

INDUSTRIAL INTELLIGENCE



REPORT ON THE 1ST SIX MONTHS OF 2018

PSI 

PSI Group Data as per 30 June 2018 at a Glance (IFRS)

	01/01-30/06/18 in KEUR	01/01-30/06/17 in KEUR	Change in KEUR	Change in %
Revenues	94,571	87,568	+7,003	+8.0
Operating Result	6,153	5,684	+469	+8.3
Result before income taxes	5,992	5,376	+616	+11.5
Net result	4,277	3,043	+1,234	+40.6
Cash and cash equivalents	35,790	34,632	+1,158	+3.3
Employees on 30 June	1,722	1,626	+96	+5.9
Revenue/Employee	54.9	53.9	+1.1	+2.0

Interim Management Report

Business Development

Earnings

PSI Group increased its new orders by 22 % to 135 million euros in the first six months of 2018 (30 June 2017: 111 million euros). The order book volume on 30 June 2018 was, with 165 million euros, 11 % above the value for the previous year (30 June 2017: 148 million euros). The group sales improved by 8 % to 94.6 million euros (30 June 2017: 87.6 million euros), primarily as a result of the strong growth in the electrical grids business. The EBIT increased by 8 % to 6.2 million euros (30 June 2017: 5.7 million euros), the group net result improved by 41 % to 4.3 million euros (30 June 2017: 3 million euros) as a result of significantly improved financial earnings and lower deferred taxes.

Energy Management, which, as of the first quarter of 2018 consists of the areas, energy grids, energy trading, public transportation and the South-Asian business, achieved 12 % higher sales of 46.9 million euros (30 June 2017: 41.9 million euros) in the first six months. The EBIT for the segment improved compared to the previous year to 2.5 million euros (30 June 2017: 2.2 million euros). The electrical grids business won other major contracts, especially from regular German customers like the Deutsche Bahn, and had a strong increase in new orders and sales. The gas and oil business completed the pilot project Upgradeability of Gas Control Systems and won rollout orders from regular Central European customers. In the energy trading systems business, PSI won key accounts from a competitor who left the market. The PSI subsidiary in Southeast Asia provided a positive EBIT with increasing new orders and sales. In the field of public transportation, PSI won an important initial pilot order for depot/charging infrastructure management and in July 2018 acquired the planning software manufacturer Moveo Software GmbH.

Sales in Production Management (raw materials, metals, industry, logistics), which as of the first quarter of 2018 also includes the Polish business, were, with 47.6 million euros, 4 % (first quarter -1 %, second quarter +10 %) above the figure for the previous year (30 June 2017: 45.7 million euros). The EBIT improved slightly to 4.3 million euros (30 June 2017: 4.2 million euros). In the metals industry, PSI management expects increased new orders from shifting production as a result of the new tariffs as well as investments in quality and is therefore doubling the size of the team in the USA.

The automotive and mechanical engineering business completed demanding development jobs in the first six months, amongst which were the pilot developments for the production planning system that was migrated to the PSI Java platform, the integration of the sequential optimization and the new Business Process Management (BPM) based production control for the e.GO mobile electrical vehicles. Logistics won a major airport logistics contract and invested in an expansion of capacity. By moving into a building that allows for growth, the EBIT was slightly encumbered by the costs of moving and lost working hours. To take advantage of the boom in Internet trading not only in Germany and Poland, the logistics sales and services are also being expanded to the PSI sites in Great Britain and Southeast Asia.

Financial Position

The cash flow from operating activities was characterized by changes in working capital and improved significantly to 5.0 million euros (30 June 2017: -5.7 million euros). Despite the higher dividend, liquidity increased slightly to 35.8 million euros (30 June 2017: 34.6 million euros). PSI continues to be interested in manageable and suitable acquisitions.

Assets

Compared to 31 December 2017, there have not been any material changes in the Group's assets.

Personnel Development

The number of employees in the Group increased to 1,722 as of 30 June 2018 (30 June 2017: 1,626). The focus on new hires was again in Germany and other industrialized countries in Europe and North America.

PSI-Shares

The PSI stock ended the 1st six months of 2018 with a final price of 16.00 euros 13.5 % below the final 2017 price of 18.51 euros. In the same period the technology index TecDAX rose by 6.4 %.

Risk Report

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2017.

Outlook

The transformation to a product-upgrade-based business model and the rollout of the PSI Java platform made progress in the second quarter. PSI invested in open-source, powerful and cost-effective databases (PostgreSQL), to become more independent and increase margins.

With the investment in the expansion of capacity and in view of the current general conditions, the PSI board expects sales of 200 million euros for 2018. Although one-off costs in sales (prototypes) and in development (support of US standards) must be accomplished, the board corroborated the expectations of an EBIT of more than 15 million euros.

Group Balance Sheet

from 1 January 2018 until 30 June 2018 according to IFRS

	6 Month Report 01/01-30/06/18 KEUR	Annual Report 01/01-31/12/17 KEUR
Assets		
Non current assets		
Property, plant and equipment	12,914	12,531
Intangible assets	56,702	56,489
Investments in associates	150	150
Deferred tax assets	7,977	8,377
	77,743	77,547
Current assets		
Inventories	8,546	7,823
Trade accounts receivable, net	27,812	31,611
Receivables from long-term development contracts	38,298	33,118
Other current assets	10,204	5,779
Cash and cash equivalents	35,790	38,132
	120,650	116,463
Total assets	198,393	194,010
Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for treasury shares	-750	-328
Other reserves	-18,342	-18,823
Net retained profits	24,807	24,126
	81,037	80,297
Non-current liabilities		
Pension provisions and similar obligations	50,030	50,540
Deferred tax liabilities	4,412	3,494
	54,442	54,034
Current liabilities		
Trade payables	13,148	14,564
Other current liabilities	36,422	29,206
Liabilities from long-term development contracts	11,970	13,287
Short-term financial liabilities	1,374	2,622
	62,914	59,679
Total equity and liabilities	198,393	194,010

Group Income Statement

from 1 January 2018 until 30 June 2018 according to IFRS

	Quarterly Report II		6 Month Report	
	01/04/18- 30/06/18 KEUR	01/04/17- 30/06/17 KEUR	01/01/18- 30/06/18 KEUR	01/01/17- 30/06/17 KEUR
Sales Revenues	48,826	43,784	94,571	87,568
Other operating income	1,926	1,345	3,548	3,032
Cost of materials	-8,116	-5,644	-13,785	-10,767
Personnel expenses	-30,288	-27,777	-60,232	-56,417
Depreciation and amortisation	-1,074	-1,054	-2,140	-2,089
Other operating expenses	-7,907	-7,577	-15,809	-15,643
Operating result	3,367	3,077	6,153	5,684
Net finance result	-15	-212	-161	-308
Result before income taxes	3,352	2,865	5,992	5,376
Income tax	-996	-1,597	-1,715	-2,333
Net result	2,356	1,268	4,277	3,043
Earnings per share (in Euro per share, basic)	0.15	0.08	0.27	0.19
Earnings per share (in Euro per share, diluted)	0.15	0.08	0.27	0.19
Weighted average shares outstanding (basic)	15,646,653	15,636,994	15,646,653	15,636,994
Weighted average shares outstanding (diluted)	15,646,653	15,636,994	15,646,653	15,636,994

Group comprehensive Income Statement

from 1 January 2018 until 30 June 2018 according to IFRS

	01/04/18- 30/06/18 KEUR	01/04/17- 30/06/17 KEUR	01/01/18- 30/06/18 KEUR	01/01/17- 30/06/17 KEUR
Net result	2,356	1,268	4,277	3,043
Currency translation foreign operations	300	-1,232	481	-1,418
Net losses from cash flows hedges	0	0	0	0
Income tax effects	0	0	0	0
Group comprehensive result	2,656	36	4,758	1,625

Group Cash Flow Statement

from 1 January 2018 until 30 June 2018 according to IFRS

	6 Month Report 01/01-30/06/18 KEUR	6 Month Report 01/01-30/06/17 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	5,992	5,376
Adjustments for non-cash expenses		
Amortisation on intangible assets	866	839
Depreciation of property, plant and equipment	1,274	1,250
Earnings from investments in associated companies	-134	-142
Interest income	-84	-91
Interest expenses	481	434
	8,395	7,666
Changes of working capital		
Inventories	-762	-2,832
Trade receivables	-1,445	-2,831
Other current assets	-4,698	-4,105
Provisions	-875	-491
Trade payables	-1,490	-1,870
Other current liabilities	6,256	-532
	5,381	-4,995
Interest paid	-60	-28
Income taxes paid	-355	-655
Cash flow from operating activities	4,966	-5,678
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-547	-125
Additions to property, plant and equipment	-1,657	-1,728
Interest received	84	91
Cash flow from investing activities	-2,120	-1,762
CASHFLOW FROM FINANCING ACTIVITIES		
Dividends paid	-3,596	-3,439
Proceeds/repayments from/of borrowings	-1,248	2,930
Outflows for share buybacks	-422	-297
Cash flow from financing activities	-5,266	-806
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-2,420	-8,246
Valuation-related changes in cash and cash equivalents	78	-130
Cash and cash equivalents at beginning of the period	38,132	43,008
Cash and cash equivalents at the end of the period	35,790	34,632

Statement of Changes in Equity

from 1 January 2018 until 30 June 2018 according to IFRS

	Number of shares issued	Share capital	Additional paid-in capital	Reserve for treasury stock	Other reserves	Accumulated results	Total
	Number	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
As of 1 January 2017	15,656,016	40,185	35,137	-528	-17,588	18,068	75,274
Group comprehensive result after tax					-1,235	9,497	8,262
Share buybacks	-24,885			-297			-297
Issue of own shares	28,889			497			497
Dividends paid						-3,439	-3,439
As of 1 January 2018	15,660,020	40,185	35,137	-328	-18,823	24,126	80,297
Group comprehensive result after tax					481	4,277	4,758
Share buybacks	-25,000			-422			-422
						-3,596	-3,596
As of 30 June 2018	15,635,020	40,185	35,137	-750	-18,342	24,807	81,037

Shares and Options held by Management Board and Supervisory Board as of 30 June 2018

	Shares	Options
Management Board		
Harald Fuchs	7,023	0
Dr. Harald Schrimpf	67,000	0
Supervisory Board		
Andreas Böwing	0	0
Elena Günzler	1,739	0
Prof. Dr. Uwe Hack	600	0
Prof. Dr. Wilhelm Jaroni	0	0
Uwe Seidel	300	0
Karsten Trippel	111,322	0

Remuneration for the Management Board and Supervisory Board

	Fixed remuneration KEUR	Variable remuneration KEUR	Total remuneration KEUR
Harald Fuchs	158	85	243
Dr. Harald Schrimpf	191	165	356
Management Board – total	349	250	599

As the Supervisory Board payments for the current year are made in the 4th quarter, the Supervisory Board did not obtain any remuneration in the first six months of 2018.

Notes on the consolidated financial statements as of 30 June 2018

The Company

1. Business Activities and Legal Background

The business activities of PSI Software AG and its subsidiaries relate to the development and sale of software systems and products fulfilling the specific needs and requirements of its customers, particularly in the following industries and service lines: utilities, manufacturing, logistics and transportation. In addition, the Group provides services of all kinds in the field of data processing, sells electronic devices and operates data processing systems.

The PSI Group is divided into the core business segments energy management and production management. The company is listed in the Prime Standard segment of the Frankfurt stock exchange.

The company is exposed to a wide range of risks that are similar to other companies active in the dynamic technology sector. Major risks for the development of the PSI Group lie in the success with which it markets its software products, competition from larger companies, the ability to generate sufficient cash flows for future business development and the cooperation with strategic partners.

The condensed interim consolidated financial statements for the period from 1 January 2018 to 30 June 2018 were released for publication by a decision of the management on 23 July 2018.

The condensed interim consolidated financial statements for the period from 1 January 2018 to 30 June 2018 were produced in compliance with IAS 34 "Interim Financial Reporting". The condensed interim consolidated financial statements do not contain all the data and notes prescribed for the annual financial statements and should be read in conjunction with the consolidated financial statements for 31 December 2017.

2. Accounting and Valuation Principles

With regard to the principles of accounting and valuation and especially the application of International Financial Reporting Standards (IFRS) see the group consolidated financial statements for the financial year 2017.

3. Seasonal Influences on the Business Activities

Seasonal effects resulted in the PSI Group operations with regards to the receipt of maintenance revenues in the first quarter of the financial year (deferment of the influences on the result of corresponding incoming payments throughout the year) and significantly greater demand and project accounting in the fourth quarter of the financial year.

4. Changes in the Consolidation Group

Compared to 31 December 2017 there were no changes in the consolidation group.

5. Selected Individual Items

Cash and cash equivalents

	30 June 2018	31 December 2017
	KEUR	KEUR
Bank balances	32,549	34,742
Fixed term deposits	3,216	3,366
Cash	25	24
	35,790	38,132

Costs and estimated earnings in excess of billings on uncompleted contracts

Costs and estimated earnings in excess of billings on uncompleted contracts arise when revenues have been recorded but the amounts cannot be billed under the terms of the contracts. Such amounts are recoverable from customers upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of the contract. Costs and estimated earnings contain directly allocable costs (labour cost and cost of services provided by third parties) as well as the appropriate portion of overheads including pro rata administrative expenses.

Costs and estimated earnings on uncompleted contracts and related amounts are billed as follows:

	30 June 2018 KEUR	31 December 2017 KEUR
Costs incurred on uncompleted contracts	96,796	88,768
Profit shares	18,702	15,028
Contract revenue	115,498	103,796
Payments on account	-89,170	-83,965
Set off against contract revenue	-77,200	-70,678
Receivables from long-term construction contracts	38,298	33,118
Liabilities from long-term construction contracts	11,970	13,287

Sales revenues

The sales revenues reported in the group income statement break down as follows:

	30 June 2018 KEUR	30 June 2017 KEUR
Software development	50,671	50,122
Maintenance	30,130	27,052
License fees	6,826	5,567
Merchandise	6,944	4,827
	94,571	87,568

Taxes on income

The main components of the income tax expenditure shown in the group income statement are added as follows:

	30 June 2018 KEUR	30 June 2017 KEUR
Effective taxes expenses		
Effective tax expenses	-397	-264
Deferred taxes		
Emergence and reversal of temporary differences	-1,318	-2,069
Tax expenses	-1,715	-2,333

Segment Reporting

The development of the segment results can be found in the Group segment reporting.

Segments of the PSI Group:

- **Energy Management:** Intelligent solutions for energy suppliers from the electricity, gas, oil and district heating markets and for public transportation. Focal points are reliable and economically sound control system solutions for intelligent energy grid management and the safe operation of traffic infrastructures as well as trade and sales management in the liberalised energy market.
- **Production Management:** Software products and solutions for production planning, special tasks in production control and efficient logistics. Focuses are the optimisation of the use of resources and the increase of efficiency, quality and profitability.

In the first quarter of 2018, segment reporting was changed by the split of the Infrastructure Management segment. The PSI Incontrol Group allocated to the former Infrastructure Management segment until 31 December 2017 and PSI Transcom GmbH were re-allocated to the Energy Management segment. PSI Polska Sp. z o.o., which was allocated to the former Infrastructure Management segment until 31 December 2017, was re-allocated to the Production Management segment.

Responsibility Statement

To the best of our knowledge, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the group's development and performance of its position, together with a description of the principal opportunities and risks associated with the expected development of the group in the remaining months of the financial year, in accordance with proper accounting principles of interim consolidated reporting.

Group Segment Reporting

from 1 January 2018 until 30 June 2018 according to IFRS

	Energy Management		Production Management		Reconciliation		PSI Group	
	30/06/2018 TEUR	30/06/2017* TEUR	30/06/2018 TEUR	30/06/2017* TEUR	30/06/2018 TEUR	30/06/2017* TEUR	30/06/2018 TEUR	30/06/2017 TEUR
Sales revenues								
Sales to external customers	46,922	41,880	47,649	45,688	0	0	94,571	87,568
Inter-segment sales	1,301	322	4,209	3,639	-5,510	-3,961	0	0
Segment revenues	48,223	42,202	51,858	49,327	-5,510	-3,961	94,571	87,568
Operating result before interest, tax, depreciation and amortisation	3,553	3,231	5,261	5,203	-521	-661	8,293	7,773
Operating result before depreciation and amortisation resulting from purchase price allocation	2,481	2,200	4,506	4,489	-559	-700	6,428	5,989
Depreciation and amortisation resulting from purchase price allocation	-15	-43	-260	-262	0	0	-275	-305
Operating result	2,466	2,157	4,246	4,227	-559	-700	6,153	5,684
Net finance result	-90	-156	-71	-164	0	12	-161	-308
Result before income taxes	2,376	2,001	4,175	4,063	-559	-688	5,992	5,376

* The figures shown for 2017 differ from those in the report on the first six months of 2017 due to changes made to the segment reporting (see Notes, page 11, Segment Reporting).

Financial Calendar

22 March 2018	Publication of Annual Result 2017
22 March 2018	Analyst Conference
26 April 2018	Report on the 1 st Quarter of 2018
16 May 2018	Annual General Meeting
26 July 2018	Report on the 1 st Six Months of 2018
31 October 2018	Report on the 3rd Quarter of 2018
26 to 28 November 2018	German Equity Forum, Analyst Presentation

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We will be happy to include you in our distribution list for stockholder information.

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