



GREEN WORKFLOW BY DESIGN

Report on the 3rd Quarter of 2021

PSI 

PSI Group Data as per 30 September 2021 at a Glance (IFRS)

	01/01-30/09/21 in KEUR	01/01-30/09/20 in KEUR	Change in KEUR	Change in %
Revenues	177,569	158,139	+19,430	+12.3
Operating Result	15,710	8,874	+6,836	+77.0
Result before income taxes	15,194	8,155	+7,039	+86.3
Net result	11,096	5,961	+5,135	+86.1
Cash and cash equivalents	47,335	41,380	+5,955	+14.4
Employees on 30 September	2,186	2,042	+144	+7.1
Revenue/Employee	81.2	77.4	+3.8	+4.9

Interim Management Report

Business Development

Earnings

The PSI Group increased its new orders by 10.1% to 196 million euros in the first nine months of 2021 (30 Sept. 2020: 178 million euros). The order backlog on 30 September 2021 was, at 165 million euros, 3.8% above the level of the previous year (30 Sept. 2020: 159 million euros). Group sales improved by 12.3% to 177.6 million euros (30 Sept. 2020: 158.1 million euros), whereby along with Energy, Production also contributed to the growth in the third quarter. The EBIT leapt by 77% to 15.7 million euros (30 Sept. 2020: 8.9 million euros), the group net result even improved by as much as 86.1% to 11.1 million euros (30 Sept. 2020: 6.0 million euros).

Energy Management (energy networks, energy trading, public transportation) achieved 15.4% higher sales of 98.1 million euros (30 Sept. 2020: 85.0 million euros) and a 52% higher EBIT of 6.0 million euros (30 Sept. 2020: 4.0 million euros) in the first three quarters. In the electrical grid business, the new Redispatch 2.0 module was delivered to numerous distribution system operators and, consequently, higher sales were attained than in the previous year. Due to the fact that numerous regulatory changes were made just before the start date, further sales are expected during the transition period that lasts until mid-2022. The configuration management of the electrical grid control system should, like the gas control system, be converted to faster upgrade services and the group's standard time-series module should be included. The new, dispatch management for maintenance technicians based on the PSI platform has demonstrated its significantly accelerated customization and automated installation in the cloud in the course of a railway project. PSI will continue to support Germany's largest distribution system operator as a strategic technology supplier in its ambitious digital future strategy. The new control system, which is based on the PSI platform, is being optimized for high performance and high availability in a nationwide distribution grid project. With the conversion to the new control system technology, the future margins of Energy Management should approach those of Production Management, which are twice as high. The gas grid business has an increasing volume of new orders in Germany, while orders from Russia have been postponed to 2022. While the rollout of upgrades for the German gas suppliers continues to be automated, the conversion of the software to the time-series management of the PSI platform is now underway as well. The energy trading business has obtained another major contract including optimization and time-series management since the end of the third quarter.

Sales in Production Management (metals, industry, logistics) during the first nine months was, at 79.4 million euros, 8.6% above the value for the previous year (30 Sept. 2020: 73.1 million euros). The EBIT for the segment, whose products are already completely based on the PSI platform, increased by 68% to 10.4 million euros (30 Sept. 2020: 6.2 million euros). While the carbon steel industry in Europe is preparing the conversion of its production to hydrogen, the electro-steel plants in North America and Europe as well as the carbon steel plants in Russia and Turkey continue investing in software. The metals business, with its consistent internationalization strategy, continues to reliably generate increasing profit margins, due to the fact that the PSI platform has become ever more successful in allowing local partners to provide customization work and is therefore able to concentrate on licenses, upgrade fees and consulting services. The metals production software has, for the first time, been delivered through the PSI App Store as a simulation package for e-learning trainings. As of 2022, it is planned to deliver real planning systems automated into customers' private clouds as well as public clouds. In a further step, it is planned to offer the complete software systems and upgrades including plant control. The automotive & industry as well as logistics businesses had numerous orders from regular and new customers in both Germany and abroad. Combination orders, where products from several business units were combined on the PSI platform, were especially well-received. Additional orders in the eastern European region could be obtained through the Polish PSI subsidiary.

Financial Position

Cash flow from operating activities was, at 16.3 million about 23% above the figure for the previous year (30 Sept. 2020: 13.2 million euros). Cash and cash equivalents increased compared to the previous year's figure by 14% to 47.3 million euros (30 Sept. 2020: 41.4 million euros).

Assets

Compared to 31 December 2020, there have not been any material changes in the Group's assets.

Personnel Development

The number of employees in the group increased to 2,186 (30 September 2020: 2,042), in particular due to new hires in Poland, Germany and the USA.

PSI-Shares

The PSI stock ended the 3rd quarter of 2021 with a final price of 37.60 euros 54.1% above the final 2020 price of 24.40 euros. In the same period, the technology index TecDAX recorded an increase of 16.5%.

Risk Report

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2020.

Outlook

The multi-cloud PSI App Store is now in productive use for pilot customers. Currently, mainly simulation products and standard components are sold. These can be used both independently as well as combined into industry products. The PSI App Store is intended primarily to accelerate the regular customer business (after sales) with major customers and integration partners as well as automate subsequent purchases and upgrades.

As of 2022, PSI will begin reporting repeating license sales from upgrade-as-a-service and software-as-a-service contracts in addition to maintenance and license sales. Initial as well as repeating licenses, which can be delivered automatically and with greater margins through the PSI APP Store, will also be reported in the financial reporting as of 2022.

The outbreak of the COVID-19 pandemic in 2020 is still having an impact on new orders in 2021. In view of the reduced uncertainties from the COVID-19 pandemic and an economic recovery, numerous PSI customers have indicated more orders. Unfortunately, not all of the major orders expected in the third quarter have materialized. In particular the major shifts in the raw materials markets as well as supply bottlenecks in certain industries have resulted in postponements of orders. The PSI management board expects the traditional strong final quarter and therefore a clear exceeding of the EBIT target of more than 20 million euros announced in March. For 2022, the management expects an especially strong start with additional increases in new orders and results as well as significantly increased sales from the PSI App Store.

Group Balance Sheet

from 1 January 2021 until 30 September 2021 according to IFRS

	9 Month Report 01/01-30/09/21 KEUR	Annual Report 01/01-31/12/20 KEUR
Assets		
Non current assets		
Property, plant and equipment	37,532	38,928
Intangible assets	69,710	70,199
Investments in associates	440	440
Deferred tax assets	12,709	15,208
	120,391	124,775
Current assets		
Inventories	9,675	8,661
Trade accounts receivable, net	31,881	29,209
Receivables from long-term development contracts	57,435	47,705
Other current assets	8,310	8,567
Cash and cash equivalents	47,335	40,482
	154,636	134,624
Total assets	275,027	259,399
Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for own stock	-78	80
Other reserves	-25,225	-26,033
Net retained profits	57,346	50,954
	107,365	100,323
Non-current liabilities		
Pension provisions and similar obligations	54,890	56,416
Deferred tax liabilities	9,526	8,726
Other liabilities	2,020	2,555
Liabilities from leases	17,412	19,132
Long-term financial liabilities	4,042	168
	87,890	86,997
Current liabilities		
Trade payables	16,901	17,977
Other liabilities	46,219	34,609
Liabilities from long-term development contracts	10,660	13,930
Liabilities from leases	5,992	5,498
Short-term financial liabilities	0	65
	79,772	72,079
Total equity and liabilities	275,027	259,399

Group Income Statement

from 1 January 2021 until 30 September 2021 according to IFRS

	Quarterly Report III		9 Month Report	
	01/07/21- 30/09/21 KEUR	01/07/20- 30/09/20 KEUR	01/01/21- 30/09/21 KEUR	01/01/20- 30/09/20 KEUR
Sales Revenues	60,452	53,286	177,569	158,139
Other operating income	763	1,090	6,409	5,446
Cost of materials	-8,551	-5,716	-22,370	-20,107
Personnel expenses	-37,563	-33,825	-116,465	-102,862
Depreciation and amortisation	-3,314	-2,890	-9,634	-8,617
Other operating expenses	-6,210	-8,484	-19,799	-23,125
Operating result	5,577	3,461	15,710	8,874
Net finance result	-9	-405	-516	-719
Result before income taxes	5,568	3,056	15,194	8,155
Income tax	-1,506	-818	-4,098	-2,194
Net result	4,062	2,238	11,096	5,961
Earnings per share (in Euro per share, basic)	0.26	0.14	0.71	0.38
Earnings per share (in Euro per share, diluted)	0.26	0.14	0.71	0.38
Weighted average shares outstanding (basic)	15,674,191	15,673,341	15,677,509	15,675,202
Weighted average shares outstanding (diluted)	15,674,191	15,673,341	15,677,509	15,675,202

Group comprehensive Income Statement

from 1 January 2021 until 30 September 2021 according to IFRS

	01/07/21- 30/09/21 KEUR	01/07/20- 30/09/20 KEUR	01/01/21- 30/09/21 KEUR	01/01/20- 30/09/20 KEUR
Net result	4,062	2,238	11,096	5,961
Currency translation foreign operations	530	-392	808	-1,221
Net losses from cash flows hedges	0	0	0	0
Income tax effects	0	0	0	0
Group comprehensive result	4,592	1,846	11,904	4,740

Group Cash Flow Statement

from 1 January 2021 until 30 September 2021 according to IFRS

	9 Month Report 01/01-30/09/21 KEUR	9 Month Report 01/01-30/09/20 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	15,194	8,155
Adjustments for non-cash expenses		
Amortisation on intangible assets	1,840	1,878
Depreciation of property, plant and equipment	2,319	2,553
Depreciation of right-of-use assets under leases (IFRS 16)	4,565	4,186
Earnings from investments in associated companies	-156	-300
Interest income	-46	-55
Interest expenses	707	800
Other non-cash income/expenses	32	0
	24,455	17,217
Changes of working capital		
Inventories	-874	121
Trade receivables and receivables from long-term development contracts	-10,684	-2,431
Other current assets	-205	-1,838
Provisions	-1,515	-888
Trade payables	-1,307	-1,257
Other current liabilities	7,762	3,292
	17,633	14,216
Interest paid	-197	-65
Income taxes paid	-1,145	-939
Cash flow from operating activities	16,291	13,212
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-1,770	-1,323
Additions to property, plant and equipment	-2,223	-2,158
Additions to investments in subsidiaries	0	-4
Cash received from distribution of associated companies	299	300
Interest received	46	55
Cash flow from investing activities	-3,648	-3,130
CASHFLOW FROM FINANCING ACTIVITIES		
Dividends paid	-4,704	-784
Proceeds/repayments from/of borrowings	3,809	-565
Payments for the principal portion of lease liabilities (IFRS 16)	-4,491	-4,214
Interest paid in connection with leases (IFRS 16)	-310	-372
Outflows for share buybacks	-158	-92
Cash flow from financing activities	-5,854	-6,027
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	6,789	4,056
Valuation-related changes in cash and cash equivalents	64	-1,332
Cash and cash equivalents at beginning of the period	40,482	38,656
Cash and cash equivalents at the end of the period	47,335	41,380

Statement of Changes in Equity

from 1 January 2021 until 30 September 2021 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 2021	15,679,838	40,185	35,137	80	-26,033	50,954	100,323
Group comprehensive result after tax					808	11,096	11,904
Share buybacks	-5,647			-158			-158
Dividends paid						-4,704	-4,704
As of 30 September 2021	15,674,191	40,185	35,137	-78	-25,225	57,346	107,365

Shares held by Management Board and Supervisory Board as of 30 September 2021

	Shares on 30/09/2021	Shares on 30/09/2020
Management Board		
Gunnar Glöckner	0	-
Dr, Harald Schrimpf	62,000	62,000
Supervisory Board		
Andreas Böwing	0	0
Elena Günzler	1,976	1,962
Prof, Dr, Uwe Hack	600	600
Prof, Dr, Wilhelm Jaroni	0	0
Uwe Seidel	447	433
Karsten Trippel	111,322	111,322

Notes on the consolidated financial statements as of 30 September 2021

The Company

1. Business Activities and Legal Background

The business activities of PSI Software 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 and transportation. 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 core business segments energy management and production 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 2021 to 30 September 2021 were released for publication by a decision of the management on 27 October 2021.

The condensed interim consolidated financial statements for the period from 1 January 2021 to 30 September 2021 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 2020.

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 2020.

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 2020 there were no changes in the consolidation group.

5. Selected Individual Items

Cash and cash equivalents

	30 September 2021	31 December 2020
	KEUR	KEUR
Bank balances	44,775	39,327
Fixed term deposits	2,537	1,133
Cash	23	22
	47,335	40,482

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 2021 KEUR	31 December 2020 KEUR
Receivables from long-term development contracts (gross)	160,378	135,835
Payments on account	-102,943	-88,130
Receivables from long-term development contracts	57,435	47,705
Payments on account (gross)	113,603	102,060
Set off against contract revenue	-102,943	-88,130
Liabilities from long-term development contracts	10,660	13,930

Sales revenues

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

	30 September 2021 KEUR	30 September 2020 KEUR
Software development	89,244	79,894
Maintenance	65,649	58,605
License fees	11,091	8,248
Merchandise	11,585	11,392
	177,569	158,139

Taxes on income

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

	30 September 2021 KEUR	30 September 2020 KEUR
Effective taxes expenses		
Effective tax expenses	-1,428	-1,381
Deferred taxes		
Emergence and reversal of temporary differences	-2,670	-813
Tax expenses	-4,098	-2,194

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 network operators in the fields of electricity, gas, district heating and pipelines as well as for public transport, Focal points are reliable and economically sound control system solutions for intelligent energy grid management and the safe operation of traffic infrastructures as well as trade and sales management in the liberalised energy market,
- Production Management: Software products and solutions for production planning, optimization and control as well as efficient logistics, Focuses are the optimization of the use of resources and the increase of efficiency, quality and profitability,

Group Segment Reporting

from 1 January 2021 until 30 September 2021 according to IFRS

	Energy Management		Production Management		Reconciliation		PSI Group	
	30/09/2021 TEUR	30/09/2020 TEUR	30/09/2021 TEUR	30/09/2020 TEUR	30/09/2021 TEUR	30/09/2020 TEUR	30/09/2021 TEUR	30/09/2020 TEUR
Sales revenues								
Sales to external customers	98,137	85,033	79,432	73,106	0	0	177,569	158,139
Inter-segment sales	2,378	1,902	11,215	9,279	-13,593	-11,181	0	0
Segment revenues	100,515	86,935	90,647	82,385	-13,593	-11,181	177,569	158,139
Operating result before interest, tax, depreciation and amortisation	10,932	8,217	15,095	10,521	-683	-1,247	25,344	17,491
Operating result before depreciation and amortisation resulting from purchase price allocation	6,563	4,155	10,813	6,580	-756	-1,312	16,620	9,423
Depreciation and amortisation resulting from purchase price allocation	-522	-180	-388	-369	0	0	-910	-549
Operating result	6,041	3,975	10,425	6,211	-756	-1,312	15,710	8,874
Net finance result	-351	-416	-165	-303	0	0	-516	-719
Result before income taxes	5,690	3,559	10,260	5,908	-756	-1,312	15,194	8,155

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,

Financial Calendar

24 March 2021	Publication of Annual Result 2020
24 March 2021	Analyst Conference
28 April 2021	Report on the 1 st Quarter of 2021
19 May 2021	Annual General Meeting (virtual Meeting)
28 July 2021	Report on the 1 st Six Months of 2021
29 October 2021	Report on the 3rd Quarter of 2021
22 to 24 November 2021	German Equity Forum, Analyst Presentation

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We will be happy to include you in our distribution list for stockholder information,
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