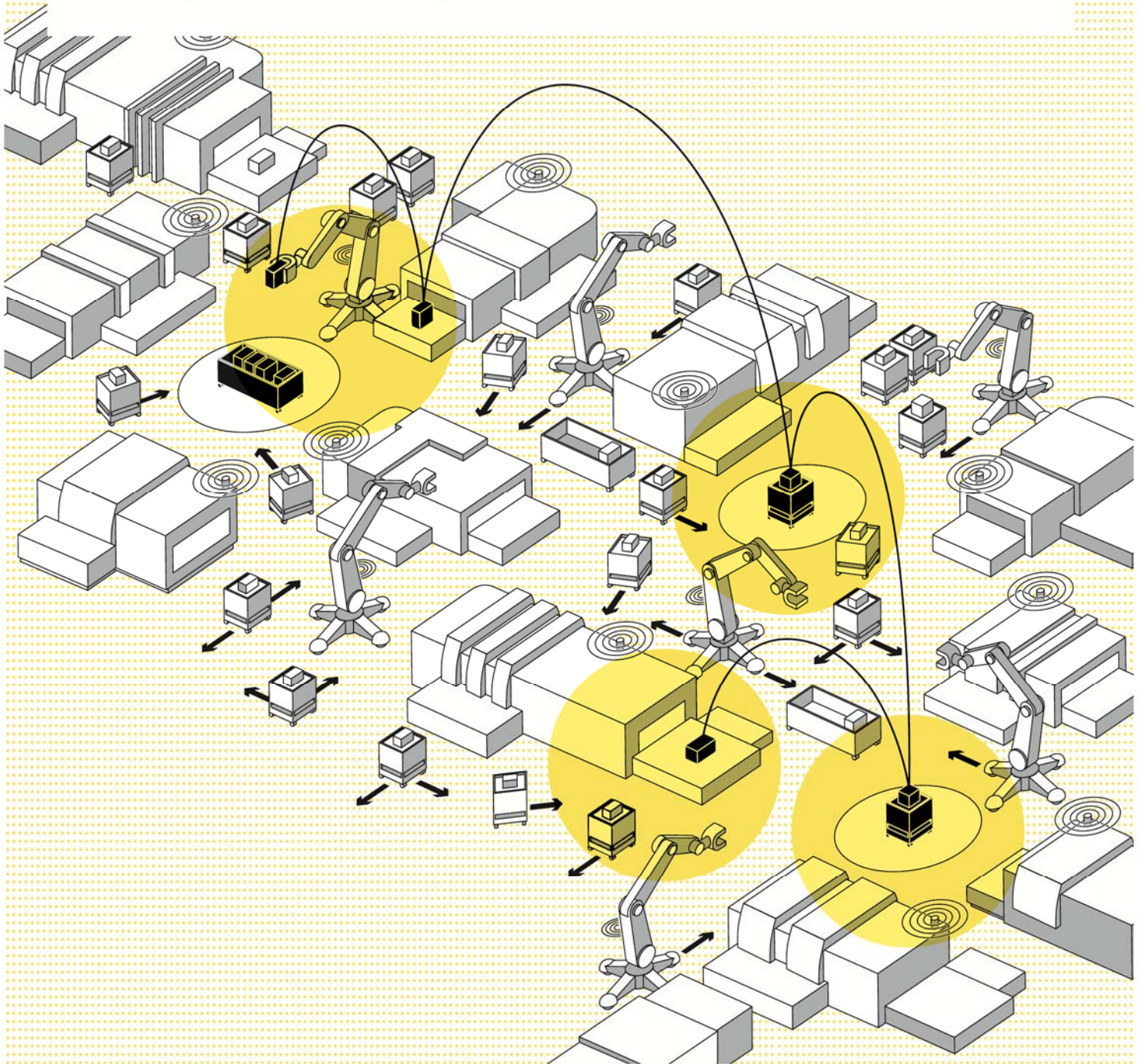


Report on the 1st Quarter of 2014

Ready for Industry 4.0



PSI Group Data as per 31 March 2014 at a Glance (IFRS)

	01/01-31/03/14 in KEUR	01/01-31/03/13 in KEUR	Change in KEUR	Change in %
Revenues	40,802	45,358	-4,556	-10.0
Operating Result	2,073	2,093	-20	-1.0
Result before income taxes	1,666	2,019	-353	-17.5
Net result	1,154	1,559	-405	-26.0
Cash and cash equivalents	24,447	36,147	-11,700	-32.4
Employees on 31 March	1,704	1,622	+82	+5.1
Revenue/Employee	23.9	28.0	-4.1	-14.6

Interim Management Report

Business Development

Earnings

The PSI Group attained 10 % lower sales of 40.1 million Euros (31 March 2013: 45.4 million Euros) in the first quarter of 2014. The EBIT in the first quarter was, at 2.1 million Euros, so that the EBIT margin improved from 4.6 % to 5.1 %. Due to the poorer financial result, the group net result was, at 1.2 million Euros, 26 % below the level of the previous year (31 March 2013: 1.6 million Euros). In the previous year, the financial result also included the profit from the sale of shares in the Moscow sales joint venture PSI Energo. The volume of new orders, which was marked by a number of major international orders in the previous years quarter, decreased to 56 million Euros (31 March 2013: 73 million Euros), the order book volume on 31 March 2014 was, at 129 million Euros, 11 % below the value for the previous year (31 March 2013: 145 million Euros).

Energy Management (gas, oil, electricity, heat) attained 3 % higher sales of 15.3 million Euros (31 March 2013: 14.9 million Euros) in the first quarter. The segment's EBIT doubled compared to the previous year to 0.8 million Euros (31 March 2013: 0.4 million Euros). The electrical energy business was able to improve its result following increased product investment in the previous year, as could the energy trading business. The gas and oil business displayed fewer major international contracts, but overall could confirm the good developments of the previous years.

Sales in Production Management (raw materials, industry, logistics) were, at 18.9 million Euros in the first three months, 18 % below the figure for the previous year (31 March 2013: 23.0 million Euros). The EBIT decreased by 20 % to 1.0 million Euros (31 March 2013: 1.2 million Euros). The metals industry and automotive businesses had shifts of licensing orders to the second quarter; logistics received important acceptances for the new transportation management software. In the metals industry, the business has increasingly shifted from the Russian to the North American market.

In Infrastructure Management (transportation and security), sales decreased as a reduction of the systems business by 12 % to 6.6 million Euros (31 March 2013: 7.5 million Euros). The segment's EBIT dropped to 0.6 million Euros (31 March 2013: 0.8 million Euros). Business in Poland developed especially well, while the sales in Southeast Asia decreased as a result of the drop in the systems business.

Financial Position

The cash flow from operating activities was, at 4.2 million Euros, significantly above the value for the previous year (31 March 2013: 3.4 million Euros). Liquidity decreased to 24.4 million Euros (31 March 2013: 36.1 million Euros).

Assets

Compared to 31 December 2013, there have not been any material changes in the Group's assets.

Personnel Development

Due to the expansion of capacity in the export markets, the number of employees in the group increased as of 31 March 2014 to 1,704 (31 March 2013: 1,622).

PSI-Shares

The PSI stock ended the 1st quarter of 2014 with a final price of 13.54 Euros, almost unchanged compared to the final 2013 price of 13.55 Euros. In the same period the technology index TecDAX rose by 7.3 %.

Risk Report

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2013.

Outlook

PSI expects important decisions to be made in the coming quarters about license contracts as well as follow-up orders in the fields of automotive and logistics. The PSI solution for smart distribution grids has passed the IT security acceptance test at the beginning of the year. PSI is now well positioned to profit from increasing investments in the gas and power distribution grids prior to the "photo years" 2015 and 2016. Overall, management is holding to its annual goal of 12 million Euros for the EBIT formulated in the 2013 Annual Report.

Group Balance Sheet

from 1 January 2014 until 31 March 2014 according to IFRS

	3 Month Report 01/01-31/03/14 KEUR	Annual Report 01/01-31/12/13 KEUR
Assets		
Non current assets		
Property, plant and equipment	13,443	13,781
Intangible assets	49,072	49,103
Investments in associates	298	298
Deferred tax assets	6,086	6,073
	68,899	69,255
Current assets		
Inventories	4,291	3,888
Trade accounts receivable, net	37,086	39,908
Receivables from long-term development contracts	42,025	37,893
Other current assets	8,169	5,290
Cash and cash equivalents	24,447	21,800
	116,018	108,779
Total assets	184,917	178,034
Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for own stock	-674	-402
Other reserves	-9,022	-8,835
Net retained profits	2,390	1,236
	68,016	67,321
Non-current liabilities		
Long-term financial liabilities	3,321	3,387
Pension provisions	40,076	40,087
Deferred tax liabilities	2,487	2,463
	45,884	45,937
Current liabilities		
Trade payables	14,921	15,400
Other current liabilities	33,556	25,726
Liabilities from long-term development contracts	19,489	20,097
Short-term financial liabilities	3,043	3,544
Provisions	8	9
	71,017	64,776
Total equity and liabilities	184,917	178,034

Group Income Statement

from 1 January 2014 until 31 March 2014 according to IFRS

	3 Month Report 01/01-31/03/14 KEUR	3 Month Report 01/01-31/03/13 KEUR
Sales revenues	40,802	45,358
Other operating income	2,301	2,102
Cost of materials	-6,714	-10,093
Personnel expenses	-25,916	-26,717
Depreciation and amortization	-910	-902
Other operating expenses	-7,490	-7,655
Operating result	2,073	2,093
Interest income	12	13
Interest expenses	-419	-442
Result from equity investments	0	355
Result before income taxes	1,666	2,019
Income tax	-512	-460
Net result	1,154	1,559
Earnings per share (in Euro per share, basic)	0.07	0.10
Earnings per share (in Euro per share, diluted)	0.07	0.10
Weighted average shares outstanding (basic)	15,658,568	15,691,009
Weighted average shares outstanding (diluted)	15,658,568	15,691,009

Group comprehensive Income Statement

from 1 January 2014 until 31 March 2014 according to IFRS

	3 Month Report 01/01-31/03/14 KEUR	3 Month Report 01/01-31/03/13 KEUR
Net result	1,154	1,559
Currency translation foreign operations	-158	396
Net losses from cash flows hedges	-40	110
Income tax effects	11	-33
Group comprehensive result	967	2,032

Group Cash Flow Statement

from 1 January 2014 until 31 March 2014 according to IFRS

	3 Month Report 01/01-31/03/14 KEUR	3 Month Report 01/01-31/03/13 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	1,666	2,019
Adjustments for non-cash expenses		
Amortisation on intangible assets	197	263
Depreciation of property, plant and equipment	713	639
Earnings from investments in associated companies	0	-355
Interest income	-12	-13
Interest expenses	419	442
	2,983	2,995
Changes of working capital		
Inventories	-408	-239
Trade receivables	-1,324	-4,607
Other current assets	-3,063	-2,837
Provisions	-298	-67
Trade payables	-484	-377
Other current liabilities	7,299	9,028
	1,722	901
Interest paid	-70	-84
Income taxes paid	-399	-421
Cash flow from operating activities	4,236	3,391
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-165	-111
Additions to property, plant and equipment	-376	-578
Additions to investments in subsidiaries minus cash acquired	0	0
Cash inflow from disposals of associated companies	0	497
Cash inflow from disposals of subsidiaries	0	479
Interest received	12	13
Cash flow from investing activities	-529	300
CASHFLOW FROM FINANCING ACTIVITIES		
Dividends paid	0	0
Proceeds/repayments from/of borrowings	-606	-765
Outflows for share buybacks	-272	-230
Cash flow from financing activities	-878	-995
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	2,829	2,696
Valuation-related changes in cash and cash equivalents	-182	113
Cash and cash equivalents at beginning of the period	21,800	33,338
Cash and cash equivalents at the end of the period	24,447	36,147

Statement of Changes in Equity

from 1 January 2014 until 31 March 2014 according to IFRS

	Number of shares issued	Share capital	Additional paid-in capital	Reserve for treasury stock	Other reserves	Accumulated losses	Total
	Number	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
As of 31 December 2012	15,694,028	40,185	35,137	-106	-7,146	5,567	73,637
Group comprehensive result after tax					-1,689	371	-1,318
Issue of own shares	19,657			272			272
Share buybacks	-40,662			-568			-568
Dividend distributions						-4,702	-4,702
As of 31 December 2013	15,673,023	40,185	35,137	-402	-8,835	1,236	67,321
Group comprehensive result after tax					-187	1,154	967
Share buybacks	-20,000			-272			-272
As of 31 March 2014	15,653,023	40,185	35,137	-674	-9,022	2,390	68,016

Shares and Options held by Management Board and Supervisory Board as of 31 March 2014

	Shares	Options
Management Board		
Harald Fuchs	1,023	0
Dr. Harald Schrimpf	64,500	0
Supervisory Board		
Dr. Ralf Becherer	1,281	0
Wilfried Götze	54,683	0
Elena Günzler	1,013	0
Bernd Haus	1,000	0
Karsten Trippel	110,322	0
Prof. Dr. Rolf Windmüller	6,305	0

Remuneration for the Management Board and Supervisory Board

	Fixed remuneration KEUR	Variable remuneration KEUR	Total remuneration KEUR
Harald Fuchs	70	25	95
Dr. Harald Schrimpf	90	75	165
Management Board – total	160	100	260

Because Supervisory Board payments are made in the 4th quarter of the year, the Supervisory Board did not obtain any remuneration in the first three months of 2014.

Notes on the consolidated financial statements as of 31 March 2014

The Company

1. Business Activities and Legal Background

The business activities of PSI 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, transport and safety. 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 three core business segments energy management, production management and infrastructure management. The company is listed in the Prime Standard segment of the Frankfurt stock exchange and listed there in the TecDAX.

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 2014 to 31 March 2014 were released for publication by a decision of the management on 28 April 2014.

The condensed interim consolidated financial statements for the period from 1 January 2014 to 31 March 2014 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 2013.

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 2013.

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 2013 there were no changes in the consolidation group.

5. Selected Individual Items

Cash and cash equivalents

	31 March 2014 KEUR	31 December 2013 KEUR
Bank balances	15,483	13,341
Fixed term deposits	8,929	8,427
Cash	35	32
	24,447	21,800

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:

	31 March 2014 KEUR	31 December 2013 KEUR
Costs incurred on uncompleted contracts	71,521	64,493
Profit shares	12,255	10,895
Contract revenue	83,776	75,388
Payments on account	-61,240	-57,592
Set off against contract revenue	-41,751	-37,495
Receivables from long-term construction contracts	42,025	37,893
Liabilities from long-term construction contracts	19,489	20,097

Sales revenues

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

	31 March 2014 KEUR	31 March 2013 KEUR
Software development	25,053	23,059
Maintenance	10,383	10,062
License fees	2,476	6,859
Merchandise	2,890	5,378
	40,802	45,358

Taxes on income

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

	31 March 2014 KEUR	31 March 2013 KEUR
Effective taxes expenses		
Effective tax expenses	-489	-301
Deferred taxes		
Emergence and reversal of temporary differences	-23	-159
Tax expenses	-512	-460

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, district heating and water markets. Focal points are reliable and economically sound solutions for intelligent network management and trade and sales management in the liberalised energy market.
- **Production Management:** Software products and individual 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.
- **Infrastructure Management:** High-availability control system solutions designed for monitoring and economically sound operation of infrastructures in the transportation, public safety, environmental protection and disaster prevention areas.

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 German proper accounting principles of interim consolidated reporting.

Group Segment Reporting

from 1 January 2014 until 31 March 2014 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	31/03/2014 KEUR	31/03/2013 KEUR	31/03/2014 KEUR	31/03/2013 KEUR	31/03/2014 KEUR	31/03/2013 KEUR	31/03/2014 KEUR	31/03/2013 KEUR	31/03/2014 KEUR	31/03/2013 KEUR
Sales revenues										
Sales to external customers	15,290	14,885	18,879	23,002	6,633	7,471	0	0	40,802	45,358
Inter-segment sales	297	381	602	418	1,395	1,620	-2,294	-2,419	0	0
Segment revenues	15,587	15,266	19,481	23,420	8,028	9,091	-2,294	-2,419	40,802	45,358
Other operating income	1,453	1,910	2,238	1,853	537	574	-1,927	-2,235	2,301	2,102
Cost of purchased services	-1,135	-1,353	-2,299	-2,800	-1,981	-887	1,510	727	-3,905	-4,313
Cost of purchased materials	-1,065	-1,263	-366	-1,503	-1,503	-3,407	125	393	-2,809	-5,780
Personnel expenses	-10,483	-10,520	-12,574	-12,978	-2,942	-3,122	83	-97	-25,916	-26,717
Depreciation and amortisation	-351	-345	-320	-324	-172	-166	-16	-16	-859	-851
Other operating expenses	-3,205	-3,323	-5,152	-6,414	-1,350	-1,270	2,217	3,352	-7,490	-7,655
Operating result before interest, tax, depreciation and amortisation	1,152	717	1,328	1,578	789	979	-286	-279	2,983	2,995
Operating result before depreciation and amortisation resulting from purchase price allocation	801	372	1,008	1,254	617	813	-302	-295	2,124	2,144
Depreciation and amortisation resulting from purchase price allocation	-21	-21	-30	-30	0	0	0	0	-51	-51
Operating result	780	351	978	1,224	617	813	-302	-295	2,073	2,093
Interest income	-124	256	-184	-175	-99	-155	0	0	-407	-74
Result before income taxes	656	607	794	1,049	518	658	-302	-295	1,666	2,019
Interest in associates carried at equity	298	273	0	0	0	12	0	0	298	285
Segment assets	49,290	49,752	72,178	77,147	51,898	51,972	5,466	11,202	178,832	190,073
Segment liabilities	33,150	30,677	52,265	57,365	17,368	18,743	10,027	10,908	112,810	117,693
Segment investments	178	214	197	202	54	168	111	105	540	689

Financial Calendar

20 March 2014	Publication of Annual Result 2013
20 March 2014	Analyst Conference
30 April 2014	Report on the 1 st Quarter of 2014
6 May 2014	Annual General Meeting
31 July 2014	Report on the 1 st Six Months of 2014
30 October 2014	Report on the 3rd Quarter of 2014
24-26 November 2014	Analyst Presentation, German Equity Forum

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