ترقی کے بمقصد مشرق کی جانب

Nach Osten wachsen!

向东发展

東へ発展

GROW EAST!

Annual Report 2005

На Восток!

Berkembang
ke arah Timur

Alla conquista dell'est

Extensión hacia el Este

NA WSCHÓD

Grandir à l'est

النمو شرقا

PSI

TILLVÄXT I ÖST

The PSI Group develops and integrates as a leading supplier software solutions for utilities and industrial enterprises. PSI was founded in 1969 and is one of Germany's most experienced information technology companies.

PSI had revenue of € 116.5 million in fiscal year 2005, of which 14% was generated through our international activities – a share which we aim to increase substantially in the next years. The Group has ten offices in Germany and offices in Shanghai, Bejing, Poland, the United Kingdom, Austria and Switzerland.

PSI has been listed on the stock exchange since 1998 and is listed in the Prime Standard of the German Stock Exchange.

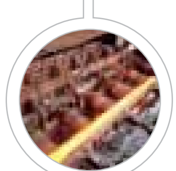
THE PSI GROUP IN FIGURES in € millions

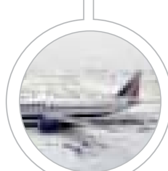
	US-GAAP		IFRS		
	2001	2002	2003	2004	2005
Sales revenues	164.9	150.7	137.6	115.2	116.5
Operating result	–2.2	–12.4	–1.0	–9.1	0.2
Earnings before tax	–1.5	–19.0	–4.0	–12.3	–1.3
Net Group result	–5.1	–14.8	–4.8	–12.3	0.02
Shareholders' equity	65.6	51.0	39.4	24.6	28.5
Equity ratio (in %)	42.9	37.1	32.9	25.5	32.4
Investments	11.8	7.7	5.6	4.8	1.6
Research & Development expenditure	10.3	11.5	8.8	10.8	10.8
New orders	158	136	119	126	115
Employees at Dec 31 (number)	1,405	1,294	1,193	1,106	1,058
Research & Development ratio (in %)	6.3	7.6	6.4	9.4	9.3

Dear Shareholders

Undeterred by the events of 2004, PSI Group kicked off into 2005 with great enthusiasm and a strong commitment to investing in innovations. In line with our strategy, we built on the sound market positions of our core business, strengthening them and securing growth. At the same time, we shed or reduced our holdings in weaker activities. Network Management for energy supply companies has returned to profitability, and the surge of new orders we received following the adoption of the new Energy Industry Act will ensure that this segment continues to grow in Germany, Europe and Asia. Production Management reported a moderate profit, despite substantial research & development investment for production control systems, serial manufacturing and a modern Java/C++ platform. This segment displayed particularly strong growth from our domestic market into eastern markets. Our beleaguered Information Management segment, which predominantly supplies solutions for public authorities and service companies, was badly hit by the unexpected general election, forcing us to restructure more rapidly than planned and reduce the workforce to 70. By harnessing product cores from our strong segments, we succeeded in building a sound base for this segment. The business year under review was only marginally impacted by expiring research & development depreciation and the cost of one final relevant legal dispute. Overall, growth and profits generated in our core business compensated for the downturn in our other activities.

continued on page 02



CONTENTS

Dr. Harald Schrimpf (41) has been responsible for marketing, sales and technology for the PSI Board of Directors since July 2002.

Armin Stein (54) has been responsible for the finance, controllership and human resources functions for the PSI Board of Directors since January 1, 2001.

2005 was shaped by a multitude of factors, including the rapid pace of globalization, high prices for raw materials, the increasingly tough competition for market shares, and a good global economy. At this point in time, at the beginning of 2006, the domestic market is starting to display distinct signs of recovery after a long period of rock-bottom investment. Encouraging as this upswing may be, we do not intend to get carried away and lose sight of our goals. We intend to grasp this window of opportunity and make significant progress: As a supplier of software solutions that control networks and processes for energy suppliers and industrial enterprises we intend to dominate the domestic market and become strong in the eastern export markets. The past crisis and the prevailing pricing pressure exerted by offshore producers has taught us to focus on a small quantity of strong, interconnected topics, and not to be restrained by the borders of our own native market, but to have the confidence to go forth and expand into international markets. Our export activities are mainly focused on eastern markets. These rapidly growing markets with flourishing economies are investing heavily in upgrading utility supplies, heavy industry and logistics, but have comparatively few local technology suppliers with the skills to handle large-scale projects. In 2002, we defined the core business of our Group as supplying highly-scalable process control software, and this makes our products and services the ideal complement to those of the major global software enterprises and equipment suppliers. With this advantage, we are confident that we will be able to consolidate our alliances with German corporations and extend them to export markets.

The positive cash flow we posted in the past three years, which went largely unregarded, has been used to repay loans and build a liquidity basis of € 20 million. As in the prior year, internally developed software and internally acquired know-how will be reported as current expenses. Due to tax-loss carryforwards in our first years on the stock market, future earnings will incur only minimal taxes.

NETWORK MANAGEMENT

We develop intelligent software that controls and monitors complex networks for energy supplies, mobile phones and public transport systems.

Electricity, Gas, Oil

We are one of Europe's leading enterprises for electricity, gas and oil solutions:

- Control systems
- Operations and repair management solutions
- Planning, simulation and network utilization
- Energy sales and distribution
- Pipeline management systems
- Leakage detection and location

PRODUCTION MANAGEMENT

Software products and customized solutions for production planning, special production control tasks, and efficient logistics. This segment focuses on optimizing the utilization of resources, and enhancing quality and efficiency.

Metals and Process Industry

PSI is the German leader in production management systems for metal manufacturing and processing. We are a solution provider for the chemical and pharmaceutical industries:

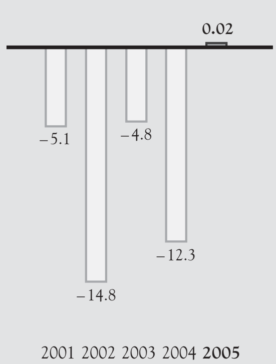
- Full range of specialized solutions for the metals industry, including process control, production planning and plant control systems
- Manufacturing execution systems and control systems for the chemicals and pharmaceuticals industries

INFORMATION MANAGEMENT

PSI supplies IT solutions for enhanced community and customer relations by providing secure, efficient support for the business processes of public authorities and service companies.

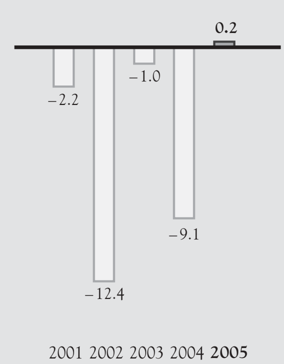
CONSOLIDATED ANNUAL RESULT

in € millions



OPERATIVE RESULT

in € millions



Telecommunications

We are a leading independent provider of products and services for:

- Network Management
- Identity and configuration management
- Fault and performance monitoring
- Service management

Transport and Traffic

We are one of the leading providers of control technology applications for traffic systems and transportation services:

- Operation control systems for passenger and freight traffic
- Passenger information systems
- Depot management systems
- Automatic train dispatch
- Electronic railway control centers
- Transport management and cargo logistics

Mechanical Engineering and Plant Construction

PSI is one of the top suppliers of production management systems for mechanical engineering and plant construction, particularly for multiple production and logistics structures:

- Production planning and control
- Enterprise resource planning
- Manufacturing execution systems

Automobile Manufacturers and Automotive Suppliers

PSI is a top supplier of production management systems for automobile manufacturers, automotive suppliers, manufacturers of superstructures and special vehicles:

- Production planning and control
- Supply chain management and logistics
- Process control systems for industrial production

Logistics / Airports

PSI is a leading supplier of industrial logistics, distribution and airport logistics solutions:

- Warehouse management systems
- Solutions for managing logistics networks: Supply chain execution, supply chain event management and virtual distribution centers
- Passenger, baggage and cargo handling solutions for airports

Public Authorities

We supply eGovernment solutions for efficient management and control systems for public safety requirements:

- Online solutions for registration and information services, electronic filing systems
- Control systems for environmental protection and disaster prevention
- Control systems for security tasks

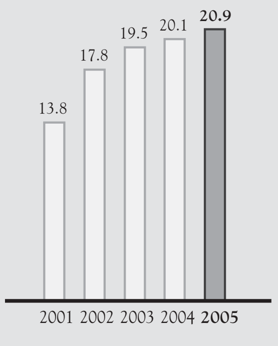
Service Companies

We provide a full range of solutions for service companies, including customer relationship management software, and control systems for IT networks:

- Professional services automation
- Customer relationship management
- Portal and agent technology
- IT control systems

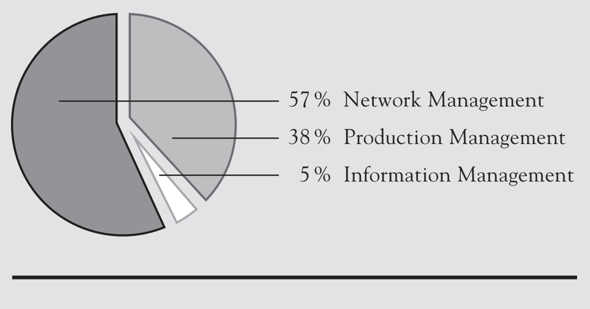
MAINTENANCE REVENUES

in € millions



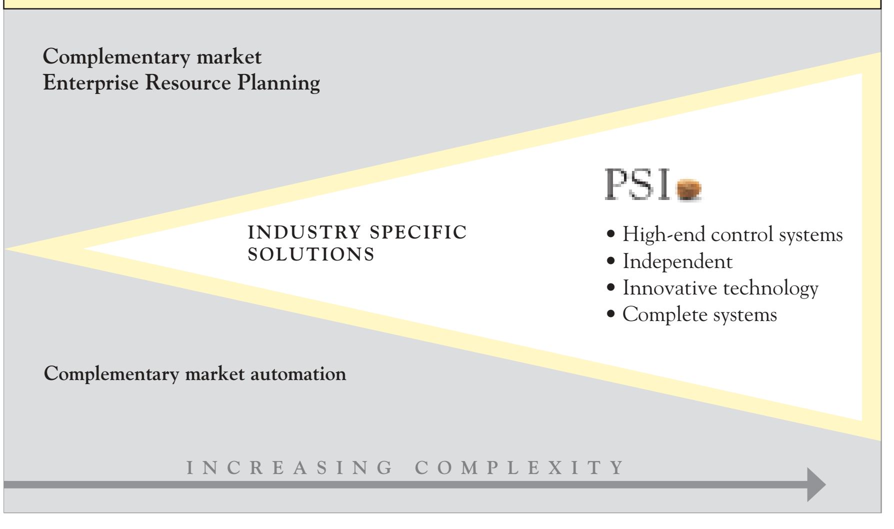
REVENUES IN SEGMENTS

in %



As from 2006, the positive impact of our core business and export strategy will become evident in our performance indicators. Rising operating profits, annual profits and earnings per share will drive our share price up. We intend to reward our shareholders for their continued confidence in us by increasing the value of the company from € 33 million to € 50 million during the course of last year. In our 36th year we remain a dependable, highly innovative enterprise driven by renewed economic vigor; we have the skills and the expertise to keep pace with our customers' increasingly global activities and we are prepared to support them in everything they do. We would like to thank our customers for their orders, continued confidence and cooperation throughout 2005. We offer our employees, and our engineers and international specialists in particular, appealing and challenging high-tech jobs in a sound growth enterprise. Our employees' creativity and their willingness to tackle change and international expansion is inspiring and we are very grateful for their commitment to the Group. Their dedication is a strong incentive to continue building up a powerful, even more efficient PSI.

HIGH END POSITION BETWEEN ERP AND AUTOMATION



Dr. Harald Schrimpf
Berlin, February 2006

Armin Stein

Christian Brunke (64) Chairman of the Supervisory Board

REPORT FROM THE SUPERVISORY BOARD

Dear PSI Shareholders,
Dear Friends and Partners of our Company,

Bringing the consolidation phase of PSI to a successful conclusion was our main concern in Fiscal 2005. Consequently, the Supervisory Board primarily concentrated on the Company's further strategic development. We were honored to perform for you, the shareholders, the duties and responsibilities to which we are bound by law, by our Articles of Incorporation, and by the German Corporate Governance Code. We continually monitored the work of the Board of Directors and supported it with our advice.

The Board of Directors and the Supervisory Board worked together closely to further streamline the PSI Group and drive forward the international expansion activities we initiated in 2004:

To simplify PSI's investment structure, the Group sold off its minority holdings in Schindler Technik AG and Varial Software AG. In Network Management the Group's activities in the field of energy trading and gas market systems were merged to enable the Group to better take advantage of the opportunities presented by the new European Energy Industry Policy. The Board of Directors and the Supervisory Board agreed to focus investment on new products, and in particular the development of the new control systems for environmental applications and IT service companies. Key activities the 100 % acquisition of the international sales subsidiary VA TECH CNI GmbH, the measures rolled out in the Information Management segment in the last quarter of 2005 and the market entry in China.

We are convinced that these measures introduced by the Board of Directors will lastingly improve customer satisfaction and guarantee long-term improvements in the performance of the PSI Group.

Throughout the business year under review, the cooperation between the Board of Directors and the Supervisory Board was characterized by an atmosphere of trust and respect. The Supervisory Board convened in eight regular sessions, two sessions of the Human Resources Committee, and three sessions of the Audit Committee.

As in previous years, the Board of Directors and the Supervisory Board monitored the Group's compliance with the provisions of the German Corporate Governance Code. During the annual audit, the auditors found no indication of noncompliance with any of the points in the Declaration of Conformity.

At the election of the Supervisory Board at the General Shareholders' Meeting on May 19, 2005, Christian Brunke, Wolfgang Dedner, Karsten Trippel and Prof. Dr. Rolf Windmöller were elected to the Supervisory Board as investor representatives. In the subsequent constitutive meeting of the Supervisory Board, Christian Brunke was re-elected Chairman of the Supervisory Board. Klaus Linke, a member of the Board since 2002, did not stand for re-election. We are very grateful to Mr. Linke for his commitment and efforts on behalf of the PSI Group.

The accounting firm Ernst & Young AG was appointed annual auditor by the General Shareholders' Meeting on May 19, 2005. At the request of the Supervisory Board, it audited the Annual Financial Statements, the Consolidated Financial Statements, and the Management Report for the period from January 1 through December 31, 2005, and gave an unqualified audit certificate. The Supervisory Board audited the Annual Financial Statements, the Consolidated Financial Statements, and the Management Report and approved them after discussing them with the auditors and the Board of Directors at the Supervisory Board meeting on February 27, 2006. The Annual Financial Statements and the Consolidated Financial Statements were thereupon adopted.

In 2005, PSI Group succeeded in accomplishing turn-around. Against a backdrop of tough market conditions, this superb achievement by the Board of Directors, the management and employees of PSI deserves special acclaim. Despite the difficult economy, we won a number of important strategic orders, thus creating an excellent starting position for PSI in 2006 and the years to come. The Supervisory Board would like to thank everyone involved for their enormous commitment and hard work.

We would like to thank our customers for their continued faith in 2005. We will continue to focus all our efforts on gaining new customers and ensuring that customer expectations are surpassed.

Christian Brunke
Chairman of the Supervisory Board

Berlin, March 2006

CORPORATE GOVERNANCE

Corporate Governance stands for clear corporate leadership and control based on responsibility, creating long-term growth and value. Effective cooperation between the Board of Directors and the Supervisory Board, clear rules, safeguarding shareholder interests, and openness and transparency in all corporate communications are key factors of good Corporate Governance principles.

Value-driven management builds confidence and trust. For PSI good Corporate Governance is an important tool for securing the future. Corporate leadership and control that is based on increasing the value of the company nurtures the confidence and trust of our shareholders, business partners and employees and secures them for the future. PSI is wholeheartedly committed to the principles of the German Corporate Governance Code in its latest version dated June 2, 2005, and has implemented most of the recommendations voiced in it. PSI complies with most of the principles of the Code.

Good cooperation between the Board of Directors and the Supervisory Board. PSI's Board of Directors consists of only two members, making it exceptionally efficient. The Supervisory Board is comprised of two employees' representatives and four independent shareholder representatives who are outstandingly committed to applying their expertise to serve the interests of the company and its shareholders. This configuration means that cooperation between the Board of Directors and the Supervisory Board is highly effective, extending beyond that required by law. There were no business transaction between the Board of Directors and the Supervisory Board in the year under review.

Director's remuneration and shareholdings. In fiscal 2005 the Supervisory Board received remuneration amounting to € 127,000.00 The total amount comprises a basic fee and an attendance fee. The two Directors received total remuneration of € 369,000.00. As at December 31, 2005, the members of the PSI Board of Directors and Supervisory Board held the following shares in the company:

Board of Directors	
Dr. Harald Schrimpf	34,000
Armin Stein	6,000

Supervisory Board	
Christian Brunke	5,000
Wolfgang Dedner	25,300
Dirk Noß	56
Barbara Simon	7,890
Karsten Trippel	80,000
Prof. Dr. Rolf Windmöller	0

PSI Group does not at present have a share options scheme or a similar share-based incentive program. In 2005, seven share dealings by directors were reported and disclosed on the PSI website in the Directors' Dealings section.

We keep in touch with our shareholders. The provision of transparent information to the capital market is something that PSI takes very seriously. In addition to fulfilling all our legal reporting commitments, we provide regular reports about the company's development and about important events, in printed form, at our information events and on our website at www.psi.de/ir, where our declarations of conformity of the Corporate Governance Code can also be accessed. In 2005, the IR team responded to numerous enquiries from shareholders in telephone calls, letters and emails.

Transparent accounting and auditing. The auditors have agreed to inform the Supervisory Board immediately of any possible grounds for exclusion or bias that may arise during the audit. The same applies if the auditors reach conclusions or come across incidents during the course of the audit that are material to the work of the Supervisory Board. Should the auditors detect noncompliance with the Corporate Governance Code, they shall inform the Board of Directors and the Supervisory Board.

PSI has in place an effective Risk Management System which helps us to recognize opportunities and avoid risks. For more details, please see the section entitled "Risk Management" in the Consolidated Management Report (page 32).

Declaration of Conformity with the German Corporate Governance Code:
PSI Group conforms with the recommendations of the German Corporate Governance Code, version dated May 21, 2003, with the exceptions detailed in the declaration published on December 15, 2004. PSI AG conforms to the recommendations of the German Corporate Governance Code in the version dated June 2, 2005, with the following exceptions:

- The company has not appointed a spokesman or chairman of the Board of Directors. There is no need for either a spokesman or a chairman, since the Board consists of only two members.
- Compensation of the members of the Board of Directors is disclosed as a single amount.
- Members of the Supervisory Board are not compensated based on performance.
  Their remuneration comprises a basic fee and an attendance fee. It is disclosed as a single amount.

PSI SHARES

The Group's gratifying development has further reinforced shareholder confidence in PSI. Our consistent strategy, aimed at boosting shareholder value and increasing the value of the Group, has paid off, as our figures eloquently show. These successes, communicated to the capital markets by our Investor Relations team, resulted in a substantial increase in our share price and attracted the interest of many institutional investors. We are confident that our continued good performance will lead to a medium-term rise in share prices.

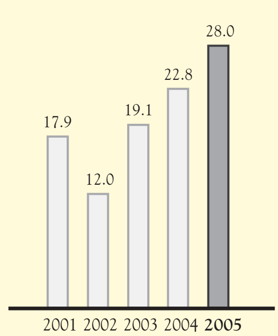
Share price outstrips the index. PSI shares outperformed all the relevant industry indices in fiscal 2005. Our share price started the year at € 3.00 and gained 30 % in January to € 3.90. After a sustained period of lateral development and increased investment activity by institutional investors, the share price went up to reach a year-high of € 4.88 at the beginning of October. Under the influence of poor overall market conditions, however, PSI shares dropped to finish the year at € 4.12. By mid-February 2006 the numerous recommendations had boosted our share price by 50 %, enabling it to transcend the general price trough to reach € 6.00.

In contrast to the previous year, PSI's share price outstripped and outperformed the relevant indices, the TexDAX and Technology All Share, for most of 2005. Despite this highly satisfactory increase in value we remain convinced that PSI shares still possess considerable potential, and we believe that this will unfold as the Group's performance continues to normalise, an assessment which is corroborated by comparisons with other listed software companies.

Intensive dialog with major investors generated a sharp increase in interest. Throughout 2005 the interest of institutional investors in PSI shares continued to grow. In February 2005 we carried out a further capital increase in order to fund the purchase of minority shares in PSI BT. The 1.1 million new shares issued were slightly oversubscribed and were purchased by major institutional investors in Germany and

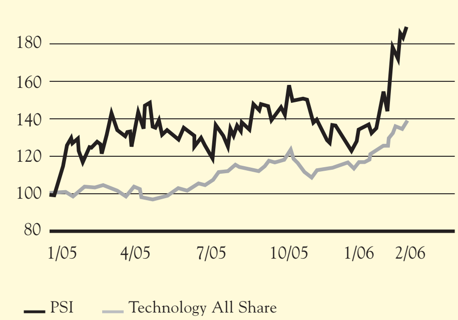
TOP TEN OF MAJOR INVESTORS HOLD EVERY FIFTH PSI SHARE
in %

Proportion of PSI shares held by the top ten institutional investors in PSI:



PSI SHARE PRICE BEATS INDEX IN 2005
in %, January 1= 100 %

January 1, 2005 – February 7, 2006



Switzerland. During 2005, the proportion of PSI equity held by the ten largest institutional investors increased from 22.8 % to 28 %. In 2002, by contrast, it was only 12 %.

These good results are the consequence of the close dialog with the capital markets we engaged in throughout 2005. As in the prior year, we held two analyst meetings and several investor roadshows in German and European financial centers. In addition, we regularly provided background information and answered questions posed by financial and economic journalists, including several interviews with the Börsenradio radio station and Bloomberg TV.

PSI financial communications receive a further award. In 2005, we again received an award for our open dialog with shareholders. The PSI Website received an award at the American iNOVA Awards and our annual report won the Silver Award in the Financial Data category at the World's Best Annual Reports competition.

Medium-term rise in share price expected. Following PSI's successful new positioning, our focus in this year will be to drive forward the Group's international expansion and to focus more stringently core strengths. We believe that this strategy will be rewarded by profitable growth and a further sustained increase in share price over the next few years. Over the next few years, we expect the positive developments in our business operations to continue and that these will be rewarded by the stock market, thereby bringing our company's valuation at least close to the Group's annual revenues. This would open up the prospect in 2006 of our inclusion among the 30 largest technology companies in Germany, based on market capitalization, and thus in the TecDAX.

KEY FIGURES FOR THE PSI SHARE
in € millions

	2004	2005
Earnings per Share	– 1.12	0
Market capitalization at December 31	33,038,610	49,905,024
Yearly high	6.30	4.88
Yearly low	2.10	2.96
Number of shares at December 31	11,012,870	12,112,870

Stock market listings:	Xetra, Frankfurt/Main, Berlin-Bremen, Stuttgart, Duesseldorf, Hamburg, Munich
Stock market segment:	Prime Standard
Indices:	Technology All Share, Prime All Share, Prime Software, Prime IG Software, CDAX
ISIN:	DE0006968225
German Securities Code:	696822
Exchange symbol	PSA2

TILLVÄXT I ÖST

النمو شرقا

BERKEMBANG
KE ARAH TIMUR

Alla conquista dell'est

Grandir à l'est

向东发展

NA WSCHÓD

Extensión hacia el Este

IM OSTEN WACHSTUM!

ترقی کے بمقصد مشرق کی جانب

GROW EAST!

На Восток!

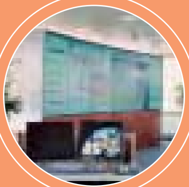
東へ発展

The world is growing and it is growing together. Processes in production, energy supply, telecommunications and logistics are becoming increasingly complex. Many of today's services require tightly integrated workflows that do not stop at national borders and which are capable of securely integrating multiple systems. And what's even more important: the efficient use of resources has become a key factor since the new, booming economies started fuelling their growth with vast amounts of raw materials and energy.

That is precisely where PSI solutions start. Our specialized applications help to take safety, quality, efficiency and the use of resources to a higher, more effective level than standard solutions. Our services are targeted precisely at the requirements of growing economies all over the world. **We are expanding into the markets of Asia and Eastern Europe.**

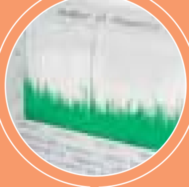
CONNECTING THE WORLD

Service Operations Center



The world communicates. We take the global availability of mobile voice and data communications for granted. PSI has been a powerful player in the dynamic telecommunications market for many years, providing strong solutions for network and service management.

In the past few years PSI has implemented several Network Management projects for Vodafone. In 2005 the new Service Operations Center was opened, uniting Fault Management and the Service Desk in a single location.

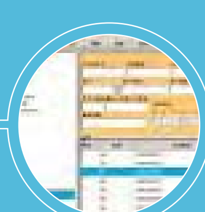


STEEL FOR CHINA'S EXPANSION

Decision to utilize PSI software

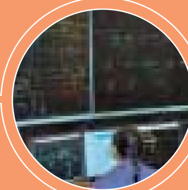
China's economy is booming. A powerful steel industry is essential for the growth and expansion of the country's infrastructure and capacity increases in other branches of industry. Following several consecutive years of unfettered growth, a more responsible attitude to energy consumption and raw materials is gradually taking hold.

Used in China:
Industry software PSImetals



The Taiyuan Iron and Steel Group China's largest steel producer, uses PSI Production and Logistics control systems in three of the group's facilities.

PSI control technology is profitably employed in Malaysia



The new capitals of the world are booming. To deal with explosive growth rates, major metropolises such as Kuala Lumpur need energy supplies that are entirely dependable. The nations of South-East Asia are investing heavily in expanding and modernizing their utility infrastructures.

PSI control technology is used to control power supplies to the city of Kuala Lumpur and the surrounding metro region. PSI's high-end control systems are ideal solutions for the present and future requirements of the world's booming economies.

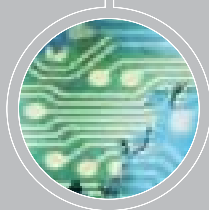
SAFE ENERGY IN NEW CENTERS

The world produces and consumes globally. The global division of labor has elevated efficient logistics processes to the position of key competitive advantage. The emerging economies of Eastern Europe are playing a key role in this development, and many transport hubs and modern warehouses are being built here.

PSI software controls logistics processes in Moscow

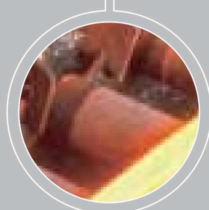
The largest Russian logistics company, National Logistic Company, uses state-of-the-art PSI warehouse management software to ensure that orders are turned around as rapidly as possible.

DEPENDABLE COMMODITY FLOWS



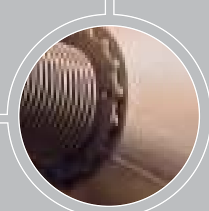
HIGH-END CONTROL SYSTEMS

Our control systems are designed to control large and major network infrastructures and complex production and logistics processes. Our highly-scalable systems use unique technologies to visualize and control our customers' business processes.



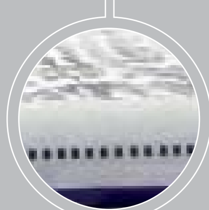
INDEPENDENT

PSI's innovative software products for utility and industrial companies are market leaders in many segments. We are not reliant on major equipment manufacturers, which enables us to offer our customers a high degree of technological autonomy and investment security when purchasing equipment.



DEEPLY INNOVATIVE

As industry experts, we foresee trends long before they break, and we develop solutions based on this first-hand insight. To accelerate the pace of innovation we merge the broad know-how of our corporate segments to create new products that are tested in cooperation with major pilot customers.



COMPLETE SYSTEMS

On the basis of our own proprietary products, we engineer and integrate advanced tailor-made solutions. Our customers benefit from future-safe systems developed by one strong supplier, systems which uniquely support and reinforce their individual value-added processes, thus ultimately enhancing their profitability.

GROW EAST!

The global economy displayed robust growth in 2005. As in previous years, the key drivers of global trade were the high-growth economies of Asia and Eastern Europe. The main boost was provided by investment in infrastructure and industrialization in these countries.

We are strengthening our core business in international markets. We have succeeded in further consolidating PSI's strong position in the market for network management and production control systems. In our domestic market, and in all the world's growth regions, we received major orders and reinforced our market presence. To do this we teamed up with a number of strong partners and set up subsidiaries in China and Poland. We aim to strengthen our core business through healthy growth in these regions as well as reducing our dependency on the development of the German economy.

Our products stand out on the international market… As a specialist for control systems which control and manage large infrastructures and industrial production processes we are in the best possible position to benefit from the dynamic growth of the emerging markets. Our products are highly exportable as they control physical and technical processes that are the same all over the world. Our modern software technology is based on PSI's 36 years of unique, specialized know-how in the core businesses processes of utility companies and industrial enterprises.

… and benefit our German customers. In order to strengthen our competitive position we have over the past years invested strongly in modernizing our products and developing new products for our main target markets. Our existing customers are the first to benefit from this dedication to progress, as our high-end control systems give them an unsurpassable advantage in today's highly competitive markets. As in the previous year, we underscored our commitment to development with the completion of several important pilot projects, including production and logistics control systems and the new generation of our gas management system.

Focusing on the core. To allow us to make full use of our potential, our Research & Development and export activities are focused on a select number of industries and issues. We continued to reduce our non-core activities in 2005 and sold off a number of minority holdings. Our aim is to forge a highly focused PSI that holds a dominant position in our domestic market and is strongly represented in growth markets. To achieve this goal we intend to cooperate closely with suppliers of complementary products and solutions. We have dependable, long-term and mutually beneficial alliances with major software enterprises and equipment manufacturers.

Our focus makes a mark on international markets. Thanks to this strategy our solutions are used all over the world. In Network Management our energy control systems are market leaders in Germany and are utilized in the neighboring European countries, as well as Scandinavia, Eastern Europe, the Middle East and South-East Asia. Our software is used in many different applications, for instance to monitor and control gas and oil pipelines in Russia, supply power for the Swedish railway system, and to control the mains network for the Malaysian city of Kuala Lumpur. The full acquisition of the international sales subsidiary VA TECH CNI will enable us to increase our international activities in the energy supply market, both directly and with new partners, as from 2006.

In the telecommunications market 100 million consumers worldwide use PSI software every time they make a mobile phone call or access the services of any of the major mobile communications companies. Our traffic operations systems are used to control public transport networks in several European cities. The new alliance with Höft & Wessel, signed at the beginning of 2006, will help us expand our activities throughout Europe.

We support international networks. Internationally distributed production and logistics facilities have become commonplace in today's global business world. Our production management solutions plan and control production across multiple international locations, thus helping enterprises to become truly global. In 2005, we expanded our international customer base and received major orders from Russia, Austria, Romania, China, and Switzerland. In the steel industry we have for several years utilized our international alliances with major equipment and plant manufacturers, with the result that our software is now used in most continents. In 2005, we set up a new subsidiary in China, meaning that our steel solutions are now directly represented in the world's most important growth market for steel.

In logistics our activities are based on alliances with equipment and plant manufacturers and cooperations with logistics service companies. In the past year we substantially expanded our share of the Russian market. A new version of our ERP solution PSIpenta, which is predominantly used in the automotive, mechanical engineering and plant construction industries, was developed specifically for the requirements of production companies with international activities. Additional industry-specific configurations for automotive, mechanical engineering and plant construction applications were also developed. The new version was very successfully launched in 2005.

PSI and SAP team up for the Chinese steel market. Our partnership with SAP, which we have been steadily intensifying since 2004, developed very satisfactorily over the past year. SAP and PSI are working together for the first time in the Chinese market on solutions for the Taiyuan Iron and Steel Group. In the spring of 2005, the Chinese company decided on an initial deployment of the PSImetals industry solution at three steel plants.

To enable us to exploit international opportunities to the full we will continue our strategy of focusing on core business and international expansion over the next years with a particular focus on the markets of Eastern Europe, the Middle East, China and South-East Asia. We will set up additional export partnerships in the next two years, thus strengthening our regional presence in the world's high-growth regions.

2005 AT A GLANCE

Network Management returns to profitability. Thanks to the excellent development in the energy segment, Network Management has returned to profitability.

Energy segment expands international activities. The complete takeover of the international sales subsidiary gives PSI a well established export organization for energy solutions.

Corporate structure streamlined. Our remaining minority holdings were shed at the end of the year. The Group now has a clear corporate structure based on fully owned subsidiaries.

Control system pilot projects completed. Initial pilot projects for our new production and environmental control systems were successfully completed and follow-on orders have been received.

First major order from China. We successfully penetrated the Chinese market and received our first major order from a Chinese steel company.

PSI logistics software for Russia. We received several orders from Russia for our Warehouse Management System.

Stronger presence in Poland. We are expanding in the Polish and Eastern European market with the aid of our subsidiary in Posen.

Oil and gas segment back on course for growth. Multiple orders for the new generation of control systems boosted our orders volume at the end of the year.

Energy market competences focused. The PSI segments for energy trading and gas market solutions have been merged in one business segment.

CONSOLIDATED MANAGEMENT REPORT

CONSOLIDATED MANAGEMENT REPORT

Summary

PSI achieved turn-around in 2005 and reported an operating profit for the first time in several years. This success was largely fuelled by the Group's stringent restructuring efforts in the past years and a strict focus on core business. The largest proportion of the Group's profit was generated by the Network Management segment, with operating results here rising by € 4.8 million. Consolidated revenues remained stable at € 116.5 million, which is approximately the same as the previous year. Incoming orders for the year were € 115 million, which is roughly on a par with annual revenues.

Throughout the year we continued to work hard to clear the way for the expansion of our international activities. We effected a full take-over of our international subsidiary VA TECH CNI GmbH; our Chinese subsidiary is successfully establishing itself on the Chinese steel market and has reported initial sales.

In the business year under review we implemented our new corporate and executive structure. The new structure is based largely on creating 100 % subsidiaries and it was designed to release synergies across the Group. The final stage of this strategy was the sale of our minority shareholdings in Schindler Technik AG and Varial Software AG.

In Network Management we received a major order from E.ON Netz at the end of 2004. This highly significant, market-defining project utilizes the new PSI technology for centralized management of large-scale power networks.

Our energy sales and distribution systems and gas market systems were merged in order to enable us to better take advantage of the opportunities presented by the new European Energy Industry Policy. The new structure and focus of our Information Management segment were further advanced.

The year under review also saw two key pilot projects brought to a successful conclusion: The commissioning of the State Flood Warning Center for Saxony and the first logistics process control center based fully on our energy process control systems. These projects prove just how effective and efficient the new PSI industrial process and disaster-control systems are.

Developments in the Business Environment and Industry

Continued growth in the European IT market and software segment

The recovery of the IT market in the European Union, comprising the segments hardware, office technology, data communication, software and IT services, continued unabated in 2005. Following prior year growth of 3.1 %, growth in 2005 was 3.7 %.

In Germany the growth rate almost doubled, rising from 1.8 % in the previous year to 3.3 % in the year under review. Software, which is PSI's native segment, grew by 4.5 % in Germany and 4.8 % in Europe, continuing – as in previous years – to outstrip the overall market.

Power industry and processing industries renew investment activities

The German economy displayed muted growth in 2005. After an increase of 1.6 % in the previous year, GDP growth dropped to 0.9 % in 2005. Investment in equipment, the category to which computer software and intellectual property rights belong, increased, as in the preceding year, by 1.8 %.

The introduction of the new Energy Industry Act on July 13 put an end to the debate that had been ongoing since 2003 about the further deregulation of the energy markets. The new policy provides a secure long-term framework which allows enterprises to securely plan and calculate investment in energy and gas networks. As a result, several network operators have announced their intention of investing in the near future.

As in the previous year, the processing industry reported a rise in production figures. As in previous years, the 2.6 % increase was largely driven by international orders; however, domestic demand for capital goods also played a role. The global steel market, for which PSI is one of the major suppliers of software, remained stable on a high level, with demand growing by 2.6 % in 2005. For 2006, growth is anticipated to be in the region of 5 % as a result of the burgeoning demand from populous countries such as India and China.

Business development

PSI's structure and strategy

The PSI Group's core business is developing IT process control systems. These control systems are tailor-made to match the requirements of specific industries:

- Network operators (energy, telecommunications, and transportation)
- Industry (steel industry, process industry, mechanical engineering and plant construction, automotive industry, logistics)
- Government agencies and service providers

In order to meet the needs of these industries, the Group is structured into three business segments: Network Management, Production Management, and Information Management.

As a supplier of high-end process control systems PSI has become a leading software producer for energy suppliers and steel producers in the German-speaking market. One of the Group's central aims is to exploit our leading position in the domestic market to drive international expansion and ultimately become one of the world's leading suppliers of process control systems. This strategy opens up new growth perspectives for our enterprise, and it will allow us to reduce our dependency on the German market. In 2005 we completed a number of important steps toward the implementation of this strategy by setting up further export partnerships and establishing subsidiaries in the high-growth markets of China and Poland.

Following the Group's restructure and refocus on our core business of process control systems, PSI will over the next few years be driving forward the tighter technical integration of our three business segments. This move will serve to achieve a sustained increase in revenues, led by the profits generated by our Network Management and Production Management segments in 2005. The inter-divisional workgroups set up in 2003 play an important role in enhancing harmonization across the entire group.

The PSI Group is controlled by a value-oriented management information system (see page 6 of this report for details of our Corporate Governance principles). One of the key control parameters in this system is the ratio of operating result to revenue; generating profitable growth will remain a central factor and target in our strategy for the coming years.

Profitability

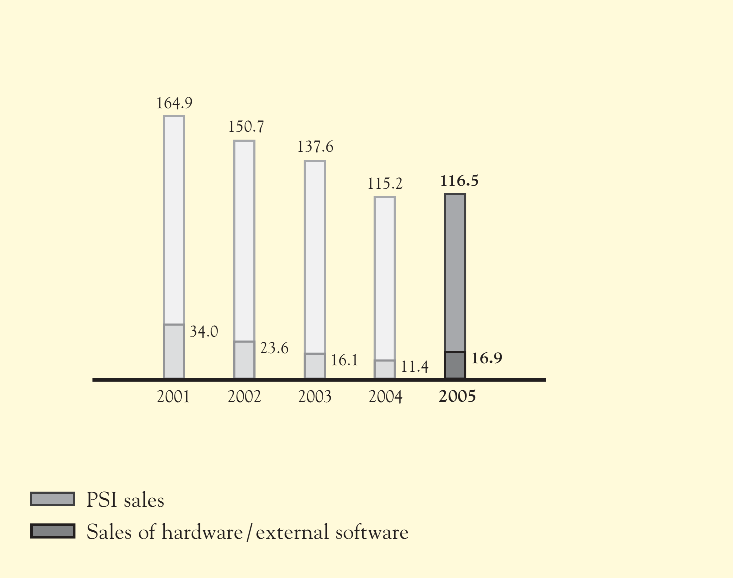
The Group reports operating profit

PSI's consolidated operating profit improved to € 0.2 million, after the € 9.1 million operating loss posted for the previous year. Consolidated turnover also increasing substantially from a loss of € 12.3 million to a profit of € 20,000. The good performance of the segments electricity, energy sales and distribution, steel industry, and logistics contributed strongly to this positive result.

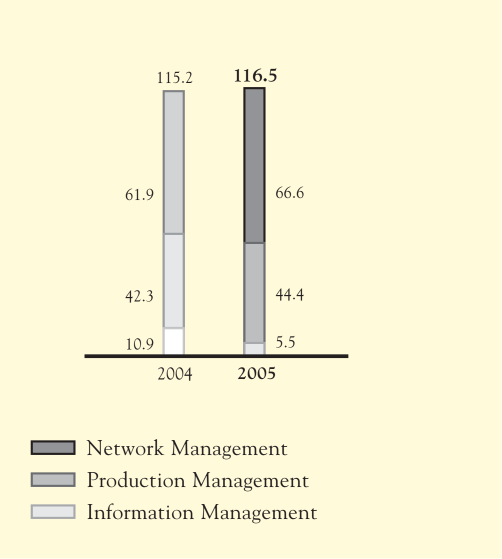
Cost structure improved again

The cost of purchased goods and services increased by € 2.3 million to € 24.8 million as a result of specific projects. The cost of purchased services was reduced by

PSI SALES ROSE SLIGHTLY
in € millions



SALES INCREASED IN CORE SEGMENTS
in € millions



€ 3.2 million due to improved internal capacity adjustments, while the cost of purchasing project-related hardware and licenses, mainly for major Network Management projects, went up by € 5.5 million. Personnel expenditure dropped by € 5.2 million to € 70.5 million due to a reduction on the number of employees.

Volume of incoming orders drops slightly

At € 115 million, the volume of incoming orders received by PSI in the business year under review was 9 % lower than in the previous year (€ 126 million). This is primarily the result of a marked reduction in orders received from government institutions. The year-end orders volume for 2005 was € 70 million, slightly less than the € 73 million reported at the end of the preceding year.

Earnings per employee

Consolidated revenues in 2005 were € 116.5 million, which was marginally above the previous year's figure of € 115.2 million. The sharp drop in sales in Information Management was compensated for by revenue increases from Network Management and Production Management. Earnings per employee went up from € 104,00 (2004) to € 110,000 as a result of the reduction in employees implemented last year.

The proportion of revenues generated by exports rose moderately from 13 % in 2004 to 14 % in the year under review. Maintenance revenues displayed encouraging growth, rising from 17 % in the previous year to 18 % in 2005.

As in previous years, PSI generated more than half the Group's revenues with Network Management products and services. The proportion of revenues contributed by this segment increased from 37 % to 38 %, while the share contributed by Information Management dropped from 9 % to 5 % due to a lower sales volume.

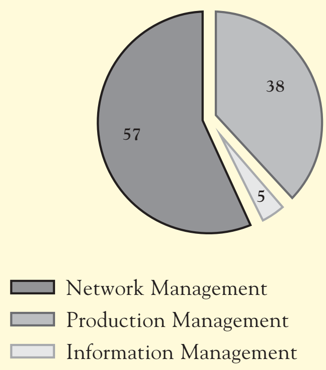
Network Management segment returns to profitability

Network Management revenues increased by 8 % to € 66.6 million. This segment encompasses the energy, telecommunications and traffic markets. The operating result rose to € 2.4 million, which is a substantial improvement on the loss of € 2.5 million reported in the prior year. This positive development is largely the result of the restructuring measures implemented in 2004 in the telecom and gas segments. The excellent development of electricity business and the successful completion of the first major pilot installation of the new gas management system contributed to this pleasing performance. The introduction of the new Energy Industry Act led to an increase in investment in IT support for network operations and new business processes. In the fourth quarter PSI reported a substantial increase of orders in this segment.

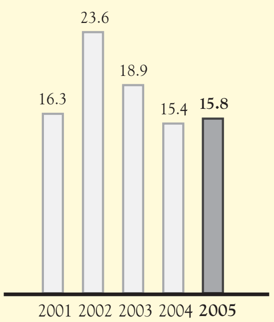
Production Management reports successful export business

After a hiatus of a few years, Production Management reported increased revenues for 2005, with a 5 % rise to € 44.4 million. In this segment PSI develops solutions for planning and controlling production and logistics processes. In contrast to the prior year this segment posted an operative profit of € 0.4 million in fiscal 2005. Logistics, which succeeded in penetrating the Russian steel market in 2005, displayed particularly satisfactory growth, as did steel, which achieved market entry in

SHARE OF NETWORK MANAGEMENT CONTINUES TO GROW
in %



FOREIGN SALES INCREASED
in € millions



Without foreign sales via domestic export partners

China with a first major order. PSIPENTA maintained a stable operating result in the year under review.

Information Management impacted by high special items
Information Management revenues declined again in 2005, dropping by 50% to €5.5 million. This segment concentrates on developing software solutions to support the business processes of government agencies and service providers. Information Management was particularly badly hit by muted investment spending by government authorities and sinking market prices, resulting in an operating loss of €3.0 million. This sum includes the cost of setting up the new environmental control systems and professional services automation activities, as well as expenditure associated with restructuring.

Financial position

The objective of PSI's liquidity planning is to secure adequate funding for the Group's operative business and investment spending. As part of our overall risk management strategy we use rolling monthly forecasting with a planning horizon of 12 months for all business segments and subsidiaries. This system enables us to minimize the amount of funds borrowed by the Group's affiliates.

Financing fuels growth
PSI's investment spending focuses on developing our product base and driving forward our international expansion. To as great an extent as possible, we intend to fund these activities from revenues generated by our operative business.

In the first quarter of 2005, PSI secured the Group's equity by carrying out a capital increase. This generated additional funds of €3.9 million which were used to acquire a 100% stake in the steel software subsidiary PSI BT.

At the General Shareholder's Meeting on May 19, 2005, the shareholders passed a resolution approving the issuance of €15.5 million of authorized capital.

To finance current operations, PSI has mixed guarantees and credit lines totaling €46.2 million. Utilization was almost entirely restricted to mixed guarantees and totaled €32.0 million at December 31.

Operative cash flow remains positive
Our operative cash flow dropped from €6.6 million to €2.8 million. The capital increase carried out in February improved our cash flow from financing activities from €-3.8 million to €1.4 million. The outflow of funds from investment activities increased to €-4.2 million; in the previous year, it reached €–0.9 million due to payments made for the minority shares in PSI BT acquired in 2004 and the retroactive purchase price for PSI Büsing & Buchwald. Overall, liquid assets remained on a par with the prior year at €18.9 million.

Assets

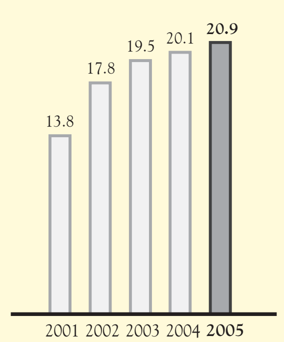
Asset structure: Intangible assets
In 2005, the PSI Group invested €1.6 million in intangible assets and fixed assets, after €4.8 million in the previous year. These investments were largely for intangible assets and fixed assets purchased by third parties. As in the prior year, internally developed software and internally acquired know-how were reported as current expenses.

In 2005, €0.6 million for capitalized software development costs from previous years were written down. The book value of goodwill remained virtually unchanged at €11.6 million.

Balance sheet structure: Equity ratio increased
PSI's total assets went down by 9% to €88.0 million in 2005. This is primarily due to the reduction of current liabilities

On the assets side, the proportion of current assets to total assets increased slightly from 68% to 69%. Cash and cash equivalents remained virtually unchanged, while accounts receivable from long-term production orders (uncompleted contracts) dropped from 32% to 31%, mainly due to the sale of two minority shareholdings.

MAINTENANCE REVENUE CONTINUES TO GROW
in € millions



On the liabilities side, current liabilities decreased from 48 % to 39 %. The amount of long-term liabilities went up from 27 % to 29 % due to an increase in pension reserves. The Group's equity ratio rose from 25 % to 32 %.

Summary of PSI's assets, financial position and earnings situation

Overall, PSI's assets, financial position and earning situation continued to improve throughout fiscal 2005. The Group's liquidity remained stable, with fewer employees, meaning that PSI's liquidity effectiveness was increased. PSI again reported a positive operative cash flow and succeeded in increasing the equity ratio to over 30 %. These performance indicators show that the Group has a sound financial base from which to achieve our expansion targets over the next few years.

Research & Development

The ability to deliver innovative products and maintain a strong technological lead are crucial competitive advantages in the software market. Developing new products takes priority at PSI.

The close cooperation with leading pilot customers in the domestic and international markets ensures that PSI products deliver customer-value from the very outset. In follow-on projects these products are continuously refined and developed to adapt them to requirements in our target markets. The resulting innovation – the product core – is then released for general distribution and export.

In order to accelerate our innovation cycles we started harnessing internal synergies in 2003. Our range of innovative solutions has expanded significantly since we began actively marketing the Group's product portfolio across all segments. Additionally, in the past two years the pace of technology transfer across the enterprise has been stepped up, leading to the creation of an array of new products which have been brought to market since 2004.

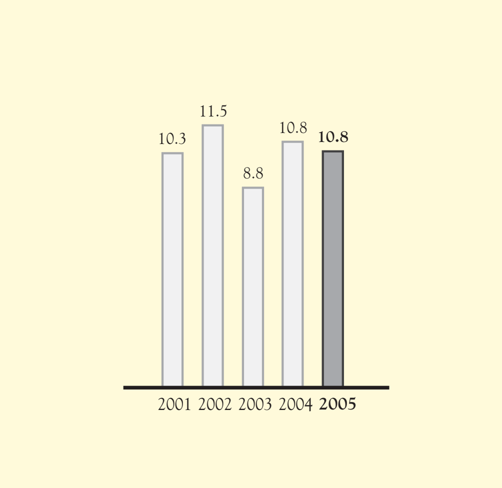
The most important measure of the success of our new products is their acceptance in the target markets. In 2005, we brought several important pilot projects to a successful conclusion, including our new production process control system, the new generation of our gas management system and the new environmental control systems. In all these projects we have received follow-on orders.

In 2005, the PSI Group received public funding to develop the European registry information service RISER and to cooperate on defining a standard for the industry-wide exchange of data in small and medium-sized mechanical engineering and plant construction enterprises. In total, the Group received € 0.38 million in funding, The Group's total R&D expenditure was € 10.8 million.

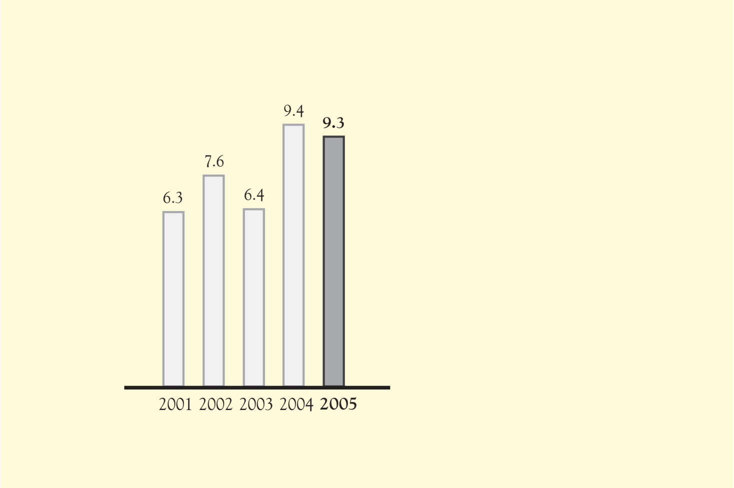
R&D highlights in 2005 included:

- The new production and logistics control systems
- Control systems for service providers in environmental control, disaster prevention and IT

R&D EXPENSES REMAIN HIGH
in € millions



SHARE OF R&D IN REVENUE
in %



- An alarm system for environmental and power control systems
- A product based on our PSIpenta technology for service companies
- The new generation of the production control system for the steel market, and
- The new version of PSIpenta.

Employees

For highly-specialized software companies like PSI employee qualifications and motivation are a crucial strategic and competitive advantage. What makes PSI stand out is the large proportion of academics amongst our workforce: around 85 % of our employees hold a university degree, predominantly in engineering.

In 2005, our internal qualifications and human resources development activities focused on employee training schemes in our new international subsidiaries and on providing staff with the qualifications needed to operate in our expanding international network. Our inter-company workgroups on technology, infrastructure, quality management, controlling and marketing were continued, thus allowing us to actively exploit the Group's synergy potential.

Approximately 6.5 % of shares in PSI Group were held by the employee shareholder pool in 2005. Furthermore, a considerable number of PSI shares are held by individual employees.

In 2005 we reduced the number of staff employed in certain segments of the Group in response to market conditions. Staff reductions were implemented in Information Management and the gas and telecommunications segments.

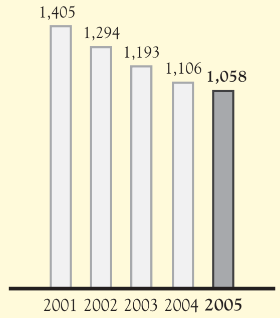
In total, the number of staff employed by the Group decreased by 48 to 1,058. Personnel expenditure dropped accordingly by € 5.2 million to € 70.5 million. At year-end PSI had 514 employees in the Network Management segment, 431 in Production Management, and 113 in Information Management.

Structure and Organization

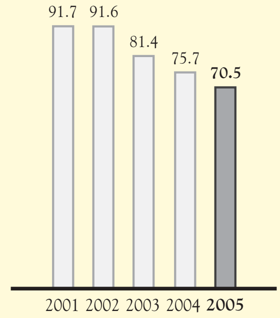
In 2005, we further streamlined PSI's structure. In Information Management and Production Management we sold off our minority holdings in Schindler Technik AG and Varial Software AG; In Network Management we acquired a 100 % stake in VA TECH CNI. In all segments, we have now implemented all phases of our new, simplified corporate and executive structure based on wholly-owned subsidiaries.

In Network Management energy sales and distribution systems and gas market systems were merged to enable us to better take advantage of the opportunities presented by the new European Energy Industry Policy by delivering a cross-segment array of solutions.

NUMBER OF EMPLOYEES REDUCED
in € millions



STAFF COSTS REDUCED AGAIN
in € millions



Special events during fiscal year 2005

In January 2005 we received the approval of the Chinese authorities to establish our Chinese subsidiary, PSI Information Technology (Shanghai) Co. Ltd. The company focuses on supplying PSI solutions to the Chinese steel industry.

On February 7, 2005, PSI effected an increase in capital from authorized capital. The cash inflow of € 3.9 million was used to finance the takeover of the minority interests in the steel software subsidiary PSI BT, which took place at the end of 2004.

Effective October 1, 2005, our energy sales and distribution systems segment (PSImerkur) was merged with Büsing & Buchwald GmbH, a wholly-owned PSI subsidiary which develops gas market control systems, to form a new company named PSI Büsing & Buchwald GmbH.

On December 15, 2005, PSI increased its holding in the international joint venture VA TECH CNI from 40 % to 100 %, following Siemens' acquisition of the VA TECH Group. In future, VA TECH CNI GmbH, operating under a new name, will represent PSI's gas and oil business in the high-growth regions China, India and South-East Asia.

Events after the balance sheet date

No important events occurred after the balance sheet date.

Risk report

PSI's risk management systems are specifically designed to enhance the Group's long-term value and help us achieve corporate and strategic targets.

The Group must be able to recognize and evaluate risks and opportunities at an early point, this enabling us to take the appropriate steps to avoid risks and seize opportunities.

PSI has identified major risks and integrated them in its early warning system:

- Market: too few incoming orders or an insufficient order portfolio
- Human resources: a shortage of employees with the necessary skills
- Liquidity: unfavorable payment terms and inadequate lines of credit
- Costs and revenues: Variations from budgeted amounts, particularly with regard to project completion or development

During 2005, our risk management guidelines were supplemented by a risk management guideline for projects. The new guideline details procedures for identifying,

GROUP STRUCTURE

NETWORK MANAGEMENT	
PSI AG Electrical Energy Division Gas / Oil Division	
Nentec GmbH	100 %
PSI Büsing & Buchwald GmbH	100 %
PSI CNI GmbH *	100 %
PSI AG Telecommunications Division	
PSI Transportation GmbH	100 %

PRODUCTION MANAGEMENT	
PSI AG Manufacturing Division	
PSIPENTA GmbH	100 %
PSI BT GmbH	100 %
PSI Information Technology (Shanghai) Co. Ltd.	100 %
PSI Logistics GmbH	100 %
PSI AG (Switzerland)	100 %
GSI mbH	100 %

INFORMATION MANAGEMENT	
PSI Information Management GmbH	100 %
PSI Sp. z o.o. (Polen)	100 %

* until January 23, 2006 VA TECH CNI GmbH

analyzing, and assessing risks, and provides details of how to plan and implement measures to minimize the impact of risks within projects. PSI's risk management systems comprise the following key issues:

- Reporting at segment and sub-departmental levels
  - Regular monthly reporting on developments involving the company's assets, financial position and earnings situation
  - Variance analyses (budget vs. actual)
  - Adjustment of budgeted amounts to current developments
- Project controlling
  - Legal status of projects
  - Updated project performance status
  - Manpower utilization and capacity status
  - Project risks and action plans for reducing project risks

- Sales projections, market and competitor analyses
- Capacity utilization management
- Centralized cash management for the PSI Group
- Executives/members of the Board of Directors of PSI Group exercise controllership functions in their capacity as members of the Supervisory Boards/Advisory Committees of subsidiaries

Since 2004, PSI's risk management system has been supported by the Group's professional services automation (PSA) solution, PSIprofessional. This system features an integrated management information system (MIS) and serves as a standardized information and control tool for every level of the company.

Risk and opportunity analysis

In 2005, PSI's risk profile was influenced by regulatory conditions, the general economic climate and by developments within the Group's native industry.

Market risks

In **Network Management** exposure to market risks was reduced by the introduction of the new Energy Industry Act and the investments the new policy requires energy supply companies to make. The new act stipulates legal standards for the regulation and decartelization of energy supply networks. The act creates new potential for suppliers of energy network control systems. For PSI, a leading supplier of these systems, this opens up additional potential.

The full takeover of VA TECH CNI gives us the potential to expand our international energy business directly and in cooperation with new partners. However, this also creates additional risks, such as dependency on international partners. At the same time the dissolution of the previous cooperation agreement with the VA TECH Group presents a risk to the implementation of our further plans for international expansion.

The growth of the telecommunications segment is particularly dependent on the investment activities of wireless network operators. A reversal of the present investment freeze would open up fresh opportunities. However, if this does not occur then it exposes the Group to the risk of insufficient incoming orders.

For PSI Transportation, deregulation will create good growth prospects in the European market for telematics solutions in the next few years. In this intensely competitive market strategic alliances are crucial for international expansion. PSI has taken an important step in the right direction with a cooperation set up with Höft & Wessel at the end of last year.

In 2005, **Production Management** again benefited from good economic conditions. We established a Chinese subsidiary which serves to reduce our dependency on the German market. The continuing high demand for steel in China and other economies opens up substantial growth potential for PSI in this market. At the same time, the company is exposed to the risk of the growth of the Chinese economy slowing down, as well as the risk of skills drain.

In 2005, the logistics segment benefited particularly from the eastern expansion of the European Union: the demand for logistics services rose due to the relocation of specific sections of industrial value chains to this region. The anticipated continuation of this trend presents additional business potential for PSI Logistics. Simultaneously, the competition has also increased as a result of the eastern expansion.

PSIPENTA is particularly dependent on small and medium-sized enterprises and the development of the German economy. This segment is exposed to the risk of insufficient orders due to a weak domestic economy. Conversely, PSIPENTA would benefit from an economic revival.

In **Information Management** PSI implemented a number of measures aimed at streamlining the structure of this segment. A number of new products and services were launched to enhance the competitiveness of the Information Management segment. These moves are aimed at reducing the dependency on public authority investment spending. The continued success of the new products, the implementation and the success of the restructuring measures would have an important impact on PSI's revenue growth. The Board of Directors of PSI Group will continue to closely monitor this field and will take swift action should it become apparent that the company is not achieving its targets.

International expansion risks

The aim of PSI's international expansion activities in 2005 was to reduce domestic market dependency. At the same time, international expansion exposes us to new risks, such as increased dependency on international partners, exchange rates and legal systems. We aim to spread opportunities and risks over a wider field by continuing to drive forward the expansion of our international activities.

The risks of new products and technologies
In order to strengthen our competitive position, PSI invested further in developing new products. By broadening our product portfolio and targeting new customers we aim to reduce our dependency on individual customers and markets. The further growth of our earnings and cash flow situation depends to a large extent on the success of these new products and our ability to transform new technologies into appealing products and services.

Financial risks
To finance its operations, PSI utilizes financial instruments consisting primarily of trade accounts receivable, liquid assets, bank loans and bonds. The most important risks we face in this respect are default, liquidity, exchange-rate, and fair-value risks. Default and liquidity risks are controlled by using credit lines and monitoring procedures. PSI's default risk is not focused on specific contractual partners or one group of contractual partners. The Group strives to maintain liquidity and credit lines that are sufficient to enable it to satisfy its obligations.

Most of PSI's contracts are denominated in euros, making the exchange-rate risk negligible. In cases where the Group's financial instruments are not carried at fair value, the book value is very close to the fair value due to their short terms, meaning that we are exposed only to a slight fair-value risk.

Employees
The Group continues to attract qualified employees, integrate them and bind them to the company on a long-term basis. Our staff fluctuation rate is low.

Future risks
PSI's strategy for the coming years will concentrate stringently on our core business and driving forward the Group's international expansion. If the Group does not succeed in achieving these targets then it will remain dependent to a high degree on the German economic climate and regulatory framework.

Outlook

PSI started the current year with greatly improved profitability and a securer market position in Network Management and Production Management. In 2006, we expect the investment climate in Germany to stabilize and the global economy to remain as robust as in the year under review, thus creating excellent prospects for PSI products in Asia and Eastern Europe. Our core businesses Network Management for large-scale infrastructures and Production Management for heavy industries put us in an outstandingly good position to benefit from investment needs in these emerging economies.

In order to grasp these opportunities PSI will continue the Group's strategy of an increased focus on core business and international expansion in the next years. In order to implement this strategy successfully it is essential that we set up further export partnerships in the next two years in order to consolidate our presence in the growth regions of the world.

In Network Management we will continue to pursue our successful strategy of the past years. In addition to securing our leading position on the domestic market, we will also strengthen our international activities in the high-end market for energy management solutions by utilizing our own export competence as well as international alliances. In Germany we expect the further deregulation of the energy market to drive investment in this segment.

In Production Management our strategy for the coming years will focus on expanding our international activities in steel and logistics, with a particular focus on Asia and Eastern Europe. In logistics we intend to gain a greater share of the domestic market by stringently expanding our partner network. After achieving break-even, our focus at PSIpenta will be on improving profit margins in our ERP business. Following the successful conclusion of several pilot projects based on our new production control rooms we are expecting a number of follow-on projects and are anticipating an increase in demand.

Within the new structure of our Information Management segment we intend to concentrate on activities related to our core business. In order to accelerate this process we will continue our talks with strategic investors for specific activities. This will also create additional growth and earnings potential for the Information Management segment.

In Network Management and Production Management we expect the next two years to bring additional organic growth and rising earnings. Our most important goals for Information Management in 2006 are to achieve break-even and stabilize this segment. Overall, we will be focusing all our efforts in the coming years on driving profitable growth and improving the Group's profitability. In order to achieve these goals we will over the next few years be investing generously in our product base and in expanding the international reach of our core business.

CONSOLIDATED FINANCIAL STATEMENTS (IRFS)

CONSOLIDATED BALANCE SHEET
as of Dezember 31, 2005 (IFRS)

ASSETS	Note	12.31.2005 EUR K	12.31.2004 EUR K
Non-current assets			
Property, plant and equipment	C. 1	7,992	8,495
Intangible assets	C. 1	15,971	17,565
Shareholdings in associated companies valued ‚at equity‘	C. 2	0	663
Other financial assets	C. 3	186	1,334
Deferred tax assets	C. 14	2,970	2,977
		27,119	**31,034**
Current assets			
Inventories	C. 4	2,154	2,809
Trade receivables, net	C. 5	17,504	22,163
Receivables from long-term development contracts	C. 6	18,643	16,954
Other assets	C. 7	3,620	4,954
Cash and cash equivalents	C. 8	18,947	18,868
		60,868	**65,748**
		87,987	**96,782**

TOTAL EQUITY AND LIABILITIES	Note	12.31.2005 TEUR k	12.31.2004 EUR K
Equity			
Subscribed capital	C. 9	31,009	28,193
Capital reserves	C. 9	31,772	30,898
Retained earnings		1,181	1,181
Treasury shares	C. 9	0	–129
Other reserves		–11	–9
Accumulated losses		–35,474	–35,494
		28,477	**24,640**
Non-current liabilities			
Pension provisions	C. 10	23,637	22,669
Deferred tax liabilities	C. 14	1,980	3,397
		25,617	**26,066**
Current liabilities			
Trade payables		10,022	10,273
Other liabilities	C. 13	12,862	19,099
Liabilities from long-term development contracts	C. 6	8,720	12,339
Financial liabilities	C. 11	97	2,317
Provisions	C. 12	2,192	2,048
		33,893	**46,076**
		87,987	**96,782**

CONSOLIDATED INCOME STATEMENT
for 2005 (IFRS)

	Note	2005 EUR k	2004 EUR k
Sales revenue	D. 15	116,520	115,193
Other operating income		5,121	3,887
Increase/decrease in inventories and work in progress		–407	259
Cost of materials	D. 16	–24,795	–22,451
Personnel expenses	D. 17	–70,536	–75,749
Amortization and depreciation	D. 18	–3,665	–3,716
Other operating expenses	D. 19	–22,088	–26,499
Operating profit/loss		**150**	**–9,076**
Interest income		396	290
Interest expenses		–1,843	–3,432
Gain/loss from associated companies	C. 2	42	–87
Profit before tax		**–1,255**	**–12,305**
Taxes on income		1,275	34
Net Group profit/loss		**20**	**–12,271**
Group profit per share (diluted and undiluted)	D. 20	**0.00**	**–1.11**
Average number of shares in circulation (in thousands)	D. 20	**11,986**	**11,011**

CONSOLIDATED CASH FLOW STATEMENT
for the fiscal year January 1 to December 31, 2005 (IFRS)

	2005 EUR k	2004 EUR k
1. Cashflow from operating activities		
Group net loss before tax	**–1,255**	**–12,271**
Adjustments for non-cash expenses		
Amortization of intangible assets	2,092	1,927
Depreciation of property, plant and equipment	1,535	1,781
Income/expenses from the disposal of assets	115	–105
Income / losses from holdings in associated companies	–42	0
Interest income	–396	–290
Interest expense	1,843	2,268
Foreign exchange profit / loss	–2	–19
Other non-cash income/expenses	–535	4,366
Minority interests	0	–256
	3,355	**–2,599**
Changes in working capital		
Changes in inventories	801	–121
Changes in trade receivables	5,409	15,662
Changes in other assets	1,190	792
Changes in provisions	–1,093	1,046
Changes in trade payables	–841	–3,168
Changes in deferred taxes	–74	0
Changes in other liabilities	–5,718	–3,932
	3,029	**7,680**
Interest paid	–121	–1,117
Income taxes paid	–61	0
Cashflow from operating activities	**2,847**	**6,563**
2. Cashflow from investment activities		
Additions to intangible assets	–2,525	–838
Additions to property, plant and equipment	–1,115	–1,070
Additions to financial assets	–2,542	–115
Diesposals of intangible assets	6	770
Disposals of property, plant and equipment	7	80
Disposals of financial assets	1,519	0
Cash acquired	97	0
Interest received	396	290
Cashflow from investment activities	**–4,157**	**–883**
3. Cashflow from financing activities		
Changes in paid-in share capital	2,816	0
Changes in capital reserve	874	0
Changes in own shares	0	–87
Loan repayment	–2,301	–3,695
Cashflow from financing activity	**1,389**	**–3,782**
4. Cash and cash equivalents at end of period		
Changes in cash and cash equivalents	79	1,898
Cash and cash equivalents at beginning of period	18,868	16,970
Cash and cash equivalents at end of period	**18,947**	**18,868**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for 2005 (IFRS)

	Subscribed capital EUR k	Capital reserve EUR k	Revenue reserve EUR k
Appendix statement	C. 9	C. 9	
Balance at December 31, 2003	**28,193**	**30,898**	**1,181**
Net Group loss for the year			
Purchase of own shares			
Issue of own shares			
Unrealized losses from financial investments			
Exchange rate gain/loss			
Minority dividends			
Change in minority shares			
Balance at December 31, 2004	**28,193**	**30,898**	**1,181**
Net Group profit/loss for the year			
Issue of new shares	2,816	874	
Sale of own shares			
Exchange rate gain/loss			
Balance at December 31, 2005	**31,009**	**31,772**	**1,181**

CONSOLIDATED SEGMENT REPORTING
2005 and 2004 (IFRS)

	Network Management		Production Management	
	12.31.05 EUR k	12.31.04 EUR k	12.31.05 EUR k	12.31.04 EUR k
Revenues				
External revenues	66,612	61,911	44,379	42,340
Inter-segment revenues	272	334	1,278	2,128
Total revenues	**66,884**	**62,245**	**45,657**	**44,468**
Other income	4,886	4,522	3,814	2,275
Change in finished goods and work in progress	–277	–540	–109	425
Cost of materials	–18,649	–16,039	–7,406	–6,979
Personnel expenses	–35,749	–37,621	–27,504	–29,112
Amortization/depreciation of intangible assets and property, plant and equipment	–2,341	–2,488	–1,012	–1,130
Other operating expenses	–12,401	–12,526	–13,059	–12,272
Operating profit/loss by segment	**2,353**	**–2,447**	**381**	**–2,325**
Financial result	–696	–718	–543	–1,605
Profit/loss from equity investments	–20	–97	0	0
Investments in associates valued by the equity method	**0**	**424**	**0**	**0**
Segment assets	**49,231**	**52,281**	**26,069**	**27,302**
Segment liabilities	**30,886**	**34,998**	**18,020**	**22,550**
Segment investments	**576**	**1,968**	**654**	**1,923**
Substantial non-cash related expenses	**0**	**0**	**0**	**599**

	Own shares EUR k	Other changes in balance sheet EUR k	Accumulated loss EUR k	Minority shares EUR k	Total EUR k
	C. 9				
	–73	**–335**	**–23,223**	**2,798**	**39.439**
			–12,271		–12,271
	–87				–87
	31				31
		382			382
		–56			–56
				–256	–256
				–2,542	–2,542
	–129	**–9**	**–35,494**	**0**	**24,640**
			20		20
					3,690
	129				129
		–2			–2
	0	**–11**	**–35,474**	**0**	**28,477**

	Information Management 12.31.05 EUR k	12.31.04 EUR k	Reconciliation 12.31.05 EUR k	12.31.04 EUR k	PSI Group 12.31.05 EUR k	12.31.04 EUR k
	5,529	10,942	0	0	116,520	115,193
	2,009	2,373	–3,559	–4,835	0	0
	7,538	**13,315**	**–3,559**	**–4,835**	**116,520**	**115,193**
	847	1,443	–4,426	–4,353	5,121	3,887
	–21	374	0	0	–407	259
	–1,334	–3,079	2,594	3,646	–24,795	–22,451
	–7,054	–8,649	–229	–367	–70,536	–75,749
	–312	–436	0	338	–3,665	–3,716
	–2,625	–7,189	5,997	5,488	–22,088	–26,499
	–2,961	**–4,221**	**377**	**–83**	**150**	**–9,076**
	–155	–874	–53	55	–1,447	–3,142
	0	0	62	10	42	–87
	0	**0**	**0**	**239**	**0**	**663**
	3,205	**4,343**	**6,512**	**9,216**	**85,017**	**93,142**
	2,464	**3,203**	**6,160**	**7,574**	**57,530**	**68,325**
	86	**123**	**332**	**805**	**1,648**	**4,819**
	0	**3,580**	**0**	**0**	**0**	**4,179**

SCHEDULE OF MOVEMENTS IN NON-CURRENT ASSETS IN 2004
(IFRS)

	Cost of acquisition / production				
	1.1.2004	Additions	Additions from acquisitions	Disposals	12.31.2004
	EUR k	EUR k	EUR k	EUR k	EUR k
I. Intangible assets					
1. Other intangible assets	19,181	835	440	1,191	19,265
2. Goodwill	29,872	0	2,472	301	32,043
3. Capitalized software development costs	25,478	0	0	0	25,478
	74,531	**835**	**2,912**	**1,492**	**76,786**
II. Property, plant and equipment					
1. Land and buildings	12,273	0		1	12,272
2. Computers and accessories	12,806	862	9	2,079	11,598
3. Office equipment	5,092	201	0	327	4,966
	30,171	**1,063**	**9**	**2,407**	**28,836**
	104,702	**1,898**	**2,921**	**3,899**	**105,622**

SCHEDULE OF MOVEMENTS IN NON-CURRENT ASSETS IN 2005
(IFRS)

	Cost of acquisition / production				
	1.1.2005	Additions	Additions from acquisitions	Disposals*	12.31.2005
	EUR k	EUR k	EUR k	EUR k	EUR k
I. Intangible assets					
1. Other intangible assets	19,265	363	0	889	18,739
2. Goodwill	32,043	138	0	18,357	13,824
3. Capitalized software development costs	25,478	0	0	21,388	4,090
	76,786	**501**	**0**	**40,634**	**36,653**
II. Property, plant and equipment					
1. Land and buildings	12,272	104	0	35	12,341
2. Computers and accessories	11,598	855	32	2,698	9,787
3. Office equipment	4,966	156	0	413	4,709
	28,836	**1,115**	**32**	**3,146**	**26,837**
	105,622	**1,616**	**32**	**43,780**	**63,490**

*Regarding disposals, please see also the remarks in the Notes under point C.1, Intangible Assets and Property, Plant and Equipment.

Accumulated amortization/depreciation				Net book value	
1.1.2004	Additions	Disposals	12.31.2004	12.31.2004	12.31.2003
EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
13,997	1,184	530	14,651	4,614	5,184
20,615	0	0	20,615	11,428	9,257
23,212	743	0	23,955	1,523	2,266
57,824	**1,927**	**530**	**59,221**	**17,565**	**16,707**
5,482	339	1	5,820	6,452	6,791
11,481	995	2,020	10,456	1,142	1,325
3,917	447	299	4,065	901	1,175
20,880	**1,781**	**2,320**	**20,341**	**8,495**	**9,291**
78,704	**3,708**	**2,850**	**79,562**	**26,060**	**25,998**

Accumulated amortization/depreciation				Net book value	
1.1.2005	Additions	Disposals*	12.31.2005	12.31.2005	12.31.2004
EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
14,651	1,471	886	15,236	3,503	4,614
20,615	0	18,357	2,258	11,566	11,428
23,955	621	21,388	3,188	902	1,523
59,221	**2,092**	**40,631**	**20,682**	**15,971**	**17,565**
5,820	340	30	6,130	6,211	6,452
10,456	900	2,642	8,714	1,073	1,142
4,065	295	359	4,001	708	901
20,341	**1,535**	**3,031**	**18,845**	**7,992**	**8,495**
79,562	**3,627**	**43,662**	**39,527**	**23,963**	**26,060**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PSI Aktiengesellschaft for products and systems in information technology, Berlin December 31, 2005

A. General company information

The holding company of the PSI Group is the PSI Aktiengesellschaft for products and systems in information technology (PSI AG), with registered offices at Dircksenstrasse 42–44, 10178 Berlin, Germany. The company is registered with the company registry of Berlin-Charlottenburg under the number HRB 51463.

The consolidated financial statements as of December 31, 2005 and the consolidated management report for the fiscal year 2005 have been drawn up by the Management Board on the February 13, 2006 and approved for presentation to the Supervisory Board on February 17, 2006.

The PSI Group's business comprises the production and sale of software systems and products to meet the specific needs and requirements of customers in a wide variety of industrial and service sectors, including energy, manufacturing, telecommunications, transport, public authorities, software technology, Internet applications and management consulting. In addition, the PSI Group provides a broad range of data management services, conducts trade in electronic equipment and manages data processing systems.

The PSI Group's business is divided into three main divisions (segments): Network Management, Production Management and Information Management.

The PSI Group is exposed to a number of risks, as are all companies active in dynamic technology markets. The significant risks for the development of the PSI Group lie in the successful completion of projects, the successful marketing of products, competition with larger companies, the capacity to provide adequate financial funding to support future business development and the cooperation with strategic partners.

The main customers of the PSI Group are international companies in the energy and telecommunications sectors as well as in manufacturing. Our main offices are located in Berlin, Aschaffenburg, Barsinghausen, Essen, Dortmund, Düsseldorf, Karlsruhe, Hamburg and Munich.

The company's shares are listed on the Prime Standard segment (Deutsche Börse AG) of the Frankfurt stock exchange.

B. Presentation of accounting and valuation principles

Reporting principles

The consolidated financial statements of the PSI Group are prepared on the basis of amortized cost. Financial assets available for sale are stated at fair value.

The consolidated financial statements of the PSI Group are prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. The consolidated financial statements have been prepared in euros, all figures are in thousand euro (EUR k) except where otherwise noted.

Changes in accounting and valuation principles

The accounting and valuation principles applied are the same as in the previous year. In the previous year the PSI Group voluntarily applied the new, revised standards which became mandatory for fiscal years beginning on or after 1st January 2005, and there are therefore no changes necessary for the current fiscal year.

Significant accounting policies

In applying the accounting and valuation principles the company management has adopted the following policies which have a material effect on the figures in the statements. These do not include policies which are based on estimates:

Software development costs. To the extent that they fulfill the criteria for intangible assets, the PSI Group capitalizes software development costs, and depreciates them over the expected useful life of the software. The capitalized software development costs are tested for value impairment on the basis of revenue assumptions for the software.

Value of non-current assets. The PSI Group tests non-current assets for value impairment annually on the basis of IAS 36 procedures. The value impairment test is based on the future cash flows generated by individual assets or assets which have been grouped together for cash flow purposes. The main non-current assets which are tested annually for value impairment are the values for goodwill stated for consolidated companies.

Project valuation. The PSI Group recognizes revenue on the basis of estimated project performance. Performance estimates are based on estimates of billable hours or contractually agreed milestones and are regularly updated.

The main assumptions underlying future developments and other causes for uncertainty in forecasts as of the reporting date, which may make material adjustments necessary to the book value of assets or liabilities over the course of the coming fiscal year, are explained in the notes to non-current and current assets and pension liabilities.

Application of IFRS in the fiscal year

The PSI Group has not applied the following IFRS and IFRIC interpretations, which have been published but are not obligatory, as the PSI Group does not expect these standards and interpretations to be relevant to its business activities.

- IFRS 6 Exploration and valuation of mineral resources
- IFRS 7 Financial instruments: statement
- IAS 19 Payments to employees – actuarial profits and losses, group plans and statements (extended 2004)
- IAS 21 Effects of changes in exchange rates
- IAS 39 Financial instruments: statement and valuation (extended 2005)
- IFRIC 4 Decision as to whether an agreement contains leasing elements
- IFRIC 5 Claims to fund shares for waste disposal, restoration and environmental decontamination
- IFRIC 6 Liabilities in connection with electronic waste
- IFRIC 7 Adoption of IAS 29: Accounting in high-inflation countries

The PSI Group assumes that when the changes as mentioned above are adopted they will have no effect on the financial statements of the Group.

Principles of consolidation

a) Subsidiaries

The consolidated financial statements are prepared for PSI AG and companies over which it has a controlling influence. A controlling influence is normally considered to exist when PSI AG directly or indirectly holds 50% of the voting stock of a company and can influence the company's policy and business activities to its own advantage.

Company acquisitions are capitalized using the purchase method in accordance with IFRS 3. Companies which were acquired or sold during the course of the fiscal year are included in the consolidated statements from the time of acquistion or up to the time of disposal.

The excess of the purchase price for an acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as of the date of the exchange transaction is known as goodwill and is capitalized as an asset. Capitalized identifiable assets and liabilities are stated with their fair value at the time of purchase. Minority shareholdings are held at the share of fair value allocated to minority shareholders.

The following companies are included in the consolidated financial statements as fully consolidated subsidiaries (PSI AG's share of voting rights is identical to its share of common stock):

The following changes took place in fully consolidated subsidiaries during the course of the fiscal year 2005:

PSI AG held 40% of the share capital of VA TECH CNI Control, Networks and Information Management GmbH (hereinafter CNI). The shareholding had previously been held at equity in the consolidated financial statements.

On December 15, 2005 an agreement was signed with the majority shareholder of CNI for the purchase of 60% of CNI's shares for a consideration of 1 euro. It was also agreed that the reciprocal cooperation agreements between CNI and its shareholders would be dissolved. Upon assuming control of the economic activities of the company on December 15, 2005, CNI was included in the consolidated financial statements of PSI AG for the first time.

The consolidation of CNI is based on the book values of its assets and liabilities, with particular consideration given to the dissolution of the cooperation agreements between shareholders. The change of control over the company took place in two steps (purchase of 40% stake in 2003, and of the remaining 60% stake in 2005) and this was taken into account for the calculation of the book values. At the time of the change in control, CNI had no unrealized gains or losses nor identifiable assets or contingent liabilities. The difference between the purchase price and the assets and liabilities which were consolidated for the first time in the financial statements amounted to EUR 1,011k.

	Shareholding %	Common equity * 12.31.2005 TEUR	Net income/loss * 2005 TEUR
Psipenta Software Systems GmbH, Berlin	100	–3,807	30
PSI Information Management GmbH, Berlin	100	–2,346	–2,428
Nentec Gesellschaft für Netzwerk-Technologie mbH, Karlsruhe	100	27	0 **
PSI Business Technology for Industries GmbH, Duesseldorf	100	6,345	0 **
PSI Transportation GmbH, Berlin	100	–111	–158
PSI AG Produkte und Systeme der Informationstechnologie, Glattzentrum, Switzerland	100	–140	117
PSI Logistics GmbH, Berlin	100	289	0 ***
PSI Büsing und Buchwald GmbH, Barsinghausen	100	1,330	0 **
GSI Gesellschaft für Steuerungs- und Informationssysteme mbH, Berlin	100	253	144
PSI Produkty i Systemy Informatyczne, Poznan, Poland	100	–50	–87
VA TECH CNI, Vienna	100	–845	–285

* All figures according to statutory local accounting principles before consolidation
** Before earnings transfer agreement
*** Following debtor warrant

This was carried through to the net earnings in proportion to the share of CNI's capital acquired.

Including CNI in the accounts from the beginning of the year would not have led to a material change in the revenues or net earnings of the PSI Group, and a 'pro forma' statement is therefore not necessary.

In the course of the acquisition of the remaining 60% stake in CNI, cash reserves of EUR 97k were also acquired. As the sales consideration was zero, the acquisition gave rise to a positive cash flow of EUR 97k (included in the cash flow statement from investment activity).

The following changes took place in fully consolidated subsidiaries during the course of the fiscal year 2004:

On March 27, 2004 an agreement was signed for the acquisition of the business operations of PK Software Engineering GmbH (PK Soft). Certain operating rights of PSI AG were also included in the sales price of EUR 1,560k. Through a merger agreement signed on August 24, 2004, the remaining legal shell of PK Soft was merged retroactively with PSI AG with effect from January 1, 2004. Registration of the merger transaction took place on October 5, 2004.

On July 8, 2004 the Polish subsidiary PSI Produkty i Systemy Informatyczne (PSI/Poland) was founded. It has share capital of 250,000 zloty and its headquarters are in Poznan.

An agreement was signed on September 10, 2004 for the sale of 100% of the shares of front2back AG (front2back) for a consideration of EUR 8,000. front2back had not been commercially active since Q3 2003.

On April 11, 2002 a sales agreement was signed for shares in Büsing und Buchwald Gesellschaft für Organisation und Datenverarbeitung mbH (BuB) between the shareholders of the company at the time and PSI AG. This agreement was amended on July 25, 2002 and June 25, 2003. The amendments included various earn-out criteria which led to an increase in the price paid to the prior shareholders. In 2004 these criteria were fulfilled and the sales price was subsequently increased by EUR 1,300k.

On December 15, 2004 a sales agreement was signed for shares in PSI-BT AG between BFI Betriebstechnik GmbH and PSI AG. As a result, PSI AG acquired all the shares held by BFI Betriebstechnik GmbH in PSI-BT AG for a consideration of EUR 3,384k. In the course of these negotiations, a further sales agreement was signed on December 15, 2004 between BFI Betriebstechnik GmbH and PSI AG for the sale of the Metech business of PSI-BT AG for a consideration of EUR 323k. This agreement arranged for a number of retired employees and former employees of PSI-BT AG with pension rights to be transferred to BFI Betriebstechnik GmbH, along with financial assets to cover the pension obligations.

On December 10, 2004 Psipenta signed an agreement to purchase shares in integral datentechnik Kaiserslautern GmbH for a cash consideration of EUR 50k and transfer of 7,500 PSI AG shares. The PSI AG shares were bought by Psipenta for EUR 24k from PSI AG on December 10, 2004 for the purpose of acquiring shares in integral datentechnik Kaiserslautern GmbH. integral datentechnik Kaiserslautern was merged with Psipenta under a merger agreement, also dated December 10, 2004.

Former shareholders of Softsystems Scheufele & Happe GmbH received compensation payments of EUR 330k from PSI AG in connection with the sale of their shares in 2001.

On January 20, 2005 authorisation was given for the foundation of PSI Information Technology (Shanghai) Co. Ltd.

In 2004 a total of EUR 5,088k was agreed as consideration for acquisitions, of which EUR 4,566k was paid out in 2005.

The following table gives a preliminary overview of the acquisition costs incurred for assets and liabilities purchased at market value in the fiscal years 2004 and 2005:

	2005 EUR k	2004 EUR k	Straight-line amortization / useful life
Intangible assets (customer base)	0	440	3 years
Non-current assets	32	9	3 – 4 years
Positive difference (goodwill)	0	2,472	unlimited
Current assets			
- Stocks	61	0	
- Trade receivables (from projects)	2,439	37	
- Other assets	82	26	
- Cash and cash equivalents	97	40	
	2,679	103	
Total assets purchased	**2,711**	**3,024**	
Negative difference	– 1,011	0	
Liabilities			
- Provisions	– 483	– 14	
- Financial liabilities	– 81	– 300	
- Trade accounts payable	– 590	– 16	
- Other liabilities	– 546	– 148	
	– 1,700	– 478	
Total liabilities purchased	**– 2,711**	**– 478**	
Minority shares acquired	0	2,542	
Purchase consideration	**0**	**5,088**	

b) Associated companies

Where PSI holds between 20% and 50% of a company's common stock and exercises a significant influence over its business, the company is classifed as an associate and accounted for by the equity method. The carrying amount of the equity investment in the balance sheet is written up or down by the pro rata profits and losses of the associate. The maximum loss that can be allocated is limited to the total purchase consideration made for the associate. The company will revalue its stake in an associate if it has reason to believe that its asset value has been impaired or that a value impairment recognized in prior years no longer exists.

Acquisitions of associated companies are accounted for using the purchase method. Associated companies acquired or sold during the course of the fiscal year are included in the consolidated financial statements from the time of their acquisition or up to the point of their disposal.

In the fiscal year 2004 CNI and Schindler Technik AG, Berlin, were included in the consolidated financial statements as associates. As of December 31, 2005 there are no shareholdings in associated companies.

c) Consolidation procedures and Group valuation policies

The financial statements of the subsidiaries and associates included in the consolidated financial statements are based on uniform accounting standards and reporting periods/balance sheet dates.

All balances and transactions between Group companies and the resulting profits and unrealized profits and losses between consolidated companies and associates have been fully eliminated. Unrealized losses were only eliminated if the transactions did not clearly show an impairment of value in the asset transferred.

Currency conversion

D38. The PSI Group's consolidated financial statement is prepared in euros, the currency of the Group for all business and reporting purposes. Each company within the Group determines its own currency for business dealings. Valuations of assets and liabilities in the statememt of these companies are made in the chosen currency. Transactions denominated in foreign currency are initially converted from the foreign currency to the chosen business currency using the rate applicable on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are converted into the business currency at the rate applicable on the balance sheet date. All currency gains and losses are included in the income statement for the reporting period.

The business currency for the foreign subsidiaries PSI AG/CH, PSI Poland, PSI BT China and PSI England is the local currency. The assets and liabilities of these subsidiaries are converted into the reporting currency of PSI AG (euro) at the rate applicable on the balance sheet date. Income and expenditure is converted at the weighted average rate of the fiscal year. All resulting exchange differences are classified separately within the capital account.

Non-current assets

a) Intangible assets

Intangible assets are valued at cost and are stated in the accounts when it is likely that the company will derive the future economic value from the asset and the cost of the asset can be reliably ascertained. For subsequent valuations, intangible assets are stated at cost, less accumulated amortization and accumulated provisions for value impairment (shown under amortizations). Intangible assets are amortized on a straight-line basis over their estimated useful life. The amortization period and method are reviewed at the end of each fiscal year.

Intangible assets include:

Goodwill

Goodwill arising from a company acquisition is initially stated at cost, which is defined as the excess of the purchase consideration of the company over the PSI Group's share of the fair value of the acquired assets, liabilities and contingent liabilities. Subsequently goodwill is valued at cost less accumulated provisions for value impairment. Goodwill is tested for value impairment at least once a year or whenever events or changed circumstances indicate that an impairment may have ocurred. The value impairment test requires that the goodwill arising from an acquisition be allocated to a cash-generating entity. If the market price for the cash-generating entity is below its book value, a value impairment must be stated.

Industrial rights and licenses

Amounts paid for industrial rights and licenses are capitalized and amortized on a straight-line basis over their estimated useful life (4–5 years).

Purchase costs of new software are capitalized and treated as intangible assets, to the extent that the costs are not an integral part of related hardware. Software is amortized on a straight-line basis over 3–4 years.

Costs incurred to restore or maintain the future economic value that the Company had originally anticipated are treated as current expenditure.

Capitalized development costs for internally developed software

Research costs are recorded as expenses in the period in which they are incurred. An intangible asset developed in the course of a single project is only recorded if the PSI Group can provide proof of the technical feasability of producing the intangible asset in order to deploy it internally or sell it and of the intention to produce and deploy or sell the asset. In addition, the Group must provide evidence that the asset can generate a future economic value, that resources are available for its production and that the Group is capable of determining reliably the development costs to be allocated to the asset. After initial capitalization of development costs the amortization method is applied, and the asset is stated at cost, less accumulated amortizations and accumulated provisions for value impairment. The capitalized amounts are amortized over the period in which project revenues are expected (straight-line amortization over 4 years). The capitalized development costs are reviewed for value impairment every year, or when the asset has not yet been deployed, or earlier whenever there are signs of value impairment.

Capitalized costs for internally developed software products include direct costs (external and personnel costs) and indirect costs (pro rata office space, personnel and other costs).

b) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated provisions for value impairment. When items of property, plant and equipment are sold or scrapped, their purchase costs and accumulated depreciation are cancelled and any profit or loss arising from the disposal is included in the income statement.

Costs of property, plant and equipment include the purchase price, including customs duties and other non-refundable taxes incurred in connection with the purchase as well as all other directly attributable costs incurred in bringing the asset to its location and making it ready for its intended use. Subsequent expenditure, such as maintenance and repair work incurred after the asset has been put to use is reported as an expense in the period in which it is incurred. If it appears likely that the expenditure will increase the value of the asset to the Company beyond the value originally anticipated, then the expenditure is capitalized as additional cost.

Depreciation is calculated on a straight-line basis over the useful life of the asset assuming a residual value of zero. If assets comprise several components with different useful lives, the components are depreciated individually over their respective useful lives. For certain categories of assets the useful lives have been set as follows:

Buildings and outside facilities	10 to 50 years
Computer hardware	3 to 4 years
Leasehold improvements	over remaining lease
Other office equipment	5 to 13 years

The useful life and the depreciation method for property, plant and equipment are regularly reviewed to ensure that the methods and periods of depreciation conform to the expected value progression of the corresponding assets.

c) Impairment of non-current assets

Non-current assets are reviewed for value impairment if events or changes in circumstances suggest that the book value of an asset could not be recovered. The first step in an impairment test is to determine the recoverable amount attributable to an asset or a cash-generating entity. This is defined as the higher of fair value less costs to sell and value in use. The fair value less costs to sell is defined as the price which could be obtained by selling an asset or cash-generating entity in a transaction between two informed, consenting and independent business partners, less costs incurred through the sale. The value in use of an asset or a cash-generating entity is determined by the net present value of the future cash flows generated by its current use. In the fiscal years 2004 and 2005 no impairment of non-currents assets was recorded.

d) Financial assets

Financial assets are generally divided into the following categories:

- Loans and receivables owed to the Company
- Financial investments to be held to maturity
- Financial assets held for trading purposes
- Financial assets available for sale

Financial assets with fixed or definable payments and a fixed maturity, which the Company intends and is capable of holding to maturity, are classified as financial investments to be held to maturity, with the exception of loans and receivables owed to the Company. Financial assets which were acquired with the principal aim of deriving a profit from short-term fluctuations in prices or exchange rates are classified as financial assets held for trading purposes. All other financial assets, with the exception of loans and receivables owed to the Company, are classified as financial assets available for sale. The PSI Group classifies its financial assets as loans and receivables owed to the Company ('loans and receivables') or as financial assets available for sale.

When first recorded, financial assets are stated at cost, which corresponds to the fair value of the consideration given, including transaction costs. Financial assets from customary sales and purchases are accounted for on the day of trading.

Loans and receivables are non-derivative financial assets with fixed or definable payments which are not listed on an active exchange. These assets are valued at amortized cost using the effective interest method. Profits and losses are included in net income for the period, if the loans and receivables are written down, written off or amortized.

Financial assets available for sale are those non-derivative financial assets which are classified as available for sale and do not belong to one of the previous three categories. When first recorded, financial assets available for sale are stated at fair value – profits and losses are recorded separately under the capital account. When financial investments are sold or a value impairment recognized, the accumulated profit or loss previously held in the capital account is transferred to the income statement. The fair value of financial investments traded on an organized exchange is determined by reference to the bid price recorded at the exchange on the balance sheet date. Market prices were determined for all financial assets available for sale held by the PSI Group on December 31, 2005 and December 31, 2004.

Financial assets are tested for impairment as of each balance sheet date. If it is likely that the Company will not be able to collect all amounts contractually due from loans, receivables or financial investments held to maturity that are carried at amortized cost, then an impairment loss or provision on receivables is recorded, with effect on income. An impairment loss recorded with effect on income is subsequently corrected, also with effect on income, if the subsequent recovery in value (or reduction of the impairment) can objectively be imputed to an event occurring after the original impairment. An increase in value is only recognized up to the amount that would have been reported on an amortized cost basis if the impairment had not ocurred.

Trade receivables and other short-term financial assets are recorded at the fair value of the exchange and valued at amortized costs after provisions for loss. Provisions for loss are made if there are signs that an individual receivable may default. Trade receivables usually have a maturity of 30–60 days.

Financial assets or part of a financial asset are written off if the PSI Group loses possession of the contractual rights which comprise the asset.

The PSI Group does not use financial derivative instruments to hedge against currency or interest rate risks, for example.

e) Risk management of financial instruments

The Company's main financial instruments consist of trade receivables, cash and bank debt. The purpose of these financial instruments is to finance operations. The main risks are credit, liquidity, exchange-rate and fair value risks.

ea) Credit and liquidity risks

Credit risks, or the risk that a counterparty does not fulfill its payment obligations, are managed using lines of credit and control procedures. The Company procures collateral where appropriate. The PSI Group does not have a significant concentration of credit risk with a single counterparty or with a group of counterparties with common characteristics. The maximum credit risk is equal to the reported book value of the financial assets.

Liquidity risks arise from the possibility that a customer may not be capable of fulfilling its contractual obligations to the Company.

The PSI Group itself always aims to have sufficient cash or cash equivalents or lines of credit available to fulfill its future obligations.

eb) Exchange rate risks

As the Group companies conduct their business mainly in euros, there is no significant exchange rate risk. Hedging operations do not take place.

ec) Fair value risks

Financial instruments in the PSI Group not recorded at fair value mainly comprise cash and cash equivalents, trade receivables, other current assets, other non-current assets, trade payables and other liabilities.

The book value of cash holdings is practically equivalent to their fair value due to their high liquidity. For trade receivables and payables contracted on normal commercial terms the historical cost is also practically equivalent to fair value.

Current assets

a) Inventories
Inventories are valued at the lower of cost or the expected net sales revenues less costs to complete.

b) Cash and cash equivalents
Cash and cash equivalents include cash, time deposits and on-call deposits. Other cash equivalents are short-term liquid financial investments with maturities under three months and no significant value risk.

Equity

Equity includes capital subscribed, capital reserves, profit carried forward, own shares held, other capital reserves, accumulated profit or loss and minority shares.

The capital reserve includes premiums as defined in Section 150 of the Aktiengesetz (German Stock Corporation Act) and losses carried forward by shareholders' resolution.

Profits carried forward include net earnings as defined in Section 174 Aktiengesetz.

Purchases by the PSI Group of its own shares are deducted from common equity. The purchase, sale, issue or withdrawal of own shares has no effect on income.

Other capital reserves contain unrealized gains and losses from exchange rate conversion and mark-to-market valuation of securities available for sale. The other capital reserves underwent the following changes in the fiscal year.

	12.31.2005	Variance 2005	12.31.2004
	EUR k	EUR k	EUR k
Currency conversion	–9	–2	–7
Unrealized losses from liquid securities	–2	0	–2
	–11	**–2**	**–9**

Long-term liabilities / Pension provisions

The PSI Group manages two defined-benefit pension and other defined-contribution plans. Neither of the defined-benefit plans are funded. Expenditure for benefits paid as part of the defined-benefit plans is calculated individually using the present value of entitlements method. Actuarial gains and losses are recorded with effect on income when the balance of accumulated, non-effective gains and losses for each individual plan exceeds 10% of the defined-benefit obligation at the end of the previous period. These gains and losses are realized over the expected average remaining working life of each beneficiary.

Current liabilities

a) Other provisions
Provisions are only made when the company has a current (statutory or factual) obligation based on a past occurrence, when the fulfillment of the obligation is likely to lead to a payment and an equivalent economic benefit and when a reliable estimate can be made of the amount of the obligation. Provisions are reviewed as of every balance sheet date and adjusted to current best estimates. If significant discounting is required, the amount provided for is equivalent to the net present value of the estimated expenditure necessary to fulfill the obligation. The increase in the provision over time as a result of discounting is recorded as a cost of borrowing.

b) Financial liabilities
Financial liabilities are divided into the following categories:

- Financial liabilities held for trading purposes
- Other financial liabilities

The financial liabilities recorded in the consolidated financial statements of the PSI Group have been classified as other financial liabilities.

When first recorded, financial liabilities are stated at cost, reflecting the fair value of the consideration given, including transaction costs. Financial liabilities from customary sales and purchases are accounted for on the day of trading.

Financial liabilities are no longer recorded when they have been discharged, i.e. when the contractual obligations have been paid, cancelled or have expired.

The PSI Group does not use financial derivative instruments for hedging currency or interest rate risk, for example. The Group does not hold or issue derivative instruments for trading purposes.

Contingent liabilities and receivables

Contingent liabilities are not reported in the financial statement. They are mentioned in the notes, unless the probability of an expenditure and equivalent economic benefit is very low.

Contingent receivables are not reported in the financial statement. They are, however, mentioned in the notes when an economic benefit is likely.

Public subsidies

Public subsidies are recorded when there is a reasonable assurance that the Company will fulfill the necessary conditions. Public subsidies are normally recorded with effect on income, and as rule in parallel to the expenses that they are intended to compensate. Subsidies received for the purchase of property, plant and equipment are recorded under other liabilities as deferred income. Income realized in connection with subsidies is recorded as other income from operations in the income statement.

The subsidies given to the Company as an investment grant by Investitionsbank Berlin are linked to the fulfillment of certain conditions. These mainly concern guarantees for staff numbers and restrictions on the resale of subsidized goods. Tax relief granted by the tax authorities is subject to restrictions on the resale of subsidized goods. On the basis of current planning, the PSI Group assumes that the conditions will be met in full.

In the course of 2005 PSI AG received project subsidies from the European Union amounting to EUR 378k (2004: EUR 320k). The project involves the development of a software application (e-government solution) by PSI AG and other members of a consortium. The project subsidies were received in 2004 with effect on income and have been reported as a reduction of the relevant costs. Apart from the obligation to provide evidence of the expenses covered by the subsidies, there are no further obligations or conditions attached to the project.

Costs of borrowing

Costs of borrowing are reported as an expense in the period in which they are incurred.

Leasing

Whether an agreement qualifies as being or including a leasing agreement depends on the economic substance of the agreement and requires an assessment of whether fulfilling the agreement is dependent on the use of a particular asset or assets and whether the agreement gives a right to the use of those assets.

A leasing agreement is classified as an operating lease when essentially all of the risks and rewards associated with ownership remain with the lessor. Leasing payments made as part of an operating lease are recorded on a straight-line basis over the term of the agreement as an expense.

The PSI Group mainly has leasing agreements for vehicles and hardware (servers). These operating leases usually run for three to four years.

Revenue and income recognition

The PSI Group's sales revenues mostly derive from project business and from licenses purchased by end users for proprietary software products, both with and without customization. Revenues are also derived from the sale of third-party software, hardware and services, e.g. installation, consulting, training and maintenance.

a) Project business

For long-term projects which satisfy the criteria of the percentage-of-completion method, sales revenues from the development and sales of software systems and products are reported and recognized according to the percentage of completion of the project. The completion percentage is determined either on the basis of the number of hours worked in relation to the total number of hours planned, or according to milestones. Payments on account are set off against the corresponding receivables without effect on income. When the terms of the project change, the costs and revenues originally reported for individual projects may be adjusted. Adjustments are recorded in the period in which they are made – as a rule this occurs when the Company signs an agreement with the customer to that effect. In addition, provisions for potential losses from pending transactions are made in the period in which these losses are determined and set off against the project receivables.

b) Sale of licenses

The PSI Group recognizes its revenues on the basis of the underlying contract, as soon as the license has been delivered, the sales price has been or can be determined, no major obligations to the customer remain and collection of the receivable appears likely.

c) Maintenance

Income from maintenance contracts is recognized on a straight-line basis over the term of the contract, based on past experience. Income from consultancy and training is recognized as soon as the service has been provided.

d) Multiple-element arrangements

If a contract contains multiple elements, revenue is recognized according to IAS 18 (multiple-element arrangements). Individual contract elements are tested for compliance with the revenue recognition criteria applicable to each contract element. When the fair value (based on market pricing) can be determined for each element, revenue is recognized with the delivery of each one.

e) Recognition of interest income

Interest payments are recognized pro rata temporis to reflect the true yield on the asset.

Taxes on income

Recognized claims for tax refunds and tax liabilities for the current period and for prior periods are valued at the amount expected to be refunded or expected to be paid to the tax authorities. Calculations are made using the tax rates and tax legislation applicable on the balance sheet date or due to become applicable shortly afterwards.

Deferred taxes are calculated by applying the liability method to all temporary differences between the balance sheet valuation of an asset or liability and the fiscal valuation as of the balance sheet date. Deferred tax liabilities are calculated for all taxable temporary differences, with the following exceptions:

• A deferred tax liability may not be recorded if it arises from the initial recording of goodwill or of an asset or liability arising in the course of a business transaction which is not a merger and which has no influence on the net income for the period or the taxable income at the time of the transaction.

• A deferred tax liability may not be recorded if it arises from taxable temporary differences in connection with shareholdings in subsidiary companies, associates, and stakes in joint ventures, if the point at which the temporary differences are reversed can be controlled and it is likely that they will not be reversed in the forseeable future.

Deferred tax claims are recorded for all tax-deductible temporary differences, as yet unused tax-losses carried forward and unused tax credits to the extent that taxable income is likely to be available to set off against them. The following exceptions exist to this rule:

• Deferred tax claims may not be recorded if they arise from the initial recording of an asset or liability arising in the course of a business transaction which is not a merger and which has no influence on the net income for the period or the taxable income at the time of the transaction.

• Deferred tax claims arising from taxable temporary differences in connection with shareholdings in subsidiary companies, associates, and stakes in joint ventures, may only be recorded to the extent that the temporary differences are expected to be reversed in the forseeable future and sufficient taxable income is expected to be available against which to set the temporary differences.

The book value of deferred tax claims is reviewed as of each balance sheet date and written down in so far as it is no longer likely that sufficient taxable income will be available against which the tax claims can be at least partly offset. Deferred tax claims which have not previously been recorded are also reviewed as of each balance sheet date and are recorded to the extent that it has become likely that future taxable income will make it possible to make use of the deferred tax claim.

Deferred tax claims and liabilities are calculated on the basis of the expected tax rates for the period in which an asset is sold or a liability discharged. The expected tax rates (and tax legislation) are those which are applicable or have been announced as of the balance sheet date. Income taxes relating to equity are recorded directly in the capital account and not in the income statement.

Deferred tax claims and liabilities are set off against one another when the Group has an enforceable claim to set off recognized tax refunds against recognized tax liabilities and these both relate to income taxes owed by the same taxable entity and assessed by the same tax authority.

Segment reporting

a) Business segments

For management purposes, the PSI Group is organized into three main business segments:

- Network Management
- Production Management
- Information Management

The divisions form the basis for the PSI Group's segment reporting. Financial information on the business segments and geographical segments is presented in note F and in a separate attachment to these notes to the consolidated financial statements.

b) Transactions between business segments

Segment revenues, segment expenditures and segment net income only contain minor transfers between business segments. These transfers are recorded at the same market prices charged to third-party clients for similar services. These transfers have been eliminated in the course of consolidation.

C. Notes to the consolidated balance sheet

Non-current assets

1 Intangible assets and property, plant and equipment

Changes in non-current assets in the fiscal year ending December 31, 2005 are detailed in the attached table of changes in non-current assets and property, plant and equipment (attachment to the notes to the consolidated financial statements).

In the attached notes to the consolidated financial statements, the following corrections were made for equal amounts to historic acquisition and production costs and to accumulated amortization/depreciation:

EUR 18,357 k are recorded as a write-off of historic acquistion and production costs and of accumulated amortization relating to goodwill reported as of January 1, 2005. This presentation means that as of December 31, 2005 only those provisions for goodwill impairment are reported which would have been shown under IFRS 3 and IAS 36 (revised 2003).

EUR 21,388 k are recorded as a write-off of historic acquisition and production costs and of accumulated amortization relating to capitalized software development costs reported as of January 1, 2005. In the course of changes made to reporting methods applicable to the capitalization of software development costs, the Management Board of the PSI Group has decided that the historic acquisition and production costs and accumulated amortization for software products which continue to be developed can be considered to be written off when the software product has undergone two full development release cycles following the complete write-off of a given release.

On December 31, 2005 and December 31, 2004 the PSI Group tested its non-current assets for value impairment. This test was performed on the book values for goodwill for the following cash-generating entities:

CASH-GENERATING ENTITY	Book value EUR k
Network Management	
Electrical energy division	0
Nentec	1,493
Gas and oil division	1,576
BuB	2,267
Telecommunication division	0
PSI Transportation	2,834
CNI (included from fiscal 2005)	0
	8,170
Production Management	
PSIPENTA	575
PSI-BT and PSI/China	980
PSI Logistics	356
GSI	285
PSI/Switzerland	41
Manufacturing division	0
	2,237
Information Management	
PSI IM	1,160
PSI Poland	0
	1,160
	11,566

The impairment test is based on cash flow planning for individual cash-generating entities over a period of eight years. No further cash flows are included after the end of the planning horizon. The estimated cash flows are derived from past experience. Consideration was also given to the greatly improved margins resulting from major development investment and restructuring activities carried out over recent years. Management's assumptions on development trends in the software industry coincide with those of industry experts and market analysts. A discount rate of 7.38% was applied to future cash flows.

2 Shareholdings in associated companies, valued at equity

Associates valued 'at equity' in 2004 include the following companies:

	Share %	2005 EUR k	2004 EUR k
CNI	40.0	0	424
Schindler Technik AG	37.2	0	239
		0	**663**

The shares of the majority shareholder in CNI were acquired by PSI AG on December 15, 2005. As a subsidiary of PSI AG, the company is now fully consolidated. Shares held by PSI AG in Schindler Technik AG, Berlin, were sold to other shareholders of Schindler Technik AG on December 14, 2005, generating a sales profit of EUR 44k.

The following table gives summarized information on the associated companies shown:

	2005 EUR k	2004 EUR k
Share of the balance sheet of associates		
- Current assets	0	5,869
- Non-current assets	0	3,218
- Current liabilities	0	7,050
- Non-current liabilities	0	336
- Equity	0	1,701
Share of revenue and net income of associates		
- Revenues	0	13,455
- Net income/loss	0	–210
Book value of the shares of associates	0	663

Up to the sale of their shares, the associated companies Schindler Technik AG generated revenues of EUR 62k (2004: EUR 10k) and CNI generated expenses of EUR 20k (2004: EUR 97k).

3 Other financial assets

	2005 EUR k	2004 EUR k
Securities available for sale	186	304
Financial investments valued at amortized cost	0	1.030
	186	**1,334**

Cost of purchase and current market value of the securities available for sale shown under Other financial assets are as follows:

	2005 EUR k	2004 EUR k
Cost of purchase	304	308
Sale	–118	0
Unrealized gains/losses	0	–4
Market value	**186**	**304**

Securities available for sale consist mainly of shares in a money-market fund, of which EUR 118k were sold in 2005.

In 2004 the shareholding in Varial Software AG, in which PSI AG holds a 9.1% stake, was recorded under financial investments valued at amortized cost. These shares were sold to the majority shareholder of Varial AG on December 21, 2005 for a loss of EUR 80k.

Current assets

4 Inventories

	2005 EUR k	2004 EUR k
Work in progress	1,072	1,570
- at cost		
- at fair value		
Hardware and third-party licenses	1,080	1,192
- at cost		
- at fair value		
Payments on account to subcontractors	2	47
	2,154	**2,809**

5 Trade receivables, net

	2005 EUR k	2004 EUR k
Trade receivables, gross	17,769	22,463
Individual value adjustments	–265	–300
	17,504	**22,163**

6 Trade receivables from long-term development contracts

Trade receivables arise when revenues are recognized under the percentage-of completion method which cannot yet be invoiced under the terms of the contract. The amounts are calculated using various performance criteria such as milestones, the ratio of employee hours worked to hours budgeted, the completion of certain units or completion of the contract. The book values include the directly attributable costs (personnel costs and third-party expenses) and an appropriate share of overhead.

Receivables value under the percentage-of-completion method include the following components:

	2005 EUR k	2004 EUR k
Costs incurred	35,090	34,239
Profit share	3,992	3,427
Contract revenues	39,082	37,666
Payments received on account	–22,185	–33,149
Receivables from long-term development contracts	18,643	16,954
Liabilities from long-term development contracts	8,720	12,339

7 Other assets

	2005 EUR k	2004 EUR k
Receivables from sale of shareholdings	1,115	0
Prepaid expenses	1,068	1,317
Tax credit (Sales tax)	664	443
Payments made on account	91	326
Loans and advances to customers	201	222
Subsidies	63	194
Equalization credit for reduced pension liabilities	0	1,449
Other	418	1,003
	3,620	**4,954**

Receivables from the sale of shareholdings include the consideration for the sales of shares in Varial AG and Schindler Technik AG owed by the buyers.

The prepaid expenses (essentially prepaid maintenance contracts) will be booked to income within the year.

The customer loan has a term of three years.

8 Cash and cash equivalents

	2005 EUR k	2004 EUR k
Bank balances	10,673	7,536
Fixed term deposits	8,259	11,313
Cash	15	19
	18,947	**18,868**

9 Equity

Changes in shareholders' equity are shown in the consolidated table.

a) Subscribed capital

The share capital fully paid in and filed with the company registry amounts to EUR 31,008,947.20 (2004: EUR 28,192,947.20). The share capital is divided into 12,112,870 (2004: 11,012,870) shares with no par-value.

In the shareholders' meeting on May 19, 2005 the Management Board was authorized to buy back up to 10% (EUR 3,096k) of the company's outstanding shares. This authorization expires on November 18, 2006. In 2005 the Company distributed all the treasury shares bought to associated individuals and set the costs off against equity.

b) Capital increases

By resolution of the Management Board dated February 7, 2005 and with the approval of the Supervisory Board, a capital increase was made by PSI AG from authorized capital I/2004. Share capital was increased by EUR 2,816,000 by the issue of 1,100,000 bearer shares at EUR 3.50 per share in return for cash contributions. The share increase was registered in the company registry on February 11, 2005.

c) Contingent and authorized capital

The shareholders' meeting on May 19, 2005 passed a resolution cancelling the authorized capital I/2004, valid on registration with the company registry. The Board was further authorized to increase the share capital of the company by May 18, 2010 with the approval of the Supervisory Board, in one or more steps, by up to EUR 15,504,000.00 via the issue of new bearer shares in return for cash or in-kind contributions (authorized capital 2005). A resolution was passed in 2004 to create contingent capital by issuing convertible bonds and convertible debentures with the option to exclude subscription rights. Authorized and contingent capital is shown in the following table:

	2005 EUR k	2004 EUR k
Authorized capital (AC)		
- AC I/2005 (up to May 18, 2010)	15,504	0
- AC I/2004 (up to May 26, 2009)	0	10,500
- AC II (up to May 25, 2005)	0	1,231
	15,504	**11,731**
Contingent capital (CC)		
- CC II/2004 (up to May 26, 2009)	10,240	10,240
- CC I (up to May 25, 2005)	0	1,280
	10,240	**11,520**
	25,744	**23,251**

d) Capital reserve

The premium of EUR 874k arising from the increase in share capital on February 7, 2005 was transferred to the capital reserve.

e) Treasury shares

The shareholders' meeting on May 19, 2005 passed a resolution authorizing PSI AG to buy back its own shares in accordance with the provisions of Section 71, (1), No. 8 of the AktG and sell them without reference to subscription rights. This authorization is valid until November 18, 2006. The resolution dated May 27, 2004 authorizing the purchase of treasury shares for all purposes allowed under Section 71, (1), No. 8 of the AktG was revoked as of the end of the day of the shareholders' meeting on May 19, 2005.

In the course of a share buy-back program, 38,726 treasury shares were purchased in 2003 and 2004 for a total cost of EUR 160k. The sale of 7,500 shares for the purchase of Integral by Psipenta GmbH generated treasury shares worth EUR 129k as of December 31, 2004. These were fully distributed in 2005. The distribution was to former shareholders of BuB as part of the consideration for BuB shares. The payment of the consideration was originally expected to have been in cash.

The proportion of treasury shares in the share capital is 0.00% or EUR 0 as of December 31, 2005 (2004: 0.28% or EUR 79,938.56).

Non-current Liabilities

10 Pension provisions

Pension provisions are made for obligations (retirement pensions, invalidity pensions, widows' and orphans' annuities) arising from entitlements and from current payments to present and former members of staff of the PSI Group and their surviving dependents. There are two defined-benefit plans with slight differences in the type of obligations.

Projected pension obligations (net present value of future pension commitments) were calculated using actuarial methods based on the following assumptions:

	2005 %	2004 %
Discount rate	4.25	5.5
Increase in salaries	1.0	1.0
Increase in pensions	1.0	1.0
Turnover	4.5	4.5

The increase in salaries includes expected future increases in salary levels based on yearly estimates of inflation and length of service.

Net pension payments are made up as follows:

	2005 EUR k	2004 EUR k
Service expense	687	673
Interest expense	1,359	1,378
Expense for the period	**2,046**	**2,051**

The following table shows current pension obligations:

	2005 EUR k	2004 EUR k
Defined-benefit pension obligations	33,493	24,348
Unrealized actuarial gain/loss	−9,856	−1,679
Curent pension obligation	**23,637**	**22,669**

The following table shows the development of pension obligations:

	2005 EUR k	2004 EUR k
Pension obligations, start of period	22,669	24,127
Pension payments	−461	−731
Reduction through sale of Metech division	0	−2,778
Reduction through mortality	−617	0
Expenses for the period	**2,046**	**2,051**
Pension obligations, end of period	**23,637**	**22,669**

The actuarial losses which increased the present value of entitlements in the fiscal year are mainly a result of a reduction in the discount rate and the application of updated mortality rates (Heubeck).

Current liabilities

11 Financial liabilities

PSI AG has entered into several credit arrangements with a total volume of EUR 470k (2004: EUR 470k) to finance investments in intangible assets and property, plant and equipment. Some companies in the PSI Group also use bank overdrafts for short-term financing. Interest of 4.5% p.a. (2004: 4.5% p.a.) is paid on the originally long-term loans and 8% p.a. (2004: 8% p.a.) on the overdrafts. Financial liabilities are repaid monthly. The Group aims to refinance the short-term financial liabilities on an ongoing basis.

Interest expense amounted to EUR 121k in the fiscal year 2005 (2004: EUR 1,117k).

12 Provisions

Developments in provisions were as follows:

	1.1. 2005 EUR k	Utilized EUR k	Interest EUR k	Dissolved EUR k	Increase EUR k	12.31. 2005 EUR k
Personnel provisions	1,897	–473	314	–192	132	1,678
Other provisions	151	–115	0	–36	514	514
	2,048	**–588**	**314**	**–228**	**646**	**2,192**
Of which short-term	351					798
Of which long-term	1,697					1,394

Personnel provisions mainly contain provisions for phased retirement programs. Provisions are calculated based on the terms of individual employment contracts using a discount rate for related projected cash flows of 4.25%.

Other provisions relate to various Group litigation proceedings. Provisions have been made for estimated legal and advisory fees and any other claims that are expected to arise from the proceedings.

13 Other liabilities

	2005 EUR k	2004 EUR k
Deferred income	1,992	2,823
Personnel-related liabilities	2,772	3,941
Tax liabilities (Sales tax, payroll tax)	2,079	3,510
Social security liabilities	1,209	1,225
Liabilities from acquisitions	0	4,943
Other	4,810	2,657
	12,862	**19,099**

Personnel-related liabilities consist mainly of accrued vacation entitlement, overtime and bonuses. Deferred income payments (maintenance income paid in advance) will be booked to income within the year.

14 Deferred taxes / taxes on income

German municipal trade tax is payable on the taxable net income of the PSI Group, adjusted by excluding certain types of income not liable to trade tax and by adding certains types of expense which are not deductible for trade tax purposes. The effective rate of trade tax depends on the municipality of PSI Group's businesses. The average rate of trade tax in 2005 and 2004 was around 17.5%. Trade tax payments can be set off against corporation tax, which is set at 25%. An additional 'solidarity surcharge' is payable at the rate of 5.5% of the corporation tax payment.

The income taxes earned/paid in the current fiscal year were as follows:

	2005 EUR k	2004 EUR k
Effective tax expenses		
Current year	**–135**	**24**
Deferred tax income		
Net change in tax losses and tax-deductible amortization of goodwill	12	2,323
Changes in long-term development contracts	356	–1,936
Phased retirement program	325	0
Amortization of internally developed software	212	–265
Intangible assets	–48	75
Changes in pension provisions	374	–187
Project-related provisions	179	0
	1,410	**10**
Income from income taxes	**1,275**	**34**

The following table shows the reconciliation of tax expense and income:

	2005 EUR k	2004 EUR k
Earnings before tax	–1,255	–12,305
Theoretical tax income (39.26%)	493	4,831
Non-deduction of tax losses and depreciation of tax losses carried forward from prior years	–1,629	–5,065
Reversal of valuation adjustments on deferred tax assets from temporary booking differences	1,793	0
Nicht steuerbare Konsolidierungseffekte	593	0
Utilization of tax losses	0	–228
Non-taxable expenses/income	25	28
Effective tax income	**1,275**	**34**

The following table shows the deferred taxes as reported in the PSI Group balance sheet:

	2005 EUR k	Difference EUR k	2004 EUR k
Deferred tax assets			
Tax losses and tax-deductible amortization of goodwill	1,577	12	1,565
Pension provisions	889	374	515
Phased retirement program	325	325	0
Project-related provisions	179	179	0
	2,970	**890**	**2,080**
Deferred tax liabilities			
Receivables from long-term development contracts	–1,567	356	–1,923
Capitalization of internally developed software	–355	212	–567
Intangible assets	–58	–48	–10
	–1,980	520	–2,500
Deferred tax liability, net	**990**	**1,410**	**–420**
- of which effective on income	1,410		10
- of which effective on equity	0		11
Balance sheet			
Deferred tax assets	2,970		2,977
Deferred tax liabilities	**–1,980**		**–3,397**

In total, the PSI Group has unused tax losses of EUR 82,353k, of which EUR 78,568k are derived from businesses in Germany. Tax losses do not usually expire in Germany.

D. Notes to the consolidated income statement

The income statement has been drawn up using the total expenditure format.

15 Revenues

	2005 EUR k	2004 EUR k
Software development and maintenance	92,433	97,249
License fees	5,379	4,769
Merchandise	18,708	13,175
	116,520	**115,193**

16 Cost of materials

	2005 EUR k	2004 EUR k
Cost of services	7,939	11,091
Cost of goods	16,856	11,360
	24,795	**22,451**

17 Personnel expenses

	2005 EUR k	2004 EUR k
Wages and salaries	59,197	65,376
Social security expenses, pensions and other benefits	11,339	10,373
	70,536	**75,749**

18 Amortization and depreciation

	2005 EUR k	2004 EUR k
Depreciation of fixed assets		
of intangible assets, property, plant and equipment	3,006	2,965
of capitalized development costs	621	743
	3,627	**3,708**
of current assets	38	8
	3,665	**3,716**

19 Other operating expenses

	2005 TEUR	2004 TEUR
Rents, leases and related costs of real estate	4,749	5,844
Travel expenses	3,669	3,822
Litigation BASIS 3000	0	3,420
Dataline, IT and telephone costs	2,537	3,363
Advertising and marketing	2,484	2,301
Equipment leasing	1,751	1,920
Legal and advisory fees	1,228	1,514
Project costs	1,631	1,221
Other	4,039	3,094
	22,088	**26,499**

20 Income per share

Undiluted income per share is calculated in accordance with IAS 33 as the consolidated net income divided by the weighted number of shares.

	2005	2004
Net income for the period (EUR k)	20	–12,271
Number of weighted shares (in thousands)	11,986	11,010
Undiluted income per share (EUR/share)	**0.00**	**–1.11**

For the purposes of calculating the diluted income per share, the net income for the period attributable to ordinary shareholders and the weighted average number of shares in circulation are adjusted for the dilution effect of stock options when exercised. In this case, the number of ordinary shares is equal to the weighted average number of shares in circulation plus the weighted average number of shares which could be issued as a result of stock option conversion. Stock options count as having been exercised on the day the subscription rights were granted. As of December 31, 2005 and 2004 there were no dilution effects from stock options.

E. Notes to the cash flow statement

The cash and cash equivalents as recorded are not subject to any restrictions by third parties. The PSI Group has made no payments for extraordinary transactions. Interest and income tax payments have been stated, a dividend was not paid.

In 2005 payments of EUR 4,566k for acquisitions became effective on income.

In 2004 PSI AG lost a lawsuit against a customer (Project BASIS 3000) on appeal. This resulted in a non-cash write-down of EUR 3.4 m (stated under Information Management) and cash expenses of EUR 0.8 m for legal and advisory fees and interest payments.

The other non-cash expenses in 2004 mainly comprise valuation allowances for trade receivables of EUR 599k (stated under Production Management) and valuation allowances for inventory of EUR 160k (stated under Information Management).

F. Notes to the segment reporting

The PSI Group applies IAS 14 – Segment Reporting. This standard contains provisions for the disclosure of information regarding business segments and geographic segments.

The PSI Group is organized into three operational business segments – Network Management, Production Management and Information Management.

The segment reporting for business segments is included in an attachment to these notes to the consolidated financial statements.

Network Management

The segment Network Management mainly comprises the business activities in the fields of energy, gas/oil/water and telecommunications (business areas of PSI AG) and those of Büsing and Buchwald GmbH, PSI Transportation GmbH and Nentec GmbH, which are mainly made up of development, installation, service and maintenance of customized software for customers in the sectors energy, gas/oil/water, telecommunications and local public transport. During the fiscal year, no single customer contributed more than 10% to total revenues.

Production Management

The segment Production Management mainly comprises the business activities of PSI BT GmbH with solutions for the steel and chemical industries, PSI Logistics GmbH with products and solutions for distribution and logistics, and Psipenta GmbH with products, and increasingly also solutions for manufacturing companies. PSI AG/Switzerland and PSI AG/UK solely distribute the PSI AG portfolio in their respective regions. PSI AG founded a new business unit in 2003 – PSI Manufacturing. The business operations of PSI Manufacturing are currently in the start-up phase. During the fiscal year, no single customer contributed more than 10% to total revenues.

Information Management

The segment Information Management mainly comprises the business activities of PSI Information Management GmbH. This segment focusses on the sale of software solutions to public authorities. During the fiscal year, no single customer contributed more than 10% to total revenues.

Reconciliation with segment assets and liabilities

Segment assets and liabilities are reconciled with gross assets and liabilities as follows:

	2005 EUR k	2004 EUR k
Gross assets per balance sheet	87,987	96,782
- Shares in associated companies	0	–663
- Deferred tax assets	–2,970	–2,977
Segment assets	**85,017**	**93,142**

	2005 EUR k	2004 EUR k
Gross liabilities per balance sheet	59,510	72,142
- Provisions for taxes	0	–420
- Deferred tax liabilities	–1,980	–3,397
Segment liabilities	**57,530**	**68,325**

Additional geographical information

Additional geographical information is not given, as segment revenues and segment assets per geographical segment do not account for more than 10% of total revenues and total assets.

G. Other information

Other financial obligations and contingent liabilities

Rent and lease contracts

Operating lease contracts exist for office equipment, IT hardware and other equipment. In 2005 payments of EUR 133k (2004: EUR 116k) were made for office equipment leasing and payments of EUR 299k (2004: 330k) for IT and other equipment.

In 1996 PSI AG signed a rental contract for an office building in Berlin. The contract has a fixed term to March 31, 2012.

These and other rent and lease contracts give rise to the following rental and leasing payments:

	Rental payments TEUR	Leasing payments TEUR	Total TEUR
2006	3,515	595	4,109
2007	3,331	429	3,759
2008	2,868	126	2,994
2009	2,336	21	2,357
2010	2,221	1	2,222
2011 and thereafter	2,426	0	2,426

Bank guarantees

Various insurance companies and banks have given guarantees for a total of EUR 31,633 (2004: EUR 29,951) on behalf of PSI AG.

Declarations of subordination and letters of comfort

PSI AG has issued declarations of subordination with regard to receivables owed by subsidiaries for a total of EUR 6.5 m. Letters of comfort were also given for a number of subsidiaries.

Personnel

The average number of employees in the PSI Group was 1,056 in the fiscal year 2005 (2004: 1,150 employees).

Auditing expenses

Auditing expenses for the audit of the financial statements of PSI AG, the consolidated financial statements of the PSI Group and all significant subsidiaries were EUR 156k. Ernst & Young also provided tax advisory services in connection with the Chinese subsidiary for EUR 66k in 2005. Other certification expenses amounted to EUR 18k.

Related parties

Related parties are those companies or individuals which are capable of exerting a controlling influence over the PSI Group or of exercising significant influence on its financial and operational policies. When determining the signficant influence which related companies and individuals have on the financial and operational policies of the PSI Group, account was taken of existing rights of control as well as any fiduciary arrangements.

Related companies

The subsidiaries and associated companies included in the consolidated financial statements are considered to be related companies. There are no further related companies.

Related individuals

The following individuals are considered to be related parties:

Members of the Management Board of PSI AG

Dr. Harald Schrimpf
Armin Stein

Members of the Supervisory Board of PSI AG

Christian Brunke
Wolfgang Dedner
Dirk Noß
Barbara Simon
Karsten Trippel
Prof. Dr. Rolf Windmöller
Klaus Linke (until May 19, 2005)

During the fiscal year 2005, FMR Corp., 82 Devonshire Street, Boston, Massachusetts, USA (FMR Corp.) made an announcement pursuant to Section 21, (1) of the Wertpapierhandelsgesetz (German Securities Trading Act), stating that they had crossed the 5% threshold and held 5.63% of the voting rights of PSI AG. The voting rights are attributable to FMR Corp. in accordance with Section 22, (1) of the Wertpapierhandelsgesetz.

A consortium to which various employees of PSI AG belong for the purpose of exercising their voting rights in concert also held 6.49% and ENERGY Innovations Portfolio AG & Co. KGaA 5.18% of the voting rights of PSI AG as of the balance sheet date.

Transactions with related parties

In the previous year no transactions took place between the related parties and the PSI Group.

Supervisory Board

The following individuals were members of the Supervisory Board during fiscal 2005:

Name	Qualification	Location	Other Supervisory Board seats
Members of the Supervisory Board			
Christian Brunke (Chairman)	Dipl.-Betriebswirt (Graduate in Economics)	Berlin	
Wolfgang Dedner (Deputy chairman)	Dipl.-Ing. (Graduate in Engineering)	Berlin	
Klaus Linke (up to May 19, 2005)	Dipl.-Ing. (Graduate in Engineering)	Werne	
Dirk Noß (Employee representative)	Dipl.-Ing. (Graduate in Engineering)	Aschaffenburg	
Barbara Simon (Employee representative)	Dipl.-Ing. (Graduate in Engineering)	Berlin	
Karsten Trippel	Trained in commerce	Großbottwar	Berlina AG für Anlagenwerte Ost-West Beteiligungs- und Grundstücksverwaltungs AG
Prof. Dr. Rolf Windmöller (from May 19, 2005)	Consultant for Energy Management	Ennepetal	ProDV Software AG, Dortmund (Chairman) SAG NE GmbH, Langen

Remuneration of Management and Supervisory Board

The Management Board of PSI AG received remuneration of EUR 369k in fiscal 2005 (2004: 465k). The remuneration of the Management Board is made up of a fixed payment and a variable bonus. There are no pension obligations to members of the Management Board.

Provisions of EUR 569k (2004: EUR 978k) have been made for pension obligations to former Board members. The decrease is largely due to a reversal.

The Supervisory Board received remuneration of EUR 127k (2004: EUR 82k)

Members of the Management and Supervisory Boards hold the following company shares:

	Number of Shares
Management Board	
Armin Stein	6,000
Dr. Harald Schrimpf	34,000
Supervisory Board members	
Christian Brunke	5,000
Wolfgang Dedner	25,300
Dirk Noß	56
Barbara Simon	7,890
Karsten Trippel	80,000
Prof. Dr. Rolf Windmöller	0

Information in accordance with the German 'Code of Corporate Governance'

The declaration of compliance was made on November 1, 2005 and is permanently available to shareholders via the Internet homepage of PSI AG (www.psi.de) in the section Investor Relations.

Berlin, February 13, 2006

Dr. Harald Schrimpf Armin Stein

AUDITOR'S REPORT

We have audited the consolidated financial statements of PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie, of Berlin, consisting of the Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Shareholders' Equity, the Notes to the financial statements and the consolidated Management Report for the fiscal year from January 1, 2005 through December 31, 2005.

Preparation of the consolidated financial statements and the consolidated Management Report in accordance with IFRS, as required by EU regulations, as well as compliance with the additional provisions of German commercial law, as stipulated in Article 315a of the HGB (German Commercial Code), are the responsibility of the Company's legal representatives. Our responsibility is to evaluate the consolidated financial statements and the Management Report, based on our audit.

We performed our audit of the consolidated financial statements in compliance with Article 317 of the HGB and in accordance with generally accepted auditing standards, as established by the Institut der Wirtschaftspruefer (IDW, German Institute of Certified Public Accountants). Those standards require that an audit be planned and executed in such a manner that it can detect, with adequate certainty, any inaccuracies or misstatements that could materially affect the view of assets, finances and earnings presented by the financial statements and the Management Report, applying generally accepted accounting principles. Our understanding of the Company's business operations, the Group's economic and legal environment and assessments of possible misstatements were taken into account in determining the audit procedures. In the course of the audit, we examined the effectiveness of the internal accounting control system and tested the accuracy of the amounts and disclosures reported in the consolidated financial statements and the Management Report, primarily by taking random samples. The audit entailed evaluating the annual reports of the companies included in the consolidated financial statements, the defined scope of consolidation, the accounting and consolidation principles used and the major estimates made by the legal representatives, as well as assessing the overall presentation of the consolidated financial statements and the Management Report. We believe that our audit constitutes an adequate and sound basis for our assessment. Our audit did not yield any information that would cause us to qualify our opinion.

In our opinion, based on the information obtained in the course of the audit, the consolidated financial statements comply with IFRS, as required by EU regulations, as well as the additional provisions of German commercial law, as stipulated in Article 315a of the HGB, and they convey a true and accurate view of the Company's assets, finances and earnings situation. The Management Report is consistent with the consolidated financial statements; overall, it presents an accurate picture of the Group's position and accurately describes the opportunities and risks associated with its future development.

Berlin, Febuary 17, 2006

Ernst & Young AG Wirtschaftspruefungsgesellschaft (auditors)
Selter (German Certified Public Accountant) Gloeckner (German Certified Public Accountant)

Karsten Pierschke, Head of Investor Relations

"Our clear strategy has guided us firmly back into the black, and this achievement has been rewarded by renewed interest in our shares."

Investor Relations: 2006 Financial Calendar

Publication of annual results	March 14, 2006
Presentation to analysts	March 14, 2006
Report on first-quarter results	May 2, 2006
General Shareholders' Meeting	May 12, 2006
Report on second-quarter Results	August 1, 2006
Report on third-quarter results	November 2, 2006
Presentation to analysts German Equity Forum	November 2006

PSI Shares

Stock market segment:	Prime Standard
Exchange symbol:	PSA2
German Securities Code:	696822
ISIN:	DE0006968225

We would be happy to add your name to our mailing list for shareholder information.
Please also get in touch if you would like a copy of the Financial Statements of PSI AG.

For the latest investor news, please visit our website at **www.psi.de/ir**

Your contact person in Investor Relations:

PSI AG
Karsten Pierschke
Head of Investor Relations and Communication
Dircksenstraße 42 – 44
10178 Berlin
Germany
Telephone: + 49/30/28 01 - 27 27
Fax: + 49/30/28 01 - 10 00
Email: ir@psi.de

PUBLICATION DETAILS

Publisher

PSI Aktiengesellschaft für
Produkte und Systeme der
Informationstechnologie, Berlin

Concept and Design

HGB Hamburger Geschäftsberichte
GmbH & Co. KG

Photography

Ingo Rappers, Claus Uhlendorf,
Corbis, Getty Images

PSI Aktiengesellschaft für
Produkte und Systeme der
Informationstechnologie

Dircksenstraße 42–44
10178 Berlin
Germany
Telephone: + 49/30/28 01 - 0
Fax: + 49/30/28 01 - 10 00
ir@psi.de
www.psi.de

PSI