

Smart solutions for the fittest

Report on the 1st Six Months of 2010



PSI 

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

	01/01-30/06/10 in KEUR	01/01-30/06/09 in KEUR	Change in KEUR	Change in %
Revenues	77,063	65,273	+11,790	+18.1
Operating Result	3,681	3,463	+218	+6.3
Result before income taxes	2,838	2,807	+31	+1.1
Net result	2,179	2,553	-374	-14.6
Cash and cash equivalents	13,473	32,374	-18,901	-58.4
Employees on 30 June	1,400	1,256	+144	+11.5
Revenue/Employee	55.0	52.0	+3.0	+5.8

Interim Management Report

Business Development

Earnings

The PSI Group increased its earnings before interest, taxes, depreciation and amortisation (EBITDA) by 19 % to 5.8 million Euros and the EBIT by 6 % to 3.7 million Euros for the first six months of 2010. The Group net result was, at 2.2 million Euros, below that of the previous year, as a result of the temporary effect of higher deferred taxes. Group sales increased by 18 % to 77.1 million Euros. The volume of new orders increased compared to the same period of last year by 9 % to 93 million Euros; the order backlog was, at 114 million Euros 4 % below that of the previous year, but did increase by 9 million Euros compared to 31 March 2010.

The Energy Management segment (electricity, gas, oil, heat) achieved 6 % higher sales totalling 30.4 million Euros. The segment's EBIT was also increased to 3.1 million Euros. Important export orders have been attained in Europe and Asia in this segment. For the second half year PSI expects continued high demand in the domestic market for solutions for intelligent network management and additional major export contracts.

Sales in the Production Management segment (raw materials, industry, logistics) for the first six months of this year were, at 32.9 million Euros, 9 % above the level of the previous year. The EBIT decreased to 0.4 million Euros and was therefore clearly below expectations. The segment was primarily encumbered by investments in the new *PSImining* product, one-off expenses in the logistics business in the first quarter and higher write-offs from purchase price allocation. The business unit PSI Metals continued to develop positively despite increased expenditure in non-ferrous metals.

In Infrastructure Management (transportation, security, telecommunications), to which the inControl Tech Group has belonged since 2009, sales more than doubled to 13.8 million Euros. The EBIT increased to 0.5 million Euros despite write-offs from purchase price allocations. These included investments in the first half of 2010 in the newly founded Cellls GmbH. Important infrastructure and transportation projects were attained in the first six months of 2010, primarily in Southeast Asia. PSI expects continued high great demand from this region in the upcoming quarters.

Financial Position

Cash-flow from operations was negative at -2.7 million Euros. Due to this effect, the dividend payment and investments in the expansion at the Aschaffenburg site, liquidity decreased to 13.5 million Euros.

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 1,400 on 30 June 2010 (30 June 2009: 1,256) as a result of the acquisitions in the previous year and specific new hires.

PSI-Shares

The PSI stock ended the 1st half of 2010 with a final price of 12.33 Euros, 39.3 % 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 11.5 %.

Risk Report

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

Outlook

Since the beginning of the year, PSI has registered a renewed demand for solutions for the energy markets as well as in the increasing of efficiency in heavy industry. In the coming quarters the management expects major contracts in the Gulf region and continued growth stimuli in Germany and Europe through the development of European super grids and the intelligent energy consumption control through smart grids. The first PSI control system with extended functions for a virtual power plant is currently being taken in operation by a German customer.

In view of these circumstances, PSI is affirming the annual target of 160 million Euros in sales and at least 10 million Euros for the EBIT.

Group Balance Sheet

from 1 January 2010 until 30 June 2010 according to IFRS

	6 Month Report 01/01-30/06/10 KEUR	Annual Report 01/01-31/12/09 KEUR
Assets		
Non current assets		
Property, plant and equipment	10,480	9,344
Intangible assets	47,640	48,585
Other financial assets	383	359
Deferred tax assets	2,848	2,904
	61,351	61,192
Current assets		
Inventories	2,842	2,837
Trade accounts receivable, net	27,395	33,751
Receivables from long-term development contracts	41,640	32,686
Other current assets	4,505	3,504
Cash and cash equivalents	13,473	20,765
	89,855	93,543
Total assets	151,206	154,735
Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,244
Other reserves	-520	-1,589
Accumulated losses	-8,574	-7,551
	66,228	66,289
Non-current liabilities		
Long-term debt	876	843
Pension provisions	30,423	30,096
Deferred tax liabilities	2,477	2,314
	33,776	33,253
Current liabilities		
Trade payables	11,712	14,610
Other current liabilities	26,061	23,147
Liabilities from long-term development contracts	10,485	15,398
Short-term debt	2,537	1,561
Provisions	407	477
	51,202	55,193
Total equity and liabilities	151,206	154,735

Group Income Statement

from 1 January 2010 until 30 June 2010 according to IFRS

	Quarterly Report II		6-Month Report	
	01.04.10- 30.06.10 KEUR	01.04.09- 30.06.09 KEUR	01.01.10- 30.06.10 KEUR	01.01.09- 30.06.09 KEUR
Sales Revenues	39,930	34,698	77,063	65,273
Other operating income	811	1,020	2,286	2,713
Changes in inventories of work in progress	2	76	9	136
Cost of materials	-6,269	-6,633	-12,032	-10,123
Personnel expenses	-23,537	-20,230	-46,752	-40,587
Depreciation and amortization	-1,054	-690	-2,073	-1,359
Other operating expenses	-7,956	-6,490	-14,820	-12,590
Operating result	1,927	1,751	3,681	3,463
Interest income	35	98	53	187
Interest expenses	-486	-441	-920	-843
Result from equity investments	0	0	24	0
Result before income taxes	1,476	1,408	2,838	2,807
Income tax	-451	-148	-659	-254
Net result	1,025	1,260	2,179	2,553
Earnings per share (in Euro per share, basic)	0.07	0.09	0.14	0.20
Earnings per share (in Euro per share, diluted)	0.07	0.09	0.14	0.20
Weighted average shares outstanding (basic)	15,697,366	13,360,525	15,697,366	12,634,297
Weighted average shares outstanding (diluted)	15,697,366	13,360,525	15,697,366	12,634,297

Group comprehensive Income Statement

from 1 January 2010 until 30 June 2010 according to IFRS

	01.04.10- 30.06.10 KEUR	01.04.09- 30.06.09 KEUR	01.01.10- 30.06.10 KEUR	01.01.09- 30.06.09 KEUR
Net result	1,025	1,260	2,179	2,553
Currency translation	638	203	1,069	107
Group comprehensive result	1,663	1,463	3,248	2,660

Group Cash Flow Statement

from 1 January 2010 until 30 June 2010 according to IFRS

	6 Month Report 01/01-30/06/10 KEUR	6 Month Report 01/01-30/06/09 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	2,838	2,807
Adjustments for non-cash expenses		
Amortization on intangible assets	1,104	510
Depreciation of property, plant and equipment	969	849
Interest income	-53	-187
Interest expenses	920	843
Other income/expense without cash effect	1,046	107
	6,824	4,929
Changes of working capital		
Inventories	-5	281
Trade receivables	-2,598	-6,454
Other current assets	-1,086	-1,488
Provisions	-781	-917
Trade payables	-2,898	-154
Other current liabilities	-1,999	4,697
	-9,367	-4,035
Interest paid	-91	-47
Income taxes paid	-99	-145
Cash flow from operating activities	-2,733	702
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-159	-97
Additions to property, plant and equipment	-2,105	-762
Additions to associated companies	0	-77
Additions to investments in subsidiaries	-154	-749
Interest received	53	179
Cash flow from investing activities	-2,365	-1,137
CASHFLOW FROM FINANCING ACTIVITIES		
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	1,008	113
Acquisition of treasury stocks	0	-1
Cash flow from financing activities	-2,194	9,159
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-7,292	8,724
Cash and cash equivalents at beginning of the period	20,765	23,650
Cash and cash equivalents at the end of the period	13,473	32,374

Statement of Changes in Equity

from 1 January 2010 until 30 June 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
As of 31 December 2008	11,900,000	30,464	31,642	-26	275	-27,632	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
As of 31 December 2009	15,697,366	40,185	35,244	0	-1,589	-7,551	66,289
Group comprehensive result after tax					1,069	2,179	3,248
Capital increase in exchange for stock			-107				-107
Dividends paid						-3,202	-3,202
As of 31 March 2010	15,697,366	40,185	35,137	0	-520	-8,574	66,228

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

	Shares	Options
Management Board		
Dr. Harald Schrimpf	71,000	0
Armin Stein	23,300	0
Supervisory Board		
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 592 in the first three months of 2010, which consist of a fixed component of KEUR 222 and a variable component of KEUR 370.

Because Supervisory Board payments are made in the 4th quarter of the year, the Supervisory Board did not obtain any remuneration in the first three months of 2010.

Notes on the consolidated financial statements as of 30 June 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 June 2010 were released for publication by a decision of the management on 28 July 2010.

The condensed interim consolidated financial statements for the period from 1 January 2010 to 30 June 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 June 2010	31 December 2009
	KEUR	KEUR
Bank balances	7,422	13,597
Fixed term deposits	6,011	7,134
Cash	40	34
	13,473	20,765

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 June 2010 KEUR	31 December 2009 KEUR
Costs incurred on uncompleted contracts	91,507	69,876
Profit shares	21,353	16,274
Contract revenue	112,860	86,150
Payments on account	81,705	68,862
Set off against contract revenue	-71,220	-53,464
Receivables from long-term construction contracts	41,640	32,686
Liabilities from long-term construction contracts	10,485	15,398

Taxes on income

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

	30 June 2010 KEUR	31 December 2009 KEUR
Effective taxes expenses		
Effective tax expenses	-393	-718
Deferred taxes		
Emergence and reversal of temporary differences	-266	376
Tax expenses/income	-659	-342

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 June 2010 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009	30/06/2010	30/06/2009	30/06/2010	30/06/2009	30/06/2010	30/06/2009
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Sales revenues										
Sales to external customers	30,361	28,771	32,913	30,081	13,789	6,421	0	0	77,063	65,273
Inter-segment sales	1,771	306	1,394	890	851	846	-4,016	-2,042	0	0
Segment revenues	32,132	29,077	34,307	30,971	14,640	7,267	-4,016	-2,042	77,063	65,273
Other operating income	2,813	2,180	2,111	2,683	697	746	-3,335	-2,896	2,286	2,713
Changes in inventories of work in progress	0	-50	4	182	5	4	0	0	9	136
Cost of purchased services	-1,634	-803	-2,965	-2,973	-2,894	-563	1,980	259	-5,513	-4,080
Cost of purchased materials	-3,955	-4,154	-1,215	-1,223	-2,676	-1,461	1,327	795	-6,519	-6,043
Personnel expenses	-19,241	-17,501	-21,535	-19,001	-5,871	-3,951	-105	-134	-46,752	-40,587
Depreciation and amortization	-511	-635	-426	-449	-280	-141	-30	-8	-1,247	-1,233
Other operating expenses	-6,391	-6,116	-9,407	-8,729	-2,852	-1,623	3,830	3,878	-14,820	-12,590
Operating result before interest, tax, depreciation and amortisation	3,724	2,633	1,300	1,910	1,049	419	-319	-140	5,754	4,822
Operating result before depreciation and amortisation resulting from purchase price allocation	3,213	1,998	874	1,461	769	278	-349	-148	4,507	3,589
Depreciation and amortisation resulting from purchase price allocation	-66	-66	-494	-60	-266	0	0	0	-826	-126
Operating result	3,147	1,932	380	1,401	503	278	-349	-148	3,681	3,463
Interest income	-333	-353	-362	-244	-148	-59	0	0	-843	-656
Result before income taxes	2,814	1,579	18	1,157	355	219	-349	-148	2,838	2,807
Investment in associates carried at equity	383	0	0	0	0	0	0	0	383	0
Segment assets	42,741	46,198	57,203	49,658	41,130	37,400	7,284	8,025	148,358	141,281
Segment liabilities	21,738	20,150	38,221	32,271	14,755	17,597	7,093	6,482	81,807	76,500
Segment investments	305	363	226	1,013	150	16,800*	1,583	232	2,264	18,408

*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 st Quarter of 2010
3 May 2010	Annual General Meeting
29 June 2010	North & Central European Midcap Event
30 July 2010	Report on the 1 st Six Months of 2010
24 August 2010	Technology, Media & Telecoms Sector Conference
30 July 2010	Report on the 1 st 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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