million)



Further Increase in Share of Revenues Attributable to Maintenance
(in EUR million)



* recognized separately from 2018 onward

Result of Operations

Consolidated revenues up 14% on previous year

Consolidated revenues amounted to EUR 248.4 million in 2021, an increase of 14% on the previous year's figure of EUR 217.8 million. Energy Management generated revenue growth of 16.2% as against the previous year, while Production Management revenues expanded by 11.5%. Revenues per employee, based on the average number of people employed in the Group rose from EUR 109,000 in the previous year to almost EUR 119,000.

Higher share of purchased services and personnel expenses

Expenses for purchased goods and services moved up by EUR 6 million to EUR 35.8 million. Expenses for project-related procurement of hardware and licenses increased by EUR 2.2 million, and expenses for purchased services rose EUR 3.8 million. At EUR 158.7 million, personnel expenses were up 12.2% year-on-year.

Strong improvement in operating result and Group net result

At EUR 23.8 million, the PSI Group increased its operating result by 59.7% after EUR 14.9 million in the previous year. The Group net result moved forward from EUR 10.3 million to EUR 15.8 million in the year under review. Earnings per share widened accordingly from EUR 0.66 to EUR 1.01. Metals Production, Electrical Energy, PSI Poland and Automotive & Industry made a particularly strong contribution to earnings.

New orders up on previous year

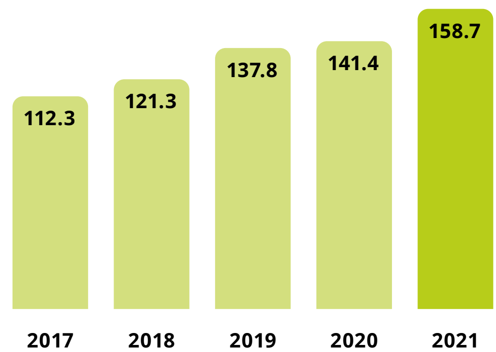
New orders amounted to EUR 266 million in 2021, up 16.2% on the previous year's figure of EUR 229 million and thus 7% higher than revenues. The order backlog as of the end of the year rose by 7.4% to EUR 160 million.

Increase in international revenues

Revenues generated outside Germany rose by 24.5% from EUR 78.0 million in the previous year to EUR 97.1 million, meaning that the export share rose from 36% to 39%. The share of international orders in Metals Production increased from 42% to 45%, mainly due to major orders.

Maintenance revenues widened from EUR 79.3 million to EUR 90.5 million, with the share attributable to maintenance remaining steady at 36.4.%. License revenues

Personnel Expenses Develop in Line with Capacity Growth
(in EUR million)



developed positively from EUR 11.9 million to EUR 16.6 million. In line with the focus on increasing software product business, maintenance and long-term upgrade contracts in particular are to increase further.

Energy Management posted stronger revenues growth than Production Management, causing the share of consolidated revenues attributable to this segment to rise from 55.1% in the previous year to 56.1%. The share attributable to Production Management accordingly declined from 44.9% to 43.9%.

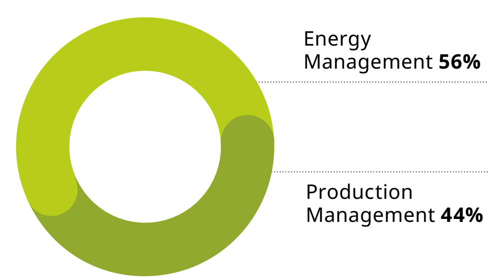
Energy Management segment with significant revenues growth

In 2021, Energy Management was characterized by significant revenues growth in the Electrical Energy division and in the areas of public transport and by growth and improved earnings in Southeast Asia. On the other hand, the Gas Grids and Pipelines division declined. Overall, revenues increased by 16.2% to EUR 139.4 million, thus exceeding expectations. The segment comprises the areas of electricity grids, gas grids, pipelines, energy trading, public transport and business in Southeast Asia. The operating result advanced from EUR 6.0 million in the previous year to EUR 8.3 million.

Production Management with strong increase in revenues and earnings

Revenues in Production Management improved by 11.5% to EUR 109.0 million in 2021, slightly higher than expected. In this segment, PSI develops solutions for efficient planning and controlling of production and logistics processes. The segment's operating result climbed from EUR 11.8 million to EUR 16.7 million and was thus higher than anticipated. The highest margins were generated by PSI Metals, PSI Automotive & Industry and PSI Poland.

Revenue Allocation by Segment
(in %)



Group Structure as at December 31, 2021

Energy Management

PSI Software AG Electrical Energy Gas Grids and Pipelines	
PSI GridConnect GmbH	100%
NEPLAN AG (Switzerland)	100%
PSI Prognos Energy GmbH	100%
PSIAG Scandinavia AB	100%
PSI Incontrol-Gruppe	100%
PSI Energy Markets GmbH	100%
Time-steps AG (Switzerland)	100%
PSI Transcom GmbH	100%
Moveo Software GmbH	100%
OOO PSI (Russia)	100%
OOO OREKHsoft (Russia)	49%
OOO PROGRESS (Russia)	49%
caplog-x GmbH	31.3%

Production Management

PSI Mines & Roads GmbH	100%
PSI Automotive & Industry GmbH	100%
PSI Automotive & Industry Austria GmbH	100%
PSI Metals GmbH	100%
PSI Metals Austria GmbH	100%
PSI Metals Belgium NV	100%
PSI Metals Non Ferrous GmbH	100%
PSI Information Technology Shanghai Co. Ltd. (China)	100%
PSI Metals North America Inc.	100%
PSI Metals Brazil Ltda.	100%
PSI Metals UK Ltd.	100%
PSI Metals India Private Ltd.	100%
PSI Logistics GmbH	100%
PSI AG (Switzerland)	100%
PSI FLS Fuzzy Logik & Neuro Systeme GmbH	100%
PSI Polska Sp. z o.o.	100%

Financial Position

On December 31, 2021, for financing its operating business, PSI had cash and cash equivalents, financial liabilities at subsidiaries and guarantee and cash credit facilities totaling EUR 108.0 million. In the previous year, guarantee and cash credit facilities had amounted to EUR 106.4 million. Utilization related entirely to the guarantee credit facilities and declined from EUR 46.4 million in the previous year to EUR 42.0 million as of the end of the reporting period.

In the 2021 financial year, the Group was able to meet its payment obligations at all times. The Group has internal ratings from its principal banks that correspond roughly to the BBB+ rating category.

Cash flow from operating activities improved from EUR 24.8 million in the previous year to EUR 38.8 million. It was mainly influenced by year-on-year changes to working capital and the improved Group net result.

Cash flow from investing activities rose from EUR −13.4 million to EUR −5.0 million. In the previous year, it was shaped by the acquisition of NEPLAN AG in the Energy Management segment.

Cash flow from financing activities improved slightly from EUR –7.9 million to EUR –7.7 million, predominantly as a result of the lower dividend payment and taking up a long-term loan.

Cash and cash equivalents at the end of the year rose from EUR 40.5 million to EUR 67.5 million.

Net Asset Situation

Structure of the balance sheet: equity ratio increases to 40.4%

The PSI Group's total assets rose from EUR 259.4 million to EUR 284.1 million in 2021.

On the assets side, non-current assets decreased from EUR 124.8 million to EUR 119.0 million due to lower deferred tax assets. Current assets climbed from EUR 134.6 million to EUR 165.1 million. Within this item, cash and cash equivalents increased by EUR 27.0 million and trade receivables rose by EUR 6.0 million, while inventories declined by EUR 1.8 million. The increase in receivables invoiced to clients and the still uninvoiced receivables is thus considerably lower than the upturn in revenues.

On the equity and liabilities side, current liabilities increased from EUR 72.2 million to EUR 83.8 million. Non-current liabilities decreased slightly from EUR 86.9 million to EUR 85.6 million, driven primarily by taking up a long-term loan. Equity increased from EUR 100.3 million to EUR 114.7 million. In line with this, the equity ratio rose from 38.7% to 40.4%.

Overall Assessment of Net Assets, Financial Position and Results of Operations

in the 2021 financial year, the Group's net assets, financial position and results of operations improved year on year. There were particularly significant increases in the operating result, the Group net result, cash flow from operating activities and the liquidity position. Overall, the Group still has the financial prerequisites to finance organic growth and selective acquisitions and has a high equity ratio.

STATUTORY DISCLOSURES

Disclosures in Accordance with Section 315a (1) of the German Commercial Code (HGB)

As of December 31, 2021, the share capital of PSI Software AG amounted to EUR 40,185,256.96 and was divided into 15,697,366 no-par-value shares with an accounting par value of EUR 2.56. Each share confers the right to one vote. There are no different classes of shares. The shareholders exercise their voting rights at the Annual General Meeting in accordance with the statutory requirements and the Articles of Association. There may be statutory restrictions on voting rights in accordance with section 136 of the German Stock Corporation Act (AktG) or, to the extent that the Company holds treasury shares, in accordance with section 71b AktG. In the second half of 2021, PSI Software AG issued a total of 17,536 shares to employees as staff shares. A contractual prohibition on the sale of these shares until November 10, 2023 was agreed. There are no further restrictions with regard to voting rights or transfers of shares.

In the 2021 financial year, Mr. Norman Rentrop, Germany, held a 20.65% interest in PSI Software AG, held via Investmentaktiengesellschaft für langfristige Investoren TGV, which he controls. According to the notification in accordance with section 27a (1) of the German Securities Trading Act (WpHG) dated September 7, 2017, the investment in PSI Software AG serves the long-term objective of generating trading profits.

In the 2021 financial year, innogy SE, Essen, Germany, held a 17.77% interest in PSI Software AG. According to PSI Software AG's knowledge, innogy SE is a company in which E.ON SE, Essen, has a majority shareholding. E.ON SE is a major distribution grid operator and an important customer of PSI Software AG in the Energy Management segment. According to the notification from E.ON SE in accordance with section 43 (1) sentence 3 of the German Securities Trading Act (WpHG) dated October 22, 2019, the investment in PSI Software AG is a direct consequence of the acquisition of the majority interest in innogy SE and thus serves the purpose of implementing strategic goals.

PSI Software AG has not issued any shares with special rights.

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

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

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

PSI Software AG has authorized capital of EUR 8.0 million in place until May 15, 2024 that was created by resolution of the Annual General Meeting on May 16, 2019. This resolution authorizes the Executive Board, with the approval of the Supervisory Board and without requiring a further resolution by the Annual General Meeting, to increase the Company's share capital in exchange for cash or contributions in kind. This can be utilized for any purpose permitted by law. The Company has not yet exercised this authorization to date.

PSI Software AG also has contingent capital of EUR 8.0 million in place until May 18, 2026. This serves the purpose of servicing convertible and warrant-linked bonds and profit-sharing certificates. The Company was authorized to issue this contingent capital in a total nominal amount of up to EUR 100.0 million by the Annual General Meeting on May 19, 2021. The Company has not yet exercised this authorization to date.

The Executive Board of PSI Software AG was authorized by the Annual General Meeting on June 9, 2020 to acquire treasury shares in the Company in a volume of up to 10% of the share capital until the end of June 30, 2023. Together with treasury shares acquired for other reasons that are owned by or attributable to the Company, the shares acquired on the basis of this authorization must not exceed 10% of the Company's share capital at any time. Treasury shares may be acquired only if the Company was able to establish a reserve in the amount of the expenses for the acquisition without reducing the share capital or any reserve to be established in accordance with the law or the Articles of Association that must not be used for payments to the shareholders. The authorization must not be used for the purpose of trading in treasury shares. In keeping with the principle of equal treatment, the Executive Board shall choose to acquire the shares either on the stock market or by way of a public purchase offer to all shareholders of the company. The authorization may be exercised one or more times in full or in partial amounts.

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

RISK REPORT

The PSI Group's risk management system covers all organizational regulations and measures for identifying and dealing with the risks and opportunities of its business activities and serves to identify risk at an early stage, to make a risk analysis and to take appropriate countermeasures. The PSI Group's risk policy aims to secure the Group's success in the long term, to increase the enterprise value and, using countermeasures, to maintain an appropriate risk coverage potential (Group equity) at all times.

To this end, PSI has set up a risk management system that is used by the Executive Board of the Company as a tool for the early recognition and prevention of risks. This particularly applies to risks whose effects could jeopardize the continued existence of the PSI Group as a going concern. Risk management coves the tasks of recording, assessing, communicating, managing, documenting and monitoring risks. The Company's risk management system is developed further on an ongoing basis and the knowledge gained from the management system is integrated in corporate planning. For documenting and communicating the risk management system there are various guidelines and operating instructions integrated into the PSI Group guideline system and which are available to all employees in the internal PSI intranet.

In the 2021 financial year, PSI made a fundamental revision to the risk management system, implementing standard group risk recording, classification and assessment. In doing so, the following material risk categories were identified:

– Corporate strategy risks (9 individual risks)

– Financial risks (8 individual risks)

– Organizational and legal risks (12 individual risks)

– Operating business risks (4 individual risks)

Analysis of Opportunities and Risks

The PSI Group is exposed to a range of risks. In the 2021 financial year, the risk profile changed mainly as a result of the economic recovery from the consequences of the COVID-19 pandemic in Germany and Europe.

In general there are no material differences in the PSI Group business model across the individual segments. Specific aspects resulting in differences to the risk structure in the individual segments are described below. The subsequent presentation of material individual risks applies equally to the individual segments.

The individual risks described below focus on such risks which can have a considerable negative impact on the business, net assets, financial position (including impacting assets, liabilities and cash flows) and results as well as the reputation of the PSI Group. The order of the risks shown within the four categories reflects the current assessment of the relative extent of risk for the PSI Group, thus offering an indication for the current importance of these risks. Based on our risk assessment, all risks of the category "Moderate" (size of loss: EUR 1–2 million) and "Material" (size of loss: EUR 2–20 million), with a probability category of "Probable" (20–50%) were taken up in the following reporting.

In the 2021 financial year, both in the individual assessment as well as overall, there was no risk/risk group which was assessed as jeopardizing the continued existence of the Group (size of loss: greater than EUR 20 million) or in the "Very probable" category (probability greater than 50%).

Opportunities and risks for the segments

In **Energy Management** there is a high level of dependency on German and German-speaking markets which are strongly determined by local regulations in the area of providing energy. The narrow nature of local markets and appropriate compliance of regulations are important corporate strategic risks in this segment. In the Energy Management segment the transnational effects of the expansion of renewable energy, continuing digitalization, integrated energy, electric mobility and the expansion of storage technologies will result in additional business potential in the long term.

In **Production Management** the PSI Group has considerably lower dependency on domestic markets and has been able for further expand its share of international activities. In all individual activities of the Production Management segment (steel and automotive industries, logistics, manufacturing), the PSI Group is exposed to considerably higher economic risks than in the strongly domestic Energy Management segment which has high levels of regulation. Production Management has business opportunities as a result of its very good access to international markets, the high level of standardization and the partner-friendly software products.

Presentation of material individual risks of the PSI Group

The share of international activities increased in 2021, resulting in decreased dependency on the domestic market. Overall, the export share of 39.1% results in an ongoing only limited dependency on the domestic economy and presents further international growth opportunities. However, the international expansion will give rise to new risks from the integration of new subsidiaries into the Group and dependency on international partners, exchange rates and legal systems. On the other hand, opportunities and risks will be more broadly diversified as a result of the further expansion of international activities.

Corporate strategy risks (without assessment)

Transformation of the PSI Group

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

Financial risks

Default risk (material risk)

This is the risk that payments on customer receivables realized in operating business are not paid at all or not in full and it is necessary to derecognize the receivables with a negative impact on earnings. The risk classification of this individual risk had to be adjusted in connection with the sanctions imposed on the Russian Federation in February 2022. Here the risk probability was raised to "Very probable".

Operating risks

Complex fixed price projects (material risk)

Alongside low-risk standard products, the PSI Group still sells and implements large, technically complex projects at a fixed price. As a result of individual technical integration and migration specifications, the feasibility of which has not yet been demonstrated by implemented software solutions, unclear, unrealistic or changing customer requirements, or incorrect assessment of the work to be done, there is the risk that the contractually agreed performance cannot be rendered or rendered only with considerably higher work levels by the PSI Group. The PSI Group has an extensive and detailed system to monitor all projects. Complex fixed price projects remain subject to specific release processes, monthly management control and monitoring by the Executive Board.

International projects (material risk)

In the international project business, in particular regions – especially areas with instable general economic and political conditions – there are risks related to implementing contractual agreements, technical project processing and implementing the business model of the PSI Group which can result in material negative project margins. On the other hand, there are growth opportunities in international markets which can be exploited by the PSI Group with standardized products and services combined with the application of new technologies. In order to minimize risks from international projects, there are export restrictions in the PSI Group for specific products and regions.

Opportunities and risks from new products and technologies (moderate)

In order to strengthen its competitive position, PSI constantly invests in new product versions and product enhancements. At the same time, PSI has brought products and components together on a joint platform as part of a Group-wide convergence process to enable it to benefit from high quantities. In 2021, the new app store and multi-cloud technology was used by pilot customers for the first time. With the PSI App Store, the aim is to further automate and accelerate the supply of PSI products in the future. The future income and liquidity development of the PSI Group will largely depend on the market success of its new products and on its command of newly developed technologies.

Risks from the open source software used (moderate)

As other software manufacturers, the PSI Group uses elements of open source software in its products. Despite careful checks and security measures, security gaps can be known or errors occur which can result in considerable costs which are not remunerated by the final customer. In connection with dealing with the security vulnerability which occurred in 2021 in "log4j" open source security components, the PSI Group was able to demonstrate that the analysis and reaction processes activated across the Group quickly and in a reliable technical fashion resulted in eliminating the existing security risks.

Organizational and legal risks

Availability and security of IT systems (material)

Business processes in the PSI Groups are interwoven with IT systems and applications. There is the risk that if a function is not error-free or in cases of non-availability in respect to the corresponding IT systems as a result of the outage of infrastructure cooperations, disruptions to the energy supply or telecommunications, malfunctions or errors at partners or customers and suppliers, there is a considerable and negative impact on operations combined with high costs. The PSI Group is working on an ongoing basis on the needs-driven expansion and conversion of the IT infrastructure as well as the development of highly qualified staff for infrastructure operations in order to secure sufficient availability of the IT systems.

Compliance (material)

The legal environment of PSI Software AG as a listed company, software supplier for critical infrastructure and a company with an international alignment is complex in regulatory terms, changes quickly and is shaped by a high level of rules and regulations. An infringement of relevant regulations in this environment could have a considerable financial impact and result in the loss of reputation. For all relevant compliance areas, the PSI Group has implemented monitoring mechanisms aimed to secure compliance with existing regulations. In addition, it is planned to develop a Compliance organization within the PSI Group which will systematically monitor and manage compliance risks within the Group.

PSI Group employees (moderate)

Because PSI performs technically challenging tasks, the Group is reliant on employing suitably qualified staff. In Germany in particular, there is a risk that it may not be able to acquire a sufficient number of suitable employees due to the demographic development. PSI counters this risk with active HR marketing and measures to strengthen employee loyalty. In this way, the Company has so far succeeded in hiring, integrating and permanently retaining a sufficient number of qualified employees.

Description of the Key Features of the Internal Control and Risk Management System with Regard to the Group Accounting Process (Section 315 (4) HGB)

The overriding target of the accounting-related control and risk management system in the PSI Group is to secure the correctness of financial reporting with the objective of compliance of the consolidated financial statements and the combined management report of the PSI Group and the annual financial statements of PSI Software AG as the parent company with all relevant regulations.

The structure of the risk management system is aligned to the well-known COSO Standard (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management – Integrating with Strategy and Performance (2017) and the ISO (International Organization for

Standardization) Standard 31000 (2018). The frameworks links the risk management process with financial reporting and the internal control system. At the PSI Group, the accounting-related internal control system is also aligned to the Internal Control – Integrated Framework (2013), the internationally recognized framework developed by COSO.

The consolidated financial statements of the PSI Group are generally prepared on the basis of a fixed conceptional framework. This consists essentially of standards in the form of accounting guidelines and a chart of accounts. An analysis takes place on an ongoing basis as to whether any adjustments to the conceptional framework are required as a result of changes in the regulatory environment. The data basis for preparing financial information is the financial statement information reported by PSI Software AG and its subsidiaries. In specific instances, such as the measurement of pension provisions, external service providers are deployed. On the basis of the reported financial statement information, the financial statements are prepared in the consolidation system. The steps required in preparing the financial statements are subjected to manual and system controls. The qualifications of the employees involved in the accounting process are secured on the basis of suitable selection processes and training. In general, taking materiality considerations in account, the dual control principle applies. Furthermore financial statement information must pass through specific release processes. Further control mechanisms are budget-actual comparisons as well as analyses on the composition and changes to the individual items, in relation to both the financial statement information reported by the Group units and to the consolidated financial statements. To provide protection against unauthorized access, access rights have been defined in the accounting-related IT systems in line with our regulations on IT security.

The Audit Committee of the Supervisory Board is also integrated into the control system. In particular, it monitors the accounting and accounting process and the effectiveness of the internal control system and the risk management system. There are also rules for accounting-related complaints (Compliance Committee).

FORECAST

PSI started 2022 with an increased order backlog of EUR 160 million and improved net assets, financial position and results of operations. The renewal of the product basis was continued with a further increase in expenses for research and development, product migrations, pilot projects and investments in the cloud and the app store strategy. As a result, conditions for a broader-based marketing of the new products to existing and new customers were also improved in 2021.

As a provider of software products for the optimization of energy and material flows at operators of energy and transport infrastructure and in the steel and automotive industry, PSI sees the climate debate as an opportunity and an obligation to contribute to the success of the climate protection measures with intelligent software products. Specifically, this relates to the integration of growing quantities of significantly fluctuating renewable energy in the existing infrastructure, the increasing interconnection of the electricity, heating and transport sectors (integrated energy) and the associated trend towards expansion of electric mobility. As a leading provider of cross-sector grid control systems, PSI is very well positioned in this market and has increased its market share in recent years. In Production Management, the increasing flexibilization of production to be aligned to the fluctuating availability of renewable energy requires investments in improved planning and management software. PSI developed and launched new products and functions for these areas.

By means of the migration of further products to the new, uniform software platform and convergence of our technical base, we intend to further increase the quantities sold and expand the share of revenues attributable to licenses, upgrades and maintenance. Customers and partners also use the PSI software platform for their own developments, modifications and rollouts. This reduces risks for PSI and increases the quantities sold. We will continue to selectively expand our portfolio in order to take advantage of opportunities and increase our efficiency. In this way, we improve the basis for accelerating our growth and further increasing our margins.

On February 24, 2022, with its military attack on Ukraine, the Russian Federation caused far-reaching changes to the general social, political and economic conditions. The situation in the Ukraine and its consequences, for example as a result of sanctions, restricted imports of raw materials or rising energy costs, can impact the general energy policy and economic situation across Germany and Europe and thus the operations of the PSI Group. Furthermore, considerable indirect effects, such as price adjustments or interruptions to supply chains, can result in considerable changes in economies.

At the present moment in time, the resulting short-, medium- and long-term ramifications are difficult to assess and for this reason are not included in the planning and forecasts of the PSI Group. PSI monitors the risks which directly impact operations on an ongoing basis. Here the particular focus is on such risks which can be anticipated as a result of the ongoing high levels of volatility on energy markets and the restricted opportunities of business activities in the Russian Federation. With its risk tracking, PSI wants to take into account company-specific risks and opportunities which the change in general conditions brings.

In the Energy Management segment, we expect the positive trends for Electrical Energy to continue and stable domestic demand in the Gas Grids and Pipelines division in 2022. In Production Management, we are continuing to invest in the future-oriented topics of decarbonization and flexibilization. Deploying artificial intelligence is one of the ways we are doing this. With the updated product base and the digitalization of our own sales and service processes, we intend to further improve our revenues and profitability in the medium and long term. Without factoring in the current events in the Ukraine, for 2022 we are aiming to increase new orders and revenues by more than 10% and lift the operating result by close to 20%, distributed equally across the segments. It is aimed to generate at least EUR 5 million in revenues from the PSI App Store. In the revenues mix we have a focus on higher license revenues and recurring revenues for maintenance and update contracts where above-average growth is to be expected.

In order to achieve our goals, we will continue to invest in the unique selling points and quality of our development and runtime platform and our products.

Berlin, March 23, 2022

Dr. Harald Schrimpf

Gunnar Glöckner

SUSTAINABILITY AND CSR

Ever since the Company was founded in 1969, sustainability in customer projects as well as in-house processes combined with corporate social responsibility have aways been a very important issues for PSI. In addition to environmental and social concerns, this particularly includes the areas of employees and customers.

Transparent and Responsible Corporate Governance

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

In addition to the Code of Conduct, PSI has adopted a guideline system that governs many different aspects of sustainable and responsible corporate governance. PSI once again complied with the recommendations of the Government Commission on the German Corporate Governance Code in 2021, with a small number of exceptions that are discussed in the declaration of compliance. The declaration of compliance, the corporate government declaration and the remuneration report are published on the website at www.psi.de/en/psi-investor-relations/corporate-governance.

Sustainability in PSI Products and Internal Processes

PSI supports the 17 sustainability goals of the United Nations and its software products make a significant contribution to careful and sustainable use of energy, raw materials and labor in the energy industry and the production and transport sector. This way, PSI particularly contributes to the goal of sustainable energy supply, sustainable production, resilient infrastructure and sustainable cities. PSI also indirectly helps combat climate change, end poverty, generate sustainable economic growth and promote decent work.

PSI's control systems for managing major electricity grids have been and still are being continuously expanded with functions that enable the feed-in of renewable energy to be managed intelligently. As a result, considerably more energy from renewable sources can be used, losses in the network minimized, while at the same time increasing supply security. Together with partners from the energy industry and academia, PSI is actively involved in developing the intelligent energy supply infrastructure of the future. This also includes new products for intelligent microgrids and charging infrastructure. PSI gas management systems support the integration of a higher share of hydrogen in the existing gas grid, thus being able to store excess wind power as "green hydrogen". They allow the optimized management of the compressor stations required for grid operation and minimize technical losses. Leak detection and location systems help reduce losses in the transportation over long distances and avoid environmental damage.

Traffic flow optimization for conurbations and cities developed by PSI integrates not only individual mobility objectives of traffic participants, and the strategic targets of road operators, but also collective and ecological goals. Further functions include energy optimized driving in rail transport and a depot and charging management system to optimize the dispatch of zero-emission buses. This gives customers effective support in reducing greenhouse gases and saving energy.

In industry, PSI software products assist in increasing efficiency and the responsible handling of energy, raw materials and labor. For example, by using PSI algorithms based on artificial intelligence, which optimize assembly sequences in the automobile industry and the production processes in the steel industry, the use of energy and resources can be considerably reduced. In the field of logistics, in recent years PSI has developed new solutions for dynamic control and operation of optimized logistics networks that help reduce transport costs and emissions by up to 10%.

Due to the fact that PSI as a services company does not manufacture any physical products, the PSI business processes impact the environment and resources only in a marginal fashion. For its own infrastructure, PSI uses green IT equipment to save energy and resources. The cloud providers used by PSI internally and in customer projects have undertaken to reduce greenhouse emissions by 65% to 2025 and by zero to 2030. In Germany, PSI procures energy solely from renewable sources and uses cogeneration at its location in Aschaffenburg. At its Aschaffenburg site, PSI has also acquired charging stations which are operated by AVG (the regional utility) and used for charging electric company cars and private e-vehicles.

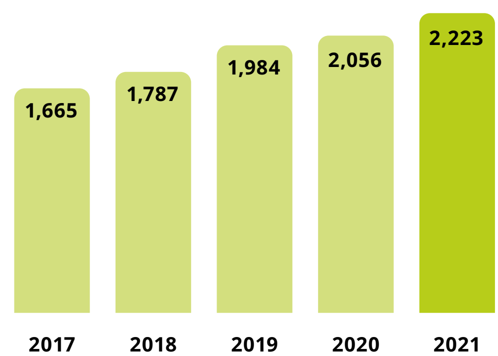
To evaluate energy flows and potential for improvement in the area of energy efficiency, in 2020 PSI carried out an energy audit in line with DIN EN 16247. PSI has participated in the Carbon Disclosure Project (CDP) since 2011 and received a Climate Change score of B and a Supplier Engagement Rating of A- in 2021, posting an improvement against the previous year.

As in previous years, PSI was again awarded the DZ Bank Seal of Quality for Sustainability in 2021. For the third time in a row, in 2021 the magazine Focus Money rated PSI as one of the most valuable German companies in terms of environmental, economic and social responsibility. In a study conducted by the Capital magazine in February 2021 looking into Germany's most climate-conscious companies, PSI ranked 8th out of 2,000 companies. In an extensive study published in November 2021, the news magazine FOCUS and the For Our Planet initiative commended PSI as one of only five IT companies with a top climate commitment in 2021. Implementation of environmental management is currently being evidenced by external energy audits and involvement in the Carbon Disclosure Project. Preparations are being made for certification in line with DIN EN ISO 14001.

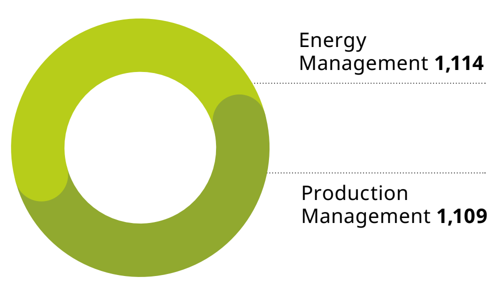
Employees and Social Commitment

Employee development and training are crucial for the functionality and innovativeness of the products developed by PSI. The main focus areas are specialist training for new employees at the international locations and in Germany and employee development. This takes place in the form of sales, project management and contract law training and courses relating to Group software tools. Group-wide work teams focusing on the topics of technology, infrastructure, product management, maintenance, quality management,

Number of Employees Increases Further
(Employees on December 31)



Breakdown of Workforce to the Segmens
(Number of Employees)



controlling and marketing promote knowledge transfer and standardization within the Group. Employee training for the uniform Java technology platform is particularly important for the strategic development of the Group.

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

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

One special aspect at PSI is that a significant share of PSI stock amounting to around 20% is held by employees and managers. Since 2011, PSI has issued staff shares to promote employee participation; these shares can be acquired for this purpose on the stock market, for example.

The number of employees as of the end of the year rose by 167 to 2,223, 1,114 of which in the Energy Management sector and 1,109 in Production Management.

PSI has been involved in social activities for many years. Examples include various regional initiatives to support charitable organizations based near PSI locations. In addition, PSI promotes team sports activities of various different employee groups by funding participation in competitions and equipment. In early 2021, PSI was ranked 21st in the telecommunications and IT sector in a large-scale survey of working conditions at 2,600 German companies conducted by the magazine Stern. In November 2021, German daily DIE WELT recognized PSI as an attractive employer.

Non-financial Statement and Information on Sustainable Activities

In an internal process, PSI assessed the non-financial topic areas of the environment, customers, employees, society, human rights and combating corruption in terms of their relevance to the Group and derived non-financial key performance indicators on this basis. It is primarily employee commitment and long-term customer relationships that are key to the PSI Group's success. In order to measure its performance with regard to these parameters, PSI calculates an employee commitment index and a customer loyalty index.

Employee commitment shows the employees' motivation and loyalty and the extent to which they identify with PSI. The employee commitment index includes average employee turnover, employee satisfaction and the average sick leave rate in the Group, with targets being defined for all three criteria. In the subsequent calculation of the index based on the respective level of target achievement, employee turnover and employee satisfaction are given a higher weighting than the sick leave rate. The PSI Group achieved an employee commitment index score of 96% in 2021 after 98% in 2020 and was thus within the target range. This reflected only a slight increase in turnover, a constant level of employee satisfaction and a renewed low level in the sick leave rate. PSI believes that this is also a result of the hygiene policies introduced and the expansion of remote working since the start of the COVID-19 pandemic. For 2022, PSI is again aiming for an index value of between 94% and 98%.

Long-term customer relationships form the basis for the PSI Group's sustained positive economic performance. The customer loyalty index therefore takes account of customers' willingness to conclude long-term maintenance and upgrade contracts and to provide a reference. Targets are defined and their achievement is measured both for the share of consolidated revenues attributable to maintenance and upgrade contracts and for the level of willingness to provide a reference. The target achievement levels calculated in this way are included in the index with equal weightings. The customer loyalty index score came to 87% in 2021, after 96% in the previous year, reflecting primarily the steady share in maintenance and upgrade revenues parallel to an increased target. As a result, the customer loyalty index in 2021 was below the target range. For 2022, PSI is aiming for an index value of between 86% and 90%.

Information in line with the EU Taxonomy

In connection with the objective of directing the flow of capital into ecologically sustainable economic activities, the European Union (EU) developed a classification system on sustainably economic activities for a total of six environmental objectives (EU Taxonomy). For two of these environmental objectives (climate mitigation and climate change adaptation) concrete regulations (delegated acts) have been adopted according to which business activities are deemed sustainable if they make a substantial contribution to achieving the objectives (climate mitigation and climate change adaptation), do not substantially impede the achievement of further environmental objectives and comply with minimum safeguards for human and labor rights.

In view of the main activities of the PSI Group, the following product groups and services were classified as EU taxonomy-eligible. On this basis the key parameters turnover (revenue), operating expenditure and capital expenditure were determined:

All amounts in EUR million for 2021	Turnover (revenues)	Operating expenses	Investments
Contribution to climate mitigation (Annex I)			
8.1. Data processing and hosting	Still not material	0.8	Still not material
8.2. Data-driven solutions for greenhouse gas emissions reduction	Still not material	Still not material	Still not material
Contributing to climate change adaption (Annex II)			
8.2. Provision of services in information technology	224.9	32.3	Not material
Taxonomy non-eligible economic activity	23.5	0.0	9.3
Total	248.4	32.3	9.3
Share of Taxonomy-eligible activities	90%	100%	0%

Assessment of Taxonomy-eligibility

Contribution to climate mitigation

In relation to climate mitigation, in 2021 we classified the activity “8.1 Data processing, hosting and related activities“ as a Taxonomy-eligible activity. As the newly developed multi-cloud app store was available for the first pilot customers, and that initially with a restricted product range, only in the second half of the year, revenues achieved here in 2021 were not yet material. The development expenses for the PSI App Store were not capitalized so that for these activities only operating expenses were recognized (development cost), but no investments.

In addition, in relation to activity “8.2 Data-driven solutions for GHG emissions reductions”, we examined whether our services are to be classified to this category. It is true that various optimization solutions at PSI have functions to reduce greenhouse emissions, but they also support other optimization and efficient targets and were not primarily developed to reduce greenhouse emissions. For this reason, in 2021 PSI did not recognize any material revenues, operating expenditure or capital expenditure in connection with this activities which could be classified as Taxonomy-eligible. However, we expect that in the future our customers will increasingly request solutions to improve the sustainability of their business processes. This is why we anticipate that the share of revenues, operating expenditure and capital expenditure related to such solutions will increase over the next few years.

Contribution to climate change adaptation

In relation to the climate change adaptation, we assessed the relevance of activity “8.2 Data-driven solutions for GHG emissions reductions”. As PSI operates primarily in the area of information technology services and these activities are to be assessed as enabling activities, we assess them as Taxonomy-eligible and material for PSI.

Calculation basis for revenue, operating expenditure and capital expenditure

Revenue is determined in line with IFRS and corresponds to the revenue recognized in our consolidated income statement and the revenue breakdown shown in the notes to the consolidated financial statements.

Operating expenditure was determined on the basis of the requirement of the EU Taxonomy, and comprises primarily development costs. As all the products and services we offer are regarded as taxonomy-eligible, we have recognized all our development costs. We have not identified further operating expenditure which we can allocate.

Capital expenditure was determined on the basis of the additions to non-current assets recognized in the consolidated financial statements. For reporting purposes, the share of investment to be allocated to the development costs on the basis of a classification code is negligible for the 2021 financial year.

Berlin, March 23, 2022

Dr. Harald Schrimpf

Gunnar Glöckner

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

of PSI Software AG for the 2021 Financial Year

CONSOLIDATED BALANCE SHEET

as of December 31 (IFRS)

in EUR thousand	Note	**2021**	2020
ASSETS			
Non-current assets			
Intangible assets	C. 1	70,024	70,199
Property, plant and equipment	C. 1	38,027	38,928
Investments in associated companies		694	440
Deferred tax assets	C. 14	10,293	15,208
		119,038	**124,775**
Current assets			
Inventories	C. 2	6,861	8,661
Net trade receivables	C. 3	35,183	29,209
Receivables from long-term development contracts	C. 4	48,440	47,705
Other assets	C. 5	5,667	6,983
Income tax receivables		725	1,584
Cash and cash equivalents	C. 6	67,478	40,482
Assets held for sale	C. 7	730	0
		165,084	**134,624**
		284,122	**259,399**

in TEUR	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital	C. 7	40,185	40,185
Capital reserves	C. 7	35,137	35,137
Reserve for treasury shares	C. 7	702	80
Other reserves	C. 7	–23,394	–26,033
Unappropriated surplus	C. 7	62,087	50,954
		114,717	**100,323**
Non-current liabilities			
Pension provisions and similar obligations	C. 8	53,123	56,416
Deferred tax liabilities	C. 14	8,553	8,726
Other liabilities	C. 13	637	582
Provisions	C. 9	2,336	1,837
Lease liabilities	C. 10	18,055	19,132
Financial liabilities	C. 11	2,875	168
		85,579	**86,861**
Current liabilities			
Trade payables	C. 12	18,504	17,977
Other liabilities	C. 13	32,634	24,776
Provisions	C. 9	2,029	3,085
Liabilities from long-term development contracts and deferred revenue	C. 4	23,692	20,814
Lease liabilities	C. 10	6,103	5,498
Financial liabilities	C. 12	864	65
		83,826	**72,215**
		284,122	**259,399**

CONSOLIDATED INCOME STATEMENT

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

in EUR thousand	Note	**2021**	2020
Revenues	D. 15	248,389	217,795
Other operating income	D. 16	9,059	6,749
Cost of materials	D. 17	–35,761	–29,734
Personnel expenses	D. 18	–158,709	–141,377
Depreciation and amortization	C. 1	–13,047	–12,220
Other operating expenses	D. 19	–26,122	–26,265
Operating result		**23,809**	**14,948**
Investment income		410	300
Interest and similar income		237	222
Interest expenses		–1,188	–1,808
Earnings before taxes		**23,268**	**13,662**
Income taxes	C. 14	–7,431	–3,382
Group net result		**15,837**	**10,280**
Consolidated earnings per share (basic and diluted) (in EUR)	D. 20	1.01	0.66
Average number of shares outstanding (in thousands)	D. 20	15,678	15,680

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

in EUR thousand	**2021**	2020
Group net result	**15,837**	**10,280**
Items that are reclassified to consolidated net profit in subsequent periods		
Currency translation of foreign operations	**1,680**	**–1,427**
Items that are not reclassified to consolidated net profit in subsequent periods		
Actuarial losses	1,363	–3,348
Income tax effects	–404	999
	959	**–2,349**
Other comprehensive income after taxes	**2,639**	**–3,776**
Consolidated total comprehensive income	**18,476**	**6,504**

CONSOLIDATED CASH FLOW STATEMENT

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

in EUR thousand	**2021**	2020
1. Cash flow from operating activities		
Consolidated earnings before income taxes	**23,268**	**13,662**
Adjustment of annual earnings for non-cash transactions		
Amortization of intangible assets	3,586	2,888
Depreciation of property, plant and equipment	3,329	3,690
Amortization of right of use	6,132	5,642
Income from investments in associated companies	–410	–300
Interest income	–82	–94
Interest expense	1,045	1,221
Other non-cash income/expenses	102	73
	36,970	**26,782**
Change in inventories	1,589	2,814
Changes in trade receivables and receivables from long-term development contracts	–5,923	4,224
Change in other current assets	1,746	–1,624
Change in provisions	–1,811	–3,855
Change in trade payables	76	1,033
Change of other non-current and current liabilities	7,983	–3,084
	40,630	**26,290**
Interest paid	–344	–85
Income taxes paid	–1,536	–1,373
	38,750	**24,832**
2. Cash flow from investing activities		
Outflows for investments in intangible assets	–1,598	–2,290
Outflows for investments in property, plant and equipment	–3,793	–3,530
Outflows for investments in subsidiaries	0	–8,294
(less cash and cash equivalents acquired)	0	329
Inflows from distributions by associated companies	300	288
Interest received	82	94
	–5,009	**–13,403**
3. Cash flow from financing activities		
Outflows for the acquisition of treasury shares	–158	–91
Inflows from the sale of treasury shares	0	82
Dividends paid to shareholders of the parent	–4,704	–784
Outflows for the repayment of lease liabilities	–5,930	–5,560
Interest paid on leases	–400	–491
Inflows/outflows from the repayment/borrowing of financial liabilities	3,506	–1,057
	–7,686	**–7,901**
4. Cash and cash equivalents at end of period		
Cash-effective change in cash and cash equivalents	26,054	3,528
Exchange-rate-related changes in cash and cash equivalent	942	–1,702
Cash and cash equivalents at beginning of period	40,482	38,656
	67,478	**40,482**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2021 (IFRS)

in EUR thousand	Share capital	Capital reserves	Reserve for treasury shares
Balance as at January 1, 2020	**40,185**	**35,137**	**16**
Group net result			
Other comprehensive income after taxes			
Consolidated total comprehensive income after taxes			
Dividend distribution to shareholders of the parent company			
Acquisition of treasury shares			–91
Sale of treasury shares			82
Issue of treasury shares			73
Total capital transactions	**0**	**0**	**64**
Balance as at December 31, 2020	**40,185**	**35,137**	**80**
Group net result			
Other comprehensive income after taxes			
Consolidated total comprehensive income after taxes			
Dividend distribution to shareholders of the parent company			
Acquisition of treasury shares			–158
Sale of treasury shares			0
Issue of treasury shares			780
Total capital transactions	**0**	**0**	**622**
Balance as at December 31, 2021	**40,185**	**35,137**	**702**

Other reserves	Unappropriated surplus	Total
–22,257	**41,458**	**94,539**
	10,280	10,280
–3,776		–3,776
–3,776	**10,280**	**6,504**
	–784	–784
		–91
		82
		73
0	**–784**	**–720**
–26,033	**50,954**	**100,323**
	15,837	15,837
2,639		2,639
2,639	**15,837**	**18,476**
	–4,704	–4,704
		–158
		0
		780
0	**–4,704**	**–4,082**
–23,394	**62,087**	**114,717**

CONSOLIDATED SEGMENT REPORTING

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

	Energy Management		Production Management	
in EUR thousand	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Revenues				
Revenues with third parties	139,386	120,002	109,003	97,793
Revenues with other segments	3,238	3,138	16,296	13,376
Total revenues	**142,624**	**123,140**	**125,299**	**111,169**
Segment operating result before depreciation and amortization	**14,789**	**11,779**	**23,243**	**17,748**
Segment operating result before depreciation and amortization from purchase price allocation	**8,930**	**6,264**	**17,282**	**12,268**
Depreciation and amortization from purchase price allocation	–611	–241	–570	–492
Segment operating result	**8,319**	**6,023**	**16,712**	**11,776**
Financial result	–230	–824	–266	–447
Segment result	**8,089**	**5,199**	**16,446**	**11,329**

	Reconciliation		PSI Group	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
	0	0	248,389	217, 795
	–19,534	–16,514	0	0
	–19,534	**–16,514**	**248,389**	**217,795**
	–1,176	**–2,359**	**36,856**	**27,168**
	–1,222	**–2,851**	**24,990**	**15,681**
	0	0	–1,181	–733
	–1,222	**–2,851**	**23,809**	**14,948**
	–45	–15	–541	–1,286
	–1,267	**–2,866**	**23,268**	**13,662**

DEVELOPMENT OF FIXED ASSETS

for the period from January 1 to December 31, 2020 (IFRS)

in EUR thousand	Costs					
	Jan. 1, 2020	Exchange differences	Change in scope of consolidation	Additions	Disposals	**Dec. 31, 2020**
Intangible assets						
Other intangible assets	28,960	–23	482	2,138	541	31,016
Goodwill	57,150	–1,461	7,373	0	0	63,062
Capitalized software development costs	3,602	0	0	152	0	3,754
	89,712	**–1,484**	**7,855**	**2,290**	**541**	**97,832**
Property, plant and equipment						
Land and buildings	18,983	–38	10	134	20	19,069
Computers and computer accessories	21,247	–151	20	2,427	927	22,616
Other equipment, operating and office equipment	9,238	–103	40	969	516	9,628
Rights of use from leases (net)	27,282	–6	297	7,373	246	34,700
	76,750	**–298**	**367**	**10,903**	**1,709**	**86,013**
Financial assets						
Investments in associated companies	440	0	0	0	0	440
	440	0	0	0	0	440
	166,902	**–1,782**	**8,222**	**13,193**	**2,250**	**184,285**

DEVELOPMENT OF FIXED ASSETS

for the period from January 1 to December 31, 2021 (IFRS)

in EUR thousand	Costs				
	Jan. 1, 2021	Exchange differences	Additions	Disposals	**Dec. 31, 2021**
Intangible assets					
Other intangible assets	33,924*	45	1,598	714	34,853
Goodwill	60,817*	1,138	0	0	61,955
Capitalized software development costs	3,754	0	0	0	3,754
	98,495	**1,183**	**1,598**	**714**	**100,562**
Property, plant and equipment					
Land and buildings	19,069	23	123	1,807	17,408
Computers and computer accessories	22,616	128	2,402	2,143	23,003
Other equipment, operating and office equipment	9,628	63	1,268	870	10,089
Rights of use from leases (net)	34,700	98	5,458	871	39,385
	86,013	**312**	**9,251**	**5,691**	**89,885**
Financial assets					
Investments in associated companies	440	0	254	0	694
	440	0	254	0	694
	184,948	**1,495**	**11,103**	**6,405**	**191,141**

* adapted

Accumulated amortization/depreciation					Carrying amounts	
Jan. 1, 2020	Exchange differences	Additions	Disposals	**Dec. 31, 2020**	**Dec. 31, 2020**	Dec. 31, 2019
20,543	–3	2,432	541	22,431	8,585	8,417
2,258	0	0	0	2,258	60,804	54,892
2,488	0	456	0	2,944	810	1,114
25,289	**–3**	**2,888**	**541**	**27,633**	**70,199**	**64,423**
11,831	–38	739	20	12,512	6,557	7,152
16,274	–121	2,390	924	17,619	4,997	4,973
6,438	–84	561	516	6,399	3,229	2,800
5,168	–10	5,642	245	10,555	24,145	22,114
39,711	**–253**	**9,332**	**1,705**	**47,085**	**38,928**	**37,039**
0	0	0	0	0	440	440
0	0	0	0	0	440	440
65,000	**–256**	**12,220**	**2,246**	**74,718**	**109,567**	**101,902**

Accumulated amortization/depreciation					Carrying amounts	
Jan. 1, 2021	Exchange differences	Additions	Disposals	**Dec. 31, 2021**	**Dec. 31, 2021**	Dec. 31, 2020
22,431	30	3,202	711	24,952	9,901	8,585
2,258	0	0	0	2,258	59,697	60,804
2,944	0	384	0	3,328	426	810
27,633	**30**	**3,586**	**711**	**30,538**	**70,024**	**70,199**
12,512	23	330	1,073	11,792	5,616	6,557
17,619	87	2,180	2,138	17,748	5,255	4,997
6,399	53	819	867	6,404	3,685	3,229
10,555	98	6.132	871	15,914	23,471	24,145
47,085	**261**	**9,461**	**4,949**	**51,858**	**38,027**	**38,928**
0	0	0	0	0	694	440
0	0	0	0	0	694	440
74,718	**291**	**13,047**	**5,660**	**82,396**	**108,745**	**109,567**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PSI Software AG, Berlin, as of December 31, 2021

A. General Information on the Company

The parent company of the PSI Group is PSI Software AG (PSI AG), headquartered at Dircksenstrasse 42–44 in 10178 Berlin, Germany. It is entered in the commercial register of the Charlottenburg district court with the number HRB 51463.

The Executive Board prepared the consolidated financial statements as of December 31, 2021 and the group management report for the 2021 financial year on March 23, 2022 and then approved them for submission to the Supervisory Board.

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

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

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

B. Presentation of Accounting Policies and Financial Risk Management Methods

Basis of Preparation of the Financial Statements

The consolidated financial statements of the PSI Group are generally prepared on the basis of the historical cost principle.

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

(8) A total of 30 (previous year: 30) companies are fully consolidated in the consolidated financial statements and one company (previous year: two companies) is included as an associated company. No simplification rules are applied. Of the companies included by way of full consolidation, 11 (previous year 11) are located in Germany and 19 (previous year 19) abroad. Please refer to the list of shareholdings in section C.

Changes in Accounting Policies

The accounting policies applied in the 2021 financial year generally correspond to those applied in the previous year, with the exception of the new accounting standards presented below. To improve the presentation, adjustments have been made to specific balance sheet items and corresponding prior-year amounts have been restated.

Effects of New Accounting Standards Required to Be Applied in the Financial Year

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2. The amendment provides the users temporary exemptions for the impact resulting from replacing the Interbank Offered Rates (IBOR) with alternative, almost risk-free rates [RFR] on financial reporting. These amendments had no impact on the consolidated financial statements.

On May 28, 2020, IASB published Covid-19-Related Rent Concessions (Amendment to IFRS 16). The changes grant lessees expedients in applying the regulations in IFRS 16 on accounting for lease modifications resulting from rent concessions granted directly as a result of the corona pandemic. As practical expedient a lessee may elect not to assess whether a pandemic-related rent concession of a lessor represents a modification of the lease. A lessee who makes this choice accounts for each qualified change of the lease payments resulting from the pandemic-related rent concession in the same way it would account for a change in line with IFRS 16 if it were not a lease modification. These amendments remain in effect until June 30, 2021. However, as the corona pandemic is ongoing, on March 31, 2021, the IASB extended the application period for the practical expedient to June 30, 2022. The amendments apply for financial years beginning on or after April 1, 2021. The Group has not yet received any rent concessions in relation to COVID-19. As a result, this amendment has no impact on the PSI Group.

Accounting Standards Published But Not Yet Applied

The IASB has published the following amendments to standards and interpretations that are effective only in subsequent reporting periods and are not being applied early by the Group.

Standard	Title	Effective date	Anticipated effect
IFRS 9	Fees in the “10 per cent test” for derecognition of financial liabilities	Jan. 1, 2022	No application
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract	Jan. 1, 2022	No material impact
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	Jan. 1, 2022	No application
IFRS 1	Subsidiary as a First-Time Adopter	Jan. 1, 2022	No application
IAS 41	Taxation with fair value measurement (agriculture)	Jan. 1, 2022	No application
IFRS 3	Updating a Reference to the Conceptual Framework	Jan. 1, 2022	No material impact
IFRS 17	Insurance Contracts (new standard)	Jan. 1, 2023	No application
IAS 1	Classification of Liabilities as Current or Non-Current	Jan. 1, 2023	No material impact
IAS 1, Practice Statement 2	Amendment to Presentation of the Financial Statements, Making Materiality Judgements and Accounting Policies	Jan. 1, 2023	No material impact
IAS 8	Changes in Accounting Estimates and Errors	Jan. 1, 2023	Not material

Significant Judgments, Estimates and Assumptions

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

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

The main assumptions regarding the future and other major sources of estimation uncertainty at the end of the reporting period that entail a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. Estimates and assumptions are based on historical information and planning data and information on economic conditions in the sectors or regions in which PSI customers operate. Changes to these may adversely affect the estimates. Even if the management believes that its estimates regarding the future development of underlying uncertainties are appropriate, it cannot guarantee that the financial impact of these will reflect the assumptions taken into account for the reported assets, liabilities, income and expenses and the contingent liabilities disclosed in PSI's consolidated financial statements. Actual results may differ from the original estimates and assumptions made by management.

Impairment of non-current assets

The PSI Group tests non-current assets for impairment once a year based on the provisions of IAS 36. The impairment tests are based on the future surplus cash generated for individual assets or for groups of assets combined in cash-generating units. An asset or a cash-generating unit is impaired if its carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value, less costs to sell and its value in use. Value in use is calculated using a discounted cash flow method. The recoverable amount depends on the discount rate used when applying the discounted cash flow method as well as on the expected future cash inflows and the growth rate used for extrapolation purposes. Significant non-current assets that are tested for impairment on an annual basis relate to the goodwill reported in the PSI Group. Further details with regard to impairment testing can be found in section C of the notes. Changes in the carrying amounts of capitalized development costs are shown on page 60 f.

Project valuation

The PSI Group recognizes revenues on the basis of estimated performance in the projects. Performance estimates are based on an estimated hourly volume and estimated costs for purchased services and are continuously updated. Further details on the income recognized for projects but not yet invoiced are provided in section C of the notes.

Deferred taxes

Deferred tax assets are recognized for all unused tax loss carryforwards and temporary differences to the extent that it is probable or there is convincing evidence that taxable income will be available for this purpose, meaning that the tax benefits depicted can actually be used in the near future. To determine the amount of the deferred tax assets, the management must make an estimate based on the expected timing and amount of future taxable income and on the future tax planning strategy (timing of tax results, taking account of tax risks, etc.). Further details are presented in section C of the notes.

When **determining valuation allowances on receivables** on the basis of expected defaults/losses, to a significant degree estimates and judgments have to be made regarding individual receivables; based on the creditworthiness of the customer in question and on current economic developments. These take into account information about customer ratings.

Pensions and other post-employment benefits

The expenses from post-employment defined benefit plans and the present value of the pension liability are determined using actuarial calculations. The actuarial valuation is based on assumptions relating to discount rates, the expected retirement age, future increases in wages and salaries, mortality, and future pension increases. In view of the long-term nature of these plans, such estimates are subject to significant uncertainties. All assumptions are reviewed at the end of each reporting period. The management determines an appropriate discount rate based on the interest rates of corporate bonds that are denominated in the same currency as the post-employment benefit obligation and have a rating of at least AA from an internationally recognized rating agency. Where necessary, these interest rates are adjusted to the expected duration of the defined benefit obligation by way of extrapolation along the yield curve. Further details can be found in section C of the notes.

Principles of Consolidation

a) Subsidiaries

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

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

The excess of the cost of an acquisition over the interest in the fair value of the identifiable assets and liabilities acquired as at the date of the acquisition transaction is referred to as goodwill and recognized as an asset. The identifiable assets and liabilities recognized are measured at their fair values as at the acquisition date. Costs incurred as a result of the business combination are recognized as expenditure.

There were no changes in the 2021 financial year with regard to the fully consolidated companies.

As well as PSI AG, all companies controlled by PSI AG were included in the consolidated financial statements, as in the previous year.

The following changes occurred in the 2020 financial year with regard to the fully consolidated companies:

By way of an agreement dated October 15, 2020, PSI AG acquired 100% of the shares in Neplan AG, headquartered in Küsnacht, Switzerland, with effect from October 27, 2020. The acquisition constituted a company acquisition pursuant to IFRS 3. At the time of the acquisition, the company had assets of EUR 2,349 thousand and liabilities of EUR 1,438 thousand. The cash purchase price amounted to CHF 8,860,000 (EUR 8,260,360). Provisional net assets (at their carrying amounts) totaled EUR 911 thousand. As part of the purchase price allocation, these net liabilities were compared against the acquisition cost. Due to the proximity to the date when the consolidated financial statements were prepared, a final purchase price allocation could not yet be performed.

Neplan is a provider of technologically and functionally leading software for the planning, analysis, simulation, and technical and economic optimization of energy grid expansion for electricity grids, as well as for combined systems with gas, water, and district heating. With the acquisition, PSI Group extended its product range in the area of energy management.

In 2020, the newly acquired subsidiary generated revenues of EUR 927 thousand (EUR 3,107 thousand in the entire calendar year 2020) and net profit of EUR 363 thousand (EUR 367 thousand for the entire calendar year 2020). If the newly acquired subsidiary had already been included in the consolidated financial statements of PSI AG as at January 1, 2020, consolidated revenues would have been EUR 2,108 thousand higher and consolidated net profit EUR 4 thousand higher.

The following overview shows the provisional fair values of the assets acquired and the liabilities assumed as at the acquisition date determined in the previous year:

	in EUR thousand
Non-current assets	
Property, plant and equipment	369
Other intangible assets	300
Current assets	
Deferred tax assets	52
Receivables from long-term development contracts	471
Trade receivables	485
Other assets	343
Cash and cash equivalents	329
Liabilities	
Lease liabilities	297
Trade payables	199
Other liabilities	942
Total identifiable net assets at fair value	**911**
Goodwill resulting from the acquisition	7,372
Consideration	**8,283**

In the 2021 financial year, the provisionally identified assets and liabilities were subjected to a final analysis. In the process, it was determined that there were additional identifiable intangible assets with a limited useful life. This resulted in a correction of other intangible assets of EUR 2,907 thousand. Correspondingly, deferred taxes were adjusted by EUR 623 thousand. Overall, goodwill decreased by EUR 2,284 thousand to EUR 5,089 thousand. The goodwill of EUR 5,089 thousand resulting from the acquisition consists of the Company's employee expertise and market position. It is expected that the goodwill will not be deductible for income tax purposes. The fair values of trade receivables correspond to the gross contract value. The best estimate of the contractual cash flows not to be collected at the acquisition date is EUR 0 thousand.

b) Associated companies

An associated company as defined in IAS 28 is a company in which the PSI Group generally holds more than 20% of the voting rights and over which the Group has significant influence. Investments in associated companies are accounted for using the equity method. In accordance with the equity method, investments in an associated company are recognized in the balance sheet at acquisition cost plus changes in the Group's share of the associated company's net assets that occurred after the acquisition. The consolidated income statement includes the share of the associated company's profit or loss attributable to the Group. Changes reported directly in the associated company's equity are recognized by the Group in the amount of its share in the statement of changes in equity where appropriate. Unrealized gains and losses from transactions between the Group and the associated company are eliminated in line with the share in the associated company.

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

– caplog-x GmbH, Leipzig ("caplog-x"), 31.3% (previous year: 31.3%)

c) Consolidation measures and uniform measurement throughout the group

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

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

Fair Value Measurement

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

– principal market for the asset or liability or

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

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

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

– Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

– Level 2 – Valuation methods in which the lowest-level input that is significant to the entire fair value measurement is directly or indirectly observable on the market

– Level 3 – Valuation methods in which the lowest-level input that is significant to the entire fair value measurement is not observable on the market

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

Foreign Currency Translation and Measurement

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

The functional currency of the main foreign companies is generally the respective local currency. As at the end of the reporting period, the assets and liabilities of these subsidiaries are translated into the presentation currency of PSI AG (the euro) at the closing rate. For practical reasons, income and expenses are translated at the average rate in the respective financial year. The effects of using the average rate as compared to the rate on the transaction date are immaterial overall for the financial year and for the previous year. The exchange differences that arise on translation are recognized in equity under other reserves.

Non-Current Assets

a) Intangible assets

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

Intangible assets comprise:

Goodwill

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

Other intangible assets

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

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

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

Research and development costs

Research costs are recognized as an expense in the period in which they are incurred. Development costs for an individual project are capitalized as an internally generated intangible asset only if the criteria for capitalization under IAS 38.57 “Intangible Assets” are met on a cumulative basis.

After initial recognition, capitalized development costs are accounted for at cost less accumulated amortization. The amortization period is generally five years.

b) Property, plant and equipment

Property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. For property, plant and equipment acquired as part of business combinations, cost corresponds to the fair value at the acquisition date. If items of property, plant and equipment are sold or scrapped or if no further economic benefit is expected from their use, then the corresponding cost and accumulated depreciation are derecognized. Any realized gain or loss on disposal is reported in the consolidated income statement.

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

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

Buildings	25 to 50 years
Exterior facilities, other constructions	10 to 20 years
Computer hardware	3 to 7 years
Leasehold improvements	Based on remaining term of the lease or actual useful life if shorter
Other office equipment	5 to 13 years

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

c) Property, plant and equipment/leases

In leases the PSI Group is solely a lessee. Determining whether an arrangement is or contains a lease is based on the economic substance of the arrangement and requires an assessment as to whether the fulfillment of the contractual arrangement is dependent on the use of a specific asset or assets and whether the arrangement grants a right to use the asset.

The PSI Group has mainly concluded leases for properties, vehicles, and hardware (servers). In accordance with IFRS 16, the Group recognizes right-of-use assets and lease liabilities as at the commencement date for leases with a term of more than twelve months, provided the underlying asset is not of low value. Rights of use are measured at cost less any accumulated amortization. The costs of rights of use include the recognized lease liabilities, the initial direct costs incurred, and the lease payments made at or before the commencement date, less any lease incentives received. Extension options are included in the term of the lease if it is reasonably certain that they will be exercised.

Rights of use are amortized on a straight-line basis over the term or the expected useful life of the leases as follows:

Properties	2 to 10 years
Movable assets	3 to 5 years

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined. The carrying amount of the lease liabilities is also adjusted in the case of changes in the lease, the term, the lease payments, or the assessment.

An overview of the maturities of lease liabilities is presented in section C “Disclosures on the consolidated balance sheet,” sub-item “Lease liabilities.”

Other financial obligations from short-term leases and low-value leases that do not come under IFRS 16 as a result of applying the exemption are shown in section G.

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

Financial assets
In the past financial year and in the previous year, the PSI Group only held financial assets in the form of originated loans and receivables recognized at amortized cost. Financial assets are included in the balance sheet items net trade receivables, other assets and cash and cash equivalents.

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

Valuation allowances due to credit risk include a significant degree of estimates and judgments regarding individual receivables; these are based on the creditworthiness of the customer in question and on current economic developments. In accordance with IFRS 9, the PSI Group recognizes valuation allowances for expected defaults on all financial assets.

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

Assets held for sale
The PSI Group classifies a non-current asset as held for sale if its carrying amount is recovered principally through a sale transaction rather than through continuing use.

Financial liabilities

The financial liabilities included in the PSI Group's consolidated financial statements are recognized in the balance sheet items "Trade payables," "Other liabilities," "Lease liabilities," and "Financial liabilities". There is a reconciliation to the individual financial liabilities in C.

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

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

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

Financial Risk Management Objectives and Methods

The main financial instruments used by the Company to finance its operating business consist of cash and cash equivalents, available-for-sale financial assets, and current financial liabilities. There are also current receivables and liabilities from long-term development contracts, which are also covered by financial risk management. The main risks result from market, default/credit and liquidity risks.

a) Market risk

The Group is exposed to currency risks as a result of its business operations and net investments in foreign subsidiaries. For significant loans issued within the Group, a sensitivity analysis in relation to exchange rates was performed in order to illustrate possible effects on the Group net result. If the EUR/MYR exchange rate had been 2% lower as at December 31, 2021, this would have resulted in a decrease in the Group net result of approximately EUR 81 thousand (previous year: 10%, EUR 407 thousand). Conversely, a 2% increase in the EUR/MYR exchange rate would have meant an increase in the Group net result before taxes of approximately EUR 80 thousand (previous year: 10%, EUR 407 thousand). Due to the low significance of interest-bearing liabilities, interest risks exist only to a limited extent.

b) Default/credit risk

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

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

d) Capital management
The primary objective of the PSI Group's capital management is to ensure that a high credit rating and a corresponding equity ratio of at least 30% are maintained so as to support business operations and maximize shareholder value.

The PSI Group manages its capital structure in line with the prevailing economic conditions. In the previous financial year and in the previous year, no adjustment measures or amendments were made to capital management goals and targets.

The PSI Group monitors its capital using the equity ratio on a consolidated basis. The PSI Group is not subject to any externally imposed capital requirements.

Current Assets

a) Inventories
Inventories are measured at the lower of cost and expected net disposal proceeds, less costs to be incurred. Valuation and consumption sequence simplification procedures are not applied.

b) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, fixed term deposits, and demand deposits. The cash funds reported in the Group cash flow statement contains only cash and cash equivalents.

Equity

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

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

Retained earnings in the unappropriated surplus include earnings allocations in accordance with section 174 AktG.

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

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

Pension Provisions and Similar Obligations

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

Provisions

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

Government Grants

Government grants are recognized if there is reasonable assurance that the Company will comply with the conditions attaching to it. Government grants are recognized in profit or loss as scheduled in line with the recognition of the related costs which they are intended to compensate. Income generated in connection with the grants is reported as other operating income in the consolidated income statement.

In 2021, the PSI Group received subsidies totaling EUR 2,726 thousand (previous year: EUR 2,233 thousand) under various subsidy programs, including programs offered by the German federal government, the State of Berlin, and the European Union. As in the previous year, the subsidies granted were recognized in profit or loss and reported as other operating income. Besides the obligation to demonstrate the amount of the expenses for which the subsidies were granted, there are no further conditions or obligations arising from the subsidy projects.

Research and Development Costs

Research and development costs amounted to EUR 32.3 million in the financial year (previous year: EUR 27.7 million).

Recognition of Revenues and Income

The PSI Group primarily generates its revenues from project business and from issuing licenses for the use of its own software products to end customers, both with and without customer-specific adjustments. Revenues are also generated from the sale of third-party software, hardware, and services such as installation, consultancy, training, and maintenance. The PSI Group recognizes revenues when control over definable goods or services is transferred to the customer, i.e. when the customer has the ability to determine the use of the transferred goods or services and primarily derives the remaining benefits from them. This is subject to the condition that there must be a contract with enforceable rights and obligations and that receipt of the consideration must be probable, taking account of the customer's creditworthiness. The revenues correspond to the transaction price to which the PSI Group is expected to be entitled. Variable consideration is included in the transaction price if it is highly likely that there will not be a significant reduction in revenues once there is no longer any uncertainty in connection with the variable consideration. The amount of the variable consideration is determined either in line with the expected value method or at the most likely amount, depending on which value represents the most accurate estimate of the variable consideration. If there is a period of more than twelve months between the transfer of the goods or services and the payment date and if the financing results in a significant benefit for the customer or the PSI Group, the consideration is adjusted for the time value of money. If a contract includes multiple definable goods or services, the transaction price is allocated to the performance obligations based on the relative individual selling prices. If individual selling prices are not directly observable, the PSI Group estimates them in an appropriate amount. For each performance obligation, revenues are recognized either at a specific point in time or over a specific period. Under the typical payment terms of a contract, payments are made by the customer as performance progresses to cover significant portions of costs incurred and partial profits. These contingent payments are recognized as advance payments and reduce construction contract receivables. When the claims for payment by customers become unconditional, trade receivables are recognized.

a) Project business

Revenues are recognized over a specific period in line with the percentage-of-completion method based on the ratio of the costs already incurred to the estimated total costs. An anticipated loss from a contract is immediately recognized as an expense. Invoices are issued in accordance with the contractual conditions; the payment terms usually stipulate payment within 30 days of the invoice being issued. With the percentage-of-completion method, the estimate of the percentage of completion is particularly important; in addition, it may include estimates regarding the scope of deliveries and services required to fulfill the contractual obligations. These significant estimates comprise the estimated total costs, total estimated revenues, order risks – including technical, political, and regulatory risks – and other relevant parameters. Under the percentage-of-completion method, changes in estimates may increase or reduce revenues. It must also be assessed whether the continuation of the contract in question or its termination represents the most likely scenario. For this assessment, all relevant facts and circumstances must be taken into account individually for each contract.

b) Sale of licenses

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

c) Maintenance, other services

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

Income Taxes

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

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

– deferred tax liabilities from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and does not affect the accounting profit for the period or the taxable profit at the time of the transaction

– the deferred tax liability from taxable temporary differences relating to investments in subsidiaries, associated companies and interests in joint ventures that cannot be recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

– deferred tax assets from deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect the accounting profit for the period or the taxable profit at the time of the transaction

– deferred tax assets from deductible temporary differences relating to investments in subsidiaries, associated companies, and interests in joint ventures. These can be recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient taxable profit will be available against which the temporary differences can be utilized.

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

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

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

Sales Tax

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

– If the sales tax incurred when purchasing assets or services cannot be claimed from the taxation authority, the sales tax is recognized as part of the cost of the asset or as part of the expenses.

– Receivables and liabilities are recognized including the associated amount of sales tax.

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

Segment Reporting

a) Business segments
In accordance with IFRS 8, business segments are to be differentiated on the basis of internal reporting on areas of the Group that are reviewed regularly by the Group's chief operating decision maker to make decisions about the allocation of resources to these segments and assess their performance. In the PSI Group the segment information is recognized on the basis of accounting in line with IFRS. The PSI Group essentially differentiates between the following two business segments:

– Energy Management

– Production Management

Financial information on the business segments is presented in section F of the notes and on page 58/59 of the notes to the consolidated financial statements.

b) Transactions between business segments
Transfer eliminations between business segments are contained in the "Reconciliation" column and in section F on pages 58/59.

C. Disclosures on the Consolidated Balance Sheet

Non-current Assets

1 Intangible Assets and Property, Plant and Equipment

With regard to the development of non-current assets in the financial years that ended on December 31, 2021 and on December 31, 2020, please refer to the attached information on the development of intangible assets, property, plant and equipment, and amortization and depreciation recognized in the financial year (Development of fixed assets on pages 60/61).

Goodwill

As at December 31, 2021 and December 31, 2020, the PSI Group performed an impairment test with regard to goodwill. To do so, the Group determined the value in use of its cash-generating units and compared this with the respective carrying amounts. For determining the value in use, the impairment test takes account of the Energy Management and Production Management segment operating units with the attributable carrying amounts for goodwill.

The table below shows the breakdown of carrying amounts to the respective units:

in EUR thousand	**2021**	2020
Energy Management		
Electrical Energy unit	27,015	28,361
Other units not material individually	7,528	7,528
Energy Management segment	34,543	35,889
Production Management		
Metals Group unit	22,580	22,341
Other units not material individually	2,574	2,574
Production Management segment	25,154	24,915
Total goodwill	**59,697**	**60,804**

The impairment test is based on cash flow projections for the individual cash-generating units and expectations with regard to the market development (growth rates in the relevant market segment, ratio of software project income to maintenance income, hourly and daily rates for employees, average personnel expenses, higher margins for sales of hardware and third-party licenses). The three-year planning period followed by a fiscal year in which a perpetual annuity is applied reflects the long-term corporate planning approved by the Supervisory Board. The first year of this planning corresponds to the budgets approved by the management. The cash flows recognized were derived from past information of the units/segments. The cash flows are adjusted by means of discounts to take account of current economic conditions (current interest rates, inflation rates as well as certain commodity prices). An increase in the operating margin of between 0.00% and 3.00% each year (previous year: between 1.00% and 3.00%) is planned in the budgets for subsequent years. The assumptions made by the management with regard to the general trend for business development in the software industry correspond to the expectations of analysts, industry experts and market observers.

Discount rates of from 5.30% to 11.80% after taxes (previous year: 5.70% to 9.90%) and 5.90% to 13.00% before taxes (previous year: 7.34% to 13.13%) were applied. The adjustment of the interest rate compared to the previous year reflects the current economic conditions in each case (development of the real economy and financing conditions). Cash flows arising after the three-year period are extrapolated using a growth rate of 0.90% to 3.50% (previous year: 1.00% to 3.00%).

In the view of the management, only a change in the interest rates applied in determining the value in use of the cash-generating units could currently reasonably be expected to result in the carrying amount of the cash-generating unit significantly exceeding its recoverable amount and an adjustment of the interest rates would not give rise to any further changes in parameters (ceteris paribus). For example, an assumed increase of 2 percentage points (assumed possible change of the parameter) in the interest rate used for discounting would – both for the Electrical Energy Group and for the Metals Group – result in possible impairment of EUR 0 thousand (previous year: EUR 0 thousand). The level of the interest rate used for discounting at which no impairment would occur would be between 13% and 10% (Electrical Energy Group) and between 8% and 20% (Metals Group). For the other units, the interest rate at which no impairment would occur is between 8% and 26%.

The table below shows the underlying assumptions that were applied in the impairment tests of the groups of cash-generating units to which significant goodwill has been allocated:

in %	Long-term growth rate	Discount factor After taxes
Electrical Energy Group	0.90 to 3.50 (previous year: 1.45)	5.70 to 8.20 (previous year: 5.70 to 8.70)
Metals Group	1.30 to 2.50 (previous year: 2.16)	6.20 to 10.10 (previous year: 6.70 to 9.90)

Current Assets

2 Inventories

in EUR thousand	2021	2020
Third-party hardware and licenses	5,951	5,980
Advance payments to subcontractors	910	2,681
	6,861	**8,661**

3 Net Trade Receivables

in EUR thousand	2021	2020
Gross trade receivables	38,984	33,181
Impairment	–3,801	–3,972
	35,183	**29,209**

Trade receivables are not interest-bearing and are due within 0 to 90 days. The valuation allowances recognized developed as follows:

in EUR thousand	2021	2020
As at January 1	3,972	3,214
Addition due to first-time consolidation	0	19
Allocation to expenses	559	753
Reversal in income	–730	–14
As at December 31	**3,801**	**3,972**

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

in EUR thousand	2021	2020
Neither past due nor impaired:	**25,020**	**21,573**
Past due (after impairment):		
< 30 days	6,854	3,648
30–60 days	1,110	1,243
60–90 days	301	746
90–120 days	110	753
> 120 days	1,788	1,246
	10,163	**7,636**
As at December 31	**35,183**	**29,209**

The valuation allowance recognized, determined on the basis of the expected credit losses, relate to project-specific valuation allowances and were assessed in the amount of the expected payment default.

4 Receivables and Liabilities from Long-Term Development Contracts and Revenues Allocations

Receivables in accordance with the percentage-of completion method arise when revenues are recognized but cannot yet be invoiced according to the contractual conditions. These amounts are recognized on the basis of various performance criteria, in particular the ratio of planned costs to accrued costs, the completion of specified units, or the completion of the contract. This item of the balance sheet comprises directly attributable costs (personnel expenses and purchased services) as well as an appropriate portion of general overhead costs and profit shares. Possible non-payment risks that are already known prior to the conclusion of individual orders are taken into account in the order valuation in the amount of the expected non-payment.

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

in EUR thousand	**2021**	2020
Costs incurred	121,628	116,442
Share of profits	15,380	19,401
Contract revenues	**137,009**	**135,835**
Advance payments received	–101,417	–102,060
Thereof offset against contract revenues	–88,568	–88,130
Receivables from long-term development contracts	48,440	47,705
Liabilities from long-term development contracts	12,849	13,930

Receivables from long-term development contracts in the amount of EUR 48,440 thousand (previous year: EUR 47,705 thousand) were not past due as at December 31 of the respective year. Liabilities from long-term development contracts comprise advance payments received that exceed the corresponding receivables from long-term development contracts (contract liabilities). There were no significant changes in the payment terms of customers in the financial year.

Liabilities from long-term construction contracts and deferred revenues of EUR 23,692 thousand (previous year: EUR 20,814 thousand) include accrued revenues for maintenance and upgrade contracts of EUR 10,843 thousand (previous year: EUR 6,884 thousand). Of this amount, EUR 6,746 thousand (previous year: EUR 6,748 thousand) has a term of up to one year and EUR 4,097 thousand (previous year: EUR 136 thousand) has a term of more than one year.

5 Other Assets

The amount recognized in the balance sheet is due within one year. No specific valuation allowance was recognized for other assets; there are no past-due or impaired receivables.

6 Cash and Cash Equivalents

in EUR thousand	**2021**	2020
Bank balances	65,565	39,327
Fixed-term deposits	1,884	1,133
Cash in hand	29	22
	67,478	**40,482**

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

7 Equity

With regard to the development of equity, please refer to the consolidated statement of changes in equity (pages 56/57).

a) Share capital

The fully paid-in share capital entered in the commercial register amounts to EUR 40,185,256.96 (previous year: EUR 40,185,256.96) and is divided into registered shares representing a pro rata amount of the share capital of EUR 2.56 per share. Each no-par value share is entitled to a dividend.

At the Annual General Meeting of PSI AG on June 9, 2020, the Executive Board was authorized to acquire treasury shares in a volume of up to 10% of the share capital. Based on the share capital as at the end of the reporting period, this results in an authorization to buy back up to 1,567,984 shares in the Company. The authorization will expire on June 30, 2023.

b) Contingent capital and authorized capital
By way of resolution of the Annual General Meeting on May 19, 2021, the Executive Board of the Company was authorized to issue convertible and warrant-linked bonds as well as profit-sharing rights and/or income bonds (or combinations of these instruments) on one or more occasions, with the option of disapplying subscription rights in each case, until May 18, 2026.

To fulfill any rights exercised in the above context, a new "Contingent Capital 2021" was created at the Annual General Meeting on May 19, 2021. Under this contingent capital, the Company's share capital is contingently increased by up to EUR 8,035,840.00, divided into 3,139,000 shares.

The contingent capital from an authorization from May 16, 2017 (CC 2017) was replaced by the new Contingent Capital 2021.

By way of resolution of the Annual General Meeting on May 16, 2019, new authorized capital (AC 2019) was created. The Executive Board was authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions by a total of up to EUR 8,035,840.00 by issuing new registered shares in exchange for cash or contributions in kind in the period until May 15, 2024. The authorized capital created at the Annual General Meeting on May 12, 2015 was revoked.

Authorized capital and contingent capital break down as follows:

in EUR thousand	2021	2020
Authorized capital (AC)		
AC 2019 (until May 15, 2024)	8,036	8,036
	8,036	**8,036**
Contingent capital (CC)		
CC 2021 (until May 18, 2026)	8,036	8,036
	8,036	**8,036**
	16,072	**16,072**

c) Capital reserves
The capital reserve includes the premium from capital increases. The costs attributable to issuing equity instruments were deducted directly from equity as a negative premium, taking account of tax effects. Also included are gains and losses from the sale of treasury shares and their issue to employees in the employee share program.

d) Reserve for treasury shares
A total of 5,647 shares were repurchased in the financial year (previous year: 2,934). As part of an employee share program, a total of 17,536 treasury shares (previous year: 2,934) were transferred. As at December 31, 2021, the number of treasury shares came to 5,639 (previous year: 17,528).

Under the existing employee share programs, employees of the PSI Group can purchase treasury shares in PSI AG or be allocated treasury shares without specified consideration. Such share purchases/allocations are made at normal market conditions. The acquisition of shares by employees does not result in any significant expense for the Company overall. If shares are allocated, the Company recognizes the fair value of the shares issued as personnel expenses. As at the reporting date, the 2021 employee share program did not result in any obligations to transfer shares.

e) Other reserves
Other reserves break down as follows:

in EUR thousand	2021	2020
Reserve for exchange differences	–1,056	–2,736
Actuarial losses	–32,454	–33,817
Deferred taxes	10,116	10,520
	–23,394	**–26,033**

The deferred tax resulted from actuarial losses.

f) Dividends
In accordance with the German Stock Corporation Act, dividends payable are calculated on the basis of the net profit recognized in the PSI Software AG annual financial statements and determined in line with the German Commercial Code (HGB).

The Annual General Meeting approved the Executive Board's proposal for the appropriation of net profit for 2020. Based on this resolution, a dividend of EUR 4,703,928.90 was distributed for the 2020 financial year. This corresponds to EUR 0.30 per entitled share. In the previous year, a dividend of EUR 783,667.05 was distributed for the 2019 financial year.

Current and Non-current Liabilities

8 Pension Provisions and Similar Obligations

Pension provisions are recognized for existing entitlements and claims to company pension benefits on the part of current and former employees of the PSI Group and their surviving dependents (old-age pensions, disability benefits, and benefits for surviving dependents).

For the majority of the beneficiaries, the entitlements arise from static vested rights determined as at December 31, 2006, in the form of a direct defined-benefit commitment. For service periods after December 31, 2006, employees generally no longer gain any increases in their entitlements in the direct commitment. Instead, the employees were granted the option between an increase in the gross cash compensation or contributions to a provident fund with pension liability insurance to compensate for the loss of future increases in entitlements. As the surpluses granted from the provident fund are not sufficient to ensure the obligation to adjust current pensions in accordance with section 16 of the German Company Pensions Act (BetrAVG), pension provisions are also recognized in relation to the pension adjustment obligation.

As part of the transfer of undertakings of Business Technology Consulting AG (BTC AG) as at January 1, 2019 in accordance with section 613a of the German Civil Code (BGB), the pension obligations for this group of employees were transferred to the PSI Group. The pension plan that is also open to new employees at two locations is set up as a securities-linked defined benefit system under which annual contributions that depend on working hours are posted to a capital account for the employees and invested on the capital market via a contractual trust arrangement (CTA). Accordingly, a retirement pension, an early retirement pension, a reduced earning capacity pension, and a spouse's and orphan's pension are granted after retirement and are subject to an annual guaranteed pension adjustment of one percent. The respective retirement benefit results from the pension capital formed for the individual employee being annuitized when the conditions for the pension arise. The pension capital results from the sum of the annual pension expenses and the investment income generated on them. The nominal payments are guaranteed as the minimum pension capital to be annuitized. Instead of a lifelong employee pension, the Company may grant the employee a lump-sum benefit in up to ten annual installments at the employee's request.

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

in %	**2021**	2020
Discount factor		
Germany	0.90	0.50
Austria	0.50	0.50
Salary trend		
Germany	0.00/1.30[1)]	0.00/1.30[1)]
Austria	2.75	2.75
Pension trend		
Germany	1.70	1.50
Austria	0.00	0.00
Staff turnover		
Germany	0.00	0.00
Austria	0.00	0.00

Mortality tables used:	
Germany	RT Heubeck 2018 G (previous year: RT Heubeck 2018 G)
Austria	AVÖ 2018-P (previous year: AVÖ 2018-P)

[1)] A portion of the pension commitments was superseded on December 31, 2006. For this portion, salary trends are not relevant to calculating the obligation.

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

As at the end of the reporting period, the individual standard retirement age under the statutory pension system was used when calculating the German pension obligation.

Expenses for retirement benefits break down as follows:

in EUR thousand	2021	2020
Current service costs recognized in personnel expenses	158	148
Net interest expenses recognized in net interest	266	474
Expenses for retirement benefits	**424**	**622**

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

in EUR thousand	2021	2020
Present value at start of year	73,070	69,164
Current service cost	158	146
Interest cost	275	487
Actuarial (gains)/losses in other comprehensive income	–1,132	2,690
of which experience adjustments	619	–208
of which changes to demographic assumptions	0	0
of which changes to financial assumptions	–1,751	2,898
Addition to scope of consolidation	0	12
Pension payments made	–2,289	–2,163
Change in present value of the defined benefit obligation covered by pension liability insurance	–1,702	2,734
Present value as at end of reporting period	**68,380**	**73,070**

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

in EUR thousand	2021	2020
Market value/present value at start of year	16,654	14,427
Interest income	10	13
Expenses/ income from plan assets not included in net interest	–1,471	2,075
Employer contributions	128	128
Addition to scope of consolidation	0	12
Reimbursements	–64	–1
Market value/present value as at end of reporting period	**15,258**	**16,654**

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

in EUR thousand	2021	2020
Carrying amount at start of year	56,416	54,737
(Income)/expense recognized in income statement	423	622
Pension payments from working capital	–2,225	–2,161
Contributions to plan assets	–128	–128
Actuarial (gains)/losses	–1,363	3,348
Carrying amount at end of year	**53,123**	**56,416**

Changes in the main actuarial assumptions for Germany would have the following effect on the defined benefit pension obligation:

in EUR thousand	2021	2020
Change in assumed actuarial interest rate		
Increase of 0.2 percentage points	–1,320	–1,480
Reduction of 0.2 percentage points	1,376	1,549
Change in assumed pension trend		
Increase of 0.2 percentage points	1,008	1,098
Reduction of 0.2 percentage points	–977	–1,064

The sensitivity analyses presented each take account of a change in one assumption, while the other assumptions remain unchanged as compared to the original calculation.

As at the end of the reporting period, the average remaining term (Macaulay duration) of the defined benefit obligation comes to 14 years (previous year: 14.7 years):

The table below shows the expected payout structure from working capital for the coming years for Germany:

in EUR thousand	**2021**	2020
Pension payments made	2,225	2,162
Expected pension payments		
2022	2,284	2,172
2023	2,327	2,236
2024	2,325	2,296
2025	2,331	2,298
2026	2,373	2,299
Another 5 years	11,974	11,722

9 Provisions

Provisions include estimated future expenses in connection with risks from transactions of the PSI Group carried out in the past as well as estimated back tax payments. In total, provisions of EUR 4,365 thousand (previous year: EUR 4,922 thousand) were recognized for these matters at the end of the fiscal year. It is estimated that risks from the provision of EUR 2,029 thousand (previous year: EUR 3,085 thousand) will be realized within one year and risks of EUR 2,336 thousand (previous year: EUR 1,837 thousand) will not be realized until after one year. The change in the provision results exclusively from reclassifications and additions due to maturities.

10 Lease Liabilities

The table below shows the contractually agreed (discounted) lease payments, including extension options in cases where the Group is reasonably certain that it will exercise these:

in EUR thousand	**2021**	2020
Payable within one year	6,103	5,498
Payable in 1–5 years	17,220	17,362
Payable in more than 5 years	835	1,770
Carrying amount at end of year	**24,158**	**24,630**

The leases in accordance with IFRS 16 mainly relate to properties. Due to the relatively low incremental borrowing rate to be applied, the difference between discounted and undiscounted can be regarded as immaterial overall.

Other financial obligations from short-term leases and low-value leases that do not come under IFRS 16 as a result of applying the exemption are shown in section G.

11 Financial Liabilities

Non-current liabilities relate solely to liabilities to banks and relate primarily to a loan taken up in 2021 of RUB 360,000.000 (EUR 4,286 thousand) to finance operating activities which has a duration of 60 months (quarterly annuity payments) and an annual interest rate of 7.2% in Russia. The annual disbursement amount (repayment and interest) for the loan is approximately EUR 900 thousand. The outstanding amount at the end of the fiscal year (EUR 3,601 thousand) was divided into a short-term portion (EUR 864 thousand) and a long-term portion (EUR 2,875 thousand) due within 1 to 5 years based on the agreed interest and repayment installments. The loan amount is secured by a PSI Software AG guarantee.

In the previous year and in the first half of 2021, the PSI Group used short-term, floating-rate overdrafts for financing purposes. The financial liabilities were repaid on a monthly basis and bore interest at a rate of between 2.47% and 4.74%. No special collateral was provided.

As at December 31, 2021, the PSI Group had undrawn borrowing facilities from overdrafts in the amount of EUR 31,174 thousand (previous year: EUR 57,912 thousand).

Expenses for interest from overdrafts amounted to EUR 30 thousand in the 2021 financial year (previous year: EUR 54 thousand).

12 Additional Information on Financial Assets and Liabilities

A reconciliation of individual balance sheet items to total financial assets and financial liabilities can be found in the following table:

in EUR thousand	2021	2020
Current financial assets		
Net trade receivables	35,183	29,209
Other current assets	3,392	5,728
Cash and cash equivalents	67,478	40,482
	106,053	**75,419**
Financial liabilities		
Financial liabilities	3,739	233
Trade receivables	18,504	17,977
Lease liabilities	24,158	24,630
Other liabilities	33,271	25,358
	79,672	**68,198**
Thereof non-current	21,567	19,882
Thereof current	58,105	48,316

13 Other Liabilities – Non-financial Liablities

Other liabilities include liabilities to employees as well as VAT and payroll tax liabilities.

14 Deferred Taxes/Income Taxes

German trade tax is levied on the taxable profit of the German Group companies, which is calculated by deducting certain income that is not subject to trade tax and adding certain expenses that are not deductible for trade tax purposes. The effective trade tax rate depends on the municipality in which the respective German Group company operates. As in the previous year, the average trade tax rate in 2021 was approximately 14%. A corporation tax rate of 15% applied in the 2020 and 2021 financial years. In addition to corporation tax, a solidarity surcharge of 5.5% is levied on the corporation tax determined. This therefore results in an effective tax rate of 29.83% (previous year: 29.83%) for the calculation of current income taxes for the 2021 financial year.

As at December 31, 2021, the amount of non-capitalized tax benefits from loss carryforwards for corporation tax (including foreign companies) came to EUR 13.5 million, while those from loss carryforwards for trade tax came to EUR 3.9 million (previous year: EUR 19.7 million/EUR 7.5 million). PSI AG's tax loss carryforwards as at December 31, 2020 and December 31, 2021 already take into account the findings of ongoing external tax audits. Deferred tax assets on tax loss carryforwards of EUR 0.5 million were capitalized in the financial year (previous year: EUR 1.4 million).

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

in EUR thousand	2021	2020
Current tax expense		
Current year	**–3,717**	**–4,516**
Deferred tax expense		
Intangible assets	–2	–96
Long-term development contracts	399	–1,016
Inventories	–87	27
Partial retirement and anniversary bonus provisions	–25	24
Trade receivables	–303	137
Pension provisions	–552	–291
Trade payables	–600	345
Other	135	119
Fixed assets	–1,250	1,360
Leases	18	25
Use of tax loss carryforwards	–1,219	743
Deferred income	–288	–243
	–3,714	**1,134**
Income tax expense	**–7,431**	**–3,382**

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

in EUR thousand	2021	2020
Earnings before taxes	23,268	13,662
Theoretical income tax expense (29.83%; previous year: 29.83%)	–6,941	–4,075
Non-capitalized tax losses	–23	–617
Non-deductible operating expenses and trade tax additions	–288	–1,234
Use of non-capitalized tax loss carryforwards	1,587	2,923
Capitalization of tax loss carryforwards	–695	1,160
Effects of tax rate differences outside Germany	–584	84
Tax expense for previous years	–183	–1,565
Tax-free income and foreign income	–34	382
Change in permanent differences	–10	–57
Miscellaneous	–260	–383
Current tax expense	**–7,431**	**–3,382**

The PSI Group has the following tax loss carryforwards:

in EUR million	2021	2020
Trade tax loss carry forward – Germany	5.2	11.9
Corporation tax loss carry forward – Germany	6.0	13.9
Tax loss carryforwards outside Germany	9.2	10.6

The loss carryforwards in Germany do not expire. Of the foreign tax loss carryforwards amounting to EUR 9,246 thousand, EUR 4,701 thousand is subject to loss carry forward restrictions relating to time (between 5 and 10 years) due to local national regulations.

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

in EUR thousand	2021	2020
Deferred taxes		
Use of tax loss carryforwards	473	1,692
Pension provisions	8,039	8,993
Intangible assets	–1,189	–646
Goodwill amortization with impact on tax	–725	–640
Partial retirement and anniversary bonus provisions	100	125
Project-related provisions	346	946
Receivables from long-term development contracts	–6,361	–6,760
Fixed assets	–208	1,042
Leases	165	147
Trade receivables	2,578	2,881
Other provisions	560	414
Deferred income	–1,981	–1,753
Miscellaneous	–57	41
	1,740	**6,482**
As at January 1, net	6,482	4,297
Tax income/expense recognized in the reporting period	–3,714	1,135
From acquisitions	–624	51
Tax income/(expense) recognized in other comprehensive income in the reporting period	–404	999
As at December 31, net	**1,740**	**6,482**
Amounts recognized in balance sheet		
Deferred tax assets	10,293	15,208
Deferred tax liabilities	–8,553	–8,726

A deferred tax asset was recognized for tax loss carryforwards of EUR 1,757 thousand (previous year: EUR 5,609 thousand), as the Executive Board considers it likely that future taxable profits will be available in a sufficient amount.

D. Disclosures on the Consolidated Income Statement

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

15 Sales

in EUR thousand	2021	2020
Software development	117,731	108,235
Service and maintenance	90,534	79,267
Licenses	16,587	11,902
Merchandise	23,537	18,391
	248,389	**217,795**

16 Other Operating Income

The other operating income included government grants, the reversal of provisions and deferred liabilities and exchange rate differences.

in EUR thousand	2021	2020
Cost of purchased services	19,429	15,649
Cost of purchased goods	16,332	14,085
	35,761	**29,734**

17 Cost of Materials

in EUR thousand	2021	2020
Wages and salaries	132,713	118,962
Expenses for social securities	25,996	22,415
	158,709	**141,377**

18 Personnel Expenses

Personnel expenses include expenses for payments to private pension institutions of EUR 601 thousand (previous year: EUR 635 thousand) and payments to state pension funds of EUR 8,087 thousand (previous year: EUR 7,763 thousand) in connection with defined contribution pension commitments.

19 Other Operating Expenses

in EUR thousand	2021	2020
Travel costs	1,705	2,159
Rental, leasing of real estate including ancillary costs	3,545	3,564
Project-related expenses	1,790	2,599
Advertising and marketing activities	2,903	2,859
Lease costs for movable assets	846	839
Data line, IT and telephone costs	4,638	4,016
Legal and consulting costs	2,691	2,274
Miscellaneous	8,005	7,955
	26,123	**26,265**

20 Earnings Per Share

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

	2021	2020
Net profit or loss for the period (EUR thousand)	15,837	10,280
Weighted number of shares (thousands)	15,678	15,680
Basic/diluted earnings per share (EUR per share)	**1.01**	**0.66**

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

E. Disclosures on the Cash Flow Statement

The cash flow statement is prepared in line with IAS 7 and is broken down into cash flows from operating, investing and financing activities. The cash funds recognized in the Group cash flow statement comprises all the cash and cash equivalents recognized in the balance sheet under "Cash and cash equivalents", i.e. cash in hand and short-term bank balances. The reported cash and cash equivalents are not subject to any restrictions on their availability due to third parties. During the year under review, a dividend of 30 euro cents per share (previous year: 5 euro cents per share) was distributed to the shareholders for the 2020 financial year. The breakdown of cash and cash equivalents is shown in the table under C. 6. Overdraft liabilities were not included in cash and cash equivalents.

F. Disclosures on Segment Reporting

The PSI Group has two main segments that are reportable and applies IFRS 8 "Segment Reporting." This standard includes regulations on the disclosure of information on business areas

Description of the Segments

- Energy Management: Intelligent solutions for utility companies in the electricity, gas, oil, and water sectors. The focus here is on reliable and cost-effective solutions for grid management and for trade and distribution in liberalized energy markets.
- Production Management: Software products and individual solutions for production planning, particularly tasks relating to production control and efficient logistics. The focus is on optimizing the use of resources and increasing quality and cost-effectiveness.

Reconciliation

Revenues from transactions with other segments are grouped in the "Reconciliation" column. Revenues between business segments amounted to EUR 19,534 thousand as at December 31, 2021 (previous year: EUR 16,514 thousand). Certain expenses are not allocated to the individual segments. The result from reconciliation amounts to EUR –1,267 thousand (previous year: EUR –2,866 thousand).

Additional Geographical Disclosures

In the 2021 financial year, the PSI Group generated revenues of EUR 151.5 million (previous year: EUR 139.8 million) in Germany and revenues of EUR 97.1 million (previous year: EUR 78.0 million) in foreign countries. Non-current assets of EUR 49,721 thousand (previous year: EUR 46,107 thousand) are attributable to foreign countries.

G. Other Disclosures

Other Financial Obligations and Contingent Liabilities

Rental agreements and leases – PSI Group as lessee
Properties, cars, office equipment, data processing systems, and other equipment were rented under leases. For short-term leases (term of less than twelve months) and for low-value leases for properties and movable assets the PSI Group applies the exemption in accordance with IFRS 16. These expenses are reported under other operating expenses. The table below shows the rental and lease fees incurred in the reporting year and the previous year:

in EUR thousand	2021	2020
Properties	461	557
Movable assets	163	205
Total	**624**	**762**

An overview of the maturities of lease liabilities is presented in section C.

Bill of exchange guarantees
Bill of exchange guarantees of EUR 41,991 thousand (previous year: EUR 46,362 thousand) were assumed in the ordinary course of business for the PSI Group by various companies and banks as at the end of the reporting period.

Employees

The average number of employees in the PSI Group in the financial year under review was 2,092 (previous year: 1,997). The workforce breaks down by function as follows:

	2021	2020
Software development	1,705	1,635
Administration	223	196
Sales organization	164	166
Total	**2,092**	**1,997**

List of Shareholdings

	Equity interest in %	Equity[1] Dec. 31, 2021 in EUR thousand	Net profit[1] 2021 in EUR thousand
PSI Automotive & Industry GmbH, Berlin	100	13,297	1,249
PSI GridConnect GmbH, Karlsruhe	100	501	0[2]
PSI Metals GmbH, Düsseldorf	100	5,163	0[2]
PSI Transcom GmbH, Berlin	100	7,707	–1,017
PSI Logistics GmbH, Berlin	100	3,016	1,509
PSI Energy Markets GmbH, Hannover	100	1,330	0[2]
PSI Mines&Roads GmbH, Berlin	100	–1,181	–74
PSI FLS Fuzzy Logik & Neuro Systeme GmbH, Dortmund	100	378	0[2]
PSI Metals Non Ferrous GmbH, Aachen	100	1,005	0[2]
MOVEO Software GmbH, Potsdam	100	264	–32
PSI Prognos Energy GmbH, Potsdam	100	–55	17
PSI Information Technology (Shanghai) Co. Ltd., Shanghai, China	100	–1,448	66[3]
PSI METALS NORTH AMERICA Inc., Pittsburgh, USA	100	2,123	1,683
PSI AG für Produkte und Systeme der Informationstechnologie, Wil, Switzerland	100	1,733	681
PSI Polska Sp. z o.o., Poznan, Poland	100	5,106	3,625
PSI Automotive & Industry Austria GmbH, Traun, Austria	100	1,202	202
OOO ‚PSI', Moscow, Russia	100	2,223	567
PSI Incontrol Sdn. Bhd., Selangor, Malaysia	100	8,827	1,009[3]
Incontrol Tech (Thailand) Ltd., Bangkok, Thailand	100	–1,722	341[3]
Incontrol Tech Holdings (Thailand) Ltd., Bangkok, Thailand	100	–552	–1[3]
PSI Metals Austria GmbH, Graz, Austria	100	7,034	2,369
PSI METALS INDIA PRIVATE LIMITED, Kolkata, India	100	236	34
PSI Metals Belgium NV, Brussels, Belgium	100	1,426	840
PSI Metals Brazil Ltda, Rio de Janeiro, Brazil	100	709	560
Time-steps AG, Affoltern am Albis, Switzerland	100	249	105
PSI Metals UK Ltd., Watford, United Kingdom	100	2,913	341
PSIAG Scandinavia AB, Karlstad, Sweden	100	226	–65[3]
PSI Neplan AG, Küsnacht, Switzerland	100	3,021	534
OOO OREKHsoft, Moscow, Russia	49	–25	–18
OOO PROGRESS, Moscow, Russia	49	652	–308
caplog-x GmbH, Leipzig	31.3	2,432	1,307[4]

[1] Values according to legal and local accounting regulations before consolidation bookings
[2] Profit and loss transfer agreement
[3] Values according to IFRS before consolidation bookings
[4] Values as of December 31, 2020, as values as of December 31, 2021 were not available at the date of the financial statements

Auditor's Fees

The following fees were incurred in the financial year for services performed by the auditor:

in EUR thousand	**2021**	2020
Auditing services	238	195
Total	**238**	**195**

Audit fees comprise the audit of the annual financial statements of PSI AG and the audit of the consolidated financial statements of PSI AG as well as the annual audits of subsidiaries of PSI AG.

Related Party Disclosures

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

Related companies

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

Related persons

The members of the Executive Board and the Supervisory Board are to be regarded as related persons.

Transactions with related parties

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

Besides the employment contracts with the members of the Executive Board and the expense allowances for the Supervisory Board, there were no business transactions between the related persons and the PSI Group in 2021 or in 2020.

Supervisory Board

The following persons were members of the Supervisory Board in the 2021 financial year:

Name	Profession	Domicile	Membership of Supervisory Boards of other companies
Karsten Trippel (Chairman)	Businessman	Großbottwar	1. Berlina AG für Anlagewerte, Berlin (Chairman) 2. Preussische Vermögensverwaltungs AG, Berlin 3. Riebeck-Brauerei von 1862 AG, Wuppertal (Chairman) 4. Ost-West Beteiligungs- und Grundstücksverwaltungs-AG, Cologne (Deputy Chairman) 5. Fleischerei-Bedarf Aktiengesellschaft von 1923, Coburg (Chairman)
Prof. Dr.-Ing. Ulrich Wilhelm Jaroni (Deputy Chairman)	Engineering graduate	Aschau	None
Andreas Böwing	Lawyer	Herten	Thyssengas GmbH, Dortmund
Prof. Dr. Uwe Hack	Professor of International Finance and Accounting	Metzingen	1. abcfinance GmbH, Cologne 2. abcbank mbH, Cologne
Elena Günzler (employee representative)	Mathematics graduate	Berlin	None
Uwe Seidel (employee representative)	Chemistry graduate	Duisburg	None

Remuneration of Executive Board and Supervisory Board

Remuneration totaling EUR 2,141 thousand (previous year: EUR 1,610 thousand) was granted to the Executive Board of PSI AG for the 2021 financial year. EUR 761 thousand (previous year: EUR 382 thousand) of this total remuneration related to long-term remuneration.

Pension provisions of EUR 296 thousand (previous year: EUR 320 thousand) are reported for former Executive Board members. Besides pension payments to former members of the governing bodies in the amount of EUR 30 thousand (previous year: EUR 34 thousand), no other benefits were paid in the 2021 financial year.

The Supervisory Board received remuneration of EUR 316 thousand (previous year: EUR 304 thousand) in the year under review.

Individualized information on the remuneration of the Executive Board and the Supervisory Board is presented in the Remuneration Report.

Supplementary report

On February 24, 2022, the Russian Federation profoundly changed the global social, political and economic environment through its military attack on Ukraine. The start of the military conflict represents a value-creating event in the value-creating period. The resulting consequences will have a direct impact on the energy policy and economic framework conditions of Germany and Europe. Reference is made to the further explanations in the forecast report in the consolidated management report.

Disclosures on the German Corporate Governance Code

PSI AG issued the statements required in accordance with section 161 of the German Stock Corporation Act on December 20, 2021. They are permanently available to the shareholders in the investor relations section of PSI AG's website (www.psi.de).

Berlin, March 23, 2022

Dr. Harald Schrimpf

Gunnar Glöckner

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, March 23, 2022
PSI Software AG

The Executive Board

Dr. Harald Schrimpf | Gunnar Glöckner

INDEPENDENT AUDITOR'S REPORT

To PSI Software AG, Berlin

Report on the Audit of the Consolidated Financial Statements and the Group Management Report

Opinions

We have audited the consolidated financial statements of PSI Software AG, Berlin, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2021, the consolidated income statement/the consolidated comprehensive income statement, the consolidated statement of changes in equity, the consolidated cash flow statement, and the Group segment reporting for the fiscal year from January 1 to December 31, 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of PSI Software AG, Berlin, for the fiscal year from January 1 to December 31, 2021. In accordance with the German legal requirements, we have not audited the content of the combined statement on corporate governance in accordance with Sec 289f HGB and Sec 315d HGB ["Handelsgesetzbuch": German Commercial Code], which is referred to in the Group management report, or of the Group non-financial statement included in the Group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

– the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2021, and of its financial performance for the fiscal year from January 1 to December 31, 2021, and

– the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Group management report does not cover the content of the combined statement on corporate governance or the Group non-financial statement referred to above.

Pursuant to Sec 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Sec 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

Key Audit Matters for the Audit of the Consolidated Financial Statements

Key audit matters are such matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we present what we consider to be the key audit matters:

1. Project-related revenue recognition

2. Impairment of goodwill

We have structured our presentation of this key audit matter as follows:

a) Description of the matter (including reference to related disclosures in the consolidated financial statements)

b) Audit approach

1. Project-related Revenue Recognition

a) Revenues of EUR 248,389 thousand are reported in the consolidated income statement for the fiscal year 2021. This mainly resulted from the development and implementation of software and from the sale of software licenses and maintenance. In cases of software development, the revenues are recognized over the period of time in line with the transfer of the associated significant risks and rewards to the customer. In cases where the customer purchases licenses, the revenues are recognized at the time when the customer obtains access to and thus control over the software. Maintenance agreements are recognized in the respective period.

The high degree of individualization and the large number of different contractual agreements in the project business of the PSI Group's two segments (Energy Management and Production Management) as well as the extensive effects of project-related revenue recognition on disclosures of assets and liabilities as well as income and expense items result in a high degree of complexity in revenue recognition. This entails an increased risk of accounting misstatements, which is why we identified project-related revenue recognition as a key audit matter.

Disclosures on the accounting and valuation principles applied for revenues are contained in section B "Presentation of accounting policies and financial risk management method" under "Significant judgments, estimates and assumptions" and "Recognition of revenues and income" of the notes to the consolidated financial statements. Information about the breakdown of revenues can also be found in the "Disclosures on the consolidated income statement" section under D. 15 "Revenues" of the notes to the consolidated financial statements. Additional relevant information is included in the "Disclosures on the consolidated balance sheet" section under C. 3 and C. 4 of the notes to the consolidated financial statements.

b) For the purposes of risk assessment, we obtained an idea of the business development in the year under review and assessed the extent to which the revenue recognition was influenced by subjectivity, complexity, or other inherent risk factors. During our audit, we assessed the accounting and valuation principles applied for the recognition of project-related revenues in the PSI Group's consolidated financial statements using the criteria defined in IFRS 15. Our audit approach focused in particular on the question of whether the recognition of revenues at a point in time or over a period of time was appropriate. In particular, we examined the existence of an enforceable legal right and the possibility for alternative use of the contractual service relationships. In addition, we examined which different types of services were included in the contracts and whether these could be differentiated and thus accounted for separately. We assessed the appropriateness of the process implemented by the Executive Board of the PSI Group. We also examined whether the accounting and valuation principles of the Group accounting guideline for project revenue recognition comply with the requirements of IFRS 15.

In addition, we reconciled project revenue recognition based on the contractual agreements by inspecting agreements, project documents such as correspondence with customers, and evidence of hours booked.

We examined the calculation of revenues allocation for transactions which have not yet been completed using substantive audit procedures as well as an analysis of the contractual bases.

2. Impairment of Goodwill

a) Goodwill of EUR 59,697 thousand, accounting for roughly 21% of total assets, is reported under "Intangible assets" in the consolidated financial statements of the PSI Group. The company allocates goodwill to the business units. In the impairment tests for goodwill as of the end of the reporting period, the respective carrying amounts are compared with their respective recoverable amount. The recoverable amount, as the higher of fair value less costs to sell and value in use, was calculated based on a valuation model in line with the discounted cash flow method. The cash inflows used in the cash flow calculation model result from the multi-annual planning for the next three years that was approved by the executive directors, acknowledged by the Supervisory Board, and was valid at the time the impairment test was performed; this planning was updated with assumptions regarding long-term growth rates (perpetuity). Expectations for the future market development and country-specific assumptions regarding the development of macroeconomic parameters were also taken into account here.

The result of this impairment test is influenced to a large extent by uncertainties in relation to the assumptions made regarding future cash inflows and the discount rate used. In particular, the estimate of the future development as a basis for the planned future cash inflows is subject to considerable uncertainty. This matter was therefore particularly important in the context of our audit.

Disclosures on the accounting and valuation principles applied for goodwill are contained in section B "Presentation of accounting policies and financial risk management method" under "Significant judgments, estimates and assumptions," "Goodwill," and "Impairment of non-current, non-financial assets" of the notes to the consolidated financial statements. Information about the breakdown of goodwill and the impairment test can also be found in the "Disclosures on the consolidated balance sheet" section under C. 1 "Intangible Assets and property, plant and equipment" of the notes to the consolidated financial statements.

b) During our audit, in which we involved our internal valuation experts, we verified the procedure for performing impairment tests and assessed the extent to which the procedure was influenced by uncertainty of estimates, subjectivity, complexity, or other inherent risk factors. We examined the Group's adherence to planning in advance based on a comparison of the previous year's planning with the results achieved in the fiscal year. In the case of significant differences, we examined the disclosures and evidence provided by the Executive Board.

Taking account of our findings from the examination of adherence to planning, we verified and assessed the established planning process and the process for preparing the impairment test. For our assessment of the results of the impairment tests, we compared the general and industry-specific market expectations with the market models and assumptions of the Executive Board for the expected cash inflows and then examined and assessed any differences. We also examined whether the financial surpluses to be received in the future were derived appropriately from the assumptions made and the premises set. Based on our knowledge that even relatively small changes in the discount rates used can at times have significant effects on the recoverable amount, we analyzed the parameters used to determine the discount rates used. We also mathematically verified the calculation method for determining fair values.

We also performed sensitivity analyses in order to estimate the effect of any potential impairment risk associated with a reasonably possible change in one of the significant assumptions used in the valuation.

Other Information

The Executive Board and the Supervisory Board are responsible for the other information. The other information comprises:

– the Supervisory Board report, which we expect will be provided to us after the date of the auditor's report,

– the combined statement on corporate governance in accordance with Sec 289f HGB and Sec 315d HGB, which is referred to in the Group management report

– the Group non-financial statement included in the Group management report

– the responsibility statement in accordance with Sec 297 (2) sentence 4 HGB and Sec 315 (1) sentence 5 HGB on the consolidated financial statements and the Group management report

– all other parts of the annual report, which we expect will be provided to us after the date of the auditor's report,

– but not the consolidated financial statements, the disclosures in the Group management report whose content was audited, or our related auditor's report

The Supervisory Board is responsible for the report of the Supervisory Board. The Executive Board and the Supervisory Board are responsible for the declaration in accordance with Sec 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which forms parts of combined statement on corporate governance in accordance with Sec 289f HGB and Sec 315d HGB, which is referred to in the Group management report. In all other respects, the Executive Board is responsible for the other information.

Our opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information referred to above and, in so doing, to consider whether the other information

– is materially inconsistent with the consolidated financial statements, with the disclosures in the Group management report whose content was audited, or with our knowledge obtained in the audit, or

– otherwise appears to be materially misstated.

Responsibilities of the Executive Board and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The Executive Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the Executive Board is responsible for such internal control as it has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Executive Board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to continuation as a going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Executive Board is responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Executive Board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

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

– obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

– evaluate the appropriateness of accounting policies used by the Executive Board and the reasonableness of estimates made by the Executive Board and related disclosures.

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

– evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec 315e (1) HGB.

– obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

– evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

– perform audit procedures on the prospective information presented by the Executive Board in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Executive Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other Legal and Regulatory Requirements

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and the Group Management Report in Accordance with Sec 317 (3)a HGB prepared for the Purposes of Disclosure

Opinion

In accordance with Sec 317 (3)a HGB, we have conducted an audit with reasonable assurance as to whether the rendering of the consolidated financial statements and the management report contained in electronic file with the SHA-256 value 8689c5e667f1ae335f812007a18c60a0ef308ca6ee10db2e40d9148a6cce388b (also referred to hereinafter as "ESEF documents") made available and prepared for publication purposes complies with the requirements of Sec 328 (1) HGB for the electronic reporting format ("ESEF format") in all material respects. In accordance with the German legal requirements, this audit extends only to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the Group management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Sec 328 (1) HGB for the electronic reporting format. Besides this assurance opinion and our audit opinions contained in the above "Report on the audit of the consolidated financial statements and of the Group management report" on the attached consolidated financial statements and the attached Group management report for the fiscal year from January 1 to December 31, 2021, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the Group management report contained in the attached file made available and identified above in accordance with Sec 317 (3)a HGB and in compliance with the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec 317 (3a) HGB (IDW AsS 410 (10.2021)). Our associated responsibilities are further described in the "Auditor's responsibilities for the audit of the ESEF documents" section. Our audit firm applied the requirements for the quality management system of the IDW Quality Management Standard: Requirements for Quality Management at Audit Firms (IDW QS 1).

Responsibilities of the Executive Board and the Supervisory Board for the ESEF Documents

The Company's Executive Board is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the Group management report in accordance with Sec 328 (1) sentence 4 no.1 HGB and for the tagging of the consolidated financial statements in accordance with Sec 328 (1) sentence 4 no.2 HGB.

In addition, the company's Executive Board is responsible for such internal control that it has considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the accounting process.

Auditor's Responsibilities for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance as to whether the ESEF documents are free of material non-compliance of Sec 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

– identify and assess the risks of material violations of the requirements of Sec 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

– obtain an understanding of the internal controls relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.

– evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.

– assess whether the ESEF documents allow for an XHTML reproduction of the audited consolidated financial statements and the audited Group management report with identical content.

– evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Other Information Pursuant to Art. 10 of the Audit Regulation

We were elected as group auditor by the Annual General Meeting on May 19, 2021. We were engaged by the Supervisory Board on October 15, 2021. We have been the group auditor of PSI Software AG, Berlin, since fiscal year 2020.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

Other Matter – Use of the Auditor’s Report

Our auditor’s report must always be read together with the audited consolidated financial statements and the audited Group management report as well as the examined ESEF documents. The consolidated financial statements and Group management report converted to the ESEF format – including the versions to be published in the German Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group Management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

Responsible Auditor

The German Public Auditor responsible for the engagement is Gerald Reiher.

Berlin, March 28, 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Gerald Reiher)	(Christoph Henry Krause)
German Public Auditor	German Public Auditor

PSI MULTI-YEAR OVERVIEW

in EUR million	**2021**	2020	2019	2018	2017
Order situation					
New orders	266	229	236	217	190
Order backlog	160	149	142	139	128
Income statement					
Revenues	248.4	217.8	225.2	199.2	186.1
thereof Energy Management	139.4	120.0	115.8	99.7	91.6
thereof Production Management	109.0	97.8	109.4	99.5	94.5
Export share in %	39.1	35.8	41.0	41.9	43.7
License revenues	16.6	11.9	18.6	15.9	12.1
License share in %	6.7	5.5	8.3	8.0	6.5
R&D expenses	32.3	27.8	24.0	22.0	18.5
R&D ratio in %	13.0	12.8	10.7	11.0	9.9
Operating result (EBIT)	23.8	14.9	17.2	15.5	13.4
EBIT margin in %	9.6	6.8	7.6	7.8	7.2
Earnings before taxes (EBT)	23.3	13.7	16.4	14.5	12.5
Group net result	15.8	10.3	14.3	10.6	9.5
Return on sales in %	6.4	4.7	6.3	5.3	5.1
Cash flow					
Cash flow from operating activities	38.8	24.8	12.5	19.0	1.2
Cash flow from investing activities	–5.0	–13.4	–8.7	–7.4	–4.1
Cash flow from financing activities	–7.7	–7.9	–10.2	–4.8	–1.1
Investments*	5.4	5.8	11.2	7.8	4.4
Balance sheet					
Shareholders' equity	114.7	100.3	94.5	86.6	80.3
Equity ratio in %	40.4	38.7	38.0	41.5	41.4
Return on equity in %	13.8	10.3	15.1	12.2	11.8
Total assets	284.1	259.4	248.8	208.7	194.0
Share					
Earnings per share in EUR	1.01	0.66	0.91	0,68	0.61
Closing price at end of year in EUR	46.30	24.40	20.80	15.65	18.51
Market capitalization on December 31	726.8	383.0	326.5	245.7	290.6
Employees					
Number of employees on December 31	2,223	2,056	1,984	1,787	1,665
Personnel expenses	158.7	141.4	137.8	121.3	112.3

* Company acquisitions, intangible assets, property, plant and equipment

PSI QUARTERLY OVERVIEW FOR 2021

EUR million	Q1	Q2	Q3	Q4
Order situation				
New orders	105	41	50	70
Order backlog	197	174	165	160
Income statement				
Revenues	56.1	61.0	60.5	70.8
thereof Energy Management	29.1	35.0	34.0	41.3
thereof Production Management	27.0	26.0	26.4	29.6
Operating result (EBIT)	4.3	5.8	5.6	8.1
EBIT margin in %	7.8	9.5	9.2	11.4
Earnings before taxes (EBT)	4.2	5.4	5.6	8.1
Group net result	3.1	3.9	4.1	4.7
Return on sales in %	5.5	6.4	6.8	6.6
Share				
Earnings per share in EUR	0.20	0.25	0.26	0.30
Closing price at end of quarter in EUR	26.80	33.60	37.60	46.30
Employees				
Number of employees at end of quarter	2,086	2,145	2,186	2,223
Personnel expenses	39.5	39.4	37.6	42.2

FINANCIAL CALENDAR FOR 2022

Publication of annual results	March 29, 2022
Analyst conference	March 29, 2022
Report on first quarter	April 28, 2022
Annual General Meeting	May 19, 2022
Report on first half of year	July 28, 2022
Report on third quarter	October 28, 2022
German Equity Forum Analyst Conference	November 28 to 30, 2022

THE PSI SHARE

Stock exchange segment	Prime Standard
Stock exchange symbol	PSAN
Securities identification number (WKN)	A0Z1JH
ISIN	DE000A0Z1JH9

YOUR INVESTOR RELATIONS CONTACT

"In 2021, we left behind the negative impact of the pandemic and grew our new orders, revenues and earnings to record highs. With our app store initiative, we are laying the foundations for continued growth with our solutions for sustainable energy supply and industry."

Karsten Pierschke
Head of Investor Relations and Corporate Communications

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

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