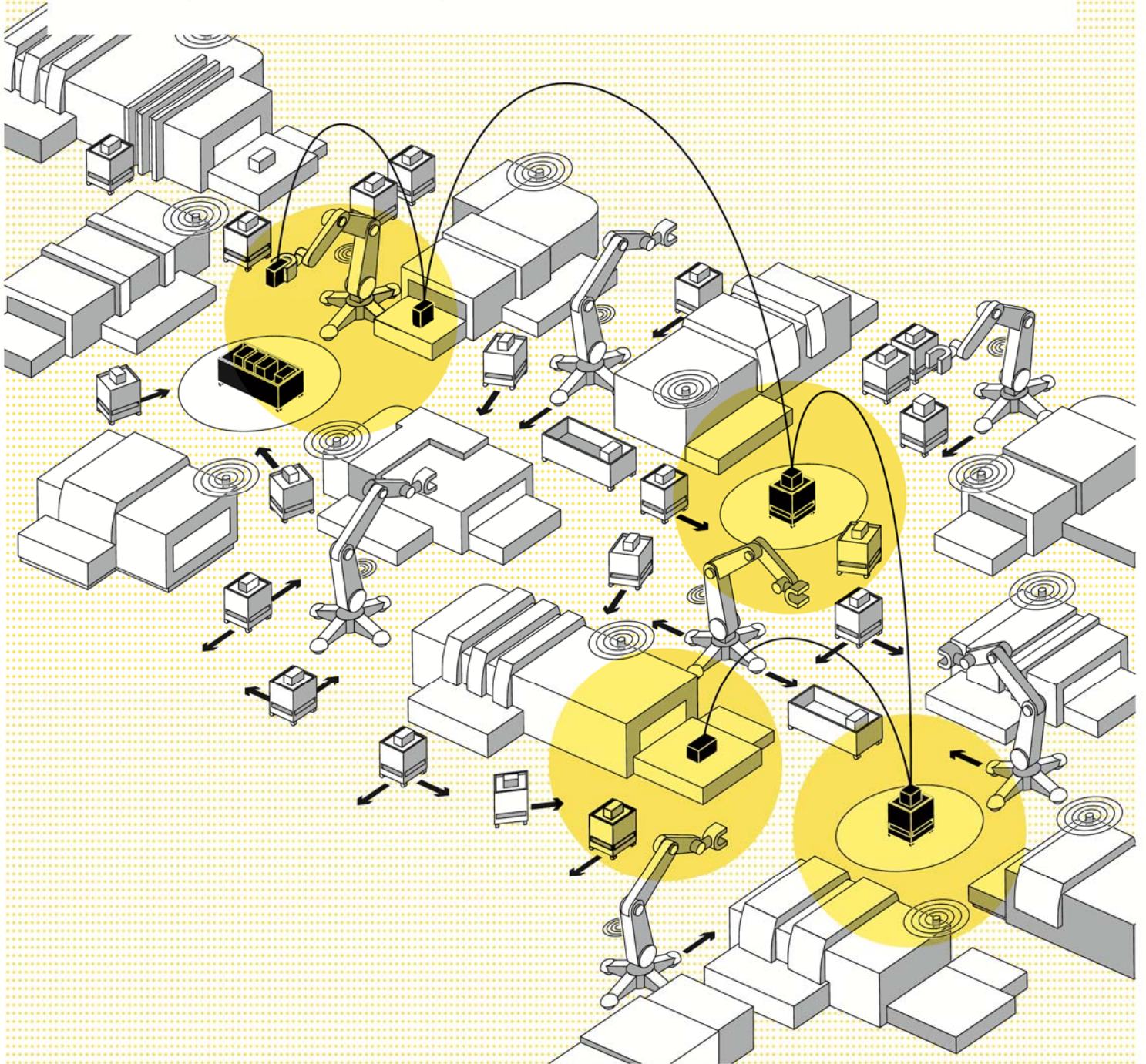


Report on the 1st Six Months of 2014

Ready for Industry 4.0



PSI Group Data as per 30 June 2014 at a Glance (IFRS)

	01/01-30/06/14 in KEUR	01/01-30/06/13 in KEUR	Change in KEUR	Change in %
Revenues	84,224	87,675	-3,451	-3.9
Operating Result	2,782	3,534	-752	-21.3
Result before income taxes	1,986	3,125	-1,139	-36.5
Net result	1,210	1,685	-475	-28.2
Cash and cash equivalents	17,118	23,910	-6,792	-28.4
Employees on 30 June	1,687	1,667	+20	+1.2
Revenue/Employee	49.9	52.6	-2.7	-5.1

Interim Management Report

Business Development

Earnings

PSI Group attained 4 % lower sales of 84.2 million Euros in the first half of 2014. The EBIT in the first six months of 2014 was encumbered by special effects from the previous year in logistics and, at 2.8 million Euros, was 20 % below the EBIT of the same period for the previous year. This includes a percentage-of-completion adjustment of one million Euros for a logistics project from 2013 and restructuring costs of about 0.5 million Euros. The group net result was, at 1.2 million Euros, 28 % below the figure for the previous year. The previous year figure included special earnings of 0.5 million Euros from the sale of shares in the Moscow sales joint venture PSI Energo. New orders, which were characterised by a number of major international orders in the previous year, decreased to 89 million Euros, the order book volume on 30 June 2014 was, with 121 million Euros, 12 % below the figure for the previous year. By the end of the year management expects new orders of about 180 million Euros.

Energy Management (gas, oil, electricity, heat) attained 2 % higher sales of 30.3 million Euros in the first half year. The EBIT for the segment more than doubled to 1.4 million Euros compared to the previous year. The electrical energy business could improve its result after the successful acceptance of an encumbering major project and the higher product investments of the previous year and expects additional rollout contracts for the new control system in the coming quarters. The oil and gas business was able to increase sales and profits; energy trading completed a generation change in management and made further investments in modernisation and standardisation of the product base.

Sales in Production Management (raw materials, industry, logistics) during the first six months were, at 39.1 million Euros, 9 % below the value for the previous year. The EBIT decreased as a result of the special effects in logistics by 40 % to 1.1 million Euros. The automotive und mechanical engineering business won important licensing orders in Germany and China, the logistics business was able to continue to improve operations, but was slowed once again by an adjustment and restructuring costs. In the metals industry business, new orders decreased compared to the previous year; for the coming quarters major orders are expected from the North American aluminium and steel industries.

In Infrastructure Management (transportation and security), sales were constant at 14.8 million Euros. The EBIT for the segment decreased to 0.9 million Euros. In Southeast Asia sales and profits were below expectations, major contracts are expected here in the second half of the year.

Financial Position

As a result of the weaker group result, the cash flow from operating activities was, at -2.4 million Euros, below the figure for the previous year (30 June 2013: -1.6 million Euros). Liquidity decreased to 17.1 million Euros (30 June 2013: 23.9 million Euros).

Assets

Compared to 31 December 2013, there have not been any material changes in the Group's assets.

Personnel Development

The number of employees in the group was reduced by 17 to 1,687 in the course of the second quarter (31 March 2014: 1,704, 30 June 2013: 1,667).

PSI-Shares

The PSI stock ended the first six months of 2014 with a final price of 13.01 Euros, 4 % below the final 2013 price of 13.55 Euros. In the same period the technology index TecDAX rose by 12.2 %.

Risk Report

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2013.

Outlook

In the first half year the PSI Group invested 0.9 million Euros in a new release of the group platform that allows the customer to configure user interfaces, menus and data views themselves. In addition, preparations for the next major release and tests for the web and cloud capability of the PSI products based on these were made. PSI expects a further recovery of Energy in the coming quarters on the basis of control systems products, encumbrances from the first Chinese mine project and additional orders from the booming metals industry in the USA. The management is conducting intensive negotiations about the acquisition of a competitor (about 70 employees and 9 million Euros sales) in the Production Management segment and has signed a letter of intent on 30 July 2014.

Group Balance Sheet

from 1 January 2014 until 30 June 2014 according to IFRS

	6 Month Report 01/01-30/06/14 KEUR	Annual Report 01/01-31/12/13 KEUR
Assets		
Non current assets		
Property, plant and equipment	13,273	13,781
Intangible assets	49,103	49,103
Investments in associates	298	298
Deferred tax assets	6,249	6,073
	68,923	69,255
Current assets		
Inventories	4,799	3,888
Trade accounts receivable, net	36,713	39,908
Receivables from long-term development contracts	42,039	37,893
Other current assets	6,883	5,290
Cash and cash equivalents	17,118	21,800
	107,552	108,779
Total assets	176,475	178,034
Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for own stock	-674	-402
Other reserves	-8,671	-8,835
Net retained profits	2,446	1,236
	68,423	67,321
Non-current liabilities		
Long-term financial liabilities	3,252	3,387
Pension provisions	40,067	40,087
Deferred tax liabilities	2,517	2,463
	45,836	45,937
Current liabilities		
Trade payables	14,487	15,400
Other current liabilities	30,610	25,726
Liabilities from long-term development contracts	14,131	20,097
Short-term financial liabilities	2,978	3,544
Provisions	10	9
	62,216	64,776
Total equity and liabilities	176,475	178,034

Group Income Statement

from 1 January 2014 until 30 June 2014 according to IFRS

	Quarterly Report II		6-Month Report	
	01/04/14- 30/06/14 KEUR	01/04/13- 30/06/13 KEUR	01/01/14- 30/06/14 KEUR	01/01/13- 30/06/13 KEUR
Sales Revenues	43,422	42,317	84,224	87,675
Other operating income	1,861	2,862	4,162	4,964
Cost of materials	-8,179	-7,630	-14,893	-17,723
Personnel expenses	-26,206	-25,548	-52,122	-52,265
Depreciation and amortisation	-915	-960	-1,825	-1,862
Other operating expenses	-9,274	-9,600	-16,764	-17,255
Operating result	709	1,441	2,782	3,534
Interest income	12	6	24	19
Interest expenses	-401	-441	-820	-883
Result from equity investments	0	100	0	455
Result before income taxes	320	1,106	1,986	3,125
Income tax	-264	-980	-776	-1,440
Net result	56	126	1,210	1,685
Earnings per share (in Euro per share, basic)	0.00	0.01	0.08	0.11
Earnings per share (in Euro per share, diluted)	0.00	0.01	0.08	0.11
Weighted average shares outstanding (basic)	15,653,023	15,673,580	15,655,780	15,682,250
Weighted average shares outstanding (diluted)	15,653,023	15,673,580	15,655,780	15,682,250

Group comprehensive Income Statement

from 1 January 2014 until 30 June 2014 according to IFRS

	01/04/14- 30/06/14 KEUR	01/04/13- 30/06/13 KEUR	01/01/14- 30/06/14 KEUR	01/01/13- 30/06/13 KEUR
Net result	56	126	1,210	1,685
Currency translation foreign operations	217	-303	59	93
Net losses from cash flows hedges	189	439	149	549
Income tax effects	-55	-131	-44	-164
Group comprehensive result	407	131	1,374	2,163

Group Cash Flow Statement

from 1 January 2014 until 30 June 2014 according to IFRS

	6 Month Report 01/01-30/06/14 KEUR	6 Month Report 01/01-30/06/13 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	1,986	3,125
Adjustments for non-cash expenses		
Amortisation on intangible assets	387	464
Depreciation of property, plant and equipment	1,438	1,398
Earnings from investments in associated companies	0	-455
Interest income	-24	-19
Interest expenses	820	883
	4,607	5,396
Changes of working capital		
Inventories	-877	-175
Trade receivables	-915	-7,113
Other current assets	-1,861	-2,730
Provisions	-623	-941
Trade payables	-878	-1,134
Other current liabilities	-1,038	5,892
	-6,192	-6,201
Interest paid	-123	-168
Income taxes paid	-707	-642
Cash flow from operating activities	-2,415	-1,615
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-387	-692
Additions to property, plant and equipment	-930	-1,621
Cash inflow from disposals of associated companies	0	509
Cash inflow from disposals of subsidiaries	0	479
Interest received	24	19
Cash flow from investing activities	-1,293	-1,306
CASHFLOW FROM FINANCING ACTIVITIES		
Dividends paid	0	-4,702
Proceeds/repayments from/of borrowings	-552	-1,587
Outflows for share buybacks	-272	-320
Cash flow from financing activities	-824	-6,609
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-4,532	-9,530
Valuation-related changes in cash and cash equivalents	-150	102
Cash and cash equivalents at beginning of the period	21,800	33,338
Cash and cash equivalents at the end of the period	17,118	23,910

Statement of Changes in Equity

from 1 January 2014 until 30 June 2014 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 2012	15,694,028	40,185	35,137	-106	-7,146	5,567	73,637
Group comprehensive result after tax					-1,689	371	-1,318
Issue of own shares	19,657			272			272
Share buybacks	-40,662			-568			-568
Dividend distributions						-4,702	-4,702
As of 31 December 2013	15,673,023	40,185	35,137	-402	-8,835	1,236	67,321
Group comprehensive result after tax					164	1,210	1,374
Share buybacks	-20,000			-272			-272
As of 30 June 2014	15,653,023	40,185	35,137	-674	-8,671	2,446	68,423

Shares and Options held by Management Board and Supervisory Board as of 30 June 2014

	Shares	Options
Management Board		
Harald Fuchs	1,023	0
Dr. Harald Schrimpf	64,500	0
Supervisory Board		
Dr. Ralf Becherer	1,281	0
Elena Günzler	1,013	0
Bernd Haus	1,000	0
Prof. Dr. Wilhelm Jaroni	0	0
Karsten Trippel	110,322	0
Prof. Dr. Rolf Windmüller	6,305	0

Remuneration for the Management Board and Supervisory Board

	Fixed remuneration	Variable remuneration	Long-term fee component	Total remuneration
	KEUR	KEUR	KEUR	KEUR
Harald Fuchs	140	29	0	169
Dr. Harald Schrimpf	180	88	8	276
Management Board – total	320	117	8	445

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 2014.

Notes on the consolidated financial statements as of 30 June 2014

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 2014 to 30 June 2014 were released for publication by a decision of the management on 29 July 2014.

The condensed interim consolidated financial statements for the period from 1 January 2014 to 30 June 2014 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 2013.

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 2013.

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 2013 there were no changes in the consolidation group.

5. Selected Individual Items

Cash and cash equivalents

	30 June 2014 KEUR	31 December 2013 KEUR
Bank balances	11,679	13,341
Fixed term deposits	5,404	8,427
Cash	35	32
	17,118	21,800

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 2014 KEUR	31 December 2013 KEUR
Costs incurred on uncompleted contracts	73,827	64,493
Profit shares	12,638	10,895
Contract revenue	86,465	75,388
Payments on account	-58,557	-57,592
Set off against contract revenue	-44,426	-37,495
Receivables from long-term construction contracts	42,039	37,893
Liabilities from long-term construction contracts	14,131	20,097

Sales revenues

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

	30 June 2014 KEUR	30 June 2013 KEUR
Software development	47,150	45,138
Maintenance	22,051	21,469
License fees	7,052	10,512
Merchandise	7,971	10,556
	84,224	87,675

Taxes on income

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

	30 June 2014 KEUR	30 June 2013 KEUR
Effective taxes expenses		
Effective tax expenses	-943	-988
Deferred taxes		
Emergence and reversal of temporary differences	167	-452
Tax expenses	-776	-1,440

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 2014 until 30 June 2014 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	30/06/2014 KEUR	30/06/2013 KEUR	30/06/2014 KEUR	30/06/2013 KEUR	30/06/2014 KEUR	30/06/2013 KEUR	30/06/2014 KEUR	30/06/2013 KEUR	30/06/2014 KEUR	30/06/2013 KEUR
Sales revenues										
Sales to external customers	30,324	29,708	39,118	43,214	14,782	14,753	0	0	84,224	87,675
Inter-segment sales	480	661	1,034	888	2,665	3,601	-4,179	-5,150	0	0
Segment revenues	30,804	30,369	40,152	44,102	17,447	18,354	-4,179	-5,110	84,224	87,675
Other operating income	2,620	4,015	4,554	3,849	1,051	1,081	-4,063	-3,981	4,162	4,964
Cost of purchased services	-1,575	-2,328	-5,148	-4,850	-3,518	-2,114	2,759	1,198	-7,482	-8,094
Cost of purchased materials	-1,775	-2,448	-800	-2,515	-5,084	-6,384	248	1,718	-7,411	-9,629
Personnel expenses	-20,866	-20,990	-25,330	-25,513	-6,009	-5,953	83	191	-52,122	-52,265
Depreciation and amortisation	-697	-712	-633	-674	-362	-343	-30	-30	-1,722	-1,759
Other operating expenses	-7,091	-7,285	-11,598	-12,456	-2,602	-2,936	4,527	5,422	-16,764	-17,255
Operating result before interest, tax, depreciation and amortisation	2,117	1,333	1,830	2,617	1,285	2,048	-625	-602	4,607	5,396
Operating result before depreciation and amortisation resulting from purchase price allocation	1,420	621	1,197	1,943	923	1,705	-655	-632	2,885	3,637
Depreciation and amortisation resulting from purchase price allocation	-43	-43	-60	-60	0	0	0	0	-103	-103
Operating result	1,377	578	1,137	1,883	923	1,705	-655	-632	2,782	3,534
Interest income	-216	222	-378	-372	-202	-259	0	0	-796	-409
Result before income taxes	1,161	800	759	1,511	721	1,446	-655	-632	1,986	3,125
Interest in associates carried at equity	298	273	0	0	0	0	0	0	298	273
Segment assets	46,765	45,918	69,073	80,932	52,091	51,377	2,297	3,510	170,226	181,737
Segment liabilities	29,492	30,673	47,144	54,742	17,552	17,206	9,787	10,529	103,975	113,150
Segment investments	285	501	557	815	372	343	103	1,625	1,317	3,284

Financial Calendar

20 March 2014	Publication of Annual Result 2013
20 March 2014	Analyst Conference
30 April 2014	Report on the 1 st Quarter of 2014
6 May 2014	Annual General Meeting
31 July 2014	Report on the 1 st Six Months of 2014
30 October 2014	Report on the 3rd Quarter of 2014
25 November 2014	Analyst Presentation, German Equity Forum

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