Report on the 3rd Quarter of 2015

Transforming the Business

PSI

PSI Group Data as per 30 September 2015 at a Glance (IFRS)

	01/01-30/09/15 in KEUR	01/01-30/09/14 in KEUR	Change in KEUR	Change in %
Revenues	136,614	127,220	+9,394	+7.4
Operating Result	7,271	4,381	+2,890	+66.0
Result before income taxes	5,771	3,401	+2,370	+69.7
Net result	3,801	1,977	+1,826	+92.3
Cash and cash equivalents	29,441	22,747	+6,694	+29.4
Employees on 30 September	1,665	1,660	+5	+0.3
Revenue/Employee	82.1	76.6	+5.4	+7.1

Interim Management Report

Business Development

Earnings

The PSI Group obtained 7.4 % higher sales of 136.6 million Euros in the first nine months of 2015. The EBIT increased, despite continued strong investments in software technology, by 66 % to 7.3 million Euros. The group net result improved by 92 % to 3.8 million Euros. The volume of new orders was, at 149 million Euros, 12 % above the value for the previous year. The order book volume on 30 Sept. 2015 improved compared to the previous year by 7 % to 128 million Euros.

Energy Management (gas, oil, electricity, heat, water) achieved 7 % higher sales of 49.1 million Euros in the first nine months. The EBIT for the segment increased by 29 % to 3.5 million Euros compared to the previous year. The electrical energy business continued the positive development with a number of important contracts for German distribution grid operators on the basis of the current PSI*control* product release. The gas and oil business expanded its position in the Scandinavian market and implemented measures to secure its market position in Russia. In the energy trading systems business, the first virtual power plant for decentrally-generated energies and industrial energies commenced trial operations. The development of unique selling points in the fields of intraday energy trading, balancing energy market and pool controller for heterogeneous energy systems continues to be the subject of intensive efforts.

Sales in Production Management (raw materials, metals production, metal processing, logistics) during the first nine months were, at 65.6 million Euros, 8 % above the value for the previous year. The segment's EBIT has increased by 167 % to 4.5 million Euros despite continuing investments in software for raw material extraction. Extractors appear to be investing primarily in efficiency as a result of the market situation; for that reason a profitable follow-up order can be expected in 2016. The automotive and industry business is preparing for the introduction of the PSI*penta* Release 9 which is based on the new group platform. After two-and-a-half years of intensive development, the new products for production data acquisition and process visualisation (PSI*jscada*) and the production planning system PSI*jls* are ready for pilot projects. The rapidly increasing demand and technologically demanding requests for Industry 4.0 are to be handled by these new products. In the steel industry, the volume of new orders with group frame contracts and standard deliveries on the basis of the group platform have continued to stabilise, especially in Europe. The Logistics business has started operations with the first warehouse system developed on the basis of the group platform and commenced with the upgrade of existing customers. The PSI "Click-Design" technology contained in the new group platform 2.12, developed over three years and successfully used in the first customer projects; with which the user interface is composed using click, drag and drop, will decrease development costs in the future and allow partners, end customers and their IT department new design possibilities.

In Infrastructure Management (transportation and security), sales were, at 21.9 million Euros, 6 % above the figure for the previous year. The segment's EBIT decreased to –0.02 million Euros as a result of the continued weak development in Southeast Asia and adjustment costs. The public transportation business increased sales and earnings and PSI Poland continued to make a positive contribution to the result.

Financial Position

Cash flow from operating activities was, at 0.9 million Euros, positive, but below the figure for the previous year. In China and Southeast Asia measures for the reduction of market-specific higher working capital and currency exchange risks became markedly more intensive. Liquidity, increased to 29.4 million Euros, continues to serve sales financing.

Assets

Compared to 31 December 2014, there have not been any material changes in the Group's assets.

Personnel Development

The number of employees in the Group was increased by 5 to 1,665 compared to the same period last year. An expansion of capacity at PSI Metals resulting from the acquisition of Broner Metals in the fourth quarter of 2014 has been offset by personnel cuts of approx. 40 employees in Southeast Asia in 2015.

PSI-Shares

The PSI stock ended the third quarter of 2015 with a final price of 12.00 Euros 1 % above the final 2014 price of 11.91 Euros. In the same period the technology index TecDAX rose by 27.5 %.

Risk Report

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2014.

Outlook

PSI expects the good development in the downstream areas of energy distribution, logistics, airport, automotive and mechanical engineering to continue in the coming quarters, primarily in western industrial countries. On the basis of the good capacity, orders and demand, the management continues to be optimistic – despite the currency effects and the challenges in the BRIC states – that the annual target of an EBIT of 11 million Euros formulated in the annual report will be achieved and that the start of 2016 will see double-digit growth in new orders and sales.

Group Balance Sheet

from 1 January 2015 until 30 September 2015 according to IFRS

Assets	9 Month Report 01/01-30/09/15 KEUR	Annual Report 01/01-31/12/14* (adjusted) KEUR
Non-current assets		
Property, plant and equipment	12,386	12,949
Intangible assets	60,812	61,502
Investments in associates	149	149
Deferred tax assets	5,217	5,657
	78,564	**80,257**
Current assets		
Inventories	4,262	3,468
Trade accounts receivable, net	30,383	33,708
Receivables from long-term development contracts	46,039	39,865
Other current assets	6,287	5,661
Cash and cash equivalents	29,441	29,314
	116,412	**112,016**
Total assets	**194,976**	**192,273**

Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for own stock	–1,193	-890
Other reserves	–11,355	–11,473
Net retained profits	9,136	5,335
	71,910	**68,294**
Non-current liabilities		
Long-term financial liabilities	97	188
Pension provisions	46,749	47,080
Deferred tax liabilities	1,499	1,016
	48,345	**48,284**
Current liabilities		
Trade payables	13,778	15,113
Other current liabilities	31,049	29,489
Liabilities from long-tem development contracts	24,189	26,011
Short-term financial liabilities	5,705	5,082
	74,721	**75,695**
Total equity and liabilities	**194,976**	**192,273**

* Some of the amounts presented vary from the amounts in the Group accounts for the 2014 financial year due to adjustments (see Notes page 9, Changes in the Consolidation Group)

Group Income Statement

from 1 January 2015 until 30 September 2015 according to IFRS

	Quarterly Report III		9-Month Report	
	01/07/15-30/09/15 KEUR	01/07/14-30/09/14* (adjusted) KEUR	01/01/15-30/09/15 KEUR	01/01/14-30/09/14* (adjusted) KEUR
Sales Revenues	46,092	42,996	136,614	127,220
Other operating income	904	958	3,082	4,999
Cost of materials	–9,416	–6,632	–23,608	–21,525
Personnel expenses	–25,858	–24,670	–80,096	–76,792
Depreciation and amortisation	–1,082	–938	–3,153	–2,763
Other operating expenses	–7,418	–10,023	–25,568	–26,758
Operating result	**3,222**	**1,691**	**7,271**	**4,381**
Interest income	22	283	56	428
Interest expenses	–1,220	–559	–1,696	–1,408
Result from equity investments	0	0	140	0
Result before income taxes	**2,024**	**1,415**	**5,771**	**3,401**
Income tax	–587	–648	–1,970	–1,424
Net result	**1,437**	**767**	**3,801**	**1,977**
Earnings per share (in Euro per share, basic)	0.09	0.05	0.24	0.13
Earnings per share (in Euro per share, diluted)	0.09	0.05	0.24	0.13
Weighted average shares outstanding (basic)	15,604,937	15,653,023	15,625,272	15,654,851
Weighted average shares outstanding (diluted)	15,604,937	15,653,023	15,625,272	15,654,851

* Some of the amounts presented vary from the amounts in the Group accounts for the 2014 nine months report due to adjustments (see Notes page 9, Accounting and Valuation Principles)

Group comprehensive Income Statement

from 1 January 2015 until 30 September 2015 according to IFRS

	01/07/15-30/09/15 KEUR	01/07/14-30/09/14 KEUR	01/01/15-30/09/15 KEUR	01/01/14-30/09/14 KEUR
Net result	**1,437**	**767**	**3,801**	**1,977**
Currency translation foreign operations	–1,009	697	118	756
Net losses from cash flows hedges	0	22	0	171
Income tax effects	0	–7	0	–51
Group comprehensive result	**428**	**1,479**	**3,919**	**2,853**

Group Cash Flow Statement

from 1 January 2015 until 30 September 2015 according to IFRS

	9 Month Report 01/01-30/09/15 KEUR	9 Month Report 01/01-30/09/14 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	**5,771**	**3,401**
Adjustments for non-cash expenses		
Amortisation on intangible assets	1,022	620
Depreciation of property, plant and equipment	2,131	2,144
Earnings from investments in associated companies	–140	0
Interest income	–56	–428
Interest expenses	1,697	1,408
Other non-cash income/expenses	–632	215
	9,793	**7,360**
Changes of working capital		
Inventories	–804	–678
Trade receivables	–2,884	1,755
Other current assets	–1,063	–1,529
Provisions	–583	–860
Trade payables	–1,205	–1,027
Other current liabilities	–266	–1,239
	–6,804	**–3,578**
Interest paid	–247	–192
Income taxes paid	–1,845	–778
Cash flow from operating activities	**897**	**2,812**
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	–478	–629
Additions to property, plant and equipment	–1,567	–1,300
Additions to investments in subsidiaries	659	0
Cash inflow from disposals of associated companies	140	0
Interest received	56	43
Cash flow from investing activities	**–1,190**	**–1,886**
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds/repayments from/of borrowings	532	260
Outflows for share buybacks	–303	–272
Cash flow from financing activities	**229**	**–12**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	**–64**	**914**
Valuation-related changes in cash and cash equivalents	**191**	**33**
Cash and cash equivalents at beginning of the period	**29,314**	**21,800**
Cash and cash equivalents at the end of the period	**29,441**	**22,747**

Statement of Changes in Equity

from 1 January 2015 until 30 September 2015 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 2014	**15,633,023**	**40,185**	**35,137**	**–890**	**–11,473**	**5,335**	**68,294**
Group comprehensive result after tax					118	3,801	3,919
Share buybacks	-28,176			–303			–303
As of 30 September 2015	**15,604,847**	**40,185**	**35,137**	**–1,193**	**–11,355**	**9,136**	**71,910**

Shares and Options held by Management Board and Supervisory Board as of 30 September 2015

	Shares	Options
Management Board		
Harald Fuchs	3,023	0
Dr. Harald Schrimpf	65,120	0
Supervisory Board		
Elena Günzler	1,013	0
Bernd Haus	1,000	0
Prof. Dr. Wilhelm Jaroni	0	0
Uwe Seidel	62	0
Karsten Trippel	111,322	0
Prof. Dr. Rolf Windmöller	7,805	0

Remuneration for the Management Board and Supervisory Board

	Fixed remuneration KEUR	Variable remuneration KEUR	Total remuneration KEUR
Harald Fuchs	216	85	301
Dr. Harald Schrimpf	278	99	377
Management Board – total	**494**	**184**	**678**

Because Supervisory Board payments are made in the 4th quarter of the year, the Supervisory Board did not obtain any remuneration in the first nine months of 2015.

Notes on the consolidated financial statements as of 30 September 2015

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 2015 to 30 September 2015 were released for publication by a decision of the management on 27 October 2015.

The condensed interim consolidated financial statements for the period from 1 January 2015 to 30 September 2015 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 2014.

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 2014.

In financial year 2015 the presentation of the currency conversion effects in the profit and loss account has been changed. While in the past all currency conversion effects reported in the profit and loss account were presented as other operating income or other operating expenses, PSI selected a more differentiated and therefore, for the target audience of the financial statements, more helpful presentation for decision-making. To the extent that the differences are related to the operative business, they will continue to be presented as other operating income or other operating expenses. If the conversion differences are, by contrast, related to financial activities, they will be presented within the financial result. The values for the previous year will be correspondingly adjusted. As a result of the new method, other operating income in the previous year changed by KEUR 385, other operating expenses by KEUR 169 and the conversion effects in the financial result by KEUR 216. In financial year 2015, conversion effects in the financial result will be KEUR 632 that would have been presented in the other operating expenses in the former presentation.

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

In a contract signed 12 November 2014, a 100 % stake was acquired in Broner Metals Solutions Limited headquartered in Watford, UK. A preliminary purchase price allocation of net assets was performed in the financial statements for 31 December 2014. The valuation was completed in June 2015; the fair values that were applicable at the time of acquisition were adjusted. As a result, the other intangible assets increased by KEUR 280, deferred tax liabilities increased by KEUR 56, while goodwill decreased by KEUR 476. The preliminary useful life was between six and eight years and now amounts to between two and nearly 13 years.

The prior-year figures have been adjusted accordingly. The impact on the amortisation in the period between acquisition and 31 December 2014 was immaterial.

Broner Metals Solutions Limited, 12/11/2015	**Fair value at the time of acquisition**
Non-current assets	
Property, plant and equipment	66
Other intangible assets	6,084
Current assets	
Receivables from long-term development contracts	2,661
Trade accounts receivable	1,511
Other current assets	280
Cash and cash equivalents	427
Liabilities	
Deferred tax liabilities	1,223
Trade payables	875
Other current liabilities	1,400
Liabilities from long-tem development contracts	0
Total identifiable net assets at fair value	**7,531**
Goodwill resulting from the acquisition of the Company	3,911
Consideration	**11,442**

5. Selected Individual Items

Cash and cash equivalents

	30 September 2015 KEUR	**31 December 2014 KEUR**
Bank balances	24,917	28,023
Fixed term deposits	4,494	1,258
Cash	30	33
	29,441	**29,314**

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 2015 KEUR	31 December 2014 KEUR
Costs incurred on uncompleted contracts	89,325	75,442
Profit shares	17,701	14,671
Contract revenue	**107,026**	**90,113**
Payments on account	–85,176	–76,259
Set off against contract revenue	–60,987	–50,248
Receivables from long-term construction contracts	46,039	39,865
Liabilities from long-term construction contracts	24,189	26,011

Sales revenues

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

	30 September 2015 KEUR	30 September 2014 KEUR
Software development	76,136	70,600
Maintenance	38,122	33,254
License fees	10,616	12,198
Merchandise	11,740	11,168
	136,614	**127,220**

Taxes on income

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

	30 September 2015 KEUR	30 September 2014 KEUR
Effective taxes expenses		
Effective tax expenses	–1,046	–987
Deferred taxes		
Emergence and reversal of temporary differences	–924	–437
Tax expenses	**–1,970**	**–1,424**

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 2015 until 30 September 2015 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	30/09/ 2015 KEUR	30/09/ 2014* KEUR	30/09/ 2015 KEUR	30/09/ 2014 KEUR	30/09/ 2015 KEUR	30/09/ 2014* KEUR	30/09/ 2015 KEUR	30/09/ 2014 KEUR	30/09/ 2015 KEUR	30/09/ 2014* KEUR
Sales revenues										
Sales to external customers	49,080	45,748	65,613	60,744	21,921	20,728	0	0	136,614	127,220
Inter-segment sales	1,662	671	1,042	1,453	4,537	3,843	-7,241	–5,967	0	0
Segment revenues	**50,742**	**46,419**	**66,655**	**62,197**	**26,458**	**24,571**	**-7,241**	**–5,967**	**136,614**	**127,220**
Other operating income	3,965	3,738	5,115	5,810	1,256	1,404	–7,254	–5,953	3,082	4,999
Cost of purchased services	–3,822	–2,605	–7,488	–6,469	–5,560	–4,830	4,326	3,003	–12,544	–10,901
Cost of purchased materials	–2,943	–2,845	–1,702	–1,932	–6,902	–6,847	483	1,000	–11,064	–10,624
Personnel expenses	–30,399	–30,434	–38,946	–37,367	–10,584	–8,827	–167	–164	–80,096	–76,792
Depreciation and amortisation	–1,082	–1,045	–968	–966	–602	–554	–45	–44	–2,697	–2,609
Other operating expenses	–12,870	–10,437	–17,729	–19,478	–4,085	–3,996	9,116	7,153	–25,568	–26,758
Operating result before interest, tax, depreciation and amortisation	**4,673**	**3,836**	**5,905**	**2,761**	**583**	**1,475**	**–737**	**–928**	**10,424**	**7,144**
Operating result before depreciation and amortisation resulting from purchase price allocation	**3,591**	**2,791**	**4,937**	**1,795**	–19	**921**	**–782**	**–972**	**7,727**	**4,535**
Depreciation and amortisation resulting from purchase price allocation	–64	–64	–392	–90	0	0	0	0	–456	–154
Operating result	**3,527**	**2,727**	**4,545**	**1,705**	**–19**	**921**	**–782**	**–972**	**7,271**	**4,381**
Interest income	13	–501	–636	–554	–837	75	–40	0	–1,500	–980
Result before income taxes	**3,540**	**2,226**	**3,909**	**1,151**	**–856**	**996**	**–822**	**–972**	**5,771**	**3,401**
Interest in associates carried at equity	**149**	**298**	**0**	**0**	**0**	**0**	**0**	**0**	**149**	**298**
Segment assets	**43,353**	**46,392**	**87,026**	**70,641**	**54,463**	**53,257**	**4,917**	**3,318**	**189,759**	**173,608**
Segment liabilities	**39,287**	**28,177**	**50,732**	**47,954**	**18,234**	**16,795**	**12,505**	**10,966**	**120,758**	**103,892**
Segment investments	**429**	**359**	**674**	**630**	**147**	**461**	**649**	**479**	**1,899**	**1,929**

* Some of the amounts presented vary from the amounts in the Group accounts for the 2014 nine months report due to adjustments (see Notes page 9, Accounting and Valuation Principles)

Financial Calendar

29 October 2015	Report on the 3rd Quarter of 2015
24 November 2015	German Equity Forum, Analyst Presentation
22 March 2016	Publication of Annual Result 2015
22 March 2016	Analyst Conference
28 April 2016	Report on the 1st Quarter of 2016
12 May 2016	Annual General Meeting
27 July 2016	Report on the 1st Six Months of 2016
31 October 2016	Report on the 3rd Quarter of 2016
November 2016	German Equity Forum, Analyst Presentation

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For the latest IR information, please visit our website at www.psi.de/ir.

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