

# INDUSTRIAL INTELLIGENCE



**PSI Group Data as per 30 September 2018 at a Glance (IFRS)**

	01/01-30/09/18 in KEUR	01/01-30/09/17 in KEUR	Change in KEUR	Change in %
Revenues	141,555	133,052	+8,503	+6.4
Operating Result	10,005	8,186	+1,819	+22.2
Result before income taxes	9,406	7,535	+1,817	+24.8
Net result	6,850	4,563	+2,287	+50.1
Cash and cash equivalents	35,467	39,809	-4,342	-10.9
Employees on 30 September	1,775	1,650	+125	+7.6
Revenue/Employee	79.7	80.6	-0.9	-1.1

# Interim Management Report

## Business Development

### Earnings

PSI Group increased new orders by 20 % to 176 million euros in the first nine months of 2018 (30 September 2017: 147 million euros). The value of orders on 30 September 2018 was, at 159 million euros, 13 % above the value for the previous year (30 September 2017: 141 million euros). Group sales improved by 6 % to 141.6 million euros (30 September 2017: 133.1 million euros), thanks to the growth in the electrical grids business and in Southeast Asia. The EBIT increased by 22 % to 10 million euros (30 September 2017: 8.2 million euros), the group net result increased by 50 % to 6.9 million euros (30 September 2017: 4.6 million euros) thanks to an improved financial result and lower taxes.

Energy Management, which, since the first quarter of 2018 consists of the areas energy grids, energy trading, public transportation and the Southeast Asia business, achieved a 7 % increase in sales to 68.9 million euros in the first nine months (30 September 2017: 64.3 million euros). The EBIT for the segment improved by 46 % to 4.2 million euros compared to the previous year (30 September 2017: 2.9 million euros). The electrical grids business received orders from leading customers in the third quarter and thus increased its new orders by more than 40 % compared to the successful previous year. Following the complex migration of intelligent field-force management, balancing group management and time series management to the group platform, investments are currently being made in the trend area of intelligent low-voltage grid management and functions for the US market. Finally, the pipeline systems business (gases and liquids) is converting its business model to software-upgrade-as-a-service. Following the encumbrances from the pilot project in the first half of the year, the first three rollout orders have been obtained. Currently, the oil price-dependent export business is also recovering, so that significant increases can be expected for 2019 and 2020. In the public transport business, PSI is experiencing a strong boom due to the trend towards electrification and subsidies and took over the planning software manufacturer Moveo Software GmbH in July 2018. The PSI subsidiary in Southeast Asia, which has been a burden in the last two years, increased sales by 23 % and achieved a positive EBIT.

Sales in Production Management (raw materials, metals, industry, logistics), that includes the Polish business as well since the first quarter of 2018, was, at 72.6 million euros, 6 % above the figure for the previous year (30 September 2017: 68.8 million euros). The EBIT improved to 6.6 million euros (30 September 2017: 6.3 million euros). In the metals business the new tariffs introduced in recent months are requiring changes from steel producers (logistics, smaller volumes, more variants, replacement of imports), that are delaying new orders, but will result in greater needs in the long run. Quality management software is especially needed for the replacement of imports, so that investments in the expansion of this functionality have slightly encumbered this business. In the context of the current diesel discussions in Germany, the automotive business significantly increased its sales in the third quarter. The customer successfully commissioned the pilot plant for the automotive factory software suite, which was built on the basis of the PSI technology platform for modern industry 4.0 swarm production, in July. Numerous sales cases for further electric vehicle and component production in Germany and Europe promise good follow-up business. The logistics business, which had to cope with growth and relocation costs, won further major orders in airport logistics. In the fourth quarter PSI is launching an improved cloud offer of production management software based on more industrially suitable conditions from its suppliers.

### **Financial Position**

The cash flow from operating activities improved to 7.2 million euros (30 September 2017: 0.6 million euros). The cash flow burden of recent years from the group-wide conversion to software-upgrades-as-a-service is coming to an end. After payment of the purchase price for Moveo Software GmbH and redemption of financial liabilities, cash and cash equivalents decreased to 35.5 million euros (30 September 2017: 39.8 million euros).

### **Assets**

Compared to 31 December 2017, there have not been any material changes in the Group's assets.

### **Personnel Development**

The number of employees in the Group increased to 1,775 as of 30 September 2018 (30 September 2017: 1,650).

## **PSI-Shares**

The PSI stock ended the 3<sup>rd</sup> quarter of 2018 with a final price of 15.70 euros 15.2 % below the final 2017 price of 18.51 euros. In the same period the technology index TecDAX rose by 11.2 %.

## **Risk Report**

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2017.

## **Outlook**

The original new order targets for the year as a whole will now be significantly exceeded by the strong new orders of 210 to 215 million euros. This already lays the foundation for growth in 2019. Due to the significantly improved position in the market, the group-wide technology platform and many beneficial trends, the sales pipeline will continue to expand. In general, PSI is concentrating increasingly on industrialized countries whose economies are less affected by higher interest rates.

Management expects a traditionally strong final quarter and is therefore very confident that the operating profit target of 15 million euros and all strategic transformation targets will be exceeded. In the course of the fourth quarter, management will assess the conditions for the following year and define a guidance. Based on the order backlog, the strong pipeline and the company's development, it is clear that the sales growth targets will be raised.

# Group Balance Sheet

from 1 January 2018 until 30 September 2018 according to IFRS

	9 Month Report 01/01-30/09/18 KEUR	Annual Report 01/01-31/12/17 KEUR
<b>Assets</b>		
<b>Non current assets</b>		
Property, plant and equipment	12,845	12,531
Intangible assets	57,502	56,489
Investments in associates	150	150
Deferred tax assets	7,504	8,377
	<b>78,001</b>	<b>77,547</b>
<b>Current assets</b>		
Inventories	10,444	7,823
Trade accounts receivable, net	27,080	31,611
Receivables from long-term development contracts	38,125	33,118
Other current assets	7,910	5,779
Cash and cash equivalents	35,467	38,132
	<b>119,026</b>	<b>116,463</b>
<b>Total assets</b>	<b>197,027</b>	<b>194,010</b>
<b>Total Equity and Liabilities</b>		
<b>Equity</b>		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for treasury shares	-750	-328
Other reserves	-18,974	-18,823
Net retained profits	27,380	24,126
	<b>82,978</b>	<b>80,297</b>
<b>Non-current liabilities</b>		
Pension provisions and similar obligations	49,798	50,540
Deferred tax liabilities	4,797	3,494
	<b>54,595</b>	<b>54,034</b>
<b>Current liabilities</b>		
Trade payables	12,085	14,564
Other current liabilities	33,967	29,206
Liabilities from long-term development contracts	12,120	13,287
Short-term financial liabilities	1,282	2,622
	<b>59,454</b>	<b>59,679</b>
<b>Total equity and liabilities</b>	<b>197,027</b>	<b>194,010</b>

# Group Income Statement

from 1 January 2018 until 30 September 2018 according to IFRS

	Quarterly Report III		9 Month Report	
	01/07/18- 30/09/18 KEUR	01/07/17- 30/09/17 KEUR	01/01/18- 30/09/18 KEUR	01/01/17- 30/09/17 KEUR
Sales Revenues	46,984	45,484	141,555	133,052
Other operating income	697	1,542	4,245	4,574
Cost of materials	-5,226	-7,263	-19,011	-18,030
Personnel expenses	-29,403	-27,046	-89,635	-83,463
Depreciation and amortisation	-1,137	-1,099	-3,277	-3,188
Other operating expenses	-8,063	-9,116	-23,872	-24,759
<b>Operating result</b>	<b>3,852</b>	<b>2,502</b>	<b>10,005</b>	<b>8,186</b>
Net finance result	-438	-343	-599	-651
<b>Result before income taxes</b>	<b>3,414</b>	<b>2,159</b>	<b>9,406</b>	<b>7,535</b>
Income tax	-841	-639	-2,556	-2,972
<b>Net result</b>	<b>2,573</b>	<b>1,520</b>	<b>6,850</b>	<b>4,563</b>
Earnings per share (in Euro per share, basic)	0.16	0.10	0.44	0.29
Earnings per share (in Euro per share, diluted)	0.16	0.10	0.44	0.29
Weighted average shares outstanding (basic)	15,646,653	15,635,018	15,642,732	15,635,018
Weighted average shares outstanding (diluted)	15,646,653	15,635,018	15,642,732	15,635,018

# Group comprehensive Income Statement

from 1 January 2018 until 30 September 2018 according to IFRS

	01/07/18- 30/09/18 KEUR	01/07/17- 30/09/17 KEUR	01/01/18- 30/09/18 KEUR	01/01/17- 30/09/17 KEUR
<b>Net result</b>	<b>2,573</b>	<b>1,520</b>	<b>6,850</b>	<b>4,563</b>
Currency translation foreign operations	-632	-606	-151	-2,024
Net losses from cash flows hedges	0	0	0	0
Income tax effects	0	0	0	0
<b>Group comprehensive result</b>	<b>1,941</b>	<b>914</b>	<b>6,699</b>	<b>2,539</b>

# Group Cash Flow Statement

from 1 January 2018 until 30 September 2018 according to IFRS

	9 Month Report 01/01-30/09/18 KEUR	9 Month Report 01/01-30/09/17 KEUR
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
<b>Result before income taxes</b>	<b>9,406</b>	<b>7,535</b>
<b>Adjustments for non-cash expenses</b>		
Amortisation on intangible assets	1,332	1,257
Depreciation of property, plant and equipment	1,945	1,931
Earnings from investments in associated companies	-134	-142
Interest income	-133	-118
Interest expenses	722	681
	<b>13,138</b>	<b>11,144</b>
<b>Changes of working capital</b>		
Inventories	-2,574	-2,091
Trade receivables	-2	4,737
Other current assets	-2,508	-2,577
Provisions	-943	-1,014
Trade payables	-2,608	-1,069
Other current liabilities	3,277	-6,652
	<b>7,780</b>	<b>2,478</b>
Interest paid	-92	-72
Income taxes paid	-492	-1,773
<b>Cash flow from operating activities</b>	<b>7,196</b>	<b>633</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Additions to intangible assets	-698	-277
Additions to property, plant and equipment	-2,226	-2,298
Additions to investments in subsidiaries	-1,500	0
Cash acquired	231	0
Interest received	133	118
<b>Cash flow from investing activities</b>	<b>-4,060</b>	<b>-2,457</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	-3,596	-3,439
Proceeds/repayments from/of borrowings	-1,340	2,872
Outflows for share buybacks	-422	-297
<b>Cash flow from financing activities</b>	<b>-5,358</b>	<b>-864</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
<b>Changes in cash and cash equivalents</b>	<b>-2,222</b>	<b>-2,688</b>
<b>Valuation-related changes in cash and cash equivalents</b>	<b>-443</b>	<b>-511</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>38,132</b>	<b>43,008</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>35,467</b>	<b>39,809</b>



# Statement of Changes in Equity

from 1 January 2018 until 30 September 2018 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
<b>As of 1 January 2017</b>	15,656,016	40,185	35,137	-528	-17,588	18,068	75,274
Group comprehensive result after tax					-1,235	9,497	8,262
Share buybacks	-24,885			-297			-297
Issue of own shares	28,889			497			497
Dividends paid						-3,439	-3,439
<b>As of 1 January 2018</b>	15,660,020	40,185	35,137	-328	-18,823	24,126	80,297
Group comprehensive result after tax					-151	6,850	6,699
Share buybacks	-25,000			-422			-422
Dividends paid						-3,596	-3,596
<b>As of 30 September 2018</b>	15,635,020	40,185	35,137	-750	-18,974	27,380	82,978

## Shares and Options held by Management Board and Supervisory Board as of 30 September 2018

	Shares	Options
<b>Management Board</b>		
Harald Fuchs	7,023	0
Dr. Harald Schrimpf	67,000	0
<b>Supervisory Board</b>		
Andreas Böwing	0	0
Elena Günzler	1,739	0
Prof. Dr. Uwe Hack	600	0
Prof. Dr. Wilhelm Jaroni	0	0
Uwe Seidel	300	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	127	363
Dr. Harald Schrimpf	307	249	556
<b>Management Board – total</b>	<b>543</b>	<b>376</b>	<b>919</b>

As the Supervisory Board payments for the current year are made in the 4<sup>th</sup> quarter, the Supervisory Board did not obtain any remuneration in the first nine months of 2018.

# Notes on the consolidated financial statements as of 30 September 2018

## 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 products, competition from larger companies, the ability to generate sufficient cash flows for future business development and the cooperation with strategic partners.

The condensed interim consolidated financial statements for the period from 1 January 2018 to 30 September 2018 were released for publication by a decision of the management on 29 October 2018.

The condensed interim consolidated financial statements for the period from 1 January 2018 to 30 September 2018 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 2017.

## **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 2017.

## **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**

In a contract signed 25 July 2018, a 100% stake was acquired in Moveo Software GmbH headquartered in Potsdam, Germany. The company reported assets of 977 KEUR and liabilities of 684 KEUR as of the acquisition date. Net assets (at carrying amount) totaled 293 KEUR. In the context of the purchase price allocation, these net assets were set against the acquisition cost (1,500 KEUR). The resulting difference is attributable to intangible assets with a useful life of between 1.5 and 7 years and goodwill. The intangible assets relate primarily to the valuation of the software product "profahr" developed by Moveo itself. Goodwill particularly results from the position of Moveo with transport companies in Germany, Austria and Switzerland, as well as its specialist and technological know-how. The purchase price was paid in cash.

Had the newly acquired subsidiary already been included in the consolidated financial statements at 1 January 2018, the consolidated revenues and consolidated net profit would have totaled 142,649 KEUR and 6,847 KEUR respectively.

The following table provides a preliminary breakdown of the costs of acquisition to the market values of the assets and liabilities acquired.

	Book value before the acquisition KEUR	Adjustment KEUR	Book value after the acquisition KEUR
<b>Non-current assets</b>			
Property, plant and equipment	33	0	33
Other intangible assets	50	765	815
<b>Current assets</b>			
Receivables from long-term development contracts	165		165
Trade receivables	459	0	459
Other Assets	39	0	39
Cash and cash equivalents	231	0	231
<b>Liabilities</b>			
Deferred tax liabilities	0	228	228
Trade payables	173	0	173
Other liabilities	382	0	382
Liabilities from long-term development contracts	129	0	129
<b>Total identifiable net assets at fair value</b>	<b>293</b>	<b>537</b>	<b>830</b>
Goodwill resulting from the acquisition of the company			670

## 5. Selected Individual Items

### Cash and cash equivalents

	30 September 2018 KEUR	31 December 2017 KEUR
Bank balances	33,331	34,742
Fixed term deposits	2,108	3,366
Cash	28	24
	<b>35,467</b>	<b>38,132</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:

	30 September 2018 KEUR	31 December 2017 KEUR
Costs incurred on uncompleted contracts	100,463	88,768
Profit shares	17,672	15,028
<b>Contract revenue</b>	<b>118,135</b>	<b>103,796</b>
Payments on account	-92,131	-83,965
Set off against contract revenue	-80,011	-70,678
Receivables from long-term construction contracts	38,125	33,118
Liabilities from long-term construction contracts	12,120	13,287

### Sales revenues

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

	30 September 2018 KEUR	30 September 2017 KEUR
Software development	75,240	74,502
Maintenance	45,910	41,208
License fees	11,369	7,500
Merchandise	9,036	9,842
	<b>141,555</b>	<b>133,052</b>

### Taxes on income

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

	30 September 2018 KEUR	30 September 2017 KEUR
<b>Effective taxes expenses</b>		
Effective tax expenses	-608	-1,570
<b>Deferred taxes</b>		
Emergence and reversal of temporary differences	-1,948	-1,402
<b>Tax expenses</b>	<b>-2,556</b>	<b>-2,972</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 and district heating markets and for public transportation. 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, 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.

In the first quarter of 2018, segment reporting was changed by the split of the Infrastructure Management segment. The PSI Incontrol Group allocated to the former Infrastructure Management segment until 31 December 2017 and PSI Transcom GmbH were re-allocated to the Energy Management segment. PSI Polska Sp. z o.o., which was allocated to the former Infrastructure Management segment until 31 December 2017, was re-allocated to the Production Management segment.

## 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 2018 until 30 September 2018 according to IFRS

	Energy Management		Production Management		Reconciliation		PSI Group	
	30/09/2018 KEUR	30/09/2017* KEUR	30/09/2018 KEUR	30/09/2017* KEUR	30/09/2018 KEUR	30/09/2017* KEUR	30/09/2018 KEUR	30/09/2017 KEUR
<b>Sales revenues</b>								
Sales to external customers	68,922	64,259	72,633	68,793	0	0	141,555	133,052
Inter-segment sales	2,105	2,058	6,580	5,624	-8,685	-7,682	0	0
<b>Segment revenues</b>	<b>71,027</b>	<b>66,317</b>	<b>79,213</b>	<b>74,417</b>	<b>-8,685</b>	<b>-7,682</b>	<b>141,555</b>	<b>133,052</b>
<b>Operating result before interest, tax, depreciation and amortisation</b>	<b>5,903</b>	<b>4,533</b>	<b>8,113</b>	<b>7,832</b>	<b>-735</b>	<b>-991</b>	<b>13,281</b>	<b>11,374</b>
<b>Operating result before depreciation and amortisation resulting from purchase price allocation</b>	<b>4,277</b>	<b>2,955</b>	<b>6,942</b>	<b>6,737</b>	<b>-789</b>	<b>-1,049</b>	<b>10,430</b>	<b>8,643</b>
Depreciation and amortisation resulting from purchase price allocation	-45	-64	-380	-393	0	0	-425	-457
<b>Operating result</b>	<b>4,232</b>	<b>2,891</b>	<b>6,562</b>	<b>6,344</b>	<b>-789</b>	<b>-1,049</b>	<b>10,005</b>	<b>8,186</b>
Net finance result	-309	-495	-253	-260	-37	104	-599	-651
<b>Result before income taxes</b>	<b>3,923</b>	<b>2,396</b>	<b>6,309</b>	<b>6,084</b>	<b>-826</b>	<b>-945</b>	<b>9,406</b>	<b>7,535</b>

\* The figures shown for 2017 differ from those in the report on the first nine months of 2017 due to changes made to the segment reporting (see Notes, page 12, Segment Reporting).

## Financial Calendar

31 October 2018

26 to 28 November 2018

Report on the 3rd Quarter of 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 