

Report on the 1st Six Months of 2012

Smart RESOURCES



PSI 

PSI Group Data as per 30 June 2012 at a Glance (IFRS)

	01/01-30/06/12 in KEUR	01/01-30/06/11 in KEUR	Change in KEUR	Change in %
Revenues	85,652	76,221	+9,431	+12.4
Operating Result	5,109	3,839	+1,270	+33.1
Result before income taxes	4,395	2,999	+1,396	+46.6
Net result	4,121	1,908	+2,213	116.0
Cash and cash equivalents	25,812	26,053	-241	-0.9
Employees on 30 June	1,552	1,441	+111	+7.7
Revenue/Employee	55.2	52.9	+2.3	+4.3

Interim Management Report

Business Development

Earnings

PSI Group increased its sales by 12 % to 85.7 million Euros (30 June 2011: 76.2 million Euros) in the first six months of 2012. The EBIT improved by 33 % to 5.1 million Euros (30 June 2011: 3.8 million Euros), Group net result doubled to 4.1 million Euros (30 June 2011: 1.9 million Euros) as a result of tax effects. New orders increased compared to the same period last year by 18 % to 114 million Euros (30 June 2011: 97 million Euros), the order book volume as of 30 June 2012 increased by 14 % to 142 million Euros (30 June 2011: 125 million Euros).

Energy Management (electricity, gas, oil, heat) was again marked by the very good development in gas and oil while the electrical energy business continued to invest strongly in the development of new functions for the requirements of the energy transition. The energy trading business invested strongly in the functions for the multi-commodity trading and the integration of TS Energy software for energy storage operation acquired in the first quarter. Total sales for Energy Management dropped by 3 % to 30.7 million Euros (30 June 2011: 31.7 million Euros) in the first six months. Despite positive one-off effects from the sale of licenses, the EBIT for the segment was, at 1.7 million Euros, considerably below the value for the previous year (30 June 2011: 2.6 million Euros).

Sales in Production Management (raw materials, industry, logistics) were, at 43.7 million Euros, 22 % above the value for the previous year (30 June 2011: 35.8 million Euros). The EBIT was increased by 78 % to 3.0 million Euros (30 June 2011: 1.7 million Euros). The metals industry business once again provided the greatest contribution to the EBIT and was awarded major international orders.

In Infrastructure Management (transportation and security), sales increased by 29 % to 11.2 million Euros (30 June 2011: 8.7 million Euros). The EBIT for the business more than doubled to 1.1 million Euros (30 June 2011: 0.5 million Euros). PSI Poland expanded business in the Polish market with an important major contract and once again provided a major contribution to the result.

Financial Position

The cash flow from operating activities was, for project reasons, negative at -4.1 million Euros (30 June 2011: 1.8 million Euros), liquidity decreased slightly to 25.8 million Euros (30 June 2011: 26.1 million Euros).

Assets

Compared to 31 December 2011, there have not been any material changes in the Group's assets.

Personnel Development

The number of employees in the Group increased to 1,552 (30 June 2011: 1,441) as of 30 June 2012, primarily in Poland and as a result of the takeover in Logistics last year.

PSI-Shares

The PSI stock ended the 1st six months of 2012 with a final price of 15.80 Euros, 7.3 % above the final 2011 price of 14.72 Euros. In the same period the technology index TecDAX rose by 8.6 %.

Risk Report

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2011.

Outlook

In the third quarter PSI expects continued encumbrances in the area of control systems for distribution grids in the electrical energy business as a result of the energy transition and the continuation of the dynamic development in Production Management. PSI is investing heavily in the migration of additional business units to the new, company-wide uniform software basis for the improvement of productivity and ergonomics and has taken the next step with the beginning of the server-side rollout.

As a result of the high volume of new orders since the beginning of the year, the management is still aiming for 190 million Euros in new orders, sales of 180 million Euros and an EBIT of 13-16 million Euros for the year.

Group Balance Sheet

from 1 January 2012 until 30 June 2012 according to IFRS

	6 Month Report 01/01-30/06/12 KEUR	Annual Report 01/01-31/12/11 KEUR
Assets		
Non current assets		
Property, plant and equipment	14,453	14,464
Intangible assets	47,507	46,188
Other financial assets	208	208
Deferred tax assets	4,580	4,333
	66,748	65,193
Current assets		
Inventories	4,075	4,048
Trade accounts receivable, net	29,870	31,163
Receivables from long-term development contracts	48,284	37,551
Other current assets	5,342	3,860
Cash and cash equivalents	25,812	33,846
	113,383	110,468
Total assets	180,131	175,661
Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for treasury stock	-368	-368
Other reserves	-1,904	-2,172
Net retained profits	330	128
	73,380	72,910
Non-current liabilities		
Long-term debt	509	795
Pension provisions	32,287	32,104
Deferred tax liabilities	2,662	2,356
	35,458	35,255
Current liabilities		
Trade payables	17,287	16,979
Other current liabilities	30,501	27,705
Liabilities from long-term development contracts	19,241	20,233
Short-term debt	4,022	2,336
Provisions	242	243
	71,293	67,496
Total equity and liabilities	180,131	175,661

Group Income Statement

from 1 January 2012 until 30 June 2012 according to IFRS

	Quarterly Report II		6-Month Report	
	01/04/12- 30/06/12 KEUR	01/04/11- 30/06/11 KEUR	01/01/12- 30/06/12 KEUR	01/01/11- 30/06/11 KEUR
Sales Revenues	44,811	37,442	85,652	76,221
Other operating income	2,652	1,425	4,482	3,602
Changes in inventories of work in progress	5	-34	10	-17
Cost of materials	-8,872	-6,571	-15,091	-11,964
Personnel expenses	-25,448	-22,675	-50,128	-47,232
Depreciation and amortisation	-1,001	-882	-1,956	-1,876
Other operating expenses	-9,082	-6,960	-17,860	-14,895
Operating result	3,065	1,745	5,109	3,839
Interest income	145	61	174	87
Interest expenses	-468	-464	-941	-927
Result from equity investments	53	0	53	0
Result before income taxes	2,795	1,342	4,395	2,999
Income tax	13	-829	-274	-1,091
Net result	2,808	513	4,121	1,908
Earnings per share (in Euro per share, basic)	0.18	0.03	0.26	0.12
Earnings per share (in Euro per share, diluted)	0.18	0.03	0.26	0.12
Weighted average shares outstanding (basic)	15,676,698	15,696,157	15,676,698	15,696,758
Weighted average shares outstanding (diluted)	15,676,698	15,696,157	15,676,698	15,696,758

Group comprehensive Income Statement

from 1 January 2012 until 30 June 2012 according to IFRS

	01/04/12- 30/06/12 KEUR	01/04/11- 30/06/11 KEUR	01/01/12- 30/06/12 KEUR	01/01/11- 30/06/11 KEUR
Net result	2,808	513	4,121	1,908
Currency translation foreign operations	156	-677	317	-471
Net losses from cash flows hedges	-14	-794	-70	-304
Income tax effects	4	240	21	94
Group comprehensive result	2,954	-718	4,389	1,227

Group Cash Flow Statement

from 1 January 2012 until 30 June 2012 according to IFRS

	6 Month Report 01/01-30/06/12 KEUR	6 Month Report 01/01-30/06/11 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	4,395	2,999
Adjustments for non-cash expenses		
Amortisation on intangible assets	523	770
Depreciation of property, plant and equipment	1,433	1,106
Earnings from investments in associated companies	-53	0
Interest income	-174	-87
Interest expenses	941	927
	7,065	5,715
Changes of working capital		
Inventories	-27	-1,263
Trade receivables	-9,427	-4,585
Other current assets	-2,126	-107
Provisions	-532	-487
Trade payables	298	-951
Other current liabilities	1,198	4,174
	-10,616	-3,2198
Interest paid	-114	-141
Income taxes paid	-418	-599
Cash flow from operating activities	-4,083	1,756
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-687	-240
Additions to property, plant and equipment	-1,409	-1,354
Additions to associated companies	0	-3
Additions to investments in subsidiaries minus cash acquired	-556	0
Disposals of subsidiaries	746	1,973
Interest received	227	87
Cash flow from investing activities	-1,679	463
CASHFLOW FROM FINANCING ACTIVITIES		
Dividends paid	-3,919	-3,610
Proceeds/repayments from/of borrowings	1,330	-769
Outflows for share buybacks	0	-198
Cash flow from financing activities	-2,589	-4,577
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-8,351	-2,358
Valuation-related changes in cash and cash equivalents	317	-471
Cash and cash equivalents at beginning of the period	33,846	28,882
Cash and cash equivalents at the end of the period	25,812	26,053

Statement of Changes in Equity

from 1 January 2012 until 30 June 2012 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 2010	15,697,366	40,185	35,137	0	-3,526	-3,706	68,090
Group comprehensive result after tax					1,354	7,444	8,798
Share buybacks	-30,000			-503			-503
Issue of own shares	9,332			135			135
Dividend distributions						-3,610	-3,610
As of 31 December 2011	15,676,698	40,185	35,137	-368	-2,172	128	72,910
Group comprehensive result after tax					268	4,121	4,389
Dividend distributions						-3,919	-3,919
As of 30 June 2012	15.676.698	40.185	35.137	-368	-1.904	330	73.380

Shares and Options held by Management Board and Supervisory Board as of 30 June 2012

	Shares	Options
Management Board		
Dr. Harald Schrimpf	60,000	0
Armin Stein	23,300	0
Supervisory Board		
Dr. Ralf Becherer	1,281	0
Wilfried Götze	54,683	0
Elena Günzler	1,013	0
Bernd Haus	1,000	0
Karsten Trippel	109,750	0
Prof. Dr. Rolf Windmüller	6,305	0

The Management Board of PSI had earnings of KEUR 618 in the first three months of 2012, which consist of a fixed component of KEUR 232 and variable component of KEUR 386.

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 2012.

Notes on the consolidated financial statements as of 30 June 2012

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 and listed there in the TecDAX.

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 2012 to 30 June 2012 were released for publication by a decision of the management on 25 July 2012.

The condensed interim consolidated financial statements for the period from 1 January 2012 to 30 June 2012 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 2011.

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 2011.

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 3 February 2012, 100 % of the shares were acquired in Time-steps AG, headquartered in Switzerland. At the time of the acquisition the company had assets totalling KEUR 275 and liabilities of KEUR 116. Correspondingly, the net assets (at book values) were KEUR 159. In the course of breaking down the purchase price, these net assets will be offset by the costs of acquisition (KEUR 1,150). The resulting difference will be allocated to the intangible assets with limited utilisation and the goodwill. The intangible assets are thereby resulting primarily from the valuation of the product “stochastic optimisation”. The goodwill resulted primarily from the position of Time-steps at Swiss energy storage operators and the technological know-how. A variable portion of the purchase price is agreed in the purchase contract.

The following table provides a preliminary breakdown of the costs of acquisition to the market values of the assets and liabilities acquired. A final breakdown of this cost could not be done yet, as various project-related information as of acquisition date are subject to further detailed analysis. It is planned to finalise this analysis by the date the consolidated financial statements of the PSI group for 31 December 2012 are produced.

	Book value before the acquisition KEUR	Adjustment KEUR	Book value after the acquisition KEUR
Non-current assets			
Property, plant and equipment	13	0	13
Other intangible assets	0	550	550
Goodwill	0	605	605
Current assets			
Trade receivables	13	0	13
Other Assets	155	0	155
Cash and cash equivalents	94	0	94
Liabilities			
Deferred tax liabilities	0	164	164
Trade payables	10	0	10
Other liabilities	106	0	106
Net assets	159	991	1,150

Hidden reserves are recognizable for the acquired customer base and for products having an estimated useful life of 8 and 6 years respectively. Goodwill is recognized reflecting the present earnings outlook for Time-steps AG. If the newly acquired subsidiary was included in the consolidated financial statements of PSI AG effective 1 January 2012 group sales of KEUR 85,661 and a group net result of KEUR 4,105 would have resulted.

5. Selected Individual Items

Cash and cash equivalents

	30 June 2012 KEUR	31 December 2011 KEUR
Bank balances	17,376	16,800
Fixed term deposits	8,399	17,013
Cash	37	33
	25,812	33,846

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 2012 KEUR	31 December 2011 KEUR
Costs incurred on uncompleted contracts	104,036	93,556
Profit shares	24,934	28,454
Contract revenue	128,970	122,010
Payments on account	-99,927	-104,692
Set off against contract revenue	-80,686	-84,459
Receivables from long-term construction contracts	48,284	37,551
Liabilities from long-term construction contracts	19,241	20,233

Taxes on income

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

	30 June 2012 KEUR	31 December 2011 KEUR
Effective taxes expenses		
Effective tax expenses	-358	-1,294
Deferred taxes		
Emergence and reversal of temporary differences	84	14
Tax expenses	-274	-1,280

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 2012 until 30 June 2012 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Sales revenues										
Sales to external customers	30,737	31,748	43,677	35,772	11,238	8,701	0	0	85,652	76,221
Inter-segment sales	1,019	911	424	556	3,381	2,264	-4,824	-3,731	0	0
Segment revenues	31,756	32,659	44,101	36,328	14,619	10,965	-4,824	-3,731	85,652	76,221
Other operating income	3,300	2,552	4,354	3,615	721	1,196	-3,893	-3,761	4,482	3,602
Changes in inventories of work in progress	0	0	0	-22	10	5	0	0	10	-17
Cost of purchased services	-2,796	-2,830	-5,256	-3,957	-2,462	-1,471	1,900	2,467	-8,614	-5,791
Cost of purchased materials	-1,938	-2,318	-2,625	-1,396	-3,391	-2,440	1,477	-19	-6,477	-6,173
Personnel expenses	-20,343	-20,312	-24,509	-21,999	-5,236	-4,765	-40	-156	-50,128	-47,232
Depreciation and amortisation	-704	-613	-629	-442	-331	-285	-31	-30	-1,695	-1,370
Other operating expenses	-7,489	-6,447	-12,252	-10,029	-2,812	-2,690	4,693	4,271	-17,860	-14,895
Operating result before interest, tax, depreciation and amortisation	2,490	3,304	3,813	2,540	1,449	800	-687	-929	7,065	5,715
Operating result before depreciation and amortisation resulting from purchase price allocation	1,786	2,691	3,184	2,098	1,118	515	-718	-959	5,370	4,345
Depreciation and amortisation resulting from purchase price allocation	-68	-65	-184	-416	-9	-25	0	0	-261	-506
Operating result	1,718	2,626	3,000	1,682	1,109	490	-718	-959	5,109	3,839
Interest income	-213	-335	-326	-391	-175	-114	0	0	-714	-840
Result before income taxes	1,505	2,291	2,674	1,291	934	376	-718	-959	4,395	2,999
Interest in associates carried at equity	193	404	0	0	15	0	0	0	208	404
Segment assets	50,399	50,942	78,378	66,733	45,326	40,249	1,448	7,800	175,551	165,724
Segment liabilities	28,977	26,834	52,178	47,620	15,878	14,855	6,078	12,483	103,111	101,792
Segment investments	1,886	531	678	367	311	147	389	552	3,264	1,597

Financial Calendar

15 March 2012	Publication Annual Result 2011
15 March 2012	Analyst Conference
26 April 2012	Report on the 1 st Quarter of 2012
3 May 2012	Annual General Meeting
27 July 2012	Report on the 1 st Six Months of 2012
29 October 2012	Report on the 3 rd Quarter of 2012
12 November 2012	Analyst Presentation, German Equity Forum

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