



# INTELLIGENT GREEN SOFTWARE

REPORT ON THE 3<sup>RD</sup> QUARTER OF 2020

PSI 

**PSI Group Data as per 30 September 2020 at a Glance (IFRS)**

	01/01-30/09/20 in KEUR	01/01-30/09/19 in KEUR	Change in KEUR	Change in %
Revenues	158,139	159,718	-1,579	-1.0
Operating Result	8,874	10,479	-1,605	-15.3
Result before income taxes	8,155	9,817	-1,662	-16.9
Net result	5,961	7,147	-1,186	-16.6
Cash and cash equivalents	41,380	30,796	+10,584	+34.4
Employees on 30 September	2,042	1,981	+61	+3.1
Revenue/Employee	77.4	80.6	-3.2	-3.9

# Interim Management Report

## Business Development

### Earnings

Despite the effects of the corona crisis, the PSI Group has, with 178 million euros, almost reached in the first nine months of 2020 the record new orders of the same period in the previous year (30 September 2019: 182 million euros). The order book volume on 30 September 2020 was, at 159 million euros, slightly above the previous year's value (30 September 2019: 156 million euros). Group sales of 158.1 million euros also almost matched the previous year's figure (30 September 2019: 159.7 million euros) and, as in the first half of the year, was greatly influenced by the energy business. The EBIT of 8.9 million euros was 15.3% below the previous year's figure (30 September 2019: 10.5 million euros) and thus above the guidance from March 2020 (reduction of 20%). This includes negative currency effects and risk provisions, including for personnel matters and payment risks. Group net income decreased to 6.0 million euros (30 September 2019: 7.1 million euros).

Energy Management (energy grids, energy trading, public transport) achieved in the first nine months approximately 5% higher sales of 85.0 million euros (30 September 2019: 81.0 million euros) and a 10% lower EBIT of 4.0 million euros (30 September 2019: 4.4 million euros). Demand from energy exporting countries like Russia, the Gulf states and Malaysia continues to suffer from low energy prices due to the pandemic. The earnings contribution from the gas grids and energy trading businesses declined accordingly; in Southeast Asia, capacities were already adjusted in the first quarter. Following the integration of BTC Smart Grid, which was acquired in 2019, the software business for electricity grid operators in Central Europe and Russia grew significantly in terms of sales and earnings. Business with software for electric bus depots, railroads and workshops is also developing very well against the background of the ecological transportation transition.

Sales in Production Management (metals production, industry, logistics) in the first nine months were 7.1% below the previous year's value at 73.1 million euros (30 September 2019: 78.7 million euros). The segment's EBIT decreased by more than 11% to 6.2 million euros (30 September 2019: 7.0 million euros). The automotive segment is still suffering from the consequences of the diesel and corona crisis. Nevertheless, with the production control system based on the PSI platform, it has been possible to win orders from electric vehicle producers, automotive parts suppliers and caravan manufacturers. The metals production business is coping with the steel crisis and corona period with growing new orders from North America, China and Russia with stable earnings.

The logistics software benefited from the boom in e-commerce logistics in Poland and Russia, although business in the German market was somewhat sluggish. In Poland, PSI continued to record very strong new orders and good results. Poland is particularly important as a test market for PSI's generic App Store and multi-cloud products. PSI multi-cloud products can be delivered in seconds to all common public clouds, the private clouds of corporate customers or even on premise. The software can also be provided in the PSI cloud. The adaptation to individual customer requirements, often tens of thousands of parameters for industrial customers, is carried out after delivery with easy-to-use software tools such as PSI-Click-Design and Business Process Management.

### **Financial Position**

Cash flow from operating activities increased by 11.4 million euros to 13.2 million euros (30 September 2019: 1.8 million euros). Cash and cash equivalents increased by 10.6 million euros to 41.4 million euros (30 September 2019: 30.8 million euros) compared to the same period of the prior year. After the acquisition of Prognos Energy GmbH in the second quarter and NEPLAN AG at the beginning of the fourth quarter, PSI is examining further takeover targets in the core business.

### **Assets**

Compared to 31 December 2019, there have not been any material changes in the Group's assets.

### **Personnel Development**

The group's headcount increased year-on-year to 2,042 (30 September 2019: 1,981), mainly due to new hirings in Poland.

### **PSI-Shares**

The PSI stock ended the 3<sup>rd</sup> quarter of 2020 with a final price of 24.90 euros 19.7% above the final 2019 price of 20.80 euros. In the same period, the technology index TecDAX recorded an increase of 1.8%.

### **Risk Report**

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2019.

## Outlook

With the acquisition of the network planning software specialist NEPLAN, PSI will also better support the grid operators in network planning, equipment utilization and maintenance optimization and further improve the market-leading functions of grid control and field force management.

Against the background of the lockdown decided for November, the Management Board intends to stick to the guidance given in March (slight weakening of sales and an up to 20% lower operating result), although the current course of business indicates a better development.

The investment in rolling out App Store and multi-cloud technology through an initial set of cloud pilot products will be further accelerated. These cloud pilot products include in particular simulation and training packages such as the PSI Metals Virtual Factory or the gas network simulation PSIganesi, which are increasingly in demand in the home office environment. And they include generic platform products, including the cloud-based planning system for finite resources (PSIasm) and a cloud-based control system (PSIjscada).

Starting in 2021, PSI intends to continue the margin increases and growth of the previous years (until 2019). For 2021, the management expects a market recovery and in the course of the year even a slightly excessive demand due to the customers' catching up in 2020 on equipment investments that were not made. With advanced products and market-leading functions, PSI will continue to make an indispensable contribution to network utilization, network reinforcement, network stabilization, green power integration and transportation transition in Central Europe.

# Group Balance Sheet

from 1 January 2020 until 30 September 2020 according to IFRS

	9 Month Report 01/01-30/09/20 KEUR	Annual Report 01/01-31/12/19 KEUR
<b>Assets</b>		
<b>Non current assets</b>		
Property, plant and equipment	36,044	37,039
Intangible assets	62,767	64,423
Investments in associates	440	440
Deferred tax assets	9,886	10,625
	<b>109,137</b>	<b>112,527</b>
<b>Current assets</b>		
Inventories	10,423	10,612
Trade accounts receivable, net	27,155	38,455
Receivables from long-term development contracts	55,815	40,725
Other current assets	9,466	7,862
Cash and cash equivalents	41,380	38,656
	<b>144,239</b>	<b>136,310</b>
<b>Total assets</b>	<b>253,376</b>	<b>248,837</b>
<b>Total Equity and Liabilities</b>		
<b>Equity</b>		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for own stock	-76	16
Other reserves	-23,478	-22,257
Net retained profits	46,635	41,458
	<b>98,403</b>	<b>94,539</b>
<b>Non-current liabilities</b>		
Long-term financial liabilities	547	
Pension provisions and similar obligations	53,348	54,737
Deferred tax liabilities	6,401	6,328
Liabilities from leases	21,895	22,523
	<b>82,191</b>	<b>83,588</b>
<b>Current liabilities</b>		
Trade payables	15,495	17,454
Other current liabilities	43,325	34,932
Liabilities from long-term development contracts	13,555	17,212
Short-term financial liabilities	407	1,112
	<b>72,782</b>	<b>70,710</b>
<b>Total equity and liabilities</b>	<b>253,376</b>	<b>248,837</b>

# Group Income Statement

from 1 January 2020 until 30 September 2020 according to IFRS

	Quarterly Report III		9 Month Report	
	01/07/20- 30/09/20 KEUR	01/07/19- 30/09/19 KEUR	01/01/20- 30/09/20 KEUR	01/01/19- 30/09/19 KEUR
Sales Revenues	53,286	53,086	158,139	159,718
Other operating income	1,090	1,585	5,446	6,249
Cost of materials	-5,716	-7,831	-20,107	-22,346
Personnel expenses	-33,825	-32,584	-102,862	-101,643
Depreciation and amortisation	-2,890	-2,657	-8,617	-7,588
Other operating expenses	-8,484	-7,598	-23,125	-23,911
<b>Operating result</b>	<b>3,461</b>	<b>4,001</b>	<b>8,874</b>	<b>10,479</b>
Net finance result	-405	-228	-719	-662
<b>Result before income taxes</b>	<b>3,056</b>	<b>3,773</b>	<b>8,155</b>	<b>9,817</b>
Income tax	-818	-1,010	-2,194	-2,670
<b>Net result</b>	<b>2,238</b>	<b>2,763</b>	<b>5,961</b>	<b>7,147</b>
Earnings per share (in Euro per share, basic)	0.14	0.18	0.38	0.46
Earnings per share (in Euro per share, diluted)	0.14	0.18	0.38	0.46
Weighted average shares outstanding (basic)	15,673,341	15,667,461	15,675,202	15,672,994
Weighted average shares outstanding (diluted)	15,673,341	15,667,461	15,675,202	15,672,994

# Group comprehensive Income Statement

from 1 January 2020 until 30 September 2020 according to IFRS

	01/07/20- 30/09/20 KEUR	01/07/19- 30/09/19 KEUR	01/01/20- 30/09/20 KEUR	01/01/19- 30/09/19 KEUR
<b>Net result</b>	<b>2,238</b>	<b>2,763</b>	<b>5,961</b>	<b>7,147</b>
Currency translation foreign operations	-392	670	-1,221	776
Net losses from cash flows hedges	0	0	0	0
Income tax effects	0	0	0	0
<b>Group comprehensive result</b>	<b>1,846</b>	<b>3,433</b>	<b>4,740</b>	<b>7,923</b>

# Group Cash Flow Statement

from 1 January 2020 until 30 September 2020 according to IFRS

	9 Month Report 01/01-30/09/20 KEUR	9 Month Report 01/01-30/09/19 KEUR
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
<b>Result before income taxes</b>	<b>8,155</b>	<b>9,817</b>
<b>Adjustments for non-cash expenses</b>		
Amortisation on intangible assets	1,878	1,778
Depreciation of property, plant and equipment	2,553	2,324
Depreciation of right-of-use assets under leases (IFRS 16)	4,186	3,486
Earnings from investments in associated companies	-300	0
Interest income	-55	-53
Interest expenses	800	1,157
	<b>17,217</b>	<b>18,509</b>
<b>Changes of working capital</b>		
Inventories	121	-1,420
Trade receivables and receivables from long-term development contracts	-2,431	-7,768
Other current assets	-1,838	-2,188
Provisions	-888	-1,004
Trade payables	-1,257	-2,620
Other current liabilities	3,292	224
	<b>14,216</b>	<b>3,733</b>
Interest paid	-65	-140
Income taxes paid	-939	-1,803
<b>Cash flow from operating activities</b>	<b>13,212</b>	<b>1,790</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Additions to intangible assets	-1,323	-1,079
Additions to property, plant and equipment	-2,158	-2,953
Additions to investments in subsidiaries	-4	-3,460
Cash acquired	0	268
Cash received from distribution of associated companies	300	0
Interest received	55	53
<b>Cash flow from investing activities</b>	<b>-3,130</b>	<b>-7,171</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	-784	-3,919
Proceeds/repayments from/of borrowings	-565	-741
Payments for the principal portion of lease liabilities (IFRS 16)	-4,214	-3,126
Interest paid in connection with leases (IFRS 16)	-372	-382
Outflows for share buybacks	-92	-275
<b>Cash flow from financing activities</b>	<b>-6,027</b>	<b>-8,443</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
<b>Changes in cash and cash equivalents</b>	<b>4,056</b>	<b>-13,824</b>
Valuation-related changes in cash and cash equivalents	-1,332	41
<b>Cash and cash equivalents at beginning of the period</b>	<b>38,656</b>	<b>44,579</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>41,380</b>	<b>30,796</b>



# Statement of Changes in Equity

from 1 January 2020 until 30 September 2020 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
<b>As of 1 January 2019</b>	15,677,296	40,185	35,137	-88	-19,719	31,115	86,630
Group comprehensive result after tax					-2,538	14,262	11,724
Share buybacks	-16,452			-275			-275
Issue of own shares	18,994			379			379
Dividends paid						-3,919	-3,919
<b>As of 1 January 2020</b>	15,679,838	40,185	35,137	16	-22,257	41,458	94,539
Group comprehensive result after tax					-1,221	5,961	4,740
Share buybacks	-6,497			-92			-92
Dividends paid						-784	-784
<b>As of 30 September 2020</b>	15,673,341	40,185	35,137	-76	-23,478	46,635	98,403

## Shares held by Management Board and Supervisory Board as of 30 September 2020

	Shares on 30/09/20	Shares on 30/09/19
<b>Management Board</b>		
Harald Fuchs	7,023	7,023
Dr. Harald Schrimpf	62,000	63,000
<b>Supervisory Board</b>		
Andreas Böwing	0	0
Elena Günzler	1,962	1,905
Prof. Dr. Uwe Hack	600	600
Prof. Dr. Wilhelm Jaroni	0	0
Uwe Seidel	433	415
Karsten Trippel	111,322	111,322

## Remuneration for the Management Board and Supervisory Board

The remuneration system for the Management Board is described in detail in the Remuneration Report as of 31 December 2019.

	Fixed remuneration KEUR	Variable remuneration KEUR	Long-term remuneration KEUR	Total remuneration KEUR
Harald Fuchs	236	75	90	401
Dr. Harald Schrimpf	347	150	119	616
<b>Total</b>	<b>583</b>	<b>225</b>	<b>209</b>	<b>1,017</b>

As the Supervisory Board payments for the current year are made in the 4<sup>th</sup> quarter, the Supervisory Board did not obtain any remuneration in the first six months of 2020.

# Notes on the consolidated financial statements as of 30 September 2020

## 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 systems and products, competition from larger companies, the ability to generate sufficient cash flows for future business development as well as in individual risks regarding the integration of subsidiaries, organisational changes and the cooperation with strategic partners.

The condensed interim consolidated financial statements for the period from 1 January 2020 to 30 September 2020 were released for publication by a decision of the management on 27 October 2020. The condensed interim consolidated financial statements for the period from 1 January 2020 to 30 September 2020 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 2019.

### 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 2019.

### 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. Significant Events

By agreement dated 10 June 2020 and effective 1 July 2020, 100% of the shares in Prognos Energy GmbH, based in Potsdam, Germany, were acquired. The acquisition represents a business acquisition pursuant to IFRS 3. At the time of acquisition, the company reported assets of 5 KEUR and liabilities of 178 KEUR. The cash purchase price was 11 KEUR. The provisional net liabilities (at book values) amounted to 173 KEUR. As part of the purchase price allocation, these net liabilities were compared to the acquisition costs. The resulting difference is attributable to intangible assets with a finite useful life and goodwill. The intangible assets result from the valuation of the software product developed by Prognos Energy itself for spatial and temporal high-resolution and precise power forecasts for the energy feed-in from wind energy and photovoltaic. The goodwill results in particular from the associated reference customer.

The following overview contains the preliminary fair values of the acquired assets and liabilities at the time of acquisition:

	Fair values after the acquisition KEUR
<b>Current assets</b>	
Other assets	3
Bank balances	2
<b>Liabilities</b>	
Long-term financial liabilities	178
<b>Total identifiable net assets at fair value</b>	<b>-173</b>
Goodwill resulting from the acquisition of the company	184
<b>Compensation</b>	<b>11</b>

If the newly acquired subsidiary had already been included in the consolidated financial statements of PSI Software AG as of 1 January 2020, consolidated sales would have been 158,186 KEUR and consolidated net income 5,974 KEUR.

## 5. Selected Individual Items

### Cash and cash equivalents

	30 September 2020 KEUR	31 December 2019 KEUR
Bank balances	40,133	37,237
Fixed term deposits	1,224	1,398
Cash	23	21
	<b>41,380</b>	<b>38,656</b>

### 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 September 2020 KEUR	31 December 2019 KEUR
Receivables from long-term development contracts (gross)	138,793	119,716
Payments on account	-82,978	-78,991
<b>Receivables from long-term development contracts</b>	<b>55,815</b>	<b>40,725</b>
Payments on account (gross)	96,533	96,203
Set off against contract revenue	-82,978	-78,991
<b>Liabilities from long-term development contracts</b>	<b>13,555</b>	<b>17,212</b>

### Sales revenues

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

	30 September 2020 KEUR	30 September 2019 KEUR
Software development	79,894	79,719
Maintenance	58,605	54,893
License fees	8,248	11,596
Merchandise	11,392	13,510
	<b>158,139</b>	<b>159,718</b>

## Taxes on income

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

	30 September 2020 KEUR	30 September 2019 KEUR
<b>Effective taxes expenses</b>		
Effective tax expenses	-1,381	-1,303
<b>Deferred taxes</b>		
Emergence and reversal of temporary differences	-813	-1,367
<b>Tax expenses</b>	<b>-2,194</b>	<b>-2,670</b>

## 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 network operators in the fields of electricity, gas, district heating and pipelines as well as for public transport. 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, production optimization and control as well as efficient logistics. Focuses are the optimisation of the use of resources and the increase of efficiency, quality and profitability.

# Group Segment Reporting

from 1 January 2020 until 30 September 2020 according to IFRS

	Energy Management		Production Management		Reconciliation		PSI Group	
	30/09/2020 TEUR	30/09/2019 TEUR	30/09/2020 TEUR	30/09/2019 TEUR	30/09/2020 TEUR	30/09/2019 TEUR	30/09/2020 TEUR	30/09/2019 TEUR
<b>Sales revenues</b>								
Sales to external customers	85,033	81,024	73,106	78,694	0	0	158,139	159,718
Inter-segment sales	1,902	2,271	9,279	7,223	-11,181	-9,494	0	0
<b>Segment revenues</b>	<b>86,935</b>	<b>83,295</b>	<b>82,385</b>	<b>85,917</b>	<b>-11,181</b>	<b>-9,494</b>	<b>158,139</b>	<b>159,718</b>
<b>Operating result before interest, tax, depreciation and amortisation</b>	<b>8,217</b>	<b>8,106</b>	<b>10,521</b>	<b>10,743</b>	<b>-1,247</b>	<b>-782</b>	<b>17,491</b>	<b>18,067</b>
<b>Operating result before depreciation and amortisation resulting from purchase price allocation</b>	<b>4,155</b>	<b>4,648</b>	<b>6,580</b>	<b>7,383</b>	<b>-1,312</b>	<b>-985</b>	<b>9,423</b>	<b>11,046</b>
Depreciation and amortisation resulting from purchase price allocation	-180	-220	-369	-347	0	0	-549	-567
<b>Operating result</b>	<b>3,975</b>	<b>4,428</b>	<b>6,211</b>	<b>7,036</b>	<b>-1,312</b>	<b>-985</b>	<b>8,874</b>	<b>10,479</b>
Net finance result	-416	-218	-303	-444	0	0	-719	-662
<b>Result before income taxes</b>	<b>3,559</b>	<b>4,210</b>	<b>5,908</b>	<b>6,592</b>	<b>-1,312</b>	<b>-985</b>	<b>8,155</b>	<b>9,817</b>

## 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.

## **Financial Calendar**

24 March 2020	Publication of Annual Result 2019
24 March 2020	Analyst Conference
28 April 2020	Report on the 1 <sup>st</sup> Quarter of 2020
9 June 2020	Annual General Meeting (virtual Meeting)
28 July 2020	Report on the 1 <sup>st</sup> Six Months of 2020
30 October 2020	Report on the 3rd Quarter of 2020
16 to 18 November 2020	German Equity Forum, Analyst Presentation

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