

Report on the 3rd Quarter of 2012

Smart RESOURCES



PSI 

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

	01/01-30/09/12 in KEUR	01/01-30/09/11 in KEUR	Change in KEUR	Change in %
Revenues	126,733	117,296	+9,437	+8.1
Operating Result	7,525	6,288	+1,237	+19.7
Result before income taxes	6,371	5,055	+1,316	+26.0
Net result	5,536	3,359	+2,177	+64.8
Cash and cash equivalents	24,201	29,589	-5,388	-18.2
Employees on 30 September	1,577	1,466	+111	+7.6
Revenue/Employee	80.4	80.0	+0.4	+0.4

Interim Management Report

Business Development

Earnings

PSI Group increased its sales by 8 % to 126.7 million Euros in the first nine months of 2012. The EBIT was increased by 20 % to 7.5 million Euros, the Group net result improved by 65 % to 5.5 million Euros. New orders increased compared to the same period last year by 5 % to 145 million Euros, the order book volume as of 30 September 2012 increased by 6 % to 132 million Euros.

In Energy Management (electricity, gas, oil, heat) the electrical energy business currently brings the new control system core to the market and continues to invest into the expansion of international sales. The use of group resources in Poland and important acceptances in complex export projects had a positive effect. The development of smart telecontrol units of a new type and reduced replacements of remote communication units caused encumbrances. The gas and oil business continued the good development and expects important orders in the 4th Quarter. Energy trading, which is only active in the German speaking countries, invested in its product base and has additional investment needs (Energy Data Management) as well as cost reduction potential. Overall the sales of Energy Management dropped by 5 % to 44.5 million Euros in the first nine months. Despite the higher number of sales of licenses compared to the previous year, the EBIT for the segment was, at 2.1 million Euros, still well below the figure for the previous year.

Sales in Production Management (raw materials, industry, logistics) increased in the first nine months by 15 % to 64.2 million Euros. The EBIT was improved by 25 % to 4.5 million Euros. The business units of metals and sequence optimisation again provided a major contribution to the earnings and obtained further orders from large international customers.

Infrastructure Management (transportation and safety) increased sales by 26 % to 18 million Euros. The segment's EBIT more than doubled to 2 million Euros. The largest contribution to earnings in this segment was again provided by the international PSI subsidiaries in Poland and Southeast Asia. In Southeast Asia PSI won a number of important contracts and attained important acceptances in demanding pilot projects in the third quarter.

Financial Position

The cash flow from operating activities was, for project reasons, negative at -4.4 million Euros (30 September 2011: 6.6 million Euros), which is why liquidity decreased to 24.2 million Euros (30 September 2011: 29.6 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 1,577 as of 30 September 2012 (30 September 2011: 1,466) primarily due to the expansion of capacity in the export markets.

PSI-Shares

The PSI stock ended the 1st nine months of 2012 with a final price of 16.38 Euros, 11.3 % above the final 2011 price of 14.72 Euros. In the same period the technology index TecDAX rose by 18.2 %.

Risk Report

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

Outlook

The German energy market is experiencing a growing investment backlog. PSI is strengthening international activities in the area of electrical energy so as to become less dependent on the German market in the mid-term. Production Management has a large order book volume and expects the dynamic development to continue despite the cool-down in the steel industry. To improve productivity and ergonomics, increased investments in the migration of software applications of additional business units to the new, group-wide uniform software basis will continue to be made in the coming quarters.

The management expects, as in the previous years, a strong fourth quarter and continues to aim for the annual targets of 190 million Euros for new orders, close to 180 million Euros for sales and about 13 million Euros for the EBIT.

Group Balance Sheet

from 1 January 2012 until 30 September 2012 according to IFRS

	9 Month Report 01/01-30/09/12 KEUR	Annual Report 01/01-31/12/11 KEUR
Assets		
Non current assets		
Property, plant and equipment	14,242	14,464
Intangible assets	47,529	46,188
Other financial assets	208	208
Deferred tax assets	5,630	4,333
	67,609	65,193
Current assets		
Inventories	4,844	4,048
Trade accounts receivable, net	32,266	31,163
Receivables from long-term development contracts	44,046	37,551
Other current assets	4,818	3,860
Cash and cash equivalents	24,201	33,846
	110,175	110,468
Total assets	177,784	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	-2,096	-2,172
Net retained profits	1,745	128
	74,603	72,910
Non-current liabilities		
Long-term debt	614	795
Pension provisions	32,240	32,104
Deferred tax liabilities	4,098	2,356
	36,952	35,255
Current liabilities		
Trade payables	14,755	16,979
Other current liabilities	26,778	27,705
Liabilities from long-term development contracts	20,886	20,233
Short-term debt	3,597	2,336
Provisions	213	243
	66,229	67,496
Total equity and liabilities	177,784	175,661

Group Income Statement

from 1 January 2012 until 30 September 2012 according to IFRS

	Quarterly Report III		9-Month Report	
	01/07/12- 30/09/12 KEUR	01/07/11- 30/09/11 KEUR	01/01/12- 30/09/12 KEUR	01/01/11- 30/09/11 KEUR
Sales Revenues	41,081	41,075	126,733	117,296
Other operating income	1,383	322	5,865	3,924
Changes in inventories of work in progress	-15	-15	-5	-32
Cost of materials	-8,104	-6,448	-23,195	-18,412
Personnel expenses	-23,475	-22,694	-73,603	-69,926
Depreciation and amortisation	-1,023	-997	-2,979	-2,873
Other operating expenses	-7,431	-8,794	-25,291	-23,689
Operating result	2,416	2,449	7,525	6,288
Interest income	34	59	208	146
Interest expenses	-474	-452	-1,415	-1,379
Result from equity investments	0	0	53	0
Result before income taxes	1,976	2,056	6,371	5,055
Income tax	-561	-605	-835	-1,696
Net result	1,415	1,451	5,536	3,359
Earnings per share (in Euro per share, basic)	0,09	0,09	0,35	0,21
Earnings per share (in Euro per share, diluted)	0,09	0,09	0,35	0,21
Weighted average shares outstanding (basic)	15,676,698	15,676,316	15,676,698	15,689,553
Weighted average shares outstanding (diluted)	15,676,698	15,676,316	15,676,698	15,689,553

Group comprehensive Income Statement

from 1 January 2012 until 30 September 2012 according to IFRS

	01/07/12- 30/09/12 KEUR	01/07/11- 30/09/11 KEUR	01/01/12- 30/09/12 KEUR	01/01/11- 30/09/11 KEUR
Net result	1,415	1,451	5,536	3,359
Currency translation foreign operations	-258	-170	59	-641
Net losses from cash flows hedges	94	309	24	5
Income tax effects	-28	-92	-7	2
Group comprehensive result	1,223	1,498	5,612	2,725

Group Cash Flow Statement

from 1 January 2012 until 30 September 2012 according to IFRS

	9 Month Report 01/01-30/09/12 KEUR	9 Month Report 01/01-30/09/11 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	6,371	5,055
Adjustments for non-cash expenses		
Amortisation on intangible assets	784	1,180
Depreciation of property, plant and equipment	2,195	1,693
Earnings from investments in associated companies	-53	0
Interest income	-208	-146
Interest expenses	1,415	1,379
Other income/expenses without cash effect	0	-330
	10,504	8,831
Changes of working capital		
Inventories	-796	-1,428
Trade receivables	-7,585	-2,055
Other current assets	-1,601	442
Provisions	-769	-802
Trade payables	-2,234	-1,050
Other current liabilities	-880	3,261
	-13,865	-1,632
Interest paid	-174	-194
Income taxes paid	-875	-445
Cash flow from operating activities	-4,410	6,560
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-970	-415
Additions to property, plant and equipment	-1,960	-2,209
Additions to associated companies	0	-23
Additions to investments in subsidiaries minus cash acquired	-556	-170
Payments received from associated companies	0	201
Disposals of subsidiaries	746	1,973
Interest received	261	146
Cash flow from investing activities	-2,479	-497
CASHFLOW FROM FINANCING ACTIVITIES		
Dividends paid	-3,919	-3,610
Proceeds/repayments from/of borrowings	1,104	-601
Outflows for share buybacks	0	-504
Cash flow from financing activities	-2,815	-4,715
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-9,704	1,348
Valuation-related changes in cash and cash equivalents	59	-641
Cash and cash equivalents at beginning of the period	33,846	28,882
Cash and cash equivalents at the end of the period	24,201	29,589

Statement of Changes in Equity

from 1 January 2012 until 30 September 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					76	5,536	5,612
Dividend distributions						-3,919	-3,919
As of 30 September 2012	15,676,698	40,185	35,137	-368	-2,096	1,745	74,603

Shares and Options held by Management Board and Supervisory Board as of 30 September 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 774 in the first three months of 2012, which consist of a fixed component of KEUR 348 and variable component of KEUR 426.

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 September 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 September 2012 were released for publication by a decision of the management on 26 October 2012.

The condensed interim consolidated financial statements for the period from 1 January 2012 to 30 September 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 126,742 and a group net result of KEUR 5,520 would have resulted.

5. Selected Individual Items

Cash and cash equivalents

	30 September 2012 KEUR	31 December 2011 KEUR
Bank balances	14,596	16,800
Fixed term deposits	9,568	17,013
Cash	37	33
	24,201	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 September 2012 KEUR	31 December 2011 KEUR
Costs incurred on uncompleted contracts	103,986	93,556
Profit shares	27,454	28,454
Contract revenue	131,440	122,010
Payments on account	-108,280	-104,692
Set off against contract revenue	-87,394	-84,459
Receivables from long-term construction contracts	44,046	37,551
Liabilities from long-term construction contracts	20,886	20,233

Taxes on income

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

	30 September 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 September 2012 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011	30/09/2012	30/09/2011	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Sales revenues										
Sales to external customers	44,544	47,003	64,225	56,074	17,964	14,219	0	0	126,733	117,296
Inter-segment sales	1,649	793	607	1,156	5,041	2,937	-7,297	-4,886	0	0
Segment revenues	46,193	47,796	64,832	57,230	23,005	17,156	-7,297	-4,886	126,733	117,296
Other operating income	4,970	4,038	5,253	4,129	1,209	1,675	-5,567	-5,918	5,865	3,924
Changes in inventories of work in progress	0	0	-10	-35	5	3	0	0	-5	-32
Cost of purchased services	-4,366	-2,927	-8,976	-5,931	-3,673	-2,278	3,702	2,507	-13,313	-8,629
Cost of purchased materials	-2,606	-4,275	-2,629	-2,154	-6,179	-4,133	1,532	779	-9,882	-9,783
Personnel expenses	-30,153	-29,862	-36,115	-32,953	-7,597	-6,882	262	-229	-73,603	-69,926
Depreciation and amortisation	-1,075	-937	-969	-682	-510	-435	-46	-44	-2,600	-2,098
Other operating expenses	-10,788	-10,669	-16,632	-15,388	-4,239	-4,101	6,368	6,469	-25,291	-23,689
Operating result before interest, tax, depreciation and amortisation	3,250	4,101	5,723	4,898	2,531	1,440	-1,000	-1,278	10,504	9,161
Operating result before depreciation and amortisation resulting from purchase price allocation	2,175	3,164	4,754	4,216	2,021	1,005	-1,046	-1,322	7,904	7,063
Depreciation and amortisation resulting from purchase price allocation	-89	-98	-276	-639	-14	-38	0	0	-379	-775
Operating result	2,086	3,066	4,478	3,577	2,007	967	-1,046	-1,322	7,525	6,288
Interest income	-369	-516	-516	-555	-269	-162	0	0	-1,154	-1,233
Result before income taxes	1,717	2,550	3,962	3,022	1,738	805	-1,046	-1,322	6,371	5,055
Interest in associates carried at equity	193	208	0	0	15	15	0	0	208	223
Segment assets	47,883	50,694	74,034	69,422	47,780	40,921	2,457	5,864	172,154	166,901
Segment liabilities	29,115	25,861	46,509	49,513	16,796	14,062	5,940	11,298	98,360	100,734
Segment investments	2,045	748	908	1,338	445	348	700	763	4,098	3,197

Financial Calendar

29 October 2012	Report on the 3 rd Quarter of 2012
12 November 2012	Analyst Presentation, German Equity Forum
15 March 2013	Publication of Annual Result 2012
15 March 2013	Analyst Conference
29 April 2013	Report on the 1 st Quarter of 2013
7 May 2013	Annual General Meeting
30 July 2013	Report on the 1 st Six Months of 2013
29 October 2013	Report on the 3 rd Quarter of 2013

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