

Report on the 1st Six Months of 2015

Transforming the Business

PSI 

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

	01/01-30/06/15 in KEUR	01/01-30/06/14 in KEUR	Change in KEUR	Change in %
Revenues	90,522	84,224	+6,298	+7.5
Operating Result	4,233	2,782	+1,451	+52.2
Result before income taxes	3,747	1,986	+1,761	+88.7
Net result	2,364	1,210	+1,154	+95.4
Cash and cash equivalents	27,805	17,118	+10,687	+62.4
Employees on 30 June	1,677	1,687	-10	-0.6
Revenue/Employee	54.0	49.9	+4.1	+8.1

Interim Management Report

Business Development

Earnings

The PSI Group obtained 7.5 % higher sales of 90.5 million Euros in the first six months of 2015. The EBIT for the first six months, which was encumbered by special effects in the previous year, increased by 52 % to 4.2 million Euros. The group net result doubled to 2.4 million Euros. The volume of new orders improved by 17 % to 104 million Euros, the volume of orders on 30 June 2015 was, at 131 million Euros, 8 % above the figure for the previous year.

Energy Management (gas, oil, electricity, heat) had 5 % higher sales of 31.8 million Euros in the first six months. The EBIT for the segment was increased by 20 % to 1.7 million Euros compared to the previous year. The electrical energy business had a very strong increase in the volume of new orders in the second quarter and went into trial operation in the ground-breaking pilot project “multi-client capability control system for municipal utility cooperations”. Despite weak oil and gas prices, the oil and gas business confirmed the positive trend and managed to further increase its earnings. The energy trading systems business was awarded a research project for the trade of energy flexibilities of industrial production and won further contracts for the trading software for gas and electricity, which was newly implemented and integrated based on the group technology platform.

Sales in Production Management (raw materials, industry, logistics) during the first six months were, at 44.2 million Euros, 13 % above the figure for the previous year. The segment's EBIT more than doubled to 2.7 million Euros compared to the previous year despite the continuing investment in software for raw material extraction till the end of the year. The automotive business is gaining important licensing orders in Germany. The logistics business was able to significantly increase the EBIT and the volume of new orders compared to the previous year. In the steel industry, a stabilisation of new orders is beginning to make itself apparent primarily in Europe.

In Infrastructure Management (transportation and security), sales were, with 14.5 million Euros, 2 % below the level of the previous year. The segment's EBIT decreased as a result of the continued weak development in Southeast Asia to 0.4 million Euros. The public transportation business in Germany continued to make a positive contribution to the result. In Poland, PSI won an important contract from a pipeline operator; in Southeast Asia there are signs of a recovery in the new orders.

Financial Position

The cash flow from operations amounted to -3.4 million Euros (30 June 2014: -2.4 million Euros). Liquidity, which increased to 27.8 million Euros (30 June 2014: 17.1 million Euros), is still of high importance for the financing of sales.

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 reduced by 10 to 1,677 compared to the same quarter last year (30 June 2014: 1,687).

PSI-Shares

The PSI stock ended the 1st six months of 2015 with a final price of 10.35 Euros 13 % below the final 2014 price of 11.91 Euros. In the same period the technology index TecDAX rose by 19.8 %. On 22 June 2015 PSI started a further share buyback.

Risk Report

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

Outlook

In the coming quarters, PSI expects continued growth in the home market in the energy business. The new mining control room has successfully commenced test operations in China and is now going to be expanded by further excavation areas. Additional opportunities are arising in the energy business with the planned discontinuation of the sanctions against Iran, where PSI has numerous older installations. Within the course of the Industry 4.0 boom the demand for our new solutions in the automotive and logistics businesses continues to pick up. The management continues to strive for the annual targets set in the 2014 annual report and will decide on the finalisation of the goals in the third quarter.

Group Balance Sheet

from 1 January 2015 until 30 June 2015 according to IFRS

	6 Month Report 01/01-30/06/15 KEUR	Annual Report 01/01-31/12/14* (adjusted) KEUR
Assets		
Non-current assets		
Property, plant and equipment	12,511	12,949
Intangible assets	61,243	61,502
Investments in associates	149	149
Deferred tax assets	5,464	5,657
	79,367	80,257
Current assets		
Inventories	5,105	3,468
Trade accounts receivable, net	36,901	33,708
Receivables from long-term development contracts	46,074	39,865
Other current assets	7,645	5,661
Cash and cash equivalents	27,805	29,314
	123,530	112,016
Total assets	202,897	192,273
Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for own stock	-1,023	-890
Other reserves	-10,346	-11,473
Net retained profits	7,699	5,335
	71,652	68,294
Non-current liabilities		
Long-term financial liabilities	245	188
Pension provisions	46,860	47,080
Deferred tax liabilities	1,469	1,016
	48,574	48,284
Current liabilities		
Trade payables	14,660	15,113
Other current liabilities	34,211	29,489
Liabilities from long-term development contracts	26,734	26,011
Short-term financial liabilities	7,066	5,082
	82,671	75,695
Total equity and liabilities	202,897	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 8, Changes in the Consolidation Group)

Group Income Statement

from 1 January 2015 until 30 June 2015 according to IFRS

	Quarterly Report II		6-Month Report	
	01/04/15- 30/06/15 KEUR	01/04/14- 30/06/14 KEUR	01/01/15- 30/06/15 KEUR	01/01/14- 30/06/14 KEUR
Sales Revenues	47,334	43,422	90,522	84,224
Other operating income	1,241	1,861	2,362	4,162
Cost of materials	-7,926	-8,179	-14,192	-14,893
Personnel expenses	-27,172	-26,206	-54,238	-52,122
Depreciation and amortisation	-856	-915	-2,071	-1,825
Other operating expenses	-10,552	-9,274	-18,150	-16,764
Operating result	2,069	709	4,233	2,782
Interest income	19	12	34	24
Interest expenses	-321	-401	-660	-820
Result from equity investments	0	0	140	0
Result before income taxes	1,767	320	3,747	1,986
Income tax	-770	-264	-1,383	-776
Net result	997	56	2,364	1,210
Earnings per share (in Euro per share, basic)	0.06	0.00	0.15	0.08
Earnings per share (in Euro per share, diluted)	0.06	0.00	0.15	0.08
Weighted average shares outstanding (basic)	15,620,560	15,653,023	15,632,633	15,655,780
Weighted average shares outstanding (diluted)	15,620,560	15,653,023	15,632,633	15,655,780

Group comprehensive Income Statement

from 1 January 2015 until 30 June 2015 according to IFRS

	01/04/15- 30/06/15 KEUR	01/04/14- 30/06/14 KEUR	01/01/15- 30/06/15 KEUR	01/01/14- 30/06/14 KEUR
Net result	997	56	2,364	1,210
Currency translation foreign operations	-532	217	1,127	59
Net losses from cash flows hedges	0	189	0	149
Income tax effects	0	-55	0	-44
Group comprehensive result	465	407	3,491	1,374

Group Cash Flow Statement

from 1 January 2015 until 30 June 2015 according to IFRS

	6 Month Report 01/01-30/06/15 KEUR	6 Month Report 01/01-30/06/14 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	3,747	1,986
Adjustments for non-cash expenses		
Amortisation on intangible assets	641	387
Depreciation of property, plant and equipment	1,430	1,438
Earnings from investments in associated companies	-140	0
Interest income	-34	-24
Interest expenses	660	820
	6,304	4,607
Changes of working capital		
Inventories	-1,547	-877
Trade receivables	-8,882	-915
Other current assets	-2,526	-1,861
Provisions	-822	-623
Trade payables	-282	-878
Other current liabilities	5,144	-1,038
	-8,914	-6,192
Interest paid	-115	-123
Income taxes paid	-662	-707
Cash flow from operating activities	-3,387	-2,415
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-528	-387
Additions to property, plant and equipment	-991	-930
Additions to investments in subsidiaries	659	0
Cash inflow from disposals of associated companies	140	0
Interest received	34	24
Cash flow from investing activities	-686	-1,293
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds/repayments from/of borrowings	2,041	-552
Outflows for share buybacks	-133	-272
Cash flow from financing activities	1,908	-824
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-2,165	-4,532
Valuation-related changes in cash and cash equivalents	656	-150
Cash and cash equivalents at beginning of the period	29,314	21,800
Cash and cash equivalents at the end of the period	27,805	17,118

Statement of Changes in Equity

from 1 January 2015 until 30 June 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					1,127	2,364	3,491
Share buybacks	-12,463			-133			-133
As of 30 June 2015	15,620,560	40,185	35,137	-1,023	-10,346	7,699	71,652

Shares and Options held by Management Board and Supervisory Board as of 30 June 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 Windmüller	7,805	0

Remuneration for the Management Board and Supervisory Board

	Fixed remuneration KEUR	Variable remuneration KEUR	Total remuneration KEUR
Harald Fuchs	144	85	229
Dr. Harald Schrimpf	185	99	284
Management Board – total	329	184	513

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 2015.

Notes on the consolidated financial statements as of 30 June 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 June 2015 were released for publication by a decision of the management on 24 July 2015.

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

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-term 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 June 2015 KEUR	31 December 2014 KEUR
Bank balances	21,439	28,023
Fixed term deposits	6,333	1,258
Cash	32	33
	27,805	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 June 2015 KEUR	31 December 2014 KEUR
Costs incurred on uncompleted contracts	85,358	75,442
Profit shares	16,544	14,671
Contract revenue	101,902	90,113
Payments on account	-82,564	-76,259
Set off against contract revenue	-55,830	-50,248
Receivables from long-term construction contracts	46,072	39,865
Liabilities from long-term construction contracts	26,734	26,011

Sales revenues

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

	30 June 2015 KEUR	30 June 2014 KEUR
Software development	52,615	47,150
Maintenance	25,172	22,051
License fees	6,667	7,052
Merchandise	6,068	7,971
	90,522	84,224

Taxes on income

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

	30 June 2015 KEUR	30 June 2014 KEUR
Effective taxes expenses		
Effective tax expenses	-736	-943
Deferred taxes		
Emergence and reversal of temporary differences	-647	167
Tax expenses	-1,383	-776

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 June 2015 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014	30/06/2015	30/06/2014	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Sales revenues										
Sales to external customers	31,806	30,324	44,197	39,118	14,519	14,782	0	0	90,522	84,224
Inter-segment sales	1,154	480	607	1,034	3,066	2,665	-4,827	-4,179	0	0
Segment revenues	32,960	30,804	44,804	40,152	17,585	17,447	-4,827	-4,179	90,522	84,224
Other operating income	2,518	2,620	3,602	4,554	1,050	1,051	-4,808	-4,063	2,362	4,162
Cost of purchased services	-3,193	-1,575	-5,392	-5,148	-4,386	-3,518	4,603	2,759	-8,368	-7,482
Cost of purchased materials	-1,888	-1,775	-1,119	-800	-3,523	-5,084	706	248	-5,824	-7,411
Personnel expenses	-20,550	-20,866	-26,446	-25,330	-7,180	-6,009	-62	83	-54,238	-52,122
Depreciation and amortisation	-712	-697	-645	-633	-416	-362	-30	-30	-1,803	-1,722
Other operating expenses	-7,440	-7,091	-11,888	-11,598	-2,714	-2,602	3,892	4,527	-18,150	-16,764
Operating result before interest, tax, depreciation and amortisation	2,407	2,117	3,561	1,830	832	1,285	-496	-625	6,304	4,607
Operating result before depreciation and amortisation resulting from purchase price allocation	1,695	1,420	2,916	1,197	416	923	-526	-655	4,501	2,885
Depreciation and amortisation resulting from purchase price allocation	-43	-43	-225	-60	0	0	0	0	-268	-103
Operating result	1,652	1,377	2,691	1,137	416	923	-526	-655	4,233	2,782
Interest income	53	-216	-374	-378	-143	-202	-22	0	-468	-796
Result before income taxes	1,705	1,161	2,317	759	273	721	-548	-655	3,747	1,986
Interest in associates carried at equity	149	298	0	0	0	0	0	0	149	298
Segment assets	44,765	46,765	88,378	69,073	57,751	53,583	6,539	2,297	197,433	171,718
Segment liabilities	41,037	29,492	53,323	47,144	20,998	17,552	12,898	9,787	128,256	103,975
Segment investments	271	285	482	557	141	372	479	103	1,373	1,317

Financial Calendar

19 March 2015	Publication of Annual Result 2014
19 March 2015	Analyst Conference
28 April 2015	Report on the 1 st Quarter of 2015
12 May 2015	Annual General Meeting
28 July 2015	Report on the 1 st Six Months of 2015
29 October 2015	Report on the 3rd Quarter of 2015
23–25 November 2015	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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