PSI APP STORE
SCALING BY CLICK

PSI Annual Report **2022**

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. By combining AI methods with other industrially proven optimization methods, PSI software ensures 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.

Contents

PSI App Store: Scaling by Click

5
divisions have marketed products on the PSI App Store in 2022

60
customers ordered software from the new PSI App Store in 2022

EUR
12
million revenues to be generated by the PSI App Store in 2023

Involvement in
10
research projects on the mobility transition and the decarbonization of industry

Participation in
12
research projects on the energy system of the future

14.8%
of revenues are spent on R&D

1
award won for commitment to climate protection

1
award won for outstanding environmental commitment

EUR
7.5
million revenues were generated by the PSI App Store in 2022

PSI Group in Figures

in EUR million	2022	2021	Change in %
Revenues	247.9	245.5**	1.0
Operating result	20.2	25.0**	–10.3
Earnings before taxes	19.9	24.5**	–19.2
Group net result	9.7	15.8	–38.6
Equity	119.0	114.7	3.7
Equity ratio (in %)	43.7	40.4	8.2
Return on equity (in %)	8.2	13.8	–40.6
Investments*	10.3	5.4	90.7
Research and development expenses	36.6	32.3	13.3
Research and development ratio (in %)	14.8	13.2	12.1
New orders	253	266	–4.9
Order backlog on December 31	155	160	–3.1
Employees on 31 December (number)	2,251	2,223	1.3

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

Our Segments

Energy Management

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

	2022	2021
Revenues*	130,412	138,065**
Operating result*	1,431	9,732**
Employees	1,107	1,114

* in EUR thousand
** restated

Production Management

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

	2022	2021
Revenues*	117,526	107,428**
Operating result*	20,239	16,444**
Employees	1,144	1,109

* in EUR thousand
** restated

PSI App Store: Scaling by Click

For more than 50 years, PSI software has been setting benchmarks in the optimization of energy and materials flows in the energy sector and in industrial production. Thanks to the state-of-the-art PSI software platform, we are making more and more products available on our cloud-based app store. Tools such as E-Learning, Virtual Factory, PSI Click Design and graphic workflows are available in the collaborative environment. This way, customers and partners can quickly and easily try out the software, license it, import it into their desired environment, adjust it in line with future requirements and even manage their own roll-outs.

LETTER FROM THE EXECUTIVE BOARD

DEAR READERS AND SHAREHOLDERS,

in 2022, we increased our revenues in the Production Management segment by 9.4% to EUR 117.5 million and our operating result by 23% to EUR 20.2 million. Our performance was particularly strong in the Americas, though there were setbacks in China and Russia. In the Energy Management segment, after aggressive growth and acquisitions in previous years, we pulled together 125 employees in the product development area (previously: 35) to gear energy control centers towards higher unit numbers. Skyrocketing energy prices impacted municipal utilities in consumer countries (7% of PSI's revenues) but triggered orders years in the making in export countries. Because of Russia's war of aggression against Ukraine, we have withdrawn from what was previously our largest export country and thus suffered a double blow rather than any benefit. Our business was also complicated by the fact that the Redispatch 2.0 regulation, which is supposed to better compensate municipal utilities and distribution grids for their renewable energies, was amended more than a hundred times. This caused our programming for 60 customer projects to increase threefold. We therefore had to issue a warning in October that our EBIT would make it to only EUR 20 million rather than our intended EUR 26 million. As at the end of the year, the Energy segment's revenues then declined by 5.6% to EUR 130.4 million and its operating result to almost zero. It will take well into the new year to ascertain our seven-figure claims for compensation and extensions. Owing to the decline of 5.6% in the Energy segment and growth of 9.4% in the Production segment, consolidated revenues remained stable at the previous year's record level of

Dr. Harald Schrimpf, 58
Chairman of the Executive Board (right)

Responsibilities:
Marketing, Sales, Technology
and Investor Relations

Gunnar Glöckner, 52
Member of the Board (left)

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

around EUR 248 million. Effectively, only the Production segment contributed to the consolidated operating result of EUR 20.2 million (previous year restated: EUR 25.0 million).

Economies of scale, scale, scale

Despite the setbacks of the war, the price of energy and municipal utilities, we continued the company's strategic transformation into a provider of cloud software with energetic investment. The PSI platform's profit margin has since surpassed 15%. We see this as a sign to continue expanding the economies of scale with standard modules and industry products built on them with even more customers and partners. For every sector, we are using the same ASMQ smart planning module, the same TSM time series management and, increasingly, the same WMS logistics module and the new JSCADA standard control system as well. All software products are being adapted while operational. This is being done with flowcharts and interfaces configured using Click Design. The 70 micro-services of the PSI platform run on all standard operating systems, web browsers, databases and clouds. So that the economies of scale are not slowed down by manual direct sales and manual deliveries, we have used Click Design to set up a cloud app store that customers can use as an Internet portal for self-service, for e-learning in virtual factories, for additional purchases, for automated deliveries and upgrades, not to mention as a project environment. This applies especially to frequently recurring integration partners and Group customers. Although we have only placed a handful of standard modules and industry products on the app store so far, we received orders of EUR 7.5 million in 2022. For the first time in our 54-year history, revenues are no longer linked to headcount, and we are experiencing the new, unlimited business model (hyperscaling).

Change, change, change

Our Energy segment is functionally state-of-the-art, but in terms of software it is still conventional. Changes in customer projects are therefore highly laborious. This is why we are investing in greater product breadth, deeper product maturity and better change tools. At the same time, we have spent many years developing the new JSCADA control system on the PSI platform, tested it in industrial projects and, in 2022, we honed it for high-load capability and system stability in two major energy grid projects. As transferring grid calculations using a coexistence model will take years to come, and for risk considerations as well, we will first launch the new technology in low voltage, pipe networks, backups, energy data portals, energy trading, as grid model storage and in research. As in the Production segment, this way we will gradually transition from risk-prone, fixed-price projects to consulting projects with licenses and upgrade charges. To finance this transformation, we have been holding off from aggressive expansion projects and increasingly unprofitable customer relationships since 2021. This should enable the Energy segment to catch up to the Production segment's margins, which in turn will get another boost from even stronger economies of scale in the cloud app store. Using our partner-friendly platform, we can multiply the software developed for decarbonization in Europe's industrial heart into the wide world.

For the first time, revenues are no longer linked to headcount.

Our thanks

We would like to thank our customers and partners for the loyal and exciting work relationship in a turbulent 2022. We owe particular thanks, and are indebted to, the brave pilot customers and partners who are helping us to get the new business model up and running. We must also offer profound thanks to our employees for the often hard project work and transformations. We wish to express our special respect and thanks to the brave members of our team who helped war refugees on the border in the first weeks and thereafter (during working hours and with material support from PSI). We wish to thank our shareholders who had to contend with our profit warning for their confidence and support on a tough market landscape. The transformation into a European Company will preserve our mid-market velocity.

Outlook

In the summer of 2022, we withdrew from the vagaries of the labor market and now, bucking the trend of dismissals in the IT sector, can begin selective hiring again. We have improved our price escalation clauses, leaving us with just a few legacy fixed-price projects. However, short-term changes in regulations remain a risk. With this proviso, and including all the costs of our transformation, we are again doggedly pursuing record EBIT of around EUR 25 million and our usual high growth rate in 2023.

Berlin, March 2023

Dr. Harald Schrimpf   Gunnar Glöckner

LETTER FROM THE SUPERVISORY BOARD

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

PSI Software AG's 2022 financial year was marked by the war in Ukraine and its impact on the economy, which affected the energy sector in particular. As in the previous years, the Supervisory Board continued to work in trusting cooperation with the Executive Board in this challenging situation. Its work focused on the current economic situation of the Group, paying particular attention to the electricity grids business, the discussion and approval of Group strategy until 2026 and reviewing and resolving the planned transformation of the Company into a European Company (Societas Europaea, SE). We therefore regularly monitored the Executive Board's work and provided advice according to the law, the Company's Articles of Association and the German Corporate Governance Code. The Board regularly informed us promptly, in writing and orally about the situation of PSI Software AG. On this basis, we discussed business performance and decisions in detail. The Executive Board fully met its obligations to provide the Supervisory Board with information.

The Supervisory Board ensured that the law, the Articles of Association and the rules of procedure of the Supervisory Board and the Executive Board were complied with. It passed the resolutions required by the law and the Articles

Karsten Trippel
Chairman of the Supervisory Board

of Association. When business transactions required the Supervisory Board's approval, it discussed them in depth with the Executive Board before passing a resolution. Cooperation between the Supervisory Board and the Executive Board was always constructive and purposeful.

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

Main Areas of Discussion for the Supervisory Board

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

- development of new orders, revenues and earnings of the PSI Group and the individual business units;

- supervision of the measures and decisions to reduce risk and to discontinue business activities in Russia;
- supervision of the app store and multi-cloud initiative for automated provision of a growing number of PSI platform products as a key element of strategic Group planning until 2026;
- supervision of the measures and steps in the accelerated conversion of energy control systems to the PSI platform and quicker upgrade services;
- ongoing supervision of further steps in the Group's transformation to a product-based business model with a focus on increasing recurring revenue and the expansion of partner business.

Another key area of the work of the Supervisory Board in 2022 was the preparations to renew the contract with Dr. Harald Schrimpf for the period July 1, 2023, to June 30, 2026. Moreover, the Supervisory Board defined the terms and conditions for the long-term variable remuneration of the Executive Board (long-term component) for the period from 2022 to 2024.

Supervisory Board Meetings and Key Topics

The Supervisory Board held nine ordinary meetings to perform its duties in 2022. Five of these meetings were held in person and four 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:

February 11, 2022 Discussion and approval of planning until 2026
March 23, 2022 Discussion of the 2021 annual financial statements
March 24, 2022 Meeting in accordance with FISG requirements
March 28, 2022 Adoption of the 2021 annual financial statements
May 9, 2022 Preparation for the Annual General Meeting
August 31, 2022 Discussion of Group strategy and planning
September 1, 2022 Meeting in accordance with FISG requirements
November 30, 2022 Discussion and approval of planning for 2023
December 1, 2022 Audit of the Supervisory Board's work

In addition to the financial performance of PSI Software AG and the Group, the Supervisory Board also concerned itself with the development of individual subsidiaries, paying particular attention to the risks and measures to discontinue activities in Russia. 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 three times in the financial year with full attendance. Key areas of the work of the Supervisory Board included the preparations to renew the contract with Dr. Harald Schrimpf for the period July 1, 2023, to June 30, 2026, and the preparations to define the terms and conditions for the long-term variable remuneration of the Executive Board for the period from 2022 to 2024.

The Audit Committee is particularly concerned with issues of accounting and risk management. The committee met three times in 2022, with one meeting serving to prepare the adoption of the annual financial statements and the approval of the consolidated financial statements. All three meetings were attended by all committee members.

Corporate Governance

As in previous years, the Executive Board and the Supervisory Board monitored the Group's compliance with the rules of the German Corporate Governance Code. The Supervisory Board adopted the declaration of compliance according to section 161 of the German Stock Corporation Act on December 20, 2022. 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 2022.

In the 2023 financial year that has now begun, the Company's corporate governance will once again be an important aspect of the work of the Supervisory Board and its committees. The current version of the German Corporate Governance Code, which in particular takes into account the provisions of the Gesetz zur Stärkung der Finanzmarktintegrität (FISG – German Act to Strengthen Financial Market Integrity), was published in the German Federal Gazette on June 27, 2022. In light of this, the Supervisory Board addressed the ongoing refinement of its skills profile and will continue to do so in 2023.

Composition of the Supervisory Board and its Committees

In the 2022 financial year, the Supervisory Board comprised the shareholder representatives Karsten Trippel (Chairman), Prof. Ulrich Wilhelm Jaroni (Deputy Chairman), Andreas Böwing and Prof. Uwe Hack and the employee representatives Elena Günzler and Uwe Seidel. The Personnel Committee comprised the Supervisory Board members Karsten Trippel as Chairman, Prof. Ulrich Wilhelm Jaroni and Elena Günzler, while the Audit Committee comprised the Supervisory Board members Prof. Uwe Hack (Chairman), Andreas Böwing, Prof. Ulrich Wilhelm Jaroni, Uwe Seidel and Karsten Trippel.

Audit of Annual and Consolidated Financial Statements

At the Annual General Meeting of PSI Software AG on May 19, 2022, Deloitte GmbH Wirtschaftsprüfungsgesellschaft was elected as the auditor of the financial statements. This company audited the annual financial statements, the management report, the consolidated financial statements and the consolidated management report for the financial year from January 1 to December 31, 2022, and issued an unqualified audit opinion in each case.

All Supervisory Board members received the financial statements and management reports, the auditor's reports and the Executive Board's proposal on the appropriation of net profit after they were compiled and in due time ahead of the meeting convened to approve the annual accounts. After preparatory discussion by the Audit Committee, the Supervisory Board as a whole dealt with these documents at its meeting on March 28, 2023. These meetings were attended by members of the Executive Board and representatives of the auditor. The latter reported on the audit in general, the audit priorities set, the material findings of the audit and the services that the auditor provided in addition to the audit services, and answered the Supervisory Board members' questions. There were no objections from the Supervisory Board, which therefore acknowledged and approved the results of the audit.

The Supervisory Board examined the consolidated financial statements and Group management report and the annual financial statements and management report for 2022 as well as the results of the audit by the auditor. In accordance with the conclusive findings of these examinations, it raised no objections and adopted the annual financial statements and approved the consolidated financial statements on March 28, 2023.

In addition, the Supervisory Board also reviewed the Executive Board's (separate) non-financial CSR report for the Company and the Group for 2022 and discussed it with the Executive Board at the meeting on March 28, 2023. There were no objections raised, so the Supervisory Board also approved the CSR report.

In 2022, PSI experienced growth in demand for solutions for the optimization of steel production in North America in particular, but also a decline in new orders for solutions for the smart management of energy grids. Overall, new orders fell short of the previous year's record level, with the result that the PSI Group had to adjust the targets formulated in March 2022 for new orders, revenues and earnings during the year. Nevertheless, PSI also benefited from the technology investments of recent years and outperformed the revenue targets for the new PSI app store in 2022. Despite the challenging landscape, key new customers were acquired and follow-up orders were received from existing customers both in export business and in Germany. The successes achieved jointly by the Executive Board, management and employees in the face of these challenges deserve recognition and respect. The Supervisory Board therefore thanks all employees for the work they have done and for their great commitment.

It also thanks customers and shareholders for the confidence they showed in 2022. In 2023, PSI will continue to make every effort to be a reliable partner to its customers and to support them in managing the upheaval in their markets with advanced products and market-leading functions. This will be the groundwork for attracting more new customers and returning to growth.

Berlin, March 2023

Karsten Trippel
Chairman of the Supervisory Board

1

PSI App Store: Scaling by Click

In the PSI App Store, we are creating the foundation for ongoing digital transformation and the faster growth of our business.

At the end of 2021, we created one of the first app stores for industrial software, thereby beginning the automated delivery of our products to existing customers. In the past year, we have integrated further product lines and supplementary services into the app store and made them available to a growing number of customers.

This allowed us to outperform our revenue target for the PSI App Store by 50% in 2022 and to attract international resellers and integrators for our products.

EUR 7.5 million

revenues generated by the app store in 2022

EUR 1.5 million

Largest single order placed on the app store

More than 60

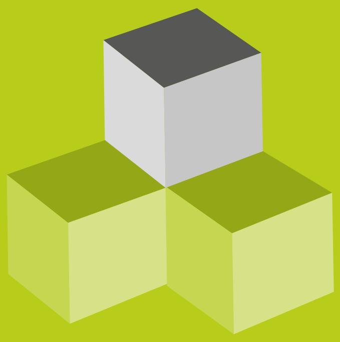
customers placed orders on the app store in 2022

5 PSI divisions made sales on the app store in 2022

2

Simple, Fast, Flexible

Using the PSI App Store, customers can use their solutions directly in the cloud or load them into their own IT environment.



Companies are having to adapt to changes in supply chains and target markets at an ever-increasing pace. Industrial software has to be sourced, configured and operationalized quickly and easily in order to provide effective support. PSI has applied principles that have been successfully implemented in the consumer sector many times over to industrial software products.

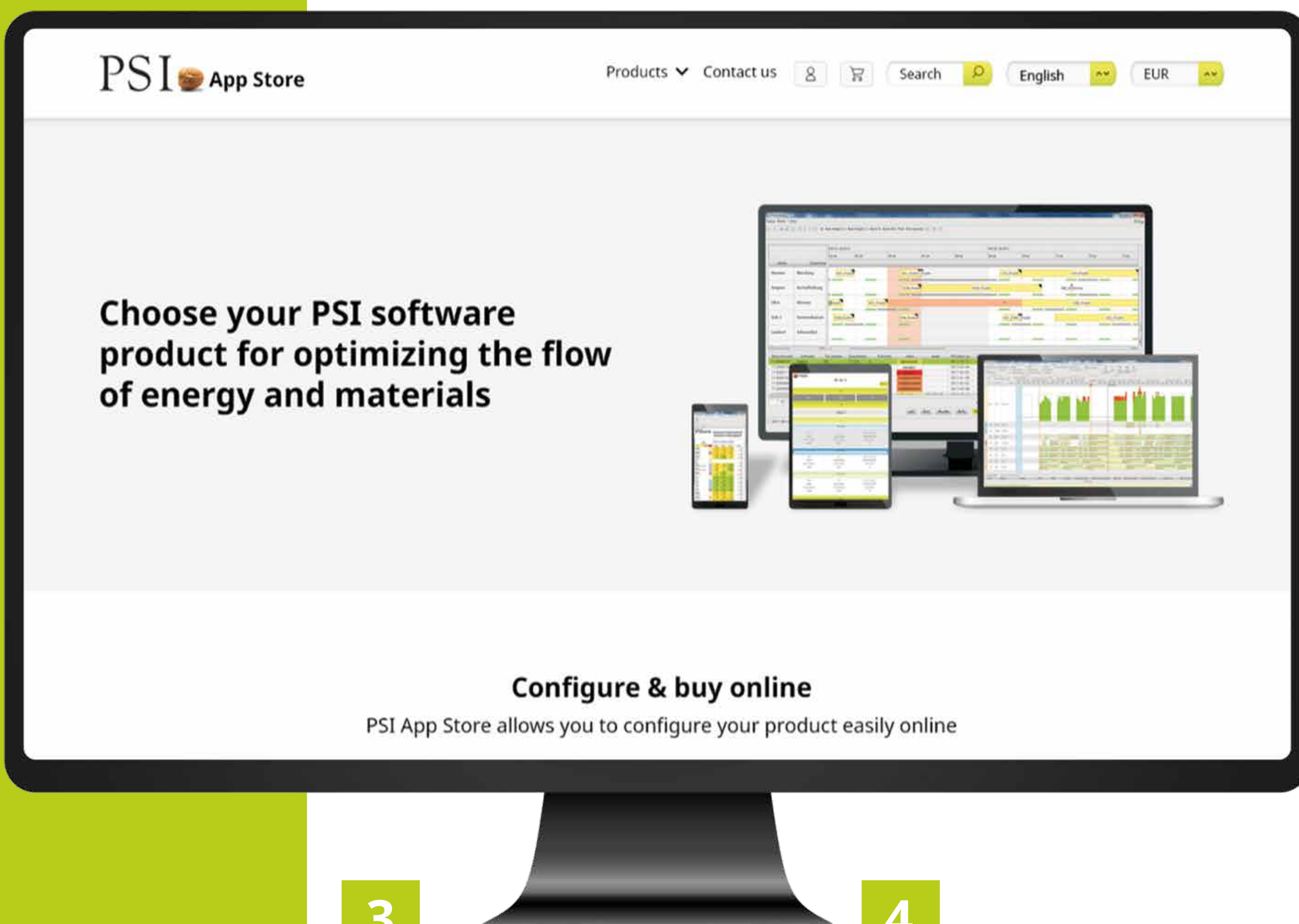
Customers and partners can use software products, new functions or components directly in their own cloud, the PSI cloud or a provider’s cloud and thereby slash the procurement process from months to minutes.

1

THE GREEN PSI APP STORE FOR PROCESS CONTROL SOFTWARE
Customers and partners can find a wide range of software products for the decarbonization of industrial production and for shaping the transition in energy and transport.

2

ALWAYS UP-TO-DATE THANKS TO UPGRADE-AS-A-SERVICE
Automatic upgrade services mean that PSI's state-of-the-art software is always up-to-date and sustainable in the long term as well.



3

MORE AND MORE PRODUCTS AVAILABLE IN THE APP STORE
PSI will gradually be providing its entire product and service range on the app store in the coming years.

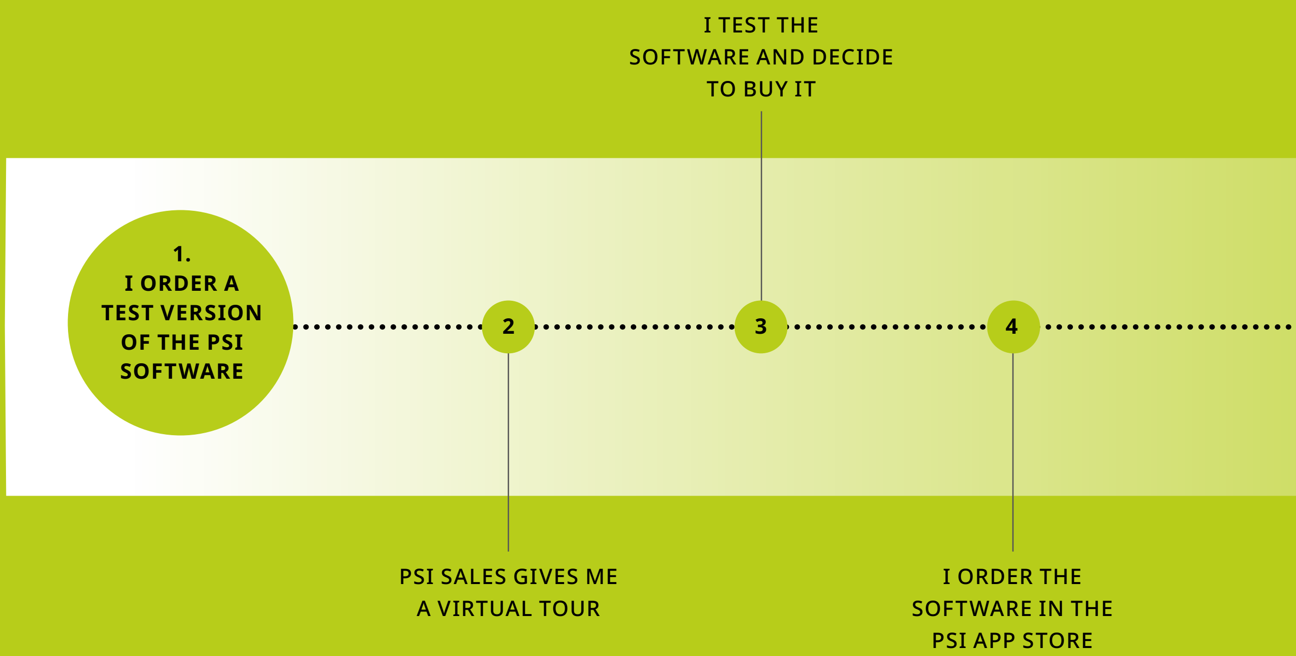
4

POTENTIAL FOR FURTHER SECTORS AND PARTNERS
Partners can offer their own solution on the basis of the PSI platform.

3

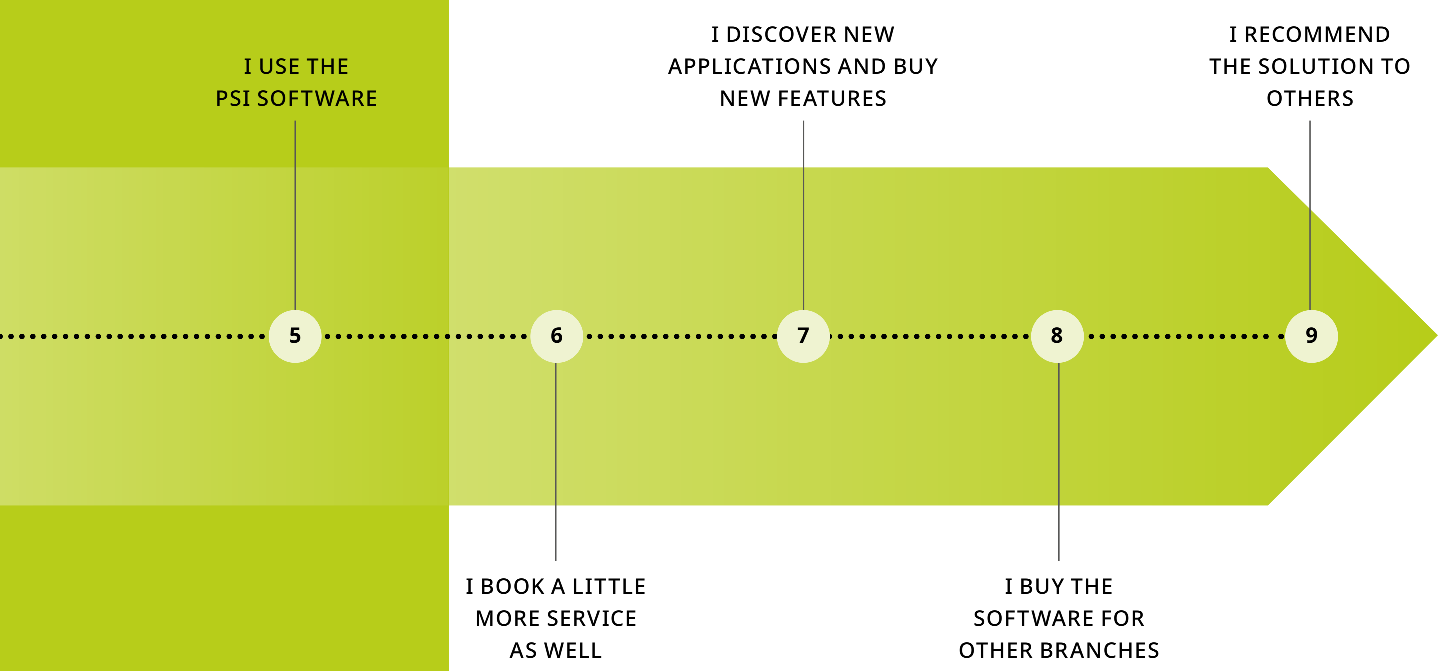
Customer First

PSI understands the customer journey and helps customers on their path to the right software solution.



PSI App Store for Customers
Thanks to the PSI App Store, customers can select software, upgrade it and combine it with additional products or services simply and at any time.

PSI App Store for Partners
Partners can combine existing PSI software components and industry products with their own applications on the basis of PSI Click Design.



4

Success Stories

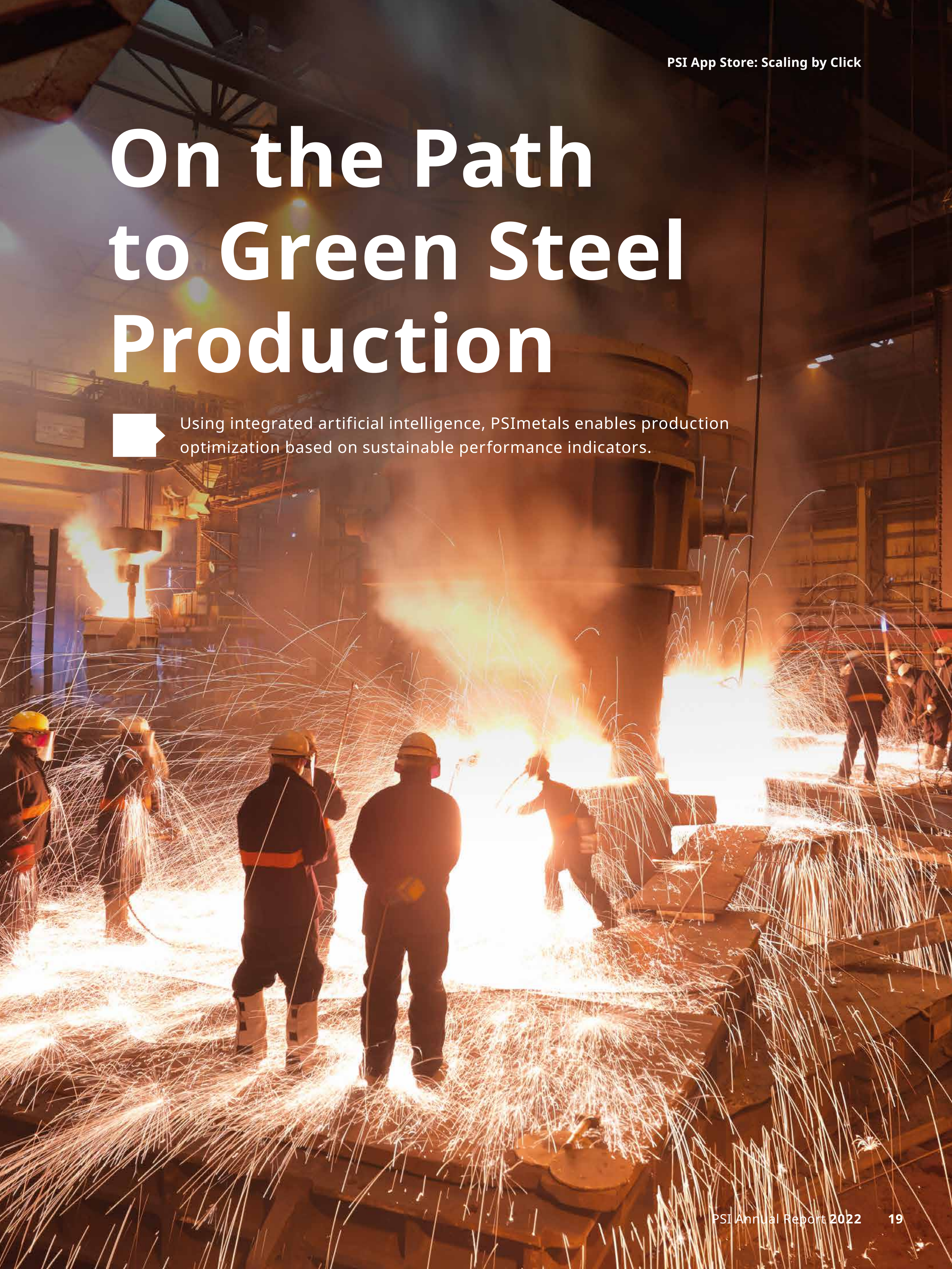
In the first year of its existence, more than 60 customers from various sectors used the PSI App Store to place orders.

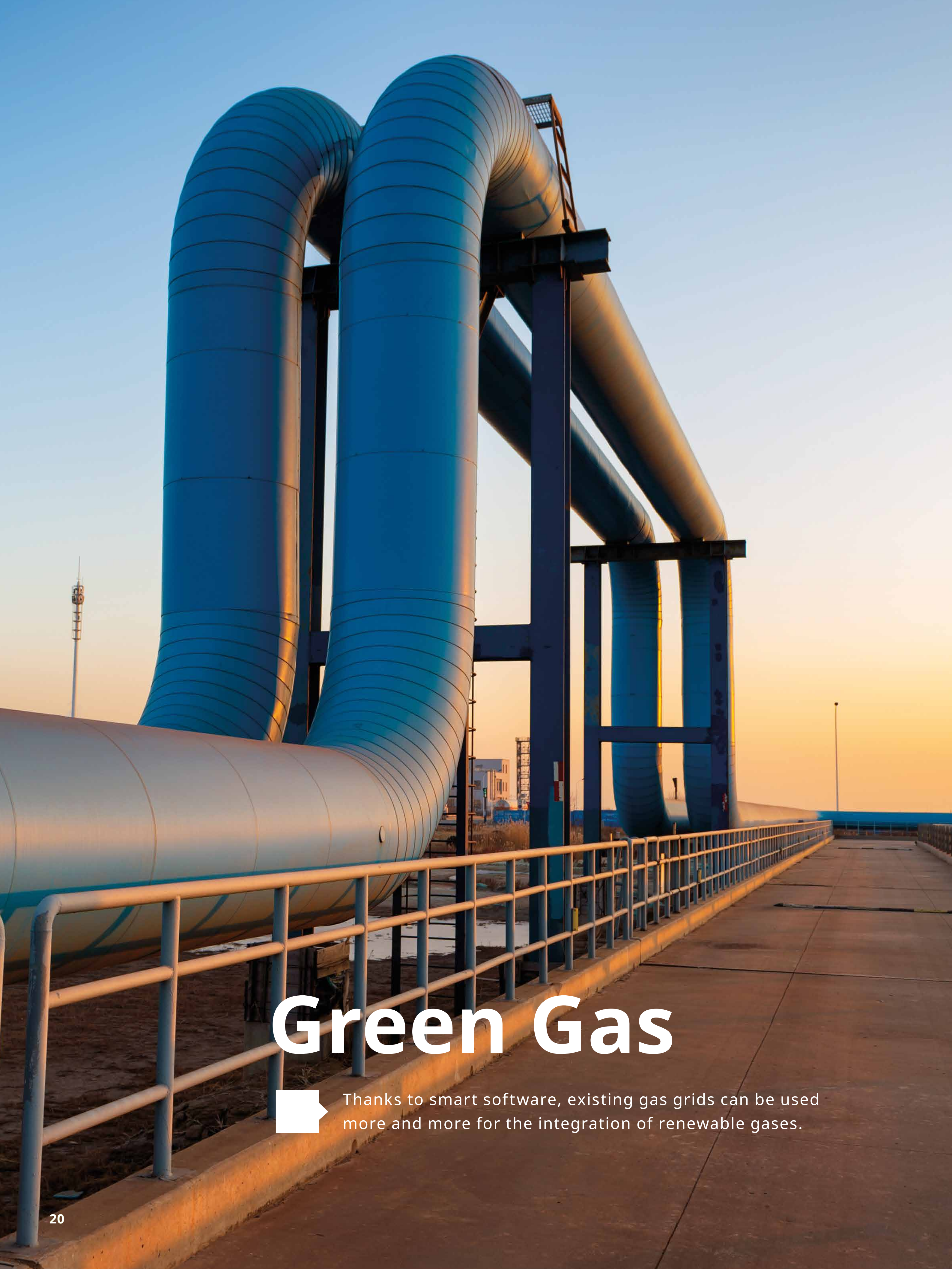
Steel Production with PSImetals
In recent years, PSImetals has established itself as the world-leading software for the end-to-end supply chain in the steel industry. The Metals Virtual Factory, the e-learning range, the certification program for partners and, in the future, the full product spectrum, will be available worldwide thanks to the PSI App Store.

The Perfect Solution for Logistics Service Providers
The configuration and scaling capability of the software used are crucial success factors in the fast-moving logistics sector. As part of the growth strategy of their customers in online and omni-channel retail, logistics service providers especially benefit from standardized products and support services from the app store that make fast software roll-outs possible.

On the Path to Green Steel Production

Using integrated artificial intelligence, PSImetals enables production optimization based on sustainable performance indicators.



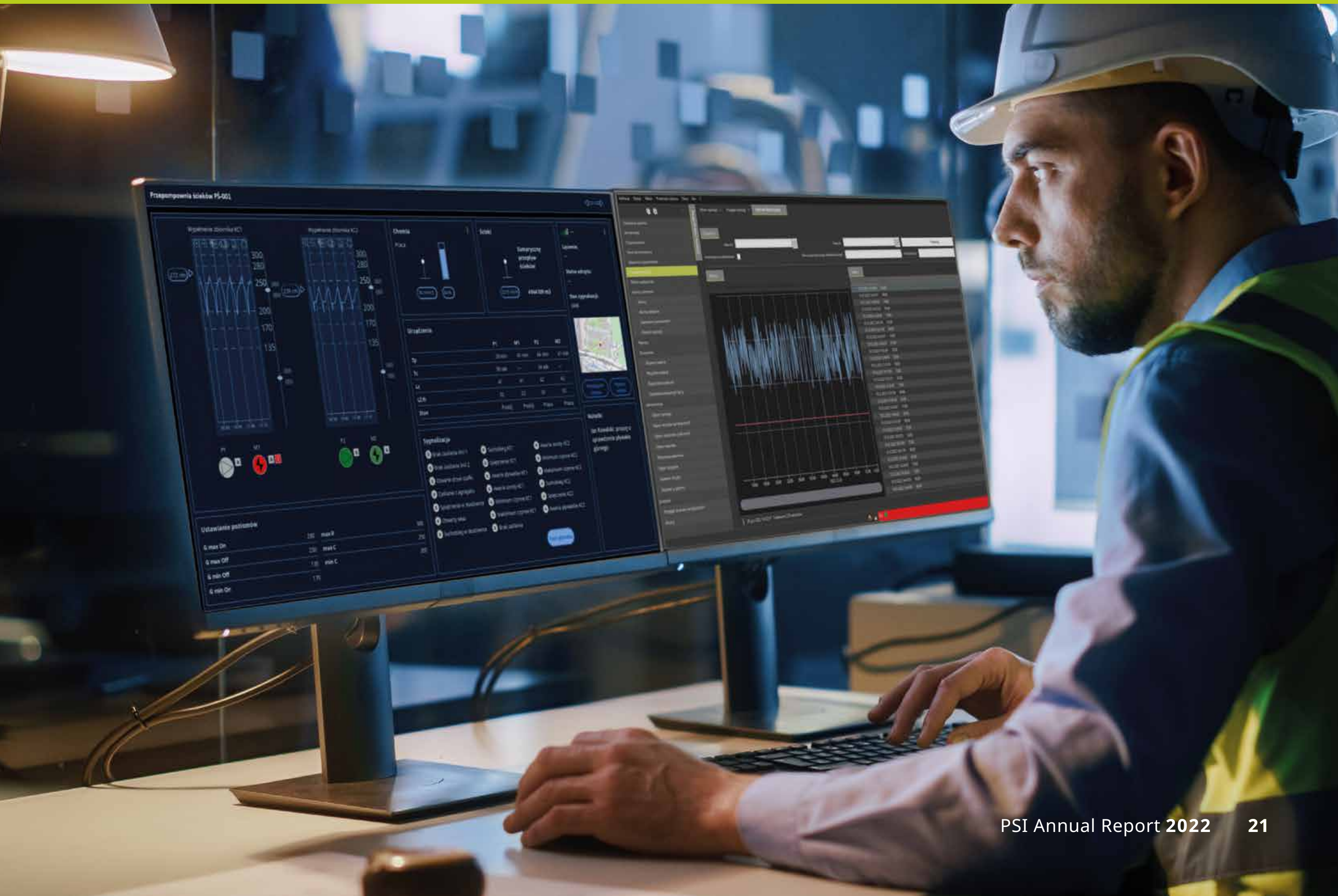


Green Gas

Thanks to smart software, existing gas grids can be used more and more for the integration of renewable gases.

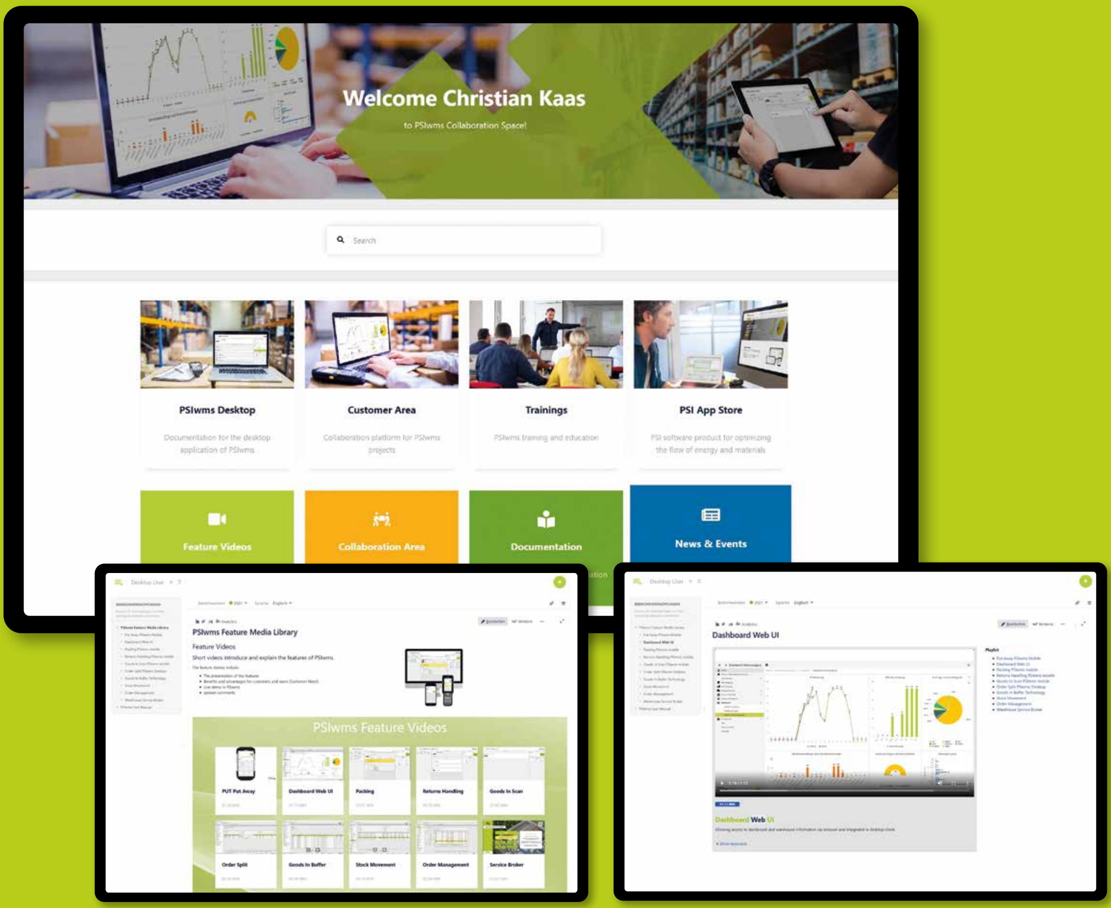
Smart Software Ensures Security of Supply

Complex supply networks can be safely monitored and efficiently managed using PSI's control system software.



Smart Software for Efficient Logistics

Flexible, intuitively usable and sustainable logistics software enables the establishment of high-performance logistics chains.



Integrated Didactics

Our solutions can quickly be used economically thanks to Collaboration Space and integrated training.

Future Market

A future market for smart, automatic grid management is emerging in energy grids – for example with PSI's cloud-based grid agents.

5

All Together Now

Collaboration Space supplements the PSI App Store as a central environment for knowledge transfer and cooperation.

The PSI App Store makes it possible to install and use new software within minutes. Through Collaboration Space, users can quickly acquire the knowledge they need to do so, swap stories and work on change processes together.

- **Online learning and cooperation**
  Tailored training enables a fast induction for PSI's products.

- **Working with partners for extended service**
  Through Collaboration Space, we are increasingly getting partners involved and thereby expanding the range of services for our customers.

- **Benefits for customers, partners and PSI**
  Customers can choose from a broad range of digital and on-site services. Partners provide assistance on-site and receive support from PSI's experts if necessary. PSI can address additional markets.

1

PSI PLATFORM SERVICE
Technical support for partners and PSI market segments

2

PROFESSIONAL SERVICE FROM PSI'S DIVISIONS
Application support for customers and partners

3

PSI PARTNER SERVICES
Extended service for consumers

6

The Scaling of the Future

With the PSI App Store, Collaboration Space and its partner strategy, PSI is creating the foundation for significantly faster growth moving ahead.

As customers are increasingly buying PSI products on the app store and can find the necessary support in Collaboration Space, PSI can continue to scale up its business. In addition to the technical groundwork, PSI is also creating the organizational structure needed for this.

▶ **International Growth in Employees and Partners**

By involving international integration partners and providing digital services in Collaboration Space, PSI is progressively becoming a product provider and can concentrate on the ongoing development of the PSI platform and its industry products.

The Hyperscaling Vision

In the longer term, PSI is seeking to double its headcount worldwide. Using hyperscaling technology, growth in personnel and revenues will increasingly be disconnected, thereby enabling great leaps in profitability.

7

Highlights in 2022

Research for the Energy System of the Future

In 2022 as well, PSI again took part in new energy transition research projects on issues such as leveraging the potential for flexibility at all voltage levels, trialing curative unloading in very high voltage and high-voltage grids, the energy Internet of Things and the use of artificial intelligence in gas grids.

- **PSI One of Europe's Climate Leaders**
  PSI was analyzed by the Financial Times in an extensive study and included in its list of Europe's Climate Leaders in 2022.

- **German Gas Industry Innovation Prize for PSI**
  PSI was awarded the German Gas Industry's 2022 Innovation Prize in the category "Smart Infrastructure."

- **PSI Software Again Recognized as the ERP System of the Year**
  Just like last year, PSIpenta was once again crowned a winner by the Center for Enterprise Research in 2022 – this time in the category of "High-Tech Manufacturing."

The PSI Share

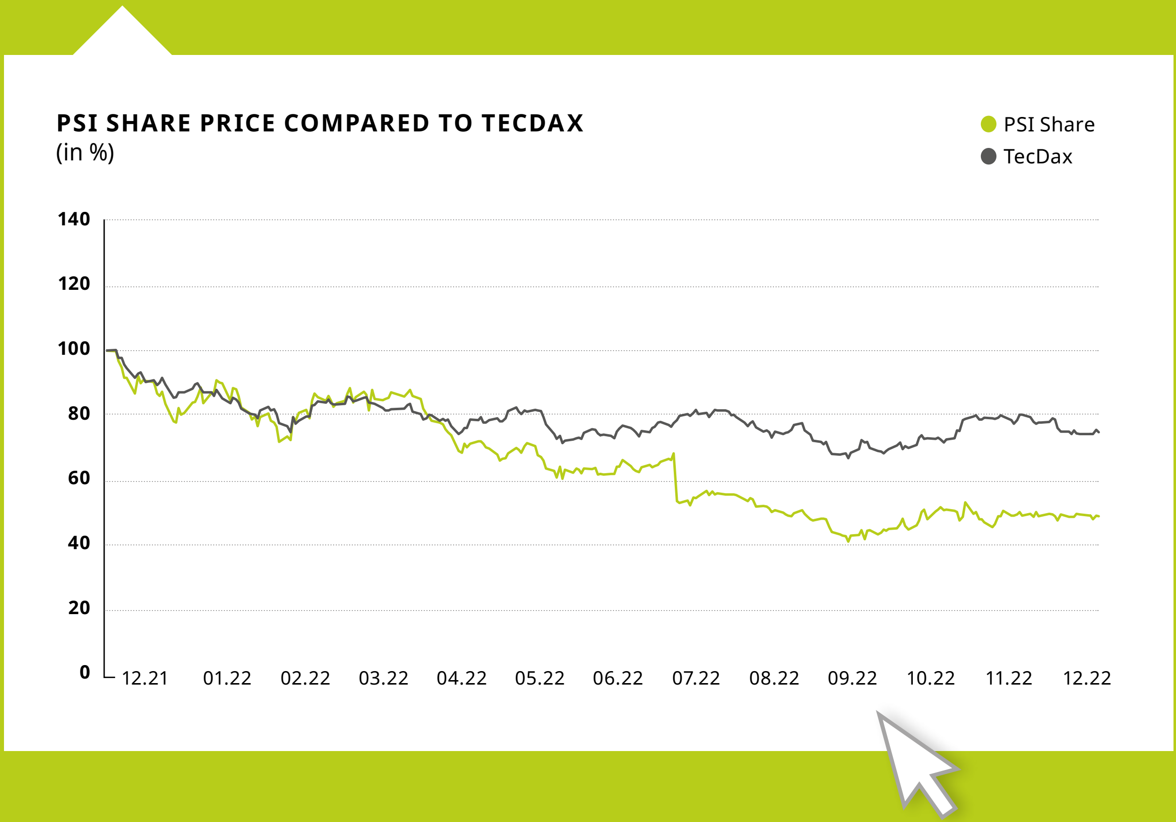
2022 was mainly defined by the war in Ukraine, which fundamentally changed the world’s social, political and economic framework. In its wake, this brought price surges for energy and other goods, which fired inflation rates in the European Union into double digits at times.

The stock markets, which had been at record levels at the start of the year, came under pressure from February, continued their downward trend until the end of September, stabilized in the fourth quarter and ended the year well below their prior-year levels.

SHARE PERFORMANCE DURING THE YEAR

Share Price Under Pressure from Energy Prices and Municipal Utility Business

The PSI share began 2022 at a price of EUR 46.30, close to their long-term high, before coming under pressure along with the rest of the technology sector from March. This pressure then intensified following the publication of the half-year results, which were squeezed by weak business with municipal utilities on account of high energy prices. The shares reached their low for the year of EUR 18.60 at the end of September. After the forecast for the year was refined at the start of October, the shares recovered from these lows and ultimately ended the year at EUR 22.45, down 51.5% on the previous year's closing price.



Capital Market Communications Face-to-Face Again

After two years of mainly using digital channels for communications with investors and analysts, the dialog with the capital market continued to return to investor conferences held in person in 2022. In total, we presented PSI at six virtual and ten physical investor conferences and roadshows. There were also another 25 virtual investor visits and nine investor visits held in person. The dialog with financial and business journalists resulted in almost 60 positive reports on PSI in print media, in online media and on stock market radio and TV. The main issue was again the contribution made by PSI's products to the establishment of smart grid infrastructures and thus the integration of an ever-greater share of renewable energy into existing systems. The potential of the state-of-the-art PSI platform and the industrial PSI app store was also a core part of reporting.

PSI MARKET CAPITALIZATION 2013–2022
(in EUR million)

CREATING LONG-TERM VALUE

Platform with Industrial App Store and Multi-Cloud Technology

In 2022, PSI added further products to the PSI App Store and continued its investment in multi-cloud technology. It is thus successfully advancing the transformation into a platform provider with long-term customer relationships and growing its recurring revenues. Further customers used the PSI App Store to purchase standard components and simulation products and to load them into their own cloud. The app store, PSI Click Design and integrated workflow management speeds up business with existing customers and partners and automates the purchase of add-ons and upgrades.

Industrial Artificial Intelligence Offers Competitive Advantages

PSI combines the outstanding industry expertise it has gathered over more than five decades with the full range of artificial intelligence techniques. The use of more than 50 different artificial intelligence techniques on the basis of a state-of-the-art PSI platform that has been tried and tested in industrial applications gives customers a real competitive edge to prepare them for future challenges. This creates additional growth potential for revenues and profits at PSI.

Pioneer in Digitalization, Integrated Energy and Industrial Flexibilization

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

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

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

ANALYST RECOMMENDATIONS FOR THE PSI SHARE IN 2022

7	0	0	36.71
positive recommendations	neutral recommendations	negative recommendations	EUR average price target

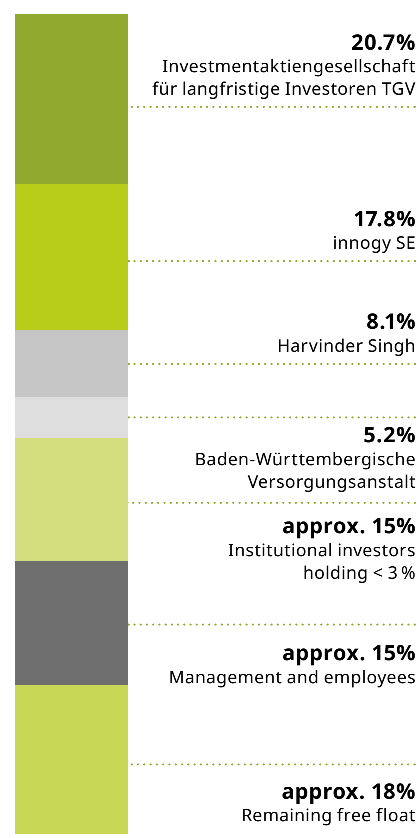
KEY FIGURES AND DATA ON THE PSI SHARE

Key figures on the PSI share	2022	2021
Earnings per share in EUR	**0.62**	1.01
Market capitalization on December 31 in EUR	**352,405,867**	726,788,046
High for the year in EUR	**47.10**	49.30
Low for the year in EUR	**18.60**	24.20
Number of shares on December 31	**15,697,366**	15,697,366

Data on the PSI share

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

SHAREHOLDER STRUCTURE ON DECEMBER 31, 2022



INVESTORS ASK, PSI ANSWERS

What opportunities are available to PSI as a result of the public sector subsidy programs for climate protection?

The reduction targets and subsidy programs of the German federal government, the European Green Deal and the US Inflation Reduction Act are creating incentives for increased investment in renewable energies. This will also require investment in grid reinforcement, storage and conversion facilities as well as smart software to manage these facilities. As the German-language market leader, PSI has developed the necessary smart grid software and expects these initiatives to lead to a substantial surge in demand in the years ahead.

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

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

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

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

FINANCIAL STATEMENTS (IFRS)

of PSI Software AG for the 2022 Financial Year

CONSOLIDATED MANAGEMENT REPORT

of PSI Software AG for the 2022 Financial Year

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 system.

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 approximately 2,250 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 central aspects of the Group's strategy are increasing its market share, internationalization and a stronger focus on the platform-based software product business. In this way, PSI creates and maintains sustainable and secure jobs. To achieve its strategic goals, the PSI Group focuses on technology leadership, the openness of the Group technology platform and a high pace of development in order to influence the target sectors. In some cases, products and technologies are developed in collaboration with customers in pilot projects.

PSI pursues a growth strategy with a particular focus on international business. PSI is growing in the markets of Northern and Central Europe and increasingly also in North and South America. Over the coming years, PSI will 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 247.9 million. The share of the Group's revenues attributable to international business climbed from 13.4% to 43.9% in this period. In the same period, the share of consolidated revenues attributable to license business rose from 4.1% to 5.8% and the share of revenues attributable to long-term maintenance agreements more than doubled from 17% to 38.9%.

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;

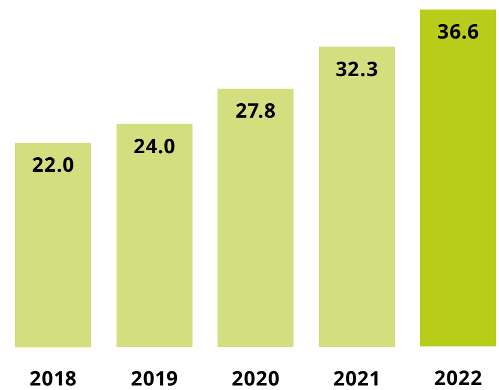
- the share of consolidated revenues attributable to license revenues and revenues from recurring maintenance and update contracts as key figures for PSI's transformation from a service-oriented IT provider to a software product provider.

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.

R&D Expenses Rise Again
(EUR million)



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 platforms and the exchange of new functionalities within the Group.

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

Development activities in 2022 focused on the PSIcontrol grid control system and the ongoing development of the PSI App Store and the cloud platform. The aim of this strategic development is to deliver platform products directly to the private clouds of Group customers or the PSI cloud. Easy-to-use tools allow customers and consulting partners to adjust workflows and graphic user interfaces during runtime and to use both traditional PC workstations (rich clients) and web applications (thin clients) from a single application. PSI has established a Group-wide development community and developed a modern software platform that will form the basis for all products in the medium term. All relevant products in the Production Management segment and a third of the Energy Management products already run on the platform. In 2022, work continued on the transition for additional products as part of pilot projects. Reusing the same software modules in the Group and standardizing software tools and programming language for all employees worldwide improves the conditions for further export growth and also reduces development costs.

In 2022, the PSI Group's research and development expenses (costs recognized as expenses and capitalized software development costs) amounted to EUR 36.6 million, up 13.3% from EUR 32.3 million in the previous year. This amount did not include any relevant purchased services. The capitalization rate was 15.7% after 0% in the previous year. Amortization of EUR 0.2 million related to software development costs capitalized in previous years.

Development work in 2022 focused on:

– investment in the upgrade capability of versions 4.10 and 4.11 of the PSIcontrol grid control system and functional improvements in the areas of process visualization, configuration and web presentation;

– the further development of Redispatch 2.0 components for grid status forecasting and the PSIsaso/DSO optimization software;

– optimization of the new gas control system for high performance and high availability based on the PSI platform as part of a pilot project;

– the ongoing development of the PSImarket energy trading software in the areas of energy data and contract management, user interface and calculation functions;

– the addition of new functions for planning, quality management, AI-based production optimization and logistics to the PSImetals metals production software;

– ongoing further development of the PSI software platform and its rollout in additional products. In particular, further development relates to the cloud-based PSI App Store, the associated collaborative environment and ensuring that business process and user interfaces can be easily modified using graphic tools.

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

This research focuses on projects related to successfully implementing the energy transition and integrating an increasing share of energy from renewable sources. This includes the development of smart grid technologies, intelligent integration of electric mobility in municipal distribution grids, grid restoration taking 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 40% to 50% of the personnel expenses and operating expenses incurred for these research projects in the PSI Group. The PSI Group recognized state subsidies of EUR 5.8 million in total in the 2022 financial year.

ECONOMIC REPORT

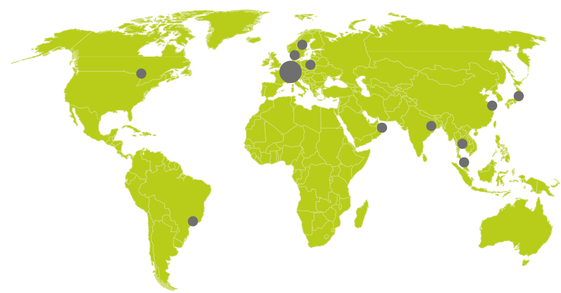
Business Performance and General Conditions

Production Down on Global Steel Market

The German economy grew again in 2022 despite tough overall conditions. Adjusted for inflation, gross domestic product rose by 1.8% after more significant growth of 2.6% in the previous year. For a focused software provider like PSI, the economic development in its key target sectors is particularly important. According to the World Steel Association, the global steel market, in which PSI is one of the main software suppliers, saw a reduction of 4.6% in global crude steel production in 2022 after an increase of 3.7% in the previous year. In this environment, PSI improved on the previous year's new orders for steel software, partly thanks to orders from the US, Latin America and India. The areas of Electricity Grids as well as Gas Grids and Pipelines were impacted by the sharp increases in procurement prices on the energy market. There was therefore a significant decline in new orders in Germany, which had still been rising in the previous year.

Against the backdrop of the war in Ukraine, PSI's Executive Board resolved at the end of the second quarter to halt the operations of the Russian subsidiaries and to classify them as a discontinued operation. The prior-year figures of the consolidated income statement were restated accordingly to show discontinued operations separately from continuing operations.

International Presence and Locations in Europe and Worldwide

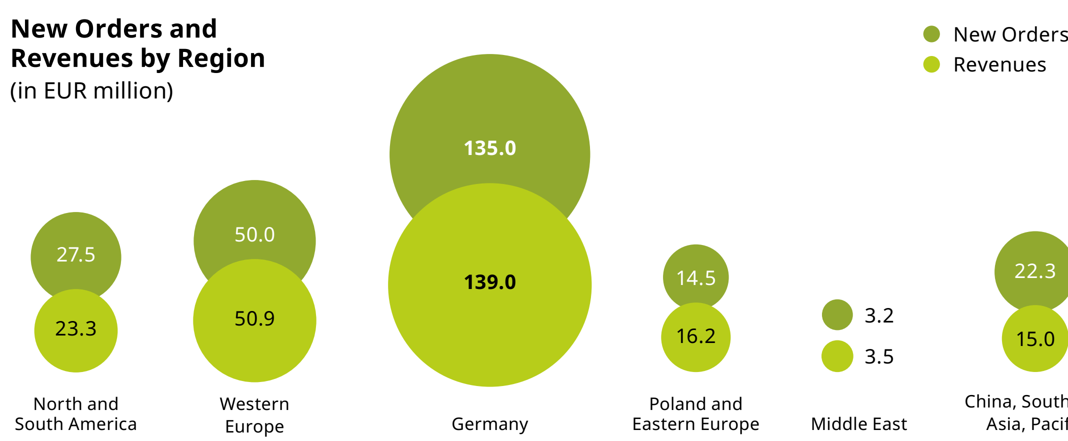


• **PSI locations:** Austria, Belgium, Brazil, China, Denmark, Germany, India, Japan, Malaysia, Netherlands, Oman, Poland, Sweden, Switzerland, Thailand, UK, US

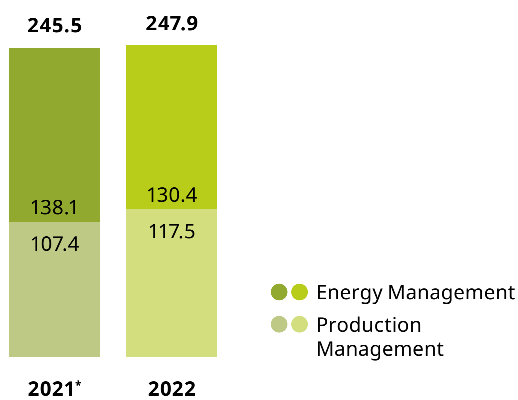
Production Segment Increases Revenues and Earnings; Earnings Down in Energy Segment

In the reporting year, PSI was affected by weak incoming orders and cost overruns in its business with municipal utilities as well as the withdrawal from the Russian market.

New Orders and Revenues by Region
(in EUR million)



Production Management Grows by 9.4%
(in EUR million)



* Restated

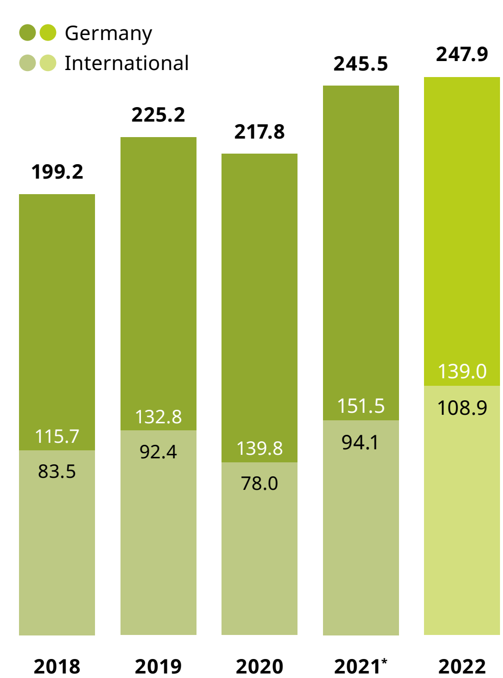
Consolidated revenues rose only slightly by 1%, while the operating result declined by 19.1%. At EUR 253 million, the Group's new orders were 4.9% lower than the previous year's level of EUR 266 million. The order backlog as at the end of the year rose by 3.1% year-on-year to EUR 155 million.

On the energy market, Electrical Energy reported declines in new orders, revenues and earnings, mainly on account of weak demand in business with municipal utilities. New orders and revenues were down in the Gas Grids and Pipelines division as well, though there was an improvement in its earnings. In public transport business, PSI received a major international order for electric bus depot software and saw increases in new orders, revenues and earnings. In the Production Management segment, there was significant growth in new orders, revenues and earnings in Metals Production, PSI Poland and AI software business in particular.

Overall Assessment of Business Performance

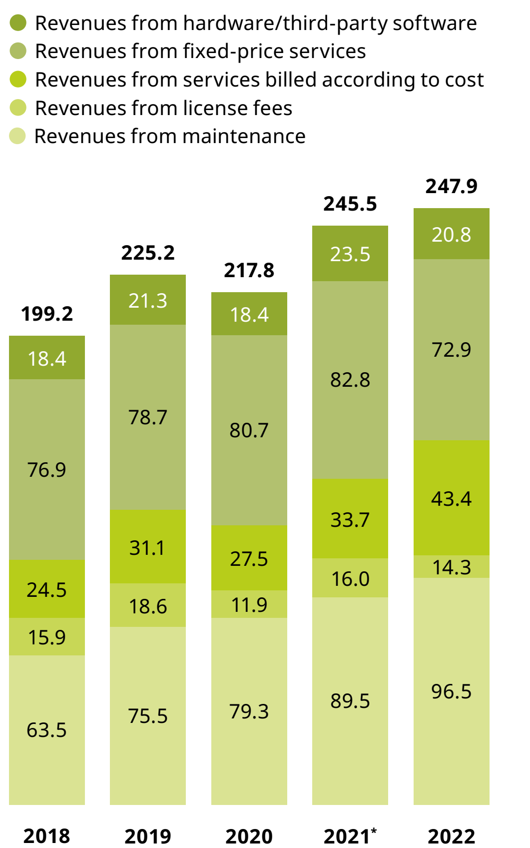
PSI failed to achieve the target formulated for 2022 of a 10% increase in new orders and revenues, with new orders down by 4.9% at EUR 253 million and revenues rising by 1% to EUR 247.9 million. Down by 19.1% at EUR 20.2 million, the operating result fell well short of the targeted growth of 20%. As a result, the EBIT margin declined from 10.2% in the previous year to 8.1%. The failure to hit targets was essentially due to weak demand and cost overruns in business with municipal utilities and the withdrawal from the Russian market. The share of total revenues attributable to license business decreased from 6.5% to 5.8%, while the share of maintenance business rose from 36.5% to 38.9%. Unlike in the previous year, revenues and earnings increased only in the Production segment, while revenues and earnings were down in the Energy segment. Business

Growth in Export Revenues
(in EUR million)



* Restated

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



* Restated

grew in North and South America especially, while there was a contraction in Germany and other geographical target markets remained stable. Overall, the PSI Group was able to limit the negative impact of the Ukraine war in 2022.

Result of Operations

Consolidated Revenues Up Slightly on Previous Year

Consolidated revenues amounted to EUR 247.9 million in 2022, an increase of 1% on the previous year's figure of EUR 245.5 million. Energy Management reported a decline in revenue of 5.6% as against the previous year, while Production Management revenues rose by 9.4%. Revenues per employee, based on the average number of people employed in the Group, decreased from EUR 121,000 in the previous year to EUR 110,000.

Slight Increase in Share of Purchased Services and Staff Costs

Expenses for purchased goods and services moved up by EUR 0.9 million to EUR 36.3 million. Expenses for project-related procurement of hardware and licenses increased by EUR 0.4 million while expenses for purchased services rose by EUR 0.5 million. At EUR 161.6 million, staff costs were up 3.7% year-on-year.

Decline in Operating Result and Group Net Result

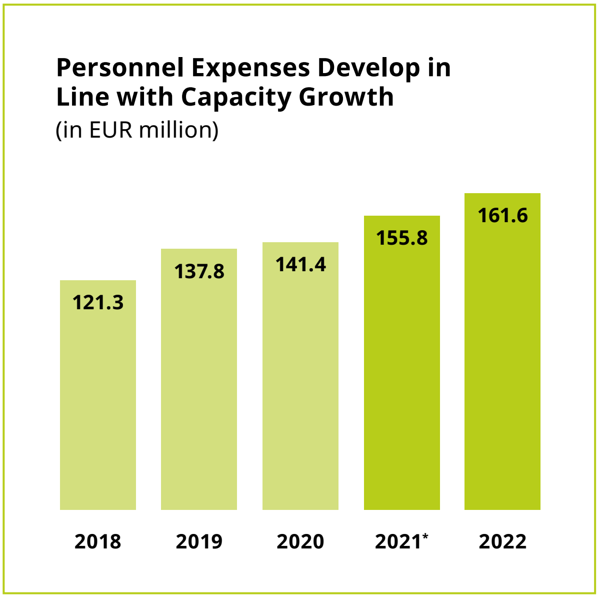
At EUR 20.2 million, the PSI Group's operating result was 19.1% lower than the previous year's EUR 25.0 million. The Group net result diminished from EUR 15.8 million to EUR 9.7 million in the year under review. Earnings per share fell accordingly from EUR 1.01 to EUR 0.62. Metals Production, Automotive & Industry and PSI Poland in particular made a positive contribution to earnings.

New Orders Down on Previous Year

New orders amounted to EUR 253 million in 2022, down 4.9% on the previous year's figure of EUR 266 million and thus 2% higher than revenues. The order backlog fell by 3.1% to EUR 155 million as at the end of the year.

Increase in International Revenues

Revenues generated outside Germany rose by 15.7% from EUR 97.1 million in the previous year to EUR 108.9 million, driving the export share from 38.3% to 43.9%. The share of international orders in Metals Production increased from 45% to 46%, mainly due to further large orders.



* Restated

Maintenance revenues increased from EUR 89.5 million to EUR 96.5 million, causing the share attributable to maintenance to rise from 36.5% to 38.9%. License revenues declined from EUR 16.0 million to EUR 14.3 million. In line with the focus on increasing software product business, maintenance and long-term upgrade contracts in particular are to increase further.

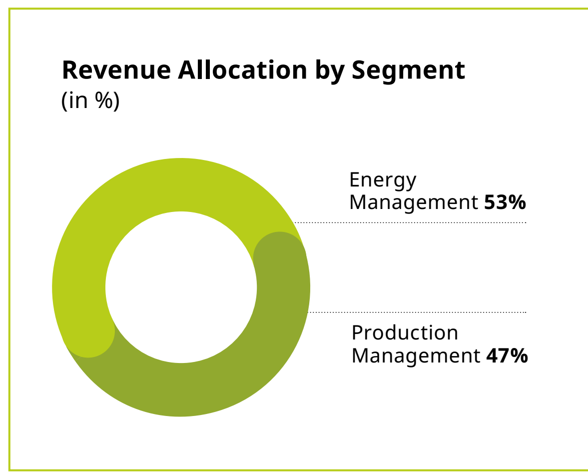
Revenues declined in Energy Management while expanding in Production Management, causing Energy Management's share of consolidated revenues to drop from 56.3% in the previous year to 52.6%. The share attributable to Production Management rose accordingly from 43.7% to 47.4%.

Revenues and Earnings Decline in Energy Management Segment

In 2022, Energy Management was characterized by a significant drop in revenues in the Electrical Energy division and by growth and improved earnings in the areas of energy trading and public transport. Overall, revenues declined by 5.6% to EUR 130.4 million, falling short of the targeted growth of 10%. The segment comprises the areas of electricity grids, gas grids, pipelines, energy trading, public transport and business in Southeast Asia. The operating result decreased significantly from EUR 9.7 million in the previous year to EUR 1.4 million.

Strong Increase in Revenues and Earnings in Production Management

Revenues in Production Management improved by 9.4% to EUR 117.5 million in 2022, in line with the projected growth of 10%. In this segment, PSI develops solutions for efficient planning and controlling of production and logistics processes. The segment's operating result climbed by 23.2% to EUR 20.2 million, thereby outperforming the forecast of approximately 20%. The highest margins were generated by PSI Metals, PSI Automotive & Industry, PSI FLS Fuzzy Logik & Neuro Systeme and PSI Poland.



Group Structure as at December 31, 2022

Energy Management

PSI Software AG 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%
OOO PSI (Russia)	100%
OOO OREKHsoft (Russia)	49%
OOO PROGRESS (Russia)	49%
caplog-x GmbH	31.3%

Production Management

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

Financial Position

On December 31, 2022, for financing its operating business, PSI had cash and cash equivalents, financial liabilities at subsidiaries and guarantee and cash credit facilities totaling EUR 108.1 million. Guarantee and cash credit facilities had amounted to EUR 108.0 million in the previous year. Utilization predominantly related to the guarantee credit facilities and increased from EUR 42.0 million in the previous year to EUR 43.0 million as at the end of the reporting period.

The Group was able to meet its payment obligations as planned at all times in the 2022 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 declined from EUR 38.8 million in the previous year to EUR 3.4 million. This was mainly on account of year-on-year changes in working capital and the negative cash flow from discontinued operations.

Cash flow from investing activities declined from EUR –5.0 million to EUR –9.8 million. This was due to the rise in capitalized software development costs from EUR 0 to EUR 5.7 million and the year-on-year reduction from EUR 3.8 million to EUR 3.3 million in investment in IT and office equipment.

Cash flow from financing activities declined from EUR –7.7 million to EUR –15.9 million, predominantly as a result of the higher dividend payment and buyback of treasury shares.

Cash and cash equivalents fell from EUR 67.5 million to EUR 45.4 million at the end of the year.

Net Asset Situation

Balance Sheet Structure: Equity Ratio Increases to 43.7%

The total assets of the PSI Group declined from EUR 284.1 million to EUR 272.6 million in 2022.

On the assets side, non-current assets decreased slightly from EUR 119.0 million to EUR 118.4 million as a result of lower deferred tax assets and an increase in intangible assets. Current assets declined from EUR 165.1 million to EUR 154.2 million. Within this item, cash and cash equivalents were down by EUR 22.1 million, while trade receivables rose by EUR 6.8 million and income tax receivables by EUR 2.1 million.

On the equity and liabilities side, current liabilities increased from EUR 83.8 million to EUR 86.0 million. Non-current liabilities declined from EUR 85.6 million to EUR 67.6 million, mainly on account of the reduction in pension provisions and deferred tax liabilities. Equity increased from EUR 114.7 million to EUR 119.0 million. In line with this, the equity ratio rose from 40.4% to 43.7%.

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

The Group's net assets and results of operations deteriorated year-on-year in the 2022 financial year, though there was an improvement in its financial position. The operating result, the Group net result, cash flow from operating activities and liquidity deteriorated in particular, while the equity ratio continued to rise. 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 82% in 2022 after 96% in 2021, which was below its target range. This was mainly as a result of higher staff turnover and a significant increase in sick leave while employee satisfaction remained constant.

The customer loyalty index score climbed to 90% in 2022 after 87% in the previous year, mainly reflecting the higher share of maintenance and upgrade revenues with a constant willingness to provide a reference. The 2022 customer loyalty index was thus at the upper end of the target range.

STATUTORY DISCLOSURES

Disclosures in accordance with Section 315a(1) HGB

As at December 31, 2022, the share capital of PSI Software AG amounted to EUR 40,185,256.96 and was divided into 15,697,366 no-par-value shares with an accounting par value of EUR 2.56. Each share confers the right to one vote. There are no different classes of shares. The shareholders exercise their voting rights at the Annual General Meeting in accordance with the statutory requirements and the Articles of Association. There may be statutory restrictions on voting rights in accordance with section 136 of the Aktiengesetz (AktG – German Stock Corporation Act) or, to the extent that the Company holds treasury shares, in accordance with section 71b AktG. PSI Software AG issued a total of 17,536 shares to employees as staff shares in the second half of 2021 and a further 51 shares in the first quarter of 2022. A contractual prohibition on the sale of these shares until November 10, 2023, was agreed. In the second half of 2022, PSI Software AG 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 2022 financial year, Mr. Norman Rentrop, Germany, held a 20.65% interest in PSI Software AG, held via Investmentaktiengesellschaft für langfristige Investoren TGV, which he controls. According to the notification in accordance with section 27a(1) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) dated September 7, 2017, the investment in PSI Software AG serves the long-term objective of generating trading profits.

In the 2022 financial year, innogy SE, Essen, Germany, held a 17.77% interest in PSI Software AG. According to PSI Software AG's knowledge, innogy SE is a company in which E.ON SE, Essen, has a majority shareholding. E.ON SE is a major distribution grid operator and an important customer of PSI Software AG in the Energy Management segment. According to the notification from E.ON SE in accordance with section 43(1) sentence 3 WpHG dated October 22, 2019, the investment in PSI Software AG is a direct consequence of the acquisition of the majority interest in innogy SE and thus serves the purpose of implementing strategic goals.

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

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

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

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

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

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

The Executive Board of PSI Software AG was authorized by the Annual General Meeting on June 9, 2020, to acquire treasury shares in the Company in a volume of up to 10% of the share capital until the end of June 30, 2023. Together with treasury shares acquired for other reasons that are owned by or attributable to the Company, the shares acquired on the basis of this authorization must not exceed 10% of the Company's share capital at any time. Treasury shares 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 on PSI Software AG's website.

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 2022 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 (13 individual risks)
- Organizational and legal risks (6 individual risks)
- Operating business risks (17 individual risks)

Analysis of Risks and Opportunities

The PSI Group is exposed to a range of risks. In the 2022 financial year, the risk profile was mainly altered by the war in Ukraine and the associated economic consequences. As a consequence of the outbreak of war and the associated sanctions imposed by the EU, it has no longer been possible for the PSI Group to market its software products to Russian customers from 2023. The Executive Board of the PSI Group therefore initiated the sale of its Russian operations in 2022, a process that was completed by the time of the preparation of the consolidated financial statements. All risks arising from the cessation of Russian operations are fully contained in the result of discontinued operations.

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 2022 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. The segment continues to be affected significantly more by the economic consequences of the war in Ukraine. 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 2022, 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 expansion of international activities.

Corporate strategy risks (without assessment)

Transformation of the PSI Group

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

Organizational and legal risks

Compliance (material)

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

Availability and security of IT systems (material)

Business processes in the PSI Groups 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. 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.

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 still sells and implements large, technically complex projects at a fixed price. 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 financial year 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 in conjunction with the energy crisis. 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. Work on the existing management instruments is continuing for the risk situations that occurred in combinations in the 2022 financial year. In particular, objectives include the increased standardization of legal terms and an improvement in the forecasting of employee capacity utilization and 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. At the same time, PSI has brought products and components together on a joint platform as part of a Group-wide convergence process to enable it to benefit from high quantities. Investment in the expansion of the PSI App Store and the collaborative environment continued in 2022. Further products are now available in the app store and are being delivered to a growing number of customers with a greater degree of automation. 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 consequences for revenues and earnings. The PSI Group is countering this risk with investment in the upgrade capability of software products and new upgrade-as-a-service contracts.

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 AG 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.

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

FORECAST

PSI began 2023 with an order backlog of EUR 155 million. The renewal of the product basis was continued with a further increase in expenses for research and development, product migrations, pilot projects and investments in the cloud and the app store strategy. The conditions for the broader marketing of new products and the achievement of medium-term targets thus improved in 2022 as well despite the operating challenges.

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

By means of the migration of further products to the new, uniform software platform and convergence of the technical base, the quantities sold will be increased further and the share of revenues attributable to licenses, upgrades and maintenance expanded. In particular, the marketing of platform products to customers and partners on the cloud-based PSI app store reduces the risks to PSI and increases the number of units sold. The portfolio is to continue its selective expansion in order to leverage opportunities and enhance efficiency. In this way, we improve the basis for accelerating our growth and further increasing our margins.

On February 24, 2022, the Russian Federation profoundly changed the global social, political and economic environment with its military attack on Ukraine. The consequences of the war, such as sanctions, restricted imports of raw materials and higher energy costs, had a strong impact on energy policy and the general economic situation throughout Germany and Europe, and thus on the operations of the PSI Group, in 2022. In the second year of the war as well, it is difficult to assess and plan for how events will unfold and the resulting medium- and long-term consequences. PSI monitors the risks that directly affect its operations on an ongoing basis, focusing in particular on those risks that could occur as a result of persistently high volatility on the energy markets. With its risk tracking, PSI wants to take into account company-specific risks and opportunities which the change in general conditions brings.

In the Energy Management segment, we expect Electrical Energy business to stabilize with moderate growth in the segment's other units in 2023. In Production Management, we are continuing to invest in the future issues of decarbonization and flexibilization, where we are using artificial intelligence. We intend to further improve revenues and profitability in the medium and long term with the renewed product base, the digitalization of our own sales and service processes using the PSI App Store and a partner campaign. Setting aside the possibility of an escalation of the geopolitical situation, for 2023 we are aiming to increase new orders and revenues by up to 10% and the operating result by at least 20%, distributed equally across the two segments. We are therefore aiming to improve the EBIT margin by at least 1%. Revenues of at least EUR 12 million should be generated through the PSI App Store. Within the revenues mix, we are focusing on higher license revenues and recurring revenues from maintenance and update contracts, where stronger growth is expected than for other services. We are aiming for slight improvements in the non-financial indicators of the employee commitment index and the customer loyalty index in 2023.

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

Berlin, March 22, 2023

Dr. Harald Schrimpf

Gunnar Glöckner

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 relevance to the Group and derived non-financial key performance indicators on this basis. 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. 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 82% in 2022 after 96% in 2021, which was below its target range. This was as a result of higher staff turnover than in the previous year and a significant increase in sick leave while employee satisfaction remained constant. PSI attributes this to the normalization of the labor market and the end of COVID-19 measures as well. For 2023, PSI is aiming for an index value of between 83% and 85%.

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 90% in 2022 after 87% in the previous year, mainly reflecting the higher share of maintenance and upgrade revenues with a constant willingness to provide a reference. The 2022 customer loyalty index was thus at the upper end of the target range. For 2023, PSI is 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 2022, with a small number of exceptions that are discussed in the declaration of compliance. The declaration of compliance, the corporate government declaration and the remuneration report are published on the website at www.psi.de/en/psi-investor-relations/corporate-governance.

Sustainability in PSI Products and Internal Processes

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

PSI's control systems for managing major electricity grids have been and still are being continuously expanded with functions that enable the 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 providers used by PSI internally and in customer projects have undertaken to reduce greenhouse emissions by 65% to 2025 and by zero to 2030. In Germany, PSI procures energy solely from renewable sources and uses cogeneration at its location in Aschaffenburg. At its Aschaffenburg site, PSI has also acquired charging stations which are operated by AVG (the regional utility) and used for charging electric company cars and private electric vehicles.

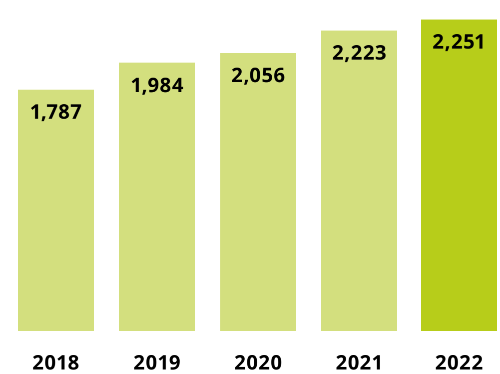
To evaluate energy flows and potential for improvement in the area of energy efficiency, in 2020 PSI carried out an energy audit in line with DIN EN 16247. PSI has participated in the Carbon Disclosure Project since 2011 and received a climate change score of B– in 2022, which confirmed the previous year's rating.

As in previous years, PSI was again awarded the DZ Bank Seal of Quality for Sustainability in 2022. The Financial Times included PSI as one of just 25 tech companies in its list of Europe's Climate Leaders in 2022. In an extensive study published in November 2022, the news magazine FOCUS and the For Our Planet initiative commended PSI as a company with a top climate commitment for the second time, with PSI achieving an "excellent" rating across the board. Implementation of environmental management is currently being evidenced by external energy audits and involvement in the Carbon Disclosure Project. Certification according to DIN EN ISO 14001 was initiated in conjunction with a pilot project in a selected business unit.

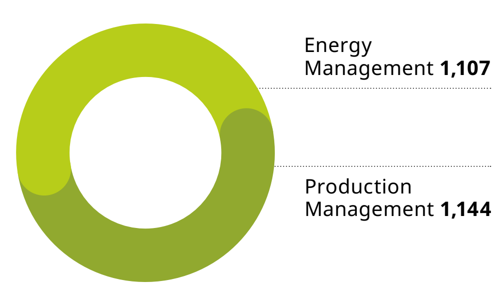
Employees and Social Commitment

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

Number of Employees Rises Further
(employees on December 31)



Breakdown of Employees by Segment
(number of employees)



and standardization within the Group. Employee training for the uniform Java technology platform is particularly important for the strategic development of the Group.

In order to make contact with graduates in the relevant courses of study at an early stage, PSI is involved in promoting education and research in science and engineering. 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 amounting to around 20% is held by employees and managers. Since 2011, PSI has issued staff shares to promote employee participation; these shares can be acquired for this purpose on the stock market, for example. The number of employees rose by 28 to 2,251 as at the end of the year, 1,107 of whom in the Energy Management sector and 1,144 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.

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) have been adopted according to which business activities are deemed sustainable if they make a substantial contribution to achieving the objectives (climate mitigation and climate change adaptation), do no significant harm to other environmental objectives and comply with minimum social safeguards for occupational health and safety and human rights. For the 2022 reporting year, both Taxonomy eligibility and, for the first time, Taxonomy alignment have to be reported on for the first two environmental objectives.

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 and the key indicators of turnover (revenues), operating expenditure and capital expenditure were determined on this basis:

All amounts in EUR million for 2022	Revenues	Operating expenses	Investments
Contribution to climate change mitigation (Annex I)			
8.1. Data processing and hosting	7.5	Not material	0.9
8.2. Data-driven solutions for greenhouse gas emissions reduction	Still not material	Still not material	Still not material
Contributing to climate change adaption (Annex II)			
8.2. Provision of services in information technology	221.2	30.8	Not material
Taxonomy non-eligible economic activity	20.8	0.0	4.8
Total	247.9	30.8	5.7
Share of Taxonomy-eligible activities	92%	100%	16%

Contribution to climate change mitigation
In relation to climate change mitigation, in 2022 we classified the activity “8.1 Data processing, hosting and related activities” as a Taxonomy-eligible activity. This includes the operation of the newly developed multi-cloud app store. Turnover is calculated in accordance with IFRS (in particular IFRS 15) and is equal to the revenues reported in our consolidated income statement. The development expenses for the PSI App Store were capitalized in the 2022 financial year and recognized in accordance with IAS 38.

In addition, in relation to activity “8.2 Computer programming, consultancy and related activities,” 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 2022 PSI did not recognize any material 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.

Contribution to climate change adaptation
In relation to the climate change adaptation, we assessed the relevance of activity “8.2 Computer programming, consultancy and related activities.” As PSI primarily operates in the area of information technology services, and these activities are to be assessed as enabling activities, we assess them as Taxonomy-eligible and material for PSI.

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

Operating expenditure was determined as defined by the EU Taxonomy and essentially comprises development costs. As all the products and services we offer are considered Taxonomy-eligible, we have recognized all our development costs. We have not identified further operating expenditure that we can allocate.

Capital expenditure was determined on the basis of the additions to non-current assets recognized in the consolidated financial statements. For reporting purposes, the share of investment to be allocated to the development costs on the basis of a classification code is negligible for the 2022 financial year.

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.

<u>DNSH review</u>
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. No environmental degradation from the identified risks is currently foreseeable.

<u>Minimum safeguards review</u>
Based on the recommendation of the Platform on Sustainable Finance, the minimum safeguards review focused on the areas of human rights, anti-corruption, fair competition and taxes. The minimum safeguards are embedded in the PSI Group's corporate code.

<u>Contribution to climate change mitigation</u>
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 2022, it is not yet Taxonomy-aligned, though this is intended.

<u>Contribution to climate change adaptation</u>
Activity "8.2 Computer programming, consultancy and related activities" was found to be Taxonomy-eligible regarding climate change adaptation. However, as this activity does not satisfy the criteria for a substantial contribution, it cannot be reported as Taxonomy-aligned.

Berlin, March 22, 2023

Dr. Harald Schrimpf

Gunnar Glöckner

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

of PSI Software AG for the 2022 Financial Year

CONSOLIDATED BALANCE SHEET

as at December 31 (IFRS)

in EUR thousand	Note	**2022**	2021
ASSETS			
Non-current assets			
Intangible assets	G. 1	73,190	70,024
Property, plant and equipment	G. 1	37,892	38,027
Investments in associated companies	D. 18	694	694
Deferred tax assets	G. 15	6,589	10,293
		118,365	**119,038**
Current assets			
Inventories	G. 2	8,138	6,861
Net trade receivables	G. 3	42,031	35,183
Receivables from long-term development contracts	G. 4	49,915	48,440
Other current assets	G. 5	5,876	5,667
Income tax receivables		2,829	725
Cash and cash equivalents	G. 6	45,444	67,478
Assets discontinued and held for sale	G. 7	0	730
		154,233	**165,084**
		272,598	**284,122**

in EUR thousand	Note	2022	2021
EQUITY AND LIABILITIES			
Equity			
Issued capital	G. 8	40,185	40,185
Capital reserves	G. 8	35,137	35,137
Reserve for treasury shares	G. 8	–4,698	702
Other reserves	G. 8	–17,102	–23,394
Unappropriated surplus	G. 8	65,517	62,087
		119,039	**114,717**
Non-current liabilities			
Pension provisions and similar obligations	G. 9	42,633	53,123
Deferred tax liabilities	G. 15	4,892	8,553
Other liabilities	G. 13	562	637
Provisions	G. 10	1,639	2,336
Lease liabilities	G. 11	17,798	18,055
Financial liabilities	G. 12	75	2,875
		67,599	**85,579**
Current liabilities			
Trade payables	G. 13	23,399	21,697
Other liabilities	G. 13	23,589	29,441
Provisions	G. 10	2,308	2,029
Liabilities from long-term development contracts and deferred revenue	G. 4	22,983	23,692
Lease liabilities	G. 11	6,636	6,103
Financial liabilities	G. 12	**4,667**	864
Liabilities in conjunction with discontinued assets	H. 22	**2,378**	0
		85,960	**83,826**
		272,598	**284,122**

CONSOLIDATED INCOME STATEMENT

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

in EUR thousand	Note	**2022**	2021 (restated)
Revenues	H. 16	247,938	245,493
Other operating income	H. 17	13,633	8,584
Cost of materials	H. 18	–36,302	–35,393
Personnel expenses	H. 19	–161,551	–155,782
Depreciation and amortization	G. 1	–13,814	–12,981
Other operating expenses	H. 20	–29,718	–24,966
Operating result		**20,186**	**24,955**
Investment income	G. 21	221	410
Interest and similar income		636	151
Interest expenses		–1,119	–975
Earnings before taxes		**19,924**	**24,541**
Income taxes	G. 15	–3,179	–7,041
Earnings after taxes from continuing operations		**16,745**	**17,500**
Earnings after taxes from discontinued operations	H. 22	**–7,051**	**–1,663**
Group net result		**9,694**	**15,837**
Consolidated earnings per share (basic and diluted) (in EUR)	H. 23	0.62	1.01
Share of earnings attributable to shareholders from continuing operations		**1.07**	**1.12**
Share of earnings attributable to shareholders from discontinued operations		**–0.45**	**–0.11**
Average shares outstanding (in thousands)	H. 23	15,606	15,678

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

in EUR thousand	**2022**	2021
Group net result	**9,694**	**15,837**
Items that are reclassified to consolidated net profit in subsequent periods **Currency translation of foreign operations**	**129**	**1,680**
Items that are not reclassified to consolidated net profit in subsequent periods Actuarial gains (previous year: gains)	8,785	1,363
Income tax effects	–2,622	–404
	6,163	**959**
Other comprehensive income after taxes	**6,292**	**2,639**
Consolidated total comprehensive income	**15,986**	**18,476**

CONSOLIDATED CASH FLOW STATEMENT

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

in EUR thousand	2022	2021
1. Cash flow from operating activities		
Consolidated earnings before income taxes	**12,823**	**23,268**
Adjustment of annual earnings for non-cash transactions		
Amortization of intangible assets	3,800	3,586
Depreciation of property, plant and equipment	3,389	3,329
Amortization of right-of-use assets	6,625	6,132
Income from investments in associated companies	–221	–410
Interest income	–636	–82
Interest expense	1,119	1,045
Other non-cash income/expenses	–73	102
	26,826	**36,970**
Change in inventories	–1,269	1,589
Change in trade receivables and receivables from long-term development contracts	–8,268	–5,923
Change in other current assets	–1,226	1,746
Change in provisions	–2,087	–1,811
Change in trade payables	1,691	76
Change in other non-current and current liabilities	–6,595	7,983
	9,072	**40,630**
Interest paid	–165	–344
Income taxes paid	–5,545	–1,536
Cash flow from operating activities	**3,362**	**38,750**
2. Cash flow from investing activities		
Outflows for investments in intangible assets	–6,994	–1,598
Outflows for investments in property, plant and equipment	–3,315	–3,793
Inflows from disposals of assets held for sale	60	0
Inflows from distributions by associated companies	156	300
Interest received	294	82
Cash flow from investing activities	**–9,799**	**–5,009**
3. Cash flow from financing activities		
Outflows for the acquisition of treasury shares	–6,055	–158
Dividends paid to shareholders of the parent company	–6,264	–4,704
Outflows for the repayment of lease liabilities	–6,550	–5,930
Interest paid on leases	–362	–400
Inflows/outflows from the repayment/borrowing of financial liabilities	3,381	3,506
Cash flow from financing activities	**–15,850**	**–7,686**
4. Cash and cash equivalents at end of period		
Net change in cash and cash equivalents – continuing operations	–22,287	26,055
Exchange-rate-related changes in cash and cash equivalents	253	941
Cash and cash equivalents at beginning of period	67,478	40,482
Cash and cash equivalents at end of period	**45,444**	**67,478**
thereof disposal of cash and cash equivalents – discontinued operations	**–2,408**	**0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

in EUR thousand	Issued capital	Capital reserves	Reserve for treasury shares
Balance as at December 31, 2020	**40,185**	**35,137**	**80**
Group net result			
Other comprehensive income after taxes			
Consolidated total comprehensive income after taxes			
Dividend distribution to shareholders of the parent company			
Acquisition of treasury shares			–158
Sale of treasury shares			0
Issue of treasury shares			780
Total capital transactions	**0**	**0**	**622**
Balance as at December 31, 2021 (January 1, 2022)	**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**

Other reserves	Unappropriated surplus	Total
–26,033	**50,954**	**100,323**
	15,837	15,837
2,639		2,639
2,639	**15,837**	**18,476**
	–4,704	–4,704
		–158
		0
		780
0	**–4,704**	**–4,082**
–23,394	**62,087**	**114,717**
	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**

CONSOLIDATED SEGMENT REPORTING

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

	Energy Management		Production Management	
in EUR thousand	**Dec. 31, 2022**	Dec. 31, 2021 restated	**Dec. 31, 2022**	Dec. 31, 2021 restated
Revenues				
Revenues with third parties	130,412	138,065	117,526	107,428
Revenues with other segments	3,067	3,109	17,235	16,296
Total revenues	**133,479**	**141,174**	**134,761**	**123,724**
Segment operating result before depreciation and amortization	**7,879**	**16,157**	**27,496**	**22,954**
Segment operating result before depreciation and amortization from purchase price allocation	**2,023**	**10,343**	**20,717**	**17,014**
Depreciation and amortization from purchase price allocation	–592	–611	–478	–570
Segment operating result	**1,431**	**9,732**	**20,239**	**16,444**
Financial result	90	–103	142	–266
Segment result	**1,521**	**9,629**	**20,381**	**16,178**

	Reconciliation		**PSI Group**	
	Dec. 31, 2022	Dec. 31, 2021 restated	**Dec. 31, 2022**	Dec. 31, 2021 restated
	0	0	247,938	245,493
	–20,302	–19,405	0	0
	–20,302	**–19,405**	**247,938**	**245,493**
	–1,375	**–1,175**	**34,000**	**37,936**
	–1,484	**–1,221**	**21,256**	**26,136**
	0	0	–1,070	–1,181
	–1,484	**–1,221**	**20,186**	**24,955**
	–494	–45	–262	–414
	–1,978	**–1,266**	**19,924**	**24,541**

DEVELOPMENT OF FIXED ASSETS

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

	Costs				
in EUR thousand	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**

DEVELOPMENT OF FIXED ASSETS

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

	Costs				
in EUR thousand	Jan. 1, 2021	Exchange differences	Additions	Disposals	Dec. 31, 2021
Intangible assets					
Other intangible assets	33,924*	45	1,598	714	34,853
Goodwill	60,817*	1,138	0	0	61,955
Capitalized software development costs	3,754	0	0	0	3,754
	98,495	**1,183**	**1,598**	**714**	**100,562**
Property, plant and equipment					
Land and buildings	19,069	23	123	1,807	17,408
Computers and computer accessories	22,616	128	2,402	2,143	23,003
Other equipment, operating and office equipment	9,628	63	1,268	870	10,089
Right-of-use assets from leases for immovable assets	29,935	98	3,251	186	33,098
Right-of-use assets from leases for movable assets	4,765	0	2,207	685	6,287
	86,013	**312**	**9,251**	**5,691**	**89,885**
Financial assets					
Investments in associated companies	440	0	254	0	694
	440	0	254	0	694
	184,948	**1,495**	**11,103**	**6,405**	**191,141**

* Restated

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**

Accumulated amortization/depreciation					Carrying amounts	
Jan. 1, 2021	Exchange differences	Additions	Disposals	**Dec. 31, 2021**	**Dec. 31, 2021**	Dec. 31, 2020
22,431	30	3,202	711	24,952	9,901	8,585
2,258	0	0	0	2,258	59,697	60,804
2,944	0	384	0	3,328	426	810
27,633	**30**	**3,586**	**711**	**30,538**	**70,024**	**70,199**
12,512	23	330	1,073	11,792	5,616	6,557
17,619	87	2,180	2,138	17,748	5,255	4,997
6,399	53	819	867	6,404	3,685	3,229
8,519	98	4,562	186	12,993	20,105	21,416
2,036	0	1,570	685	2,921	3,366	2,729
47,085	**261**	**9,461**	**4,949**	**51,858**	**38,027**	**38,928**
0	0	0	0	0	694	440
0	0	0	0	0	694	440
74,718	**291**	**13,047**	**5,660**	**82,396**	**108,745**	**109,567**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PSI Software AG, Berlin, as at December 31, 2022

A. General Information on the Company

The parent company of the PSI Group is PSI Software AG (PSI 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 51463.

The Executive Board prepared the consolidated financial statements as at December 31, 2022, and the Group management report for the 2022 financial year on March 22, 2023, and then approved them for submission to the Supervisory Board.

The business operations of the PSI Group comprise the development and sale of software systems and products that meet the specific needs and requirements of customers 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 prepared on the basis of accounting for assets and liabilities at amortized cost. The consolidated income statement is prepared using the nature of expense method. The Group presents assets and liabilities in the statement of financial position 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 2022 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. The prior-year figures of the consolidated income statement were restated accordingly to show discontinued operations separately from continuing operations. In light of further sanctions, it was resolved on December 1, 2022, with the approval of the Supervisory Board of PSI Software AG, 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. The shares were sold in the adjusting period.

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, 2022, had no effect on the consolidated financial statements:

Standard	Title	Date of publication
IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	May 2020
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	May 2020
IAS 41	Taxation in Fair Value Measurements (agriculture)	May 2020
IFRS 1	Subsidiary as a First-Time Adopter	May 2020
IFRS 3	Updating a Reference to the Conceptual Framework	May 2020
IFRS 9	Fees in the “10 per cent” Test for Derecognition of Financial Liabilities	May 2020
IFRS 16	Amendment to Illustrative Example 13	May 2020

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
IFRS 17	Insurance Contracts (new standard)	Jan. 1, 2023	No application
IAS 1, Practice Statement 2	Amendment to Presentation of the Financial Statements, Making Materiality Judgments and Accounting Policies	Jan. 1, 2023	Effect still being examined
IAS 8	Changes in Accounting Estimates and Errors	Jan. 1, 2023	Not material
IAS 12	Amendment to the prohibition on the recognition of deferred taxes on the initial recognition of an asset or a liability	Jan. 1, 2023	Effect still being examined
Endorsement pending			
IAS 1	Classification of liabilities as current or non-current	Jan. 1, 2024	Effect still being examined
IFRS 16	Lease Liability in a Sale and Leaseback	provisionally Jan. 1, 2024	Effect still being examined
Amendments to IFRS 10 and IAS 8	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 AG and the companies it controls. The consolidated financial statements include PSI AG and its subsidiaries over which it exercises control as defined in IFRS 10. PSI AG controls an investee when it has direct or indirect power over the investee, is exposed to variable returns from the investee and has the ability to affect the investee's variable returns through its power over it. If control is lost, the subsidiary in question is no longer included in consolidation.

A total of 29 (previous year: 30) 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: 11) are located in Germany and 19 (previous year: 19) in other countries. Within the Group, a German subsidiary was merged with another German subsidiary in the reporting year.

Besides this, there were no other changes in the consolidated companies in the 2022 financial year. As well as PSI AG, all companies controlled by PSI AG were included in the consolidated financial statements, as in the previous year. Please refer to the list of shareholdings in section K.

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 statement of financial position 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 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:

in EUR thousand

caplog-x GmbH	31.3% 2021	100% 2021*	31,3% 2020	100% 2020
Share in the assets and liabilities of the associate				
Non-current assets	349	1,116	360	1,149
Current assets	1,233	3,940	1,339	4,277
Current liabilities	756	2,414	937	2,994
Equity	826	2,642	762	2,432
Share of the revenues and earnings of the associate				
Revenues	2,760	8,817	2,895	9,249
Earnings	221	706	409	1,307
Carrying amount of the equity investment as at Dec. 31, 2022	694			

* The PSI Group had not yet received the annual financial statement figures for the 2022 financial year at the time that its statement of financial position 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 non-financial 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 statement of financial position in foreign currencies are updated at historical exchange rates.

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

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, with the following exception, that have a significant impact on the amounts in the consolidated financial statements.

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

This judgment affects the classification of assets and liabilities in the consolidated statement of financial position and the classification of income and expenses in the consolidated income statement.

In connection with the measurement of the assets and liabilities of the operation held for sale, the Executive Board estimated the purchase price using forward-looking assumptions. Against the backdrop of the prevalent economic situation in Russia, the Executive Board of the PSI Group does not expect this estimate to be subject to material estimation uncertainty.

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 statement of financial position 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 in the on page 68 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.

When determining valuation allowances on receivables on the basis of expected defaults/losses, to a significant degree estimates and judgments have to be made regarding individual receivables; based on the creditworthiness of the customer in question and on current economic developments. These take information about customer ratings – if available – into account. Please see page 79 under "Financial assets" for further details.

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 can be found in section G. 9.

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 generat-ed 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 under “Lease liabilities” in section G.

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 statement of financial position 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 statement of financial position, 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 statement of financial position. 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. 13.

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, 2022, this would have resulted in a decrease in the Group net result of approximately EUR 61 thousand (previous year: 2%, EUR 81 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 61 thousand (previous year: 2%, EUR 80 thousand). Due to the low significance of interest-bearing liabilities, interest risks exist only to a limited extent.

b) Default/credit risk

Credit risk, or the risk that a counterparty 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. Where appropriate, the Company obtains collateral. 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 on hand, fixed term deposits and bank balances. The cash funds reported in the consolidated statement of cash flows exclusively contain cash and cash equivalents.

Equity

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

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

Retained earnings 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 5,977 thousand (previous year: EUR 2,726 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 income statement amounted to EUR 30.8 million in the financial year (previous year: EUR 32.3 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 PSI Group's revenues 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 (typically the service for software development).

Receivables from revenue recognized according to the percentage of completion method are contract assets and are reported in the statement of financial position 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 statement of financial position 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 statement of financial position 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 statement of financial position 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 on page 66 f.

b) Transactions between business segments
The elimination of transfers between business segments is shown in section J. and on page 67 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, 2022, and on December 31, 2021, 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, pages 68/69).

Goodwill

As at December 31, 2022, and December 31, 2021, 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:

in EUR thousand	**2022**	2021
Energy Management		
Electrical Energy unit	27,669	27,015
Other units not individually material	7,529	7,528
Energy Management segment	35,198	34,543
Production Management		
Metals unit	22,389	22,580
Other units not individually material	2,180	2,574
Production Management segment	24,569	25,154
Total goodwill	**59,767**	**59,697**

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). An increase in the operating margin of between 0.00% and 4.00% each year (previous year: between 0.00% and 3.00%) and other individual mark-ups for growth are planned in the budgets for subsequent years. 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 7.70% to 16.50% after taxes (previous year: 5.30% to 11.80%) and 8.60% to 18.50% before taxes (previous year: 5.90% to 13.00%) 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 1.00% to 3.20% (previous year: 0.90% to 3.50%).

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 of 1 percentage point (previous year: two percentage points) (assumed possible change of the parameter) in the interest rate used for discounting would – both for the Electrical Energy unit and for the Metals unit – result in possible impairment of EUR 0 thousand (previous year: EUR 0 thousand). The interest rate used for discounting at which no impairment would occur would be 9.40% (Electrical Energy unit) and 24.40% (Metals unit). For the other units, the interest rate at which no impairment would occur is between 11.40% 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	1.00 to 3.20 (previous year: 0.90 to 3.50)	7.70 (previous year: 5.30)
Metals unit	1.00 to 2.10 (previous year: 0.90 to 2.50)	11.20 (previous year: 7.70 to 11.70)
All other units	1.00 to 2.10 (previous year: 1.30 to 2.50)	8.50 to 15.10 (previous year: 7.50 to 10.10)

2 Inventories

in EUR thousand	**2022**	2021
Third-party hardware and licenses	7,601	5,951
Advance payments to subcontractors	537	910
	8,138	**6,861**

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

in EUR thousand	**2022**	2021
Gross trade receivables	43,821	38,984
Impairment	–1,790	–3,801
	42,031	**35,183**

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

in EUR thousand	**2022**	2021
As at January 1	3,801	3,972
Allocation to expenses	532	559
Utilized	–505	–71
Reversal in income	–2,038	–659
As at December 31	**1,790**	**3,801**

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

in EUR thousand	**2022**	2021
Neither past due nor impaired	**5,437**	**25,020**
Past due (after impairment)		
< 30 days	31,342	6,854
30 to 60 days	1,765	1,110
60 to 90 days	954	301
90 to 120 days	1,058	110
> 120 days	1,475	1,788
	36,594	**10,163**
As at December 31	**42,031**	**35,183**

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 non-payment. Most of the receivables and liabilities from long-term development contracts will be settled in 2023, 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:

in EUR thousand	**2022**	2021
Costs incurred	112,496	121,628
Share of profits	16,006	15,380
Contract revenues	**128,502**	**137,008**
Advance payments received	–90,542	–101,417
thereof offset against contract revenues	–78,587	–88,568
Receivables from long-term development contracts	49,915	48,440
Liabilities from long-term development contracts	11,955	12,849

Receivables from long-term development contracts in the amount of EUR 49,915 thousand (previous year: EUR 48,440 thousand) were not past due as at December 31 of the respective year. Liabilities from long-term development contracts comprise advance payments received that exceed the corresponding receivables from long-term development contracts (contract liabilities). There were no significant changes in the payment terms of customers in the financial year.

Liabilities from long-term construction contracts and deferred revenues of EUR 22,983 thousand (previous year: EUR 23,692 thousand) include accrued revenues for maintenance contracts of EUR 11,028 thousand (previous year: EUR 10,843 thousand). Of this amount, EUR 9,240 thousand (previous year: EUR 6,746 thousand) has a term of up to one year and EUR 1,788 thousand (previous year: EUR 4,097 thousand) has a term of more than one year.

5 Other assets

The amount recognized in the statement of financial position 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

in EUR thousand	2022	2021
Bank balances	42,308	65,565
Fixed-term deposits	3,111	1,884
Cash in hand	25	29
	45,444	**67,478**

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

7 Assets Held for Sale

In the previous year, assets held for sale related to the planned sale of a property that was previously recognized under non-current assets. The purchase agreement was notarized in the 2022 reporting year.

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

b) Contingent capital and authorized capital

By way of resolution of the Annual General Meeting on May 19, 2021, the Executive Board of the Company was authorized to issue convertible and warrant-linked bonds as well as profit-sharing rights 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 16, 2019, new authorized capital (AC 2019) was created. The Executive Board was authorized, with the approval of the Supervisory Board, to increase the Company’s share capital on one or more occasions by a total of up to EUR 8,035,840.00 by issuing new registered shares in exchange for cash or contributions in kind in the period until May 15, 2024.

Authorized capital and contingent capital break down as follows:

in EUR thousand	2022	2021
Authorized capital (AC)		
AC 2019 (until May 15, 2024)	8,036	8,036
	8,036	**8,036**
Contingent capital (CC)		
CC 2021 (until May 18, 2026)	8,036	8,036
	8,036	**8,036**
	16,072	**16,072**

c) Capital reserves

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

d) Reserve for treasury shares

A total of 232,999 shares were repurchased in the financial year (previous year: 5,647). As part of an employee share program, a total of 29,267 treasury shares (previous year: 17,536) were transferred. The Company held 209,371 treasury shares as at December 31, 2022 (previous year: 5,639). These shares account for share capital of EUR 535,989.76 (previous year: EUR 14,435.84).

Under the existing employee share programs, employees of the PSI Group can purchase treasury shares in PSI AG or be allocated treasury shares without specified consideration. Such share purchases/allocations are made at normal market conditions. The acquisition of shares by employees does not result in any significant expense for the Company overall. If shares are allocated, the Company recognizes the fair value of the shares issued as personnel expenses. As at the reporting date, the 2022 employee share program did not result in any obligations to transfer shares.

e) Other reserves
Other reserves break down as follows:

in EUR thousand	**2022**	2021
Reserve for exchange differences	–927	–1,056
Actuarial losses	–23,669	–32,454
Deferred taxes	7,494	10,116
	–17,102	**–23,394**

The deferred tax resulted from actuarial losses.

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

The Annual General Meeting approved the Executive Board's proposal for the appropriation of net profit for 2021. Based on this resolution, a dividend of EUR 6,263,511.60 was distributed for the 2021 financial year. This corresponds to EUR 0.40 (previous year: EUR 0.30) per qualifying share. In the previous year, a dividend of EUR 4,703,928.90 was distributed for the 2020 financial year.

9 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 %	2022	2021
Discount factor		
Germany	3.70	0.90
Austria	3.75	0.50
Salary trend		
Germany	0.00/3.80	0.00/1.30[1)]
Austria	4.00	2.75
Pension trend		
Germany	2.50	1.70
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 594 thousand were incurred for defined benefit plans in the reporting year. These break down as follows:

in EUR thousand	2022	2021
Current service costs recognized in personnel expenses	143	158
Net interest expenses recognized in net interest	451	266
Expenses for retirement benefits	**594**	**424**

Expenses of EUR 1,598 thousand (previous year: EUR 588 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:

in EUR thousand	2022	2021
Present value at start of year	68,380	73,070
Current service cost	143	158
Interest cost	471	275
Actuarial (gains)/losses in other comprehensive income	–8,729	–1,132
of which experience adjustments	–532	619
of which changes to financial assumptions	–8,197	–1,751
Pension payments made	–2,178	–2,289
Disposal of pension obligation	–5	0
Change in present value of the defined benefit obligation covered by pension liability insurance	–4,656	–1,702
Present value as at end of reporting period	**53,426**	**68,380**

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

in EUR thousand	2022	2021
Market value/present value at start of year	15,258	16,654
Interest income	20	10
Expenses/income from plan assets not included in net interest	–4,599	–1,471
Employer contributions	128	128
Disposal of pension obligation	–5	0
Reimbursements	–7	–64
Market value/present value as at end of reporting period	**10,795**	**15,258**

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

in EUR thousand	2022	2021
Carrying amount at start of year	53,123	56,416
(Income)/expense recognized in the income statement	593	423
Pension payments from working capital	–2,170	–2,225
Contributions to plan assets	–128	–128
Actuarial (gains)/losses	–8,785	–1,363
Carrying amount at end of year	**42,633**	**53,123**

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

in EUR thousand	2022	2021
Change in assumed actuarial interest rate		
Increase of 0.2 percentage points	–860	–1,320
Reduction of 0.2 percentage points	891	1,376
Change in assumed pension trend		
Increase of 0.2 percentage points	677	1,008
Reduction of 0.2 percentage points	–659	–977

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: 14.0 years).

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

in EUR thousand	2022	2021
Pension payments made	2,170	2,225
Expected pension payments		
2023	2,565	2,284
2024	2,576	2,327
2025	2,590	2,325
2026	2,644	2,331
2027	2,711	2,373
Another 5 years	13,520	11,974

10 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:

in EUR thousand	2022	2021
As at January 1	4,365	3,085
Allocation to expenses	515	1,398
Utilized	–692	–47
Reversal in income	–241	–71
As at December 31	**3,947**	**4,365**
thereof non-current	1,639	2,336
thereof current	2,308	2,029

11 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:

in EUR thousand	2022	2021
Payable within one year	6,636	6,103
Payable in 1 to 5 years	17,539	17,220
Payable in more than 5 years	259	835
Carrying amount at end of year	**24,434**	**24,158**

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

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

12 Financial Liabilities

There were no longer any material non-current financial liabilities as at the end of the financial year. The previous year's non-current liabilities related solely to liabilities to banks and primarily related to a loan borrowed in 2021 of RUB 360 million (EUR 4,286 thousand) to finance operating activities which had a duration of 60 months (quarterly annuity payments) and an annual interest rate of 7.2% in Russia. The annual disbursement amount (principal and interest) for the loan was approximately EUR 900 thousand. The outstanding amount at the end of the 2021 financial year (EUR 3,602 thousand) was divided into a short-term portion (EUR 727 thousand) and a long-term portion (EUR 2,875 thousand) due within 1 to 5 years based on the agreed payments of principal and interest. The loan amount is secured by a PSI Software AG guarantee.

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 a rate of between 2.797% and 4.861%. No special collateral was provided.

As at December 31, 2022, the PSI Group had undrawn borrowing facilities from overdrafts in the amount of EUR 26,602 thousand (previous year: EUR 31,174 thousand).

Expenses for interest from overdrafts amounted to EUR 58 thousand in the 2022 financial year (previous year: EUR 30 thousand).

13 Additional Information on Financial Assets and Liabilities

A reconciliation of individual statement of financial position items to total financial assets and financial liabilities can be found in the following table. It should be noted that to a lesser – insignificant overall – extent, adjustments were made to prior-year figures for current other financial liabilities. The reclassification between current other liabilities and trade payables does not affect earnings and has no other effect on the consolidated financial statements.

in EUR thousand	2022	2021
Current financial assets		
Net trade receivables	42,031	35,183
Other current assets	2,034	2,006
Cash and cash equivalents	45,444	67,478
	89,509	**104,667**
Financial liabilities		
Financial liabilities	4,742	3,739
Trade payables	23,399	21,697
Lease liabilities	24,434	24,158
Other liabilities	1,739	2,053
	54,314	**51,647**
thereof non-current	18,435	21,567
thereof current	35,879	30,080

14 Additional Information on Non-Financial Assets and Liabilities

Other non-financial assets (EUR 3,842 thousand; previous year: EUR 3,661 thousand) comprise advance payments and prepaid expenses. Other non-financial liabilities (EUR 22,412 thousand; previous year: EUR 28,025 thousand) include liabilities to employees as well as VAT and payroll tax liabilities.

15 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 2022 was approximately 14%. A corporation tax rate of 15% applied in the 2021 and 2022 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 2022 financial year.

As at December 31, 2022, the amount of non-capitalized tax benefits from loss carryforwards for corporation tax (including foreign companies) was EUR 21.7 million, while those from loss carryforwards for trade tax was EUR 24.8 million (previous year: EUR 13.5 million/ EUR 3.9 million). PSI AG's tax loss carryforwards as at December 31, 2021 and December 31, 2022, already take into account the findings of ongoing external tax audits. Deferred tax assets on tax loss carryforwards of EUR 3,832 million were capitalized in the financial year (previous year: EUR 0.5 million).

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

in EUR thousand	**2022**	2021
Current tax expense		
Current year	**–5,042**	**–3,327**
Deferred tax expense		
Intangible assets	78	–2
Long-term development contracts	217	399
Inventories	53	–87
Partial retirement and anniversary bonus provisions	–8	–25
Trade receivables	–503	–303
Pension provisions	–372	–552
Trade payables	85	–600
Other	–103	135
Fixed assets	–1,066	–1,250
Leases	57	18
Use of tax loss carryforwards	3,359	–1,219
Deferred income	66	–228
	1,863	**–3,714**
Income tax expense	**–3,179**	**–7,041**

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

in EUR thousand	2022	2021
Earnings before taxes	19,924	24,541
Theoretical income tax expense (29.83%; previous year: 29.83%)	–5,943	–6,551
Non-capitalized tax losses	0	–23
Non-deductible operating expenses and trade tax additions	–623	–288
Use of non-capitalized tax loss carryforwards	251	1,587
Capitalization of tax loss carryforwards	0	–695
Effects of tax rate differences outside Germany	951	–584
Tax expense for previous years	1,346	–183
Tax-free income and foreign income	–63	–34
Change in permanent differences	701	–10
Miscellaneous	201	–260
Current tax expense	**–3,179**	**–7,041**

The PSI Group has the following tax loss carryforwards:

in EUR million	2022	2021
Loss carryforward for trade tax in Germany	24.6	5.2
Loss carryforward for corporation tax in Germany	21.9	6.0
Loss carryforwards outside Germany	3.6	9.2

The loss carryforwards in Germany do not expire. Of the foreign tax loss carryforwards of EUR 3,700 thousand (EUR 9,246 thousand), an amount of EUR 1,000 thousand (previous year: EUR 4,701 thousand) is subject to loss carryforward restrictions relating to time (between 5 and 10 years) due to local national regulations.

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

in EUR thousand	2022	Change	2021
Deferred taxes			
Use of tax loss carryforwards	3,832	3,359	473
Pension provisions	5,044	–2,995	8,039
Trade receivables	0	–2,578	2,578
Leases	222	57	165
Other provisions	460	–100	560
Partial retirement and anniversary bonus provisions	92	–8	100
Deferred income	52	52	0
Project-related provisions	343	–3	346
Deferred tax assets before offset	**10,045**	**–2,216**	**12,261**
Offset	–3,456	–1,488	–1,968
Deferred tax assets reported	**6,589**	**–3,704**	**10,293**
Fixed assets	–1,278	–1,070	–208
Intangible assets	–1,026	163	–1,189
Goodwill amortization affecting tax	–810	–85	–725
Trade receivables	–541	–541	0
Receivable from long-term development contracts	–4,656	1,705	–6,361
Deferred income	0	1,981	–1,981
Miscellaneous	–37	20	–57
Tax liabilities before offset	**–8,348**	**2,173**	**–10,521**
Offset	3,456	1,488	1,968
Deferred tax liabilities reported	–4,892	3,661	–8,553
Net	**1,697**	**–43**	**1,740**
As at 1 January, net	1,740		6,482
Tax income/expense recognized in the reporting period	1,863		–3,714
From acquisitions	0		–624
Profit from discontinued operations	717		0
Tax income/(expense) recognized in other comprehensive income in the reporting period	–2,623		–404
As at 31 December, net	**1,697**		**1,740**

A deferred tax asset was recognized for tax loss carryforwards of EUR 7,141 thousand (previous year: EUR 1,757 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.

16 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. Revenues break down between the two segments as follows:

in EUR thousand

Revenues in 2022	Energy Management	Production Management	Total
Software development	56,352	59,976	116,328
Service and maintenance	51,487	45,058	96,545
Licenses	2,926	11,356	14,282
Merchandise	19,646	1,137	20,783
Total	**130,411**	**117,527**	**247,938**

Revenues in 2021	Energy Management	Production Management	Total
Software development	64,140	52,302	116,442
Service and maintenance	48,176	41,350	89,526
Licenses	3,095	12,893	15,988
Merchandise	22,654	883	23,537
Total	**138,065**	**107,428**	**245,493**

17 Other operating income

in EUR thousand	2022	2021
Subsidies	5,977	2,348
Income from written-off receivables	2,477	123
Income from project provisions	1,387	1,697
Income from exchange rate differences	1,202	1,036
Miscellaneous	2,590	3,380
	13,633	**8,584**

18 Cost of materials

in EUR thousand	2022	2021
Cost of purchased services	19,636	19,118
Cost of purchased goods	16,666	16,275
	36,302	**35,393**

19 Personnel expenses

in EUR thousand	2022	2021
Wages and salaries	133,503	130,217
Expenses for social securities	28,048	25,565
	161,551	**155,782**

Personnel expenses include expenses for payments to private pension institutions of EUR 560 thousand (previous year: EUR 601 thousand) and payments to state pension funds of EUR 8,562 thousand (previous year: EUR 8,087 thousand) in connection with defined contribution pension commitments.

20 Other Operating Expenses

in EUR thousand	2022	2021
Travel costs	3,438	1,640
Rental, leasing of real estate including ancillary costs	3,701	3,303
Project-related expenses	1,062	1,790
Advertising and marketing activities	3,900	2,810
Lease costs for movable assets	1,043	834
Data line, IT and telephone costs	4,928	4,601
Legal and consulting costs	4,046	2,597
Expenses from exchange rate differences	808	1,141
Miscellaneous	6,792	6,250
	29,718	**24,966**

21 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 2021 financial year.

22 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 approved the resolution by the Executive Board to sell the shares in the Russian subsidiaries. The disposal is 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 (net income of EUR 1,513 thousand; previous year: net expense of EUR 1,146 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 2,752 thousand; previous year EUR 0 thousand);
- the cost of the write-down on the net assets of the Russian subsidiaries to their lower fair value (EUR 3,250 thousand; previous year EUR 0 thousand).

in EUR thousand	**2022**	2021
Operating activities		
Revenues	7,441	2,896
Other operating income	182	475
Cost of materials	–454	–367
Personnel expenses	–4,731	–2,927
Depreciation and amortization	–141	–66
Other operating expenses	–3,536	–1,157
Loss on operating activities	–1,239	–1,146
Write-down on the net assets of the Russian subsidiaries	–3,250	0
Transfer to provision for liability risks from warranties	–2,378	0
Loss on operating activities	–6,867	–1,146
Net interest income	–234	–127
Income tax	50	–390
Loss from discontinued operations, after taxes	**–7,051**	**–1,663**

The loss from discontinued operations for the 2022 financial year of EUR 7,051 thousand (previous year: EUR 1,663 thousand) relates in full to the shareholders of PSI Software AG. Russian operations contributed to the change in cash and cash equivalents with a positive operating cash flow of EUR 2,124 thousand (previous year: operating cash flow of EUR 5,222 thousand), a break-even cash flow from investing activities of EUR 0 thousand (previous year: negative cash flow from investing activities of EUR 42 thousand) and a negative cash flow from financing activities of EUR 1,223 thousand (previous year: positive cash flow from financing activities of EUR 3,601 thousand).

The write-down on the net assets of the Russian subsidiaries relates to the following items:

in 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 operations	
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 results from a loan liability that was borrowed by the Russian subsidiary OOO PROGRESS from a Russian bank in previous years (see page 93, 12 “Financial Liabilities”). PSI 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, there are indications as at December 31, 2022, 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 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 2,378 thousand as at December 31, 2022. 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 assumes that payments would not be made until 2024.

The provisions recognized are reported under liabilities held for sale.

23 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

	2022	2021
Result of continuing operations (EUR thousand)	16,745	17,500
Number of weighted no-par shares (in thousands)	15,606	15,678
Number of weighted no-par shares, diluted (in thousands)	15,606	15,678
Earnings per no-par share from continuing operations (EUR/share)	1.07	1.12
Earnings per no-par share from continuing operations, diluted (EUR/share)	1.07	1.12
Earnings per no-par share from discontinued operations (EUR/share)	–0.45	–0.11
Earnings per no-par share from discontinued operations (EUR/share)	–0.45	–0.11

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 Cash Flow Statement

The statement of cash flows 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 statement of cash flows comprises all the cash and cash equivalents recognized in the statement of financial position 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: 30 euro cents per share) was distributed to the shareholders for the 2021 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 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. The focus here is on reliable and cost-effective solutions for grid management and for trade and distribution in liberalized energy markets.

– Production Management: Software products and individual solutions for production planning, particularly tasks relating to production control and efficient logistics. The focus is on optimizing the use of resources and increasing quality and cost effectiveness.

Reconciliation

Revenues from transactions with other segments are grouped in the “Reconciliation” column. Revenues between business segments amounted to EUR 20,302 thousand as at December 31, 2022 (previous year: EUR 19,405 thousand). Certain expenses are not allocated to the individual segments. The result from reconciliation amounts to EUR –1,978 thousand (previous year EUR –1,266 thousand).

Additional Geographical Disclosures

In the 2022 financial year, the PSI Group generated revenues of EUR 139.0 million (previous year: EUR 151.5 million) in Germany and revenues of EUR 108.8 million (previous year: EUR 94.1 million) in foreign countries. The revenues are assigned based on the domicile of the respective customer.

Non-current assets of EUR 63,717 thousand (previous year: EUR 59,024 thousand) relate to Germany and EUR 48,059 thousand (previous year: EUR 49,721 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 lessee

Properties, cars, office equipment, data processing systems and other equipment were rented under leases. For short-term leases (term of less than twelve months) and for low-value leases for properties and movable assets the PSI Group applies the exemption in accordance with IFRS 16. This results in other current financial commitments of EUR 90 thousand in total (previous year: EUR 253 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:

in EUR thousand	**2022**	2021
Properties	347	171
Movable assets	205	151
Total	**552**	**322**

An overview of the maturities of lease liabilities is presented in section G. 11.

Bill of exchange guarantees

Bill of exchange guarantees of EUR 38,315 thousand (previous year: EUR 41,991 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 1.5 million as at December 31, 2022 (previous year: EUR 0.8 million).

Employees

The average number of employees in the PSI Group is 2,248 in the financial year (previous year: 2,092). The workforce breaks down by function as follows:

	2022	2021
Software development	1,878	1,705
Administration	166	223
Sales organization	204	164
Total	**2,248**	**2,092**

List of Shareholdings

	Equity interest in %	Equity[1] Dec. 31, 2022 in EUR thousand	Net profit[1] 2022 in EUR thousand
Germany			
PSI Automotive & Industry GmbH, Berlin	100	13,606	309
PSI Energy Markets GmbH, Hanover	100	1,330	1
PSI FLS Fuzzy Logik & Neuro Systeme GmbH, Dortmund	100	1,682	383
PSI GridConnect GmbH, Karlsruhe	100	501	0[2]
PSI Logistics GmbH, Berlin	100	1,509	0
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	–340	841
PSI Prognos Energy GmbH, Potsdam	100	–39	17
PSI Transcom GmbH, Berlin	100	6,331	–1,376
International			
PSI AG für Produkte und Systeme der Informationstechnologie, Will, Switzerland	100	2,894	881
PSI Automotive & Industry Austria GmbH, Traun, Austria	100	1,214	214
PSI Incontrol Sdn. Bhd., Selangor, Malaysia	100	9,538	684[3]
Incontrol Tech (Thailand) Ltd., Bangkok, Thailand	100	–1,595	165[3]
Incontrol Tech Holdings (Thailand) Ltd., Bangkok, Thailand	100	–565	–1[3]
PSI Information Technology (Shanghai) Co. Ltd. Shanghai, China	100	–1,511	–753[3]
PSI Metals Austria GmbH, Graz, Austria	100	6,423	1,758
PSI Metals Belgium NV, Brussels, Belgium	100	2,236	1,651
PSI Metals Brazil Ltda, Rio de Janeiro, Brasil	100	997	875
PSI METALS INDIA PRIVATE LIMITED, Kolkata, India	100	259	18
PSI METALS NORTH AMERICA Inc., Pittsburgh, USA	100	4,023	3,698
PSI Metals UK Ltd., Watford, United Kingdom	100	2,984	546
PSI Neplan AG, Küsnacht, Switzerland	100	2,197	618
PSI Polska Sp. z o.o., Poznan, Poland	100	6,233	4,983
PSIAG Scandinavia AB, Karlstad, Sweden	100	140	197[3]
Time-steps AG, Affoltern am Albis, Switzerland	100	307	98
OOO ‚PSI', Moscow, Russia	100	6,391	549[3]
OOO OREKHsoft, Moscow, Russia	49	179	70[3]
OOO PROGRESS, Moscow, Russia	49	–3,528	1,797[3]
caplog-x GmbH, Leipzig	31.3	2,642	706[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, 2021, as values as at December 31, 2022, were not available at the date of the financial statements

Exemption in accordance with section 264(3) HGB

The following German subsidiaries with the legal form of a corporation as referred to by section 264a HGB 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 Software AG and the Group is Deloitte GmbH Wirtschaftsprüfungsgesellschaft. The following fees were incurred for services performed by the auditor in the financial year:

in EUR thousand	**2022**	2021
Auditing services (of which EUR 125 thousand relate to the previous year)	590	238
Total	**590**	**238**

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

Related Party Disclosures

In accordance with IAS 24, parties are considered to be related if they have the ability to control the PSI Group or exercise significant influence over its financial and operating policies. In determining whether related parties of the PSI Group exercise significant influence over its financial and operating policies, the existence of fiduciary relationships was taken into account as well as existing control relationships.

Related companies
The affiliated companies included in the Group financial statements are to be regarded as related companies.
In addition, the associated company caplog-x 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
There are transactions between PSI AG and its subsidiaries in the context of supplies and services, cash management, central administrative services and personnel provision; these are eliminated on consolidation.

There are transactions between the PSI Group and the associated company in conjunction with goods and services as well as loans. These transactions are presented in the table below:

in EUR thousand	**2022**	2021
Associated companies		
Goods and services provided	72	73
Goods and services received	762	674
Receivables	221	156
Liabilities	158	59

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 2022 or in 2021.

Supervisory Board

The following persons were members of the Supervisory Board in the 2022 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 Grundstücks-verwaltungs-AG, Cologne (Deputy Chairman)
5. Fleischerei-Bedarf Aktiengesellschaft von 1923, Coburg (Chairman)

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 AG, Berlin

Remuneration of Executive Board and Supervisory Board

Remuneration totaling EUR 1,065 thousand (previous year: EUR 2,141 thousand) was granted to the Executive Board of PSI AG for the 2022 financial year. EUR 0 thousand (previous year: EUR 761 thousand) of this total remuneration related to long-term remuneration.

Pension provisions of EUR 0 thousand (previous year: EUR 296 thousand) are reported for former Executive Board members. Besides pension payments to former members of the governing bodies in the amount of EUR 5 thousand (previous year: EUR 30 thousand), no other benefits were paid in the 2022 financial year.

The Supervisory Board received remuneration of EUR 322 thousand (previous year: EUR 316 thousand) in the year under review.

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

Disclosures on the German Corporate Governance Code

PSI AG issued the statements required in accordance with section 161 of the German Stock Corporation Act on March 20, 2023. They are permanently available to the shareholders in the investor relations section of PSI AG's website (www.psi.de).

Events after the reporting period

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, all shares in the Russian subsidiaries OOO PSI, OOO PROGRESS and OOO OREKHSoft were transferred to a private person at a disposal value of EUR 0 thousand. There are no transfer-back or similar contractual arrangements for these shares.

Berlin, March 22, 2023

Dr. Harald Schrimpf Gunnar Glöckner

RESPONSIBILITY STATEMENT

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

Berlin, March 22, 2023
PSI Software AG

The Executive Board

Dr. Harald Schrimpf

Gunnar Glöckner

INDEPENDENT AUDITOR'S REPORT

To PSI Software AG, Berlin

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

Opinions

We have audited the consolidated financial statements of PSI Software AG, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated income statement/the consolidated comprehensive income statement, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the consolidated segment reporting for the financial year from January 1 to December 31, 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the consolidated management report of PSI Software AG, Berlin, for the financial year from January 1 to December 31, 2022. In accordance with the German legal requirements, we have not audited the content of the Group's non-financial statement contained in the "Group Non-Financial Statement" section of the consolidated management report or the "Combined Corporate Governance Declaration", which is referred to in the consolidated management report.

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

– the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to 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, 2022, and of its financial performance for the financial year from January 1 to December 31, 2022; and

– the accompanying consolidated management report as a whole provides an appropriate view of the Group's position. In all material respects, this consolidated management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the consolidated management report does not extend to the content of the Group's non-financial statement contained in the "Group Non-Financial Statement" section of the consolidated management report or the "Combined Corporate Governance Declaration", which is referred to in the consolidated management report.

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 consolidated management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the consolidated 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 consolidated management report.

Key Audit Matters for the Audit of the Consolidated Financial Statements

Key audit matters are such matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

1. Project-related revenue recognition

2. Impairment of goodwill

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

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

b) Audit procedure

1. Project-Related Revenue Recognition

a) Revenues of EUR 247,938 thousand are reported in the consolidated income statement for the 2022 financial year. This mainly resulted from the development and implementation of software and from the sale of software licenses and maintenance. In cases of software development, the revenues are recognized over the period of time in line with the transfer of the associated significant risks and rewards to the customer. In cases where the customer purchases licenses, the revenues are recognized at the time when the customer obtains access to and thus control over the software. Maintenance agreements are recognized in the respective period.

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

Disclosures on the accounting policies for revenues are presented in the notes to the consolidated financial statements in section E under "Project valuation" and 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 H. 16 "Revenues" of the notes to the consolidated financial statements. Further relevant information can be found in section G. "Disclosures on the consolidated statement of financial position" under G. 3 and G. 4 in the notes to the consolidated financial statements.

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

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

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

2. Impairment of Goodwill

a) Goodwill of EUR 59,767 thousand, accounting for roughly 22% of total assets, is reported under "Intangible assets" in the consolidated financial statements of the PSI Group. The company allocates goodwill to the business units. In the impairment tests for goodwill as at the end of the reporting period, the respective carrying amounts are compared against their respective recoverable amount. The recoverable amount, as the higher of fair value less costs to sell and value in use, was calculated based on a valuation model in line with the discounted cash flow method. The cash inflows used in the cash flow calculation model result from the multi-year planning for the next three years that was approved by management, acknowledged by the Supervisory Board and that was valid at the time the impairment test was performed; this planning was updated with assumptions regarding long-term growth rates (perpetuity). Expectations for the future market development and country-specific assumptions regarding the development of macro-economic parameters were also taken into account here. The result of this impairment test is influenced to a large extent by uncertainties in relation to the assumptions made regarding future cash inflows and the discount rate used. In particular, the estimate of the future development as a basis for the planned future cash inflows is subject to considerable uncertainty. This matter was therefore particularly important in the context of our audit.

Disclosures on the accounting policies for goodwill are presented in the notes to the consolidated financial statements in section E. "Significant Judgments, Estimates and Assumptions" under "Impairment of non-current assets" and in section F. "Presentation of accounting policies and financial risk management method" under "Non-current assets." Information on the breakdown of goodwill and the impairment test can also be found in section G. "Disclosures on the consolidated statement of financial position" under G. 1 "Intangible Assets and property, plant and equipment" in the notes to the consolidated financial statements.

b) In conjunction with our audit, in which we consulted with our internal measurements experts, we verified the procedure for impairment testing and assessed the extent to which the procedure was influenced by uncertainty of estimates, subjectivity, complexity or other inherent risk factors. We examined the Group's adherence to planning in advance based on a comparison of the previous year's planning with the results achieved in the financial year. In the event of significant differences, we examined the disclosures and evidence provided by management.

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

We also mathematically verified the calculation method for determining fair values.

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

Other Information

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;
- the Group's non-financial statement in accordance with section 315b and section 315c HGB contained in the "Group Non-Financial Statement" section of the consolidated management report;
- the "Combined Corporate Governance Declaration," which is referred to in the consolidated 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 consolidated management report; and
- all other parts of the annual report, which we expect will be provided to us after the date of the auditor's report;
- but not the consolidated financial statements, the disclosures in the consolidated management report whose content was audited, or our related auditor's report.

The Supervisory Board is responsible for the report of the Supervisory Board. Management and the Supervisory Board are responsible for the declaration in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on the German Corporate Governance Code, which forms parts of combined statement on corporate governance in accordance with section 289f HGB and section 315d HGB, which is referred to in the consolidated management report, and the remuneration report. In all other respects, management is responsible for the other information.

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

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

- is materially inconsistent with the consolidated financial statements, with the disclosures in the consolidated management report whose content was audited, or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

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 also has the responsibility for disclosing, as applicable, matters related to continuation as a going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Consolidated 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 consolidated management report (hereinafter the “ESEF documents”) contained in the file “SHA-256-Wert 4d5f10d3fbfff2aecc04f842fa176b8bab2ef9514351c27fe7e6fdd76f1153d1” 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 consolidated 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 consolidated 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 consolidated management report for the financial year from January 1 to December 31, 2022, 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 consolidated 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 associated responsibilities 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 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

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 consolidated 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 non-compliance 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 Documents

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 rendering.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on May 19, 2022. We were engaged by the Supervisory Board on November 14, 2022. We have been the auditor of the consolidated financial statements of PSI Software AG, Berlin, since the 2020 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 consolidated management report as well as the examined ESEF documents. The consolidated financial statements and consolidated 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 consolidated management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

Responsible Auditor

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

Berlin, March 28, 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

signed Gerald Reiher	signed Patrick Franke
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

PSI MULTI-YEAR OVERVIEW

EUR million	**2022**	2021	2020	2019	2018
Order situation					
New orders	253	266	229	236	217
Order backlog	155	160	149	142	139
Income statement					
Revenues	247.9	245.5**	217.8	225.2	199.2
thereof Energy Management	130.4	138.1**	120.0	115.8	99.7
thereof Production Management	117.5	109.0**	97.8	109.4	99.5
Export share in %	43.9	39.6**	35.8	41.0	41.9
License revenues	14.3	16.0**	11.9	18.6	15.9
License share in %	5.8	6.5**	5.5	8.3	8.0
R&D expenses	36.6	32.3	27.8	24.0	22.0
R&D ratio in %	14.8	13.2**	12.8	10.7	11.0
Operating result (EBIT)	20.2	25.0**	14.9	17.2	15.5
EBIT margin in %	8.1	10.2**	6.8	7.6	7.8
Earnings before taxes (EBT)	19.9	24.5**	13.7	16.4	14.5
Group net result	9.7	15.8	10.3	14.3	10.6
Return on sales in %	3.9	6.4	4.7	6.3	5.3
Cash flow					
Cash flow from operating activities	3.4	38.8	24.8	12.5	19.0
Cash flow from investing activities	–9.8	–5.0	–13.4	–8.7	–7.4
Cash flow from financing activities	–15.9	–7.7	–7.9	–10.2	–4.8
Investments*	10.3	5.4	5.8	11.2	7.8
Balance sheet					
Shareholders' equity	119.0	114.7	100.3	94.5	86.6
Equity ratio in %	43.7	40.4	38.7	38.0	41.5
Return on equity in %	8.2	13.8	10.3	15.1	12.2
Total assets	272.6	284.1	259.4	248.8	208.7
Share					
Earnings per share in EUR	0.62	1.01	0.66	0.91	0.68
Closing price at end of year in EUR	22.45	46.30	24.40	20.80	15.65
Market capitalization on December 31	352.4	726.8	383.0	326.5	245.7
Employees					
Number of employees on December 31	2,251	2,223	2,056	1,984	1,787
Personnel expenses	161.6	155.8**	141.4	137.8	121.3

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

PSI QUARTERLY OVERVIEW FOR 2022

EUR million	Q1	Q2	Q3	Q4
Order situation				
New orders	99	51	55	48
Order backlog	202	188	182	155
Income statement				
Revenues	58.0	58.5	63.2	68.2
thereof Energy Management	31.9	29.4	30.2	38.9
thereof Production Management	26.1	29.1	33.0	29.3
Operating result (EBIT)	4.5	3.7	6.1	5.9
EBIT margin in %	7.8	6.3	9.7	8.7
Earnings before taxes (EBT)	4.3	3.9	6.0	5.7
Group net result	2.6	1.9	3.5	1.7
Return on sales in %	4.5	3.3	5.5	2.5
Share				
Earnings per share in EUR	0.16	0.12	0.23	0.11
Closing price at end of quarter in EUR	38.80	28.55	19.62	22.45
Employees				
Number of employees at end of quarter	2,182	2,266	2,256	2,251
Personnel expenses	41.6	39.2	41.8	39.0

FINANCIAL CALENDAR FOR 2023

Publication of annual results	March 29, 2023
Analyst conference	March 29, 2023
Report on first quarter	April 27, 2023
Annual General Meeting	May 23, 2023
Report on first half of year	July 27, 2023
Report on third quarter	October 27, 2023
German Equity Forum analyst conference	November 27 to 29, 2023

THE PSI SHARE

Stock exchange segment	Prime Standard
Stock exchange symbol	PSAN
Securities identification number (WKN)	A0Z1JH
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YOUR INVESTOR RELATIONS CONTACT

“2022 was dominated by the war in Ukraine and the disruption it triggered on the energy market. In this challenging environment, we have continued to make headway with our cloud and app store strategy, thereby laying the foundations for growth in the years to come.”

Karsten Pierschke
Head of Investor Relations and Corporate Communications

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

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