



Strong and flexible

**Report on the
1st Six Months of 2002**

PSI Group Data as per 30 June 2002 at a Glance

	1.1. - 30.6.02 in KEUR	1.1. - 30.6.01 in KEUR	Change In KEUR	Change in %
Revenues	77,246	79,572	-2,326	-2.9
Operating Income	-644	1,492	-2,136	-143.2
Result before income tax	-742	1,975	-2,717	-137.6
Net loss	-1,806	-279	-1,527	-547.3
Equity	17,970	15,908	+2,062	+13.0
Employees on 30 June 2002	1,356	1,381	-25	-1.8

PSI Group sales decreased in the first six months of 2002 compared to the same period last year by 2.9% to 77.25 million euros. In the second quarter of 2002 sales increased compared to the same period last year by 3% to 41.31 million euros. The EBIT in the first six months was -644,000 euros and in the second quarter -1.15 million euros or 2.14 million euros and 2.07 million euros, respectively, below the figures for the previous year. The group net result decreased in the first six months of the year by 1.53 million euros to -1.81 million euros and in the second quarter by 1.45 million euros to -1.12 million euros. Cash resources increased compared to the same quarter last year by 2.06 million euros and compared to 31 December 2001 by 5.1 million euros to 17.97 million euros.

The second quarter of 2002 was marked by long decision-making processes for IT investments and uncertainty about the future economic development. This especially had a negative impact on Production Management and in particular on the target market mechanical and plant engineering. For that reason PSI will accelerate the implementation of measures introduced at the end of 2001. The volume of orders on 30 June remained at a high level of 110 million euros.

Business Development

In the Network Management Segment (energy, telecommunication, traffic) sales increased in the first six months by 11.1% to 37.76 million euros compared to the same period last year and the EBIT increased by 88% to 3.01 million euros. This is essentially attributable to the excellent market position in the energy business.

In the Production Management Segment (industry, logistics) sales decreased by 17.2% to 26.11 million euros compared to the previous year. This is attributable to both the sale of the majority holding in

the subsidiaries GSI and Integral in the second half of 2001 as well as the decrease in the licensing sales. This primarily reflects the difficult market situation in the target market mechanical and plant engineering, which was once again marked by delays in the decision-making processes. The EBIT decreased by 3.98 million euros to -3.74 million euros.

In Information Management (authorities, service providers) sales decreased slightly in the first six months by 4.6 % to 13.37 million euros. The EBIT could be increased to 89,000 euros following a loss of 349,000 euros in the previous year.

The clearly positive operative cash flow resulted in an increase in cash resources, compared to 31 December 2001, of 5.1 million euro to 17.97 million euros.

The volume of new orders in the first six months was 68 million euros, the order backlog was 110 million euros.

Personnel Development

In the framework of qualitative and quantitative adjustments of the capacity and tightening of the organization, the number of employees in the group decreased by 25 compared to the second quarter of 2001 and by 49 compared to the end of 2001. The total number of employees is 1,356.

Special Events in the 2nd Quarter

In May PSI and the VA TECH group formed VA TECH CNI, a joint venture for the worldwide marketing of network control systems. With this, the global network of the VA TECH Group is available for the marketing of PSI network control technology.

On 11 April 2002 PSI acquired Büsing & Buchwald GmbH, further expanding its market position in energy management with the focus on gas management.

Outlook

As a result of the continuing weak market situation in the beginning of the third quarter PSI will accelerate the implementation of the measures introduced at the end of 2001. These consist of continued targeted personnel adjustments, the accelerated consolidation of branches and the continued focusing on the core business.

At the same time, Production Management is to be strengthened by expanding the partner business and additional strategic alliances. In Network Management the strategy of internationalization that has been implemented will be continued.

Here the acquisition of Büsing & Buchwald GmbH in the second quarter, the strategic alliance with VA TECH Group begun in early May and major international contracts won at the beginning of the third quarter will have a positive effect.

Group Income Statement
from 1 January 2002 until 30 June 2002 according to US-GAAP

	Quarterly Report II		6 Month Report	
	01.04.02- 30.06.02 KEUR	01.04.01- 30.06.01 KEUR	01.01.02- 30.06.02 KEUR	01.01.01- 30.06.01 KEUR
Revenues				
Software production and maintenance	32,993	31,185	62,099	62,835
Licenses	1,873	3,165	4,691	5,029
Hardware	6,447	5,746	10,456	11,708
	41,313	40,096	77,246	79,572
Cost of Revenues				
Software production and maintenance	25,062	24,278	46,678	45,755
Licenses	325	844	1,651	1,080
Hardware	6,046	4,710	8,931	9,789
	31,433	29,832	57,260	56,624
Gross profit	9,880	10,264	19,986	22,948
Operating expenses				
Selling and Marketing expenses	5,575	4,829	10,632	10,430
General and administrative expenses	2,877	2,906	4,689	5,663
Research and development	2,693	1,870	5,455	3,889
Capitalized research and development	-175	-215	-375	-215
Depreciation of capitalized research and development	131	205	260	410
Other income or expenses	-72	-825	-31	133
Goodwill amortization	0	578	0	1,146
Impairment loss	0	0	0	0
Operating income	-1,149	916	-644	1,492
Interest income, income from investments	-155	377	-98	483
Result before income taxes	-1,304	1,293	-742	1,975
Income tax	193	-786	-1,001	-1,964
Result before minority interest	-1,111	507	-1,743	11
Minority interest	-12	-181	-63	-290
Net income/ loss	-1,123	326	-1,806	-279
Earnings per share (in Euro share, basic)	-0,10	0,03	-0,17	-0,03
Earnings per share (in Euro per share, diluted)	-0,10	0,03	-0,17	-0,03
Weighted average shares outstanding (basic)	10,550,370	9,857,993	10,496,515	9,857,993
Weighted average shares outstanding (diluted)	10,809,770	9,943,393	10,728,915	9,943,393

Group Cash Flow Statement
From 1 January 2002 until 30 June 2002 according to US-GAAP

	6 Month Report 01.01.-30.06.02 KEUR	6 Month Report 01.01.-30.06.01 KEUR
CASH FLOW FROM OPERATING ACTIVITIES		
Net income/loss before tax	-742	1,935
Net income/loss after tax	-1,743	11
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation of intangible assets and property, plant and equipment	2,207	3,753
Impairment loss	0	0
Pension reserves	1,229	697
Deferred taxes	848	1,739
Minority interests in result	63	290
Changes in assets, which are not included in investing or financing activities	17,281	-4,592
Changes in liabilities, which are not included in investing or financing activities	-10,790	-3,945
Net cash from investing activities	9,095	-2,047
INVESTING ACTIVITIES		
Additions to capitalized research and development costs	-375	-215
Net additions to property, plant, equipment and other intangible assets	-3,502	-1,868
Net additions to goodwills (without liquid assets)	0	-308
Purchase of financial assets	-1,112	64
Net cash from investing activities	-4,989	-2,327
FINANCING ACTIVITIES		
Capital increase through cash payment	0	251
Minority interests	-171	0
Financial Liabilities	260	705
Other changes in equity	940	343
Special item for investment grants	-23	-105
Net cash from financial activities	1,006	1,194
Increase (decrease) in cash and cash equivalents	5,097	-3,248
Currency translation	-15	-68
Cash and cash equivalents at beginning of period	12,873	19,156
Cash and cash equivalents at end of period	17,970	15,908
Supplemental cash flow information		
Cash paid for interest	221	71
Cash paid for taxes	210	114

Group Balance Sheet
From 1 January 2002 until 30 June 2002 according to US-GAAP

	6 Month Report 01.01.-30.06.02 KEUR	Annual Report 01.01.-31.12.01 KEUR
Assets		
Current Assets		
Cash and cash equivalents	17,970	12,873
Trade accounts receivable net allowance for doubtful accounts of KEUR 211 (2001: KEUR 311)	32,666	44,789
Costs and estimated earnings in excess of billings on uncompleted contracts	33,337	35,423
Inventories	5,985	6,800
Deferred tax assets	0	0
Prepaid expenses	2,093	1,068
Other receivables	2,987	6,268
	95,038	107,221
Long-term assets		
Property, plant and equipment	11,114	11,498
Intangible assets	7,679	5,627
Investments	7,165	6,118
Goodwill	22,387	22,387
Deferred tax assets	0	0
	48,345	45,630
Total assets	143,383	152,851
Liabilities and shareholders' equity		
Current Liabilities		
Short term debt	2,515	4,948
Trade accounts payable	9,885	15,367
Advance payments received in excess of estimated earnings on uncompleted contracts"	13,791	14,962
Other accrued expenses	11,258	15,398
Deferred revenues	6,263	4,183
Deferred taxes	5,946	5,109
Other current liabilities	3,651	3,291
	53,309	63,258
Long-term liabilities		
Long-term debt	2,384	2,124
Deferred taxes	0	0
Pension accruals	20,173	18,944
Other long-term liabilities	69	93
	22,626	21,161
Shareholders' equity		
Share capital, EUR 2.55 calculated par value	27,643	25,887
Additional paid-in capital	71,336	68,006
Revenue surplus	1,220	1,220
Accumulated deficit	-36,433	-34,627
Contributions made for capital increase	1,282	5,428
Cumulative translation adjustment	-369	-359
	64,679	65,555
Minority interests	2,769	2,877
Total Liabilities and shareholders' equity	143,383	152,851

Development of Fixed Assets from 1 January 2002 until 30 June 2002

	Number of shares issued	Sub- scribed stock	Addition. Paid-in capital	Revenue reserves	Contributions made for capital increase	Accumu- lated deficit	Others	Total
		KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
As of 31. 12.2001	10,126,160	25,887	68,006	1,220	5,428	-34,627	-359	65,555
Issue of shares								
Contribution of 40% of Psipenta Automotive GmbH for issue of shares	161,710	414	1,365		-1,779			0
Contribution of 25% of UBIS AG for issue of shares	525,000	1,342	1,965		-3,307			0
Contribution of 100% of Büsing & Buchwald GmbH for issue of shares					940			940
Group net loss for 6 Months 2002						-1,806		-1,806
Others							-10	-10
As of 30.06.2002	10,812,870	27,643	71,336	1,220	1,282	-36,433	-369	64,679

Shares and Options held by Management Board and Supervisory Board as of 30 June 2002

	Shares	Options
Management Board		
Ali-Akbar Alizadeh-Saghati	38,938	3,600
Dietrich Jaeschke	56,385	3,600
Armin Stein	700	2,400
Supervisory Board		
Christian Brunke	0	0
Wolfgang Dedner	15,600	0
Wolfgang Fischer	1,049	800
Siegfried Hartmann	1,313	2,400
Klaus Linke	0	0
Karsten Trippel	40,000	0

Notes on the consolidated financial statements as of 30 June 2002

The Company

1. Business Activities and Legal Background

The business activities of PSI AG relate to the development and sale of software systems and products fulfilling the specific needs and requirements of its customers, particularly in the following industries and services lines: utilities, manufacturing, telecommunications, traffic, software technology, Internet applications and business consulting.

The PSI Group is divided into the main business lines Network Management, Production Management and Information Management.

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, Aschaffenburg, Essen, Dortmund, Düsseldorf, Hamburg, Karlsruhe and Neviges.

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 2001.

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
PSIPENTA Automotive GmbH, Gelsenkirchen (Group)	100.00
PSI AG Produkte und Systeme der Informationstechnologie, Schwerzenbach, Switzerland	100.00
Nentec Netzwerktechnologie mbH, Karlsruhe	100.00
PSI Transportation GmbH, Berlin	100.00
PSI Solutions GmbH, Stuttgart	100.00
PSI Infrastruktur Services GmbH, Berlin	100.00
UBIS United Business Internet Solutions Aktiengesellschaft, Berlin	100.00
Büsing & Buchwald GmbH, Barsinghausen	100.00
PSI logistics GmbH, Berlin (Group)	91.50
PK Software Engineering GmbH, Leonberg	75.00
PSI-BT Technologies for Industry AG, Düsseldorf	58.00

b) Description of changes

Gegenüber dem Vorquartal ergab sich folgende Veränderung im Konsolidierungskreis:

On 11 April 2002 the PSI AG acquired 100% of the interest of Büsing & Buchwald GmbH, Barsinghausen. Büsing & Buchwald is a consulting and software house in the energy industry, concentrating mainly on the gas sector.

Effective 1 April 2002 PSI AG sold 26% of the interest in front2back AG, Berlin.

4. Selected Individual Items

Trade receivables

	30.06.2002 KEUR	31.12.2001 KEUR
Accounts receivable, trade	32,877	45,100
Allowances for bad debts	-211	-311
	32,666	44,789

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:

	30.06.2002 KEUR	31.12.2001 KEUR
Costs incurred on uncompleted contracts	51,611	54,151
Estimated earnings	41,156	34,102
	92,767	88,253
Less billings	-73,221	-67,792
	19,546	20,461

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

	30.06.2002 KEUR	31.12.2001 KEUR
Costs and estimated earnings in excess of billings on uncompleted contracts	33,337	35,423
Billings in excess of costs and estimated earnings on uncompleted contracts	-13,791	-14,962
	19,546	20,461

Other accruals

The other accruals essentially contain the following individual items:

	30.06.2002 KEUR	31.12.2001 KEUR
Services still to be performed	7,195	7,793
Vacation and overtime	2,322	3,963
Other	1,741	3,642
	11,258	15,398

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.

There were not any issues requiring explanation with additional announcements as per Article 160, Sec. 1 AktG (Stock Company Act) in the 1st six months.

Segment reporting according to Network Management, Production Management and Information Management

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

Notes for the Completeness of Data

There are no other notes for the six-month period ending 30 June 2002 beyond the data reported in the interim report for the period in accordance with APB 28 (Interim Reporting).

Group Segment Reporting

from 1 January 2002 until 30 June 2002 according to US-GAAP

	Network Management		Production Management		Information Management		PSI-Group	
	30.06. 2002 KEUR	30.06. 2001 KEUR	30.06. 2002 KEUR	30.06. 2001 KEUR	30.06. 2002 KEUR	30.06. 2001 KEUR	30.06. 2002 KEUR	30.06. 2001 KEUR
Revenues								
Software production and maintenance	27,937	22,482	21,964	26,466	12,198	13,887	62,099	62,835
Licenses	1,415	543	2,785	4,379	491	107	4,691	5,029
Hardware	8,409	10,975	1,362	705	685	28	10,456	11,708
	37,761	34,000	26,111	31,550	13,374	14,022	77,246	79,572
Cost of revenues								
Software production and maintenance	19,925	16,768	16,761	17,940	9,992	11,047	46,678	45,755
Licenses	1,137	398	462	678	52	4	1,651	1,080
Hardware	7,235	9,165	1,064	458	632	166	8,931	9,789
	28,297	26,331	18,287	19,076	10,676	11,217	57,260	56,624
Gross profit	9,464	7,669	7,824	12,474	2,698	2,805	19,986	22,948
Operating expenses								
Selling and Marketing expenses	3,447	3,459	5,156	4,632	2,029	2,339	10,632	10,430
General and administrative expenses	932	1,486	3,118	3,359	639	818	4,689	5,663
Research and development	2,186	81	3,269	3,808	0	0	5,455	3,889
Capitalized research and development	-325	0	0	-179	-50	-36	-375	-215
Depreciation of capitalized research and development	84	261	126	149	50	0	260	410
Other income or expenses	132	-11	-104	325	-59	-181	-31	133
Amortisation of goodwill	0	794	0	138	0	214	0	1,146
Impairment loss	0	0	0	0	0	0	0	0
Operating income	3,008	1,599	-3,741	242	89	-349	-644	1,492
Interest income, income from investments	166	330	-304	106	40	47	-98	483
Result before income taxes	3,174	1,929	-4,045	348	129	-302	-742	1,975
Income tax	-876	-1,404	-8	-406	-117	-154	-1,001	-1,964
Net income/loss	2,298	525	-4,053	-58	12	-456	-1,743	11

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