

Report on the 1st Six Months of 2001



PSI 

The PSI Group also continued the positive trend in the first six months of the financial year 2001. Sales increased compared to the previous year by 19.4% to 79.6 million. The EBIT increased by 51.8% to 1.98 million. Compared to the first quarter the increase was 89.6 to 1.293 million, despite the difficult economic environment. The new orders as of 30 June were, at 87 million, 27% above the year before.

PSI Group Data as per 30 June 2001 at a Glance

	1.1. - 30.6.01 in KEUR	1.1. - 30.6.00 in KEUR	Change in KEUR	Change in %
Revenues	79,572	66,616	+12,956	+19.4
Operating income before goodwill amortization	2,638	1,844	+794	+43.1
Operating income	1,492	1,180	+312	+26.4
Result before income taxes	1,975	1,301	+674	+51.8
Employees on 30 June 2001	1,381	1,275	+106	+8.3

Business Development

The PSI Group increased its revenues in the first six month of 2001 year by 19.4% to Euro 79.6 million compared to the same period in the previous year. In the Product Business revenues increased by 11.2% to Euro 18.7 million. The Systems Business grew by 22.2% and had revenues of Euro 60.9 million.

Improvements in the margin on the services, increased licensing earnings and consistent cost management led to an improvement of the operating result of Euro 4.2 million to Euro -1.1 million in the Product Business.

With Euro 46,000, a profit was made in this segment in the second quarter.

The Systems Business was, despite the continued good development in the fields of energy and telecommunications, burdened by the collapse of the eBusiness solutions market, which impacted particularly on the UBIS subsidiary. This, together with one-off expenses for the cancellation of the UBIS IPO and investments in major customer sales in the first six months resulted in a decrease of the operating result in the Systems Business to Euro 2.6 million (2000: Euro 6.5 million).

Overall the operating result in the Group increased by 26.4% to Euro 1.5 million. Without goodwill amortization the increase was 43.1% to Euro 2.6 million.

Cash increased by Euro 3.6 million to Euro 15.9 million compared to the same quarter last year.

New orders as of 30 June 2001 were, with Euro 87 million 27% above the value for the previous year. The field of energy was again important to the increase in new orders. The new major customers attained will have a positive impact on PSI's development in the future. Along with that new orders in the Product Business and the field of telecommunications developed positively.

Personnel Development

The number of employees increased by 106 to 1,381 compared with the first six months of 2000. This provides the basis for attaining the PSI growth targets.

Special Events in the 2nd Quarter

PSI attained 21.6% of the shares of PSI (Switzerland) AG in the second quarter. This then increased the holdings in PSI Switzerland to 100%.

In the framework of focusing on medium-sized companies, 51% of the shares of Integral Datentechnik GmbH were sold on 29 June.

Outlook

The course of the first six months and the improvement of results in the second quarter confirm the Group's positive development.

To round out our own range of services and to improve the international presence, we will continue to join in strategic alliances and therefore additionally strengthen PSI's market position.

As a result of the high order backlog of Euro 130 million, and positive signals from the market, the Management Board is convinced that the planned growth targets will be met. Risks are represented by the general economic developments and in particular here with the market development in eBusiness solutions.

Group Income Statement
from 1 January 2001 until 30 June 2001 according to US-GAAP

	Quarterly Report II		6 Months Report	
	01.04.01- 30.06.01 KEUR	01.04.00- 30.06.00 KEUR	01.01.01- 30.06.01 KEUR	01.01.00- 30.06.00 KEUR
Revenues				
Software production and maintenance	31,185	31,102	62,835	57,958
Licenses	3,165	1,567	5,029	4,255
Hardware	5,746	2,964	11,708	4,403
	40,096	35,633	79,572	66,616
Cost of Revenues				
Software production and maintenance	24,278	22,940	45,755	41,336
Licenses	844	386	1,080	1,238
Hardware	4,710	2,019	9,789	3,340
	29,832	25,344	56,624	45,915
Gross profit	10,264	10,289	22,948	20,701
Operating expenses				
Selling and Marketing expenses	4,829	5,360	10,430	9,986
General and administrative expenses	2,906	2,162	5,663	4,542
Research and development	1,870	2,212	3,889	4,566
Capitalized research and development	-215	-206	-215	-304
Depreciation of capitalized research and development	205	774	410	1,539
Other income or expenses	-825	-1,372	133	-1,472
	8,770	8,931	20,310	18,857
Operating income before goodwill amortisation	1,494	1,358	2,638	1,844
Amortization of goodwill	578	425	1,146	664
Operating income	916	933	1,492	1,180
Interest income, income from investments	377	52	483	121
Result before income taxes (and minority interest)	1,293	985	1,975	1,301
Income tax	-786	-2,608	-1,964	-3,239
Result before minority interest	507	-1,623	11	-1,938
minority interest	-181	461	-290	-4
Net income/loss	326	-1,162	-279	-1,942
Earnings per share (in Euro per share, basic)	0.03	-0.12	-0.03	-0.20
Earnings per share (in Euro per share, diluted)	0.03	-0.12	-0.03	-0.20
Weighted average shares outstanding (basic)	9,857,993	9,286,044	9,857,993	9,286,044
Weighted average shares outstanding (diluted)	9,943,393	9,286,172	9,943,393	9,286,172

Group Cash Flow Statement
from 1 January 2001 until 30 June 2001 according to US-GAAP

	6 Months Report 01.01.-30.06.01 KEUR	6 Months Report 01.01.-30.06.00 KEUR
CASH FLOW FROM OPERATING ACTIVITIES		
Net income/loss before tax	1,975	1,301
Net income/loss after tax	11	-1,939
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation of intangible assets and of property, plant and equipment	3,753	4,253
Impairment loss	0	0
Pension reserves	697	4,091
Deferred taxes	1,739	3,255
Minority interests in result	290	-4
Change in assets, which are not included in investing or financing activities	-4,592	-19,475
Change in liabilities, which are not included in investing or financing activities	-3,945	5,715
Net cash from operating activities	-2,046	-4,104
INVESTING ACTIVITIES		
Additions to capitalized research and development costs	-215	-304
Net additions to property, plant, equipment and other intangible assets	-1,868	-1,539
Net additions to goodwills	-308	-9,721
Purchase of financial assets	64	-3,300
Net cash from investing activities	-2,326	-14,864
FINANCING ACTIVITIES		
Capital increase through cash payments	251	7,242
Issue of shares	0	16,865
Minority interests	0	1,516
Financial liabilities	705	1,333
Other changes in equity	343	13
Special item for investment grants	-105	-105
Net cash from financing activities	1,193	26,864
Increase (decrease) in cash and cash equivalents	-3,181	7,896
Currency translation	-68	0
Cash and cash equivalents at beginning of period	19,156	4,384
Cash and cash equivalents at end of period	15,907	12,280
Supplemental cash flow information		
Cash paid for interests	71	73
Cash paid for taxes	114	359

Group Balance Sheet
from 1 January 2001 until 30 June 2001 according to US-GAAP

	6 Months Report 01.01.-30.06.01 KEUR	Annual Report 01.01.-31.12.00 KEUR
Assets		
Current Assets		
Cash and cash equivalents	15,907	19,156
Trade accounts receivable net allowance for doubtful accounts of KEUR 332 (2000: KEUR 206)	32,610	30,728
Costs and estimated earnings in excess of billings on uncompleted contracts	37,460	34,121
Inventories	6,447	7,169
Deferred tax assets	0	0
Prepaid expenses	1,632	1,564
Other receivables	4,920	4,894
	98,975	97,632
Long-term assets		
Property, plant and equipment	12,452	12,739
Intangible assets	5,161	5,957
Investments	4,590	4,399
Goodwill	19,974	20,812
Deferred tax assets	0	0
	42,177	43,907
Total assets	141,152	141,539
Liabilities and shareholders' equity		
Current liabilities		
Short term debt	2,673	1,981
Trade accounts payable	8,998	11,598
Advance payments received in excess of estimated earnings on uncompleted contracts	15,543	14,070
Other accrued expenses	11,923	14,621
Deferred revenues	4,973	4,693
Deferred taxes	3,874	2,134
Other current liabilities	5,403	5,804
	53,388	54,901
Long-term liabilities		
Long-term profit participation rights	15	15
Long-term certificate of participating capital	0	1
Long-term debt	12	12
Deferred taxes	0	0
Pension accruals	17,971	17,274
Special item for investment grants	202	307
	18,200	17,609
Shareholders' equity		
Share capital, EUR 2.55 calculated par value	25,887	24,511
Additional paid-in capital	68,006	55,233
Revenue surplus	1,220	1,220
Accumulated deficit	-29,821	-29,541
Contributions made for capital increase	342	13,899
Unrealized net profits from securities	94	94
Cumulative translation adjustment	-234	-167
	65,494	65,249
Minority interests	4,070	3,780
Total Liabilities and shareholders' equity	141,152	141,539

Development of Fixed Assets from 1 January 2001 until 30 June 2001

	Number of Shares issued	Sub- scribed stock	Addition. paid-in capital	Revenue reserves	Contributions made for capital increase	Accu- mulated deficit	Others	Total
		KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
As of 31.12.2000	9,587,825	24,511	55,233	1,220	13,899	-29,541	-72	65,250
Issue of shares								
Contribution of 9% of UBIS Aktiengesellschaft for issue of shares	39,539	101	1,409		-1,510			0
Contribution of debis GMS for issue of shares	335,238	857	7,943		-8,800			0
Contribution of 100% of repas AEG Software GmbH for issue of shares	145,000	371	3,218		-3,589			0
Issue of employee shares	18,558	47	203					250
Contribution of 21.6% of PSI (Switzerland) AG for issue of shares					342			342
Group net income for 1 st six month of 2001						11		11
Others						-291	-68	-359
As of 30.06.2001	10,126,160	25,887	68,006	1,220	342	-29,821	-140	65,494

Shares and Options held by Management Board and Supervisory Board as of 30 June 2001

	Shares	Options
Management Board		
Ali-Akbar Alizadeh-Saghati	35,938	1,200
Dietrich Jaeschke	49,885	1,200
Armin Stein	200	0
Supervisory Board		
Wolfgang Fischer	1,049	800
Siegfried Hartmann	1,313	800
Kurt Kasch	0	0
Franz Niedermaier	3,565	0
Dietrich Walther	17,850	0
André Warner	2,695	800

Notes on the consolidated financial statements as of 30 June 2001

The Company

1. Business Activities and Legal Background

The Group's activities relate to the development and sale of software systems and products fulfilling the special needs and requirements of customers in the field of resource management.

The PSI Group consists of the three primary business fields Energy, Goods and Information.

The company is exposed to a number of risks that are similar to other companies active in the dynamic technology sector. Major risks for the development of the PSI Group are the successful marketing of its software systems and products, competition from larger companies, the ability to generate sufficient funding for future business development as well as individual risks regarding the integration of subsidiaries, organizational changes and the cooperation with strategic partners.

The company was founded in 1969 and was converted from a limited liability company into a stock corporation in 1994. In 1998 the company went public on the Neuer Markt. The company has its headquarter in Berlin, where it has been registered at the commercial register, section B under the number HRB 51463. Main locations with business activities are located in Berlin, Essen, Aschaffenburg, Hamburg, Karlsruhe, Dortmund und Düsseldorf.

2. Accounting and Valuation Principles

With regard to the principles of accounting and valuation and especially the differences between the German commercial regulations and the United States Generally Accepted Accounting Principles ('US-GAAP') see the group consolidated financial statement for the financial year 2000.

3. Changes in the Consolidation Group

The following companies are included in the consolidated financial statement as subsidiaries or associated companies:

a) Subsidiaries

	Shares in %
PSIPENTA Software Systems GmbH, Berlin	100.00
UBIS United Business Internet Solutions Aktiengesellschaft, Berlin	75.00
Nentec Gesellschaft für Netzwerk-Technologie mbH, Karlsruhe	100.00
PSI-BT Technologies for Industry AG, Düsseldorf	58.00
GSI Gesellschaft für Steuerungs- und Informationssysteme mbH, Berlin	51.00
PSI Transportation GmbH, Berlin	100.00
front2back Aktiengesellschaft, Berlin	60.00
PSI AG Produkte und Systeme der Informationstechnologie, Schwerzenbach, Switzerland	100.00
PSIPENTA Automotive GmbH, Gelsenkirchen (Group)	60.00
PSI logistics GmbH, Berlin	91.50
PSI Infrastruktur Services GmbH, Berlin	100.00
PSIPENTA USA Inc., Newton/Massachusetts, USA	100.00
PSIPENTA France S.a.r.l., Paris, Frankreich	100.00

b) Description of changes

Compared to prior year the companies included in consolidation changed as follows:

In the first quarter of 2001 the ECI-Entwicklungsgesellschaft für computergestützte Industriesysteme mbH, Hamburg, the Planar Gesellschaft für technische Softwaresysteme, Dortmund, and the DDS business unit of the PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie were merged at the recommendation of Kühl & Partner GmbH. The company was renamed PSI logistics GmbH.

In the second quarter of 2001 the PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie acquired 21.6% of the shares of PSI Aktiengesellschaft Produkte und Systeme der Informationstechnologie, Schwerzenbach, Switzerland, by issuing 19,000 shares of stock with a price of Euro 18 per share.

On 29 June 2001 PSIPENTA Software Systems sold 51% of the interest in Integral Datentechnik GmbH, Kaiserslautern. In addition, in the course of divesting shares the PSIPENTA distribution rights for the segment 'Small and Medium-sized Companies' were sold.

4. Selected Individual Items

Trade receivables

	Jun. 30, 2001 KEUR	Jun. 30, 2000 KEUR
Accounts receivable, trade	32,940	31,052
Allowances for bad debts	-330	-324
	32,610	30,728

Allowances for bad debts are created when it is probable that the Company will be unable to collect all amounts due. The amount of the allowance for bad debts is based on management's best estimate of the expected future cash flows based on reasonable assumptions and projections.

Costs and estimated earnings in excess of billings on uncompleted contracts

Costs and estimated earnings in excess of billings on uncompleted contracts arise when revenues have been recorded but the amounts cannot be billed under the terms of the contracts. Such amounts are recoverable from customers upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of the contract. Costs and estimated earnings contain directly allocable costs (labor cost and cost of services provided by third parties) as well as the appropriate portion of overheads including pro rata administrative expenses.

Costs and estimated earnings on uncompleted contracts and related amounts are billed as follows:

	Jun. 30, 2001 KEUR	Jun. 30, 2000 KEUR
Costs incurred on uncompleted contracts	60,757	54,728
Estimated earnings	25,552	22,632
	86,309	77,361
Less billings	-64,392	-57,310
	21,917	20,051

Such amounts are included in the accompanying consolidated balance sheets under the following captions::

	Jun. 30, 2001 KEUR	Jun. 30, 2000 KEUR
Costs and estimated earnings in excess of billings on uncompleted contracts	37,460	34,121
Billings in excess of costs and estimated earnings on uncompleted contracts	-15,543	-14,070
	21,917	20,051

Property, plant and equipment

Property, plant and equipment consist of the following:

	Jun. 30, 2001 KEUR	Jun. 30, 2000 KEUR
Acquisition cost		
Land and buildings	12,175	12,090
Computers and accessories	11,391	11,165
Office and factory equipment	4,229	4,079
	27,795	27,334
Accumulated depreciation	-15,343	-14,595
Total property, plant and equipment	12,452	12,739

Intangible assets and goodwill

The book values of the intangible assets and goodwill have developed as follows:

	Jun. 30, 2001 KEUR	Jun. 30, 2000 KEUR
Other intangible assets	2,957	3,558
Capitalized software development costs	2,204	2,399
	5,161	5,957
Goodwill	19,974	20,812
	25,135	26,769

The software development costs capitalized according to SFAS 86 essentially contain expenses for a network management system of the telecommunications industry and an order control system for the printing industry.

The modified regulations of the FASB for determination and amortization of goodwill (FASB Statement No. 141 “Business Combinations“) had no tangible effect on the six-month closure for the application and valuation of the goodwill.

Other accruals

The other accruals essentially contain the following individual items:

	Jun. 30, 2001 KEUR	Jun. 30, 2000 KEUR
Services still to be performed	6,817	7,546
Vacation and overtime	1,896	2,488
Other	3,210	4,587
	11,923	14,621

Taxes on income

The taxes determined are essentially defined deferred taxes, on the valuation allowance for deferred tax assets and on time-based booking differences between the individual tax balance sheet values of the individual group companies and the values determined in accordance with US-GAAP.

Equity

The development of equity is shown in the representation of the development of Fixed Assets.

Segment reporting according to product and systems business

The development of the segment results can be found in the Group segment reporting.

Group Segment Reporting
from 1 January 2001 until 30 June 2001 according to US-GAAP

	Product Business		Systems Business		PSI Group	
	30 Jun. 2001 KEUR	30 Jun. 2000 KEUR	30 Jun. 2001 KEUR	30 Jun. 2000 KEUR	30 Jun. 2001 KEUR	30 Jun. 2000 KEUR
Revenues						
Software production and maintenance	14,619	12,909	48,216	45,049	62,835	57,958
Licenses	3,863	3,252	1,166	1,003	5,029	4,255
Hardware	196	640	11,512	3,763	11,708	4,403
	18,678	16,801	60,894	49,815	79,572	66,616
Cost of revenues						
Software production and maintenance	10,229	9,999	35,526	31,337	45,755	41,336
Licenses	750	634	331	605	1,080	1,238
Hardware	151	371	9,638	2,969	9,789	3,340
	11,130	11,004	45,494	34,911	56,624	45,915
Gross profit	7,548	5,797	15,400	14,904	22,948	20,701
Operating expenses						
Selling and Marketing expenses	3,339	4,515	7,091	5,471	10,430	9,986
General and administrative expenses	1,546	1,368	4,117	3,174	5,663	4,542
Research and development	3,574	4,347	315	219	3,889	4,566
Capitalized research and development	-179	-304	-36	0	-215	-304
Depreciation of capitalized research and development	33	1,197	377	342	410	1,539
Other income or expenses	355	-10	-222	-1,462	133	-1,472
	8,668	11,113	11,642	7,744	20,310	18,857
Operating income before goodwill amortisation	-1,120	-5,316	3,758	7,160	2,638	1,844
Amortisation of goodwill	-11	0	-1,135	-664	-1,146	-664
Operating income	-1,131	-5,316	2,623	6,496	1,492	1,180
Interest income, income from investments	-37	-32	520	153	483	121
Result before income taxes	-1,168	-5,348	3,143	6,649	1,975	1,301
Income tax	-41	518	-1,923	-3,757	-1,964	-3,239
Net income/loss	-1,209	-4,830	1,220	2,892	11	-1,938



PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie

Dircksenstraße 42-44, D-10178 Berlin (Mitte)

Telefon: +49/30/2801-0

Fax: +49/30/2801-1000

eMail: ir@psi.de

Internet: <http://www.psi.de>