

Growth through digitalisation



Report on the 1st Six Months of 2016

PSI 

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

	01/01-30/06/16 in KEUR	01/01-30/06/15 in KEUR	Change in KEUR	Change in %
Revenues	85,102	90,522	-5,420	-6.0
Operating Result	4,534	4,049*	+485	+12.0
Result before income taxes	4,391	3,747	+644	+17.2
Net result	2,414	2,364	+50	+2.1
Cash and cash equivalents	34,755	27,805	+6,950	+25.0
Employees on 30 June	1,650	1,677	-27	-1.6
Revenue/Employee	51.6	54.0	-2.4	-4.4

*adjusted

Interim Management Report

Business Development

Earnings

The PSI Group had 6 % lower sales of 85.1 million Euros (30 June 2015: 90.5 million Euros) in the first six months of 2016 due to adjustments in capacity in Southeast Asia. The EBIT increased by 12 % to 4.5 million Euros (30 June 2015, adjusted: 4.0 million Euros), the group net result was, as in the previous year 2.4 million Euros. The volume of new orders was, at 100 million Euros, 4 % below the level of the previous year (30 June 2015: 104 million Euros); the previous year contained a multi-year major contract from E.ON Deutschland. The order backlog on 30 June 2016 was, at 144 million Euros, 10 % above the level of the previous year (30 June 2015: 131 million Euros).

Energy Management (energy networks, energy trading) attained 1 % higher sales of 32.0 million Euros (30 June 2015: 31.8 million Euros) in the first six months of the year. The EBIT for the segment increased significantly compared to the previous year to 2.6 million Euros (30 June 2015, adjusted: 1.6 million Euros). The electrical energy business continued to improve sales and profits with its software products, while the customers' willingness to invest in the field of gas and oil is recovering slowly following the slump in raw material prices in the first quarter. In the field of energy trading, new orders and sales improved following the high product and migration investments of the previous years and a positive result was achieved.

Sales in Production Management (raw materials, metals, automotive, logistics) for the first six months were, at 41.5 million Euros, 6 % below the figure for the previous year (30 June 2015: 44.2 million Euros), but the EBIT increased by 3 % to 2.8 million Euros (30 June 2015: 2.7 million Euros). The mining business, which is still affected by weak commodity prices, reduced encumbrances from the pilot project in China, which is now operational. The metals business was able to continue to increase new orders, but in sales and earnings still felt the repercussions of the weak steel economy. In June major orders were acquired, among others, thyssenkrupp and Tata and an important partnership with the plant engineering company Primetals was closed. The automotive and industry business faced a slowdown in orders as a result of the diesel discussion, but was able to slightly increase sales and EBIT. Logistics confirmed the positive result of the previous year with continued strong new orders.

In Infrastructure Management (transportation and security), sales decreased noticeably to 11.5 million Euros (30 June 2015: 14.5 million Euros), the EBIT dropped to -0.3 million Euros (30 June 2015, adjusted: 0.3 million Euros). In Southeast Asia and in the Arabian Gulf region burdening long-running market entry projects have been commissioned successfully so that the maintenance and expansion phases can commence as of the second half of the year.

Financial Position

The cash flow from operating activities improved by 3.6 million to 0.2 million Euros (30 June 2015: -3.4 million Euros). After payment of dividends, the liquidity on 30 June 2016 was at 34.8 million Euros (30 June 2015: 27.8 million Euros) serving the seasonal sales financing and the possible financing of acquisitions. PSI is examining takeover targets in the fields of power distribution and discrete production.

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 1,650 on 30 June 2016 as a result of capacity adjustments in exports (30 June 2015: 1,677).

PSI-Shares

The PSI stock ended the 1st six months of 2016 with a final price of 12.65 Euros 1.9 % below the final 2015 price of 12.90 Euros. In the same period the technology index TecDAX declined by 12.6 %.

Risk Report

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

Outlook

Development investments and first product migrations are aimed at application server-based three-layer architecture and on the extension of the new graphics generation. Especially in Production Management many migrated and newly implemented products on the basis of the java group platform are being introduced to pilot customers so that new and regular customers are waiting for the broad marketing of the software. We are going to address fast-growing online shops with a cloud/SaaS offer of our logistics solutions, which has been migrated to the java platform as well. PSI is looking even more intense for sales engineers and integration partners to work with existing and new customers to increase new orders and sales.

PSI does not expect any negative effects from the Brexit decision in the short term, due to the fact that Broner Metals, located near London, primarily handles US dollar contracts, while the personnel expenses are paid in British pounds, a weakened currency. In the mid term PSI expects a further growing demand in the fields of information security in energy and production networks, decentralised energy supply and Industry 4.0. The PSI board is optimistic for the second half of the year and will decide about making more concrete statements about the annual goals formulated in the 2015 annual report in the course of the third quarter.

Group Balance Sheet

from 1 January 2016 until 30 June 2016 according to IFRS

	6 Month Report 01/01-30/06/16 KEUR	Annual Report 01/01-31/12/15 KEUR
Assets		
Non current assets		
Property, plant and equipment	11,786	12,214
Intangible assets	59,258	59,418
Investments in associates	149	149
Deferred tax assets	7,050	6,999
	78,243	78,780
Current assets		
Inventories	6,708	4,184
Trade accounts receivable, net	27,236	36,169
Receivables from long-term development contracts	45,396	36,366
Other current assets	8,492	5,192
Cash and cash equivalents	34,755	38,831
	122,587	120,742
Total assets	200,830	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	-13,108	-13,771
Net retained profits	11,931	12,794
	72,952	73,152
Non-current liabilities		
Long-term financial liabilities	58	83
Pension provisions	46,706	46,981
Deferred tax liabilities	3,231	1,963
	49,995	49,027
Current liabilities		
Trade payables	12,365	14,929
Other current liabilities	34,309	30,221
Liabilities from long-term development contracts	27,842	28,819
Short-term financial liabilities	3,367	3,374
	77,883	77,343
Total equity and liabilities	200,830	199,522

Group Income Statement

from 1 January 2016 until 30 June 2016 according to IFRS

	Quarterly Report II		6-Month Report	
	01/04/16- 30/06/16 KEUR	01/04/15- 30/06/15 KEUR	01/01/16- 30/06/16 KEUR	01/01/15- 30/06/15 KEUR
Sales Revenues	42,513	47,334	85,102	90,522
Other operating income	1,600	1,220	3,404	2,286
Cost of materials	-5,950	-7,926	-12,442	-14,192
Personnel expenses	-27,552	-27,172	-54,562	-54,238
Depreciation and amortisation	-1,048	-856	-2,107	-2,071
Other operating expenses	-7,210	-10,295	-14,861	-18,258
Operating result	2,353	2,305	4,534	4,049
Net finance result	-6	-538	-143	-302
Result before income taxes	2,347	1,767	4,391	3,747
Income tax	-1,329	-770	-1,977	-1,383
Net result	1,018	997	2,414	2,364
Earnings per share (in Euro per share, basic)	0.07	0.06	0.16	0.15
Earnings per share (in Euro per share, diluted)	0.07	0.06	0.16	0.15
Weighted average shares outstanding (basic)	15,604,847	15,620,560	15,604,847	15,632,633
Weighted average shares outstanding (diluted)	15,604,847	15,620,560	15,604,847	15,632,633

* Some of the amounts presented vary from the amounts in the Group accounts for the 2015 six months report due to adjustments (see Notes page 9, Accounting and Valuation Principles)

Group comprehensive Income Statement

from 1 January 2016 until 30 June 2016 according to IFRS

	01/04/16- 30/06/16 KEUR	01/04/15- 30/06/15 KEUR	01/01/16- 30/06/16 KEUR	01/01/15- 30/06/15 KEUR
Net result	1,018	997	2,414	2,364
Currency translation foreign operations	-190	-532	663	1,127
Net losses from cash flows hedges	0	0	0	0
Income tax effects	0	0	0	0
Group comprehensive result	828	465	3,077	3,491

Group Cash Flow Statement

from 1 January 2016 until 30 June 2016 according to IFRS

	6 Month Report 01/01-30/06/16 KEUR	6 Month Report 01/01-30/06/15 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	4,391	3,747
Adjustments for non-cash expenses		
Amortisation on intangible assets	769	641
Depreciation of property, plant and equipment	1,338	1,430
Earnings from investments in associated companies	0	-140
Interest income	-107	-34
Interest expenses	628	660
	7,019	6,304
Changes of working capital		
Inventories	-2,439	-1,547
Trade receivables	-94	-8,882
Other current assets	-3,190	-2,526
Provisions	-715	-822
Trade payables	-2,477	-282
Other current liabilities	3,006	5,144
	-5,908	-8,914
Interest paid	-94	-115
Income taxes paid	-845	-662
Cash flow from operating activities	172	-3,387
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-175	-528
Additions to property, plant and equipment	-910	-991
Outflows for investments in subsidiaries	0	659
Cash inflow from distributions by associated companies	0	140
Interest received	107	34
Cash flow from investing activities	-978	-686
CASHFLOW FROM FINANCING ACTIVITIES		
Dividends paid	-3,277	0
Proceeds/repayments from/of borrowings	-32	2,041
Outflows for share buybacks	0	-133
Cash flow from financing activities	-3,309	1,908
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-4,115	-2,165
Valuation-related changes in cash and cash equivalents	39	656
Cash and cash equivalents at beginning of the period	38,831	29,314
Cash and cash equivalents at the end of the period	34,755	27,805

Statement of Changes in Equity

from 1 January 2016 until 30 June 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					663	2,414	3,077
Dividends paid						-3,277	-3,277
As of 30 June 2016	15,604,847	40,185	35,137	-1,193	-13,108	11,931	72,952

Shares and Options held by Management Board and Supervisory Board as of 30 June 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	149	48	197
Dr. Harald Schrimpf	191	60	251
Management Board – total	340	108	448

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 2016.

Notes on the consolidated financial statements as of 30 June 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 June 2016 were released for publication by a decision of the management on 25 July 2016.

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

In financial year 2015 the presentation of the currency conversion effects in the profit and loss account has been changed. While in the past all currency conversion effects reported in the profit and loss account were presented as other operating income or other operating expenses, PSI selected a more differentiated and therefore, for the target audience of the financial statements, more helpful presentation for decision-making. To the extent that the differences are related to the operative business, they will continue to be presented as other operating income or other operating expenses. If the conversion differences are, by contrast, related to financial activities, they will be presented within the financial result. The values for the previous year have been correspondingly adjusted. As a result of the new method, other operating income in the previous year changed by KEUR 76, other operating expenses by KEUR 108 and the conversion effects in the financial result by KEUR 184. In financial year 2016, conversion effects in the financial result have been KEUR 231 that would have been presented in the other operating expenses in the former presentation.

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 June 2016 KEUR	31 December 2015 KEUR
Bank balances	29,212	33,916
Fixed term deposits	5,517	4,890
Cash	26	25
	34,755	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 June 2016 KEUR	31 December 2015 KEUR
Costs incurred on uncompleted contracts	95,770	79,253
Profit shares	17,388	12,537
Contract revenue	113,158	91,790
Payments on account	-95,604	-84,243
Set off against contract revenue	-67,762	-55,424
Receivables from long-term construction contracts	45,396	36,366
Liabilities from long-term construction contracts	27,842	28,819

Sales revenues

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

	30 June 2016 KEUR	30 June 2015 KEUR
Software development	48,480	52,615
Maintenance	25,161	25,172
License fees	6,025	6,667
Merchandise	5,436	6,068
	85,102	90,522

Taxes on income

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

	30 June 2016 KEUR	30 June 2015 KEUR
Effective taxes expenses		
Effective tax expenses	-761	-736
Deferred taxes		
Emergence and reversal of temporary differences	-1,216	-647
Tax expenses	-1,977	-1,383

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 June 2016 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	30/06/2016	30/06/2015*	30/06/2016	30/06/2015	30/06/2016	30/06/2015*	30/06/2016	30/06/2015	30/06/2016	30/06/2015*
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Sales revenues										
Sales to external customers	32,037	31,806	41,524	44,197	11,541	14,519	0	0	85,102	90,522
Inter-segment sales	526	1,154	1,058	607	2,882	3,066	-4,466	-4,827	0	0
Segment revenues	32,563	32,960	42,582	44,804	14,423	17,585	-4,466	-4,827	85,102	90,522
Other operating income	3,985	2,442	3,422	3,602	865	1,050	-4,868	-4,808	3,404	2,286
Cost of purchased services	-1,812	-3,193	-3,676	-5,392	-2,802	-4,386	421	4,603	-7,869	-8,368
Cost of purchased materials	-2,008	-1,888	-779	-1,119	-3,190	-3,523	1,404	706	-4,573	-5,824
Personnel expenses	-21,631	-20,550	-26,117	-26,446	-6,665	-7,180	-149	-62	-54,562	-54,238
Depreciation and amortisation	-767	-712	-567	-645	-359	-416	-40	-30	-1,733	-1,803
Other operating expenses	-7,663	-7,440	-11,771	-11,888	-2,564	-2,822	7,137	3,892	-14,861	-18,258
Operating result before interest, tax, depreciation and amortisation	3,434	2,331	3,661	3,561	67	724	-521	-496	6,641	6,120
Operating result before depreciation and amortisation resulting from purchase price allocation	2,667	1,619	3,094	2,916	-292	308	-561	-526	4,908	4,317
Depreciation and amortisation resulting from purchase price allocation	-43	-43	-331	-225	0	0	0	0	-374	-268
Operating result	2,624	1,576	2,763	2,691	-292	308	-561	-526	4,534	4,049
Interest income	134	129	-294	-374	17	-35	0	-22	-143	-302
Result before income taxes	2,758	1,705	2,469	2,317	-275	273	-561	-548	4,391	3,747
Interest in associates carried at equity	149	149	0	0	0	0	0	0	149	149
Segment assets	53,050	44,765	86,918	88,378	52,565	57,751	1,247	6,539	193,780	197,433
Segment liabilities	46,992	41,037	50,936	53,323	16,880	20,998	8,697	12,898	123,505	128,256
Segment investments	334	271	227	482	48	141	476	479	1,085	1,373

* Some of the amounts presented vary from the amounts in the Group accounts for the 2015 six months report due to adjustments (see Notes page 9, Accounting and Valuation Principles)

Financial Calendar

22 March 2016	Publication of Annual Result 2015
22 March 2016	Analyst Conference
28 April 2016	Report on the 1 st Quarter of 2016
12 May 2016	Annual General Meeting
27 July 2016	Report on the 1 st Six Months of 2016
31 October 2016	Report on the 3rd Quarter of 2016
21-23 November 2016	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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