

March 20, 2017

Europe | Germany | IT & Software

DR. KALLIWODA
RESEARCH GmbH

Update

BUY

Target price: EUR 13.65

Industry: IT Services & Software
Country: Germany
ISIN: DE000A0Z1JH9
Reuters: PSAGn.DE
Bloomberg: PSAN GR
Website: www.psi.de

Last price: 12,34
High 14,69
Low 11,75
Price 52 W 14,69 11,75
Market cap. (EURm) 193,12
Number of shares (m) 15,65

Shareholders

RWE AG 17,77%
Harvinder Singh 8,10%
Free float 74,13%

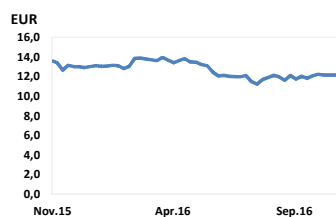
Performance

4 weeks -7,36%
13 weeks -9,06%
26 weeks -1,20%
52 weeks -0,08%
YTD -4,46%

Dividend

	in EUR	in %
2012	0,30	2,43%
2013	0,00	0,00%
2014	0,30	2,43%
2015	0,30	2,43%

Chart



DR. KALLIWODA RESEARCH ON
Bloomberg Page: KALL

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PSI AG

Important follow-up contracts: We expect keen Q4

- New clients substantiates PSI's good market position. I.e. PSI Automotive & Industry GmbH convinced with winning Deutsche Bahn Fahrzeuginstandhaltung (Vehicle Maintenance) GmbH and Altonaer-Technologie-Holding GmbH (partly 110 years old global leader in turnkey systems). PSI's Java platform is now exclusively used. We therefore expect a strong Q4/2016. For total 2016 we forecast stronger sales and profit in Energy Management and Production Management and less earnings in Infrastructure Management compared to 2015.
- We believe that the company is well-positioned to benefit from growth opportunities and reach its goals. An increase in operating margins to 10-12% would justify the longer term expectations on target price.
- PSI's sales in Q3/16 were €42.8m (vs. Q3/15: €46.1m). In contrast the group EBIT decreased slightly by 26% to €2.39m (vs. Q3/15: €3.22m) and net income grew by 3.4% to €1.49m (vs Q3/15: €1.44m). Despite a 10% lower order intake of €134m (vs. 9m/15: €149m) mainly due to the weakening of its Southeast Asian businesses, we still believe that our expectations in terms of sales growth might be achieved in following quarters, taking into account its recent agreement with Shendong, DB and Altonaer a 3% higher order backlog of €132m at end of Q3/16 (vs. Q3/15: €128m).
- Mostly Infrastructure Management contributed to the lower EBIT margin of 5.6% (vs. Q3/15: 7%) despite the good result of the public transportation business, while only the Production Management segment contributed to its growth despite the ongoing global steel crisis.
- We adjusted our FY16 sales to €180,9m as well as margins such as EBIT forecasting to €10.86m. We have trimmed our forecasts but expect furthermore a higher EPS in the following years driven by investment in the re-adaptation of the German electricity networks for renewable energies and the completion of the PSI transition to a pure software product provider.

Key Figures

in EURm	2014	2015	2016E	2017E	2018E	2019E	2020E
Net sales	175,39	183,68	180,93	193,59	209,08	215,35	221,60
EBITDA	11,05	15,40	15,08	18,65	21,19	23,98	20,90
EBIT	7,17	11,11	10,86	14,13	16,31	18,95	15,73
Net income	4,10	7,46	7,26	9,20	11,04	12,83	16,61
EPS	0,26	0,48	0,46	0,59	0,71	0,82	1,06
BVPS	4,36	4,67	4,81	4,99	5,48	6,06	6,80
RoE	5,98%	10,55%	9,77%	11,99%	13,47%	14,21%	16,51%
EBIT margin	4,09 %	6,05 %	6,00 %	7,30 %	7,80 %	8,80 %	7,10 %
P/E	42,00	23,08	23,73	18,72	15,59	13,42	10,37
P/BVPS	2,52x	2,35x	2,29x	2,20x	2,01x	1,82x	1,62x
EV/EBITDA	13,34x	9,58x	9,78x	7,90x	6,96x	6,15x	7,05x

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1 Company profile

PSI AG is a group of companies with 1,650 employees, which develops and distributes software product solutions for process control. These solutions automate complex core processes of PSI's customers in the segments energy, production and infrastructure management. PSI, which was founded in 1969, operates at numerous German and international sites in Europe, Asia, North and Latin America. It develops software products and complete systems for the operation of large energy networks and complex production and logistics processes with the objective to design customers' value creation processes more efficiently. In the segment energy management systems, PSI provides solutions for operations' management, network utilization, pipeline management, leakage detection and localization, portfolio management, energy trading and distribution. The segment production management creates optimization and control-technical solutions for production, logistics, metals and mining. In the infrastructure segment, the company supplies solutions for traffic systems.

PSI History

2014	Takeover of the strongest competitor in the metals industry, Broner Metals.
2013	PSI subsidiary founded in Brazil.
2012	Strengthening of the energy business with the acquisition of the Time-steps AG.
2011	PSI subsidiary founded in North America.
2010	PSI develops first integrated mining control system.
2009	PSI celebrates its 40th anniversary. Since 1969, PSI develops and integrates software solutions and complete systems for utilities, manufacturers, logistics and infrastructure providers.
2008	Formation of a subsidiary and a joint venture in Russia. International expansion in the metals, production and energy industry.
2007	Process control system for efficient raw materials production; market entry into the Russian steel and electricity industry.
2006	Opening of representative office in Russia; new sales partnerships in Eastern Europe and Asia.
2005	First major orders from Chinese steel industry and expansion of the logistics division to Russia.
2004	PSI subsidiaries founded in Poland and China.
2003	PSI develops the first integrated control system for controlling complex manufacturing processes.
2002	Generation shift in top management; Restructure of PSI into an integrated control system enterprise.
2000	PSI acquires the gas management system division from debis Systems and starts internationalization of its energy business.
1998	Initial public offering (IPO) on August 31.
1996	Development of the first object-oriented ERP system PSIpenta.
1994	The company is converted into a joint-stock corporation.
1986	Market launch of PIUSS-O, the company's first standard software product for production planning (PPS).
1976	The company wins its first large order from the energy supply sector.
1974	PSI is the first German company to introduce an employee stock option plan.
1969	PSI Gesellschaft für Prozesssteuerungs- und Informationssysteme GmbH is founded in Berlin. First order from the steel industry.

Source: The Company

2 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • PSI's focus on core competencies in process control technology with decades of experience, along with its innovation strength and a highly specialized workforce are important competitive advantages and create entry barriers. PSI's products are of high functionality, complexity and carry many unique features. PSI enjoys a first mover advantage and is the quality and volume leader in many of its key growth areas, namely energy smart grid infrastructure, gas & oil, metals, mining and infrastructure. • Pilot project approach: When entering new product and geographic markets the company works together with sector leaders on pilot projects. Performing the research and development decentralized at the location of demand translates into a close customer relationship, a gain of sector knowledge, lower market entry risk, as well as the mitigation of financial risk. 	<ul style="list-style-type: none"> • Buyers force: PSI main customers operate in capital intensive sectors which naturally consist of a few large players. PSI itself is a medium sized player resulting in an unfavorable negotiating position. However a resulting pricing power of its customer is lessened by the facts that software expenditures should resemble a smaller portion of PSI customers overall budget, that PSI produces high-quality products that make a customer's operation more efficient translating in fast amortization, and PSI's complex products are mainly located in important parts of the value chain where quality is more important than price. • Business cycle risk: PSI's customers are mainly from very cyclical sectors. The exposure to business cycle risk is somewhat diminished by the fact that the company delivers products mainly related to efficiency and cost cutting gains.
Opportunities	Threats
<ul style="list-style-type: none"> • Energy segment: The „Energiewende“ gives PSI the potential to achieve scale effects by shifting its existing product portfolio from high voltage systems to lower network levels. Additionally, the demand for new software solutions such as volatility and resource software components, gas network control systems and software solutions for energy storage systems will increase. • Production segment: New sensor and network technology increases data availability in production processes. This opens up new markets for PSI software solutions, which make production processes more efficient. Recent market entries by PSI are PSI mining and solutions for the turbine manufacturing and aircraft maintenance sectors. In the automobile sector, new product developments should lead to more orders. • Export growth: PSI focuses on Eastern markets as it sees the greatest growth potential there while currently facing low competition locally. A positive effect besides larger revenues and scale effects is the diversification away from a sole dependency on the German market. Expansion takes place by winning key reference customers. 	<ul style="list-style-type: none"> • Increasing rivalry among competitors in the Energy Infrastructure market: Large hardware suppliers recently acquired PSI's software competitors. On the one hand, this permits them to differentiate themselves from fellow hardware suppliers. If on the other hand the intention was to gain control of the energy software market then rivalry will intensify e.g. by price competition or hardware suppliers locking their systems to alien software providers. Management note that PSI enjoys greater economic independence in acquiring software related contracts relative to its software competitors, which are now entangled in powerful hardware divisions. • A lack of qualified staff evoked from a current structural shortage of supply in the software labor sector would impede the seizure of the company's opportunities. PSI mitigates the risk by investing heavily in the training of its employees and collaborating with universities. Part of the routine software development has been moved to Eastern Europe and the technology platform enables an efficient knowledge transfer and standardization. These moves set free valuable engineering capacity.

Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2017

3 Valuation

In order to value PSI, we have used a traditional DCF model, which derives a 12-months target price for the stock of €13.65. Compared to current market level, this corresponds to an upside of 11%.

DCF model

Discounted Cash Flow Model (Basis 12/2016)

in EURm	2015	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	183,68	180,93	193,59	209,08	215,35	221,60	227,14	232,68
(y-o-y change)	4,7%	-1,5%	7,0%	8,0%	3,0%	2,9%	2,5%	2,4%
EBIT	11,11	10,86	14,13	16,31	18,95	15,73	15,90	14,66
(EBIT margin)	6,0%	6,0%	7,3%	7,8%	8,8%	7,1%	7,0%	6,3%
NOPLAT	8,78	8,58	10,60	12,56	14,40	19,19	18,76	17,44
+ Depreciation	4,29	4,22	4,52	4,88	5,02	5,17	5,30	5,43
= Net operating cash flow	13,07	12,80	15,12	17,44	19,43	24,37	24,06	22,87
- Total investments (Capex and WC)	2,68	-7,79	-4,52	-10,59	-2,86	-6,05	-5,46	-6,09
Capital expenditure	-1,47	-0,37	-4,48	-5,04	-4,85	-4,90	-5,60	-5,83
Working capital	4,15	-7,43	-0,04	-5,54	2,00	-1,15	0,15	-0,26
= Free cash flow (FCF)	15,75	5,00	10,59	6,85	16,57	18,32	18,60	16,78
PV of FCFs	0,00	5,08	10,00	6,01	13,49	13,86	13,08	10,96

PV of FCFs in explicit period	72,47
PV of FCFs in terminal period	101,27
Enterprise value (EV)	173,74
+ Net cash / - net debt	24,73
+ Investments / - Minorities	0,00
Shareholder value	198,47
Number of shares outstanding (m)	15,65
WACC	7,6%
Equity costs	9,0%
Debt costs before tax	8,0%
Tax rate	30,0%
Debt costs after tax	5,6%
Equity ratio	60,0%
Debt ratio	40,0%
Fair value per share in € (today)	12,68
Fair value per share in € (in 12 months)	13,65

Sensitivity analysis		Terminal EBIT margin						
		3,3%	4,3%	5,3%	6,3%	7,3%	8,3%	9,3%
WACC	4,6%	14,96	17,35	19,74	22,13	24,52	26,91	29,31
	5,6%	12,79	14,56	16,34	18,11	19,89	21,66	23,44
	6,6%	11,35	12,73	14,11	15,49	16,88	18,26	19,64
	7,6%	10,31	11,43	12,54	13,65	14,76	15,88	16,99
	8,6%	9,53	10,44	11,36	12,28	13,19	14,11	15,03
	9,6%	8,91	9,68	10,44	11,21	11,98	12,75	13,52

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4 Quarterly results and quarterly/annual estimates 2016e

4.1 Quarterly results: Q3/16

Revenues

In Q3/16, PSI generated total sales of €41.90m, (vs Q3/16: €45.48m) which were 7.9% lower than last year. None of the other revenue divisions were able to record growth: Energy Management went down to €48.28m by 4.9% (vs. 9m/16 €49.1m), ProductionManagement went down to €63.04m by 3.5% (vs. 9m/16€ 65.6m) and Infrastructure Management went down to €16.5m by 7.6% (vs. 9m/16 €21.92m).

However, the increase in order backlog of 3% was lower than the drop of 10% of the order intake (from 149m to 134m) which suggests that sales will recover to growth during next quarters of the year, as well as EBIT inside the range of 15-18m which we expect around €16m.

Q3/16 vs. previous year

Q3/16 vs. Last year's level

in EURm	Q3/16	Q3/15	change y-o-y
Net sales	42.76	46.09	-7.2%
EBITDA	3.45	4.30	-19.8%
EBITDA margin	8.1%	9.3%	
EBIT	2.39	3.22	-25.9%
EBIT margin	5.6%	7.0%	
Net income	1.49	1.44	3.4%
Net margin	3.5%	3.1%	

Source: Dr. Kalliwoda Research GmbH © Copyright 2017

Sales and EBIT margins according to segments 9m/16 vs 9m/15

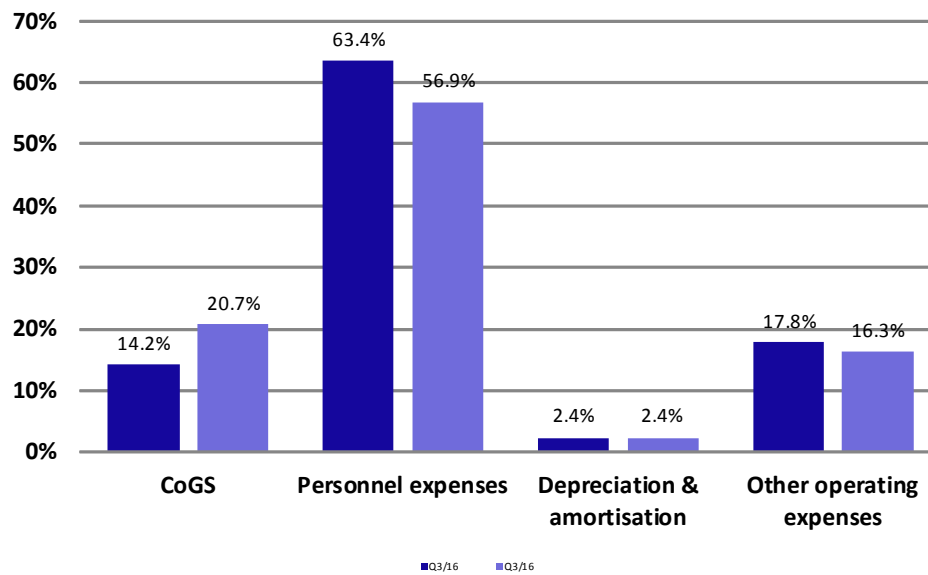
Sales and EBIT margins according to segments 9m/16 vs.9m/15

	9m/16	9m/15		9m/16	9m/15
Energy management			Infrastructure management		
Sales €m	48.30	49.10	Sales €m	16.50	21.90
Share in total sales	37.8%	35.9%	Share in total sales	12.9%	16.0%
EBIT margin	7.2%	7.1%	EBIT margin	-5.5%	0.0%
Production management			Group		
Sales €m	63.00	65.60	Total Sales	127.90	136.60
Share in total sales	49.3%	48.0%	change y-o-y	-6.4%	
EBIT margin	8.3%	6.9%			

Source: Dr. Kalliwoda Research GmbH © Copyright 2017

Profitability

Share in total sales Q3/16 vs. Q3/15



Source: Dr. Kalliwoda Research GmbH © Copyright 2017

In Q3/16, PSI generated an EBIT of €2.39m (vs. €3,2 in Q3/15), viewing the net income increasing by 3.4% (Q3/16 €1.49 vs. Q3/15 €1.44).

4.2 Estimates annual results: 2016e, 2017e and 2018e

For 2016e we estimate following Sales and EBIT margins per division of PSI AG:

Sales and EBIT margins according to segments 2016e vs.2015

	2016e	2015		2016e	2015
Energy management			Infrastructure management		
Sales €m	69,32	67,23	Sales €m	24,88	30,06
Share in total sales	38,3%	36,6%	Share in total sales	13,8%	16,4%
EBIT margin	7,7%	7,8%	EBIT margin	1,8%	2,8%
Production management			Group		
Sales €m	86,73	86,39	Total Sales	180,93	183,68
Share in total sales	47,9%	47,0%	change y-o-y	-1,5%	
EBIT margin	7,0%	7,2%			

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Changes to our forecasts 2016e – 2018e

Our forecasts 2016E - 2018E

in EURm	2016E		2017E		2018E	
	new	old	new	old	new	old
Net sales	180.93	195.62	193.59	209.31	209.08	226.06
EBITDA	15.08	17.87	18.65	20.16	21.19	22.91
EBITDA margin	8.3%	9.1%	9.6%	9.6%	10.1%	10.1%
EBIT	10.86	13.30	14.13	15.28	16.31	17.63
EBIT margin	6.0%	6.8%	7.3%	7.3%	7.8%	7.8%
Net income	6.89	8.42	9.20	10.06	11.04	12.06
Net margin	3.8%	4.3%	4.8%	4.8%	5.3%	5.3%

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5 New businesses, exposure and outlook

5.1. PSI Automotive & Industry

In addition to the successful pilot phase which PSI Automotive & Industry was awarded with an important follow-up contract from the World's largest railway vehicle producer: China Railway Rolling Stock Corporation Limited (CRRC Group). The subsidiary PSI Mines & Roads GmbH received the overall acceptance for the process control of PSImining by a subsidiary of the Shenhua Group Corporation Limited. The Shenhua Group is the largest coal producer in China with annual production of more than 440 million tonnes. In a comprehensive software project, the Level 3 control system from PSImining has been adapted and expanded for the integration of 31 subordinate automation and safety systems in a single control system. The objectives will be to unify the data model for the entire mining process, to provide comprehensive monitoring and guidance through the combination of data from different automation systems and the creation of a single user interface for all four mines in the Daliuta region (China, Inner Mongolia). The mines operated by PSImining produce 100 million tonnes of coal per year, mainly for power stations in an extension area of more than 600 square kilometers.

On the first view, PSI AG will increase its China exposure through the new business. But PSI AG is globally diversified and active in several industries and application areas. Additionally the company delivers software applications, which main functions are to increase and ensure efficiency and to support cost cutting – especially important during down cycles. PSI AG may also benefit indirectly from CRRC's international expansion through additional business opportunities. CRRC Group already made some acquisitions to get specific know-how e.g. German engineering company Cideon Holding.

Like Cideon, PSI AG has sector specific know-how, in this case as a provider of software applications and has experience with roll-out of complex projects globally, in compliance with local regulatory requirements and technical standards. Two further examples will flesh out this.

5.1.1. New major contract with Altonaer-Technologie-Holding GmbH

In February 2017 the subsidiary of PSI – PSI Automotive & Industry GmbH, has been contracted by ATH Altonaer-Technologie-Holding GmbH, Hamburg, to implement the new version 9 of the ERP system PSIpenta for ATH and the Group companies KROENERT, ZAE-AntriebsSysteme and DRYTEC. The old system was replaced by PSIpenta including numerous other modules, manufacturing execution system (MES) components, a control centre, data warehousing/business intelligence and the project management extension module PSIprofessional.

Altonaer-Technologie-Holding chose the ERP system PSIpenta because of PSI's in-depth understanding of the typical production requirements of a systems manufacturer and serial producer.

In future, Altonaer-Technologie-Holding's production facilities will be optimally combined in a Multisite solution to allow the three companies to cooperate more effectively in business and logistics.

In our opinion, clients of PSI like PSIpenta version 9 due to the PSI Java-based framework. Within it is possible to configure and combine interfaces with the new and intuitive PSI Click Design and the new ERP system increases production process transparency and create shared value for affiliated companies.

Gaining this client is a further step towards profitability of PSI's Java Platform, because i.e. the manufacturer KROENERT GmbH & Co. KG has been for over 110 years the global leader in turnkey systems solutions for coating technology in the area of web materials such as paper, foils and films.

5.1.2. Important Contract: Deutsche Bahn Vehicle Maintenance

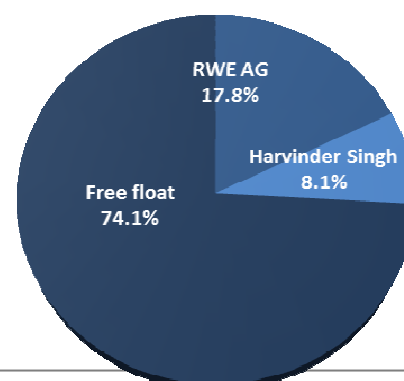
Another important new contract for PSI subsidiary PSI Automotive & Industry GmbH is DB Fahrzeuginstandhaltung (Vehicle Maintenance) GmbH, a subsidiary of the Deutsche Bahn AG. PSI's new client is a full-service provider with about 7,500 employees at 14 sites, and is responsible for a wide range of services in the heavy maintenance of rolling stock. PSI's task is the implementation of a manufacturing execution system (MES) for rail wheel refurbishment. First successful introduction is done in Paderborn maintenance plant and the MES will be rolled out at other sites. PSI's strengths are to consolidate the heterogeneous IT landscape in production and therefore result in an optimisation of the IT operating costs.

To have won the new client DB Fahrzeuginstandhaltung is a further proof, that PSI Automotive & Industry is a technological leader in the field of complex production and maintenance process in vehicle, rolling stock and the aerospace industry.

The above shown new clients substantiates PSI's good market position. In the long run PSI's competitive advantages and entry barriers will depend on its dominant market position, specialized workforce, and ability to innovate and to react flexibly given its size and software focus. We believe that the company is well-positioned to benefit from growth opportunities and reach its goals. An increase in operating margins to 10-12% would justify the longer term expectations on target price. Even though if the transition of the company to break deeply into software business is not fully achieved as well as the possibility of a rise in further upheavals in the energy markets could occur in average cuts of 15-20% for EPS in following years.

6 Shareholder Structure

Source: Company data, Dr. Kalliwoda Research GmbH © Copyright 2017



7 Profit and Loss Statements

Profit and loss statement - PSI AG						
in EURm	Fiscal year					
	2014	2015	2016E	2017E	2018E	2019E
Sales split						
<i>Energy management</i>	64,15	67,23	69,32	69,35	75,56	77,59
<i>Production management</i>	79,61	86,39	86,73	90,74	97,57	101,19
<i>Infrastructure management</i>	31,64	30,06	24,88	33,50	35,95	36,58
Net sales	175,39	183,68	180,93	193,59	209,08	215,35
<i>Change in inventories</i>	0,00	0,00	0,00	0,00	0,00	0,00
Total Output	175,39	183,68	180,93	193,59	209,08	215,35
<i>Cost of goods sold</i>	-33,10	-31,60	-30,03	-33,02	-31,26	-32,74
Gross profit	142,29	152,09	150,89	160,57	177,81	182,61
<i>Other operating income</i>	8,42	5,49	5,43	3,87	4,18	4,31
<i>Personnel costs</i>	-103,60	-106,82	-99,59	-106,18	-112,44	-119,42
<i>Depreciation & Amortization</i>	-3,88	-4,29	-4,22	-4,52	-4,88	-5,02
<i>Other operating expenses</i>	-36,05	-35,36	-41,66	-39,61	-48,37	-43,52
EBIT	7,17	11,11	10,86	14,13	16,31	18,95
<i>Net financial results</i>	-1,50	-1,67	-1,67	-1,87	-1,97	-2,07
EBT	5,66	9,44	9,18	12,26	14,34	16,88
<i>Income taxes</i>	-1,57	-1,98	-1,93	-3,07	-3,30	-4,05
<i>Minority interests</i>	0,00	0,00	0,00	0,00	0,00	0,00
Net income / loss	4,10	7,46	7,26	9,20	11,04	12,83
<i>EPS</i>	0,26	0,48	0,46	0,59	0,71	0,82
<i>DPS</i>	0,30	0,30	0,23	0,29	0,35	0,41
Change y-o-y						
<i>Net sales</i>	-0,54%	4,73%	-1,50%	7,00%	8,00%	3,00%
<i>Total Output</i>	-0,54%	4,73%	-1,50%	7,00%	8,00%	3,00%
<i>Cost of goods sold</i>	-4,84%	-4,55%	-4,94%	9,95%	-5,33%	4,73%
<i>Gross profit</i>	0,52%	6,89%	-0,78%	6,41%	10,74%	2,70%
<i>Other operating income</i>	44,01%	-34,77%	-1,13%	-28,67%	8,00%	3,00%
<i>Personnel costs</i>	-0,61%	3,10%	-6,77%	6,62%	5,90%	6,21%
<i>Depreciation & Amortization</i>	1,62%	10,41%	-1,50%	7,00%	8,00%	3,00%
<i>Other operating expenses</i>	2,53%	-1,90%	17,81%	-4,91%	22,11%	-10,03%
<i>EBIT</i>	71,94%	54,98%	-2,28%	30,18%	15,40%	16,21%
<i>Net financial results</i>	36,85%	11,10%	0,00%	11,97%	5,34%	5,07%
<i>EBT</i>	84,50%	66,63%	-2,69%	33,50%	16,93%	17,74%
<i>Income taxes</i>	-42,02%	26,45%	-2,54%	58,93%	7,58%	22,85%
<i>Minority interests</i>	n.a	n.a	n.a	n.a	n.a	n.a
<i>Net income / loss</i>	1004,85%	81,97%	-2,72%	26,74%	20,05%	16,21%
<i>EPS</i>	1004,85%	81,97%	-2,72%	26,74%	20,05%	16,21%
<i>DPS</i>	n.a	0,00%	-22,73%	26,74%	20,05%	16,21%
Share in total sales						
<i>Net sales</i>	100,00 %	100,00 %	100,00 %	-566,67%	14,33%	-62,50%
<i>Total Output</i>	100,00 %	100,00 %	100,00 %	100,00 %	100,00 %	100,00 %
<i>Cost of goods sold</i>	-18,87 %	-17,20 %	-16,60 %	-17,06 %	-14,95 %	-15,20 %
<i>Gross profit</i>	81,13 %	82,80 %	83,40 %	82,94 %	85,05 %	84,80 %
<i>Other operating income</i>	4,80 %	2,99 %	3,00 %	2,00 %	2,00 %	2,00 %
<i>Personnel costs</i>	-59,07 %	-58,15 %	-55,04 %	-54,85 %	-53,78 %	-55,46 %
<i>Depreciation & Amortization</i>	-2,21 %	-2,33 %	-2,33 %	-2,33 %	-2,33 %	-2,33 %
<i>Other operating expenses</i>	-20,55 %	-19,25 %	-23,02 %	-20,46 %	-23,13 %	-20,21 %
<i>EBIT</i>	4,09 %	6,05 %	6,00 %	7,30 %	7,80 %	8,80 %
<i>Net financial results</i>	-0,86 %	-0,91 %	-0,92 %	-0,97 %	-0,94 %	-0,96 %
<i>EBT</i>	3,23 %	5,14 %	5,08 %	6,33 %	6,86 %	7,84 %
<i>Income taxes</i>	-0,89 %	-1,08 %	-1,07 %	-1,58 %	-1,58 %	-1,88 %
<i>Net income / loss</i>	2,34 %	4,06 %	4,01 %	4,75 %	5,28 %	5,96 %

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8 Balance Sheets

Balance sheet - PSI AG						
in EURm	Fiscal year					
	2014	2015	2016E	2017E	2018E	2019E
Assets						
Cash and cash equivalents	29,31	38,83	41,34	46,79	52,47	65,32
Inventories	3,47	4,18	3,98	4,37	4,14	4,34
Trade accounts and notes receivables	33,71	36,17	35,13	37,06	39,45	40,05
Receivables from long-term manufacturing	39,87	36,37	39,62	42,20	45,37	46,52
Other current assets	5,66	5,19	6,69	5,81	6,27	6,46
Current assets	112,02	120,74	126,76	136,23	147,70	162,68
Property, plant and equipment	12,95	12,21	11,61	11,11	10,71	10,31
Other intangibles assets	10,50	9,86	6,60	7,07	7,63	7,86
Goodwill	51,00	49,56	49,56	49,56	49,56	49,56
Shares in associated companies	0,15	0,15	0,15	0,16	0,17	0,17
Deferred tax assets	5,66	7,00	5,83	6,62	7,29	7,27
Non-current assets	80,26	78,78	73,76	74,52	75,36	75,18
Total assets	192,27	199,52	200,52	210,75	223,06	237,86
Liabilities						
Trade payables	15,11	14,93	13,38	14,53	13,59	14,05
Other liabilities	29,49	30,22	28,28	29,12	27,89	30,56
Liabilities from long-term manufacturing	26,01	28,82	28,39	30,37	32,80	33,79
Financial liabilities	5,08	3,37	3,27	3,17	3,07	2,97
Provisions	0,00	0,00	0,00	0,00	0,00	0,00
Current liabilities	75,70	77,34	73,33	77,20	77,35	81,37
Long-term bank debt	0,19	0,08	0,03	0,00	0,00	0,00
Pension provisions	47,08	46,98	49,89	53,39	57,66	59,39
Deferred tax liabilities	1,02	1,96	1,93	2,07	2,23	2,30
Long-term liabilities	48,28	49,03	51,86	55,46	59,89	61,69
Total liabilities	123,98	126,37	125,19	132,66	137,25	143,06
Shareholders equity	68,29	73,15	75,33	78,09	85,82	94,80
Minority interests	0,00	0,00	0,00	0,00	0,00	0,00
Total equity and liabilities	192,27	199,52	200,52	210,75	223,06	237,86

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9 Cash Flow Statements

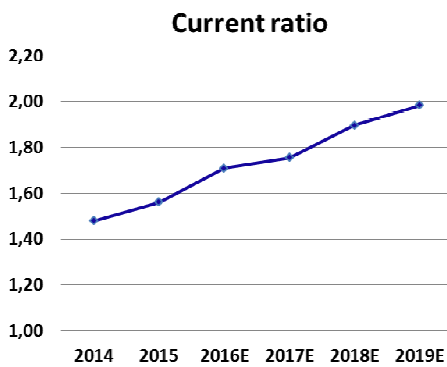
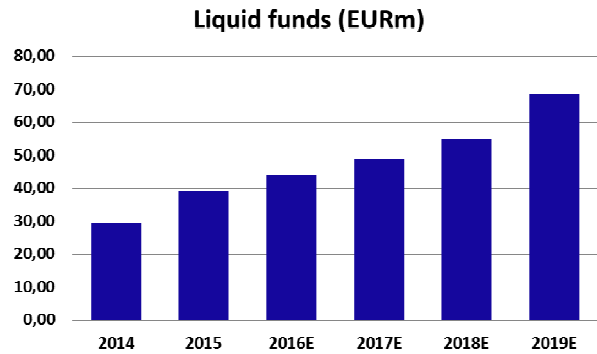
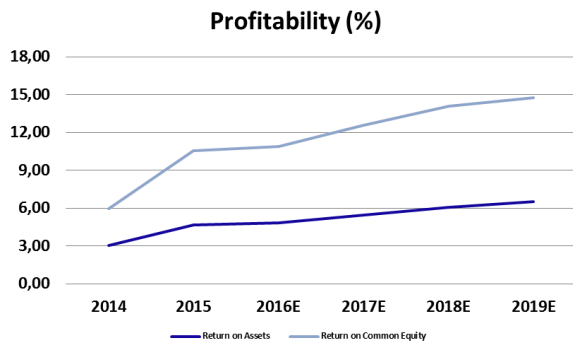
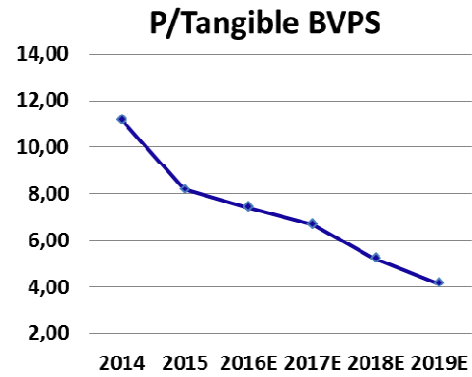
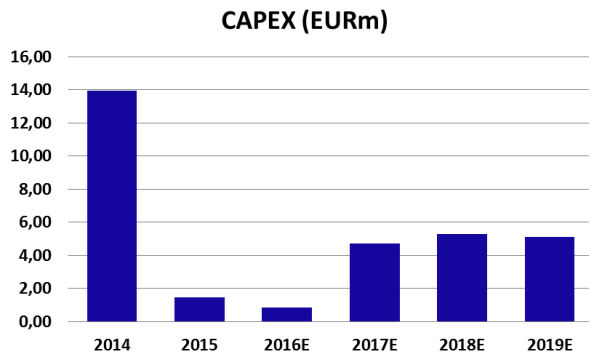
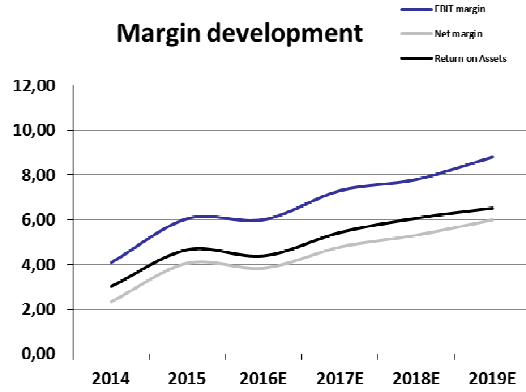
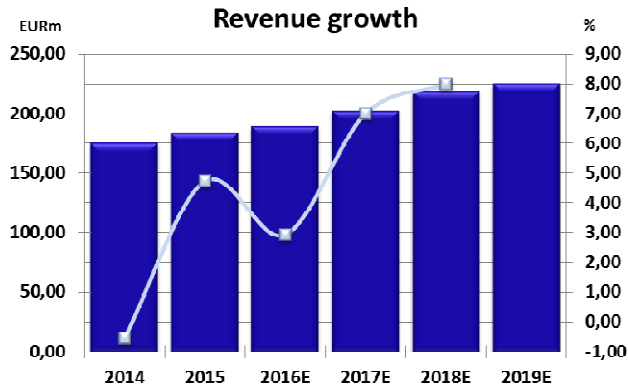
Cash flow statement - PSI AG						
in EURm	Fiscal year					
	2014	2015	2016E	2017E	2018E	2019E
Net income / loss	4,10	7,46	7,26	9,20	11,04	12,83
Depreciation & Amortization	3,88	4,29	4,22	4,52	4,88	5,02
Change of working capital	13,67	4,15	-7,43	-0,04	-5,54	2,00
Others	-1,04	-0,40	1,14	-0,65	-0,50	0,08
Net operating cash flow	20,61	15,50	5,19	13,02	9,88	19,93
Cash flow from investment	-13,96	-1,47	-0,37	-4,48	-5,04	-4,85
Free cash flow	6,65	14,03	4,82	8,54	4,83	15,08
Cash flow from financing	0,86	-4,51	-2,31	-3,09	0,85	-2,22
Change of cash	7,51	9,52	2,51	5,45	5,68	12,85
Cash at the beginning of the period	21,80	29,31	38,83	41,34	46,79	52,47
Cash at the end of the period	29,31	38,83	41,34	46,79	52,47	65,32

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10 Financial Ratios

Fiscal year	2014	2015E	2016E	2017E	2018E	2019E	2020E
Gross margin	81,13%	82,80%	83,40%	82,94%	85,05%	84,80%	85,26%
EBITDA margin	6,30%	8,38%	8,33%	9,63%	10,13%	11,13%	9,43%
EBIT margin	4,09%	6,05%	6,00%	7,30%	7,80%	8,80%	7,10%
Net margin	2,34%	4,06%	4,01%	4,75%	5,28%	5,96%	7,49%
Return on equity (ROE)	5,98%	10,55%	9,77%	11,99%	13,47%	14,21%	16,51%
Return on assets (ROA)	3,03%	4,66%	4,46%	5,38%	6,00%	6,47%	7,65%
Return on capital employed (ROCE)	4,45%	7,19%	6,74%	7,94%	8,62%	9,20%	11,30%
Net debt (in EURm)	23,04	11,61	11,86	9,77	8,26	-2,96	-13,45
Net gearing	33,73%	15,87%	15,75%	12,51%	9,63%	-3,12%	-12,64%
Equity ratio	35,52%	36,66%	37,57%	37,05%	38,47%	39,85%	42,25%
Current ratio	1,48	1,56	1,73	1,76	1,91	2,00	2,15
Quick ratio	0,91	1,04	1,13	1,16	1,27	1,37	1,52
Net interest cover	4,77	6,65	6,50	7,55	8,27	9,15	7,42
Net debt/EBITDA	2,08	0,75	0,79	0,52	0,39	-0,12	-0,64
Tangible BVPS	1,11	1,51	1,65	1,82	2,32	2,89	3,63
Capex/Sales	-7,96%	-0,80%	-0,20%	-2,31%	-2,41%	-2,25%	-2,21%
Working capital/Sales	6,89%	4,32%	8,50%	7,96%	10,02%	8,80%	9,07%
EV/Sales	0,84	0,80	0,81	0,76	0,71	0,68	0,67
EV/EBITDA	13,34	9,58	9,78	7,90	6,96	6,15	7,05
EV/EBIT	20,57	13,27	13,58	10,43	9,04	7,78	9,37
P/Tangible BVPS	9,95	7,30	6,68	6,03	4,75	3,81	3,03
P/E	42,00	23,08	23,73	18,72	15,59	13,42	10,37
P/FCF	25,90	12,28	35,74	20,17	35,64	11,42	11,13

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