



INTELLIGENT GREEN SOFTWARE

REPORT ON THE 1ST QUARTER OF 2020

PSI 

PSI Group Data as per 31 March 2020 at a Glance (IFRS)

	01/01-31/03/20 in KEUR	01/01-31/03/19 in KEUR	Change in KEUR	Change in %
Revenues	50,888	51,993	-1,105	-2.1
Operating Result	2,459	2,952	-493	-16.7
Result before income taxes	2,033	2,743	-710	-25.9
Net result	1,512	1,999	-487	-24.4
Cash and cash equivalents	42,723	44,968	-2,245	-5.0
Employees on 31 March	2,005	1,931	+74	+3.8
Revenue/Employee	25.4	26.9	-1.5	-5.7

Interim Management Report

Business Development

Earnings

Despite the emerging Corona crisis, the PSI Group, with 96 million euros in the first quarter of 2020 (31 March 2019: 97 million euros), almost reached the record new orders of the same quarter of the previous year. The order book volume on 31 March 2020 was, at 187 million euros, 2% above the previous year's value (31 March 2019: 184 million euros). Group sales of 50.9 million euros were also almost on a par with the previous year's figure (31 March 2019: 52.0 million euros), although this year's sales are more strongly influenced by the energy sector. The operating result (EBIT) of 2.5 million euros was around 17% below the previous year's figure and thus in line with the forecast (31 March 2019: 3.0 million euros). The steel crisis in Europe, Corona in China and a restructuring in Malaysia had a negative impact. The Corona crisis led to lower productive hours in March. Group net income fell to 1.5 million euros as of 31 March due to significant currency fluctuations (31 March 2019: 2.0 million euros).

Energy Management (energy grids, energy trading, public transportation) achieved 14% higher sales of 28.8 million euros in the first quarter (31 March 2019: 25.3 million euros) and a roughly constant operating result of 1.2 million euros (31 March 2019: 1.1 million euros). The BTC Smart Grid division acquired in the previous year made a positive contribution to sales and earnings. Major orders from Russia in the areas of high-pressure gas grids and extra-high-voltage grids are noteworthy. The subsidiary PSI Incontrol in Malaysia restructured the hardware business and encumbered with 0.6 million euros.

Sales in Production Management (metals, industry, logistics) in the first three months of the year amounted to EUR 22.1 million, down about 17% from the previous year (31 March 2019: EUR 26.7 million). The segment's EBIT fell by 23% to 1.5 million euros (31 March 2019: 1.9 million euros). The metals production business continued to suffer from the CO2 price-related steel crisis in Europe. The processing of major projects in China suffered from reduced working hours (reduction of holidays etc.) during the Corona crisis. In the USA, PSI received a major contract from a US steel producer. The weaker sales and earnings with production and logistics in Germany was offset by major contracts in Poland from the gas industry and e-commerce logistics.

Financial Position

At 8.6 million, cashflow from operating activities was 43% higher than in the same quarter of the previous year (31 March 2019: 6.0 million euros). The cash and cash equivalents of 42.7 million euros (31 March 2019: 45.0 million euros) will be used for the proposed dividend payment and for sales financing in the seasonal course.

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 2,005 (31 March 2019: 1,931) due to new hires and the acquisition of the smart grid business of BTC in Poland as of May 31, 2019.

PSI-Shares

The PSI stock ended the 1st quarter of 2020 with a final price of 17.70 euros 14.9% below the final 2019 price of 20.80 euros. In the same period, the technology index TecDAX recorded a decline of 13.8%.

Risk Report

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

Outlook

PSI had already equipped all 2,000 employees with notebooks and remote access for home office work in the run-up to the Corona crisis, with the exception of the 70 employees of the hardware integration in Malaysia. Sales presentations, contract negotiations, project meetings and acceptance tests were also conducted via video conferencing with over 95% of the customers. Overall, home office efficiency is 75 to 85%, saving travel time and travel expenses. In addition, further savings were achieved through controlled reduction of vacation days, reduction of working hours and overtime.

PSI will participate in the climate protection program of the German federal government (energy shift, heating shift, transportation shift) and the Green Deal in the European Union. PSI software contributes significantly to the integration of renewable energy into the electricity networks. The gas network will become the sole failure guarantor and will be expanded in the future to include green gases and a hydrogen network.

Before the Corona crisis, PSI aimed for a continuation of growth in 2020 and a further increase in the EBIT by 10%. In a scenario forecasting this year as a normal operating mode under Corona conditions for industrial and energy network companies, PSI management expects only a slight decrease in sales by 5% and a 20% lower EBIT due to the high order book volume which could be maintained in the first quarter. The second quarter will be more strongly affected by Corona, in the third and fourth quarters a revival should begin in order to achieve the annual goals. An extremely low oil price throughout the year could lead to delays in the award of contracts in Russian gas network projects, in pipe steel projects and in energy trading software that exceed the previous forecast.

Group Balance Sheet

from 1 January 2020 until 31 March 2020 according to IFRS

	3 Month Report 01/01-31/03/20 KEUR	Annual Report 01/01-31/12/19 KEUR
Assets		
Non current assets		
Property, plant and equipment	35,731	37,039
Intangible assets	63,933	64,423
Investments in associates	440	440
Deferred tax assets	10,192	10,625
	110,296	112,527
Current assets		
Inventories	11,074	10,612
Trade accounts receivable, net	38,468	38,455
Receivables from long-term development contracts	43,332	40,725
Other current assets	11,049	7,862
Cash and cash equivalents	42,723	38,656
	146,646	136,310
Total assets	256,942	248,837
Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for own stock	-75	16
Other reserves	-22,688	-22,257
Net retained profits	42,970	41,458
	95,529	94,539
Non-current liabilities		
Pension provisions and similar obligations	54,173	54,737
Deferred tax liabilities	6,172	6,328
Liabilities from leases	21,703	22,523
	82,048	83,588
Current liabilities		
Trade payables	17,728	17,454
Other current liabilities	46,165	34,932
Liabilities from long-term development contracts	15,043	17,212
Short-term financial liabilities	429	1,112
	79,365	70,710
Total equity and liabilities	256,942	248,837

Group Income Statement

from 1 January 2020 until 31 March 2020 according to IFRS

	3 Month Report 01/01-31/03/20 KEUR	3 Month Report 01/01-31/03/19 KEUR
Sales revenues	50,888	51,993
Other operating income	1,916	3,066
Cost of materials	-7,438	-6,159
Personnel expenses	-34,071	-34,437
Depreciation and amortization	-2,822	-2,360
Other operating expenses	-6,014	-9,151
Operating result	2,459	2,952
Net finance result	-426	-209
Result before income taxes	2,033	2,743
Income tax	-521	-744
Net result	1,512	1,999
Earnings per share (in Euro per share, basic)	0.10	0.13
Earnings per share (in Euro per share, diluted)	0.10	0.13
Weighted average shares outstanding (basic)	15,678,985	15,676,835
Weighted average shares outstanding (diluted)	15,678,985	15,676,835

Group comprehensive Income Statement

from 1 January 2020 until 31 March 2020 according to IFRS

	3 Month Report 01/01-31/03/20 KEUR	3 Month Report 01/01-31/03/19 KEUR
Net result	1,512	1,999
Currency translation foreign operations	-431	956
Net losses from cash flows hedges	0	0
Income tax effects	0	0
Group comprehensive result	1,081	2,955

Group Cash Flow Statement

from 1 January 2020 until 31 March 2020 according to IFRS

	3 Month Report 01/01-31/03/19 KEUR	3 Month Report 01/01-31/03/18 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	2,033	2,742
Adjustments for non-cash expenses		
Amortisation on intangible assets	582	580
Depreciation of property, plant and equipment	858	706
Depreciation of right-of-use assets under leases (IFRS 16)	1,383	1,074
Interest income	-24	-71
Interest expenses	284	386
	5,116	5,417
Changes of working capital		
Inventories	-462	-1,217
Trade receivables and receivables from long-term development contracts	-2,985	-3,758
Other current assets	-3,514	-4,459
Provisions	-614	-316
Trade payables	633	-125
Other current liabilities	10,501	10,707
	8,675	6,249
Interest paid	-32	-46
Income taxes paid	-56	-227
Cash flow from operating activities	8,587	5,976
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-675	-396
Additions to property, plant and equipment	-417	-933
Additions to investments in subsidiaries	0	-2,730
Interest received	24	71
Cash flow from investing activities	-1,068	-3,988
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds/repayments from/of borrowings	-683	-465
Payments for the principal portion of lease liabilities (IFRS 16)	-1,336	-951
Interest paid in connection with leases (IFRS 16)	-129	-128
Outflows for share buybacks	-91	-40
Cash flow from financing activities	-2,239	-1,584
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	5,280	404
Valuation-related changes in cash and cash equivalents	-1,213	-15
Cash and cash equivalents at beginning of the period	38,656	44,579
Cash and cash equivalents at the end of the period	42,723	44,968

Statement of Changes in Equity

from 1 January 2020 until 31 March 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
As of 1 January 2019	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
As of 1 January 2020	15,679,838	40,185	35,137	16	-22,257	41,458	94,539
Group comprehensive result after tax					-431	1,512	1,081
Share buybacks	-6,497			-91			-91
As of 31 March 2020	15,673,341	40,185	35,137	-75	-22,688	42,970	95,529

Shares held by Management Board and Supervisory Board as of 31 March 2020

	Shares on 31/03/20	Shares on 31/03/19
Management Board		
Harald Fuchs	7,023	7,023
Dr. Harald Schrimpf	62,000	67,000
Supervisory Board		
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	79	13	16	108
Dr. Harald Schrimpf	116	25	21	162
Total	195	38	37	270

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 three months of 2020.

Notes on the consolidated financial statements as of 31 March 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 31 March 2020 were released for publication by a decision of the management on 24 April 2020.

The condensed interim consolidated financial statements for the period from 1 January 2020 to 31 March 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. Changes in the Consolidation Group

Compared to 31 December 2019 there were no changes in the consolidation group.

5. Selected Individual Items

Cash and cash equivalents

	31 March 2020 KEUR	31 December 2019 KEUR
Bank balances	41,743	37,237
Fixed term deposits	952	1,398
Cash	28	21
	42,723	38,656

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 2020 KEUR	31 December 2019 KEUR
Receivables from long-term development contracts (gross)	127,749	119,716
Payments on account	-84,417	-78,991
Receivables from long-term development contracts	43,332	40,725
Payments on account (gross)	99,460	96,203
Set off against contract revenue	-84,417	-78,991
Liabilities from long-term development contracts	15,043	17,212

Sales revenues

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

	31 March 2020 KEUR	31 March 2019 KEUR
Software development	25,192	25,523
Maintenance	20,079	17,560
License fees	1,817	4,789
Merchandise	3,800	4,121
	50,888	51,993

Taxes on income

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

	31 March 2020 KEUR	31 March 2019 KEUR
Effective taxes expenses		
Effective tax expenses	-245	-263
Deferred taxes		
Emergence and reversal of temporary differences	-276	-481
Tax expenses	-521	-744

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.

Group Segment Reporting

from 1 January 2020 until 31 March 2020 according to IFRS

	Energy Management		Production Management		Reconciliation		PSI Group	
	31/03/2020 TEUR	31/03/2019 TEUR	31/03/2020 TEUR	31/03/2019 TEUR	31/03/2020 TEUR	31/03/2019 TEUR	31/03/2020 TEUR	31/03/2019 TEUR
Sales revenues								
Sales to external customers	28,762	25,250	22,126	26,743	0	0	50,888	51,993
Inter-segment sales	681	691	3,054	2,291	-3,735	-2,982	0	0
Segment revenues	29,443	25,941	25,180	29,034	-3,735	-2,982	50,888	51,993
Operating result before interest, tax, depreciation and amortisation	2,545	2,306	2,904	3,082	-167	-77	5,282	5,311
Operating result before depreciation and amortisation resulting from purchase price allocation	1,225	1,215	1,602	2,037	-181	-111	2,646	3,141
Depreciation and amortisation resulting from purchase price allocation	-64	-73	-123	-116	0	0	-187	-189
Operating result	1,161	1,142	1,479	1,921	-181	-111	2,459	2,952
Net finance result	-362	-62	-43	-147	-21	0	-426	-209
Result before income taxes	799	1,080	1,436	1,774	-202	-111	2,033	2,743

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 st Quarter of 2020
9 June 2020	Annual General Meeting (virtual Meeting)
28 July 2020	Report on the 1 st 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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We will be happy to include you in our distribution list for stockholder information.

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