

Growth through digitalisation



Report on the 3rd Quarter of 2016

PSI 

PSI Group Data as per 30 September 2016 at a Glance (IFRS)

| | 01/01-30/09/16 in KEUR | 01/01-30/09/15 in KEUR | Change in KEUR | Change in % |
|----------------------------|---------------------------|---------------------------|-------------------|----------------|
| Revenues | 127,861 | 136,614 | -8,753 | -6.4 |
| Operating Result | 6,920 | 7,271 | -351 | -4.8 |
| Result before income taxes | 6,450 | 5,771 | +679 | +11.8 |
| Net result | 3,900 | 3,801 | +99 | +2.6 |
| Cash and cash equivalents | 35,931 | 29,441 | +6,490 | +22.0 |
| Employees on 30 September | 1,650 | 1,677 | -27 | -1.6 |
| Revenue/Employee | 78.3.6 | 82.1 | -3.7 | -4.5 |

Interim Management Report

Business Development

Earnings

PSI Group attained 6 % lower sales of 127.9 million Euros (30 September 2015: 136.6 million Euros) in the first nine months of 2016 due to adjustments of capacity in Southeast Asia. The EBIT was, at 6.9 million Euros (30 September 2015: 7.3 million Euros), 5 % below the level of the previous year, the earnings before taxes were improved by better financial earnings by 12 % to 6.5 million Euros (30 September 2015: 5.8 million Euros).

With 3.9 million Euros, the Group net result was 3 % above the level of the previous year (30 September 2015: 3.8 million Euros), the earnings per share improved accordingly to 25 Eurocents (30 September 2015: 24 eurocents). Due to sales price discipline despite weak market environment and due to regulatory effects, the level of new orders was, at 134 million Euros, 10 % lower (30 September 2015: 149 million Euros). The order book volume on 30 September 2016 was, at 132 million Euros, 3 % above the volume of the previous year (30 September 2015: 128 million Euros).

Energy Management (energy networks, energy trading) achieved 2 % lower sales of 48.3 million Euros in the first nine months (30 September 2015: 49.1 million Euros), the EBIT for the segment remained constant at 3.5 million Euros. The electrical energy business continued to increase sales and earnings. Important contracts were won in neighbouring European countries. The power suppliers of two million cities were equipped with the new Field Force software with big success. This software is further migrated to the Group Java platform to connect it to Industry 4.0 production management applications. In the gas and oil business, demand recovers slowly following the drop in commodity prices in the first quarter, in particular with an upgrade order from the German market leader as well as with new orders from Russia. In energy trading, an important license order by a gas and hydro power operator is only booked in the fourth quarter so the sales and EBIT for 30 September was slightly below the level of the previous year.

Sales in Production Management (raw materials, metals production, automotive, logistics) during the first nine months were, at 63.0 million Euros, 4 % below the value for the previous year (30 September 2015: 65.6 million Euros). The EBIT was increased by 15 % to 5.2 million Euros (30 September 2015: 4.5 million Euros). In the mines and roads business, new orders were processed in traffic management. The metals business attained additional rollout contracts from major steel companies despite the ongoing global steel crisis and improved the margin on the basis of slightly lower sales. The automotive and industry business won important major contracts in the field of rail vehicle construction and vehicle maintenance and improved the result. Logistics increased sales and invested in a new SaaS/Cloud version of its logistics software migrated to the Group Java platform.

In Infrastructure Management (transportation and security) there was a distinct decrease in sales to 16.5 million Euros (30 September 2015: 21.9 million Euros). The EBIT decreased to -0.9 million Euros (30 September 2015: 0 million Euros) despite the good result of the public transportation business. In Southeast Asia PSI is moving the expansion of the software share of sales after adjustments in the capital-intensive hardware business forward. A SaaS/Cloud standard, based on the Group's Java platform, was developed for a large telecommunications company for the rapidly growing smart city market as well as a web portal for grid shutdown requests for an energy utility.

Financial Position

The cash flow from operating activities improved by 3.3 million Euros to 4.2 million Euros (30 September 2015: 0.9 million Euros). Liquidity on 30 September 2016 increased to 35.9 million Euros (30 September 2015: 29.4 million Euros). PSI is actively seeking and examines targets for acquisition in the fields of energy grids and automotive and logistics.

Assets

Compared to 31 December 2015, there have not been any material changes in the Group's assets.

Personnel Development

The number of employees in the group decreased to 1,632 on 30 September 2016 as a result of capacity adjustments in Asia (30 September 2015: 1,665). PSI is particularly looking for software salespeople in the energy network and automotive business.

PSI-Shares

The PSI stock ended the 3rd quarter of 2016 with a final price of 13.25 Euros 2.7 % above the final 2015 price of 12.90 Euros. In the same period the technology index TecDAX declined by 1.6 %.

Risk Report

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2015.

Outlook

Above all in Production Management, the implementation of a number of pilot projects based on the migration to the Java Group platform is well advanced so that from 2017 existing customers will be migrated and new customers will be addressed.

The PSI board is confident that the target range for the EBIT formulated in the 2015 annual report will be achieved. In the market weakened by commodity prices and regulation, PSI expects the order intake and sales to be slightly below the prior-year level after adjustment of the low-margin hardware business and with continued price discipline.

Group Balance Sheet

from 1 January 2016 until 30 September 2016 according to IFRS

| | 9 Month Report 01/01-30/09/16 KEUR | Annual Report 01/01-31/12/15 KEUR |
|--|--|---|
| Assets | | |
| Non current assets | | |
| Property, plant and equipment | 12,091 | 12,214 |
| Intangible assets | 58,130 | 59,418 |
| Investments in associates | 149 | 149 |
| Deferred tax assets | 6,742 | 6,999 |
| | 77,112 | 78,780 |
| Current assets | | |
| Inventories | 7,274 | 4,184 |
| Trade accounts receivable, net | 24,334 | 36,169 |
| Receivables from long-term development contracts | 41,916 | 36,366 |
| Other current assets | 7,876 | 5,192 |
| Cash and cash equivalents | 35,931 | 38,831 |
| | 117,331 | 120,742 |
| Total assets | 194,443 | 199,522 |
| Total Equity and Liabilities | | |
| Equity | | |
| Subscribed capital | 40,185 | 40,185 |
| Capital reserves | 35,137 | 35,137 |
| Reserve for own stock | -1,193 | -1,193 |
| Other reserves | -14,387 | -13,771 |
| Net retained profits | 13,417 | 12,794 |
| | 73,159 | 73,152 |
| Non-current liabilities | | |
| Long-term financial liabilities | 48 | 83 |
| Pension provisions | 46,572 | 46,981 |
| Deferred tax liabilities | 3,119 | 1,963 |
| | 49,739 | 49,027 |
| Current liabilities | | |
| Trade payables | 11,095 | 14,929 |
| Other current liabilities | 32,295 | 30,221 |
| Liabilities from long-term development contracts | 26,585 | 28,819 |
| Short-term financial liabilities | 1,570 | 3,374 |
| | 71,545 | 77,343 |
| Total equity and liabilities | 194,443 | 199,522 |

Group Income Statement

from 1 January 2016 until 30 September 2016 according to IFRS

| | Quarterly Report III | | 9-Month Report | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 01/07/16- 30/09/16 KEUR | 01/07/15- 30/09/15 KEUR | 01/01/16- 30/09/16 KEUR | 01/01/15- 30/09/15 KEUR |
| Sales Revenues | 42,759 | 46,092 | 127,861 | 136,614 |
| Other operating income | 698 | 904 | 4,102 | 3,082 |
| Cost of materials | -5,946 | -9,416 | -18,388 | -23,608 |
| Personnel expenses | -26,584 | -25,858 | -81,146 | -80,096 |
| Depreciation and amortisation | -1,066 | -1,082 | -3,173 | -3,153 |
| Other operating expenses | -7,475 | -7,418 | -22,336 | -25,568 |
| Operating result | 2,386 | 3,222 | 6,920 | 7,271 |
| Net finance result | -327 | -1,198 | -470 | -1,500 |
| Result before income taxes | 2,059 | 2,024 | 6,450 | 5,771 |
| Income tax | -573 | -587 | -2,550 | -1,970 |
| Net result | 1,486 | 1,437 | 3,900 | 3,801 |
| Earnings per share (in Euro per share, basic) | 0.09 | 0.09 | 0.25 | 0.24 |
| Earnings per share (in Euro per share, diluted) | 0.09 | 0.09 | 0.25 | 0.24 |
| Weighted average shares outstanding (basic) | 15,604,847 | 15,604,937 | 15,604,847 | 15,625,272 |
| Weighted average shares outstanding (diluted) | 15,604,847 | 15,604,937 | 15,604,847 | 15,625,272 |

Group comprehensive Income Statement

from 1 January 2016 until 30 September 2016 according to IFRS

| | 01/07/16- 30/09/16 KEUR | 01/07/15- 30/09/15 KEUR | 01/01/16- 30/09/16 KEUR | 01/01/15- 30/09/15 KEUR |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Net result | 1,486 | 1,437 | 3,900 | 3,801 |
| Currency translation foreign operations | -1,279 | -1,009 | -616 | 118 |
| Net losses from cash flows hedges | 0 | 0 | 0 | 0 |
| Income tax effects | 0 | 0 | 0 | 0 |
| Group comprehensive result | 207 | 428 | 3,284 | 3,919 |

Group Cash Flow Statement

from 1 January 2016 until 30 June 2016 according to IFRS

| | 9 Month Report 01/01-30/09/16 KEUR | 9 Month Report 01/01-30/09/15 KEUR |
|---|--|--|
| CASHFLOW FROM OPERATING ACTIVITIES | | |
| Result before income taxes | 6,450 | 5,771 |
| Adjustments for non-cash expenses | | |
| Amortisation on intangible assets | 1,211 | 1,022 |
| Depreciation of property, plant and equipment | 1,962 | 2,131 |
| Earnings from investments in associated companies | -146 | -140 |
| Interest income | -179 | -56 |
| Interest expenses | 939 | 1,065 |
| | 10,237 | 9,793 |
| Changes of working capital | | |
| Inventories | -3,231 | -804 |
| Trade receivables | 6,571 | -2,884 |
| Other current assets | -2,069 | -1,063 |
| Provisions | -1,423 | -583 |
| Trade payables | -4,009 | -1,205 |
| Other current liabilities | -166 | -266 |
| | -4,326 | -6,804 |
| Interest paid | -137 | -247 |
| Income taxes paid | -1,536 | -1,845 |
| Cash flow from operating activities | 4,238 | 897 |
| CASHFLOW FROM INVESTING ACTIVITIES | | |
| Additions to intangible assets | -279 | -478 |
| Additions to property, plant and equipment | -1,839 | -1,567 |
| Outflows for investments in subsidiaries | 0 | 659 |
| Cash inflow from distributions by associated companies | 0 | 140 |
| Interest received | 179 | 56 |
| Cash flow from investing activities | -1,939 | -1,190 |
| CASHFLOW FROM FINANCING ACTIVITIES | | |
| Dividends paid | -3,277 | 0 |
| Proceeds/repayments from/of borrowings | -1,839 | 532 |
| Outflows for share buybacks | 0 | -303 |
| Cash flow from financing activities | -5,116 | 229 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | |
| Changes in cash and cash equivalents | -2,817 | -64 |
| Valuation-related changes in cash and cash equivalents | -83 | 191 |
| Cash and cash equivalents at beginning of the period | 38,831 | 29,314 |
| Cash and cash equivalents at the end of the period | 35,931 | 29,441 |

Statement of Changes in Equity

from 1 January 2016 until 30 September 2016 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 | | | | | -2,298 | 7,459 | 5,161 |
| Share buybacks | -28,176 | | | -303 | | | -303 |
| As of 31 December 2015 | 15,604,847 | 40,185 | 35,137 | -1,193 | -13,771 | 12,794 | 73,152 |
| Group comprehensive result after tax | | | | | -616 | 3,900 | 3,284 |
| Dividends paid | | | | | | -3,277 | -3,277 |
| As of 30 September 2016 | 15,604,847 | 40,185 | 35,137 | -1,193 | -14,387 | 13,417 | 73,159 |

Shares and Options held by Management Board and Supervisory Board as of 30 September 2016

| | Shares | Options |
|--------------------------|---------|---------|
| Management Board | | |
| Harald Fuchs | 4,023 | 0 |
| Dr. Harald Schrimpf | 65.120 | 0 |
| Supervisory Board | | |
| Andreas Böwing | 0 | 0 |
| 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 |

Remuneration for the Management Board and Supervisory Board

| | Fixed remuneration KEUR | Variable remuneration KEUR | Total remuneration KEUR |
|---------------------------------|----------------------------|-------------------------------|----------------------------|
| Harald Fuchs | 227 | 71 | 298 |
| Dr. Harald Schrimpf | 286 | 90 | 376 |
| Management Board – total | 513 | 161 | 674 |

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 2016.

Notes on the consolidated financial statements as of 30 September 2016

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 2016 to 30 September 2016 were released for publication by a decision of the management on 28 October 2016.

The condensed interim consolidated financial statements for the period from 1 January 2016 to 30 September 2016 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 2015.

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 2015.

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 2015 there were no changes in the consolidation group.

5. Selected Individual Items

Cash and cash equivalents

| | 30 September 2016 | 31 December 2015 |
|---------------------|-------------------|------------------|
| | KEUR | KEUR |
| Bank balances | 31,974 | 33,916 |
| Fixed term deposits | 3,933 | 4,890 |
| Cash | 24 | 25 |
| | 35,931 | 38,831 |

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 2016 KEUR | 31 December 2015 KEUR |
|---|---------------------------|--------------------------|
| Costs incurred on uncompleted contracts | 97,361 | 79,253 |
| Profit shares | 19,573 | 12,537 |
| Contract revenue | 116,934 | 91,790 |
| Payments on account | -101,603 | -84,243 |
| Set off against contract revenue | -75,018 | -55,424 |
| Receivables from long-term construction contracts | 41,916 | 36,366 |
| Liabilities from long-term construction contracts | 26,585 | 28,819 |

Sales revenues

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

| | 30 September 2016 KEUR | 30 September 2015 KEUR |
|----------------------|---------------------------|---------------------------|
| Software development | 72,308 | 76,136 |
| Maintenance | 38,062 | 38,122 |
| License fees | 10,205 | 10,616 |
| Merchandise | 7,286 | 11,740 |
| | 127,861 | 136,614 |

Taxes on income

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

| | 30 September 2016 KEUR | 30 September 2015 KEUR |
|---|---------------------------|---------------------------|
| Effective taxes expenses | | |
| Effective tax expenses | -1,137 | -1,046 |
| Deferred taxes | | |
| Emergence and reversal of temporary differences | -1,413 | -924 |
| Tax expenses | -2,550 | -1,970 |

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 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 German proper accounting principles of interim consolidated reporting.

Group Segment Reporting

from 1 January 2016 until 30 September 2016 according to IFRS

| | Energy Management | | Production Management | | Infrastructure Management | | Reconciliation | | PSI Group | |
|---|--------------------|---------------------|-----------------------|--------------------|---------------------------|---------------------|--------------------|--------------------|--------------------|---------------------|
| | 30/09/2016 KEUR | 30/09/2015* KEUR | 30/09/2016 KEUR | 30/09/2015 KEUR | 30/09/2016 KEUR | 30/09/2015* KEUR | 30/09/2016 KEUR | 30/09/2015 KEUR | 30/09/2016 KEUR | 30/09/2015* KEUR |
| Sales revenues | | | | | | | | | | |
| Sales to external customers | 48,281 | 49,080 | 63,042 | 65,613 | 16,538 | 21,921 | 0 | 0 | 127,861 | 136,614 |
| Inter-segment sales | 792 | 1,662 | 1,602 | 1,042 | 4,349 | 4,537 | -6,743 | -7,241 | 0 | 0 |
| Segment revenues | 49,073 | 50,742 | 64,644 | 66,655 | 20,887 | 26,458 | -6,743 | -7,241 | 127,861 | 136,614 |
| Other operating income | 4,937 | 3,965 | 4,921 | 5,115 | 1,226 | 1,256 | -6,982 | -7,254 | 4,102 | 3,082 |
| Cost of purchased services | -3,164 | -3,822 | -4,780 | -7,488 | -3,993 | -5,560 | 46 | 4,326 | -11,891 | -12,544 |
| Cost of purchased materials | -2,601 | -2,943 | -1,874 | -1,702 | -4,564 | -6,902 | 2,542 | 483 | -6,497 | -11,064 |
| Personnel expenses | -32,112 | -30,399 | -38,781 | -38,946 | -10,014 | -10,584 | -239 | -167 | -81,146 | -80,096 |
| Depreciation and amortisation | -1,171 | -1,082 | -852 | -968 | -531 | -602 | -60 | -45 | -2,614 | -2,697 |
| Other operating expenses | -11,420 | -12,870 | -17,568 | -17,729 | -3,878 | -4,085 | 10,530 | 9,116 | -22,336 | -25,568 |
| Operating result before interest, tax, depreciation and amortisation | 4,713 | 4,673 | 6,562 | 5,905 | -336 | 583 | -846 | -737 | 10,093 | 10,424 |
| Operating result before depreciation and amortisation resulting from purchase price allocation | 3,542 | 3,591 | 5,710 | 4,937 | -867 | -19 | -906 | -782 | 7,479 | 7,727 |
| Depreciation and amortisation resulting from purchase price allocation | -64 | -64 | -495 | -392 | 0 | 0 | 0 | 0 | -559 | -456 |
| Operating result | 3,478 | 3,527 | 5,215 | 4,545 | -867 | -19 | -906 | -782 | 6,920 | 7,271 |
| Interest income | 54 | 13 | -395 | -636 | -129 | -837 | 0 | -40 | -470 | -1,500 |
| Result before income taxes | 3,532 | 3,540 | 4,820 | 3,909 | -996 | -856 | -906 | -822 | 6,450 | 5,771 |

Financial Calendar

| | |
|------------------|--|
| 31 October 2016 | Report on the 3rd Quarter of 2016 |
| 22 November 2016 | German Equity Forum, Analyst Presentation |
| 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 3 rd Quarter of 2017 |
| 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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For the latest IR information, please visit our website at www.psi.de/ir.

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