



INTRODUCING AN INDUSTRIAL APP STORE

Report on the 3rd Quarter of 2022

PSI 

PSI Group Data as per 30 September 2022 at a Glance (IFRS)

	01/01-30/09/22 in KEUR	01/01-30/09/21 in KEUR	Change in KEUR	Change in %
Revenues	179,680	175,357	+4,323	+2.5
Operating Result	14,311	16,445	-2,134	-13.0
Result before income taxes	14,246	16,010	-1,764	-11.0
Net result	7,973	11,096	-3,123	-28.1
Cash and cash equivalents	41,365	47,335	-5,970	-12.6
Employees on 30 September	2,256	2,186	+70	+3.2
Revenue/Employee	79.6	80.2	-0.6	-0.7

Interim Management Report

Business Development

Earnings

The PSI Group improved sales by 2.5% to 179.7 million euros in the first nine months of 2022 (30 Sept. 2021 adjusted: 175.4 million euros). Due to weak order intake and significant project overruns in the municipal utilities business, operating earnings (EBIT) were 13% down year-on-year at 14.3 million euros (30 Sept. 2021 adjusted: 16.4 million euros), while consolidated net profit decreased accordingly to 8.0 million euros (30 Sept. 2021: 11.1 million euros). Despite the withdrawal in Russia and weak orders in the municipal utilities business, new orders at 205 million euros were 4.6% higher than in the prior-year quarter (30 Sept. 2021: 196 million euros). At 182 million euros, the order book volume on September 30, 2022 exceeded the prior-year figure by 10.3% (Sept. 30, 2021: 165 million euros).

The Energy Management segment (energy grids, energy trading, public transport) generated 4.6% lower sales of 92.4 million euros in the first nine months (Sept. 30, 2021 adjusted: 96.8 million euros) and a significantly lower operating result of 1 million euros (Sept. 30, 2021 adjusted: 7.3 million euros). New orders, sales and in particular the segment's earnings were impacted by weak demand and cost overruns in municipal utility projects. Business with municipal utilities contributes around 5% to Group sales. In particular, municipal utilities with low levels of in-house generation are currently burdened by high energy procurement costs. Losses from a newly developed Redispatch 2.0 software, which helps distribution system operators and municipal utilities to intelligently distribute the renewable energy fed into their own networks and to relieve the transmission networks, were already recorded in the second quarter. PSI management had already previously almost tripled investments in the underlying, market-leading product PSIcontrol to 10 million euros per year in order to improve the efficiency of configuration, upgradeability and quality. Furthermore, management structures were bundled in experienced hands and personnel capacities were reallocated. The new control system developed on the PSI platform has passed an important function and load test. With the introduction of this technology, the electricity grid business is also to become partner-capable - pilot orders have been received. The other business units of the Energy Management segment (transmission grids, traction power grids, gas grids, energy trading, public transport) are developing as planned. In Public Transport, PSI is benefiting from the increasing demand for software for electric bus depots and received a major international order in the third quarter. In the gas export country Malaysia, new orders doubled.

Sales in the Production Management segment (metals, industry, logistics) in the first nine months were 11.2% higher than in the previous year at 87.3 million euros (Sept. 30, 2021 adjusted: 78.5 million euros). The segment's operating profit improved by 44% to 14.3 million euros (Sept. 30, 2021 adjusted: 9.9 million euros). In particular, the North American business with customers in the metals producing industry continues to develop very strongly. The strong demand can be increasingly better served worldwide thanks to the PSI platform, as customers and partners increasingly take over order processing, so that PSI can concentrate on the role as a software product vendor (ISV). With workflow, PSI Click Design and e-learning via PSI Virtual Factory, customers and partners can carry out rollouts independently and adapt the software to plant-specific features.

In the first quarter of 2022, the risk situation of the business activities in Russia was reassessed. A separate segment was formed, as a significantly higher risk situation was assumed due to the Ukraine war and the EU sanctions as well as legal changes in Russia. PSI decided in the second quarter of 2022 to discontinue the business activities combined in the segment and to report them separately accordingly. At the end of the third quarter of 2022, this resulted in an effect on earnings of -3.1 million euros (previous year: -0.7 million euros). In the prior-year comparison, all carrying amounts have been adjusted to allow an economic period comparison.

Financial Position

At -7.3 million euros, cash flow from operating activities was significantly below the figure for the prior-year quarter (Sept. 30, 2021: 16.3 million euros) due to lower project-related advance payments and grants not yet disbursed. Cash and cash equivalents were down 12.6% year-on-year at 41.4 million euros (Sept. 30, 2021: 47.3 million euros), also due to the dividend payment and the share buyback.

Assets

Compared to 31 December 2021, there have not been any material changes in the Group's assets.

Personnel Development

The number of employees in the Group was increased to 2,256 (Sept. 30, 2021: 2,186) due to new hires in Germany, Poland and the USA and despite the departures in Russia.

PSI-Shares

The PSI stock ended the third quarter of 2022 with a final price of 19.62 euros 57.6% below the final 2021 price of 46.30 euros. In the same period, the technology index TecDAX recorded a decline of 31.9%.

Risk Report

With the exception of the reassessed risks for the business activities in Russia, the Company's risk assessment has not changed significantly since the Annual Report as of 31 December 2021. With regard to the business activities in Russia, significant economic and legal risks arise from the war in Ukraine, the associated sanctions and the changed legal framework conditions in Russia. The corresponding risks could lead to a total loss of the net assets held by the PSI Group in Russia and a complete loss of business opportunities in Russia. PSI management assesses the probability of occurrence of these risks as very high and has initiated a reduction of all further business activities as a countermeasure.

Outlook

Although only four product lines became available in the cloud-based PSI App Store in the course of the year, licenses and accompanying services were already ordered for 5.4 million euros, in some cases with seven-digit order sums. Further partnerships with international resellers and integrators have been agreed, including in particular Accenture and Tata Consulting. PSI will also offer generic standard products via the app stores of major US cloud providers in 2023.

PSI adjusted the annual targets due to the problems and measures with Redispatch 2.0 and municipal utilities on October 4, 2022. New orders and sales of the PSI Group are now expected to be slightly above the previous year. For the operating result (EBIT) from continuing operations (without Russia) the management now expects 20 million euros. For 2023, the PSI Executive Board plans a return to the long-term growth and earnings increase trend. The strategic developments (PSI App Store/cloud platform) are not affected by the aforementioned problems, so that the PSI Executive Board continues to aim for the long-term target of 54 million euros EBIT for 2026, irrespective of short-term economic fluctuations.

Group Balance Sheet

from 1 January 2022 until 30 September 2022 according to IFRS

	9 Month Report 01/01-30/09/22 KEUR	Annual Report 01/01-31/12/21 (adjusted) KEUR
Assets		
Non current assets		
Intangible assets	69,845	69,946
Property, plant and equipment	35,508	37,925
Investments in associates	694	694
Deferred tax assets	8,195	9,522
	114,242	118,087
Current assets		
Inventories	9,645	6,847
Net trade receivables	35,915	32,261
Receivables from long-term development contracts	57,589	47,533
Other assets	8,753	4,824
Income tax receivables	1,682	725
Cash and cash equivalents	41,365	65,971
Assets held for sale and discontinued operations	7,540	7,874
	162,489	166,035
Total assets	276,731	284,122
Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for treasury shares	-3,556	702
Other reserves	-24,150	-23,394
Retained earnings	63,796	62,087
	111,412	114,717
Non-current liabilities		
Pension provisions and similar obligations	51,776	53,123
Deferred tax liabilities	5,754	7,065
Other liabilities	637	637
Provisions	2,336	2,336
Lease liabilities	15,377	18,055
Financial liabilities	90	106
	75,970	81,322
Current liabilities		
Trade payables	16,277	18,238
Other liabilities	24,623	32,286
Provisions	2,671	2,029
Liabilities from long-term development contracts and deferred revenue	29,782	23,371
Lease liabilities	6,365	6,103
Financial liabilities	31	31
Liabilities in connection with discontinued assets	9,600	6,025
	89,349	88,083
Total equity and liabilities	276,731	284,122

Group Income Statement

from 1 January 2022 until 30 September 2022 according to IFRS

	Quarterly Report II		9 Month Report	
	01/07/22- 30/09/22	01/07/21- 30/09/21 (adjusted)	01/01/22- 30/09/22	01/01/21- 30/09/21 (adjusted)
	KEUR	KEUR	KEUR	KEUR
Sales Revenues	63,230	59,825	179,680	175,357
Other operating income	5,799	694	11,767	6,206
Cost of materials	-7,922	-9,627	-21,839	-22,146
Personnel expenses	-41,793	-36,744	-122,639	-114,399
Depreciation and amortisation	-3,390	-3,296	-9,938	-9,589
Other operating expenses	-9,792	-5,784	-22,720	-18,984
Operating result	6,132	5,068	14,311	16,445
Investment income	0	156	221	156
Interest and similar income	325	108	398	145
Interest expenses	-413	-85	-684	-736
Result before income taxes	6,044	5,247	14,246	16,010
Income tax	-1,175	-1,596	-3,211	-4,188
Result after income taxes from continuing operations	4,869	3,651	11,035	11,822
Result after income taxes from discontinued operations	-1,342	411	-3,062	-726
Net result	3,527	4,062	7,973	11,096
Earnings per share (in Euro per share, basic and diluted)	0.23	0.26	0.51	0.71
Profit attributable to shareholders from continuing operations	0.31	0.23	0.71	0.75
Profit attributable to shareholders from discontinued operations	-0.09	0.03	-0.20	-0.05
Weighted average shares outstanding (diluted)	15,587,266	15,674,191	15,641,018	15,677,509

Group comprehensive Income Statement

from 1 January 2022 until 30 September 2022 according to IFRS

	01/07/22- 30/09/22	01/07/21- 30/09/21	01/01/22- 30/09/22	01/01/21- 30/09/21
	KEUR	KEUR	KEUR	KEUR
Net result	3,527	4,062	7,973	11,096
Currency translation foreign operations	744	530	-756	808
Net losses from cash flows hedges	0	0	0	0
Income tax effects	0	0	0	0
Group comprehensive result	4,271	4,592	7,217	11,904

Group Cash Flow Statement

from 1 January 2022 until 30 September 2022 according to IFRS

	9 Month Report 01/01-30/09/22 KEUR	9 Month Report 01/01-30/09/21 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	11,184	15,194
Adjustments for non-cash expenses		
Amortisation of intangible assets	2,611	1,840
Depreciation of property, plant and equipment	2,597	2,319
Amortization of right-of-use	4,829	4,565
Earnings from investments in associated companies	-221	-156
Interest income	-165	-46
Interest expenses	1,004	707
Other non-cash income/expenses	3	32
	21,842	24,455
Changes of working capital		
Inventories	-3,028	-874
Trade receivables and receivables from long-term development contracts	-15,663	-10,684
Other current assets	-5,216	-205
Provisions	-1,787	-1,515
Trade payables	-2,216	-1,307
Other non-current and current liabilities	851	7,763
	-5,217	17,633
Interest paid	-422	-197
Income taxes paid	-1,690	-1,145
Cash flow from operating activities	-7,329	16,291
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-2,032	-1,770
Additions to property, plant and equipment	-2,310	-2,223
Cash received from distribution of associated companies	156	299
Proceeds on disposal of assets held for sale	60	0
Interest received	165	46
Cash flow from investing activities	-3,961	-3,648
CASHFLOW FROM FINANCING ACTIVITIES		
Dividends paid	-6,264	-4,704
Proceeds/repayments from/of borrowings	4,058	3,809
Repayments of lease liabilities	-5,136	-4,491
Interest paid on leases	-253	-310
Outflows for share buybacks	-4,261	-158
Cash flow from financing activities	-11,856	-5,854
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-23,146	6,789
Valuation-related changes in cash and cash equivalents	689	64
Cash and cash equivalents at beginning of the period	67,478	40,482
Cash and cash equivalents at the end of the period	45,021	47,335

Statement of Changes in Equity

from 1 January 2022 until 30 September 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					2,639	15,837	18,476
Share buybacks	-5,647			-158			-158
Issue of treasury shares	17,536			780			780
Dividends paid						-4,704	-4,704
As of 1 January 2022	15,691,727	40,185	35,137	702	-23,394	62,087	114,717
Group comprehensive result after tax					-756	7,973	7,217
Share buybacks	-155,231			-4,261			-4,261
Issue of treasury shares	51			3			3
Dividends paid						-6,264	-6,264
As of 30 September 2022	15,536,547	40,185	35,137	-3,556	-24,150	63,796	111,412

Shares held by Management Board and Supervisory Board as of 30 September 2022

	Shares on 30/09/2022	Shares on 30/09/2021
Management Board		
Gunnar Glöckner	0	-
Dr, Harald Schrimpf	63,000	62,000
Supervisory Board		
Andreas Böwing	0	0
Elena Günzler	1,994	1,962
Prof, Dr, Uwe Hack	600	600
Prof, Dr, Wilhelm Jaroni	0	0
Uwe Seidel	465	433
Karsten Trippel	115,322	111,322

Notes on the consolidated financial statements as of 30 September 2022

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 structured 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 2022 to 30 September 2022 were released for publication by a decision of the management on 26 October 2022.

The condensed interim consolidated financial statements for the period from 1 January 2022 to 30 September 2022 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 2021.

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 2021, with the exception of the information provided in the section "Segment reporting".

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 2021 there were no changes in the consolidation group.

5. Selected Individual Items

Cash and cash equivalents

	30 September 2022 KEUR	31 December 2020 KEUR
Bank balances	38,196	64,058
Fixed term deposits	3,137	1,884
Cash	32	29
	41,365	65,971

Receivables from long-term development contracts, liabilities from long-term development contracts and deferred revenue

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 recognized according to various performance criteria. 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.

Liabilities and receivables according to the percentage-of-completion method break down as follows:

	30 September 2022 KEUR	31 December 2020 KEUR
Receivables from long-term development contracts (gross)	153,450	136,101
Payments on account	-95,861	-88,568
Receivables from long-term development contracts	57,589	47,533
Payments on account (gross)	104,720	101,096
Set off against contract revenue	-95,861	-88,568
Liabilities from long-term development contracts	8,859	12,528
Deferred revenue	20,923	10,843
Liabilities from long-term development contracts	29,782	23,371

Sales revenues

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

	30 September 2022 KEUR	30 September 2021 KEUR
Software development	88,825	88,284
Maintenance	70,045	64,773
License fees	10,175	10,715
Merchandise	10,635	11,585
	179,680	175,357

Taxes on income

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

	30 September 2022 KEUR	30 September 2021 KEUR
Effective taxes expenses		
Effective tax expenses	-3,195	-1,468
Deferred taxes		
Emergence and reversal of temporary differences	-16	-2,720
Tax expenses	-3,211	-4,188

Segment Reporting

The development of the segment results can be found in the Group segment reporting. The PSI Group is structured into the core business segments energy management and production management.

The management of PSI decided in the first quarter of 2022 as part of a regular review of the Group's risk profile to include a new segment in internal reporting. As this operating segment differs significantly in its risk profile from the main business areas of Energy Management and Production Management, but is not of a significant size, the segment was not included as a reporting segment in the external reporting and was combined with the effects in the "Reconciliation" column. In the second quarter of 2022, PSI management decided to discontinue the business activities combined in the non-reportable segment and to disclose them accordingly separately from the continuing business activities in the consolidated income statement and the consolidated balance sheet. Further disclosures in the segment reporting, the consolidated cash flow statement and the notes to the financial statements have not yet been implemented, but are generally not material in terms of their economic significance.

Group Segment Reporting

from 1 January 2022 until 30 September 2022 according to IFRS

	Energy Management		Production Management		Reconciliation		PSI Group	
	30/09/2022 TEUR	30/09/2021 TEUR*	30/09/2022 TEUR	30/09/2021 TEUR*	30/09/2022 TEUR	30/09/2021 TEUR*	30/09/2022 TEUR	30/09/2021 TEUR*
Sales revenues								
Sales to external customers	92,406	96,842	87,274	78,515	0	0	179,680	175,357
Inter-segment sales	2,363	2,270	13,461	11,215	-15,824	-13,485	0	0
Segment revenues	94,769	99,112	100,735	89,730	-15,824	-13,485	179,680	175,357
Operating result before interest, tax, depreciation and amortisation	5,743	12,167	19,500	14,582	-994	-715	24,249	26,034
Operating result before depreciation and amortisation resulting from purchase price allocation	1,438	7,798	14,691	10,313	-1,016	-756	15,113	17,355
Depreciation and amortisation resulting from purchase price allocation	-443	-522	-359	-388	0	0	-802	-910
Operating result	995	7,276	14,332	9,925	-1,016	-756	14,311	16,445
Net finance result	132	-270	68	-165	-265	0	-65	-435
Result before income taxes	1,127	7,006	14,400	9,760	-1,281	-756	14,246	16,010

*adjusted

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

29 March 2022	Publication of Annual Result 2021
29 March 2022	Analyst Conference
28 April 2022	Report on the 1 st Quarter of 2022
19 May 2022	Annual General Meeting (virtual Meeting)
28 July 2022	Report on the 1 st Six Months of 2022
28 October 2022	Report on the 3rd Quarter of 2022
28 to 30 November 2022	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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