

Smart solutions for the fittest

Report on the 1st Quarter of 2010



PSI 

PSI Group Data as per 31 March 2010 at a Glance (IFRS)

	01/01-31/03/10 in KEUR	01/01-31/03/09 in KEUR	Change in KEUR	Change in %
Revenues	37,133	30,575	+6,558	+21.4
Operating Result	1,754	1,712	+42	+2.5
Result before income taxes	1,362	1,399	-37	-2.6
Net result	1,154	1,293	-139	-10.8
Cash and cash equivalents	19,602	27,031	-7,429	-27.5
Employees on 31 March	1,398	1,132	+266	+23.5
Revenue/Employee	26.6	27.0	-0.4	-1.5

Interim Management Report

Business Development

Earnings

PSI Group has increased its earnings before interest, taxes, depreciation and amortisation (EBITDA) in the first quarter of 2010 by 16 % to 2.8 million Euros (31 March 2009: 2.4 million Euros) and its earnings before interest and taxes (EBIT) by 3 % to 1.8 million Euros (31 March 2009: 1.7 million Euros). Consolidated earnings after interest and taxes dropped slightly to 1.2 million Euros (31 March 2009: 1.3 million Euros), while consolidated sales rose by 21 % to 37.1 million Euros (31 March 2009: 30.6 million Euros). Incoming orders were up 7 % compared to the same period last year at 45 million Euros (31 March 2009: 42 million Euros), the order backlog dropped to 105 million Euros (31 March 2009: 112 million Euros).

The Energy Management segment (electricity, gas, oil, heat) achieved 14 % higher sales of 15.5 million Euros (31 March 2009: 13.6 million Euros). The segment's operating result was further increased to 1.5 million Euros (31 March 2009: 0.9 million Euros). Key domestic and export projects were accepted and carried out in this segment. Following a limited number of order placements in the previous year, PSI recorded an increase in demand for intelligent network management solutions and expects further major orders in the coming quarters.

At 15.5 million Euros, sales in the Production Management segment (raw materials, industry, logistics) were up 7 % on the year (31 March 2009: 14.5 million Euros). The operating result dropped to 0.2 million Euros (31 March 2009: 0.7 million Euros), falling considerably short of expectations. The performance of the logistics subsidiary and non-recurrent expenditure in this business had a particularly negative effect on the segment. Once again, positive developments were recorded in the PSI Metals division, in which all activities are continuing to be pooled under one roof.

In Infrastructure Management (traffic, safety, telecommunications), which the inControl Tech Group became a part of in 2009, sales more than doubled to 6.1 million Euros (31 March 2009: 2.4 million Euros). The operating result increased to 0.3 million Euros (31 March 2009: 0.2 million Euros). This includes further investments in the newly founded Cellls GmbH in the first half of 2010. The seasonal nature of Infrastructure Management was further emphasised by inControl Tech Group. In the coming quarters, PSI expects demand for infrastructure solutions and traffic systems to increase, especially in South East Asia.

Financial Position

Cash-flow from operations was slightly negative at -0.8 million Euros (31 March 2009: 3.8 million Euros) so that liquidity decreased to 19.6 million Euros (31 March 2009: 27.0 million Euros).

Assets

Compared to 31 December 2009, there have not been any material changes in the Group's assets.

Personnel Development

The number of employees grew to 1,398 on 31 March 2010 (31 March 2009: 1,132) as a result of the acquisitions in the previous year and specific new hires.

PSI-Shares

The PSI stock ended the 1st quarter 2010 with a final price of 9.71 Euros, 9.7 % above the final 2009 price of 8.85 Euros. In the same period, the DAXsector Software Index, which includes all the software stocks in the Prime Standard of the German Stock Exchange, had an increase of 8.7 %.

Risk Report

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2009.

Outlook

Over the past few months, PSI has observed a renewed increase in demand for energy market solutions and increasing efficiency in heavy industry. Management is expecting further growth drivers, especially in the Gulf region as well as Germany and Europe, as a result of creating European super grids and intelligent energy consumption control using smart grids.

PSI is confirming its annual targets for 2010 of 160 million Euros in sales and an operating result of 10 million Euros.

Group Balance Sheet

from 1 January 2010 until 31 March 2010 according to IFRS

	3 Month Report 01/01-31/03/10 KEUR	Annual Report 01/01-31/12/09 KEUR
Assets		
Non current assets		
Property, plant and equipment	9,504	9,344
Intangible assets	48,097	48,585
Other financial assets	383	359
Deferred tax assets	2,897	2,904
	60,881	61,192
Current assets		
Inventories	3,245	2,837
Trade accounts receivable, net	26,922	33,751
Receivables from long-term development contracts	40,472	32,686
Other current assets	4,535	3,504
Cash and cash equivalents	19,602	20,765
	94,776	93,543
Total assets	155,657	154,735
Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,148	35,244
Other reserves	-1,158	-1,589
Accumulated losses	-6,397	-7,551
	67,778	66,289
Non-current liabilities		
Long-term debt	843	843
Pension provisions	30,260	30,096
Deferred tax liabilities	2,325	2,314
	33,428	33,253
Current liabilities		
Trade payables	13,092	14,610
Other current liabilities	25,562	23,147
Liabilities from long-term development contracts	13,330	15,398
Short-term debt	1,979	1,561
Provisions	488	477
	54,451	55,193
Total equity and liabilities	155,657	154,735

Group Income Statement

from 1 January 2010 until 31 March 2010 according to IFRS

	3 Month Report 01/01-31/03/10 KEUR	3 Month Report 01/01-31/03/09 KEUR
Sales revenues	37,133	30,575
Other operating income	1,475	1,693
Changes in inventories of work in progress	7	60
Cost of materials	-5,763	-3,490
Personnel expenses	-23,215	-20,357
Depreciation and amortization	-1,019	-669
Other operating expenses	-6,864	-6,100
Operating result	1,754	1,712
Interest income	18	89
Interest expenses	-434	-402
Result from equity investments	24	0
Result before income taxes	1,362	1,399
Income tax	-208	-106
Net result	1,154	1,293
Earnings per share (in Euro per share, basic)	0.07	0.11
Earnings per share (in Euro per share, diluted)	0.07	0.11
Weighted average shares outstanding (basic)	15,697,366	11,900,000
Weighted average shares outstanding (diluted)	15,697,366	11,900,000

Group comprehensive Income Statement

from 1 January 2010 until 31 March 2010 according to IFRS

	3 Month Report 01/01-31/03/10 KEUR	3 Month Report 01/01-31/03/09 KEUR
Net result	1,154	1,293
Currency translation	431	-96
Group comprehensive result	1,585	1,197

Group Cash Flow Statement

from 1 January 2010 until 31 March 2010 according to IFRS

	3 Month Report 01/01-31/03/10 KEUR	3 Month Report 01/01-31/03/09 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	1,362	1,399
Adjustments for non-cash expenses		
Amortization on intangible assets	542	260
Depreciation of property, plant and equipment	477	409
Interest income	-18	-89
Interest expenses	434	402
Other income/expense without cash effect	408	-96
	3,205	2,285
Changes of working capital		
Inventories	-408	-58
Trade receivables	-957	1,300
Other current assets	-1,324	-1,642
Provisions	-329	-301
Trade payables	-1,518	584
Other current liabilities	348	1,721
	-4,188	1,604
Interest paid	-39	-3
Income taxes paid	252	-81
Cash flow from operating activities	-770	3,805
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-55	-69
Additions to property, plant and equipment	-637	-438
Additions to associated companies	0	-79
Additions to investments in subsidiaries	-137	0
Interest received	18	89
Cash flow from investing activities	-811	-497
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds/repayments from/of borrowings	418	74
Acquisition of treasury stocks	0	-1
Cash flow from financing activities	418	73
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-1,163	3,381
Cash and cash equivalents at beginning of the period	20,765	23,650
Cash and cash equivalents at the end of the period	19,602	27,031

Statement of Changes in Equity

from 1 January 2010 until 31 March 2010 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 2008	11,900,000	30,464	31,642	-26	275	-27,632	33,723
Group comprehensive result after tax					-1,864	6,603	4,739
Capital increase from cash contribution	1,189,999	3,046	6,001				9,047
Capital increase in exchange for stock	2,607,367	6,675	12,079				18,754
Share buybacks				-1			-1
Disposal of own shares				27			27
Set off accumulated loss			-14,478			14,478	0
As of 31 December 2009	15,697,366	40,185	35,244	0	-1,589	-7,551	66,289
Group comprehensive result after tax					431	1,154	1,585
Capital increase in exchange for stock		0	-96				-96
As of 31 March 2010	15,697,366	40,185	35,148	0	-1,158	-6,397	67,778

Shares and Options held by Management Board and Supervisory Board as of 31 March 2010

	Shares	Options
Management Board		
Dr. Harald Schrimpf	71,000	0
Armin Stein	23,300	0
Supervisory Board		
Dr. Ralf Becherer	2,268	0
Wilfried Götze	54,683	0
Bernd Haus	1,000	0
Barbara Simon	7,890	0
Karsten Trippel	124,450	0
Prof. Dr. Rolf Windmüller	6,305	0

The Management Board of PSI had earnings of KEUR 482 in the first three months of 2010, which consist of a fixed component of KEUR 112 and a variable component of KEUR 370.

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 2010.

Notes on the consolidated financial statements as of 31 March 2010

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, telecommunications, safety and transport. 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, organizational changes and the cooperation with strategic partners.

The condensed interim consolidated financial statements for the period from 1 January 2010 to 31 March 2010 were released for publication by a decision of the management on 26 April 2010.

The condensed interim consolidated financial statements for the period from 1 January 2010 to 31 March 2010 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 2009.

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 2009.

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 2009 there were no changes in the consolidation group.

5. Selected Individual Items

Cash and cash equivalents

	31 March 2010 KEUR	31 December 2009 KEUR
Bank balances	11,051	13,597
Fixed term deposits	8,512	7,134
Cash	39	34
	19,602	20,765

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 (labor 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 2010 KEUR	31 December 2009 KEUR
Costs incurred on uncompleted contracts	82,145	69,876
Profit shares	18,577	16,274
Contract revenue	100,722	86,150
Payments on account	73,580	68,862
Set off against contract revenue	-60,250	-53,464
Receivables from long-term construction contracts	40,472	32,686
Liabilities from long-term construction contracts	13,330	15,398

Taxes on income

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

	31 March 2010 KEUR	31 December 2009 KEUR
Effective taxes expenses		
Effective tax expenses	-149	-718
Deferred taxes		
Emergence and reversal of temporary differences	-59	376
Tax expenses/income	-208	-342

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 and water markets. Focal points are reliable and economically sound solutions for the 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 quality and profitability.
- Infrastructure Management: High-availability control system solutions designed for monitoring and economically sound operation of infrastructures in the telecommunications, 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 2010 until 31 March 2010 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	31/03/2010 KEUR	31/03/2009 KEUR	31/03/2010 KEUR	31/03/2009 KEUR	31/03/2010 KEUR	31/03/2009 KEUR	31/03/2010 KEUR	31/03/2009 KEUR	31/03/2010 KEUR	31/03/2009 KEUR
Sales revenues										
Sales to external customers	15,537	13,637	15,462	14,489	6,134	2,449	0	0	37,133	30,575
Inter-segment sales	790	47	614	352	415	444	-1,819	-843	0	0
Segment revenues	16,327	13,684	16,076	14,841	6,549	2,893	-1,819	-843	37,133	30,575
Other operating income	781	997	1,381	1,659	338	441	-1,025	-1,404	1,475	1,693
Changes in inventories of work in progress	0	-50	0	104	7	6	0	0	7	60
Cost of purchased services	-646	-592	-1,325	-1,198	-767	-251	280	201	-2,458	-1,840
Cost of purchased materials	-1,968	-1,107	-385	-593	-1,583	-51	631	101	-3,305	-1,650
Personnel expenses	-9,741	-8,770	-10,572	-9,545	-2,863	-1,959	-39	-83	-23,215	-20,357
Depreciation and amortization	-253	-320	-214	-221	-133	-61	-15	-4	-615	-606
Other operating expenses	-2,969	-2,916	-4,506	-4,333	-1,207	-820	1,818	1,969	-6,864	-6,100
Operating result before interest, tax, depreciation and amortisation	1,784	1,246	669	935	474	259	-154	-59	2,773	2,381
Operating result before depreciation and amortisation resulting from purchase price allocation	1,531	926	455	714	341	198	-169	-63	2,158	1,775
Depreciation and amortisation resulting from purchase price allocation	-33	-33	-283	-30	-88	0	0	0	-404	-63
Operating result	1,498	893	172	684	253	198	-169	-63	1,754	1,712
Interest income	-150	-162	-189	-140	-53	-11	0	0	-392	-313
Result before income taxes	1,348	731	-17	544	200	187	-169	-63	1,362	1,399
Segment assets	48,561	42,230	58,429	46,200	40,162	12,367	5,608	3,146	152,760	103,943
Segment liabilities	24,985	19,427	38,739	32,488	15,887	10,439	5,369	6,552	84,980	68,906
Segment investments	129	174	122	191	74	33	367	188	692	586

Financial Calendar

15 March 2010	Publication Annual Result 2009
15 March 2010	Analyst Conference
28 April 2010	Report on the 1 st Quarter of 2010
3 May 2010	Annual General Meeting
30 July 2010	Report on the 1 st Six Months of 2010
28 October 2010	Report on the 3 rd Quarter of 2010
November 2010	Analyst Presentation, German Equity Forum

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