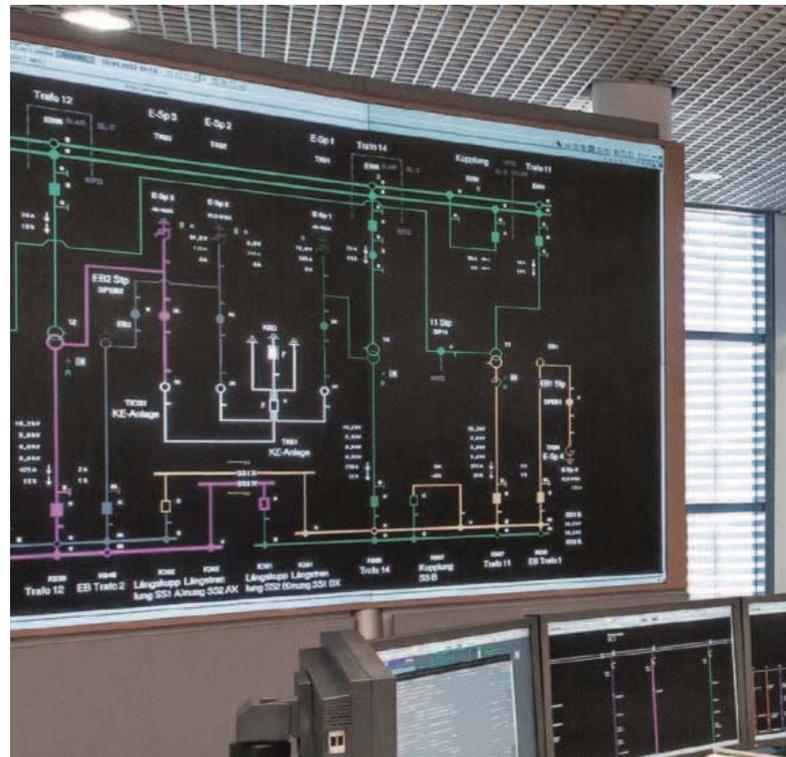


# Creating value with Technology

REPORT ON THE 3<sup>rd</sup> QUARTER OF 2017



PSI Group Data as per 30 September 2017 at a Glance (IFRS)

	01/01-30/09/17 in KEUR	01/01-30/09/16 in KEUR	Change in KEUR	Change in %
Revenues	133,052	127,861	+5,191	+4.1
Operating Result	8,186	6,920	+1,266	+18.3
Result before income taxes	7,535	6,450	+1,085	+16.8
Net result	4,563	3,900	+663	+17.0
Cash and cash equivalents	39,809	35,931	+3,878	+10.8
Employees on 30 September	1,650	1,632	+18	+1.1
Revenue/Employee	80.6	78.3	+2.3	+2.9

# Interim Management Report

## Business Development

### Earnings

PSI Group increased new orders by 10 % to 147 million euros in the first nine months of the year (30 Sept. 2016: 134 million euros), the order backlog on 30 Sept. 2017 was, with 141 million euros, 7 % above the figure for the previous year (30 Sept. 2016: 132 million euros). The group sales increased as a result of growth in the industry and energy business by 4 % to 133.1 million euros (30 Sept. 2017: 127.9 million euros). The EBIT increased by 18 % to 8.2 million euros (30 Sept. 2016: 6.9 million euros), the group net result improved by 17 % to 4.6 million euros (30 Sept. 2016: 3.9 million euros).

Energy Management (energy networks, energy trading) achieved 5 % higher sales of 50.8 million euros (30 Sept. 2016: 48.3 million euros) in the first nine months, despite it being a regulatory “shadow year”. The EBIT for the segment improved by 21 % to 4.2 million euros compared to the same period in the previous year (30 Sept. 2016: 3.5 million euros). Market leadership in the field of sector coupling (connection of electricity transition with the beginning of the transportation shift/electro-mobility and heat transition) has continued with another major contract. The multi-tenancy capability, proven in a major project, has resulted in new business potential for major network operators that are now able to offer smaller network operators “grid management as a service”. Network operators are also joining together in cooperatives on the basis of this new technology. The Electrical Grid business has also won additional important contracts for upgrading and expansion and arranged a partnership in the North American market where the first two projects have already been implemented. The Gas and Oil business won an important new European customer in the field of gas transportation, the Energy Trading business improved both sales and results in the third quarter. In eight publically supported research projects, an algorithm has been developed to the point of being marketable. The algorithm aids in securing the dynamic stability of Germany’s grids with the continued exit from nuclear power and fossil fuel power plants.

Sales in Production Management (raw materials, industry, logistics) increased by 7 % to 67.2 million euros (30 Sept. 2016: 63.0 million euros) during the first nine months. The EBIT was increased by 6 % to 5.5 million euros (30 Sept. 2016: 5.2 million euros). The business continued to profit from the very strong growth in the Internet order logistics, the establishment of additional electric-vehicle production plants and the end of the investment backlog in the steel industry. As expected, the Metals business obtained major contracts from regular Chinese customers in the third quarter. With the successful

migration of all products in the business to the new group java interface, PSI has been demonstrating increasing successes in sales, whereby the individual software products are ever more often being integrated into cross-corporate process chains. This also applies for the transportation and warehousing software on the java group platform for which one of Germany's largest logistics companies has decided and begun a series of major projects with an initial order.

In Infrastructure Management (transportation and safety) sales decreased by 9 % to 15.0 million euros (30 Sept. 2016: 16.5 million euros), the EBIT improved to -0.5 million euros (30 Sept. 2016: -0.9 million euros). The EBIT for the business was encumbered by almost one million euros in the third quarter by an out-of-court settlement in the framework of the collection of key payments from major market entry projects. The costs of the closure of the Chennai site in connection with capacity adjustments of the substation production impacted negatively on the earnings for the quarter. By contrast, the training of information scientists at the Malaysia site moved ahead well with the completion of two smart city projects and a number of IEC 61850 substation SCADA projects. The two-shifts-per-day development and testing procedure established on the basis of the group technology platform is now being extended to other tasks. Now that solar energy is becoming increasingly marketable, additional countries offer opportunities for PSI. More and more countries are extensively expanding solar energy, primarily for economic reasons and less so for reasons of climate protection.

### Financial Position

The cash flow from operations was marked primarily by changes in the working capital and decreased to 0.6 million euros (30 Sept. 2016: 4.2 million euros). With 39.8 million euros, liquidity was still 11 % above the level of the previous year (30 Sept. 2016: 35.9 million euros), despite the higher dividend payment.

### 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 on 30 Sept. 2017 increased to 1,650 (30 Sept. 2016: 1,632). As in the first six months, the growth initiative in Europe contrasted with the capacity adjustments in Southeast Asia's hardware business.

## PSI-Shares

The PSI stock ended the 3<sup>rd</sup> quarter of 2017 with a final price of 17.20 euros 41 % above the final 2016 price of 12.20 euros. In the same period the technology index TecDAX rose by 34.4 %.

## Risk Report

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

## Outlook

Technologically, the group technology platform will be expanded in the next two quarters to support progressive web applications that allow for continued functionality with the aid of Angular 4, even when mobile connections are weak or even interrupted. A first major industrial customer in Mexico has already been successfully equipped. This technology is not only advantageous for mobile applications, but also within the company as a so-called thin-client web technology. This makes it possible to significantly reduce the IT department's maintenance costs for service to working places, thanks to private clouds. PSI realized this using the WORA principle (write once, run anywhere) so that the unique PSI Click Design user interface design can be used for web applications. In the fourth quarter, PSI will set up the hosting of an initial software-as-a-service for one of the first major high-availability cloud customers.

In general, the growing demand has continued in all the businesses. In the energy business, the decentralised generation of energy and electro-mobility have increased the need for more flexibility and intelligent, decentralised control of the distribution grids. In addition, the major German utilities, following company splits and restructurings, are beginning to focus on new, digital business models and areas of growth.

Despite the encumbrances from the reduction of market risks in Asia, the management continues to be optimistic that the EBIT target corridor of 12 to 15 million euros will be met in the middle or above. After major investments in technology, great attention is now being paid on driving growth. Should the new German government accelerate the shift in transport policy and the exit from coal, the strain on the electricity grids will continue to increase, which improves the long-term business prospects for PSI.

# Group Balance Sheet

from 1 January 2017 until 30 September 2017 according to IFRS

	9 Month Report 01/01-30/09/17 KEUR	Annual Report 01/01-31/12/16 KEUR
<b>Assets</b>		
<b>Non current assets</b>		
Property, plant and equipment	12,520	12,153
Intangible assets	55,801	57,751
Investments in associates	150	150
Deferred tax assets	8,477	8,663
	76,948	78,717
<b>Current assets</b>		
Inventories	8,375	6,421
Trade accounts receivable, net	26,174	27,466
Receivables from long-term development contracts	35,050	38,184
Other current assets	8,001	5,631
Cash and cash equivalents	39,809	43,008
	117,409	120,710
<b>Total assets</b>	<b>194,357</b>	<b>199,427</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	-825	-528
Other reserves	-19,612	-17,588
Net retained profits	19,192	18,068
	74,077	75,274
<b>Non-current liabilities</b>		
Pension provisions and similar obligations	51,350	52,037
Deferred tax liabilities	4,134	2,916
	55,484	54,953
<b>Current liabilities</b>		
Trade payables	11,555	12,553
Other current liabilities	33,098	30,919
Liabilities from long-term development contracts	17,271	25,728
Short-term financial liabilities	2,872	0
	64,796	69,200
<b>Total equity and liabilities</b>	<b>194,357</b>	<b>199,427</b>

# Group Income Statement

from 1 January 2017 until 30 September 2017 according to IFRS

	Quarterly Report III		9 Month Report	
	01/07/17- 30/09/17 KEUR	01/07/16- 30/09/16 KEUR	01/01/17- 30/09/17 KEUR	01/01/16- 30/09/16 KEUR
Sales Revenues	45,484	42,759	133,052	127,861
Other operating income	1,542	698	4,574	4,102
Cost of materials	-7,263	-5,946	-18,030	-18,388
Personnel expenses	-27,046	-26,584	-83,463	-81,146
Depreciation and amortisation	-1,099	-1,066	-3,188	-3,173
Other operating expenses	-9,116	-7,475	-24,759	-22,336
Operating result	2,502	2,386	8,186	6,920
Net finance result	-343	-327	-651	-470
Result before income taxes	2,159	2,059	7,535	6,450
Income tax	-639	-573	-2,972	-2,550
Net result	1,520	1,486	4,563	3,900
Earnings per share (in Euro per share, basic)	0.10	0.09	0.29	0.25
Earnings per share (in Euro per share, diluted)	0.10	0.09	0.29	0.25
Weighted average shares outstanding (basic)	15,635,018	15,604,847	15,635,018	15,604,847
Weighted average shares outstanding (diluted)	15,635,018	15,604,847	15,635,018	15,604,847

# Group comprehensive Income Statement

from 1 January 2017 until 30 September 2017 according to IFRS

	01/07/17- 30/09/17 KEUR	01/07/16- 30/09/16 KEUR	01/01/17- 30/09/17 KEUR	01/01/16- 30/09/16 KEUR
Net result	1,520	1,486	4,563	3,900
Currency translation foreign operations	-606	-1,279	-2,024	-616
Net losses from cash flows hedges	0	0	0	0
Income tax effects	0	0	0	0
Group comprehensive result	914	207	2,539	3,284

# Group Cash Flow Statement

from 1 January 2017 until 30 September 2017 according to IFRS

	9 Month Report 01/01-30/09/17 KEUR	9 Month Report 01/01-30/09/16 KEUR
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
Result before income taxes	7,535	6,450
Adjustments for non-cash expenses		
Amortisation on intangible assets	1,257	1,211
Depreciation of property, plant and equipment	1,931	1,962
Earnings from investments in associated companies	-142	-146
Interest income	-118	-179
Interest expenses	681	939
	11,144	10,237
Changes of working capital		
Inventories	-2,091	-3,231
Trade receivables	4,737	6,571
Other current assets	-2,577	-2,069
Provisions	-1,014	-1,423
Trade payables	-1,069	-4,009
Other current liabilities	-6,652	-166
	2,478	5,911
Interest paid	-72	-137
Income taxes paid	-1,773	-1,536
Cash flow from operating activities	633	4,238
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Additions to intangible assets	-277	-279
Additions to property, plant and equipment	-2,298	-1,839
Cash inflow from disposals of associated companies	0	0
Interest received	118	179
Cash flow from investing activities	-2,457	-1,939
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	-3,439	-3,277
Proceeds/repayments from/of borrowings	2,872	-1,839
Outflows for share buybacks	-297	0
Cash flow from financing activities	-864	-5,116
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
Changes in cash and cash equivalents	-2,688	-2,817
Valuation-related changes in cash and cash equivalents	-511	-83
Cash and cash equivalents at beginning of the period	43,008	38,831
Cash and cash equivalents at the end of the period	39,809	35,931

# Statement of Changes in Equity

from 1 January 2017 until 30 September 2017 according to IFRS

	Number of shares issued	Share capital	Additional paid-in capital	Reserve for treasury stock	Other reserves	Accumulated results	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	51,169			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					-2,024	4,563	2,539
Share buybacks	-24,885			-297			-297
Dividends paid						-3,439	-3,439
As of 30 September 2017	15,631,131	40,185	35,137	-825	-19,612	19,192	74,077

## Shares and Options held by Management Board and Supervisory Board as of 30 September 2017

	Shares	Options
Management Board		
Harald Fuchs	6,023	0
Dr. Harald Schrimpf	68,800	0
Supervisory Board		
Andreas Böwing	0	0
Elena Günzler	1,427	0
Prof. Dr. Uwe Hack	0	0
Prof. Dr. Wilhelm Jaroni	0	0
Uwe Seidel	100	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	236	75	311
Dr. Harald Schrimpf	287	90	377
Management Board – total	523	165	688

As the Supervisory Board payments for the current year are made in the 4<sup>th</sup> quarter, the current Supervisory Board did not obtain any remuneration in the first nine months of 2017. The former Supervisory Board member Bernd Haus, who retired on conclusion of the Annual General Meeting in May, received a pro-rata remuneration of 17 KEUR.

# Notes on the consolidated financial statements as of 30 September 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 30 September 2017 were released for publication by a decision of the management on 27 October 2017.

The condensed interim consolidated financial statements for the period from 1 January 2017 to 30 September 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

	30 September 2017	31 December 2016
	KEUR	KEUR
Bank balances	36,643	40,269
Fixed term deposits	3,146	2,716
Cash	20	23
	39,809	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:

	30 September 2017 KEUR	31 December 2016 KEUR
Costs incurred on uncompleted contracts	98,730	88,946
Profit shares	20,443	15,963
Contract revenue	119,173	104,909
Payments on account	-101,394	-92,453
Set off against contract revenue	-84,123	-66,725
Receivables from long-term construction contracts	35,050	38,184
Liabilities from long-term construction contracts	17,271	25,728

### Sales revenues

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

	30 September 2017 KEUR	30 September 2016 KEUR
Software development	74,502	72,308
Maintenance	41,208	38,062
License fees	7,500	10,205
Merchandise	9,842	7,286
	133,052	127,861

### Taxes on income

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

	30 September 2017 KEUR	30 September 2016 KEUR
Effective taxes expenses		
Effective tax expenses	-1,570	-1,137
Deferred taxes		
Emergence and reversal of temporary differences	-1,402	-1,413
Tax expenses	-2,972	-2,550

## 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 district heating markets. Focal points are reliable and economically sound solutions for intelligent network management as well as 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 proper accounting principles of interim consolidated reporting.

# Group Segment Reporting

from 1 January 2017 until 30 September 2017 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	30/09/2017 KEUR	30/09/2016 KEUR	30/09/2017 KEUR	30/09/2016 KEUR	30/09/2017 KEUR	30/09/2016 KEUR	30/09/2017 KEUR	30/09/2016 KEUR	30/09/2017 KEUR	30/09/2016 KEUR
Sales revenues										
Sales to external customers	50,845	48,281	67,236	63,042	14,971	16,538	0	0	133,052	127,861
Inter-segment sales	2,516	792	1,633	1,602	4,740	4,349	-8,889	-6,743	0	0
Segment revenues	53,361	49,073	68,869	64,644	19,711	20,887	-8,889	-6,743	133,052	127,861
Operating result before interest, tax, depreciation and amortisation	5,598	4,713	6,870	6,562	-103	-336	-991	-846	11,374	10,093
Operating result before depreciation and amortisation resulting from purchase price allocation	4,285	3,542	5,909	5,710	-502	-867	-1,049	-906	8,643	7,479
Depreciation and amortisation resulting from purchase price allocation	-64	-64	-393	-495	0	0	0	0	-457	-559
Operating result	4,221	3,478	5,516	5,215	-502	-867	-1,049	-906	8,186	6,920
Net finance result	-138	54	-252	-395	-365	-129	104	0	-651	-470
Result before income taxes	4,083	3,532	5,264	4,820	-867	-996	-945	-906	7,535	6,450

## Financial Calendar

30 October 2017	Report on the 3rd Quarter of 2017
22 March 2018	Publication of Annual Result 2017
22 March 2018	Analyst Conference
26 April 2018	Report on the 1 <sup>st</sup> Quarter of 2018
16 May 2018	Annual General Meeting
26 July 2018	Report on the 1 <sup>st</sup> Six Months of 2018
31 October 2018	Report on the 3rd Quarter of 2018
November 2018	German Equity Forum, Analyst Presentation

## Your Investor Relations contact:

Karsten Pierschke

Phone: +49 30 2801-2727

Fax: +49 30 2801-1000

E-Mail: [kpierschke@psi.de](mailto: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](http://www.psi.de/ir).

PSI Software AG

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

PSI 