

# Growth through digitalisation



Report on the 1<sup>st</sup> Quarter of 2016

PSI 

**PSI Group Data as per 31 March 2016 at a Glance (IFRS)**

	01/01-31/03/16 in KEUR	01/01-31/03/15 in KEUR	Change in KEUR	Change in %
Revenues	42,589	43,188	-599	-1.4
Operating Result	2,181	1,744*	+437	+25.1
Result before income taxes	2,044	1,980	+64	+3.2
Net result	1,396	1,367	+29	+2.1
Cash and cash equivalents	41,207	31,571	+9,636	+30.5
Employees on 31 March	1,645	1,718	-73	-4.3
Revenue/Employee	25.9	25.1	+0.8	+3.0

\*adjusted

# Interim Management Report

## Business Development

### Earnings

The PSI Group achieved 1 % lower sales of 42.6 million Euros in the first quarter of 2016 in particular because of adjustments in the South Asian business. The EBIT improved by 25 % to 2.2 million Euros, the group net result was, as in the previous year, 1.4 million Euros. The new orders improved by 13 % to 70 million Euros, the order backlog on 31 March 2016 was, at 157 million Euros, 13 % above the figure for the previous year.

Energy Management (gas, oil, electricity, heat) attained 1 % higher sales of 15.8 million Euros in the first quarter. The EBIT for the segment increased significantly compared to the previous year to 1.4 million Euros. The electrical energy business was able to further increase its new orders, and improve the result despite the expenses for the multi-client capability of control systems. Gas and Oil improved its new orders, especially in Germany, and again achieved a good result. Energy trading, which had been encumbered by investments in the renewal and aggregation of the energy trading software for gas and electricity, had a balanced result and also increased its new orders.

Sales in Production Management (raw materials, industry, logistics) in the first three months were, with 21.3 million Euros, slightly below the level for the previous year. The EBIT, with 1.5 million Euros, was constant. The Mines&Roads business worked on maintenance transition of the mining system. The Metals business, which is still slowed by the slump in the steel industry in particular in Asia, was able to significantly increase its volume of new orders. The automotive and industry business received a license extension order from a major customer in rail vehicle production and improved its result. Logistics reaffirmed its good results from the previous year and increased its new orders.

In Infrastructure Management (transportation and security), sales decreased by 8 % to 5.5 million Euros, the EBIT dropped to -0.4 million Euros. In Southeast Asia, the revival of new orders continued, sales and earnings were, however, encumbered by final work in a major market entry project and capacity adjustments.

## **Financial Position**

The cash flow from operating activities was, as in the previous year, characterised by maintenance payments and improved by over 90 % to 2.9 million Euros. The liquidity increased to 41.2 million Euros; allowing the proposed dividend payment, share buybacks, financing of sales in seasonal pattern and smaller acquisitions.

## **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 1,645 (31 March 2015: 1,718) on 31 March 2016 as a result of capacity adjustments in exports.

## **PSI-Shares**

The PSI stock ended the 1<sup>st</sup> quarter of 2016 with a final price of 13.40 Euros 4 % above the final 2015 price of 12.90 Euros. In the same period the technology index TecDAX declined by 11.2 %.

## **Risk Report**

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

## **Outlook**

PSI presented an Industry 4.0 swarm manufacturing process with Internet-of-Things chips at the Hanover Trade Fair. The process is led by PSI software products, which are already migrated to the PSI Java platform, for order management, optimisation, scheduling, data acquisition, control system and logistics with automatic rescheduling in supply disruptions. Compared to a conventional assembly line production, swarm production allows for substantially higher production efficiency, flexibility and reliability.

PSI expects important contracts to be placed in Germany and for exports in the coming quarters. Uncertainties continue to exist with regard to the development of raw material prices and currency exchange rates so that management maintains the cautious targets for 2016 set down in the 2015 annual report.

# Group Balance Sheet

from 1 January 2016 until 31 March 2016 according to IFRS

	3 Month Report 01/01-31/03/16 KEUR	Annual Report 01/01-31/12/15 KEUR
<b>Assets</b>		
<b>Non current assets</b>		
Property, plant and equipment	11,974	12,214
Intangible assets	59,829	59,418
Investments in associates	149	149
Deferred tax assets	6,429	6,999
	<b>78,381</b>	<b>78,780</b>
<b>Current assets</b>		
Inventories	4,591	4,184
Trade accounts receivable, net	29,365	36,169
Receivables from long-term development contracts	41,413	36,366
Other current assets	8,819	5,192
Cash and cash equivalents	41,207	38,831
	<b>125,395</b>	<b>120,742</b>
<b>Total assets</b>	<b>203,776</b>	<b>199,522</b>
<b>Total Equity and Liabilities</b>		
<b>Equity</b>		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for own stock	-1,193	-1,193
Other reserves	-12,918	-13,771
Net retained profits	14,190	12,794
	<b>75,401</b>	<b>73,152</b>
<b>Non-current liabilities</b>		
Long-term financial liabilities	74	83
Pension provisions	46,844	46,981
Deferred tax liabilities	1,643	1,963
	<b>48,561</b>	<b>49,027</b>
<b>Current liabilities</b>		
Trade payables	13,400	14,929
Other current liabilities	36,898	30,221
Liabilities from long-term development contracts	26,146	28,819
Short-term financial liabilities	3,370	3,374
	<b>79,814</b>	<b>77,343</b>
<b>Total equity and liabilities</b>	<b>203,776</b>	<b>199,522</b>

# Group Income Statement

from 1 January 2016 until 31 March 2016 according to IFRS

	3 Month Report 01/01-31/03/16 KEUR	3 Month Report 01/01-31/03/15 KEUR
Sales revenues	42,589	43,188
Other operating income	1,804	1,066
Cost of materials	-6,492	-6,266
Personnel expenses	-27,010	-27,066
Depreciation and amortization	-1,059	-1,215
Other operating expenses	-7,651	-7,963
<b>Operating result</b>	<b>2,181</b>	<b>1,744</b>
Net finance result	-137	236
<b>Result before income taxes</b>	<b>2,044</b>	<b>1,980</b>
Income tax	-648	-613
<b>Net result</b>	<b>1,396</b>	<b>1,367</b>
Earnings per share (in Euro per share, basic)	0.09	0.09
Earnings per share (in Euro per share, diluted)	0.09	0.09
Weighted average shares outstanding (basic)	15,604,847	15,633,023
Weighted average shares outstanding (diluted)	15,604,847	15,633,023

\* Some of the amounts presented vary from the amounts in the Group accounts for the 2015 three months report due to adjustments (see Notes page 8, Accounting and Valuation Principles)

# Group comprehensive Income Statement

from 1 January 2016 until 31 March 2016 according to IFRS

	3 Month Report 01/01-31/03/16 KEUR	3 Month Report 01/01-31/03/15 KEUR
<b>Net result</b>	<b>1,396</b>	<b>1,367</b>
Currency translation foreign operations	853	1,659
Net losses from cash flows hedges	0	0
Income tax effects	0	0
<b>Group comprehensive result</b>	<b>2,249</b>	<b>3,026</b>

# Group Cash Flow Statement

from 1 January 2016 until 31 March 2016 according to IFRS

	3 Month Report 01/01-31/03/16 KEUR	3 Month Report 01/01-31/03/15 KEUR
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
<b>Result before income taxes</b>	<b>2,044</b>	<b>1,980</b>
<b>Adjustments for non-cash expenses</b>		
Amortisation on intangible assets	388	526
Depreciation of property, plant and equipment	671	689
Earnings from investments in associated companies	0	-140
Interest income	-27	-15
Interest expenses	314	339
	<b>3,390</b>	<b>3,379</b>
<b>Changes of working capital</b>		
Inventories	-377	-221
Trade receivables	1,787	-2,983
Other current assets	-3,597	-1,906
Provisions	-170	-424
Trade payables	-1,499	43
Other current liabilities	4,032	3,911
	<b>176</b>	<b>-1,580</b>
Interest paid	-47	-66
Income taxes paid	-603	-256
<b>Cash flow from operating activities</b>	<b>2,916</b>	<b>1,477</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Additions to intangible assets	-162	-284
Additions to property, plant and equipment	-431	-521
Cash inflow from disposals of associated companies	0	140
Interest received	27	15
<b>Cash flow from investing activities</b>	<b>-566</b>	<b>-650</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Proceeds/repayments from/of borrowings	-13	820
<b>Cash flow from financing activities</b>	<b>-13</b>	<b>820</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
<b>Changes in cash and cash equivalents</b>	<b>2,337</b>	<b>1,647</b>
Valuation-related changes in cash and cash equivalents	39	610
Cash and cash equivalents at beginning of the period	38,831	29,314
<b>Cash and cash equivalents at the end of the period</b>	<b>41,207</b>	<b>31,571</b>

# Statement of Changes in Equity

from 1 January 2016 until 31 March 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
<b>As of 31 December 2014</b>	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
<b>As of 31 December 2015</b>	15,604,847	40,185	35,137	-1,193	-13,771	12,794	73,152
Group comprehensive result after tax					853	1,396	2,249
<b>As of 31 March 2016</b>	15,633,023	40,185	35,137	-1,193	-12,918	14,190	75,401

## Shares and Options held by Management Board and Supervisory Board as of 31 March 2016

	Shares	Options
<b>Management Board</b>		
Harald Fuchs	3,023	0
Dr. Harald Schrimpf	65.120	0
<b>Supervisory Board</b>		
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	74	24	98
Dr. Harald Schrimpf	95	30	125
<b>Management Board – total</b>	<b>169</b>	<b>54</b>	<b>223</b>

Because Supervisory Board payments are made in the 4<sup>th</sup> quarter of the year, the Supervisory Board did not obtain any remuneration in the first three months of 2016.



# Notes on the consolidated financial statements as of 31 March 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 31 March 2016 were released for publication by a decision of the management on 26 April 2016.

The condensed interim consolidated financial statements for the period from 1 January 2016 to 31 March 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 55, other operating expenses by KEUR 365 and the conversion effects in the financial result by KEUR 420. In financial year 2016, conversion effects in the financial result have been KEUR 150 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

	31 March 2016 KEUR	31 December 2015 KEUR
Bank balances	32,345	33,916
Fixed term deposits	8,832	4,890
Cash	30	25
	<b>41,207</b>	<b>38,831</b>

### 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 2016 KEUR	31 December 2015 KEUR
Costs incurred on uncompleted contracts	88,447	79,253
Profit shares	15,099	12,537
<b>Contract revenue</b>	<b>103,546</b>	<b>91,790</b>
Payments on account	-88,279	-84,243
Set off against contract revenue	-62,133	-55,424
Receivables from long-term construction contracts	41,413	36,366
Liabilities from long-term construction contracts	26,146	28,819

## Sales revenues

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

	31 March 2016 KEUR	31 March 2015 KEUR
Software development	24,566	25,999
Maintenance	12,075	11,859
License fees	2,863	2,808
Merchandise	3,085	2,522
	<b>42,589</b>	<b>43,188</b>

## Taxes on income

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

	31 March 2016 KEUR	31 March 2015 KEUR
<b>Effective taxes expenses</b>		
Effective tax expenses	-398	-318
<b>Deferred taxes</b>		
Emergence and reversal of temporary differences	-250	-295
<b>Tax expenses</b>	<b>-648</b>	<b>-613</b>

## **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 31 March 2016 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	31/03/ 2016 KEUR	31/03/ 2015 KEUR	31/03/ 2016 KEUR	31/03/ 2015 KEUR	31/03/ 2016 KEUR	31/03/ 2015 KEUR	31/03/ 2016 KEUR	31/03/ 2015 KEUR	31/03/ 2016 KEUR	31/03/ 2015 KEUR
<b>Sales revenues</b>										
Sales to external customers	15,752	15,591	21,327	21,609	5,510	5,988	0	0	42,589	43,188
Inter-segment sales	353	171	539	199	1,284	1,365	-2,176	-1,735	0	0
<b>Segment revenues</b>	<b>16,105</b>	<b>15,762</b>	<b>21,866</b>	<b>21,808</b>	<b>6,794</b>	<b>7,353</b>	<b>-2,176</b>	<b>-1,735</b>	<b>42,589</b>	<b>43,188</b>
Other operating income	2,256	1,321	1,745	1,675	457	299	-2,654	-2,229	1,804	1,066
Cost of purchased services	-1,286	-1,329	-2,397	-2,377	-1,497	-1,315	1,248	1,129	-3,932	-3,892
Cost of purchased materials	-644	-991	-379	-477	-1,526	-1,206	-11	300	-2,560	-2,374
Personnel expenses	-10,821	-10,437	-12,987	-13,134	-3,162	-3,456	-40	-39	-27,010	-27,066
Depreciation and amortisation	-382	-352	-285	-311	-185	-207	-20	-15	-872	-885
Other operating expenses	-3,779	-3,164	-5,914	-5,412	-1,303	-1,669	3,345	2,282	-7,651	-7,963
<b>Operating result before interest, tax, depreciation and amortisation</b>	<b>1,831</b>	<b>1,162</b>	<b>1,934</b>	<b>2,083</b>	<b>-237</b>	<b>6</b>	<b>-288</b>	<b>-292</b>	<b>3,240</b>	<b>2,959</b>
<b>Operating result before depreciation and amortisation resulting from purchase price allocation</b>	<b>1,449</b>	<b>810</b>	<b>1,649</b>	<b>1,772</b>	<b>-422</b>	<b>-201</b>	<b>-308</b>	<b>-307</b>	<b>2,368</b>	<b>2,074</b>
Depreciation and amortisation resulting from purchase price allocation	-21	-22	-166	-308	0	0	0	0	-187	-330
<b>Operating result</b>	<b>1,428</b>	<b>788</b>	<b>1,483</b>	<b>1,464</b>	<b>-422</b>	<b>-201</b>	<b>-308</b>	<b>-307</b>	<b>2,181</b>	<b>1,744</b>
Interest income	-8	159	-150	-202	21	279	0	0	-137	236
<b>Result before income taxes</b>	<b>1,420</b>	<b>947</b>	<b>1,333</b>	<b>1,262</b>	<b>-401</b>	<b>78</b>	<b>-308</b>	<b>-307</b>	<b>2,044</b>	<b>1,980</b>
<b>Interest in associates carried at equity</b>	<b>149</b>	<b>149</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>149</b>	<b>149</b>
<b>Segment assets</b>	<b>47,003</b>	<b>43,766</b>	<b>90,584</b>	<b>89,539</b>	<b>54,807</b>	<b>56,297</b>	<b>4,953</b>	<b>8,214</b>	<b>197,347</b>	<b>197,816</b>
<b>Segment liabilities</b>	<b>45,473</b>	<b>41,917</b>	<b>53,585</b>	<b>55,314</b>	<b>18,021</b>	<b>19,352</b>	<b>8,630</b>	<b>12,864</b>	<b>125,709</b>	<b>129,447</b>
<b>Segment investments</b>	<b>179</b>	<b>144</b>	<b>122</b>	<b>384</b>	<b>27</b>	<b>114</b>	<b>265</b>	<b>163</b>	<b>593</b>	<b>805</b>

\* Some of the amounts presented vary from the amounts in the Group accounts for the 2015 three months report due to adjustments (see Notes page 8, 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 <sup>st</sup> Quarter of 2016
12 May 2016	Annual General Meeting
27 July 2016	Report on the 1 <sup>st</sup> 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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Please contact us should you require other information material.

For the latest IR information, please visit our website at [www.psi.de/ir](http://www.psi.de/ir).

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