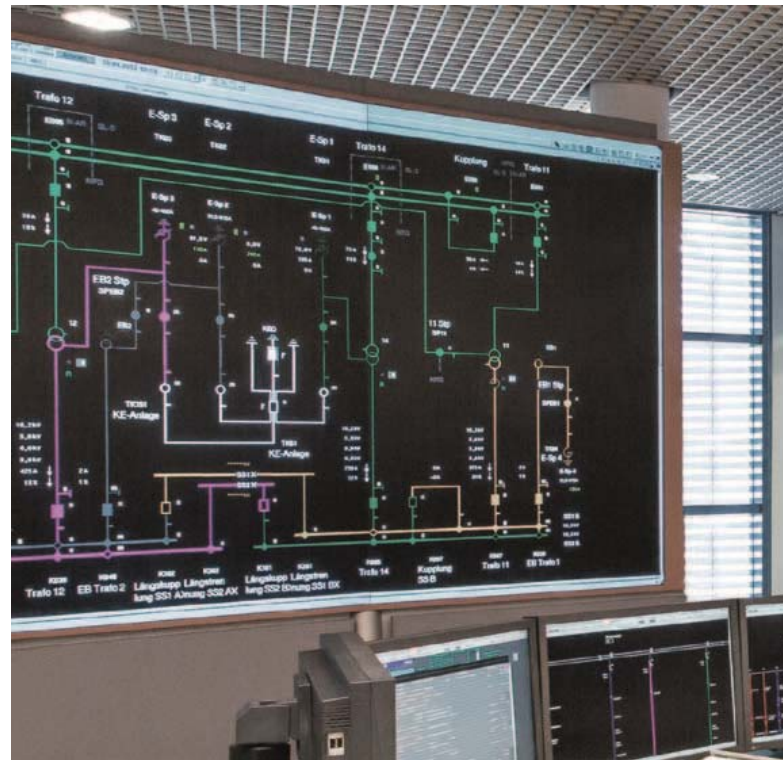


Creating value with Technology

REPORT ON THE 1ST SIX MONTHS OF 2017



PSI Group Data as per 30 June 2017 at a Glance (IFRS)

	01/01-30/06/17 in KEUR	01/01-30/06/16 in KEUR	Change in KEUR	Change in %
Revenues	87,568	85,102	+2,466	+2.9
Operating Result	5,684	4,534	+1,150	+25.4
Result before income taxes	5,376	4,391	+985	+22.4
Net result	3,043	2,414	+629	+26.1
Cash and cash equivalents	34,632	34,755	-123	-0.4
Employees on 30 June	1,626	1,650	-24	-1.5
Revenue/Employee	53.9	51.6	+2.3	+4.4

Interim Management Report

Business Development

Earnings

PSI Group increased new orders by 11 % to 111 million euros in the first six months of 2017 (30 June 2016: 100 million euros), the order backlog was, with 148 million euros on 30 June 2017, 3 % above the value of the previous year (30 June 2016: 144 million euros). Group sales increased primarily as a consequence of the industry business by 3 % to 87.6 million euros (30 June 2016: 85.1 million euros). The EBIT was increased by 25 % to 5.7 million euros (30 June 2016: 4.5 million euros), the group net result improved by 26 % to 3 million euros (30 June 2016: 2.4 million euros).

Energy Management (energy networks, energy trading) achieved, despite the regulatory “shadow year”, slightly increased sales of 32.2 million euros (30 June 2016: 32 million euros) in the first six months. The EBIT for the segment improved to 3.1 million euros compared to the previous year (30 June 2016: 2.6 million euros). The Electrical Grid Business received an important milestone acceptance in a major distribution grid project, obtained an entry into the US market with two small initial contracts and expanded its position in the domestic market with additional upgrade contracts. The Gas and Oil Business increased its volume of new orders, primarily on the basis of upgrade orders from its existing German customers and received the acceptance for the software provided by PSI for the central Gazprom control system in Russia.

In Production Management (raw materials, industry, logistics) sales grew by 8 % to 44.8 million euros in the first six months (30 June 2016: 41.5 million euros). The EBIT was increased by 27 % to 3.5 million euros (30 June 2016: 2.8 million euros), which includes a risk prevention for a project at an Indian steel producer that has liquidity problems. The segment profited from the end of the investment backlog in the steel industry after the week metal prices in 2015/2016 and the beginning of a new growth phase in mechanical engineering and logistics. Now that all of the products in the business have been converted to the group java interface, the software products can be integrated better into cross-corporate process chains. This includes, in particular, the automatic supply of machines with supplies, materials and spare parts on the basis of machine data transmitted via Internet-of-Things chips. The Metals Business will obtain an important new order from a Chinese customer in the third quarter.

In Infrastructure Management (transportation and security) sales decreased by 8 % to 10.6 million euros (30 June 2016: 11.5 million euros), the EBIT improved to -0.2 million euros (30 June 2016: -0.3 million euros). The segment is suffering under the weak economic situation of the general contractors in oil and gas-dependent countries of South-East Asia and the Arab Gulf. PSI has significantly reduced the working capital tied to the region in the last 24 months, even avoiding business opportunities and instead invested in the training of software specialists at the Malaysian site who are intended to assume development and overnight testing tasks. Many oil and gas-dependent economies are now privatising vertically integrated energy utilities to reduce prices, subsidies and costs. PSI has the right software and many references for all stages of this unbundling process.

Financial Position

The cash flow from operating activities was characterised by changes in working capital and decreased -5.7 million euros (30 June 2016: 0.2 million euros). With 34.6 million euros liquidity was at about the same level as the previous year (30 June 2016: 34.8 million euros), despite the higher dividend payment.

Assets

Compared to 31 December 2016, there have not been any material changes in the Group's assets.

Personnel Development

The number of employees in the Group on 30 June 2017 was, with 1,626, below the number for the previous year (30 June 2016: 1,650). The growth initiative with 50 new hires in Europe counteracts negative effects from increased retirements and last year's adjustments in capacity in the Southeast Asian hardware business.

PSI-Shares

The PSI stock ended the 1st six months of 2017 with a final price of 14.09 euros 15.5 % above the final 2016 price of 12.20 euros. In the same period the technology index TecDAX rose by 20.8 %.

Risk Report

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2016.

Outlook

In general, PSI saw a growth in demand in every business segment. In the energy business the major German utilities, following company spin-offs and reorganisations, concentrated once again on growth and developing new digital business models.

The group technology platform has been migrated to the graphic standard JavaFX, which allows for support of modern user concepts such as gesture control. Other development highlights are the hardening of software products and greater independence from the price policy of operating system and database providers. The ISO 27001 information security certification held since 2016 was extended to other subsidiaries in the group in the first six months of the year. The demand for cloud installations for demonstration, training, data collection, tests and backups continued to develop equally well as the current upgrading business.

Despite the encumbrances from the reduction of market risks in Asia, the management continues to remain optimistic of achieving a target in the upper range of the EBIT target corridor of 12 to 15 million euros. After major investments in technology, great attention is now being paid to further growth.

Group Balance Sheet

from 1 January 2017 until 30 June 2017 according to IFRS

	6 Month Report 01/01-30/06/17 KEUR	Annual Report 01/01-31/12/16 KEUR
Assets		
Non current assets		
Property, plant and equipment	12,631	12,153
Intangible assets	56,331	57,751
Investments in associates	150	150
Deferred tax assets	7,321	8,663
	76,433	78,717
Current assets		
Inventories	9,122	6,421
Trade accounts receivable, net	29,579	27,466
Receivables from long-term development contracts	38,779	38,184
Other current assets	9,644	5,631
Cash and cash equivalents	34,632	43,008
	121,756	120,710
Total assets	198,189	199,427
Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for own stock	-825	-528
Other reserves	-19,006	-17,588
Net retained profits	17,672	18,068
	73,163	75,274
Non-current liabilities		
Pension provisions and similar obligations	51,600	52,037
Deferred tax liabilities	3,642	2,916
	55,242	54,953
Current liabilities		
Trade payables	10,770	12,553
Other current liabilities	36,411	30,919
Liabilities from long-term development contracts	19,673	25,728
Short-term financial liabilities	2,930	0
	69,784	69,200
Total equity and liabilities	198,189	199,427

Group Income Statement

from 1 January 2017 until 30 June 2017 according to IFRS

	Quarterly Report II		6 Month Report	
	01/04/17- 30/06/17 KEUR	01/04/16- 30/06/16 KEUR	01/01/17- 30/06/17 KEUR	01/01/16- 30/06/16 KEUR
Sales Revenues	43,784	42,513	87,568	85,102
Other operating income	1,345	1,600	3,032	3,404
Cost of materials	-5,644	-5,950	-10,767	-12,442
Personnel expenses	-27,777	-27,552	-56,417	-54,562
Depreciation and amortisation	-1,054	-1,048	-2,089	-2,107
Other operating expenses	-7,577	-7,210	-15,643	-14,861
Operating result	3,077	2,353	5,684	4,534
Net finance result	-212	-6	-308	-143
Result before income taxes	2,865	2,347	5,376	4,391
Income tax	-1,597	-1,329	-2,333	-1,977
Net result	1,268	1,018	3,043	2,414
Earnings per share (in Euro per share, basic)	0.08	0.07	0.19	0.16
Earnings per share (in Euro per share, diluted)	0.08	0.07	0.19	0.16
Weighted average shares outstanding (basic)	15,636,994	15,604,847	15,636,994	15,604,847
Weighted average shares outstanding (diluted)	15,636,994	15,604,847	15,636,994	15,604,847

Group comprehensive Income Statement

from 1 January 2017 until 30 June 2017 according to IFRS

	01/04/17- 30/06/17 KEUR	01/04/16- 30/06/16 KEUR	01/01/17- 30/06/17 KEUR	01/01/16- 30/06/16 KEUR
Net result	1,268	1,018	3,043	2,414
Currency translation foreign operations	-1,232	-190	-1,418	663
Net losses from cash flows hedges	0	0	0	0
Income tax effects	0	0	0	0
Group comprehensive result	36	828	1,625	3,077

Group Cash Flow Statement

from 1 January 2017 until 30 June 2017 according to IFRS

	6 Month Report 01/01-30/06/17 KEUR	6 Month Report 01/01-30/06/16 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	5,376	4,391
Adjustments for non-cash expenses		
Amortisation on intangible assets	839	769
Depreciation of property, plant and equipment	1,250	1,338
Earnings from investments in associated companies	-142	0
Interest income	-91	-107
Interest expenses	434	628
	7,666	7,019
Changes of working capital		
Inventories	-2,832	-2,439
Trade receivables	-2,831	-94
Other current assets	-4,105	-3,190
Provisions	-491	-715
Trade payables	-1,870	-2,477
Other current liabilities	-532	3,006
	-4,995	1,111
Interest paid	-28	-94
Income taxes paid	-655	-845
Cash flow from operating activities	-5,678	172
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-125	-175
Additions to property, plant and equipment	-1,728	-910
Cash inflow from disposals of associated companies	0	0
Interest received	91	107
Cash flow from investing activities	-1,762	-978
CASHFLOW FROM FINANCING ACTIVITIES		
Dividends paid	-3,439	-3,277
Proceeds/repayments from/of borrowings	2,930	-32
Outflows for share buybacks	-297	0
Cash flow from financing activities	-806	-3,309
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-8,246	-4,115
Valuation-related changes in cash and cash equivalents	-130	39
Cash and cash equivalents at beginning of the period	43,008	38,831
Cash and cash equivalents at the end of the period	34,632	34,755

Statement of Changes in Equity

from 1 January 2017 until 30 June 2017 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 1 January 2016	15,604,847	40,185	35,137	-1,193	-13,771	12,794	73,152
Group comprehensive result after tax					-3,817	8,551	4,734
Issue of own shares	51,169			665			665
Dividends paid						-3,277	-3,277
As of 31 December 2016	15,656,016	40,185	35,137	-528	-17,588	18,068	75,274
Group comprehensive result after tax					-1,418	3,043	1,625
Share buybacks	-24,885			-297			-297
Dividends paid						-3,439	-3,439
As of 30 June 2017	15,631,131	40,185	35,137	-825	-19,006	17,672	73,163

Shares and Options held by Management Board and Supervisory Board as of 30 June 2017

	Shares	Options
Management Board		
Harald Fuchs	6,023	0
Dr. Harald Schrimpf	68,800	0
Supervisory Board		
Andreas Böwing	0	0
Elena Günzler	1,427	0
Prof. Dr. Uwe Hack	0	0
Prof. Dr. Wilhelm Jaroni	0	0
Uwe Seidel	100	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	50	208
Dr. Harald Schrimpf	191	60	251
Management Board – total	349	110	459

Because Supervisory Board payments are made in the 4th quarter of the year, the Supervisory Board did not obtain any remuneration in the first six months of 2017.

Notes on the consolidated financial statements as of 30 June 2017

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.

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 2017 to 30 June 2017 were released for publication by a decision of the management on 25 July 2017.

The condensed interim consolidated financial statements for the period from 1 January 2017 to 30 June 2017 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 2016.

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 2016.

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

Effective 28 February 2017 PSIAG Scandinavia AB, based in Karlstad, Sweden, was founded. The main focus of the company is the distribution of energy grid software and network management as a service in Scandinavia.

5. Selected Individual Items

Cash and cash equivalents

	30 June 2017 KEUR	31 December 2016 KEUR
Bank balances	30,976	40,269
Fixed term deposits	3,637	2,716
Cash	19	23
	34,632	43,008

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 2017 KEUR	31 December 2016 KEUR
Costs incurred on uncompleted contracts	96,641	88,946
Profit shares	21,167	15,963
Contract revenue	117,808	104,909
Payments on account	-98,702	-92,453
Set off against contract revenue	-79,029	-66,725
Receivables from long-term construction contracts	38,779	38,184
Liabilities from long-term construction contracts	19,673	25,728

Sales revenues

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

	30 June 2017 KEUR	30 June 2016 KEUR
Software development	50,122	48,480
Maintenance	27,052	25,161
License fees	5,567	6,025
Merchandise	4,827	5,436
	87,568	85,102

Taxes on income

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

	30 June 2017 KEUR	30 June 2016 KEUR
Effective taxes expenses		
Effective tax expenses	-264	-761
Deferred taxes		
Emergence and reversal of temporary differences	-2,069	-1,216
Tax expenses	-2,333	-1,977

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. Focal points are reliable and economically sound solutions for intelligent network management 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.
- **Infrastructure Management:** Control system solutions designed for monitoring and economically sound operation of infrastructures in the transportation and safety 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 proper accounting principles of interim consolidated reporting.

Group Segment Reporting

from 1 January 2017 until 30 June 2017 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	30/06/2017 KEUR	30/06/2016 KEUR	30/06/2017 KEUR	30/06/2016 KEUR	30/06/2017 KEUR	30/06/2016 KEUR	30/06/2017 KEUR	30/06/2016 KEUR	30/06/2017 KEUR	30/06/2016 KEUR
Sales revenues										
Sales to external customers	32,214	32,037	44,775	41,524	10,579	11,541	0	0	87,568	85,102
Inter-segment sales	652	526	1,115	1,058	2,998	2,882	-4,765	-4,466	0	0
Segment revenues	32,866	32,563	45,890	42,582	13,577	14,423	-4,765	-4,466	87,568	85,102
Operating result before interest, tax, depreciation and amortisation	3,965	3,434	4,390	3,661	79	67	-661	-521	7,773	6,641
Operating result before depreciation and amortisation resulting from purchase price allocation	3,109	2,667	3,760	3,094	-180	-292	-700	-561	5,989	4,908
Depreciation and amortisation resulting from purchase price allocation	-43	-43	-262	-331	0	0	0	0	-305	-374
Operating result	3,066	2,624	3,498	2,763	-180	-292	-700	-561	5,684	4,534
Net finance result	87	134	-159	-294	-248	17	12	0	-308	-143
Result before income taxes	3,153	2,758	3,339	2,469	-428	-275	-688	-561	5,376	4,391

Financial Calendar

22 March 2017	Publication of Annual Result 2016
22 March 2017	Analyst Conference
27 April 2017	Report on the 1 st Quarter of 2017
16 May 2017	Annual General Meeting
27 July 2017	Report on the 1 st Six Months of 2017
30 October 2017	Report on the 3rd Quarter of 2017
27-29 November 2017	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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