

# Smart solutions for the fittest

Report on the 3<sup>rd</sup> Quarter of 2010



PSI 

**PSI Group Data as per 30 September 2010 at a Glance (IFRS)**

	01/01-30/09/10 in KEUR	01/01-30/09/09 in KEUR	Change in KEUR	Change in %
Revenues	113,501	100,120	+13,381	+13.4
Operating Result	5,433	4,649	+784	+16.9
Result before income taxes	4,146	4,010	+136	+3.3
Net result	3,564	3,829	-265	-6.9
Cash and cash equivalents	18,930	17,992	+938	+5.2
Employees on 30 September	1,407	1,387	+20	+1.4
Revenue/Employee	80.7	72.2	+8.5	+11.8

# Interim Management Report

## Business Development

### Earnings

In the first nine months of 2010 the PSI Group increased its EBITDA by 24 % to 8.5 million Euros and the EBIT by 17 % to 5.4 million Euros. The Group net result was, at 3.6 million Euros, slightly below the previous year, as a result of the temporary effect of higher deferred taxes. Group sales increased by 13 % to 113.5 million Euros. New orders increased by 6 % to 122 million Euros compared to the previous year, the order book volume in the Group decreased by 8 % to 107 million Euros compared to the previous year's quarter.

Energy Management (electricity, gas, oil, heat) achieved 4 % higher sales of 45.1 million Euros. The EBIT for the segment increased to 4.6 million Euros (30 September 2009: 3.0 million Euros). The business unit oil and gas continued to develop positively and managed to initiate new major projects in Russia. In the business unit electrical energy, investments were made in an export project for the development of protocols and interfaces for station technology and smart meters using the American standards.

Sales in Production Management (raw materials, industry, logistics) were, at 48.7 million Euros, 12 % over the figure for the previous year. The EBIT decreased to 0.2 million Euros (30 September 2009: 1.7 million Euros) and was therefore significantly below the budget. The segment was primarily encumbered by investments in the new mining control system in the pilot project and accelerated depreciation from purchase price allocation. For the 4th quarter the management expects the initial licensing earnings from the marketing of the new product.

In Infrastructure Management (transportation, security, telecommunications) sales increased by 50 % to 19.7 million Euros. The EBIT increased again to 1.3 million Euros (30 September 2009: 0.3 million Euros). Investments in the communication solution Celllls were concluded in the 3rd quarter; the talks with marketing partners were intensified. Above all, the subsidiaries in Southeast Asia and Poland and the transport and telecommunications business contributed to the results. PSI expects major contracts from the Middle East in the coming quarters.

## **Financial Position**

Cash-flow from operations was positive at 4.9 million Euros. As a result, cash and cash equivalents increased to 18.9 million Euros despite the dividend payment and investments in the expansion at the Aschaffenburg site.

## **Assets**

Compared to 31 December 2009, there have not been any material changes in the Group's assets.

## **Personnel Development**

The number of employees grew to 1,407 on 30 September 2010 (30 September 2009: 1,387) as a result of targeted new hires with a focus on exports.

## **PSI-Shares**

The PSI stock ended the 3<sup>rd</sup> quarter of 2010 with a final price of 14.48 Euros, 63.6 % above the final 2009 price of 8.85 Euros. In the same period, the DAXsector Software Index, which includes all the software stocks in the Prime Standard of the German Stock Exchange, had an increase of 13.0 %.

## **Risk Report**

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2009.

## **Outlook**

Within the framework of focusing and internationalization, PSI added the mining business in 2010, made initial investments for entering the growth market Turkey and began bundling US activities in a new company. With the new graphical user interface, the major portion of the Group's new, uniform product platform has been released for use in customer projects.

Along with new developments and market entries, in the first three quarters of the year PSI also completed low margin projects from the first half of 2009, which was characterized by the crisis. Currently PSI is also noting a significant increase in requests for proposal in the domestic market and in exports to Asia. For that reason, the management also expects a strong 4th quarter for new orders, sales and earnings and for 2011, significant increases in the EBIT as a consequence of improved operating margins as well as the elimination of costs and depreciation.

# Group Balance Sheet

from 1 January 2010 until 30 September 2010 according to IFRS

	9 Month Report 01/01-30/09/10 KEUR	Annual Report 01/01-31/12/09 KEUR
<b>Assets</b>		
<b>Non current assets</b>		
Property, plant and equipment	11,816	9,344
Intangible assets	47,253	48,585
Other financial assets	383	359
Deferred tax assets	2,723	2,904
	<b>62,175</b>	<b>61,192</b>
<b>Current assets</b>		
Inventories	3,577	2,837
Trade accounts receivable, net	22,240	33,751
Receivables from long-term development contracts	40,139	32,686
Other current assets	5,035	3,504
Cash and cash equivalents	18,930	20,765
	<b>89,921</b>	<b>93,543</b>
<b>Total assets</b>	<b>152,096</b>	<b>154,735</b>
<b>Total Equity and Liabilities</b>		
<b>Equity</b>		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,244
Other reserves	-522	-1,589
Accumulated losses	-7,189	-7,551
	<b>67,611</b>	<b>66,289</b>
<b>Non-current liabilities</b>		
Long-term debt	877	843
Pension provisions	30,588	30,096
Deferred tax liabilities	2,137	2,314
	<b>33,602</b>	<b>33,253</b>
<b>Current liabilities</b>		
Trade payables	12,596	14,610
Other current liabilities	23,271	23,147
Liabilities from long-term development contracts	12,328	15,398
Short-term debt	2,304	1,561
Provisions	384	477
	<b>50,883</b>	<b>55,193</b>
<b>Total equity and liabilities</b>	<b>152,096</b>	<b>154,735</b>

# Group Income Statement

from 1 January 2010 until 30 September 2010 according to IFRS

	Quarterly Report III		9-Month Report	
	01.07.10- 30.09.10 KEUR	01.07.09- 30.09.09 KEUR	01.01.10- 30.09.10 KEUR	01.01.09- 30.09.09 KEUR
Sales Revenues	36,438	34,847	113,501	100,120
Other operating income	1,015	244	3,301	2,957
Changes in inventories of work in progress	-12	17	-3	153
Cost of materials	-4,757	-7,768	-16,789	-17,891
Personnel expenses	-22,512	-20,215	-69,264	-60,802
Depreciation and amortization	-997	-833	-3,070	-2,192
Other operating expenses	-7,423	-5,106	-22,243	-17,696
<b>Operating result</b>	<b>1,752</b>	<b>1,186</b>	<b>5,433</b>	<b>4,649</b>
Interest income	28	145	81	332
Interest expenses	-471	-410	-1,391	-1,253
Result from equity investments	-1	282	23	282
<b>Result before income taxes</b>	<b>1,308</b>	<b>1,203</b>	<b>4,146</b>	<b>4,010</b>
Income tax	77	73	-582	-181
<b>Net result</b>	<b>1,385</b>	<b>1,276</b>	<b>3,564</b>	<b>3,829</b>
Earnings per share (in Euro per share, basic)	0.09	0.08	0.23	0.28
Earnings per share (in Euro per share, diluted)	0.09	0.08	0.23	0.28
Weighted average shares outstanding (basic)	15,697,366	15,697,366	15,697,366	13,652,630
Weighted average shares outstanding (diluted)	15,697,366	15,697,366	15,697,366	13,652,630

# Group comprehensive Income Statement

from 1 January 2010 until 30 September 2010 according to IFRS

	01.07.10- 30.09.10 KEUR	01.07.09- 30.09.09 KEUR	01.01.10- 30.09.10 KEUR	01.01.09- 30.09.09 KEUR
<b>Net result</b>	<b>1,385</b>	<b>1,276</b>	<b>3,564</b>	<b>3,829</b>
Currency translation	-2	156	1,067	263
<b>Group comprehensive result</b>	<b>1,383</b>	<b>1,432</b>	<b>4,631</b>	<b>4,092</b>

# Group Cash Flow Statement

from 1 January 2010 until 30 September 2010 according to IFRS

	9 Month Report 01/01-30/09/10 KEUR	9 Month Report 01/01-30/09/09 KEUR
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
<b>Result before income taxes</b>	<b>4,146</b>	<b>3,829</b>
<b>Adjustments for non-cash expenses</b>		
Amortization on intangible assets	1,619	883
Depreciation of property, plant and equipment	1,451	1,309
Interest income	-81	-614
Interest expenses	1,391	1,253
Other income/expense without cash effect	1,044	235
	<b>9,570</b>	<b>6,895</b>
<b>Changes of working capital</b>		
Inventories	-740	746
Trade receivables	4,058	-6,799
Other current assets	-1,740	-683
Provisions	-894	-1,191
Trade payables	-2,014	319
Other current liabilities	-2,946	1,113
	<b>-4,276</b>	<b>-6,495</b>
Interest paid	-133	-60
Income taxes paid	-288	-209
<b>Cash flow from operating activities</b>	<b>4,873</b>	<b>131</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Additions to intangible assets	-288	-164
Additions to property, plant and equipment	-3,923	-1,281
Additions to associated companies	0	-77
Additions to investments in subsidiaries	-153	-12,837
Interest received	81	324
<b>Cash flow from investing activities</b>	<b>-4,283</b>	<b>-14,035</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Change in share capital	0	3,046
Change in additional paid-in capital	0	6,001
Dividends paid	-3,202	0
Proceeds/repayments from/of borrowings	777	-800
Acquisition of treasury stocks	0	-1
<b>Cash flow from financing activities</b>	<b>-2,425</b>	<b>8,246</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
<b>Changes in cash and cash equivalents</b>	<b>-1,835</b>	<b>-5,658</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>20,765</b>	<b>23,650</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>18,930</b>	<b>17,992</b>

# Statement of Changes in Equity

from 1 January 2010 until 30 September 2010 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
<b>As of 31 December 2008</b>	11,900,000	30,464	31,642	-26	275	-28,632	33,723
Group comprehensive result after tax					-1,864	6,603	4,739
Capital increase from cash contribution	1,189,999	3,046	6,001				9,047
Capital increase in exchange for stock	2,607,367	6,675	12,079				18,754
Share buybacks				-1			-1
Disposal of own shares				27			27
Set off accumulated loss			-14,478			14,478	0
<b>As of 31 December 2009</b>	15,697,366	40,185	35,244	0	-1,589	-7,551	66,289
Group comprehensive result after tax					1,067	3,564	4,631
Capital increase in exchange for stock			-107				-107
Dividends paid						-3,202	-3,202
<b>As of 30 September 2010</b>	15,697,366	40,185	35,137	0	-522	-7,189	67,611

## Shares and Options held by Management Board and Supervisory Board as of 30 September 2010

	Shares	Options
<b>Management Board</b>		
Dr. Harald Schrimpf	71,000	0
Armin Stein	23,300	0
<b>Supervisory Board</b>		
Dr. Ralf Becherer	2,268	0
Wilfried Götze	54,683	0
Bernd Haus	1,000	0
Barbara Simon	7,890	0
Karsten Trippel	124,450	0
Prof. Dr. Rolf Windmüller	6,305	0

The Management Board of PSI had earnings of KEUR 872 in the first nine months of 2010, which consist of a fixed component of KEUR 334 and a variable component of KEUR 538.

Because Supervisory Board payments are made in the 4<sup>th</sup> quarter of the year, the Supervisory Board did not obtain any remuneration in the nine months of 2010.



# Notes on the consolidated financial statements as of 30 September 2010

## 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, telecommunications, safety and transport. 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, organizational changes and the cooperation with strategic partners.

The condensed interim consolidated financial statements for the period from 1 January 2010 to 30 September 2010 were released for publication by a decision of the management on 27 October 2010.

The condensed interim consolidated financial statements for the period from 1 January 2010 to 30 September 2010 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 2009.

## 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 2009.

## 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 2009 there were no changes in the consolidation group.

## 5. Selected Individual Items

### Cash and cash equivalents

	30 September 2010	31 December 2009
	KEUR	KEUR
Bank balances	10,683	13,597
Fixed term deposits	8,211	7,134
Cash	36	34
	<b>18,930</b>	<b>20,765</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 (labor 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 2010 KEUR	31 December 2009 KEUR
Costs incurred on uncompleted contracts	92,655	69,876
Profit shares	20,560	16,274
<b>Contract revenue</b>	<b>113,215</b>	<b>86,150</b>
Payments on account	-85,404	-68,862
Set off against contract revenue	-73,076	-53,464
Receivables from long-term construction contracts	40,139	32,686
Liabilities from long-term construction contracts	12,328	15,398

### Taxes on income

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

	30 September 2010 KEUR	31 December 2009 KEUR
<b>Effective taxes expenses</b>		
Effective tax expenses	-532	-718
<b>Deferred taxes</b>		
Emergence and reversal of temporary differences	-50	376
<b>Tax expenses/income</b>	<b>-582</b>	<b>-342</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 energy suppliers from the electricity, gas, oil and water markets. Focal points are reliable and economically sound solutions for the 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 quality and profitability.
- Infrastructure Management: High-availability control system solutions designed for monitoring and economically sound operation of infrastructures in the telecommunications, 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 2010 until 30 September 2010 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	30/09/2010 KEUR	30/09/2009 KEUR	30/09/2010 KEUR	30/09/2009 KEUR	30/09/2010 KEUR	30/09/2009 KEUR	30/09/2010 KEUR	30/09/2009 KEUR	30/09/2010 KEUR	30/09/2009 KEUR
<b>Sales revenues</b>										
Sales to external customers	45,114	43,517	48,732	43,536	19,655	13,067	0	0	113,501	100,120
Inter-segment sales	2,151	688	1,997	1,084	1,357	1,216	-5,505	-2,988	0	0
<b>Segment revenues</b>	<b>47,265</b>	<b>44,205</b>	<b>50,729</b>	<b>44,620</b>	<b>21,012</b>	<b>14,283</b>	<b>-5,505</b>	<b>-2,988</b>	<b>113,501</b>	<b>100,120</b>
Other operating income	4,121	2,974	3,031	3,220	1,074	1,009	-4,925	-4,246	3,301	2,957
Changes in inventories of work in progress	0	-50	-5	201	2	2	0	0	-3	153
Cost of purchased services	-2,636	-1,880	-4,818	-3,652	-4,073	-1,498	3,023	524	-8,504	-6,506
Cost of purchased materials	-5,386	-6,375	-1,565	-2,048	-3,401	-4,048	2,067	1,086	-8,285	-11,385
Personnel expenses	-29,018	-25,943	-31,328	-28,403	-8,729	-6,247	-189	-209	-69,264	-60,802
Depreciation and amortization	-770	-933	-636	-644	-425	-321	-46	-12	-1,877	-1,910
Other operating expenses	-8,924	-8,874	-14,546	-11,466	-3,789	-2,853	5,016	5,497	-22,243	-17,696
<b>Operating result before interest, tax, depreciation and amortisation</b>	<b>5,422</b>	<b>4,057</b>	<b>1,498</b>	<b>2,472</b>	<b>2,096</b>	<b>648</b>	<b>-513</b>	<b>-336</b>	<b>8,503</b>	<b>6,841</b>
<b>Operating result before depreciation and amortisation resulting from purchase price allocation</b>	<b>4,652</b>	<b>3,124</b>	<b>862</b>	<b>1,828</b>	<b>1,671</b>	<b>327</b>	<b>-559</b>	<b>-348</b>	<b>6,626</b>	<b>4,931</b>
Depreciation and amortisation resulting from purchase price allocation	-97	-98	-704	-162	-392	-22	0	0	-1,193	-282
<b>Operating result</b>	<b>4,555</b>	<b>3,026</b>	<b>158</b>	<b>1,666</b>	<b>1,279</b>	<b>305</b>	<b>-559</b>	<b>-348</b>	<b>5,433</b>	<b>4,649</b>
Interest income	-502	-198	-550	-317	-235	-124	0	0	-1,287	-639
<b>Result before income taxes</b>	<b>4,053</b>	<b>2,828</b>	<b>-392</b>	<b>1,349</b>	<b>1,044</b>	<b>181</b>	<b>-559</b>	<b>-348</b>	<b>4,146</b>	<b>4,010</b>
Investment in associates carried at equity	383	0	0	0	0	0	0	0	383	0
<b>Segment assets</b>	<b>45,071</b>	<b>46,391</b>	<b>59,549</b>	<b>59,881</b>	<b>40,900</b>	<b>37,084</b>	<b>3,853</b>	<b>2,226</b>	<b>149,373</b>	<b>145,582</b>
<b>Segment liabilities</b>	<b>22,249</b>	<b>19,864</b>	<b>39,362</b>	<b>36,260</b>	<b>13,434</b>	<b>16,085</b>	<b>6,782</b>	<b>6,311</b>	<b>81,827</b>	<b>78,520</b>
<b>Segment investments</b>	<b>367</b>	<b>433</b>	<b>551</b>	<b>15,394</b>	<b>323</b>	<b>17,129*</b>	<b>2,970</b>	<b>591</b>	<b>4,211</b>	<b>33,547</b>

\*Thereof KEUR 16,034 by issue of shares

## **Financial Calendar**

15 March 2010	Publication Annual Result 2009
15 March 2010	Analyst Conference
28 April 2010	Report on the 1 <sup>st</sup> Quarter of 2010
3 May 2010	Annual General Meeting
29 June 2010	North & Central European Midcap Event
30 July 2010	Report on the 1 <sup>st</sup> Six Months of 2010
24 August 2010	Technology, Media & Telecoms Sector Conference
30 July 2010	Report on the 1 <sup>st</sup> Six Months of 2010
16/17 November 2010	Global Clean Technology Conference
24 November 2010	Analyst Presentation, German Equity Forum
30 November 2010	High-tech Engineering Spotlight

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