Industrial Artificial Intelligence

Pioneering a Smarter World

Annual Report **2023**

PSI

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 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's industry-specific software products ensure the efficient use of energy, labor and materials. 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. PSI software products are sold both directly and on the cloud-based PSI App Store. PSI has been combining artificial intelligence techniques with other industrially proven optimization methods for decades

Contents

We have been using industrial artificial intelligence in our products for more than two decades.

Industrial artificial intelligence in energy management

Application in electricity and gas grids, pipelines, transportation infrastructure and energy trading

Advantages:

→ Smart grid management

→ Smart and clean mobility

→ Optimized energy procurement

Industrial artificial intelligence in production management

Application in production planning, production control and logistics

Advantages:

→ Optimized use of resources

→ Decarbonization and digitalization

→ Resilient logistics chains

PSI Group in Figures

in EUR million	2023	2022	Change in %
Revenues	269.9	247.9	8.9
Operating result	5.6	20.2	–72.3
Earnings before taxes	3.0	19.9	–84.9
Group net result	0.3	9.7	–96.9
Equity	111.7	119.0	–6.1
Equity ratio (in %)	39.5	43.7	–9.6
Return on equity (in %)	0.3	8.2	–96.3
Investments*	7.7	10.3	–25.2
Research and development expenses	43.5	36.6	18.9
Research and development ratio (in %)	16.1	14.8	8.8
New orders	297.3	252.5	17.7
Order backlog on December 31	170.2	154.9	9.9
Employees on December 31 (number)	2,310	2,251	2.6

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

Our Segments

Energy Management

Smart solutions for energy grid operators and for public transport. This segment focuses on reliable and cost-effective control system solutions for smart grid management and safe operation of transport systems as well as solutions for energy trading and distribution.

	2023	2022
Revenues (EUR thousand)	138,855	130,412
Operating result (EUR thousand)	–7,807	1,431
Employees	1,072	1,107

Production Management

Software products and solutions for production planning, production control and logistics. This segment focuses on optimizing the use of resources and cost effectiveness in the metals industry, mechanical/plant engineering, the automotive industry and logistics.

	2023	2022
Revenues (EUR thousand)	131,036	117,526
Operating result (EUR thousand)	20,355	20,239
Employees	1,238	1,144

Industrial Artificial Intelligence

Pioneering a Smarter World

Artificial intelligence experienced a surge in popularity in 2023 due to the success of generative AI. This has also led to increased interest in the complex methods involved in industrial artificial intelligence. PSI has been using a combination of different AI methods for many years to help customers optimize and automate their business processes. This enables utilities and industrial companies to save time and money, increase productivity and efficiency, meet sustainability goals and make better decisions faster.

Gunnar Glöckner, 53
Member of the Board

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

Robert Klaffus, 44
Chair of the Executive Board

Responsibilities:
Marketing, Sales, Technology and Investor Relations

Interview with the Executive Board

The 2023 financial year brought many changes for PSI. How do you view the past year?

GUNNAR GLÖCKNER: Overall, it was a successful year despite the challenging economic environment. Following the negative effects in the Electricity Grids business in 2022 and 2023, we stabilized the situation in the second half of the year. We have successfully completed the generation change on the Executive Board and have grown significantly thanks to a strong fourth quarter.

ROBERT KLAFFUS: The high level of new orders in particular has shown that our functionally strong products add real value for customers and that PSI's growth momentum is intact. The entire team is working hard to put the Company on an even stronger course for profitable growth.

Halfway through the year, PSI adjusted its forecast for the operating result. What was the reasoning behind this?

GUNNAR GLÖCKNER: Unfortunately, we had to adjust our forecast due to project losses in the Electricity Grids business and one-time expenses related to the change in the Executive Board. In the second half of the year, we worked to eliminate project risks and successfully stabilized the grid business. We have minimized the risks for future projects by making process adjustments.

Artificial intelligence is going to be a hot topic for the next few years. How will AI revolutionize production and the energy system? And what does this trend mean for PSI?

ROBERT KLAFFUS: Customers using PSI software have been benefiting from our industrial AI for many years. So, from the perspective of our software products, it is more of a constant evolution. And yet, what we are doing is quite revolutionary. We use special methods to combine the business process knowledge encoded in PSI products with process KPIs and AI expertise. This benefits all PSI customers in manufacturing and energy systems. Another important element will be the integration of generative AI into our products in the future.

„We aim to accelerate growth and sustainably improve margins in the years ahead.

Robert Klaffus,
Chair of the Executive Board
PSI Software SE

PSI was the victim of a cyber attack in February 2024. What was the impact of the attack and how did PSI deal with the situation?

ROBERT KLAFFUS: The attack was discovered by our IT department on the night of February 15, 2024. We then took most of our IT systems offline, shut them down and disconnected all site-to-site connections from the corporate network to our customers' networks. In order to ensure a fast and secure restart, all IT systems and the entire PSI network infrastructure were thoroughly checked, modernized and provided with additional security. We also checked the integrity of our product source code through various automatic and manual steps.

GUNNAR GLÖCKNER: Although we acted quickly, we were limited in our ability to operate our business between mid-February and the end of April. As a result, we were not able to generate revenues as planned and had to absorb unplanned expenses for the restart. We are grateful to our customers, whom we were unable to support as usual, for their constructive approach to this difficult situation. Although we have taken a number of steps to at least partially offset the economic impact, we are not yet able to conclusively assess the economic consequences.

Gunnar Glöckner,
Member of the Board
PSI Software SE

” We see great potential in decarbonization, flexibilization and industrial AI.

How do you see the Company developing in the future? What can customers, partners, shareholders and employees expect from PSI in the years ahead?

GUNNAR GLÖCKNER: Even in difficult economic times, we are well positioned with our sustainable and highly relevant software products for operators of energy and transport infrastructures, for the steel and automotive industries and for the logistics sector. In the Energy Management segment, we expect the Electricity Grids business to continue to stabilize with further growth in the entire segment. In the Production Management segment, we see great potential in decarbonization, flexibilization and industrial AI.

ROBERT KLAFFUS: PSI has a unique combination of industrial AI with functionally strong products for energy infrastructures and a modern industry software portfolio for production and logistics that has evolved over decades. By developing PSI into a modern, integrated software company, achieving stronger international growth and expanding our cloud and SaaS strategy, we aim to accelerate growth in the years ahead and sustainably improve our margins. We are very well positioned for this thanks to a stable shareholder base, long-standing loyal customers and partners and a highly motivated corporate team.

Report by the Supervisory Board

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

The 2023 financial year for PSI Software SE was marked by ongoing macroeconomic and political uncertainty and, in particular, by the challenges in the Electricity Grids business unit and the generational transition on the Executive Board. The Supervisory Board's work therefore focused on the economic situation of the Group, placing particular emphasis on the Electricity Grids business, the selection and appointment of an additional member of the Executive Board and the transformation of the Company into a European Company (Societas Europaea, SE) by resolution of the Annual General Meeting.

The PSI Group was the target of a cyber attack in the 2024 financial year, prior to the preparation of this report. Most of the PSI Group's IT systems were taken offline and had to be shut down. The PSI Group was limited in its ability to carry out central activities of its business model.

In accordance with the law, the Company's Articles of Association and the German Corporate Governance Code, we monitored and supported the Executive Board in its management of the Company and advised it on corporate governance issues. The Board regularly informed us promptly, in writing and orally about the situation of PSI Software SE. On this basis, we discussed business performance and decisions in detail. As a result of the cyber attack, we stepped up our monitoring and support of the Executive Board due to the significance of the incident and its economic impact. 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

Karsten Trippel
Chairman of the
Supervisory Board

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 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.

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 the material economic key figures of the PSI Group and the individual business units;

– preparation of the generation change on the Executive Board and appointment of Mr. Robert Klaffus to the Executive Board;

- supervision of the measures and organizational changes to stabilize the operating business in the Electricity Grids business unit;
- supervision of the adjustments to the offer and order acceptance process and the measures to mitigate risk in the handling of long-running projects;
- supervision of the strategic development of the Group into a modern, integrated software company with a stronger focus on growth and improved margins;
- supervision of the measures relating to the emergency operation, forensic processing and restarting of IT systems following the February 2024 cyber attack.

Another focus of the Supervisory Board's work in 2023 was the agreement on the conditions for the resignation of Dr. Harald Schrimpf from the Executive Board on June 30, 2023, and the severance payments granted in this context.

Supervisory Board Meetings and Key Topics

The Supervisory Board held eleven ordinary meetings to perform its duties in 2023. Nine of these meetings were held in person and two 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 23, 2023 Discussion of the 2022 annual financial statements
March 28, 2023 Adoption of the 2022 annual financial statements
March 31, 2023 Resolution concerning the proposal for the election of the auditor at the Annual General Meeting on May 23, 2023
May 15, 2023 Preparation for the Annual General Meeting
May 23, 2023 Annual General Meeting and constituent meeting of the Supervisory Board
July 17, 2023 Preparation of the first half-year report for 2023
July 21, 2023 Discussion of half-year results and adjustments to the outlook for 2023
October 9, 2023 Discussion of measures to improve the operating business and performance in Q3 2023
October 10, 2023 Discussion of Group strategy and planning
November 30, 2023 Discussion and approval of planning for 2024; conducting talks pursuant to FISG
December 1, 2023 Audit of the Supervisory Board's work

In addition to the financial performance of PSI Software SE and the Group, the Supervisory Board also concerned itself with the development of individual subsidiaries, paying particular attention to the opportunities and risks of further internationalization with a focus on Eastern Europe, North America and India. 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 five times in the financial year with full attendance. The committee's activities focused on the appointment of Mr. Robert Klaffus as a member of the Executive Board, the agreement on the conditions for the resignation of Dr. Harald Schrimpf from the Executive Board and the adjustment of the Executive Board compensation for the period during which there is only one member on the Executive Board.

The Audit Committee is particularly concerned with issues relating to the selection of the auditor, accounting, the internal control system and risk management. The committee met five times in 2023, with one meeting serving to prepare the adoption of the annual financial statements and the approval of the consolidated financial statements. All five 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 July 5, 2023. 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 2023.

In the 2024 financial year, the Company's corporate governance will once again be an important aspect of the work of the Supervisory Board and its committees. As in previous years, the Supervisory Board will focus on the ongoing refinement of its skills profile and on sustainability aspects.

Composition of the Supervisory Board and its Committees

In the 2023 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 23, 2023, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft 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, 2023, 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 June 3, 2024. 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 they also 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 2023 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 June 3, 2024.

In addition, the Supervisory Board also reviewed the Executive Board's (separate) non-financial report for the Company and the Group for 2023 and discussed it with the Executive Board at the meeting on June 3, 2024. As there were no objections to be raised, the Supervisory Board also approved the non-financial report.

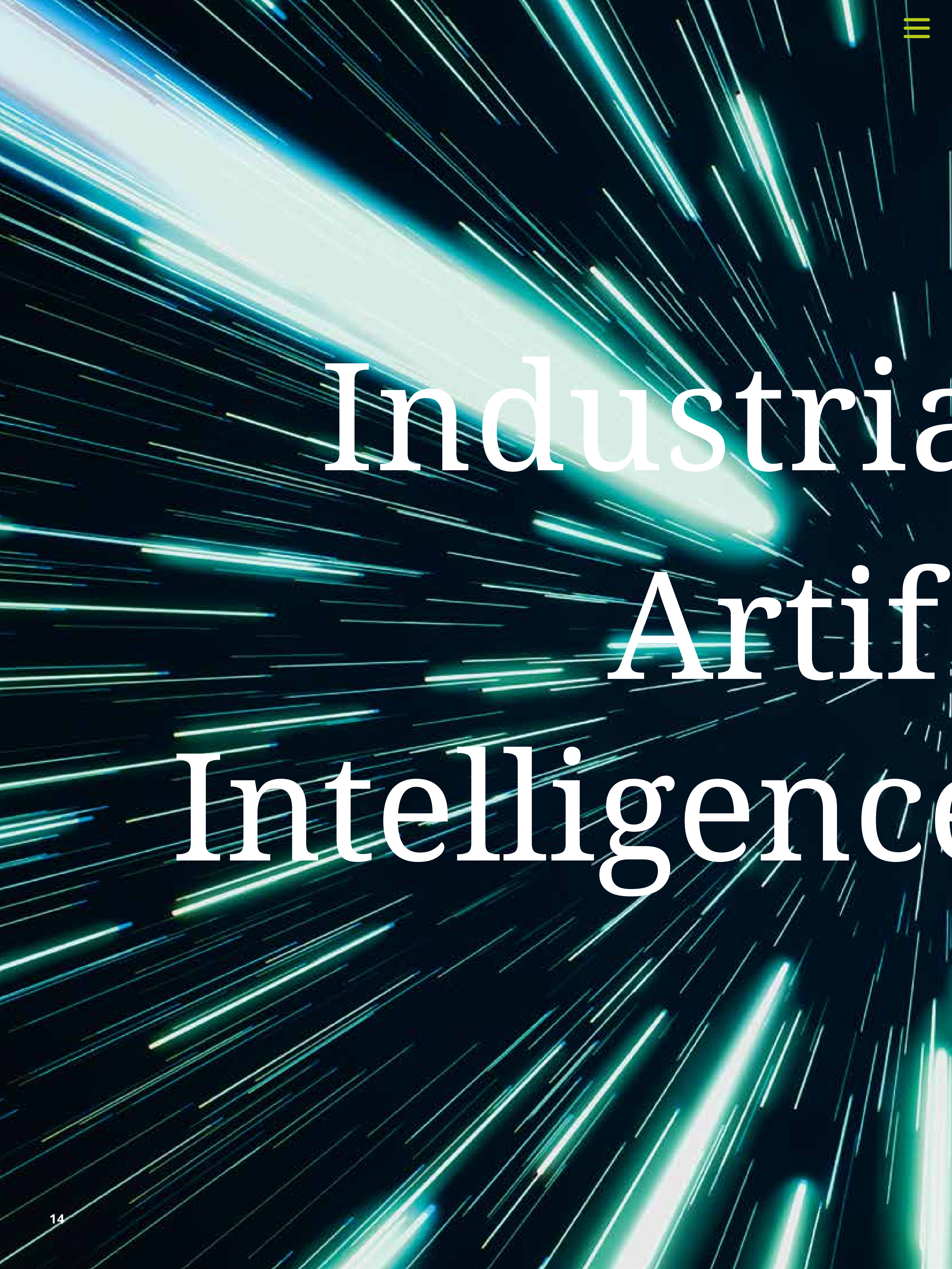
In 2023, PSI experienced a strong increase in new orders, particularly for solutions for the smart management of energy grids and logistics software. Demand in Southeast Asia was also very positive, with new orders overall reaching a new record level. Despite the growth in new orders and revenues, we were forced to revise our earnings target mid-year due to energy-related charges and non-recurring expenses. Again in 2023, key new customers were acquired, and follow-up orders were received from existing customers both in export business and in Germany. Measures taken to mitigate risks from legacy projects have already had a positive impact in the second half of the year. The successes achieved jointly by the Executive Board, management and employees in the face of these operational challenges deserve recognition and respect. The Supervisory Board therefore thanks all employees for the work they have done and for their great commitment.

Customers and shareholders, the Supervisory Board would like to thank you for the confidence you have shown in 2023 and up to the preparation of this report. Under the new leadership, PSI will continue to be a reliable partner to its customers, helping them meet their challenges with market-leading functions and advanced products. This is the basis for further growth and a sustainable increase in shareholder value.

Berlin, June 2024

Karsten Trippel
Chairman of the Supervisory Board

Industria
Artif
Intelligence



al

icial

e

Pioneering a Smarter World

DECISIVE ASSETS

What are the benefits of industrial AI?

Save time

by automating the optimization of routine tasks

Reduce costs

by cutting resource consumption by as much as 15%

Optimize and automate processes

by using software to prepare and evaluate raw data

Boost productivity

by more than 10% through predictive production optimization

Improve sustainability

by targeting green process goals such as CO_2 reduction

Make faster, better decisions

by combining optimizing algorithms with machine learning

OPTIMIZED BUSINESS PROCESSES WITH LEARNING METHODS

What are the characteristics of industrial AI?

The key to successful business process optimization with industrial artificial intelligence is the speed and flexibility of the employed machine methods.

Automated qualitative labeling of business process data combines decision and optimization algorithms with machine learning. To do this, large volumes of measurable raw data from business processes are processed and qualitatively assessed against the company's objectives (key performance indicators). Interrelationships are recognized, allowing the method to automatically adjust to the dynamics of the business processes.

This means that users of PSI's industrial AI can always make the right decisions and continue to optimize their processes since the optimization methods are self-adjusting based on current data. Sovereignty over your own data is guaranteed at all times because sensitive process data never leave the company.

The ongoing development of PSI's own AI framework enables customers in the energy, industry, mobility and logistics sectors to continuously optimize their processes in terms of increased efficiency, resource conservation and sustainability.

Three steps to AI-powered business process optimization:

Label

Identify

Optimize

OPTIMIZED GRID OPERATIONS

Industrial AI accelerates the energy transition

Investments in renewable energy are growing worldwide. Since 2016, they have consistently outpaced spending on fossil fuel development by an ever greater margin. The expansion of electricity grids has not yet been able to keep pace with the growth of renewable energy, while the volatility and distributed nature of wind and solar power are rapidly increasing its complexity. Artificial intelligence can help optimize and secure grid operations.

Renewable energy is
becoming increasingly
important worldwide.

PSI has therefore continuously expanded its energy portfolio in recent years to include products and methods that make an important contribution to a sustainable energy supply on the basis of industrial artificial intelligence. Among other things, PSI control systems for managing large electricity grids have been and still are being continuously expanded with functions that enable the smart management of the feed-in of renewable energy, allowing significantly more energy from renewable sources to be used. Accurate feed-in forecasting based on machine learning and neural networks enables predictive grid management. Suggestions for eliminating current and anticipated bottlenecks and faults in the grid are identified, visualized and evaluated using industrial AI. This provides a self-learning grid autopilot that allows higher shares of renewable energy to be integrated into existing infrastructures.

50%

more renewable energy can be transported with smart grid management

15%

of resources can be saved through optimized grid maintenance processes

30%

of expansion costs can be saved in at least half of the grids through digitalization and intelligence

Reliability despite volatility

Grid operators need reliable forecasts – even when energy comes from volatile sources. Our software generates them with the help of industrial AI.

PSI offers a powerful field force management solution for efficient grid maintenance, switching and fault management that can reduce resource use up to 15% by optimizing the deployment of large maintenance and fault clearance teams. The system thus contributes significantly to security of supply and sustainability.

Software solutions for load forecasting and distributed feed-in from renewable sources based on self-learning AI algorithms are available as an add-on to PSI control systems or as a stand-alone product. AI-assisted detection of anomalies in the grid enables defects and potential attacks to be identified at an early stage, further increasing the security of grid operations. Cloud-based products for the automated management of low voltage grids complete the PSI portfolio. These products support the integration of renewable energy and the reliable integration of distributed loads such as heat pumps and EV charging stations into existing grids.

USD 1,8

trillion were invested in green energy technologies worldwide in 2023, an increase of 17%

51,8%

was the share of renewable energy in Germany's gross electricity consumption in 2023, setting a new record

OPTIMIZE INDUSTRIAL AND LOGISTICS PROCESSES

Sustainable production powered by industrial AI

Industrial processes contribute significantly to global emissions of climate-damaging greenhouse gases. This is why energy-intensive industries such as metals production play a key role in the fight against climate change. The decarbonization of the steel industry not only has a significant direct impact on the reduction of greenhouse gas emissions, it also has an indirect impact on the sustainability of other sectors through the use of steel as an upstream product in many industries.

1,85

billion metric tons of steel were produced worldwide in 2023

1,9

metric tons of CO_2 are emitted on average to produce one metric ton of steel

7%

of annual global emissions are caused by steelmaking

Producing one metric ton of steel today generates an average of 1.9 metric tons of CO_2, with emissions highly dependent on the production route. The conventional production route (blast furnace/oxygen converter) not only produces the highest emissions but still accounts for over 70% of global steel production. The only way to achieve green steel is to switch to direct reduction, preferably with hydrogen, or to produce recycled steel in an electric arc furnace.

The transition from conventional to green steel production will most likely take place in hybrid mode where new and existing methods are used in parallel. This will add to the already high complexity of steel production. Steelmakers need to synchronize different plants and production routes, optimize production, maintain quality standards and balance costs and sustainability.

PSI's online heat scheduler is a tool for optimizing production in hybrid steel plants using industrial AI. Economic goals such as maximizing productivity are combined with environmental goals such as optimizing the use of green energy and minimizing emissions.

An electric arc furnace can be
powered by green electricity.

STEEL RECYCLING DRIVES SUSTAINABILITY

The use of green electricity can significantly reduce the CO_2 footprint of steel production in electric arc furnaces. The use of scrap steel also contributes to the sustainability of the circular economy.

Scrap steel is recycled in the production process

↓

Melting in an electric arc furnace using green electricity

↓

0,7 **metric tons of CO_2 per metric ton of steel with the average electricity mix**

↓

RECYCLED STEEL

Since the low-emission production routes require significantly more electrical energy than conventional steelmaking, it is becoming increasingly important to combine effective optimization of the melting schedule with accurate forecasting of energy consumption and linking to intraday energy trading.

This is another area where industrial AI is making an important contribution – it combines production control with a demand-driven energy algo-trader in order to use smart software to increase production efficiency in real time, optimize energy procurement and drive overall decarbonization of production.

Highlights in 2023

April

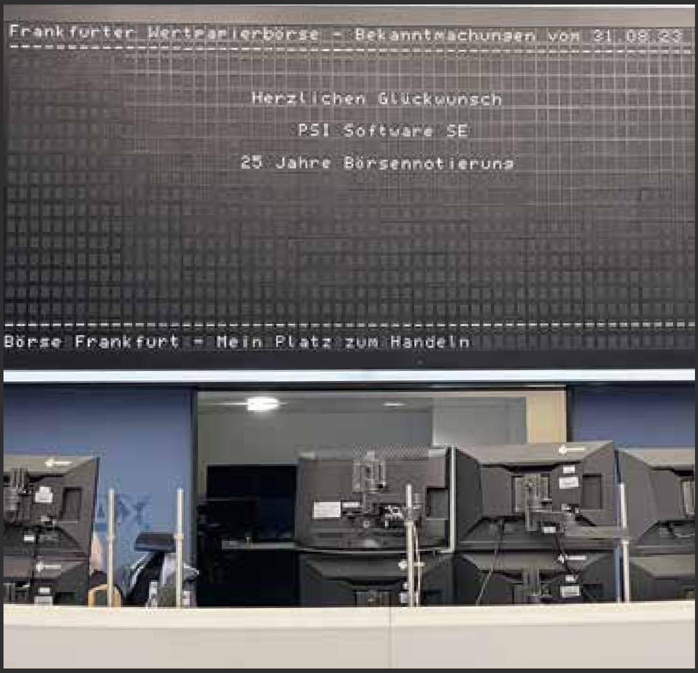
At the **Factory Innovation Award,** which was presented at the Hannover Messe trade fair, PSI received the special prize entitled “Future Capability of Architecture” for its PSIpenta product.

April

This was the first time that PSI’s exhibit at the **Hannover Messe trade fair** focused entirely on AI-based applications for optimized and sustainable production and energy supply.

May

With the appointment of Robert Klaffus to the Executive Board of PSI Software, the Supervisory Board is initiating a **generation change** in PSI’s management after more than 20 years.



August

PSI celebrates the **25th anniversary** of its IPO on the then “Neuer Markt” of the Frankfurt Stock Exchange on August 31, 1998.

November

For the third time in a row, FOCUS-Business has recognized the PSI Group as one of the German companies with **top climate commitment.** A total of 205 companies were recognized, including seven from the IT industry group.

September

Swissgrid AG, a Swiss transmission system operator, awards PSI the contract for the implementation of a new grid calculation system based on PSIcontrol. Swissgrid is an **important new PSI customer.**


DAX®
Deutsche Börse

2023 ACTIVITIES

Investor Relations

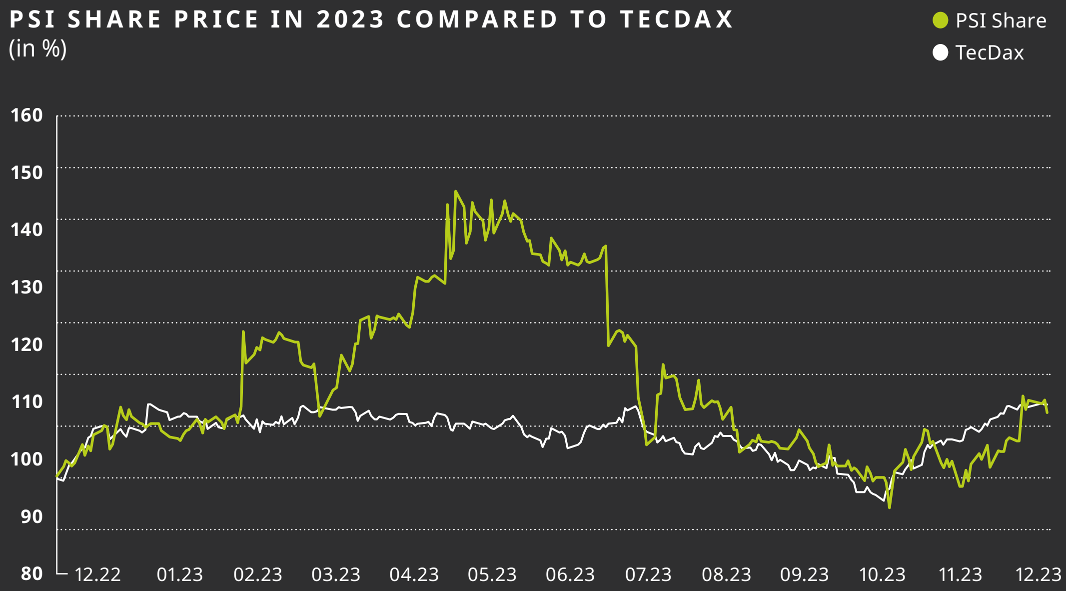
As in the previous year, the 2023 stock market year was marked by the war in Ukraine, the fight against inflation and rising interest rates. After a subdued start to the year, declining inflation led to hopes of an imminent turnaround in interest rates in the fall and a subsequent rally in prices starting in October. The stock markets reached new highs and ended the year well above the previous year's levels. For PSI, the year was primarily shaped by the generation change in the Executive Board announced in May and the elimination of risks from legacy projects in the Electricity Grids business unit.

Share Performance During the Year

SHARE PRICE UP DESPITE NEGATIVE NON-RECURRING EFFECTS

The PSI share began 2023 at a price of EUR 22.45 and rose to reach its peak for the year of EUR 35.55 by the beginning of June. Following the adjustment of the full-year guidance and the publication of the half-year results in July, which were significantly impacted by non-recurring expenses, the share price came under pressure and reached its low for the year of EUR 21.15 in early November. After earnings stabilized in the third quarter, the share partially recovered. The PSI share closed the year at EUR 25.30, 12.7% above the previous year's closing price.

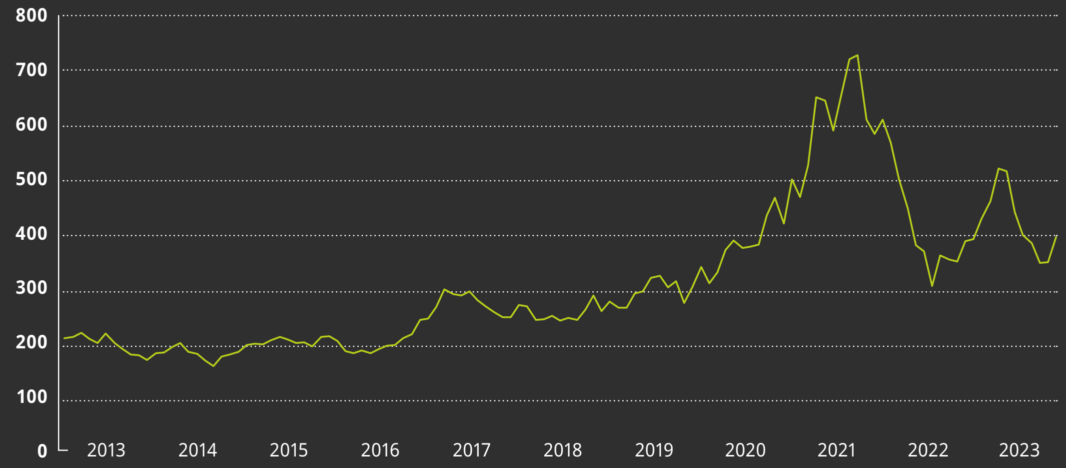
PSI SHARE PRICE IN 2023 COMPARED TO TECDAX
(in %)



CAPITAL MARKET COMMUNICATIONS FACE-TO-FACE AGAIN

In light of the management changes and the non-recurring effects at PSI, we continued our intense dialog with the capital market as we had done in previous years. In total, we presented PSI at seven virtual and eleven physical investor conferences and roadshows. There were also another 24 virtual investor visits and 13 investor visits held in person. The dialog with financial and business journalists resulted in over 60 reports on PSI in print media, in online media and on stock market radio and TV. The most important topics were the generation change in the Executive Board and the opportunities for PSI arising from the ongoing digitalization of energy grids, the decarbonization of industrial processes and the use of artificial intelligence in utilities and industry.

MARKET CAPITALIZATION OF PSI 2014–2023
(in EUR million)



Investors Ask, PSI Answers

Can PSI benefit from investments in smart grid infrastructures?
To prepare existing electricity grids for the energy transition, hundreds of billions will need to be invested in transmission and distribution grids in the coming years. A significant portion of these investments relates to grid digitalization, which will enable grid-based control in accordance with section 14a of the German Energy Act (EnWG), among other things. PSI has developed the necessary smart grid software and is already seeing a significant increase in demand.

In which business areas does PSI's management see the greatest growth potential in the years to come?
Demand for grid infrastructure digitalization solutions is on the rise. We also see growing interest in our software products for optimizing and controlling production and logistics processes, for example in the automotive and steel industries. The seamless integration of AI technologies and industry-specific software products enables us to make an important contribution to the decarbonization of our customers' business processes.

Does PSI have plans for even more international growth in the years ahead?
We already have a strong international presence, particularly with our world-leading PSImetals software. In the years ahead, we intend to use this presence to leverage international growth opportunities arising from megatrends such as decarbonization and the use of AI with additional products.

Creating Long-Term Value

1. **PSI IS A LEADING GLOBAL PROVIDER OF PROCESS CONTROL AND OPTIMIZATION SOFTWARE.**

2. **PSI COMBINES AI TECHNIQUES WITH PROCESS KNOWLEDGE TO CREATE MARKET-LEADING, INDUSTRY-SPECIFIC SOFTWARE PRODUCTS.**

3. **PSI GROWS BY PROVIDING SOLUTIONS FOR THE DIGITALIZATION AND DECARBONIZATION OF THE ENERGY, TRANSPORTATION AND INDUSTRIAL SECTORS.**

4. **PSI SOFTWARE SUPPORTS THE SUSTAINABILITY GOALS OF CUSTOMERS FROM THE ENERGY SECTOR AND INDUSTRY.**

ANALYST RECOMMENDATIONS FOR THE PSI SHARE IN 2023

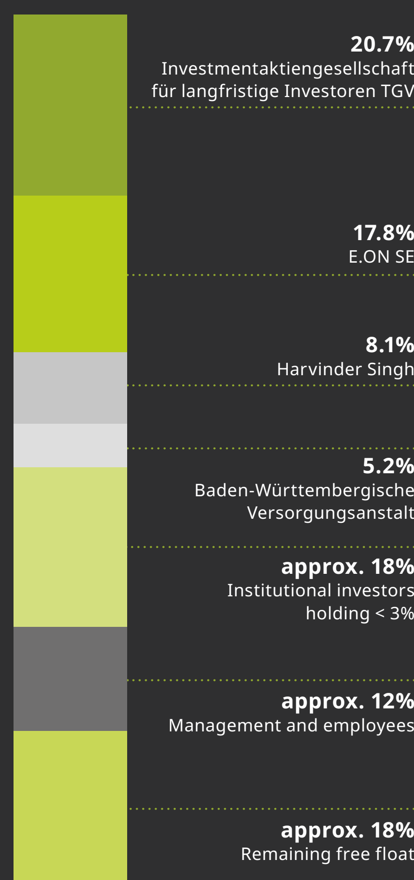
–1	+1	=	–3.78
6	**1**	**0**	**EUR 32.93**
positive recommendations	neutral recommendation	negative recommendations	average price target

KEY FIGURES AND DATA ON THE PSI SHARE

Key Figures on the PSI Share	2023	2022
Earnings per share in EUR	**0.02**	0.62
Market capitalization on December 31 in EUR	**397,143,360**	352,405,867
High for the year in EUR	**35.55**	47.10
Low for the year in EUR	**21.15**	18.60
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, DAXsupersector Information Technology, Prime All Share, CDAX
ISIN	DE000A0Z1JH9
Securities identification number (WKN)	A0Z1JH
Stock exchange symbol	PSAN

SHAREHOLDER STRUCTURE ON DECEMBER 31, 2023



Financial Statements (IFRS)

of PSI Software SE for the 2023 Financial Year

Consolidated ManagementReport

of PSI Software SE, Berlin, for the 2023 Financial Year

1. Basic Information on the Group

Business Model of the Group

The core business of the PSI Group (PSI) 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 systems.

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

PSI has over 2,300 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, Sweden, Switzerland, Thailand, the UK and the US.

Strategy and Control System

The Group's strategy focuses on increasing market share, internationalization and focusing on high-growth software products and market segments. 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 strive to further increase the product share of revenues, to expand business via the cloud-based PSI App Store and to increase its export share. 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 269.9 million. The share of the Group's revenues attributable to international business climbed from 13.4% to 45.0% in this period. In the same period, the share of consolidated revenues attributable to license business rose from 4.1% to 6.3% and the share of revenues attributable to long-term maintenance agreements more than doubled from 17% to 38.4%.

The graphs are not part of the audited report.

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:

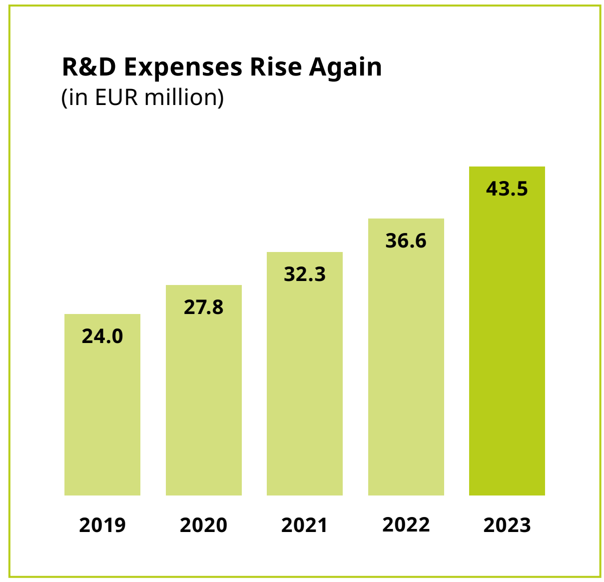
– an employee commitment index showing the employees' motivation and loyalty and the extent to which they identify with PSI;

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

Research and Development

PSI continuously invests in the ongoing development of existing products, new software products and components, and in keeping the Group-wide technology platform on the cutting edge. The aim of these investments is to bolster the competitive position with innovative software products and by creating new unique selling propositions. Functionality and modernity are pivotal factors for economic success, as are the use of Group-wide development platform 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.

Development activities in 2023 focused on the PSIcontrol grid control system, the expansion of PSI industry software products to include new AI-based functions and the expansion of the cloud strategy, among other things. The aim of this strategic development is to provide customers and partners with PSI products directly from the cloud as part of software-as-a-service offerings. PSI has created a Group-wide development community and a modern software platform that is available throughout the Group. Relevant products in the Production Management segment and some of the Energy Management products already run on the platform. 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 2023, the PSI Group's research and development expenses (costs recognized as expenses and capitalized software development costs) amounted to EUR 43.5 million, up 18.9% from EUR 36.6 million in the previous year. This amount did not include any relevant purchased services.

The capitalization rate was 9.8% after 15.7% in the previous year. Amortization of EUR 1.2 million related to software development costs capitalized in previous years.

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 into account future generation structures, the marketing of energy flexibilities of industrial consumers and mathematical methods for the simulation of power grids, taking future integrated energy scenarios into account.

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 entered into between the parties involved in the respective research association. The subsidies cover around 25% of the personnel expenses and operating expenses incurred for these research projects in the PSI Group. The PSI Group recognized state subsidies of EUR 5.7 million in total in the 2023 financial year.

2. Economic Report

Business Performance and General Conditions

For the first time in years, the German economy shrank slightly in 2023. Adjusted for inflation, gross domestic product fell by 0.3% following growth of 1.8% 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 saw stable global crude steel production in 2023 after a decline of 4.2% in the previous year. In this environment, PSI maintained the previous year's strong order trend for steel software, partly thanks to orders from the US, India and Australia. Following the normalization of procurement prices in the energy market, Electricity Grids and Gas Grids & Pipelines recorded a significant increase in new orders in Germany, which had been declining in the previous year.

Overall Assessment of Business Performance

PSI achieved its goal of increasing new orders and revenues by up to 10% in 2023 with a 17.7% increase in new orders and an 8.9% increase in revenues. Business grew in Malaysia and North and South America in particular, while it declined slightly in Germany and was stable in the other geographical target markets. There were also no significant changes in the composition of new orders and revenues by revenue type. Maintenance revenues were stable, and additional major projects with existing and new customers were completed or continued. The main drivers for new business came from industrial artificial intelligence, the build-out of electricity grids, the expansion of logistics chains and the reduction of CO_2 in production processes.

The originally planned operating result of EUR 25.1 million had to be adjusted to a significantly lower range of EUR 5 million to EUR 7 million due to project losses in the Electrical Energy unit and non-recurring expenses in connection with the change on the Executive Board. This adjusted target was achieved with an operating result of EUR 5.6 million, but the original target of increasing the operating result by 20% was missed. As a result, the EBIT margin fell from 8.1% in the previous year to 2.1%, meaning that the original target of increasing the EBIT margin by 1% was also missed. Revenues increased in both the Energy and Production segments, and the target of at least EUR 12 million in revenues generated through the PSI App Store was exceeded with EUR 13.0 million. The Energy Management segment's operating result decreased and was negative, in contrast to the previous year. The Production segment maintained the high earnings level of the previous year.

Result of Operations

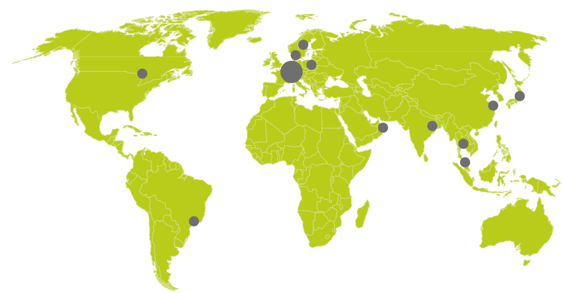
Consolidated Revenues Up Considerably on Previous Year

Consolidated revenues amounted to EUR 269.9 million in 2023, an increase of 8.9% on the previous year's figure of EUR 247.9 million. Energy Management reported an in-crease in revenues of 6.5% compared to the previous year, while Production Management revenues rose by 11.5%. Revenues per employee, based on the average number of people employed in the Group, increased from EUR 110,000 in the previous year to EUR 118,000.

Operating Expenses Up in All Areas

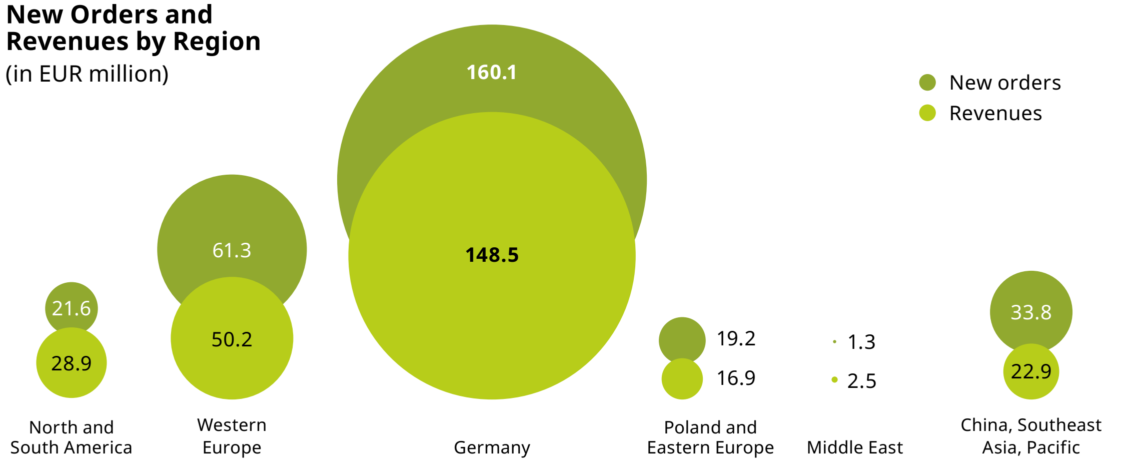
Expenses for purchased goods and services increased by EUR 9.8 million to EUR 46.1 million. Expenses for project-related procurement of hardware and licenses increased by EUR 7.4 million in connection with the increase in revenues from hardware. Expenses for purchased services increased by EUR 2.4 million. At EUR 183.7 million, staff costs were up 13.7% year-on-year. The increase is related to the increase in the average number of employees, inflation adjustments paid and non-recurring effects due to the changes on the PSI Executive Board. Other operating expenses increased by 24.3% from EUR 29.7 million in the

International Presence and Locations in Europe and Worldwide

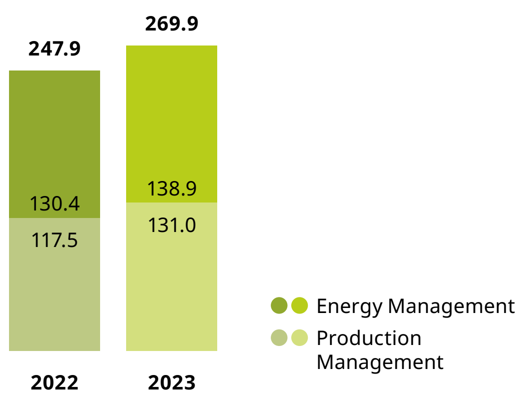


PSI locations: Austria, Belgium, Brazil, China, Denmark, Germany, India, Japan, Malaysia, Netherlands, Oman, Poland, Sweden, Switzerland, Thailand, UK, US

New Orders and Revenues by Region
(in EUR million)



Production Management Grows by 11.5%
(in EUR million)



Revenues from software development fell from EUR 116.3 million to EUR 113.8 million. The decrease is the result of loss-making projects in the Electrical Energy division, which were not fully offset by increased software development revenues in the other units. Maintenance revenues increased from EUR 96.5 million to EUR 103.5 million. The percentage share of maintenance fell slightly from 38.9% to 38.3%. The Electrical Energy division achieved significant increases in hardware revenues in 2023, which contributed significantly to the increase in hardware revenues from EUR 20.8 million in 2022 to EUR 35.8 million in 2023. License revenues increased from EUR 14.3 million to EUR 16.9 million.

previous year to EUR 36.9 million. The main reasons for the steep increase were higher project and travel expenses.

Decline in Operating Result and Group Net Result

At EUR 5.6 million, the PSI Group's operating result was 72.3% lower than the previous year's EUR 20.2 million. The Group net result fell from EUR 9.7 million to EUR 0.3 million in the reporting year. Earnings per share fell accordingly from EUR 0.62 to EUR 0.02. The Production segment in particular contributed positively to earnings.

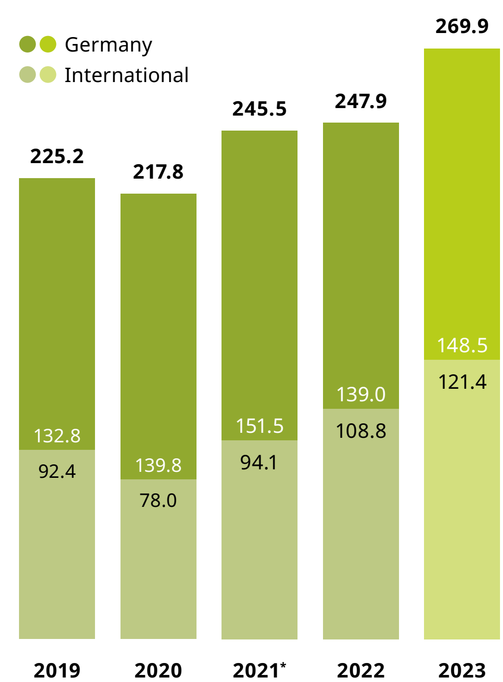
New Orders Above Target and Previous Year

New orders amounted to EUR 297.3 million in 2023, up 17.7% on the previous year's figure of EUR 252.5 million and thus 10.2% higher than revenues. The order backlog increased by 9.8% to EUR 170.2 million as at the end of the year.

Increase in International Revenues and Stable Growth in Software Development and Maintenance Revenues

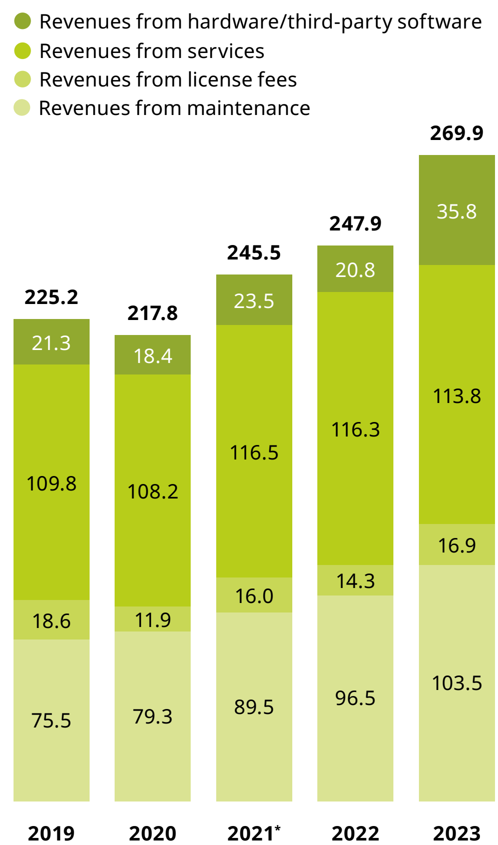
Revenues generated outside Germany rose by 11.5% from EUR 108.8 million in the previous year to EUR 121.4 million. This represents an increase in the export share from 43.9% to 45.0%. The share of international orders was increased primarily by further large orders in Metals Production.

Growth in Export Revenues
(in EUR million)



* Restated

Strong Increase in Hardware and Third-Party Software Revenues
(in EUR million)

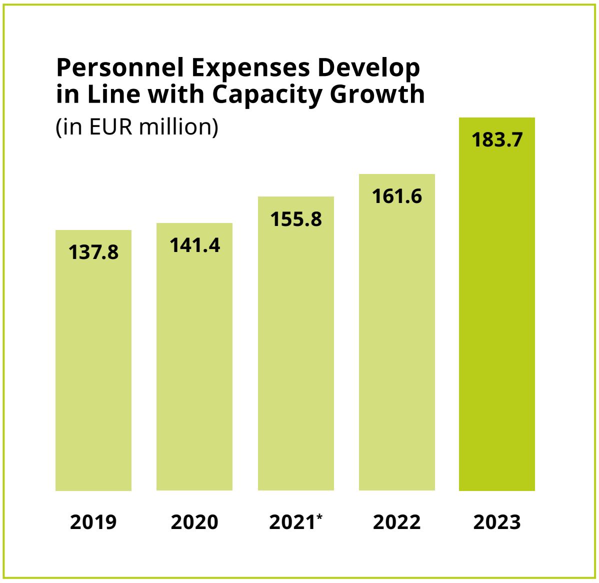


* Restated

Revenues Up and Earnings Down in Energy Management Segment

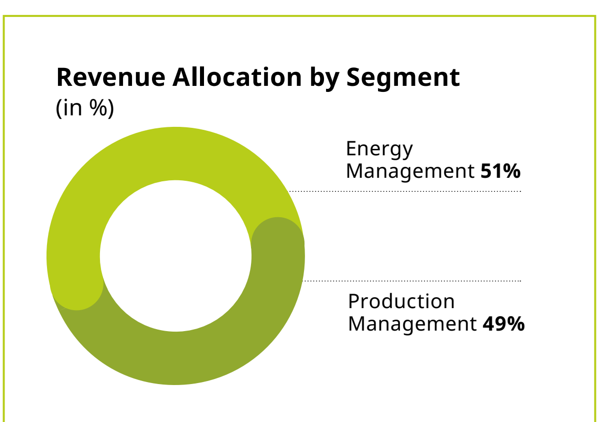
All units of the Energy Management segment had year-on-year improvements in both revenues and new orders in 2023. The Malaysian subsidiary nearly doubled revenues and new orders. The increase in revenues in the Electrical Energy unit is primarily due to higher shares of revenuesfor hardware supplied to customers. Gas Grids and Pipelines, Energy Trading and Public Transport generated organic growth in the area of software development. In total, new orders in 2023 amounted to EUR 158.9 million, up 24.9% on the previous year's figure of EUR 127.2 million. Revenues increased by 6.5% to EUR 138.9 million compared to EUR 130.4 million in 2022. Again in 2023, maintenance revenues accounted for the largest share of segment revenues at 39.3% (previous year: 39.5%). Software development revenues declined from EUR 56.4 million (43.3% of total revenues) in 2022 to EUR 46.1 million (33.2% of total revenues) in 2023. This decrease was related to projects that required follow-up and additional work that could not be passed on to end customers. The share of hardware revenues showed the largest relative increase, rising from 15.0% of total revenues in 2022 to 24.1% in 2023.

The financial performance of the Energy segment in 2023 was characterized by individual projects in the Electrical Energy unit that had been agreed upon with end customers in previous financial years and that, based on a technical assessment of the remaining work to be performed by PSI, will entail significantly higher project costs than estimated in previous years. These additional costs had a significant negative impact on the result of the Electrical Energy division, which at EUR −12.3 million in 2023, were even lower than the result of EUR −2.8 million in 2022, which were already impacted by non-recurring effects. A significant improvement in our Malaysian subsidiary's earnings and stable results in the other segment units could not offset the high losses in the Electrical Energy unit. Overall, this resulted in a decrease in segment earnings of EUR 1.5 million to EUR −8.6 million in 2023.



* Restated

Production Management Increases Revenues and Stabilizes Earnings at High Level
All Production Management units continued the successful growth of previous years. New orders increased by 10.5% from EUR 125.3 million in 2022 to EUR 138.4 million in 2023. Revenues increased by 11.5% from EUR 117.5 million to EUR 131.0 million. As in previous years, PSI Metals made the largest contribution to growth, followed by the very successful performance of PSI Logistics and PSI Automotive & Industry. Software development revenues accounted for the largest share of segment revenues at 51.7% (previous year: 51.0%), followed by maintenance revenues at 37.3% (previous year: 38.3%).



Earnings in the Production Management segment stabilized at the high level of the previous year and amounted to EUR 20.3 million (previous year: EUR 20.4 million). The segment's return on sales was 15.5% (previous year: 17.3%). The slight reduction in the percentage return on sales is due to a decline in earnings at the Polish subsidiary.

Separate Disclosure of Non-Recurring Expenses Related to Changes on the Executive Board and Change of Legal Structure
Non-recurring expenses of EUR 4.4 million were incurred in connection with the change on the Executive Board. In addition, costs of EUR 0.5 million were incurred in connection with the transformation of the Company's legal structure from a German stock corporation (Aktiengesellschaft) to a European Company (Societas Europaea). Both items have been reported as non-recurring expenses in the "Reconciliation" column of segment reporting. Excluding these non-recurring items, results from consolidation measures fell from EUR −2.0 million to EUR −3.8 million.

Financial Position

On December 31, 2023, PSI had cash credit facilities of EUR 40.8 million to finance its ongoing operations in addition to cash and cash equivalents of EUR 50.5 million and current and non-current financial liabilities of EUR 15.3 million. In the previous year, cash and cash equivalents were EUR 45.4 million, current financial liabilities were EUR 4.7 million and the cash credit facility was EUR 26.6 million.

The Group was able to meet its payment obligations as planned at all times in the 2023 financial year. The Group has internal ratings from its principal banks that are roughly equivalent to an A– rating category.

Cash flow from operating activities increased from EUR 3.5 million in the previous year to EUR 16.8 million. This mainly on account of year-on-year changes in working capital and the negative Group net result.

Cash flow from investing activities increased from EUR –9.8 million to EUR –6.9 million. This was due to a reduction in capitalized software development costs from EUR 5.7 million to EUR 4.2 million.

Cash flow from financing activities improved from EUR –16.0 million to EUR –5.0 million, predominantly as a result of an increase in non-current financial liabilities and the discontinuation of the share buyback program.

Group Structure as at December 31, 2023

Energy Management	
PSI Software SE Electrical Energy Gas Grids and Pipelines	
PSI GridConnect GmbH	100%
PSI Neplan AG (Switzerland)	100%
PSI Prognos Energy GmbH	100%
PSIAG Scandinavia AB	100%
PSI Incontrol Group	100%
PSI Energy Markets GmbH	100%
Time-steps AG (Switzerland)	100%
PSI Transcom GmbH	100%
caplog-x GmbH	31.3%

Production Management	
PSI Mines & Roads GmbH	100f%
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%

Net Asset Situation

Stable Balance Sheet Structure with Slightly Lower Equity Ratio
The total assets of the PSI Group increased from EUR 272.6 million to EUR 283.2 million in 2023.

On the assets side, non-current assets increased slightly from EUR 118.4 million to EUR 119.4 million as a result of an increase in deferred tax assets. Current assets increased from EUR 154.2 million to EUR 163.8 million. Within this item, trade receivables increased by EUR 6.3 million and cash and cash equivalents by EUR 5.0 million, while inventories fell by EUR 3.2 million.

On the equity and liabilities side, current liabilities increased from EUR 86.0 million to EUR 91.0 million. Non-current liabilities increased to EUR 80.4 million, mainly as a result of new financial liabilities. Equity fell from EUR 119.0 million to EUR 111.7 million due to dividend distributions that could not be offset by the Group net result for 2023. Accordingly, the equity ratio decreased from 43.7% to 39.5%.

Overall Assessment of Net Assets, Financial Position and Results of Operations
The Group's financial position and results of operations deteriorated year-on-year in the 2023 financial year, while its net assets remained stable. In particular, the operating result, Group net result and equity ratio deteriorated, while cash flow from operating activities improved. Overall, the Group still has the financial prerequisites to finance organic growth and selective acquisitions.

Non-Financial Performance Indicators
The PSI Group achieved an employee commitment index score of 86% in 2023 after 82% in 2022, which was slightly above its target range. This was as a result of a year-on-year decline in staff turnover and a stable sick leave rate while employee satisfaction remained constant.

The customer loyalty index score decreased slightly to 89% in 2023 after 90% in the previous year, mainly reflecting the slightly lower relative share of maintenance and upgrade revenues with a slightly increased willingness to provide a reference. The 2023 customer loyalty index was thus in the targeted range.

3. Statutory Disclosures

Disclosures in Accordance with Section 315a(1) HGB

As at December 31, 2023, the share capital of PSI Software SE 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 Aktiengesetz (AktG – German Stock Corporation Act) or, to the extent that the Company holds treasury shares, in accordance with section 71b AktG. In the second half of 2022, PSI Software SE issued a total of 29,216 shares to employees as staff shares. A contractual prohibition on the sale of these shares until November 25, 2024, was agreed. There are no further restrictions with regard to voting rights or transfers of shares.

In the 2023 financial year, Mr. Norman Rentrop, Germany, held a 20.65% interest in PSI Software SE, held via Investmentaktiengesellschaft für langfristige Investoren TGV, which he controls. According to the notification in accordance with section 27a(1) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) dated September 7, 2017, the investment in PSI Software SE serves the long-term objective of generating trading profits.

In the 2023 financial year, innogy SE, Essen, Germany, held a 17.77% interest in PSI Software SE. According to PSI Software SE'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 SE in the Energy Management segment. According to the notification from E.ON SE in accordance with section 43(1) sentence 3 WpHG dated October 22, 2019, the investment in PSI Software SE 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 SE has not issued any shares with special rights.

There are no voting right controls at PSI Software SE 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 9(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 SE has authorized capital of EUR 8.0 million in place until May 22, 2028, that was created by resolution of the Annual General Meeting on May 23, 2023. 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 SE 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 SE was authorized by the Annual General Meeting on May 23, 2023, to acquire treasury shares in the Company in a volume of up to 10%

of the share capital until the end of June 30, 2026. 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 can only be acquired 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 can 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 can be exercised one or more times in full or in partial amounts (see "Equity" in the notes).

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

Combined Corporate Governance Declaration

The corporate governance declaration in accordance with section 289f and section 315d of the Handelsgesetzbuch (HGB – German Commercial Code) was published at **www.psi.de/en/psi-investor-relations/corporate-governance/corporate-governance-declaration/** on PSI Software SE's website.

4. Subsequent Events

PSI Group has been the target of a cyber attack. The incident was discovered by the Group's IT department on the night from February 14 to February 15, 2024. Most of the PSI Group's IT systems were taken offline and shut down. In addition, as a precautionary measure, all site-to-site connections from the corporate network to the customers' networks were terminated. The PSI Group has been working on restoring all relevant IT systems since February 15, 2024.

From mid-February to the end of April 2024, the PSI Group was limited in its ability to carry out central activities of its business model. Even after major parts of the internal IT system were restored, some of these restrictions persisted because subsystems of the IT infrastructure could not be brought back online with up-to-date data. As a result of the restrictions described above, the ability to provide the full range of services to end customers was particularly affected.

As a result, the PSI Group was not able to achieve the originally targeted level of revenues in the period presented and had to incur unplanned expenses for restarting the IT system. To cope with the considerable economic consequences of the cyber attack, various measures have been introduced in the PSI Group that have been or will be able to partially offset the economic impact. A final assessment of the economic impact of the cyber attack in the 2024 financial year and potentially in subsequent periods is not possible due to existing uncertainty regarding the amount of additional charges resulting from the cyber attack and the specific impact of compensating effects.

Notwithstanding the existing uncertainty in estimating the economic impact of the cyber attack, the PSI Group has been and is in a position to meet its financial obligations at all times. It can be assumed that the PSI Group will be able to continue its business model in full once the IT system is fully functional again in 2024.

5. Report on Risks and Opportunities

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, individually or in combination with other risks, could jeopardize 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 refined on an ongoing basis and the knowledge gained from the risk management system is integrated into 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.

Risks are identified each year by the risk manager in cooperation with the risk officers. In addition to regular risk reporting, all risk officers are required to monitor risks on an ongoing basis and to inform the Executive Board by means of ad hoc reporting of new risks or changes in existing risks. Each year, all identified risks are assessed in terms of their probability of occurrence and possible impact on the Company regarding the achievement of key performance indicators (KPIs). Risks are aggregated automatically in the risk management tool.

PSI continued to refine its risk management system in the 2023 financial year without making any material changes. As in the previous year, risks were identified, classified and assessed uniformly throughout the Group. In doing so, the following material risk categories were identified:

– Corporate strategy risks (9 individual risks)

– Financial risks (12 individual risks)

– Organizational and legal risks (8 individual risks)

– Operating business risks (16 individual risks)

Analysis of Risks and Opportunities

The PSI Group is exposed to a range of risks. During the preparation of the consolidated financial statements for the 2023 financial year, the risk profile changed due to a cyber attack. Please see our comments in the section on subsequent events.

There are no material differences in the PSI Group's business model across the individual segments. Specific aspects resulting in differences to the risk structure in the individual segments are described below. Unless indicated otherwise, 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 financial risks identified are immaterial both individually and overall. 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 2023 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%). Neither of these two risk categories was achieved, even as a result of the combination of different risks.

.

Risks and Opportunities in 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 energy supply. 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 is significantly less dependent on domestic markets and further expanded 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, measured in terms of revenues generated outside Germany, increased in 2023, thereby reducing the dependency on the domestic market. Overall, the higher export share indicates that the dependency on the domestic economy is still only limited and presents further opportunities for international growth. However, the international expansion gives rise to new risks of dependency on international partners, exchange rates and legal systems. On the other hand, risks and opportunities will be more broadly diversified as a result of the further focused 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 SaaS 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.

Organizational and Legal Risks

Compliance (material)

The legal environment of PSI Software SE 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.

Availability and security of IT systems / cyber and information security (material)

Business processes in the PSI Group are interwoven with IT systems and applications. There is a risk that the failure of these IT systems to function properly or their unavailability could have a significant adverse effect on business operations, thereby entailing high costs. For example, instances of this would include the failure of infrastructure components, disruptions in the energy supply or telecommunications and malfunctions or errors at partners, customers or suppliers in case of a cyber attack. 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. Following the cyber attack in February 2024 and the resulting increased risk assessment, further measures were taken to significantly improve the security of IT systems as part of a revised IT strategy.

PSI Group employees (moderate)
As 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.

Operating Risks

Risks of services not performed in fixed-price projects (material)
Alongside low-risk standard products, the PSI Group continues to sell and implement large, technically complex projects under fixed-price contracts for work and services ("fixed-price projects"). There is the risk that contractually agreed services cannot be performed or can only be performed at a significantly greater expense to the PSI Group. Such risks can arise as a result of individual technical and contractual integration and migration specifications whose feasibility has not yet been demonstrated by implemented software solutions, unclear, unrealistic or changing customer requirements or the miscalculation of the expense involved. Corresponding risks arose in the individual business units in the 2022 and 2023 financial years insofar as further risk factors in addition to those described above led to an aggregate risk situation. For example, these included new and complex regulatory conditions in individual industries or considerable market pressure on investment by PSI customers. 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. For the risk situations that occurred in combinations in the 2022 and 2023 financial years, work is underway to further develop the existing management tools and the project staff involved. In particular, this involved strengthen-ing standardized legal frameworks, improving the ability to forecast employee workloads and tightening control over the sales pipeline.

Risks and opportunities from new products and technologies (moderate)
In order to strengthen its competitive position, PSI constantly invests in new product versions and product enhancements. 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 that can result in considerable costs which are not remunerated by the final customer.

Risks from the discontinuation of service and maintenance revenues (moderate)
The PSI Group generates significant revenues from maintenance and upgrade contracts with existing customers. These revenues are highly profitable. There is the risk that maintenance contracts cannot be renewed or are entered into on poorer terms, which could have negative cons countering this risk with investment in the upgrade capability of the software products and the planned cloud and SaaS strategy.

Risks in needs-driven IT procurement (moderate)
Supply problems can occur in the procurement of IT components, which can lead to liabilities to customers due to breach of contract, even extending as far as a project's cancellation. Delays in the delivery of IT components used by PSI itself can also impair the ability of its employees to work. The PSI Group counters this risk with amended clauses in contracts with customers and adjustments to its procurement process.

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 primary objective 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 with all relevant regulations of the consolidated financial statements and the Group management report of the PSI Group and the annual financial statements of PSI Software SE as the parent company.

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. That means that clear management and control structures are implemented in accounting, areas of responsibility are clearly assigned and critical functions are separated from one another. The Group's net assets, financial position and results of operations are reported to management on an ongoing basis.

The consolidated financial statements of the PSI Group are prepared on the basis of a fixed conceptual framework. This essentially consists 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 conceptual 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 SE and its subsidiaries. Assistance is provided by external service providers in specific instances, such as the measurement of pension provisions.

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 include variance analysis of forecasts and the analysis of 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 IT systems are based on standard software.

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).

Description of the Key Features of the Internal Control System (Recommendation A.5 of the German Corporate Governance Code)

The PSI Group has implemented an additional risk management, internal control and compliance management system that goes above and beyond the internal risk management and accounting control system described above.

The internal control system contains all Group-wide rules for managing operational, financial and compliance risks. These rules are published in the form of guidelines, operating instructions or process descriptions. The creation, approval, development, provision and communication of these internal rules is centrally controlled and based on standard procedures.

PSI Group employees are required to adhere to the Group Code of Conduct as a core component of the compliance management system. It contains the Group-wide value system and the rules for dealing with the stakeholders of the PSI Group.

The main business processes of the PSI Group are supported by IT solutions and tools in which controls are integrated. In line with the Group-wide digitalization strategy, integrated digital controls are preferred because they provide greater security than manual controls. Manual controls are also used to detect errors as we cover all aspects of our business processes.

The PSI Group relies on external audits in quality management (ISO 9001), information security (ISO 27001), environmental management (ISO 14001) and other industry-specific audits.

The operational and central units of the PSI Group, the Executive Board and the Supervisory Board communicate regularly with regard to the risk situation and ad hoc changes in the risk situation.

Each process owner is responsible for the effectiveness of internal controls. The Executive Board has overall responsibility for the internal control system.

Under a total quality management process – which includes continuous improvement measures – the standards, processes and responsibilities of the internal control system are continuously reviewed and adjusted and their effectiveness continuously monitored. The Executive Board currently has no indications that the internal control system or risk management system are inadequate or ineffective as a whole.

6. Forecast

Overall Economic Situation

Based on current forecasts for global economic development, we do not expect a substantial improvement in the business environment and anticipate a period of stagnation throughout 2024, particularly in German-speaking countries and Europe. Although developments in the software industry have decoupled from these macroeconomic tendencies somewhat in recent years due to megatrends, the existing global political uncertainty, current shortage of skilled workers and complex political environment in Germany and Europe also present significant risks for companies in the software industry.

As a provider of software products for operators of energy and transportation infrastructures, for the steel and automotive industries and for the logistics sector, the PSI Group is well positioned with sustainable and highly relevant products even in periods of economic stagnation.

Planning for the Entire Group Prior to the Cyber Attack

In the Energy Management segment, we expect the Electrical Energy business to further stabilize with moderate growth in this segment's other units in 2024. With an order backlog of EUR 100 million and market leadership in the German-speaking region, there are good prospects for improving the negative economic results in the 2022 and 2023 financial years. However, the planned and ongoing measures to further strengthen internal structures and processes will continue to negatively impact the Energy Management segment's earnings in 2024. Overall, we expect new orders and revenues in Energy Management to be up to 5% higher than in 2023 before the impact of the cyber attack. As a result of the stabilization measures mentioned above, we expect the segment to break even, significantly improving on the negative results in 2022 and 2023.

In Production Management, we are continuing to invest in decarbonization, flexibilization and industrial artificial intelligence. Setting aside the impact of the cyber attack, we aim to increase new orders and revenues by up to 5% and further stabilize the high level of earnings in 2024.

As in 2023, we will report the effects of improving organizational and management structures across the Group separately from the operating results. We assume that they will have a similar adverse impact on earnings as in the previous year.

All in all, we expect moderate growth in new orders and revenues of up to 5% and a doubling of the operating result compared to the previous year before taking into account the impact of the cyber attack on the overall Group. Accordingly, we are aiming to improve the EBIT margin to just under 4%. We also expect moderate growth of up to 5% for license sales and recurring sales from maintenance and upgrade contracts.

Impact of the cyber attack

We are currently unable to conclusively assess the economic impact of the cyber attack as we are still in the process of restoring our IT systems.

Based on our current estimates, it is possible that we will be unable to process or recognize approximately EUR 20 million to EUR 30 million in originally planned new orders and revenues before the end of 2024.

We expect that any costs incurred as a direct result of the cyber attack, such as incident management or third-party assistance in restoring operations, will be largely covered by existing insurance policies. Other costs associated with the cyber attack, such as reduced productivity on projects that may lead to follow-up work in the future or other costs associated with restoration activities such as data preparation, can only be roughly quantified at this time.

Taking into account all currently available and assessable information, we assume that the negative impact on earnings from the cyber attack will lead to a negative operating result in the upper single-digit to lower double-digit million range in 2024, which corresponds to a negative EBIT margin in the low to mid single-digit range. We expect license revenues and recurring revenues from maintenance and upgrade contracts to remain at around the previous year's level.

We have prepared analyses of liquidity trends in addition to earnings forecasts. Based on various scenarios, the PSI Group will have sufficient financial resources at all times in 2024 and 2025 to continue its business activities unchanged.

Berlin, May 31, 2024

Robert Klaffus Gunnar Glöckner

7. Group Non-Financial Statement

In an internal process, PSI assessed the non-financial areas of the environment, customers, employees, society, human rights and combating corruption in terms of their materiality to the Group and derived non-financial key performance indicators on this basis. The PSI Group has used the international framework of the Global Reporting Initiative (GRI) as a basis for preparing its Group non-financial statement.

As PSI is a developer of specialized software solutions that does not manufacture any physical products, employee commitment and long-term customer relationships in particular are key to the PSI Group's success. For a detailed description of the business model, please refer to the Basic Information on the Group section of the Group Management Report. 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 86% in 2023 after 82% in 2022, which was slightly above its target range. This was as a result of a year-on-year decline in staff turnover and a stable sick leave rate while employee satisfaction remained constant. PSI attributes this to the continuing normalization of the labor market and sickness rate after the end of the COVID-19 measures in 2022. For 2024, PSI is aiming for an index value of between 85% and 87%.

Long-term customer relationships form the basis for the PSI Group's sustained positive economic performance. The customer loyalty index therefore considers customers' willingness to enter into 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 was 89% in 2023 after 90% in the previous year, mainly reflecting the slightly lower share of maintenance and upgrade revenues with a slight increase in the willingness to provide a reference. The 2023 customer loyalty index was thus in the targeted range. For 2024, PSI is once again aiming for an index value of between 88% and 92%.

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 always 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 2023, with a small number of exceptions that are discussed in the declaration of compliance. The declaration of compliance, the corporate governance declaration and the remuneration report are published on the website of PSI Software SE at **www.psi.de/en/psi-investor-relations/corporate-governance.**

Sustainability in PSI Products and Internal Processes
PSI supports the 17 sustainability development goals of the United Nations and its software products make a substantial contribution to careful and sustainable use of energy, raw materials and labor in the energy industry and the production and mobility sector. This way, PSI particularly contributes to the goal of sustainable energy supply (SDG 7), sustainable production (SDG 12), resilient infrastructure (SDG 9) and sustainable cities (SDG 11). 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 smart management of the feed-in of renewable energy. As a result, considerably more energy from renewable sources can be used and 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 smart energy supply infrastructure of the future. This also includes new products for smart 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. In 2022, PSI was awarded the German Gas Industry's Innovation Prize for its PSIcontrol/ Greengas product.

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. The use of PSI's algorithms based on artificial intelligence allows the optimization of assembly sequences in the automotive industry and production processes in the steel industry, thereby considerably reducing the use of energy and resources. 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%.

As PSI, as a software company, does not manufacture any physical products, PSI's business processes have only an insignificant impact on the environment and resources. Nevertheless, all employees are called on to use natural resources sparingly, to separate waste and recyclables and to consider the requirements of DIN EN ISO 14001. PSI's use of natural resources is essentially limited to the use of office supplies as well as energy and water in its office buildings and the use of means of transport on business trips.

For its own infrastructure, PSI uses green IT equipment to save energy and resources. The cloud provider used by PSI internally and in customer projects has undertaken to reduce greenhouse gas emissions by 65% to 2025 and to completely eliminate them by 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 electric 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 since 2011 and receiv-ed a climate change score of B– in 2023, which confirmed the previous year's rating.

As in previous years, PSI was again awarded the DZ Bank Seal of Quality for Sustainability in 2023. In an extensive study published in October 2023, the news magazine FOCUS commended PSI as a company with a top climate commitment for the third time. Implementation of environmental management is currently being evidenced by external energy audits and involvement in the Carbon Disclosure Project. In January 2024, the Aschaffenburg site was certified to 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 areas of technology, infrastructure, product management, maintenance, quality management, controlling and marketing promote knowledge transfer and standardization within the Group. Employee training for the Group technology platform is particularly important for the strategic development of the Group.

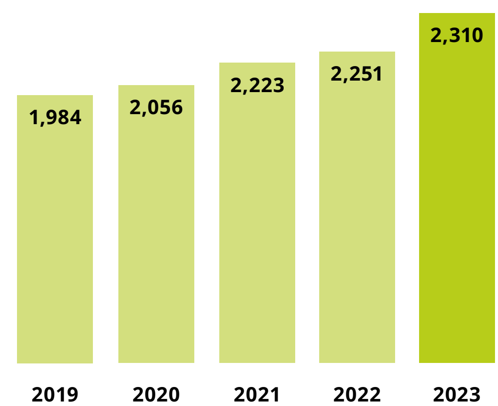
In order to make contact with graduates in the relevant courses of study at an early stage, PSI is involved in promoting education and research in science and engineering. For example, at its main locations, the PSI Group has formed university partnerships that range from offering internships to cooperating on dual courses of study. PSI is an industry partner of the logistics research cluster, a project partner in the environmentally friendly and sustainable energy engineering cluster and a technology partner in the new European 4.0 Transformation Center on the RWTH Aachen Campus.

One special aspect at PSI is that a significant share of PSI stock 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 rose by 59 to 2,310 as at the end of the year, including 1,072 in the Energy Management sector and 1,238 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. PSI has received multiple awards as a highly desirable employer in recent years.

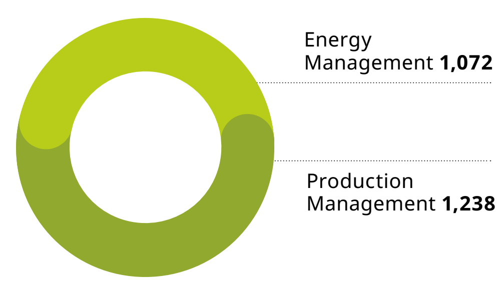
Number of Employees Continues to Rise

(employees on December 31)



Breakdown of Employees by Segment

(number of employees)



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 change mitigation and climate change adaptation), specific regulations (delegated acts) were already in place for the 2022 reporting year and required reporting of Taxonomy-eligible and Taxonomy-aligned activities.

Taxonomy eligibility reporting is also required for the four additional environmental goals of:

- sustainably using and protecting water and marine resources,
- transitioning to a circular economy,
- preventing and reducing environmental pollution and
- protecting and restoring biodiversity and ecosystems

for the 2023 reporting year.

Assessment of Taxonomy Eligibility
In view of the main activities of the PSI Group, the following product groups and services were classified as EU Taxonomy-eligible.

Contribution to climate change mitigation
In relation to climate change mitigation, we classified the activity "8.1 Data processing, hosting and related activities" as a Taxonomy-eligible activity. This includes the operation of the multi-cloud app store. Revenues are calculated in accordance with IFRS (in particular IFRS 15) and are equal to the revenues reported in our consolidated income statement. The development expenses for the PSI App Store were capitalized in the 2023 financial year and recognized in accordance with IAS 38.

In addition, in relation to activity "8.2 Data-driven solutions for GHG emissions reductions", we examined whether our services can be assigned 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 2023 PSI did not recognize any revenues, operating expenditure or capital expenditure in connection with these activities that 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.

In addition to products and services, the activity "6.5 Transport by motorbikes, passenger cars and light commercial vehicles" should be classified as Taxonomy-eligible. The activity "6.5 Transport by motorbikes, passenger cars and light commercial vehicles" includes leasing contracts for company cars.

Contribution to climate change adaptation
In relation to climate change adaptation, we assessed the relevance of the activity "8.2 Computer programming, consultancy and related activities" as PSI is primarily active in computer programming, consultancy and related activities. Due to the special provisions on environmental objective 2 in accordance with (C/2023/305) and (2022/C 385/01), no revenues can be counted as Taxonomy-eligible for economic activities in the "adapted" category, in contrast to the "enabling" category. As activity 8.2 according to Annex II (2021) 2800 to Delegated Regulation 2020/852 is not an enabling activity, the resulting turnover is not Taxonomy-eligible. However, as a climate and vulnerability assessment and an investment plan are available for 8.2, the associated OpEx is considered eligible.

Calculation basis for revenues, operating expenditure and capital expenditure
Revenues are determined in line with IFRS and correspond to the revenues recognized in our consolidated income statement and the revenues breakdown shown in the notes to the consolidated financial statements.

Operating expenditure was determined as defined by the EU Taxonomy and includes, inter alia, expenses for research and development, short-term leases and maintenance and repair expenses.

Capital expenditure was determined on the basis of the additions to non-current assets recognized in the consolidated financial statements.

Assessment of Taxonomy Alignment
In addition to Taxonomy eligibility, Taxonomy alignment also requires a substantial contribution to climate change mitigation or climate change adaptation, the specific DNSH criteria must be satisfied, as must the criteria of Appendices A, B, C and D to Annex I of Delegated Regulation (EU) 2021/2139, and minimum safeguards must be in place.

DNSH review and minimum safeguards review
In accordance with Appendix A, a climate risk and vulnerability assessment was conducted for all relevant locations, thereby ruling out specific climate risks. All relevant climate risks were then examined in detail for each of these locations and addressed in conjunction with risk management. The potential risk of environmental degradation related to preserving water quality and avoiding water stress in accordance with Appendix B is considered minor. As we were unable to identify a substantial contribution of Taxonomy-eligible activities, the DNSH review and minimum safeguards criteria are not applicable.

Contribution to climate change mitigation
In relation to climate change mitigation, the activity “8.1 Data processing, hosting and related activities” was classified as Taxonomy-eligible. However, as this activity does not yet satisfy the criteria for a substantial contribution in 2023, it is not yet Taxonomy-aligned, though this is intended.

The activity “6.5 Transport by motorbikes, passenger cars and light commercial vehicles” includes leasing contracts for company cars. According to the technical screening criteria in section 6.5 of Annex I to the Delegated Regulation, a vehicle with CO_2 emissions of 50 g CO_2/km or less is considered to make a substantial contribution to climate change mitigation. This includes electric vehicles and most plug-in hybrid vehicles.

Contribution to climate change adaptation
Activity “8.2 Computer programming, consultancy and related activities” was found to be Taxonomy-eligible regarding climate change adaptation. However, because some of the assessments for meeting the substantial contribution were unavailable for this activity in 2023, we classified the activity as not Taxonomy-compliant.

No additional aspects were identified that apply exclusively to PSI Software SE.

Berlin, May 31, 2024

Robert Klaffus Gunnar Glöckner

EU Taxonomy Revenues

2023 Financial Year				Criteria for Substantial Contribution					
Economic Activities (1)	Code(s) (2)	Absolute Revenues (3)	Share of Revenue (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water and Marine Resources (7)	Circular Economy (8)	Pollution (9)
		(in EUR million)	%	%	%	%	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES								
A.1 Environmentally sustainable activities (Taxonomy-aligned)								
Thereof enabling activities		0,00	0%	0%	0%	0%	0%	0%
Thereof transitional activities		0,00	0%	0%	0%	0%	0%	0%
Revenues from environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0,00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
A.2 Taxonomy-eligible activities that are not environmentally sustainable (Taxonomy non-eligible activities)								
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
Data processing, hosting and related activities	CCM 8.1	13.04	5%	EL	N/EL	N/EL	N/EL	N/EL
Revenues from Taxonomy-eligible activities that are not environmentally sustainable (Taxonomy non-aligned activities) (A.2)		**13.04**	**5%**	5%	5%	0%	0%	0%
Total (A.1 + A.2)		**13.04**	**5%**	5%	5%	0%	0%	0%
B. TAXONOMY NON-ELIGIBLE ACTIVITIES								
Revenues from Taxonomy non-eligible activities (B)		**256.85**	**95%**					
Total (A + B)		**269.89**	**100%**					

Y – Yes; activity is Taxonomy-eligible and Taxonomy-aligned with relevant environmental objective

N – No; activity is not Taxonomy-eligible , but Taxonomy-aligned with relevant environmental objective

EL – "eligible", activity is Taxonomy-eligible for the respective activity

N/EL – "not eligible", activity is not Taxonomy-eligible for the respective objective

CCM – Climate Change Mitigation

CCA – Climate Change Adaption

	DNSH Criteria ("No Significant Harm")									
Biodiversity and Ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water and Marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystems (16)	Minimum Safeguards (17)	Taxonomy-Aligned Share of Revenues, 2022 (18)	Category (Enabling Activities) (19)	Category "(Transitional Activities)" (20)
%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
0%	N	N	N	N	N	N	N	0%	E	
0%	N	N	N	N	N	N	N	0%		T
0%	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0%**	**0%**	**0%**
EL; N/EL										
N/EL								3%		
0%								3%		
0%								3%		

EU Taxonomy operating expenditure

2023 Financial Year				Criteria for Substantial Contribution					
Economic Activities (1)	Code(s) (2)	Absolute Revenues (3)	Share of Revenue (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water and Marine Resources (7)	Circular Economy (8)	Pollution (9)
		(in EUR million)	%	%	%	%	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES								
A.1. Environmentally sustainable activities (Taxonomy-aligned)								
Thereof enabling activities			0%	0%	0%	0%	0%	0%
Thereof transitional activities			0%	0%	0%	0%	0%	0%
OpEx for environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0,00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
A.2 Taxonomy-eligible activities that are not environmentally sustainable (Taxonomy non-eligible activities)								
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
Transportation with motorbikes, passenger cars and light commercial vehicles	CCM 6.5	2.04	5%	EL	N/EL	N/EL	N/EL	N/EL
Provision of services in information technology	CCA 8.2	**39.23**	**91%**	EL	EL	N/EL	N/EL	N/EL
OpEx for Taxonomy-eligible activities that are not environmentally sustainable (Taxonomy non-eligible activities) (A.2)		**39.23**	**91%**	0%	91%	0%	0%	0%
Total (A.1 + A.2)		**39.23**	**91%**	0%	91%	0%	0%	0%
B. TAXONOMY NON-ELIGIBLE ACTIVITIES								
OpEx for Taxonomy non-eligible activities (B)		**4.05**	**9%**					
Total (A + B)		**43.27**	**100%**					

Y – Yes; activity is Taxonomy-eligible and Taxonomy-aligned with relevant environmental objective

N – No; activity is not Taxonomy-eligible , but Taxonomy-aligned with relevant environmental objective

EL – "eligible", activity is Taxonomy-eligible for the respective activity

N/EL – "not eligible", activity is not Taxonomy-eligible for the respective objective

CCM – Climate Change Mitigation

CCA – Climate Change Adaption

Biodiversity and Ecosystems (10)	DNSH Criteria (“No Significant Harm”) Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water and Marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystems (16)	Minimum Safeguards (17)	Taxonomy-Aligned Share of Revenues, 2022 (18)	Category (Enabling Activities) (19)	Category “(Transitional Activities)“ (20)
%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
0%	N	N	N	N	N	N	N	0%	E	
0%	N	N	N	N	N	N	N	0%		T
0%	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0%**	**0%**	**0%**
EL; N/EL										
N/EL								5%		
N/EL								92%		
0%								97%		
0%								97%		

EU Taxonomy investments

2023 Financial Year				Criteria for Substantial Contribution					
Economic Activities (1)	Code(s) (2)	Absolute Revenues (3)	Share of Revenue (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water and Marine Resources (7)	Circular Economy (8)	Pollution (9)
		(in EUR million)	%	%	%	%	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES								
A.1. Environmentally sustainable activities (Taxonomy-aligned)								
Thereof enabling activities			0%	0%	0%	0%	0%	0%
Thereof transitional activities			0%	0%	0%	0%	0%	0%
CapEx for environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0,00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
A.2 Taxonomy-eligible activities that are not environmentally sustainable (Taxonomy non-eligible activities)								
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
Transportation with motorbikes, passenger cars and light commercial vehicles	CCM 6.5	0.83	6%	EL	N/EL	N/EL	N/EL	N/EL
Data processing, hosting and related activities	CCM 8.1	0.94	6%	EL	N/EL	N/EL	N/EL	N/EL
CapEx for Taxonomy-eligible activities that are not environmentally sustainable (Taxonomy non-aligned activities) (A.2)		**1.77**	**12%**	12%	0%	0%	0%	0%
Total (A.1 + A.2)		**1.77**	**12%**	12%	0%	0%	0%	0%
B. TAXONOMY NON-ELIGIBLE ACTIVITIES								
CapEx for Taxonomy non-eligible activities (B)		**12.76**	**88%**					
Total (A + B)		**14.53**	**100%**					

Y – Yes; activity is Taxonomy-eligible and Taxonomy-aligned with relevant environmental objective

N – No; activity is not Taxonomy-eligible , but Taxonomy-aligned with relevant environmental objective

EL – "eligible", activity is Taxonomy-eligible for the respective activity

N/EL – "not eligible", activity is not Taxonomy-eligible for the respective objective

CCM – Climate Change Mitigation

CCA – Climate Change Adaption

	DNSH Criteria ("No Significant Harm")									
Biodiversity and Ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water and Marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystems (16)	Minimum Safeguards (17)	Taxonomy-Aligned Share of Revenues, 2022 (18)	Category (Enabling Activities) (19)	Category "(Transitional Activities)" (20)
%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
0%	N	N	N	N	N	N	N	0%	E	
0%	N	N	N	N	N	N	N	0%		T
0%	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0%**	**0%**	**0%**
EL; N/EL										
N/EL								5%		
N/EL								5%		
0%								10%		
0%								10%		

Summary of Economic Activities

	Share of Revenues/ Total Revenues		OpEx Share/ Total OpEx		CapEx Share/ Total CapEx	
	Taxonomy-Aligned Per Objective	Taxonomy-Eligible Per Objective	Taxonomy-Aligned Per Objective	Taxonomy-Eligible Per Objective	Taxonomy-Aligned Per Objective	Taxonomy-Eligible Per Objective
CCM	0	5%	0	5%	0	12%
CCA	0	0	0	91%	0	0
WTR	0	0	0	0	0	0
CE	0	0	0	0	0	0
PPC	0	0	0	0	0	0
BIO	0	0	0	0	0	0

CCM Climate Change Mitigation
CCA Climate Change Adaptation
WTR Water and Marine Resources
CE Circular Economy
PPC Pollution Prevention and Control
BIO Biodiversity and ecosystems

Consolidated Financial Statements (IFRS)

of PSI Software SE for the 2023 Financial Year

Consolidated Balance Sheet

as at December 31 (IFRS)

EUR thousand	Note	**2023**	2022
ASSETS			
Non-current assets			
Intangible assets	G. 1	73,112	73,190
Property, plant and equipment	G. 1	37,429	37,892
Investments in associated companies	D	693	694
Deferred tax assets	G. 14	8,133	6,589
		119,367	**118,365**
Current assets			
Inventories	G. 2	4,977	8,138
Net trade receivables	G. 3	48,315	42,031
Receivables from long-term development contracts	G. 4	49,552	49,915
Other assets	G. 5	6,135	5,876
Income tax receivables		4,332	2,829
Cash and cash equivalents	G. 6	50,475	45,444
		163,786	**154,233**
		283,153	**272,598**

EUR thousand	Note	2023	2022
EQUITY AND LIABILITIES			
Equity			
Share capital	G. 7	40,185	40,185
Capital reserves	G. 7	35,137	35,137
Reserve for treasury shares	G. 7	–4,698	–4,698
Other reserves	G. 7	–18,544	–17,102
Unappropriated surplus	G. 7	59,646	65,517
		111,726	**119,039**
Non-current liabilities			
Pension provisions and similar obligations	G. 8	42,958	42,633
Deferred tax liabilities	G. 14	4,803	4,892
Other liabilities	G. 12	534	562
Provisions	G. 9	1,032	1,639
Lease liabilities	G. 10	17,918	17,798
Financial liabilities	G. 11	13,189	75
		80,434	**67,599**
Current liabilities			
Trade payables	G. 12	18,864	23,399
Other liabilities	G. 12	32,801	23,589
Provisions	G. 9	3,017	2,308
Liabilities from long-term development contracts and deferred revenue	G. 4	26,289	22,983
Lease liabilities	G. 10	6,581	6,636
Financial liabilities	G. 11	2,118	4,667
Liabilities in conjunction with discontinued assets	H. 21	1,323	2,378
		90,993	**85,960**
		283,153	**272,598**

Consolidated Income Statement

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

EUR thousand	Note	2023	2022
Revenues	H. 15	269,891	247,938
Other operating income	H. 16	17,055	13,633
Cost of materials	H. 17	–46,117	–36,302
Personnel expenses	H. 18	–183,725	–161,551
Depreciation and amortization	G. 1	–14,598	–13,814
Other operating expenses	H. 19	–36,944	–29,718
Operating result		**5,562**	**20,186**
Investment income	H. 20	268	221
Interest and similar income		664	636
Interest and similar expenses		–3,477	–1,119
Earnings before taxes		**3,017**	**19,924**
Income taxes	G. 14	–3,748	–3,179
Earnings after taxes from continuing operations		**–731**	**16,745**
Earnings after taxes from discontinued operations	H. 21	**1,055**	**–7,051**
Group net result		**324**	**9,694**
Consolidated earnings per share (basic and diluted) (in EUR)	H. 22	0.02	0.62
Share of earnings attributable to shareholders from continuing operations		**–0.05**	**1.07**
Share of earnings attributable to shareholders from discontinued operations		**0.07**	**–0.45**
Average shares outstanding (in thousands)	H. 22	15,606	15,606

Consolidated Statement of Comprehensive Income

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

EUR thousand	2023	2022
Group net result	**324**	**9,694**
Items that are reclassified to consolidated net profit in subsequent periods **Currency translation of foreign operations**	**–679**	**129**
Items that are not reclassified to consolidated net profit in subsequent periods Actuarial losses (previous year: gains)	–1,085	8,785
Income tax effects	322	–2,622
	–763	**6,163**
Other comprehensive income after taxes	**–1,442**	**6,292**
Consolidated total comprehensive income	**–1,118**	**15,986**

Consolidated Cash Flow Statement

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

EUR thousand	2023	2022 (*restated)
1. Cash flow from operating activities		
Consolidated earnings before income taxes	**4,072**	**12,823**
Adjustment of annual earnings for non-cash transactions		
Amortization of intangible assets	4,074	3,800
Depreciation of property, plant and equipment	3,451	3,389
Amortization of right-of-use assets	7,073	6,625
Income from investments in associated companies	–268	–221
Interest income	–664	–636
Interest expense	3,477	1,119
Other non-cash income/expenses	–1,056	7,028*
	20,159	**33,927**
Change in inventories	2,881	–1,269
Change in trade receivables and receivables from long-term development contracts	–5,397	–8,268
Change in other current assets	–1,409	–1,226
Change in provisions	–2,345	–2,087
Change in trade payables	–4,133	1,691
Change in other non-current and current liabilities	13,433	–13,696*
	23,189	**9,072**
Income taxes paid	–6,410	–5,545
Cash flow from operating activities	**16,779**	**3,527**
2. Cash flow from investing activities		
Outflows for investments in intangible assets	–4,607	–6,994
Outflows for investments in property, plant and equipment	–3,049	–3,315
Inflows from disposals of assets held for sale	0	60
Inflows from distributions by associated companies	163	156
Interest received	573	294
Cash flow from investing activities	**–6,920**	**–9,799**
3. Cash flow from financing activitiess		
Outflows for the acquisition of treasury shares	0	–6,055
Dividends paid to shareholders of the parent company	–6,195	–6,264
Outflows for the repayment of lease liabilities	–6,807	–6,550
Interest paid on leases	–539	–362
Interest paid	–931	–165*
Inflows/outflows from the repayment/borrowing of financial liabilities	9,509	3,381
Cash flow from financing activities	**–4,963**	**–16,015**
4. Cash and cash equivalents at end of period		
Net change in cash and cash equivalents – continuing operations	4,896	–22,287
Exchange-rate-related changes in cash and cash equivalents	135	253
Cash and cash equivalents at beginning of period	45,444	67,478
Cash and cash equivalents at end of period	**50,475**	**45,444**
thereof disposal of cash and cash equivalents – discontinued operations	**0**	**–2,408**

*restated

During the financial year, other non-cash income/expenses related to discontinued operations have been reclassified from other non-current and current liabilities to this line item within cash flows from operating activities. The previous year was restated accordingly (EUR 7,101 thousand).

Interest paid was also reclassified from cash flow from operating activities to cash flow from financing activities in order to present interest as a whole in a uniform and therefore comparable manner. The previous year was restated accordingly (EUR 165 thousand).

Consolidated Statement of Changes in Equity
for the period from January 1 to December 31 (IFRS)

EUR thousand	Share capital	Capital reserves	Reserve for treasury shares
Balance as at December 31, 2021	**40,185**	**35,137**	**702**
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			–6,055
Issue of treasury shares			655
Total capital transactions	**0**	**0**	**–5,400**
Balance as at December 31, 2022	**40,185**	**35,137**	**–4,698**
Group net result			
Other comprehensive income after taxes			
Consolidated total comprehensive income after taxes			
Dividend distribution to shareholders of the parent company			
Total capital transactions	**0**	**0**	**0**
Balance as at December 31, 2023	**40,185**	**35,137**	**–4,698**

Other reserves	Unappropriated surplus	Total
–23,394	**62,087**	**–114,717**
	9,694	9,694
6,292		6,292
6,292	**9,694**	**15,986**
	–6,264	–6,264
		–6,055
		655
0	**–6,264**	**–11,664**
–17,102	**65,517**	**119,039**
	324	324
–1,442		–1,442
–1,442	**324**	**–1,118**
	–6,195	–6,195
0	**–6,195**	**–6,195**
–18,544	**59,646**	**111,726**

Consolidated Segment Reporting

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

	Energy Management		Production Management	
EUR thousand	**Dec. 31, 2023**	Dec. 31, 2022	**Dec. 31, 2023**	Dec. 31, 2022
Revenues				
Revenues with third parties	138,855	130,412	131,036	117,526
Revenues with other segments	2,923	3,067	17,753	17,235
Total revenues	**141,778**	**133,479**	**148,789**	**134,761**
Segment operating result before depreciation and amortization	**–890**	**7,879**	**27,541**	**27,496**
Segment operating result before depreciation and amortization from purchase price allocation	**–7,215**	**2,023**	**20,832**	**20,717**
Depreciation and amortization from purchase price allocation	–592	–592	–477	–478
Segment operating result	**–7,807**	**1,431**	**20,355**	**20,239**
Financial result	–827	90	–95	142
Segment result	**–8,634**	**1,521**	**20,260**	**20,381**

Reconciliation		PSI Group	
Dec. 31, 2023	Dec. 31, 2022	**Dec. 31, 2023**	Dec. 31, 2022
0	0	269,891	247,938
–20,676	–20,302	0	0
–20,676	**–20,302**	**269,891**	**247,938**
–6,491	**–1,375**	**20,160**	**34,000**
–6,986	**–1,484**	**6,631**	**21,256**
0	0	–1,069	–1,070
–6,986	**–1,484**	**5,562**	**20,186**
–1,623	–494	–2,545	–262
–8,609	**–1,978**	**3,017**	**19,924**

Development of Fixed Assets

for the period from January 1 to December 31, 2023 (IFRS)

EUR thousand	Costs Jan. 1, 2023	Exchange differences	Additions	Disposals	Dec. 31, 2023
Intangible assets					
Other intangible assets	36,076	93	363	378	36,154
Goodwill	62,025	–611	0	0	61,414
Capitalized software development costs	9,501	0	4,244	0	13,745
	107,602	**–518**	**4,607**	**378**	**111,313**
Property, plant and equipment					
Land and buildings	17,410	–36	20	58	17,336
Computers and computer accessories	24,636	–60	2,137	654	26,059
Other equipment, operating and office equipment	10,636	–26	892	269	11,233
Right-of-use assets from leases for immovable assets	38,806	91	3,091	0	41,988
Right-of-use assets from leases for movable assets	7,128	0	3,781	489	10,420
	98,616	**–31**	**9,921**	**1,470**	**107,036**
Financial assets					
Investments in associated companies	694	0	0	1	693
	694	0	0	1	693
	206,912	**–549**	**14,528**	**1,849**	**219,042**

Development of Fixed Assets

for the period from January 1 to December 31, 2022 (IFRS)

EUR thousand	Costs Jan. 1, 2022	Exchange differences	Additions	Disposals	Dec. 31, 2022
Intangible assets					
Other intangible assets	34,853	227	1,247	251	36,076
Goodwill	61,955	70	0	0	62,025
Capitalized software development costs	3,754	0	5,747	0	9,501
	100,562	**297**	**6,994**	**251**	**107,602**
Property, plant and equipment					
Land and buildings	17,408	0	2	0	17,410
Computers and computer accessories	23,003	134	2,247	748	24,636
Other equipment, operating and office equipment	10,089	–101	1,066	418	10,636
Right-of-use assets from leases for immovable assets	33,098	–15	5,723	0	38,806
Right-of-use assets from leases for movable assets	6,287	0	1,133	292	7,128
	89,885	**18**	**10,171**	**1,458**	**98,616**
Financial assets					
Investments in associated companies	694	0	0	0	694
	694	0	0	0	694
	191,141	**315**	**17,165**	**1,709**	**206,912**

Accumulated amortization/depreciation					Carrying amounts	
Jan. 1, 2023	Exchange differences	Additions	Disposals	**Dec. 31, 2023**	**Dec. 31, 2023**	Dec. 31, 2022
28,580	51	2,833	377	31,087	5,067	7,496
2,258	41	0	0	2,299	59,115	59,767
3,574	0	1,241	0	4,815	8,930	5,927
34,412	**92**	**4,074**	**377**	**38,201**	**73,112**	**73,190**
12,110	–36	319	58	12,335	5,001	5,300
19,425	–47	2,130	659	20,849	5,210	5,211
6,957	–22	1,002	267	7,670	3,563	3,679
17,991	–66	5,308	0	23,233	18,755	20,815
4,241	3	1,765	489	5,520	4,900	2,887
60,724	**–168**	**10,524**	**1,473**	**69,607**	**37,429**	**37,892**
0	0	0	0	0	693	694
0	0	0	0	0	693	694
95,136	**–76**	**14,598**	**1,850**	**107,808**	**111,234**	**111,776**

Accumulated amortization/depreciation					Carrying amounts	
Jan. 1, 2022	Exchange differences	Additions	Disposals	**Dec. 31, 2022**	**Dec. 31, 2022**	Dec. 31, 2021
24,952	281	3,554	207	28,580	7,496	9,901
2,258	0	0	0	2,258	59,767	59,697
3,328	0	246	0	3,574	5,927	426
30,538	**281**	**3,800**	**207**	**34,412**	**73,190**	**70,024**
11,792	0	318	0	12,110	5,300	5,616
17,748	117	2,118	558	19,425	5,211	5,255
6,404	–3	953	397	6,957	3,679	3,685
12,993	–15	5,013	0	17,991	20,815	20,105
2,921	0	1,612	292	4,241	2,887	3,366
51,858	**99**	**10,014**	**1,247**	**60,724**	**37,892**	**38,027**
0	0	0	0	0	694	694
0	0	0	0	0	694	694
82,396	**380**	**13,814**	**1,454**	**95,136**	**111,776**	**108,745**

Notes to the Consolidated Financial Statements

PSI Software SE, Berlin, as at December 31, 2023

A. General Information on the Company

The parent company of the PSI Group is PSI Software SE (PSI SE, formerly: PSI Software AG, headquartered at Dircksenstrasse 42 to 44 in 10178 Berlin, Germany. It is entered in the commercial register of the Charlottenburg district court with the number HRB 255242 (formerly: HRB 51463).

The Executive Board prepared the consolidated financial statements as at December 31, 2023, and the Group management report for the 2023 financial year on May 31, 2024, approved them for publication and subsequently released 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 mainly 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/Main (securities identification number (WKN) A0Z1JH).

B. Basis of Preparation of the Financial Statements

General Information

The consolidated financial statements of the PSI Group are generally prepared on a going concern basis, with assets and liabilities being stated at amortized cost. The consolidated income statement is prepared using the nature of expense method. The Group presents assets and liabilities in the balance sheet according to their current or non-current components.

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 take into account all IFRSs published at the end of the reporting period and applicable in the European Union. 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.

The accounting policies applied in the 2023 financial year are the same as those applied in the previous year.

On July 27, 2022, it was resolved to discontinue the operating activities of the Russian subsidiaries OOO PSI, OOO PROGRESS and OOO OREKHSoft (hereinafter: the “Russian subsidiaries”). The operating activities of these companies have therefore been classified as a discontinued operation since June 2022. In light of further sanctions, it was resolved on December 1, 2022, with the approval of the Supervisory Board of PSI Software AG, now: PSI Software SE, to sell the shares in the Russian subsidiaries. This resolution resulted in the shares being classified as “held for sale” but did not alter their reporting as a discontinued operation.

Owing to sanctions, the PSI Group is prohibited from performing further business activities in Russia from January 8, 2023. Effective March 22, 2023, in line with the disposal plan approved by the Executive Board and the Supervisory Board of PSI SE, all shares in the Russian subsidiaries OOO PSI, OOO PROGRESS and OOO OREKHSoft were transferred to private individuals at a disposal value of EUR 0 thousand. There are no transfer-back or similar contractual arrangements for these shares.

C. Amended IASB Standards and Interpretations

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

The following amendments to Standards and Interpretations that were effective for the first from January 1, 2023, had no effect on the consolidated financial statements:

Standard	Title	Date of publication
IFRS 17	Insurance Contracts (new standard)	June 2020
IAS 1, Practice Statement 2	Amendment to Presentation of the Financial Statements, Making Materiality Judgments and Accounting Policies	February 2021
IAS 8	Changes in Accounting Estimates and Errors	February 2021
IAS 12	Amendment to the prohibition on the recognition of deferred taxes on the initial recognition of an asset or a liability	May 2021
IAS 12	International Tax Reform – Pillar 2 Model Rules	May 2023

Accounting Standards Published But Not Yet Applied

The IASB has published the following amendments to standards and interpretations that do not become effective until subsequent reporting periods and are not being applied early by the Group:

Standard	Title	Effective date	Anticipated effect
IAS 1	Classification of Liabilities as Current or Non-Current	January 1, 2024	No impact
IAS 1	Non-Current Liabilities with Ancillary Conditions	January 1, 2024	No impact
IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024	No application
Endorsement pending			
IFRS 7, IAS 7	Amendments to Supplier Finance Arrangements	January 1, 2024	No impact
IAS 21	Lack of Exchange-ability (amendments to IAS 21)	January 1, 2025	No impact
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets	Deferred indefinitely	Effect still being examined

D. Principles of Consolidation

a) Subsidiaries

The financial statements of the Group comprise PSI SE and the companies it controls. The consolidated financial statements include PSI SE and its subsidiaries over which it exercises control as defined in IFRS 10. PSI SE 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. If control is lost, the subsidiary in question is no longer included in consolidation.

A total of 26 (previous year: 29) companies are consolidated in the consolidated financial statements, and one company (previous year: one) is included as an associated company. No simplification rules are applied. Ten of the companies included in consolidation (previous year: 10) are located in Germany and 16 (previous year: 19) in other countries.

In the 2023 financial year, the three Russian companies were deconsolidated and are therefore no longer included in consolidation. All assets and liabilities of these companies had already been fully written down or derecognized in the previous year so there was no other impact on earnings in connection with the deconsolidation in the financial year. Besides this, there were no other changes in the consolidated companies. As well as PSI SE, all companies controlled by PSI SE were included in the consolidated financial statements, as in the previous year. Please refer to the list of shareholdings on page 115.

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.

b) Associated companies

An associated company as defined by IAS 28 is a company in which the PSI Group typically 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 consolidated balance sheet at 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 consolidated 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%)

caplog-x GmbH's net income is recognized in the consolidated financial statements in the amount of this interest under "Income from equity investments". The figures taken from caplog-x GmbH's balance sheet and income statement are as follows:

EUR thousand				
caplog-x GmbH	**31.3% 2022**	**100% 2022***	**31.3% 2021**	**100% 2021**
Share in the assets and liabilities of the associate:				
Non-current assets	387	1,238	349	1,116
Current assets	1,178	3,763	1,233	3,940
Current liabilities	691	2,208	756	2,414
Equity	874	2,793	826	2,642
Share of the revenues and earnings of the associate:				
Revenues	2,822	9,016	2,760	8,817
Earnings	268	857	221	706
Carrying amount of the equity investment as at Dec. 31, 2023	693			

* The PSI Group had not yet received the annual financial statement figures for the 2023 financial year at the time that its balance sheet was prepared.

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 only eliminated 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. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. 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 maximized and that of unobservable inputs is 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 consolidated 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 SE (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.

E. Significant Judgments, Estimates and Assumptions

In the process of applying the accounting policies, management has made the following judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the statements.

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

Reporting of discontinued operations:
In the previous year, the Russian subsidiaries were transferred to a separate, non-reportable segment as at the end of the first quarter of 2022. Following this, in connection with the resolution by the Executive Board of PSI Software AG, now: PSI Software SE, to discontinue business operations in Russia, this new segment was classified as a discontinued operation as at the end of the second quarter of 2022. The Russian subsidiaries were then classified as "held for sale" following the resolution to sell the Russian subsidiaries in the fourth quarter of 2022.

This judgment affected the classification of assets and liabilities in the consolidated balance sheet and the classification of income and expenses in the consolidated income statement.

Effective March 22, 2023, in line with the disposal plan approved by the Executive Board and the Supervisory Board of PSI SE, all shares in the Russian subsidiaries OOO PSI, OOO PROGRESS and OOO OREKHSoft were transferred to private individuals at a disposal value of EUR 0 thousand.

Recognition of intangible assets (software development costs): The PSI Group recognizes expenses for internally generated intangible assets when incurred. In exceptional cases – to a limited extent – development expenses that are incurred in development projects over multiple periods and that satisfy all the criteria of IAS 38 are capitalized and amortized over the estimated useful life of up to five years. Judgment is requirement to assess whether internally generated intangible assets from development activities meet the criteria for recognition, in particular in the following areas:

- Assessing whether activities should be classified as research or development activities requires the application of criteria in which these activities differ.

- Assessing whether the recognition criteria for intangible assets have been met requires assumptions regarding market conditions, customer demand and other future developments.

- The term "technical feasibility" is not defined in the IFRSs. Assessing whether the completion of an asset is technically feasible therefore requires an approach specific to the Company that unavoidably entails judgment.

- Assessing whether the asset in development can be used or sold in the future and assessing whether this use or sale is likely to create future benefits requires assumptions regarding future market developments and investment by customers.

These judgments affect the total amount of the intangible assets that we report in our consolidated balance sheet and the timing of the recognition in profit or loss of development expenses that are included in staff costs and other operating expenses.

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 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 G.1 of the notes. Changes in the carrying amounts of capitalized development costs are shown under Development of Fixed Assets on page 82 f.

Project valuation: The PSI Group recognizes revenues for software development over time. If software development services are performed on the basis of fixed-price projects, the amount of the revenues recognized over time is calculated based on the estimated performance in projects. Performance estimates are based on an estimated hourly volume and estimated costs for purchased services and are continuously updated. Estimating the volume of hours in software development projects requires assumptions regarding the services yet to be performed for the customer, when these services will be performed and other contractual aspects agreed with the customer. Further details on the income recognized for projects but not yet invoiced are provided in section G. 4.

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, 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 tax risks into account, etc.). Further details are presented in section F. under "Financial assets".

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 that are based on the creditworthiness of the customer in question and on current economic developments. These take information about customer ratings – if available – into account. Further details are presented in section F.

Pensions and other post-employment benefits: 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. 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 are presented in section G. 8.

Effects of the war in Ukraine and the global COVID pandemic: Against the backdrop of the war in Ukraine and the global COVID pandemic, critical items such as goodwill, other intangible assets and property, plant and equipment, equity investments, deferred tax assets, trade receivables, receivables from long-term development contracts and the recoverability of assets and liabilities reported in discontinued operations were tested for impairment. The uncertainty in assessing the effects of the waning global COVID pandemic on current business performance, including income forecasts, has lessened since the previous year. Various instances of geopolitical and economic distortion have emerged since the outbreak of war in Ukraine in February 2022. How this will unfold and its effects on business performance, for example the performance of the Russian subsidiaries, and the associated price increases for electricity, energy, materials and commodities, are currently highly uncertain.

F. Presentation of Accounting Policies and Financial Risk Management Methods

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.

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 only capitalized as an internally generated intangible asset 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 typically between three and 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 – the Group as a lessee

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 essentially entered into 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 G. 10.

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 K.

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 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.

In accordance with IFRS 9, the PSI Group recognizes loss allowances for expected credit losses on all financial assets and contract assets in accordance with IFRS 15 using the expected loss model. Expected credit losses are recognized as collective impairment. On the initial measurement of financial assets, all credit losses expected over the lifetime of the respective receivables are taken into account using a simplified impairment approach. The losses are estimated using a provision matrix. Moreover, loss allowances for individual financial assets are recognized when there is objective evidence of permanent impairment. Receivables and other financial assets are derecognized in full or in part when there is no reasonable expectation of recovery.

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

Discontinued Operation

A part of the Group whose operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, is reported as a discontinued operation when:

– its carrying amounts will be recovered principally through a sale transaction rather than through continuing use;

– there has been a resolution to discontinue its operations and discontinuation has begun, the operation has been classified as a segment and there is a coordinated plan for discontinuation.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement. When operations are classified as discontinued operations, the consolidated income statement and the consolidated statement of cash flows for the comparative period are restated as if the operation had been classified as discontinued from the start of the comparative period.

In the consolidated balance sheet, non-current and current assets and liabilities are assigned to the discontinued operation if these will be recovered principally through a sale transaction, permanent disposal, rather than through continuing use. The sale or disposal must be expected within one year from the date of the classification. The assets and liabilities intended for disposal are therefore reported separately as a current item in the consolidated balance sheet. They are recognized at the lower of carrying amount and fair value, and non-current assets are no longer depreciated or amortized. Impairment losses are recognized in profit or loss on initial classification. Impairment on subsequent measurement after initial classification is recognized in the profit or loss of the discontinued operation.

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 under "Trade payables", "Other liabilities", "Lease liabilities" and "Financial liabilities". There is a reconciliation to the individual financial liabilities in section G. 12.

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 are cash funds, 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, 2023, this would have resulted in a decrease in the Group net result of approximately EUR 35 thousand (previous year: 2%, EUR 61 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 35 thousand (previous year: 2%, EUR 61 thousand). Due to the low significance of interest-bearing liabilities, interest risks exist only to a limited extent.

b) Default/credit risko
Credit risk, or the risk that a counterparty might fail to meet its payment obligations, is managed by using credit facilities, defining pre-financing ratios for specific orders and applying monitoring procedures. The Group only enters into transactions with creditworthy third parties. A credit assessment is performed for all customers wishing to enter into transactions with the Group on a credit basis. As 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 trade receivables, contract assets and other financial receivables, expected credit losses are reported using the simplified method over the remaining term, which is typically not more than 12 months for these assets. For trade receivables, contract assets and other financial receivables with a remaining term of less than 12 months and for which a significant increase in credit risk is not assumed (class 1), there are historic credit risks of between 0.0% and 0.1% of the corresponding nominal amounts. For practical reasons, an expected credit loss of 0% is assumed for class 1 assets. For all other assets that have either a longer term or a higher credit risk (class 2), the expected credit loss is determined individually for each asset. A significant credit risk is assumed if there are delays in payment or external information indicates a deterioration in credit ratings. The average value of the credit risk for class 2 assets is historically between 50.0% and 75.0%. Depending on the geographic region, a default or the classification of a trade receivable, contract asset or other financial receivable is assumed after 180 or 360 days.

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 strives to maximize the pre-financing ratio (ratio of advance payments received for projects to receivables from long-term development contracts) for each project. As there are significant differences in customers' payment history in relation to pre-financing depending on the industry in which the customers operate, the PSI Group has not made any specifications with regard to the exact amount of pre-financing. A sufficient pre-financing ratio is strived for throughout the Group. 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 F.

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 comprise goods held for sale, typically hardware, licenses and accessories, and relate directly to existing contracts with customers. They are measured at the lower of cost or net realizable value. Valuation and consumption sequence simplification procedures are not applied.

b) Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, bank balances and short-term time deposits with maturities of three months or less and earning interest at an average effective rate of between 1.00% and 4.69%. Cash and cash equivalents are measured using the general impairment approach in accordance with IFRS 9. The cash funds reported in the consolidated statement of cash flows exclusively contain cash and cash equivalents. The fixed-term deposits and bank balances are not past due; there are no default risks.

Equity

Equity comprises the share capital, the capital reserve, 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 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 for vested and current benefits for active and former employees as well as, in some cases, their surviving dependents. 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

Provisions in accordance with IAS 37 are recognized 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 grant will be received and 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 the reporting year, the PSI Group received subsidies totaling EUR 5,686 thousand (previous year: EUR 5,977 thousand) under various subsidy programs, including programs offered by the German federal government, the State of Berlin, the European Union and other public sector sources outside Germany. 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

The research and development costs included in the consolidated income statement amounted to EUR 39.2 million in the financial year (previous year: EUR 30.8 million) and essentially relate to personnel expenses.

Revenues

The PSI Group primarily generates its revenues from software development and maintenance 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 hardware and services. All of the revenues generated by PSI Group as a contracting entity are generated directly with customers.

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. Revenues from software development and maintenance are recognized over time, while revenues from licenses and hardware are recognized at a point in time if the respective services are agreed upon individually with the customer.

Revenue recognition 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 the customer's creditworthiness into account. 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. 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. With the exception of statutory warranty obligations, the PSI Group does not have any post-contractual performance obligations.

If a contract includes multiple distinct goods or services, the transaction price is allocated to the performance obligations based on the relative individual selling prices, if the performance obligations can be realized separately from each other according to objective criteria. For each performance obligation, the corresponding revenues are recognized either at a point in time (licenses and hardware) or over time (software development and maintenance). If the individual performance criteria cannot be considered separately according to objective criteria, revenues are recognized in line with the primary performance component.

Receivables from revenues recognized according to the percentage of completion method are contract assets and are reported in the consolidated balance sheet as receivables from long-term development contracts. 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 receivables from long-term development contracts. If advance payments exceed the receivables from long-term development contracts, this gives rise to contract liabilities that are reported as liabilities from long-term development contracts. Furthermore, revenues from maintenance contracts that are recognized over time are deferred in the consolidated balance sheet as contract liabilities. The corresponding maintenance revenues are reversed on a straight-line basis over the agreed contract term.

Trade receivables are recognized when the claims for payment by customers become unconditional, regardless of the type of performance.

a) Software development
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. The delivery of a license to the customer occurs when the customer confirms that it has obtained the ability to technically install the license on hardware in its possession or in the possession of a third party. A payment obligation on the part of the customer typically arises on delivery of the license.

c) Maintenance
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 maintenance is reported in the notes to the consolidated financial statements with income from software development. Revenues from software-as-a-service and upgrade-as-a-service models are recognized as software maintenance.

d) Merchandise
Income from the sale of merchandise is recognized at a point of time when control passes to the customer. The point in time at which control passes is determined subject to the delivery agreement with the customer. Income from the sale of hardware is reported under revenues from merchandise.

Current Tax Assets and Liabilities

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. 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. The amount of the expected tax liability or tax receivables is the best estimate, taking any tax uncertainty into account.

Deferred Taxes

Income taxes are recognized and measured in accordance with IAS 12. 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 consolidated 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 only be recognized 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.

Income taxes relating to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity and not in the consolidated income statement.

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 regularly reviewed 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. and under Segment Reporting on page 80 f.

b) Transactions between business segments
The elimination of transfers between business segments is shown in section J. and under Segment Reporting on page 80 f. in the "Reconciliation" column.

G. Disclosures on the Consolidated Balance Sheet

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, 2023, and on December 31, 2022, 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 82).

a) Goodwill

As at December 31, 2023, and December 31, 2022, 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 into account 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:

EUR thousand	**2023**	2022
Energy Management		
Electrical Energy unit	12,094	11,668*
Incontrol unit	14,909	16,001*
Other units not individually material	7,529	7,529
Energy Management segment	34,532	35,198
Production Management		
Metals unit	22,465	22,389
Other units not individually material	2,118	2,180
Production Management segment	24,583	24,569
Total goodwill	**59,115**	**59,767**

* In the 2022 financial year, all material goodwill in the Energy Management segment was disclosed as a total amount.

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 financial 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 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 current economic conditions into account (current interest rates, inflation rates as well as certain commodity prices). The budgets for the following years are planned on the basis of individually calculated operating margin growth. The assumptions made by 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 6.30% to 13.60% after taxes (previous year: 7.70% to 16.50%) and 6.90% to 13.60% before taxes (previous year: 8.60% to 18.50%) 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 1.30% to 2.25% (previous year: 1.00% to 2.20%).

Management is of the opinion that 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 in the interest rate used for discounting by 1 percentage point (previous year: 1 percentage point) (assumed possible change of the parameter) would result in a possible impairment of EUR 0 thousand (previous year: EUR 0 thousand) for both the Electrical Energy unit and the Metals unit, and in a possible impairment of EUR 3,900 thousand (previous year: EUR 0 thousand) for the Incontrol unit and another energy management unit. The interest rate used for discounting at which no im-pairment would occur would be 8.00% (Electrical Energy unit), 7.40% (Incontrol unit) and 26.50% (Metals unit). For the other units, the interest rate at which no impairment would occur is between 9.20% and significantly more than 100%.

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 unit	1.30 (previous year: 1.00)	6.30 (previous year: 7.70)
Incontrol unit	2.25 (previous year: 2.20)	7.40 (previous year: 8.30)
Metals unit	1.30 to 2.10 (previous year: 1.00)	9.10 to 13.60 (previous year: 11.20)
All other units	1.30 to 2.25 (previous year: 1.00 to 2.10)	6.30 to 13.60 (previous year: 8.50 to 15.10)

b) Right-of-use assets from leases

The following table shows the additions to right-of-use assets from leases and the accumulated amortization/depreciation in the 2023 financial year as well as the carrying amounts of the right-of-use assets as at the end of the reporting period compared with the previous year.

Right-of-use assets 2023

EUR thousand	Additions	Depreciation and amortization	Carrying amount as at Dec. 31, 2023
Properties	3,091	5,308	18,755
Movable assets	3,781	1,765	4,900
Total	**6,872**	**7,073**	**23,655**

Right-of-use assets 2022

EUR thousand	Additions	Depreciation and amortization	Carrying amount as at Dec. 31, 2022
Properties	5,723	5,013	20,815
Movable assets	1,133	1,612	2,887
Total	**6,856**	**6,625**	**23,702**

Changes in the right-of-use assets in the 2023 financial year are shown under “Development of Fixed Assets (IFRS)” on page 82 f.

2 Inventories

EUR thousand	**December 31, 2023**	December 31, 2022
Third-party hardware and licenses	4,472	7,601
Advance payments to subcontractors	505	537
	4,977	**8,138**

As in the previous year, no inventories were measured at the lower net realizable value as at the end of the reporting period.

3 Net Trade Receivables

EUR thousand	**December 31, 2023**	December 31, 2022
Gross trade receivables	49,944	43,821
Impairment	–1,629	–1,790
	48,315	**42,031**

The maximum exposure to credit risk is limited to the carrying amount.

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

EUR thousand	**December 31, 2023**	December 31, 2022
As at January 1	1,790	3,801
Allocation to expenses	277	532
Utilized	–126	–505
Reversal in income	–312	–2,038
As at December 31	**1,629**	**1,790**

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

EUR thousand	December 31, 2023	December 31, 2022
Neither past due nor impaired:	**35,908**	**5,437**
Past due (after impairment):		
< 30 days	6,503	31,342
30 to 60 days	1,595	1,765
60 to 90 days	145	954
90 to 120 days	1,725	1,058
> 120 days	2,439	1,475
	12,407	**36,594**
As at December 31	**48,315**	**42,031**

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. Expected cash shortfalls are calculated by forming portfolios for specific countries for which the cash shortfalls were estimated based on past experience.

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

Receivables subject to revenue recognition over time arise when revenues are recognized that cannot yet be invoiced according to the contractual conditions. These amounts are recognized according to the ratio of planned and incurred costs. This item 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 entering into individual orders are taken into account in the order valuation in the amount of the expected nonpayment. Most of the receivables from long-term development contracts (contract assets) and liabilities from long-term development contracts (contract liabilities) will be settled in 2024, hence there will be no material items outstanding in the following financial year.

The receivables and liabilities from long-term development contracts comprise the following components:

EUR thousand	December 31, 2023	December 31, 2022
Costs incurred	108,015	112,496
Share of profits	17,686	16,006
Contract revenues	**125,701**	**128,502**
Advance payments received	–94,676	–90,542
Thereof offset against contract revenues	–76,149	–78,587
Receivables from long-term development contracts	49,552	49,915
Liabilities from long-term development contracts	18,527	11,955

Receivables from long-term development contracts in the amount of EUR 49,552 thousand (previous year: EUR 49,915 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 development contracts and deferred revenues of EUR 26,289 thousand (previous year: EUR 22,983 thousand) include accrued revenues for maintenance contracts of EUR 7,762 thousand (previous year: EUR 11,028 thousand). Of this amount, EUR 6,349 thousand (previous year: EUR 9,240 thousand) has a term of up to one year and EUR 1,413 thousand (previous year: EUR 1,788 thousand) has a term of more than one year.

5 Other Assets

With the exception of EUR 290 thousand, the amount recognized in the consolidated balance sheet is due within one year. Loss allowances were not recognized for other assets in the amount of the expected default as, based on past experience, this was not necessary. There are no material receivables that are past due or impaired.

6 Cash and Cash Equivalents

EUR thousand	**December 31, 2023**	December 31, 2022
Bank balances	47,712	42,308
Fixed-term deposits	2,739	3,111
Cash in hand	24	25
	50,475	**45,444**

The fixed-term deposits and bank balances are not past due; there are no default risks.

7 Equity

Please refer to the statement of changes in consolidated equity for information on the development of equity.

a) Share capital
The fully paid-in share capital entered in the commercial register amounts to EUR 40,185,256.96 (previous year: EUR 40,185,256.96) and is exclusively divided into 15,697,366 (previous year: 15,697,366) registered shares representing a pro rata amount of the share capital of EUR 2.56 per share. Each no-par share bears full dividend and voting rights with the exception of treasury shares.

At the Annual General Meeting of PSI SE on May 23, 2023, 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, 2026.

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 or income bonds (or combinations of these instruments) on one or more occasions, with the option of disapplying pre-emption 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 23, 2023, new authorized capital (AC 2023) 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 22, 2028.

Authorized capital and contingent capital break down as follows:

EUR thousand	**December 31, 2023**	December 31, 2022
Authorized capital (AC)		
AC 2023 (until May 22, 2028)	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 tax effects into account.

d) Reserve for treasury shares
No shares were bought back in the financial year (previous year: 232,999). No treasury shares (previous year: 29,267) were transferred as part of an employee share program. The Company held 209,371 treasury shares as at December 31, 2023 (previous year: 209,371). These shares account for share capital of EUR 535,989.76 (previous year: EUR 535,989.76).

Under the existing employee share programs, employees of the PSI Group can purchase treasury shares in PSI SE 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.

No shares were transferred from the employee share program in the 2023 financial year and there were no obligations to transfer shares as at the end of the reporting period.

e) Other reserves
Other reserves break down as follows:

EUR thousand	**December 31, 2023**	December 31, 2022
Reserve for exchange differences	–1,606	–927
Actuarial losses	–24,754	–23,669
Deferred taxes	7,816	7,494
	–18,544	**–17,102**

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 retained earnings recognized in the PSI SE 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 2022. Based on this resolution, a dividend of EUR 6,195,198.00 was distributed for the 2022 financial year. This corresponds to EUR 0.40 (previous year: EUR 0.40) per qualifying share. In the previous year, a dividend of EUR 6,263,511.60 was distributed for the 2021 financial year.

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 %	2023	2022
Discount factor		
Germany	3.20	3.70
Austria	3.20	3.75
Salary trend		
Germany[1]	0.00/3.80	0.00/3.80
Austria	3.80	4.00
Pension trend		
Germany	2.50	2.50
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] Some of the pension commitments were superseded on December 31, 2006. Salary trends are not relevant to the calculation of the obligation for these commitments.

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.

Total expenses of EUR 1,611 thousand were incurred for defined benefit plans in the reporting year. These break down as follows:

EUR thousand	2023	2022
Current service costs recognized in personnel expenses	132	143
Net interest expenses recognized in net interest	1,479	**451**
Expenses for retirement benefits	**1,611**	**594**

Expenses of EUR 1,410 thousand (previous year: EUR 1,598 thousand) are expected in the following year based on the current headcount.

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

EUR thousand	2023	2022
Present value at start of year	53,426	68,380
Current service cost	132	143
Interest cost	1,556	471
Actuarial (gains)/losses in other comprehensive income	913	–8,729
of which experience adjustments	–1,219	–532
of which changes to financial assumptions	2,132	–8,197
Pension payments made	–2,295	–2,178
Disposal of pension obligation	–30	–5
Change in present value of the defined benefit obligation covered by pension liability insurance	956	–4,656
Present value as at end of reporting period	**54,659**	**53,426**

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

EUR thousand	2023	2022
Market value/present value at start of year	10,795	15,258
Interest income	77	20
Expenses/income from plan assets not included in net interest	784	–4,599
Employer contributions	123	128
Disposal of pension obligation	–30	–5
Reimbursements	–46	–7
Market value/present value as at end of reporting period	**11,703**	**10,795**

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

EUR thousand	2023	2022
Carrying amount at start of year	42,633	53,123
(Income)/expense recognized in the income statement	1,611	593
Pension payments from working capital	–2,249	–2,170
Contributions to plan assets	–123	–128
Actuarial (gains)/losses	1,086	–8,785
Carrying amount at end of year	**42,958**	**42,633**

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

EUR thousand	December 31, 2023	December 31, 2022
Change in assumed actuarial interest rate		
Increase of 0.2 percentage points	–874	–860
Reduction of 0.2 percentage points	905	891
Change in assumed pension trend		
Increase of 0.2 percentage points	693	677
Reduction of 0.2 percentage points	–674	–659

The sensitivity analyses presented each take a change in one assumption into account, 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 is 11.7 years (previous year: 11.7 years).

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

EUR thousand	2023	2022
Pension payments made	2,294	2,170
Expected pension payments:		
2024	2,483	2,565
2025	2,495	2,576
2026	2,544	2,590
2027	2,606	2,644
2028	2,606	2,711
Another 5 years	13,015	13,520

9 Provisions

The provisions exclusively comprise tax provisions for past and future periods.

An interest rate of 1.8% (previous year: 1.8%) was used to discount the estimated payment for these risks.

Provisions developed as follows:

EUR thousand	2023	2022
As at January 1	3,947	4,365
Allocation to expenses	1,903	515
Utilized	–1,800	–692
Reversal in income	–1	–241
As at December 31	**4,049**	**3,947**
thereof non-current	1,032	1,639
thereof current	3,017	2,308

10 Lease Liabilities

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

EUR thousand	2023	2022
Payable within one year	6,581	6,636
Payable in 1 to 5 years	17,455	17,539
Payable in more than 5 years	463	259
Carrying amount at end of year	**24,499**	**24,434**

Total cash outflows from lease liabilities amounted to EUR 6,807 thousand in the 2023 financial year (previous year: EUR 6,580 thousand).

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. Interest expenses for lease liabilities amounted to EUR 539 thousand in the 2023 financial year (previous year: EUR 378 thousand).

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 K.

11 Financial Liabilities

As at the end of the financial year, the non-current financial liabilities consisted mainly of two new loan agreements with banks. The previous year's non-current financial liabilities were not material.

In the 2023 financial year, two loan agreements were concluded with IKB Deutsche Industriebank AG, Düsseldorf, for a nominal amount of EUR 15,000 thousand. Loan I for a nominal amount of EUR 4,900 thousand and Loan II for a nominal amount of EUR 10,100 thousand, each maturing on September 30, 2028. Loan I is refinanced by KfW under the ERP Digitalization and Innovation Loan (380) program. The loan bears interest at a rate of 3.98% per annum and is repayable quarterly beginning December 30, 2023. The bank's total exposure is secured by directly enforceable surety bonds with a pre-set maximum liability issued by the wholly-owned subsidiaries PSI Metals GmbH, Düsseldorf, PSI Automotive & Industry GmbH, Berlin, and PSI Logistics GmbH, Berlin, each for an amount of EUR 4,900 thousand. The residual value as at December 31, 2023 is EUR 4,655 thousand. Loan II is refinanced by KfW under the KfW Development Loan (375) program. The loan bears interest at a rate of 5.0% per annum and is repayable quarterly beginning December 30, 2024. The bank's total exposure is secured by directly enforceable surety bonds with a pre-set maximum liability issued by the wholly-owned subsidiaries PSI Metals GmbH, Düsseldorf, PSI Automotive & Industry GmbH, Berlin, and PSI Logistics GmbH, Berlin, each for an amount of EUR 10,100 thousand. The residual value as at December 31, 2023 is EUR 10,100 thousand.

The PSI Group used short-term, floating-rate overdrafts for financing purposes in the previous year and in the reporting year. The financial liabilities were repaid on a monthly basis and bore interest at rates between 4.14% and 6.76% in the reporting year (previous year: between 2.80% and 4.86%). No special collateral was provided.

As at December 31, 2023, the PSI Group had undrawn borrowing facilities from overdrafts in the amount of EUR 40,755 thousand (previous year: EUR 26,602 thousand).

Expenses for interest from overdrafts amounted to EUR 860 thousand in the 2023 financial year (previous year: EUR 58 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.

EUR thousand	December 31, 2023	December 31, 2022
Current financial assets		
Net trade receivables	48,315	42,031
Other current assets	2,439	2,034
Cash and cash equivalents	50,475	45,444
	101,229	**89,509**
Financial liabilities		
Financial liabilities	15,307	4,742
Trade payables	18,864	23,399
Lease liabilities	24,499	24,434
Other liabilities	4,508	1,739
	63,178	**54,314**
thereof non-current	31,641	18,435
thereof current	31,537	30,080

13 Additional Information on Non-Financial Assets and Liabilities

Other non-financial assets (EUR 3,696 thousand; previous year: EUR 3,842 thousand) comprise advance payments and prepaid expenses. Other non-financial liabilities (EUR 28,827 thousand; previous year: EUR 22,412 thousand) 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 2023 was approximately 14%. A corporation tax rate of 15% applied in the 2022 and 2023 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 2023 financial year.

As at December 31, 2023, the amount of non-capitalized tax benefits from loss carryforwards for corporation tax (including foreign companies) was EUR 36.8 million, while those from loss carryforwards for trade tax was EUR 35.5 million (previous year: EUR 21.7 million/ EUR 24.8 million). PSI SE's tax loss carryforwards as at December 31, 2022 and December 31, 2023, already take into account the findings of ongoing external tax audits. Deferred tax assets on tax loss carryforwards of EUR 4.4 million were capitalized in the financial year (previous year: EUR 3.8 million).

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

EUR thousand	2023	2022
Current tax expense		
Current year	**–5,059**	**–5,042**
Deferred tax expense		
Intangible assets	–811	78
Long-term development contracts	–117	217
Inventories	–1	53
Partial retirement and anniversary bonus provisions	28	–8
Trade receivables	122	–503
Pension provisions	–172	–372
Trade payables	666	85
Other	–297	–103
Fixed assets	1,316	–1,066
Leases	21	57
Use of tax loss carryforwards	600	3,359
Deferred income	–44	66
	1,311	**1,863**
Income tax expense	**–3,748**	**–3,179**

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

EUR thousand	2023	2022
Earnings before taxes	3,017	19,924
Theoretical income tax expense (29.83%; previous year: 29.83%)	–900	–5,943
Non-capitalized tax losses	–4,454	0
Non-deductible operating expenses and trade tax additions	–1,021	–623
Use of non-capitalized tax loss carryforwards	338	251
Effects of tax rate differences outside Germany	697	951
Tax expense for previous years	393	1,346
Tax-free income and foreign income	640	–63
Change in permanent differences	0	701
Miscellaneous	559	201
Current tax expense	**–3,748**	**–3,179**

The PSI Group has the following tax loss carryforwards:

EUR million	December 31, 2023	December 31, 2022
Loss carryforward for trade tax in Germany	40.0	24.6
Loss carryforward for corporation tax in Germany	37.7	21.9
Loss carryforwards outside Germany	3.7	3.7

The loss carryforwards in Germany do not expire. Of the foreign tax loss carryforwards of EUR 3,688 thousand (EUR 3,700 thousand), an amount of EUR 106 thousand (previous year: EUR 1,000 thousand) is subject to loss carryforward restrictions relating to time (between five and ten years) due to local national regulations.

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

EUR thousand (as at Dec. 31)	2023	Change	2022
Deferred taxes			
Use of tax loss carryforwards	4,432	600	3,832
Fixed assets	38	38	0
Pension provisions	5,194	150	5,044
Leases	242	20	222
Other provisions	133	–327	460
Partial retirement and anniversary bonus provisions	120	28	92
Deferred income	8	–44	52
Project-related provisions	1,009	666	343
Deferred tax assets before offset	**11,176**	**1,131**	**10,045**
Offset	–3,043	413	–3,456
Deferred tax assets reported	**8,133**	**1,544**	**6,589**
Fixed assets	0	1,278	–1,278
Intangible assets	–1,753	–727	–1,026
Goodwill amortization affecting tax	–894	–84	–810
Trade receivables	–419	122	–541
Receivable from long-term development contracts	–4,773	–117	–4,656
Miscellaneous	–7	30	–37
Tax liabilities before offset	**–7,846**	**502**	**–8,348**
Offset	3,043	–413	3,456
Deferred tax liabilities reported	–4,803	89	–4,892
Net	**3,330**	**1,633**	**1,697**
As at 1 January, net	1,697		1,740
Tax income/expense recognized in the reporting period	1,311		1,863
Profit from discontinued operation	0		717
Tax income/(expense) recognized in other comprehensive income in the reporting period	322		–2,623
As at 31 December, net	**3,330**		**1,697**

A deferred tax asset was recognized for tax loss carryforwards of EUR 8,790 thousand (previous year: EUR 7,141 thousand), as the Executive Board considers it likely that future taxable profits will be available in a sufficient amount.

H. Disclosures on the Consolidated Income Statement

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

15 Revenues

Revenues for software development are paid according to the percentage of completion. Maintenance revenues are paid by customers in advance and recognized pro rata temporis. Revenues from licenses and merchandise are recognized at a point in time on delivery. The balance of contract liabilities at the beginning of the reporting period was recognized as revenue in the financial year. Revenues break down between the two segments as follows:

EUR thousand

Revenues in 2023	Energy Management	Production Management	Total
Software development	46,057	67,742	113,799
Maintenance	54,590	48,868	103,458
Licenses	4,728	12,146	16,874
Merchandise	33,480	2,280	35,760
Total	**138,855**	**131,036**	**269,891**

Revenues in 2022	Energy Management	Production Management	Total
Software development	56,353	59,975	116,328
Maintenance	51,487	45,058	96,545
Licenses	2,926	11,356	14,282
Merchandise	19,646	1,137	20,783
Total	**130,412**	**117,526**	**247,938**

16 Other Operating Income

EUR thousand	2023	2022
Subsidies	5,686	5,977
Income from project provisions	3,208	1,387
Insurance recovery	1,808	0
Income from exchange rate differences	1,012	1,202
Income from written-off receivables	455	2,477
Miscellaneous	4,886	2,590
	17,055	**13,633**

17 Cost of Materials

EUR thousand	2023	2022
Cost of purchased services	22,042	19,636
Cost of purchased goods	24,075	16,666
	46,117	**36,302**

18 Personnel Expenses

EUR thousand	2023	2022
Wages and salaries	153,781	133,503
Social security expenses	29,944	28,048
	183,725	**161,551**

Personnel expenses include expenses for payments to private pension institutions of EUR 515 thousand (previous year: EUR 560 thousand) and payments to state pension funds of EUR 8,768 thousand (previous year: EUR 8,562 thousand) in connection with defined contribution pension commitment.

19 Other Operating Expenses

EUR thousand	2023	2022
Data line, IT and telephone costs	5,678	4,928
Travel costs	4,715	3,438
Legal and consulting costs	4,123	4,046
Advertising and marketing activities	3,958	3,900
Rental, leasing of real estate including ancillary costs	3,632	3,701
Project-related expenses	1,580	1,062
Expenses from exchange rate differences	1,528	808
Lease costs for movable assets	1,273	1,043
Miscellaneous	10,457	6,792
	36,944	**29,718**

20 Investment Income

Investment income exclusively comprises caplog-x GmbH, which is accounted for using the equity method. The income recognized in the reporting year relates to the pro rata income from caplog-x GmbH's net income for the 2022 financial year.

21 Result of Discontinued Operations

In July 2022, it was resolved to discontinue the operations of the Russian subsidiaries. The Russian subsidiaries were prohibited from accepting further customer contracts and from active market operations. Furthermore, all technical and sales support services by the German companies of the PSI Group for the Russian subsidiaries were halted in full over the course of 2022. In October 2022, in conjunction with the European Union's 8th package of sanctions, a wide-ranging ban on IT services by German companies in Russia was adopted, leading to a legal ban on further business activities in Russia independently of the resolution to discontinue operations in July 2022. In light of this, the Supervisory Board of PSI SE approved the resolution by the Executive Board to sell the shares in the Russian subsidiaries. The disposal was based on a detailed plan that was carried out in 2023 by the time of the preparation of the consolidated financial statements.

In conjunction with the planned disposal of the Russian subsidiaries, disposal proceeds less costs to sell of EUR 0 thousand have been assumed. This estimate of the disposal proceeds takes into account the fact that it is virtually impossible to sell shares in businesses to persons or companies domiciled outside Russia. The estimated disposal proceeds were realized in the final contracts for the sale of the Russian subsidiaries.

The expenses and income attributable to the discontinued operations consist of the following:

- the expenses and income recognized by the Russian subsidiaries by the end of the financial year (EUR 0 thousand; previous year: net income of EUR 1,513 thousand);

- the expenses of the German Group companies for technical and sales support for the Russian subsidiaries that can no longer be reallocated owing to the resolution to discontinue operations (EUR 0 thousand; previous year: EUR 2,752 thousand);

- provisions for liability risks from warranties (income from liquidation EUR 1,055 thousand; previous year: expense due to transfer EUR 2,378 thousand);

- the cost of the write-down on the net assets of the Russian subsidiaries to their lower fair value (EUR 0 thousand; previous year: EUR 3,250 thousand).

EUR thousand	**2023**	2022
Operating activities		
Revenues	0	7,441
Other operating income	1,055	182
Cost of materials	0	–454
Personnel expenses	0	–4,731
Depreciation and amortization	0	–141
Other operating expenses	0	–3,536
Profit/loss on operating activities	1,055	–1,239
Write-down on the net assets of the Russian subsidiaries	0	–3,250
Transfer to provision for liability risks from warranties	0	–2,378
Profit/loss on operating activities	1,055	–6,867
Net interest income	0	–234
Income tax	0	50
Profit/loss from discontinued operation, after taxes	**1,055**	**–7,051**

The profit from a discontinued operation for the 2023 financial year of EUR 1,055 thousand (previous year: loss of EUR 7,051 thousand) results from the reversal of a contingent liability in connection with a bank loan that is being repaid by a former Russian subsidiary. The profit (previous year: loss) was allocated in full to the shareholders of PSI Software SE.

The write-down on the net assets of the Russian subsidiaries in the previous year related to the following items:

EUR thousand	2022
Assets from discontinued operations	
Inventories	12
Trade receivables	2,856
Receivables from long-term development contracts	1,608
Other current financial assets	694
Other current assets	0
Cash and cash equivalents	2,408
Current assets	**7,579**
Property, plant and equipment	196
Intangible assets	39
Deferred tax assets	771
Non-current assets	**1,006**
Assets	**8,585**
Liabilities from discontinued operation	
Financial liabilities	2,378
Deferred tax liabilities	1,488
Other current financial liabilities	1,469
Other liabilities	0
Equity and liabilities	**5,335**

The transfer to provisions for liability risks from warranties in the previous year resulted from a loan liability that was borrowed by the Russian subsidiary OOO PROGRESS from a Russian bank in previous years. PSI SE has assumed liability to Commerzbank AG, Frankfurt/Main, Germany, for this loan borrowed in Russia to the extent that OOO Progress is unable to satisfy its obligations to repay the loan or there is an event of default as per the terms of the loan agreement.

In the opinion of the Executive Board of PSI SE, there are indications as at December 31, 2023, that an event of default has occurred, which would entitle the Russian bank to trigger the liability mechanism presented. To date, the Russian bank has made no such declaration to OOO PROGRESS, and Commerzbank AG, Frankfurt/Main, Germany, has not called any claims under the guarantee due. The Executive Board of PSI SE assumes that there is a contingent liability for which the legal basis can be considered fulfilled but the date of fulfillment is uncertain.

The outstanding amount of the loan was EUR 1,322 thousand as at December 31, 2023, the end of the reporting period (previous year: EUR 2,378 thousand). This amount is the present value of the future annuity payments applying an interest rate of 7.2%. The remaining term of the loan is two years. As triggering the liability mechanism entails various formal steps, the Executive Board of PSI SE assumes that payments would not be made until 2025.

The provisions recognized are reported under liabilities held for sale.

22 Earnings per Share

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

	2023	2022
Result of continuing operations (EUR thousand)	–731	16,745
Number of weighted no-par shares (in thousands)	15,606	15,606
Number of weighted no-par shares, diluted (in thousands)	15,606	15,606
Earnings per no-par share from continuing operations (EUR/share)	–0.05	1.07
Earnings per no-par share from continuing operations, diluted (EUR/share)	–0.05	1.07
Earnings per no-par share from discontinued operations (EUR/share)	0.07	–0.45
Earnings per no-par share from discontinued operations (EUR/share)	0.07	–0.45

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.

I. Disclosures on the Consolidated 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 consolidated cash flow statement comprise all the cash and cash equivalents recognized in the consolidated 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 40 euro cents per share (previous year: 40 euro cents per share) was distributed to the shareholders for the 2022 financial year. The breakdown of cash and cash equivalents is shown in the table under G. 6. Overdraft liabilities were not included in cash and cash equivalents.

J. Disclosures on Consolidated Segment Reporting

The PSI Group has two main reportable segments. Besides these reportable segments, in the financial year there was a non-reportable segment comprising the Russian activities and shown in segment reporting with the reconciliation effects.

Description of the Segments

- Energy Management: smart solutions for utility companies in the electricity, gas, oil and water sectors. This segment focuses 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. This segment focuses 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 20,676 thousand as at December 31, 2023 (previous year: EUR 20,302 thousand). Certain expenses are not allocated to the individual segments. The result from reconciliation amounts to EUR –8,609 thousand (previous year: EUR –1,978 thousand).

Additional Geographical Disclosures

In the 2023 financial year, the PSI Group generated revenues of EUR 148.5 million (previous year: EUR 139.0 million) in Germany and revenues of EUR 121.4 million (previous year: EUR 108.8 million) in foreign countries. The revenues are assigned based on the domicile of the respective customer.

Non-current assets (not including deferred tax assets) of EUR 63,615 thousand (previous year: EUR 63,717 thousand) relate to Germany and EUR 47,619 thousand (previous year: EUR 48,059 thousand) to other countries. This allocation is based on the domicile of the subsidiary where the asset is recognized.

K. Other Disclosures

Other Financial Obligations and Contingent Liabilities

Rental agreements and leases – PSI Group as lesseer
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. This results in other current financial commitments of EUR 222 thousand in total (previous year: EUR 90 thousand).

Expenses from short-term and low-value leases are reported under other operating expenses. The table below shows the rental and lease fees incurred in the reporting year and the previous year:

EUR thousand	2023	2022
Properties	269	347
thereof insignificant	32	32
thereof current	237	315
Movable assets	354	205
thereof insignificant	244	83
thereof current	110	122
Total	**623**	**552**

An overview of the maturities of lease liabilities is presented in section G. 10.

Bill of exchange guarantees
Bill of exchange guarantees of EUR 35,053 thousand (previous year: EUR 38,315 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.

Purchase commitment
The contractual obligations mainly relate to the purchase of hardware and software for investment projects and amount to EUR 0.9 million as at December 31, 2023 (previous year: EUR 1.5 million).

Employees
The average number of employees in the PSI Group is 2,281 in the financial year (previous year: 2,248). The workforce breaks down by function as follows:

	2023	2022
Software development	1,891	1,878
Administration	222	204
Sales organization	168	166
Total	**2,281**	**2,248**

List of Shareholdings

	Equity interest in %	Equity[1] December 31, 2023 EUR thousand	Net profit[1] 2023 EUR thousand
Germany			
PSI Automotive & Industry GmbH, Berlin	100	12,955	648
PSI Energy Markets GmbH, Hanover	100	1,716	385
PSI FLS Fuzzy Logik & Neuro Systeme GmbH, Dortmund	100	2,146	464
PSI GridConnect GmbH, Karlsruhe	100	501	0[2]
PSI Logistics GmbH, Berlin	100	2,808	1,299
PSI Metals GmbH, Düsseldorf	100	5,163	0[2]
PSI Metals Non Ferrous GmbH, Aachen	100	1,005	0[2]
PSI Mines&Roads GmbH, Berlin	100	–239	101
PSI Prognos Energy GmbH, Potsdam	100	–1	38
PSI Transcom GmbH, Berlin	100	7,236	905
International			
PSI AG für Produkte und Systeme der Informationstechnologie, Will, Switzerland	100	2,316	808
PSI Automotive & Industry Austria GmbH, Traun, Austria	100	1,628	413
PSI Incontrol Sdn. Bhd., Selangor, Malaysia	100	9,603	714[3]
Incontrol Tech (Thailand) Ltd., Bangkok, Thailand	100	–1,227	335[3]
Incontrol Tech Holdings (Thailand) Ltd., Bangkok, Thailand	100	–555	–3[3]
PSI Information Technology (Shanghai) Co. Ltd., Shanghai, China	100	775	60[3]
PSI Metals Austria GmbH, Graz, Austria	100	6,693	2,028
PSI Metals Belgium NV, Brussels, Belgium	100	1,152	566
PSI Metals Brazil Ltda, Rio de Janeiro, Brazil	100	1,172	792
PSI METALS INDIA PRIVATE LIMITED, Kolkata, India	100	296	74
PSI METALS NORTH AMERICA Inc., Pittsburgh, USA	100	5,474	5,221
PSI Metals UK Ltd., Watford, United Kingdom	100	3,018	554
PSI Neplan AG, Küsnacht, Switzerland	100	2,064	454
PSI Polska Sp. z o.o., Poznan, Poland	100	7,109	3,363
PSIAG Scandinavia AB, Karlstad, Sweden	100	584	241[3]
Time-steps AG, Affoltern am Albis, Switzerland	100	486	52
caplog-x GmbH, Leipzig	31.3	2,792	857[4]

[1] Values according to legal and local accounting regulations before consolidation entries
[2] Profit transfer agreements
[3] IFRS values before consolidation entries
[4] Values as at December 31, 2022, as values as at December 31, 2023, were not available at the date of the financial statements

Exemption in Accordance with Section 264(3) HGB

The following German subsidiaries have exercised the exemption under section 264(3) HGB:

Company	Location
PSI Automotive & Industry GmbH	Berlin
PSI Logistics GmbH	Berlin
PSI Metals GmbH	Düsseldorf
PSI Transcom GmbH	Berlin

Services by the Auditor

The auditor for PSI SE and the Group is RSM Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft. The following fees were incurred for services performed by the auditor in the financial year:

EUR thousand	2023	2022
Auditing services	376	590

Audit fees comprise the audit of the annual and consolidated financial statements of PSI SE.

Related Party Disclosures

In accordance with IAS 24, related parties are those companies and individuals who 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 GmbH is 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 und Personen
There are transactions between PSI SE 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 the PSI Group and the associated company in conjunction with goods and services and the granting of loans, which are shown in the table below:

EUR thousand	2023	2022
Associated companies		
Goods and services provided	91	72
Goods and services received	902	762
Other receivables	198	221
Receivables from loans	290	290
Trade payables	24	158

Outstanding balances as at the end of the reporting period are not collateralized or discounted and are settled in cash. There are no guarantees for receivables or liabilities between the PSI Group and the associated company.

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 2023 or in 2022.

Supervisory Board

The following persons were members of the Supervisory Board in the 2023 financial year:

Karsten Trippel
(Chairman), Großbottwar

Managing Director of SIGMA GmbH, Großbottwar

Membership of supervisory boards of other companies:
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)
6. promedtheus Informationssysteme für die Medizin AG, Mönchengladbach

Prof. Dr.-Ing. Ulrich Wilhelm Jaroni
(Deputy Chairman)
Aschau

Former member of the Management Board of ThyssenKrupp Steel Europe AG, Duisburg

Andreas Böwing
Herten

Former Head of Regulation Management at RWE Deutschland AG, Essen

Membership of supervisory boards of other companies:
Thyssengas GmbH, Dortmund

Prof. Dr. Uwe Hack
Metzingen

Professor of International Finance and Accounting, Furtwangen University

Membership of supervisory boards of other companies

1. abcfinance GmbH, Cologne
2. abcbank GmbH, Cologne
3. LAWO AG, Rastatt (Chairman)
4. LAWO Holding AG, Rastatt (Chairman)

Elena Günzler
(Employee representative)
Berlin

Product manager at PSI Automotive & Industry GmbH, Berlin

Uwe Seidel
(Employee representative)
Duisburg

Maintenance project manager in Gas Grids and Pipelines at PSI Software SE, Berlin

Remuneration of Executive Board and Supervisory Board

Remuneration totaling EUR 812 thousand (previous year: EUR 1,140 thousand) was granted to the Executive Board of PSI SE for the 2023 financial year. This total remuneration does not include long-term remuneration.

There are no pension provisions for former Executive Board members. No pension payments were made to former members of the governing bodies in the 2023 financial year (previous year: EUR 5 thousand). Additional remuneration of EUR 3,731 thousand was paid to former members of the governing bodies.

The Supervisory Board received remuneration of EUR 330 thousand (previous year: EUR 322 thousand) in the reporting year.

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

Disclosures on the German Corporate Governance Code

PSI SE issued the statements required in accordance with section 161 of the German Stock Corporation Act on March 21, 2024. They are permanently available to the share-holders in the investor relations section of PSI SE's website **(https://www.psi.de/en/psi-investor-relations).**

Event After the Reporting Period

PSI Group has been the target of a cyber attack. The incident was discovered by the internal IT department on the night from February 14 to February 15, 2024. Most of the PSI Group's IT systems were taken offline and shut down. In addition, as a precautionary measure, all site-to-site connections from the corporate network to the customers' networks were terminated. The PSI Group has been working on restoring all relevant IT systems since February 15, 2024.

From mid-February to the end of April 2024, the PSI Group was limited in its ability to carry out central activities of its business model. Even after major parts of the internal IT system were restored, some of these restrictions persisted because subsystems of the IT infrastructure could not be brought back online with up-to-date data. As a result of the restrictions described above, the ability to provide the full range of services to end customers was particularly affected.

As a result, the PSI Group was not able to achieve the originally targeted level of revenues in the period presented and had to incur unplanned expenses for restarting the IT system. To cope with the considerable economic consequences of the cyber attack, various measures have been introduced in the PSI Group that have been or will be able to partially offset the economic impact. A final assessment of the economic impact of the cyber attack in the 2024 financial year and potentially in subsequent periods is not possible due to existing uncertainty regarding the amount of additional charges resulting from the cyber attack and the specific impact of compensating effects.

Notwithstanding the existing uncertainty in estimating the economic impact of the cyber attack, the PSI Group has been and is in a position to meet its financial obligations at all times, and it can be assumed that the PSI Group will be able to continue its business model in full once the IT system is fully functional again in 2024.

Berlin, May 31, 2024

Robert Klaffus 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 net assets, financial position and results of operations of the Group, 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, May 31, 2024

PSI Software SE
The Executive Board

Robert Klaffus   Gunnar Glöckner

Independent Auditor’s Report

To PSI Software SE
(formerly: 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 SE (formerly: PSI Software AG), Berlin, (PSI SE) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2023, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2023, 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 SE (formerly: PSI Software AG), Berlin, for the financial year from January 1 to December 31, 2023. In accordance with the German legal requirements, we have not audited the content of section 7 “Consolidated non-financial statement” in the Group management report, the combined corporate governance declaration published on the company’s website, which is referenced in section 3 “Statutory disclosures”, subsection “Combined corporate governance declaration” in the Group management report, or the information extraneous to management reports in accordance with section A.5 of the German Corporate Governance Code in section 5. “Report on Risks and Opportunities”, subsection “Description of the Key Features of the Internal Control System (Recommendation A.5 of the German Corporate Governance Code)” in the Group management report.

In our opinion, based on 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 section 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 at December 31, 2023, and of its financial performance for the financial year from January 1 to December 31, 2023; 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 audit opinion on the Group management report does not extend to the unaudited elements of the Group management report set out above.

Pursuant to section 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 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 section 317 HGB and the EU Audit Regulation (No. 537/2014, subsequently referred to as the "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). 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 companies in accordance with the commercial and professional regulations of European and German law and have fulfilled our other German professional obligations in accordance with these requirements. In addition, in accordance with Article 10(2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 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 Statementss

Key audit matters are such matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2023. 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) Goodwill impairment

2) Project-related revenue recognition

Goodwill impairment

a) Risk to the consolidated financial statements

Goodwill of EUR 59.1 million is reported in the consolidated financial statements of PSI SE under intangible assets. This accounts for approximately 21% of total assets. The company tests goodwill for impairment as at the end of the respective financial year.

The annual goodwill impairment test is carried out on the basis of a valuation model using the discounted cash flow method at the level of the lowest cash-generating units. Impairment is required if the carrying amounts of goodwill exceed the recoverable amount of the respective cash-generating unit. Disclosures on goodwill and impairment testing are presented in the notes to the consolidated financial statements in section E. "Significant Judgments, Estimates and Assumptions" under "(30) Impairment of non-current assets" and in section F. "Presentation of accounting policies and financial risk management method" under "(48) Non-current assets". Information on the composition of goodwill and the impairment test can also be found in section G. "Disclosures on the consolidated balance sheet" under sub-section 1 "Intangible assets and property, plant and equipment" in the notes to the consolidated financial statements.

The calculation based on the discounted cash flow method is complex, and the result is largely dependent on management's assessment of the future cash inflows from the forecast business and earnings performance of the cash-generating units during the planning period and on the determination of the discount rate used.

In this context, there is a risk to the consolidated financial statements that an impairment requirement that exists as at the end of the reporting period is not detected. We therefore considered this a key audit matter..

b) Audit approach and conclusions

To assess the appropriateness of the planning assumptions, we obtained an understanding of the planning process and the associated controls that exist through interviews conducted with management. We compared the planning figures used in impairment testing against the business planning prepared by management and approved by the Supervisory Board.

The reliability of business planning was assessed based on the forecast quality of previous years. If there were material deviations, these were discussed with the employees of PSI SE responsible regarding their relevance to these consolidated financial statements.

We assessed the appropriateness of PSI SE's method of calculation and the key parameters used, such as the discount rate (weighted average cost of capital) including the market risk premium used, the beta factor and the growth discount, in consultation with a valuation specialist.

To ensure the mathematical accuracy of the measurement model used, we reconstructed PSI SE's calculations on the basis of elements selected in line with risk considerations.

We also examined whether the carrying amount of the respective cash-generating unit was properly calculated as at the measurement date on the basis of the assets and liabilities to be taken into account.

We verified the validity of the sensitivity analysis performed by PSI SE for the cash-generating units, which comprises a change in the discount rate, and assessed its mathematical accuracy.

We consider PSI SE's method of calculation for impairment testing to be appropriate for calculating potentially necessary impairment requirements. Overall, the accounting parameters and assumptions applied appear to be comprehensible and appropriate and are consistent with our expectations.

Project-related revenue recognition

a) Risk to the consolidated financial statements

Revenues of EUR 269,891 thousand are reported in the consolidated income statement for the 2023 financial year. These result from software development, the sale of licenses and merchandise as well as the typically downstream maintenance revenues. In software development, revenues are recognized over the period of time in line with the transfer of the associated significant risks and rewards to the customer, while revenues from licenses and hardware are recognized at a point in time if the respective services are agreed individually with the customer. Maintenance revenues are recognized over the contract term.

Given the high degree of individualization and the large number of different contractual agreements within the Group as well as the extensive effects of project-related revenue recognition on disclosures of assets and liabilities as well as income and expense items, we consider revenue recognition in project business to be complex. Given this complexity, which entails an increased risk of accounting misstatements, we identified project-related revenue recognition as a key audit matter.

Disclosures on the accounting policies for revenues are presented in the notes to the consolidated financial statements in section E. "Significant Judgments, Estimates and Assumptions" under "(31) Project valuation" and in section F. "Presentation of accounting policies and financial risk management method" under "Revenues". Information on the breakdown of revenues can also be found in section H. "Disclosures on the consolidated income statement" under sub-section 15 "Revenues" of the notes to the consolidated financial statements. Further relevant information can be found in section G. "Disclosures on the consolidated balance sheet" in the subsections G. 3 "Trade receivables, net" and G. 4 "Receivables and liabilities from long-term development contracts and deferred revenues".

b) Audit approach and conclusions

In conjunction with our audit, we assessed the accounting policies used for the recognition of project-related revenues in the consolidated financial statements based on the criteria defined in IFRS 15. We did this by performing a structural audit in the field of revenue recognition.

In conjunction with the risk assessment, we obtained an understanding of the development of business in the period under review and analyzed the extent to which subjectivity, complexity or other inherent risk factors could have influenced revenue recognition.

In particular, our substantive audit extended to whether revenue was properly recognized at a point in time or over time. In particular, we examined the existence of an enforceable legal right and the possibility for alternative use of the contractual performance obligations.

Furthermore, we examined which different types of services were included in the contracts and whether these could be differentiated and thus accounted for separately.

In addition, we reviewed revenue recognition in project business based on the contractual agreements by randomly inspecting agreements and project documents, such as correspondence with customers, and evidence of hours booked. We also randomly validated the appropriateness of the percentage of completion through discussions with project controllers and leads.

We consider the accounting policies practiced by PSI SE for revenue recognition to be appropriate.

Other Information

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

– the report by the Supervisory Board;

– the remuneration report in accordance with section 162 AktG;

– section 7 "Consolidated non-financial statement" in accordance with section 315b and section 315c HGB in the Group management report;

– the combined corporate governance declaration published on the company's website, which is referenced in section 3 "Statutory disclosures", subsection "Combined corporate governance declaration" in the Group management report;

– the unaudited information extraneous to management reports in accordance with section A.5 of the German Corporate Governance Code in section 5. "Report on Risks and Opportunities", subsection "Description of the Key Features of the Internal Control System (Recommendation A.5 of the German Corporate Governance Code)" in the Group management report;

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

– the other parts of the annual 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 company's management and the Supervisory Board are responsible for the remuneration report in accordance with section 162 AktG and the declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG, which is referred to in the combined corporate governance declaration published on the company's website. In all other respects, management 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 of the consolidated financial statements, 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.

If, on the basis of our work, we come to the conclusion that this other information contains a material misstatement, we are required to report this fact. We have nothing to report in this context.

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

Management 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 section 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, management 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 (i.e. the manipulation of financial reporting or financial losses) or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. It is also responsible for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting, unless there is the intention to liquidate or discontinue the Group, or there is no realistic alternative.

Furthermore, management 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, management is responsible for such arrangements and measures (systems) as they have 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 objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error and whether the Group management report as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements, audit findings and German legal requirements, and accurately presents the risks and opportunities of future development, and to issue an audit report containing our audit opinions on the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can result from fraud or errors, and are considered material if they could reasonably be expected, individually or collectively, to influence the economic decisions that users make on the basis of these consolidated financial statements and the Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatements in the consolidated financial statements and the Group management report due to fraud or errors, we plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinions. The risk that material misstatements as a result of fraud are not detected is greater than the risk that material misstatements due to error are not detected, because fraud can include collusion, falsification, intentional omissions, misrepresentation or the invalidation of internal controls.

- 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 management and the reasonableness of estimates made by management and related disclosures.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in 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 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 section 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 designing, monitoring and performing the audit of the consolidated financial statements. 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 management in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 procedures or safeguards implemented to remove risks to independence.

Of the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current reporting 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 Statutory and Legal Requirements

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

Opinion

We have performed assurance work in accordance with section 317(3a) HGB to obtain reasonable assurance about whether the renderings of the consolidated financial statements and the Group management report (hereinafter the "ESEF documents") contained in the file "529900OS5AIRXC3T2J37-2023-12-31-de.zip" and prepared for publication purposes comply in all material respects with the requirements of section 328(1) HGB for the electronic reporting format (ESEF format). 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 renderings of the consolidated financial statements and the Group management report contained in the above electronic file and prepared for publication purposes comply in all material respects with the requirements of section 328(1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying Group management report for the financial year from January 1 to December 31, 2023 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Opinion
We conducted our assurance work of the renderings of the consolidated financial statements and the Group management report contained in the above file in accordance with section 317(3a) HGB and the IDW Auditing Standard: Assurance in accordance with section 317(3a) HGB on the electronic rendering of financial statements and management reports prepared for publication purposes (IDW PS 410 (06.2022)). Our responsibilities under those requirements are further described in the "Auditor's responsibilities for the audit of the ESEF documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in Audit Firms (IDW QMS 1 (09.2022)).

Responsibilities of Management and the Supervisory Board for the ESEF Documents

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

In addition, the company's management is responsible for such internal control as it has determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional noncompliance with the requirements of section 328(1) HGB for the electronic reporting format.

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 Documentsn

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of section 328(1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of section 328(1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance 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 electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.

- evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited Group management report.

- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Commission Delegated Regulation (EU) 2019/815 as applicable at the end of the reporting period enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as the auditor of the annual financial statements by the Annual Stockholders' Meeting on May 23, 2023. In accordance with section 318(2) HGB, we are considered the auditor of the consolidated financial statements as no other auditor was appointed. We were engaged by the Chairman of the Audit Committee of the Supervisory Board of PSI Software SE, Berlin, on October 5, 2023. We have been the auditor of the consolidated financial statements of PSI Software SE, Berlin, since the 2023 financial year.

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

Other Issue – Use of the Audit 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 into 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 Mr. Fuat Kalkan.

Berlin, June 3, 2024

RSM Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Christoph Eppinger	Fuat Kalkan
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

PSI Multi-Year Overview

in EUR million	**2023**	2022	2021	2020	2019
Order situation					
New orders	297	253	266	229	236
Order backlog	170	155	160	149	142
Income statement					
Revenues	269.9	247.9	245.5**	217.8	225.2
thereof Energy Management	138.9	130.4	138.1**	120.0	115.8
thereof Production Management	131.0	117.5	109.0**	97.8	109.4
Export share in %	45.0	43.9	39.6**	35.8	41.0
License revenues	16.9	14.3	16.0**	11.9	18.6
License share in %	6.3	5.8	6.5**	5.5	8.3
R&D expenses	43.5	36.6	32.3	27.8	24.0
R&D ratio in %	16.1	14.8	13.2**	12.8	10.7
Operating result (EBIT)	5.6	20.2	25.0**	14.9	17.2
EBIT margin in %	2.1	8.1	10.2**	6.8	7.6
Earnings before taxes (EBT)	3.0	19.9	24.5**	13.7	16.4
Group net result	0.3	9.7	15.8	10.3	14.3
Return on sales in %	0.1	3.9	6.4	4.7	6.3
Cashflow					
Cash flow from operating activities	16.8	3.4	38.8	24.8	12.5
Cash flow from investing activities	–6.9	–9.8	–5.0	–13.4	–8.7
Cash flow from financing activities	–5.0	–15.9	–7.7	–7.9	–10.2
Investments*	7.7	10.3	5.4	5.8	11.2
Balance sheet					
Equity	111.7	119.0	114.7	100.3	94.5
Equity ratio in %	39.5	43.7	40.4	38.7	38.0
Return on equity in %	0.3	8.2	13.8	10.3	15.1
Total assets	283.2	272.6	284.1	259.4	248.8
Share					
Earnings per share in EUR	0.02	0.62	1.01	0.66	0.91
Closing price at end of year in EUR	25.30	22.45	46.30	24.40	20.80
Market capitalization on December 31	397.1	352.4	726.8	383.0	326.5
Employees					
Number of employees on December 31	2,310	2,251	2,223	2,056	1,984
Personnel expenses	183.7	161.6	155.8**	141.4	137.8

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

PSI Quarterly Overview for 2023

in Mio. Euro	Q1	Q3	Q3	Q4
Order situation				
New orders	118	51	69	59
Order backlog	212	197	199	170
Income statement				
Revenues	58.2	61.1	65.2	85.4
thereof Energy Management	29.4	28.4	34.0	47.1
thereof Production Management	28.8	32.7	31.2	38.3
Operating result (EBIT)	4.0	–9.4	2.7	8.3
EBIT margin in %	6.9	–15.3	4.1	9.7
Earnings before taxes (EBT)	3.5	–9.8	2.0	7.3
Group net result	3.3	–12.0	1.6	7.4
Return on sales in %	5.7	–19.7	2.5	8.7
Share				
Earnings per share in EUR	0.21	–0.77	0.10	0.48
Closing price at end of quarter in EUR	27.35	32.85	24.55	25.30
Employees				
Number of employees at end of quarter	2,257	2,273	2,279	2,310
Personnel expenses	43.5	49.4	44.3	46.5

Financial Calendar for 2024

Publication of annual results	June 4, 2024
Analyst conference	June 4, 2024
First-quarter report	July, 2024
Annual General Meeting	July 26, 2024
First half-year report	August 2024
Third-quarter report	October 31, 2024
German Equity Forum analyst conference	November 25 to 27, 2024

The PSI Share

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

Your Investor Relations Contact

„2023 was a year of transition for PSI. By eliminating the risks from legacy projects in the Electricity Grids business and completing the generation change on the Executive Board, we have laid the foundation for margin increases and growth in the years ahead."

Karsten Pierschke
Head of Investor Relations and
Corporate Communications

PSI Software AG
Dircksenstraße 42–44
10178 Berlin, Germany

Phone: +49 30 2801-2727
Fax: +49 30 2801-1000
E-mail: ir@psi.de

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 SE financial statements. For the latest investor news, please visit our website at **www.psi.de/en/psi-investor-relations/.**

Publication Details

Publisher
PSI Software SE,
Berlin, Germany

Concept and Layout
KMW Kommunikation Maerz & Wolff,
Hamburg, Germany

Fotos
Sebastian Vollmert (p. 2, 5, 6)
Gettyimages (Cover, p. 14–15, 29)
iStock (p. 20–21, 22, 24, 26–27, 30)
Deutsche Börse AG (p. 34–35)
PSI Software SE: all other

PSI Software SE
Dircksenstraße 42–44
10178 Berlin
Germany

Phone: +49 30 2801-0
Fax: +49 30 2801-1000
E-mail: ir@psi.de
www.psi.de