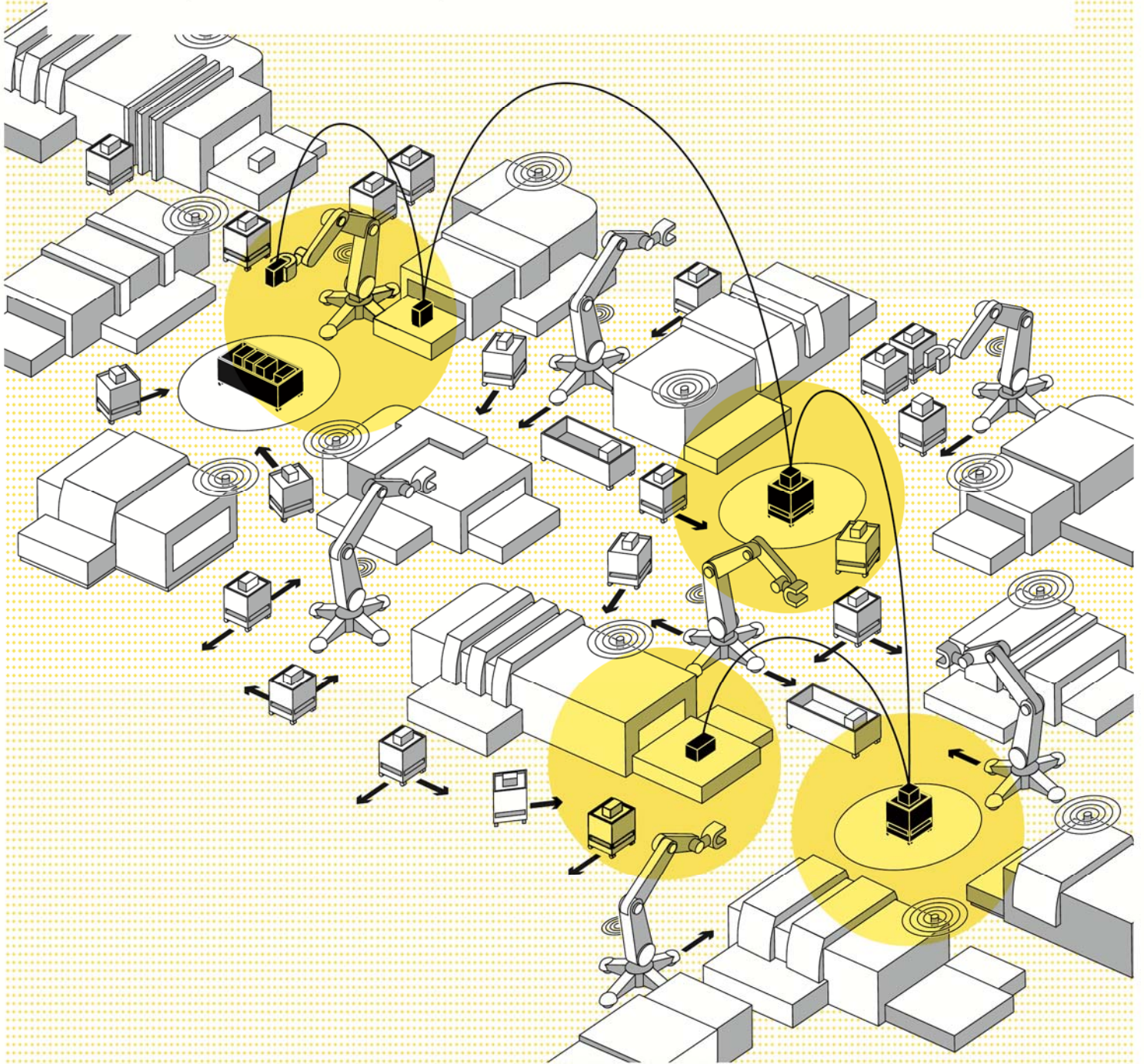


Report on the 3rd Quarter of 2014

Ready for Industry 4.0



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

| | 01/01-30/09/14 in KEUR | 01/01-30/09/13 in KEUR | Change in KEUR | Change in % |
|----------------------------|---------------------------|---------------------------|-------------------|----------------|
| Revenues | 127,220 | 129,092 | -1,872 | -1.5 |
| Operating Result | 4,597 | 777 | +3,820 | +491.6 |
| Result before income taxes | 3,401 | -57 | +3,458 | +6,066.7 |
| Net result | 1,977 | -2,765 | +4,742 | +171.5 |
| Cash and cash equivalents | 22,747 | 21,539 | +1,208 | +5.6 |
| Employees on 30 September | 1,660 | 1,701 | -41 | -2.4 |
| Revenue/Employee | 76.6 | 75.9 | +0.7 | +1.0 |

Interim Management Report

Business Development

Earnings

PSI Group attained 1.5 % lower sales of 127.2 million Euros in the first nine months of 2014. The EBIT improved to 4.6 million Euros. This included the final encumbrances from old projects of 2 million Euros that were booked in the second and third quarters of 2014. The group net result also improved significantly to 2.0 million Euros. New orders were, with 133 million Euros, 7 % below that of the previous year, the order book volume on 30 September 2014 was, at 120 million Euros, 3 % below that of the previous year.

Energy Management (gas, oil, electricity, heat) attained 6 % higher sales of 45.7 million Euros in the first nine months. The EBIT for the segment, which was negative in the previous year, improved to 2.6 million Euros. The electrical energy business continued its upward trend with strong new orders and a significant improvement in the EBIT, the gas and oil business increased its sales and profits again. Energy trading systems invested about 1 million Euros in the migration and reimplementation of gas and electricity planning, trading and optimisation software on the group-wide platform and received an important new order for the new product for virtual power plants.

Sales in Production Management (raw materials, industry, logistics) in the first nine months were, with 60.7 million Euros, 4 % below the level of the previous year. The EBIT improved, despite the booking of 2 million Euros in encumbrances from old projects, to 1.7 million Euros. The automotive und mechanical engineering business (PSIPENTA) and the operational business in logistics contributed to a clearly positive result with the activities in Industry 4.0. In the metals industry, PSI witnessed strong demand for solutions for aluminium production, in mining the new control system is undergoing its initial operational testing at a major Chinese customer. PSI received an important licensing payment from another customer.

In Infrastructure Management (transportation and security) sales decreased to 20.7 million Euros as a result of lower sales of hardware. The EBIT for the segment decreased to 1.3 million Euros as a result of the lower contribution from Southeast Asia. In the last weeks, the segment had strong new orders from traditional and new customers in Germany, Switzerland and Malaysia so that a significantly higher EBIT is expected for the fourth quarter.

Financial Position

The cash flow from operating activities improved by 5.6 million Euros to 2.8 million Euros (30 September 2013: -2.8 million Euros), so that the liquid funds increased to 22.7 million Euros (30 September 2013: 21.5 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 to 1,660 (30 September 2013: 1,701).

PSI-Shares

The PSI stock ended the third quarter of 2014 with a final price of 11.65 Euros, 14 % below the final 2013 price of 13.55 Euros. In the same period the technology index TecDAX rose by 7.1 %. In line with a decision by Deutsche Börse, PSI AG stocks have no longer been listed in the TecDAX since 22 September 2014.

Risk Report

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

Outlook

The group continued to drive the basic development of the technology platform on the basis of efficient, global standards in the third quarter. In the fourth quarter, the new release of the technology platform will be completed. It particularly enables customers to change data dialogues even at runtime. The model-oriented programming has been adapted to a now available international standard (EMF/MOF). In view of the current geopolitical risks and the delayed awarding of contracts in the export business, the PSI management board does not wish to make any forecasts for the year 2014, but does expect new orders to be on the level of the previous year.

Group Balance Sheet

from 1 January 2014 until 30 September 2014 according to IFRS

| | 9 Month Report 01/01-30/09/14 KEUR | Annual Report 01/01-31/12/13 KEUR |
|--|--|---|
| Assets | | |
| Non current assets | | |
| Property, plant and equipment | 12,937 | 13,781 |
| Intangible assets | 49,112 | 49,103 |
| Investments in associates | 298 | 298 |
| Deferred tax assets | 6,106 | 6,073 |
| | 68,453 | 69,255 |
| Current assets | | |
| Inventories | 4,776 | 3,888 |
| Trade accounts receivable, net | 33,261 | 39,908 |
| Receivables from long-term development contracts | 42,238 | 37,893 |
| Other current assets | 6,747 | 5,290 |
| Cash and cash equivalents | 22,747 | 21,800 |
| | 109,769 | 108,779 |
| Total assets | 178,222 | 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 | -7,959 | -8,835 |
| Net retained profits | 3,213 | 1,236 |
| | 69,902 | 67,321 |
| Non-current liabilities | | |
| Long-term financial liabilities | 3,269 | 3,387 |
| Pension provisions | 40,061 | 40,087 |
| Deferred tax liabilities | 2,984 | 2,463 |
| | 46,314 | 45,937 |
| Current liabilities | | |
| Trade payables | 14,052 | 15,400 |
| Other current liabilities | 27,666 | 25,726 |
| Liabilities from long-term development contracts | 16,531 | 20,097 |
| Short-term financial liabilities | 3,751 | 3,544 |
| Provisions | 6 | 9 |
| | 62,006 | 64,776 |
| Total equity and liabilities | 178,222 | 178,034 |

Group Income Statement

from 1 January 2014 until 30 September 2014 according to IFRS

| | Quarterly Report III | | 9-Month Report | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 01/07/14- 30/09/14 KEUR | 01/07/13- 30/09/13 KEUR | 01/01/14- 30/09/14 KEUR | 01/01/13- 30/09/13 KEUR |
| Sales Revenues | 42,996 | 41,417 | 127,220 | 129,092 |
| Other operating income | 1,222 | 630 | 5,384 | 5,594 |
| Cost of materials | -6,632 | -7,766 | -21,525 | -25,489 |
| Personnel expenses | -24,670 | -25,719 | -76,792 | -77,984 |
| Depreciation and amortisation | -938 | -936 | -2,763 | -2,798 |
| Other operating expenses | -10,163 | -10,383 | -26,927 | -27,638 |
| Operating result | 1,815 | -2,757 | 4,597 | 777 |
| Interest income | 19 | 85 | 43 | 104 |
| Interest expenses | -419 | -413 | -1,239 | -1,296 |
| Result from equity investments | 0 | -97 | 0 | 358 |
| Result before income taxes | 1,415 | -3,182 | 3,401 | -57 |
| Income tax | -648 | -1,268 | -1,424 | -2,708 |
| Net result | 767 | -4,450 | 1,977 | -2,765 |
| Earnings per share (in Euro per share, basic) | 0.05 | -0.28 | 0.13 | -0.18 |
| Earnings per share (in Euro per share, diluted) | 0.05 | -0.28 | 0.13 | -0.18 |
| Weighted average shares outstanding (basic) | 15,653,023 | 15,682,281 | 15,654,851 | 15,682,260 |
| Weighted average shares outstanding (diluted) | 15,653,023 | 15,682,281 | 15,654,851 | 15,682,260 |

Group comprehensive Income Statement

from 1 January 2014 until 30 September 2014 according to IFRS

| | 01/07/14- 30/09/14 KEUR | 01/07/13- 30/09/13 KEUR | 01/01/14- 30/09/14 KEUR | 01/01/13- 30/09/13 KEUR |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Net result | 767 | -4,450 | 1,977 | -2,765 |
| Currency translation foreign operations | 697 | -751 | 756 | -658 |
| Net losses from cash flows hedges | 22 | -62 | 171 | 487 |
| Income tax effects | -7 | 19 | -51 | -145 |
| Group comprehensive result | 1,479 | -5,244 | 2,853 | -3,081 |

Group Cash Flow Statement

from 1 January 2014 until 30 September 2014 according to IFRS

| | 9 Month Report 01/01-30/09/14 KEUR | 9 Month Report 01/01-30/09/13 KEUR |
|---|--|--|
| CASHFLOW FROM OPERATING ACTIVITIES | | |
| Result before income taxes | 3,401 | -57 |
| Adjustments for non-cash expenses | | |
| Amortisation on intangible assets | 620 | 640 |
| Depreciation of property, plant and equipment | 2,144 | 2,158 |
| Earnings from investments in associated companies | 0 | -358 |
| Interest income | -43 | -104 |
| Interest expenses | 1,238 | 1,296 |
| | 7,360 | 3,845 |
| Changes of working capital | | |
| Inventories | -678 | -162 |
| Trade receivables | 1,755 | -1,696 |
| Other current assets | -1,529 | -1,746 |
| Provisions | -860 | -1,981 |
| Trade payables | -1,027 | -1,171 |
| Other current liabilities | -1,239 | 1,428 |
| | -3,578 | -5,329 |
| Interest paid | -192 | -225 |
| Income taxes paid | -778 | -1,128 |
| Cash flow from operating activities | 2,812 | -2,837 |
| CASHFLOW FROM INVESTING ACTIVITIES | | |
| Additions to intangible assets | -629 | -1,592 |
| Additions to property, plant and equipment | -1,300 | -2,002 |
| Cash inflow from disposals of associated companies | 0 | 512 |
| Cash inflow from disposals of subsidiaries | 0 | 479 |
| Interest received | 43 | 104 |
| Cash flow from investing activities | -1,886 | -2,499 |
| CASHFLOW FROM FINANCING ACTIVITIES | | |
| Dividends paid | 0 | -4,702 |
| Proceeds/repayments from/of borrowings | 260 | -1,394 |
| Outflows for share buybacks | -272 | -320 |
| Cash flow from financing activities | -12 | -6,416 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | |
| Changes in cash and cash equivalents | 914 | -11,752 |
| Valuation-related changes in cash and cash equivalents | 33 | -47 |
| Cash and cash equivalents at beginning of the period | 21,800 | 33,338 |
| Cash and cash equivalents at the end of the period | 22,747 | 21,539 |

Statement of Changes in Equity

from 1 January 2014 until 30 September 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 | | | | | 876 | 1,977 | 2,853 |
| Share buybacks | -20,000 | | | -272 | | | -272 |
| As of 30 September 2014 | 15,653,023 | 40,185 | 35,137 | -674 | -7,959 | 3,213 | 69,902 |

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

| | Shares | Options |
|---------------------------|---------|---------|
| Management Board | | |
| Harald Fuchs | 1,023 | 0 |
| Dr. Harald Schrimpf | 61,000 | 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 | 210 | 29 | 0 | 239 |
| Dr. Harald Schrimpf | 270 | 88 | 8 | 366 |
| Management Board – total | 480 | 117 | 8 | 605 |

Because Supervisory Board payments are made in the 4th quarter of the year, the Supervisory Board did not obtain any remuneration in the first nine months of 2014.

Notes on the consolidated financial statements as of 30 September 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.

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 September 2014 were released for publication by a decision of the management on 24 October 2014.

The condensed interim consolidated financial statements for the period from 1 January 2014 to 30 September 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 September 2014 | 31 December 2013 |
|---------------------|-------------------|------------------|
| | KEUR | KEUR |
| Bank balances | 16,556 | 13,341 |
| Fixed term deposits | 6,153 | 8,427 |
| Cash | 38 | 32 |
| | 22,747 | 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 September 2014 KEUR | 31 December 2013 KEUR |
|---|---------------------------|--------------------------|
| Costs incurred on uncompleted contracts | 75,104 | 64,493 |
| Profit shares | 14,195 | 10,895 |
| Contract revenue | 89,299 | 75,388 |
| Payments on account | -63,592 | -57,592 |
| Set off against contract revenue | -47,061 | -37,495 |
| Receivables from long-term construction contracts | 42,238 | 37,893 |
| Liabilities from long-term construction contracts | 16,531 | 20,097 |

Sales revenues

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

| | 30 September 2014 KEUR | 30 September 2013 KEUR |
|----------------------|---------------------------|---------------------------|
| Software development | 70,600 | 67,402 |
| Maintenance | 33,254 | 31,990 |
| License fees | 12,198 | 14,142 |
| Merchandise | 11,168 | 15,558 |
| | 127,220 | 129,092 |

Taxes on income

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

| | 30 September 2014 KEUR | 30 September 2013 KEUR |
|---|---------------------------|---------------------------|
| Effective taxes expenses | | |
| Effective tax expenses | -987 | -2,092 |
| Deferred taxes | | |
| Emergence and reversal of temporary differences | -437 | -616 |
| Tax expenses | -1,424 | -2,708 |

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 September 2014 according to IFRS

| | Energy Management | | Production Management | | Infrastructure Management | | Reconciliation | | PSI Group | |
|---|--------------------|--------------------|-----------------------|--------------------|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 30/09/2014 KEUR | 30/09/2013 KEUR | 30/09/2014 KEUR | 30/09/2013 KEUR | 30/09/2014 KEUR | 30/09/2013 KEUR | 30/09/2014 KEUR | 30/09/2013 KEUR | 30/09/2014 KEUR | 30/09/2013 KEUR |
| Sales revenues | | | | | | | | | | |
| Sales to external customers | 45,748 | 43,053 | 60,744 | 63,327 | 20,728 | 22,712 | 0 | 0 | 127,220 | 129,092 |
| Inter-segment sales | 671 | 902 | 1,453 | 1,534 | 3,843 | 5,444 | -5,967 | -7,880 | 0 | 0 |
| Segment revenues | 46,419 | 43,955 | 62,197 | 64,861 | 24,571 | 28,156 | -5,967 | -7,880 | 127,220 | 129,092 |
| Other operating income | 3,738 | 5,598 | 5,810 | 4,656 | 1,789 | 1,361 | -5,953 | -6,021 | 5,384 | 5,594 |
| Cost of purchased services | -2,605 | -3,401 | -6,469 | -8,206 | -4,830 | -2,951 | 3,003 | 3,310 | -10,901 | -11,248 |
| Cost of purchased materials | -2,845 | -2,987 | -1,932 | -2,689 | -6,847 | -10,210 | 1,000 | 1,645 | -10,624 | -14,241 |
| Personnel expenses | -30,434 | -31,216 | -37,367 | -37,857 | -8,827 | -9,072 | -164 | 161 | -76,792 | -77,984 |
| Depreciation and amortisation | -1,045 | -1,073 | -966 | -1,027 | -554 | -499 | -44 | -45 | -2,609 | -2,644 |
| Other operating expenses | -10,606 | -11,797 | -19,478 | -19,396 | -3,996 | -4,339 | 7,153 | 7,894 | -26,927 | -27,638 |
| Operating result before interest, tax, depreciation and amortisation | 3,667 | 152 | 2,761 | 1,369 | 1,860 | 2,945 | -928 | -891 | 7,360 | 3,575 |
| Operating result before depreciation and amortisation resulting from purchase price allocation | 2,622 | -921 | 1,795 | 342 | 1,306 | 2,446 | -972 | -936 | 4,751 | 931 |
| Depreciation and amortisation resulting from purchase price allocation | -64 | -64 | -90 | -90 | 0 | 0 | 0 | 0 | -154 | -154 |
| Operating result | 2,558 | -985 | 1,705 | 252 | 1,306 | 2,446 | -972 | -936 | 4,597 | 777 |
| Interest income | -332 | 87 | -554 | -533 | -310 | -388 | 0 | 0 | -1,196 | -834 |
| Result before income taxes | 2,226 | -898 | 1,151 | -281 | 996 | 2,058 | -972 | -936 | 3,401 | -57 |
| Interest in associates carried at equity | 298 | 273 | 0 | 0 | 0 | 0 | 0 | 0 | 298 | 273 |
| Segment assets | 46,392 | 50,040 | 70,641 | 69,567 | 51,765 | 50,828 | 3,318 | 1,850 | 172,116 | 172,285 |
| Segment liabilities | 28,117 | 29,454 | 47,954 | 49,729 | 16,795 | 16,915 | 10,966 | 11,986 | 103,892 | 108,084 |
| Segment investments | 359 | 633 | 630 | 964 | 461 | 398 | 479 | 1,939 | 1,929 | 3,934 |

Financial Calendar

| | |
|---------------------|--|
| 30 October 2014 | Report on the 3rd Quarter of 2014 |
| 25 November 2014 | Analyst Presentation, German Equity Forum |
| 19 March 2015 | Publication of Annual Results 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 3 rd Quarter of 2015 |
| 23–25 November 2015 | Analyst Presentation, German Equity Forum |

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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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