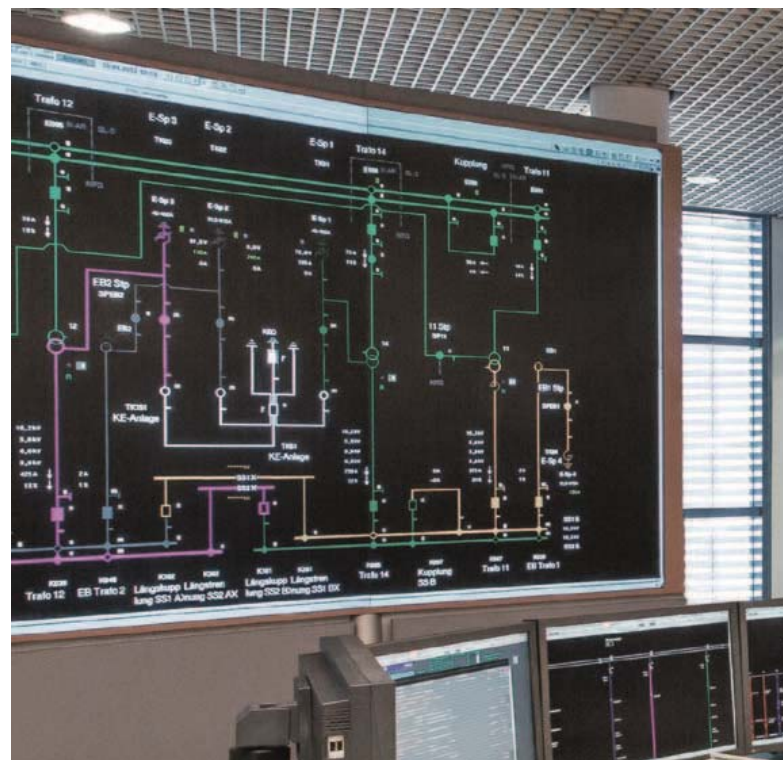


Creating value with Technology

REPORT ON THE 1ST QUARTER OF 2017



PSI Group Data as per 31 March 2017 at a Glance (IFRS)

	01/01-31/03/17 in KEUR	01/01-31/03/16 in KEUR	Change in KEUR	Change in %
Revenues	43,784	42,589	+1,195	+2.8
Operating Result	2,607	2,181	+426	+19.5
Result before income taxes	2,511	2,044	+467	+22.9
Net result	1,775	1,396	+379	+27.2
Cash and cash equivalents	42,197	41,207	+990	+2.4
Employees on 31 March	1,613	1,645	-32	-2.0
Revenue/Employee	27.1	25.9	+1.2	+4.8

Interim Management Report

Business Development

Earnings

PSI Group increased its new order volume by 11 % in the first quarter of 2017 to a new record value of 78 million euros (31.03.2016: 70 million euros); the order backlog on 31.03.2017 was, at 163 million euros, 4 % above the figure for the previous year (31.03.2016: 157 million euros). Primarily thanks to growth in industrial business, group sales improved by 3 % to 43.8 million euros (31.03.2016: 42.6 million euros), EBIT improved by 20 % to 2.6 million euros (31.03.2016: 2.2 million euros), while the group net result improved by 27 % to 1.8 million euros (31.03.2016: 1.4 million euros).

Energy Management (energy networks, energy trading) attained 1 % higher sales of 15.9 million euros in the first quarter (31.03.2016: 15.8 million euros). The EBIT for the segment improved to 1.5 million euros compared to the previous year (31.03.2016: 1.4 million euros). As a result of the regulatory “shadow year”, the Electrical Grid business recorded a new order value slightly below that of the previous year but succeeded at significantly improving sales in the area of higher combined energy systems and sector coupling. The first multi-client capable management system (network control as a service) was rolled out with a pilot customer on completion. In the USA, PSI was awarded its first two orders for network optimisation software. After establishing a joint-venture with our long-term partner Gazprom avtomatizatsiya, Gas and Oil recorded a revival of new orders in Russia.

Sales in Production Management (raw materials, industry, logistics) in the first three months, with 23 million euros, were 8 % above the level for the previous year (31.03.2016: 21.3 million euros). The EBIT improved by 7 % to 1.6 million euros (31.03.2016: 1.5 million euros). The Metals and Automotive Industry businesses were able to significantly increase their volume of orders, particularly through follow-up orders from group-wide contracts with further potential. In the form of the Mining, Metals Industry, Automotive Industry and Logistics businesses, all areas of Production Management contributed towards improving sales and earnings. All products of the segment are currently being presented at the Hanover Fair 2017 as an integrated Industry 4.0 cloud-based solution.

In Infrastructure Management (transportation and security), sales decreased by 13 % to 4.8 million euros (31.03.2016: 5.5 million euros), while the EBIT improved to -0.1 million euros (31.03.2016: -0.4 million euros). Although the Public Transport business and PSI Poland were able to improve both sales and earnings, PSI in Southeast Asia recorded another slow start in hardware business. Nevertheless, PSI anticipates an improvement over the course of the year and recorded significant progress in Smart City software projects while continuing to actively push the reduction of old risks in countries with a high dependence on raw material prices.

Financial Position

The cash flow from operating activities was characterised by changes in working capital and decreased to -0.2 million euros (31.03.2016: 2.9 million euros). Liquidity increased to 42.2 million euros (31.03.2016: 41.2 million euros), allowing for the proposed dividend payments, share repurchases, financing of sales during the season, and acquisitions.

Assets

Compared to 31 December 2016, there have not been any material changes in the Group's assets.

Personnel Development

The number of employees in the group decreased to 1,613 on 31.03.2017 (31.03.2016: 1,645). Last year's capacity adjustment in Southeast Asia is offset by a growth initiative with new hires in Germany and other industrial countries.

PSI-Shares

The PSI stock ended the 1st quarter of 2017 with a final price of 12.74 euros 4.4 % above the final 2016 price of 12.20 Euros. In the same period the technology index TecDAX rose by 13 %.

Risk Report

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2016.

Outlook

The first quarter saw PSI establishing a subsidiary in Sweden whose initial focus is on distributing energy grid software and network control as a service in Scandinavia. PSI envisages major potential in both Northern Europe and North America for distributing the grid software offering many functions for stabilising networks characterised by fluctuations, capacity bottlenecks and, particularly in the USA, outages. In Production Management, the Industry 4.0 trend is increasingly evolving from an innovative topic to a real sales product.

Over the coming quarters, PSI anticipates further rollout orders from framework agreements with major electricity and gas network operators, steel companies and vehicle producers, requiring the development and expansion of teams for implementation at customers and partners.

Due to cyclical recovery by many customers and early-bird orders anticipated at the end of the year for the coming regulatory base year, management is confirming the growth targets formulated in the 2016 annual report and anticipating an operating result which is more likely to be in the upper range of the target corridor of 12 to 15 million euros.

Group Balance Sheet

from 1 January 2017 until 31 March 2017 according to IFRS

	3 Month Report 01/01-31/03/17 KEUR	Annual Report 01/01-31/12/16 KEUR
Assets		
Non current assets		
Property, plant and equipment	12,201	12,153
Intangible assets	57,367	57,751
Investments in associates	150	150
Deferred tax assets	7,926	8,663
	77,644	78,717
Current assets		
Inventories	7,850	6,421
Trade accounts receivable, net	28,411	27,466
Receivables from long-term development contracts	40,996	38,184
Other current assets	10,169	5,631
Cash and cash equivalents	42,197	43,008
	129,623	120,710
Total assets	207,267	199,427
Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for own stock	-825	-528
Other reserves	-17,774	-17,588
Net retained profits	19,843	18,068
	76,566	75,274
Non-current liabilities		
Long-term financial liabilities	0	0
Pension provisions	51,819	52,037
Deferred tax liabilities	2,743	2,916
	54,562	54,953
Current liabilities		
Trade payables	12,821	12,553
Other current liabilities	38,784	30,919
Liabilities from long-term development contracts	24,082	25,728
Short-term financial liabilities	452	0
	76,139	69,200
Total equity and liabilities	207,267	199,427

Group Income Statement

from 1 January 2017 until 31 March 2017 according to IFRS

	3 Month Report 01/01-31/03/17 KEUR	3 Month Report 01/01-31/03/16 KEUR
Sales revenues	43,784	42,589
Other operating income	1,687	1,804
Cost of materials	-5,123	-6,492
Personnel expenses	-28,640	-27,010
Depreciation and amortization	-1,035	-1,059
Other operating expenses	-8,066	-7,651
Operating result	2,607	2,181
Net finance result	-96	-137
Result before income taxes	2,511	2,044
Income tax	-736	-648
Net result	1,775	1,396
Earnings per share (in Euro per share, basic)	0.11	0.09
Earnings per share (in Euro per share, diluted)	0.11	0.09
Weighted average shares outstanding (basic)	15,642,922	15,604,847
Weighted average shares outstanding (diluted)	15,642,922	15,604,847

Group comprehensive Income Statement

from 1 January 2017 until 31 March 2017 according to IFRS

	3 Month Report 01/01-31/03/17 KEUR	3 Month Report 01/01-31/03/16 KEUR
Net result	1,775	1,396
Currency translation foreign operations	-186	853
Net losses from cash flows hedges	0	0
Income tax effects	0	0
Group comprehensive result	1,589	2,249

Group Cash Flow Statement

from 1 January 2017 until 31 March 2017 according to IFRS

	3 Month Report 01/01-31/03/17 KEUR	3 Month Report 01/01-31/03/16 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	2,511	2,044
Adjustments for non-cash expenses		
Amortisation on intangible assets	429	388
Depreciation of property, plant and equipment	607	671
Earnings from investments in associated companies	0	0
Interest income	-51	-27
Interest expenses	11	314
	3,507	3,390
Changes of working capital		
Inventories	-1,457	-377
Trade receivables	-3,819	1,787
Other current assets	-4,694	-3,597
Provisions	-346	-170
Trade payables	271	-1,499
Other current liabilities	6,392	4,032
	-146	3,566
Interest paid	-11	-47
Income taxes paid	-36	-603
Cash flow from operating activities	-193	2,916
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-81	-162
Additions to property, plant and equipment	-655	-431
Cash inflow from disposals of associated companies	0	0
Interest received	51	27
Cash flow from investing activities	-685	-566
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds/repayments from/of borrowings	452	-13
Outflows for share buybacks	-297	0
Cash flow from financing activities	155	-13
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-723	2,337
Valuation-related changes in cash and cash equivalents	-88	39
Cash and cash equivalents at beginning of the period	43,008	38,831
Cash and cash equivalents at the end of the period	42,197	41,207

Statement of Changes in Equity

from 1 January 2017 until 31 March 2017 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 1 January 2016	15,604,847	40,185	35,137	-1,193	-13,771	12,794	73,152
Group comprehensive result after tax					-3,817	8,551	4,734
Issue of own shares				665			665
Dividends paid						-3,277	-3,277
As of 31 December 2016	15,656,016	40,185	35,137	-528	-17,588	18,068	75,274
Group comprehensive result after tax					-186	1,775	1,589
Share buybacks				-297			-297
As of 31 March 2017	15,631,131	40,185	35,137	-825	-17,774	19,843	76,566

Shares and Options held by Management Board and Supervisory Board as of 31 March 2017

	Shares	Options
Management Board		
Harald Fuchs	5,023	0
Dr. Harald Schrimpf	68,800	0
Supervisory Board		
Andreas Böwing	0	0
Elena Günzler	1,427	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	79	25	104
Dr. Harald Schrimpf	95	30	125
Management Board – total	174	55	229

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 2017.

Notes on the consolidated financial statements as of 31 March 2017

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 2017 to 31 March 2017 were released for publication by a decision of the management on 25 April 2017.

The condensed interim consolidated financial statements for the period from 1 January 2017 to 31 March 2017 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 2016.

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 2016.

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

Effective 28 February 2017 PSIAG Scandinavia AB, based in Karlstad, Sweden, was founded. The main focus of the company is the distribution of energy grid software and network management as a service in Scandinavia.

5. Selected Individual Items

Cash and cash equivalents

	31 March 2017 KEUR	31 December 2016 KEUR
Bank balances	38,645	40,269
Fixed term deposits	3,530	2,716
Cash	22	23
	42,197	43,008

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:

	31 March 2017 KEUR	31 December 2016 KEUR
Costs incurred on uncompleted contracts	96,175	88,946
Profit shares	17,842	15,963
Contract revenue	114,017	104,909
Payments on account	-97,103	-92,453
Set off against contract revenue	-73,021	-66,725
Receivables from long-term construction contracts	40,996	38,184
Liabilities from long-term construction contracts	24,082	25,728

Sales revenues

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

	31 March 2017 KEUR	31 March 2016 KEUR
Software development	24,140	24,566
Maintenance	13,080	12,075
License fees	3,521	2,863
Merchandise	3,043	3,085
	43,784	42,589

Taxes on income

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

	31 March 2017 KEUR	31 March 2016 KEUR
Effective taxes expenses		
Effective tax expenses	-174	-398
Deferred taxes		
Emergence and reversal of temporary differences	-562	-250
Tax expenses	-736	-648

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 2017 until 31 March 2017 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	31/03/2017 KEUR	31/03/2016 KEUR	31/03/2017 KEUR	31/03/2016 KEUR	31/03/2017 KEUR	31/03/2016 KEUR	31/03/2017 KEUR	31/03/2016 KEUR	31/03/2017 KEUR	31/03/2016 KEUR
Sales revenues										
Sales to external customers	15,943	15,752	23,026	21,327	4,815	5,510	0	0	43,784	42,589
Inter-segment sales	267	353	523	539	1,413	1,284	-2,203	-2,176	0	0
Segment revenues	16,210	16,105	23,549	21,866	6,228	6,794	-2,203	-2,176	43,784	42,589
Operating result before interest, tax, depreciation and amortisation	1,888	1,831	2,029	1,934	30	-237	-305	-288	3,642	3,240
Operating result before depreciation and amortisation resulting from purchase price allocation	1,474	1,449	1,720	1,649	-110	-422	-325	-308	2,759	2,368
Depreciation and amortisation resulting from purchase price allocation	-21	-21	-131	-166	0	0	0	0	-152	-187
Operating result	1,453	1,428	1,589	1,483	-110	-422	-325	-308	2,607	2,181
Interest income	-9	-8	-83	-150	-4	21	0	0	-96	-137
Result before income taxes	1,444	1,420	1,506	1,333	-114	-401	-325	-308	2,511	2,044

Financial Calendar

22 March 2017	Publication of Annual Result 2016
22 March 2017	Analyst Conference
27 April 2017	Report on the 1 st Quarter of 2017
16 May 2017	Annual General Meeting
27 July 2017	Report on the 1 st Six Months of 2017
30 October 2017	Report on the 3rd Quarter of 2017
27-29 November 2017	German Equity Forum, Analyst Presentation

Your Investor Relations contact person:

Karsten Pierschke

Telephone: +49 30 2801-2727

Fax: +49 30 2801-1000

E-Mail: kpierschke@psi.de

We will be happy to include you in our distribution list for stockholder information.

Please contact us should you require other information material.

For the latest IR information, please visit our website at www.psi.de/ir.

PSI Aktiengesellschaft für
Produkte und Systeme der
Informationstechnologie

Dircksenstraße 42-44
10178 Berlin
Germany
Telephone: +49 30 2801-0
Fax: +49 30 2801-1000
ir@psi.de
www.psi.de

PSI 