PLATFORM FOR INDUSTRIAL INTELLIGENCE

REPORT ON THE 1ST QUARTER OF 2019

PSI

PSI Group Data as per 31 March 2019 at a Glance (IFRS)

	01/01-31/03/19 in KEUR	01/01-31/03/18 in KEUR	Change in KEUR	Change in %
Revenues	51,993	45,745	+6.248	+13.7
Operating Result	2,952	2,786	+166	+6.0
Result before income taxes	2,743	2,640	+103	+3.9
Net result	1,999	1,921	+78	+4.1
Cash and cash equivalents	44,968	42,563	+2.405	+5.7
Employees on 31 March	1,931	1,701	+230	+13.5
Revenue/Employee	26.9	26.9	0,0	0.0

Interim Management Report

Business Development

Earnings

The PSI Group increased new orders by 4 % to the new record value of 97 million euros in the first quarter of the year (31 March 2018: 93 million euros). The volume of orders on 31 March 2019 was therefore, at 184 million euros, 6 % above the figure for the previous year (31 March 2018: 174 million euros). Group sales improved by just about 14 % to EUR 52.0 million thanks primarily to organic growth in the Production segment and the takeover in the Energy segment (31 March 2018: 45.7 million euros). The EBIT increased by 6 % to 3.0 million euros (31 March 2018: 2.8 million euros), the group EBIT improved by 4 % to 2.0 million euros (31 March 2018: 1.9 million euros).

Energy management (energy grids, energy trading, public transportation) attained 13 % higher sales of 25.3 million euros (31 March 2018: 22.4 million euros) and a constant EBIT of 1.1 million euros in the first quarter. The Smart Grid division of BTC AG in Germany, which was taken over on 1 January 2019, has 143 employees and an incoming order volume of 5.2 million euros, of which 3.2 million euros are annual maintenance extensions, external sales of 1.6 million euros and a burden of -1.1 million euros due to underutilization. This special charge was offset by better results with PSI control systems for gas and electricity networks. The underutilized, highly qualified employees were assigned to PSIcontrol customer projects and will make an increasing productive contribution after familiarization from March to July. The business with the acquired PRINS control system is expected to generate annual sales of 5 to 6 million euros with losses of up to 20 %, especially from the convergence development Release 8. If necessary, the management will make further adjustments in the second half of the year. In the gas network business PSI increased order intake, sales and earnings due to the new upgrade subscription business and the recovery of the Russian business.

At 26.7 million euros, sales in production management (raw materials, metals, industry, logistics) in the first three months were about 15 % over the figure for the previous year (31 March 2018: 23.3 million euros). The business' EBIT of 1.9 million euros was 9 % below the figure for the previous year (31 March 2018: 2.1 million euros). In the metals business, which has been experiencing uncertainty among European customers about customs duties and emissions since summer 2018, PSI received a major order from the Chinese steel manufacturer HBIS Laoting Steel. The Logistics business is enjoying another leap in incoming orders and sales based on the products migrated to the group platform. In the further course of the year significantly better results are expected from better economies of scale. In automotive and industry PSI further increased incoming orders, sales and earnings with the Enterprise Resource Planning (ERP), Production Order Management (POM) and Manufacturing Execution System (MES) migrated to the group platform. On 1 May 2019 PSI Polska (164 employees) in Poznan will take over the Polish Smart Grid division of BTC AG with 29 employees.

Financial Position

At 6.0 million euros, cash flow from operating activities was slightly below the previous year's figure (31 March 2018: 6.3 million euros). Cash and cash equivalents increased to 45.0 million euros (31 March 2018: 42.6 million euros) and will be used for the proposed dividend payment and for sales financing in the seasonal course.

Assets

The development of assets in the 1st quarter of 2019 was influenced by the introduction of IFRS 16, which increased property, plant and equipment by 22.3 million euros.

Personnel Development

The number of employees in the group increased to 1,931 (31 March 2018: 1,701), due to new hires and the acquisition of the smart grid business of BTC AG.

PSI-Shares

The PSI stock ended the 1st quarter of 2019 with a final price of 16.90 euros 8 % above the final 2018 price of 15.65 euros. In the same period, the technology index TecDAX rose by 9 %.

Risk Report

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2018.

Outlook

In the coming quarters PSI expects a further increase in the high-margin license, maintenance, upgrade and cloud business as well as a continuation of the positive order trend. For 2019, the PSI Executive Board continues to expect sales growth of 10 % to 220 million euros and an increase in the EBIT to 17 million euros.

Group Balance Sheet

from 1 January 2019 until 31 March 2019 according to IFRS

Assets	3 Month Report 01/01-31/03/19 KEUR	Annual Report 01/01-31/12/18 KEUR
Non current assets		
Property, plant and equipment	36,385	13,592
Intangible assets	64,092	58,885
Investments in associates	440	440
Deferred tax assets	8,948	7,967
	109,865	**80,884**
Current assets		
Inventories	9,979	8,712
Trade accounts receivable, net	34,384	34,407
Receivables from long-term development contracts	39,822	34,367
Other current assets	10,110	5,722
Cash and cash equivalents	44,968	44,579
	139,263	**127,787**
Total assets	**249,128**	**208,671**

Total Equity and Liabilities		
Equity		
Subscribed capital	40,185	40,185
Capital reserves	35,137	35,137
Reserve for own stock	–128	–88
Other reserves	–18,763	–19,719
Net retained profits	33,114	31,115
	89,545	**86,630**
Non-current liabilities		
Pension provisions and similar obligations	51,004	51,284
Deferred tax liabilities	6,260	4,797
Liabilities from leases	22,409	0
	79,673	**56,081**
Current liabilities		
Trade payables	16,280	16,440
Other current liabilities	42,853	31,194
Liabilities from long-tem development contracts	19,447	16,531
Short-term financial liabilities	1,330	1,795
	79,910	**65,960**
Total equity and liabilities	**249,128**	**208,671**

Group Income Statement

from 1 January 2019 until 31 March 2019 according to IFRS

	3 Month Report 01/01-31/03/19 KEUR	3 Month Report 01/01-31/03/18 KEUR
Sales revenues	51,993	45,745
Other operating income	3,066	1,622
Cost of materials	–6,159	–5,669
Personnel expenses	–34,437	–29,944
Depreciation and amortization	–2,360	–1,066
Other operating expenses	–9,151	–7,902
Operating result	**2,952**	**2,786**
Net finance result	–209	–146
Result before income taxes	**2,743**	**2,640**
Income tax	–744	–719
Net result	**1,999**	**1,921**
Earnings per share (in Euro per share, basic)	0.13	0.12
Earnings per share (in Euro per share, diluted)	0.13	0.12
Weighted average shares outstanding (basic)	15,676,835	15,657,864
Weighted average shares outstanding (diluted)	15,676,835	15,657,864

Group comprehensive Income Statement

from 1 January 2019 until 31 March 2019 according to IFRS

	3 Month Report 01/01-31/03/19 KEUR	3 Month Report 01/01-31/03/18 KEUR
Net result	**1,999**	**1,921**
Currency translation foreign operations	956	181
Net losses from cash flows hedges	0	0
Income tax effects	0	0
Group comprehensive result	**2,955**	**2,102**

Group Cash Flow Statement

from 1 January 2019 until 31 March 2019 according to IFRS

	3 Month Report 01/01-31/03/18 KEUR	3 Month Report 01/01-31/03/17 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result before income taxes	**2,742**	**2,640**
Adjustments for non-cash expenses		
Amortisation on intangible assets	580	426
Depreciation of property, plant and equipment	706	640
Depreciation of right-of-use assets under leases (IFRS 16)	1,074	-
Interest income	–71	–25
Interest expenses	386	253
	5,417	**3,934**
Changes of working capital		
Inventories	–1,217	–852
Trade receivables and receivables from long-term development contracts	–3,758	1,909
Other current assets	–4,459	–3,478
Provisions	–316	–591
Trade payables	–125	–1,811
Other current liabilities	10,707	7,410
	6,249	**6,521**
Interest paid	–46	–41
Income taxes paid	–227	–205
Cash flow from operating activities	**5,976**	**6,275**
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	–396	–410
Additions to property, plant and equipment	–933	–843
Additions to investments in subsidiaries	–2,730	0
Interest received	71	25
Cash flow from investing activities	**–3,988**	**–1,228**
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds/repayments from/of borrowings	–465	–485
Payments for the principal portion of lease liabilities (IFRS 16)	–951	-
Interest paid in connection with leases (IFRS 16)	–128	-
Outflows for share buybacks	–40	–214
Cash flow from financing activities	**–1,584**	**–699**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	**404**	**4,348**
Valuation-related changes in cash and cash equivalents	–15	83
Cash and cash equivalents at beginning of the period	**44,579**	**38,132**
Cash and cash equivalents at the end of the period	**44,968**	**42,563**

Statement of Changes in Equity

from 1 January 2019 until 31 March 2019 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 2018	**15,660,020**	**40,185**	**35,137**	**–328**	**–18,823**	**24,126**	**80,297**
Group comprehensive result after tax					**–896**	10,585	9,689
Share buybacks	–25,000			–422			–422
Issue of own shares	42,276			662			662
Dividends paid						–3,596	–3,596
As of 1 January 2019	**15,677,296**	**40,185**	**35,137**	**–88**	**–19,719**	**31,115**	**86,630**
Group comprehensive result after tax					956	1,999	2,955
Share buybacks	–2,507			–40			–40
As of 31 March 2019	**15,674,789**	**40,185**	**35,137**	**–128**	**–18,763**	**33,114**	**89,545**

Shares held by Management Board and Supervisory Board as of 31 March 2019

	Shares on 31/03/19	Shares on 31/03/18
Management Board		
Harald Fuchs	7,023	6,023
Dr, Harald Schrimpf	67,000	67,000
Supervisory Board		
Andreas Böwing	0	0
Elena Günzler	1,905	1,739
Prof, Dr, Uwe Hack	600	600
Prof, Dr, Wilhelm Jaroni	0	0
Uwe Seidel	415	100
Karsten Trippel	111,322	111,322

Remuneration for the Management Board and Supervisory Board

The remuneration system for the Management Board is described in detail in the Remuneration Report as of 31 December 2018.

	Fixed remuneration KEUR	Variable remuneration KEUR	Long-term remuneration KEUR	Total remuneration KEUR
Harald Fuchs	79	25	31	135
Dr. Harald Schrimpf	116	81	42	239
Total	**195**	**106**	**73**	**374**

As the Supervisory Board payments for the current year are made in the 4th quarter, the Supervisory Board did not obtain any remuneration in the first three months of 2019.

Notes on the consolidated financial statements as of 31 March 2019

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 2019 to 31 March 2019 were released for publication by a decision of the management on 25 April 2019.

The condensed interim consolidated financial statements for the period from 1 January 2019 to 31 March 2019 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 2018.

2. Accounting and Valuation Principles

Since 1 January 2019, the PSI Group has applied the new standard IFRS 16 "Leases". The first-time application of the new standard is based on the modified retrospective approach; the comparative period was not adjusted with regard to IFRS 16.

As a result of the first-time application, the real estate leased by the PSI Group in particular qualified as a leasing contract in the sense of IFRS 16. Most of the leased movables relate to motor vehicles. Due to this classification, the respective minimum lease payments are already reported today as discounted financial liabilities in the balance sheet. On the assets side of the balance sheet, the corresponding rights of use in the same amount were capitalized as property, plant and equipment as of 1 January 2019. As a result of this effect, total assets increased by 23 million euros as of 1 January 2019.

In the income statement, the minimum lease expenses are no longer recognised directly in full as expenses, but the individual lease instalments are divided into interest expenses and a principal portion. While the interest expenses, which decrease over the term of the respective lease agreement, burdens the financial result, the principal portion, which increases continually over the term, is no longer reflected in the income statement. The consolidated result is therefore no longer impacted directly by the amount of the principal portion of the lease payment. Instead, the consolidated result is reduced by a constant (straight-line) depreciation of the capitalized right of use over the term of the respective lease agreement. Although the total of the continuously rising principal portions is identical to the total of the straight-line depreciation amounts over the entire term of the individual lease agreement, the surplus of the straight-line depreciation over the initially lower repayment portions has a negative impact on the consolidated result in the first periods of the lease term. For this reason, the consolidated result will be reduced accordingly with the introduction of IFRS 16 in 2019.

The following are selected details from the application of IFRS 16:

Balance Sheet	**31 March 2019 KEUR**
Right-of-use assets under leases	22,286
Lease liabilities	22,409

Impact on the Group Income Statement	**1 January 2019 until 31 March 2019 TEUR**
No longer included in other operating expenses	1,079
Depreciation of rights of use IFRS 16	–1,074
Interest portion from leases	–128

The lease payments are also no longer directly included in full in the cash flow from operating activities in the cash flow statement. Instead, the interest and principal portions are reported in cash flow from financing activities. This change in the allocation of the lease payments thus leads to a corresponding improvement in cash flow from operating activities and to a significantly higher cash outflows from financing activities. By contrast, cash flow from investing activities remains unaffected by IFRS 16.

For further details, please refer to our comments in the section "Effects of new accounting standards that were not yet required to be applied in the financial year" in the notes to the 2018 consolidated financial statements.

With regard to the other 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. Significant Events

By agreement dated 10 December 2018, PSI Software AG acquired the assets and liabilities of the "PRINS and GridAgent network control software" division of BTC Business Technology Consulting AG, Oldenburg, with effect from 1 January 2019. The acquisition represents an acquisition in accordance with IFRS 3. At the time of the acquisition, the company reported assets of 1,911 KEUR and liabilities of 2,894 KEUR. The net liabilities (at book values) amounted to 983 KEUR. The cash purchase price part 1 amounts to 3,900 KEUR, the purchase price part 2 is determined on the basis of the spin-off balance sheet. The value of purchase price part 2 reduces purchase price part 1. Net liabilities were compared with acquisition costs as part of the purchase price allocation. The resulting difference is attributable to intangible assets with a finite useful life and goodwill. The intangible assets result from the valuation of the "PRINS" software product developed by BTC itself and a customer base. The goodwill reflects the position of the "PRINS and GridAgent network control software" in the market.

In more than 20 years the acquired process information system (PRINS) with 140 highly recognized executives and specialists in the market has created remarkable achievements and modern technology.

The following table provides the preliminary fair values of the acquired assets and liabilities at the acquisition date:

	Fair values after the acquisition in KEUR
Non-current assets	
Property, plant and equipment	280
Other intangible assets	672
Current assets	
Receivables from long-term development contracts	1,642
Liabilities	
Trade payables	0
Other liabilities	3,154
Liabilities from long-term development contracts	764
Total identifiable net assets at fair value	**–1,342**
Goodwill resulting from the acquisition of the company	4,032
Compensation	**2,690**

5. Selected Individual Items

Cash and cash equivalents

	31 March 2019 KEUR	**31 December 2018 KEUR**
Bank balances	42,820	42,517
Fixed term deposits	2,122	2,039
Cash	26	23
	44,968	**44,579**

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 2019 KEUR	31 December 2018 KEUR
Receivables from long-term development contracts (gross)	118,118	103,048
Payments on account	–78,296	–68,681
Receivables from long-term development contracts	**39,822**	**34,367**
Payments on account (gross)	97,743	–85,212
Set off against contract revenue	–78,296	–68,681
Liabilities from long-term development contracts	**19,447**	**16,531**

Sales revenues

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

	31 March 2019 KEUR	31 March 2018 KEUR
Software development	25,523	25,010
Maintenance	17,560	13,959
License fees	4,789	4,326
Merchandise	4,121	2,450
	51,993	**45,745**

Taxes on income

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

	31 March 2019 KEUR	31 March 2018 KEUR
Effective taxes expenses		
Effective tax expenses	–263	–282
Deferred taxes		
Emergence and reversal of temporary differences	–481	–437
Tax expenses	**–744**	**–719**

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.

Group Segment Reporting

from 1 January 2018 until 31 March 2018 according to IFRS

	Energy Management		Production Management		Reconciliation		PSI Group	
	31/03/2019 TEUR	31/03/2018 TEUR	31/03/2019 TEUR	31/03/2018 TEUR	31/03/2019 TEUR	31/03/2018 TEUR	31/03/2019 TEUR	31/03/2018 TEUR
Sales revenues								
Sales to external customers	25,250	22,412	26,743	23,333	0	0	51,993	45,745
Inter-segment sales	691	558	2,291	2,106	–2,982	–2,664	0	0
Segment revenues	**25,941**	**22,970**	**29,034**	**25,439**	**–2,982**	**–2,664**	**51,993**	**45,745**
Operating result before interest, tax, depreciation and amortisation	**2,306**	**1,679**	**3,082**	**2,596**	**–77**	**–424**	**5,311**	**3,851**
Operating result before depreciation and amortisation resulting from purchase price allocation	**1,215**	**1,139**	**2,037**	**2,230**	**–111**	**–442**	**3,141**	**2,927**
Depreciation and amortisation resulting from purchase price allocation	–73	–10	–116	–131	0	0	–189	–141
Operating result	**1,142**	**1,129**	**1,921**	**2,099**	**–111**	**–442**	**2,952**	**2,786**
Net finance result	–62	–91	–147	–55	0	0	–209	–146
Result before income taxes	**1,080**	**1,038**	**1,774**	**2,044**	**–111**	**–442**	**2,743**	**2,640**

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

26 March 2019	Publication of Annual Result 2018
26 March 2019	Analyst Conference
29 April 2019	Report on the 1st Quarter of 2019
16 May 2019	Annual General Meeting
26 July 2019	Report on the 1st Six Months of 2019
30 October 2019	Report on the 3rd Quarter of 2019
25 to 27 November 2019	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

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.

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