

Report on the 3rd Quarter of 2001



PSI 

PSI Group Data as per 30 September 2001 at a Glance

	1.1. - 30.9.01 in KEUR	1.1. - 30.9.00 in KEUR	Change in KEUR	Change in %
Revenues	121,212	100,519	+20,693	+20.6
Operating income before goodwill amortization and impairment loss	3,414	3,453	-39	-1.1
Operating income	721	2,259	-1,538	-68.1
Result before income taxes	1,221	2,361	-1,140	-48.3
Net loss	-1,190	-3,883	+2,693	+69.4
Employees on 30 September 2001	1,407	1,284	+123	+9.6

The financial statements of the period for 30 September 2001 were subjected to a limited review by Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft with respect to individual questions and issues.

PSI Group sales increased in the first nine months compared to the same period last year by 20.6% to Euro 121.2 million. The operating result before goodwill amortization and impairment loss was on previous year level with Euro 3.4 million. As a result of higher goodwill amortization and the extraordinary write-off of capitalised research and development costs, the EBIT of Euro 0.7 million was Euro 1.5 million below the year before. The Group net result after taxes and minorities interests improved by Euro 2.7 million to Euro -1.2 million.

The third quarter was marked by a continuing negative development of the eBusiness business. This trend was reinforced by the decline of the economy and short-term investment stops and delays in investment decisions as a result of 11 September. In contrast to that the development in the Energy and Telecommunication businesses was again very positive, which led to an increase in the volume of orders for the Group to Euro 140 million on 30 September.

Business Development

In the Product Business sales increased by 2.7% to Euro 27.3 million compared to the previous year. The Systems Business grew by 27% and achieved sales of Euro 93.9 million.

In the Product Business the strategic measures introduced last year resulted in an improvement of the operating result of Euro 5.9 million to Euro -1.6 million. By shifting individual investment decisions the operative result in the 3rd quarter, with Euro - 0.5 million, was again slightly negative.

The Systems Business was, despite a continued good development in the fields of Energy and Telecommunications, burdened by the continuing weakness of the market for eBusiness solutions. As a result of the negative economic development and the altered security situation, this trend increased. This led, along with one-off expenses in the first half year, the costs of acquisitions made and an extraordinary write-off on capitalized software development costs in the System Business, to a decrease in the operating result to Euro 2.4 million (2000: Euro 9.8 million).

Overall the group EBIT decreased by Euro 1.5 million to Euro 0.7 million. Without goodwill amortization and impairment loss the operating result was Euro 3.4 million, the same as last year.

The expansion of the business, particularly in the successful areas of Energy and Telecommunication led to an additional binding of cash in major projects. Together with the acquisitions of Solution Software GmbH and the PK Software Engineering GmbH, this led to a decrease in liquidity of Euro 2.7 million to Euro 13.2 million compared to 30 June of last year.

New orders rose to Euro 125 million, so that the order backlog on 30 September 2001 increased to the record value of Euro 140 million.

Personnel Development

The number of employees in the Group increased by 123 to 1,407 compared to 30 September 2000. Simultaneously structural adjustments of the capacity between the individual business fields were initiated.

Special Events in the Third Quarter

In the 3rd quarter PSI acquired 100% of the shares of Solution Software GmbH and 75 % of the shares of PK Software Engineering GmbH. Both companies develop and market software solutions for public administration.

With a contract dated 11 July 2001 PSI AG acquired 40% of the shares of Psipenta Automotive GmbH and therefore raised its share to 100%.

Outlook

PSI will, by means of targeted measures, adjust to the altered market conditions and the decline in the general economic situation.

This will, along with increased cost management and adjustments of personal capacity, consist of tightening the organization and increasing the market focus, so as to expand the leading position in the individual branches.

Increasing earnings is the clear priority before sales growth. The high volume of orders of Euro 140 million provides PSI with the opportunity to accomplish this goal in the coming quarters.

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

	Quarterly Report III		9 Months Report	
	01.07.01- 30.09.01 KEUR	01.07.00- 30.09.00 KEUR	01.01.01- 30.09.01 KEUR	01.01.00- 30.09.00 KEUR
Revenues				
Software production and maintenance	31,259	29,266	94,093	87,225
Licenses	6,258	2,742	11,287	6,997
Hardware	4,124	1,894	15,832	6,297
	41,641	33,902	121,212	100,519
Cost of Revenues				
Software production and maintenance	24,711	21,292	70,466	62,629
Licenses	4,677	512	5,757	1,750
Hardware	3,231	1,348	13,021	4,688
	32,619	23,152	89,244	69,067
Gross profit	9,022	10,750	31,968	31,452
Operating expenses				
Selling and Marketing expenses	5,544	5,144	15,973	15,129
General and administrative expenses	1,796	1,873	7,459	6,416
Research and development	2,548	2,416	6,437	6,982
Capitalized research and development	-1,566	-119	-1,780	-423
Depreciation of capitalized research and development	97	779	507	2,317
Other income or expenses	-174	-951	-42	-2,422
	8,245	9,142	28,554	27,999
Operating income before goodwill amortisation	777	1,608	3,414	3,453
Amortization of goodwill	578	531	1,724	1,194
Impairment loss	969	0	969	0
Operating income	-770	1,077	721	2,259
Interest income, income from investments	17	-18	500	102
Result before income taxes (and minority interest)	-753	1,059	1,221	2,361
Income tax	-279	-3,016	-2,242	-6,256
Result before minority interest	-1,032	-1,957	-1,021	-3,895
minority interest	121	19	-169	12
Net income/loss	-911	-1,938	-1,190	-3,883
Earnings per share (in Euro per share, basic)	-0,09	-0,21	-0,12	-0,42
Earnings per share (in Euro per share, diluted)	-0,09	-0,21	-0,12	-0,42
Weighted average shares outstanding (basic)	10,126,160	9,286,044	9,856,993	9,286,044
Weighted average shares outstanding (diluted)	10,229,260	9,286,172	9,960,093	9,286,172

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

	9 Months Report 01.01.-30.09.01 KEUR	9 Months Report 01.01.-30.09.00 KEUR
CASH FLOW FROM OPERATING ACTIVITIES		
Net income/loss before tax	1,222	2,359
Net income/loss after tax	-1,021	-3,896
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation of intangible assets and of property, plant and equipment	5,570	6,923
Impairment loss	969	0
Pension reserves	1,044	1,017
Deferred taxes	2,112	892
Minority interests in result	169	6
Change in assets, which are not included in investing or financing activities	-12,433	-14,815
Change in liabilities, which are not included in investing or financing activities	-1,449	5,101
Net cash from operating activities	-5,039	-4,772
INVESTING ACTIVITIES		
Additions to capitalized research and development costs	-1,781	-423
Net additions to property, plant, equipment and other intangible assets	-2,342	-2,452
Net additions to goodwills	-205	2,301
Purchase of financial assets	122	0
Net cash from investing activities	-4,206	-574
FINANCING ACTIVITIES		
Capital increase through cash payments	461	13,607
Minority interests	24	1,639
Financial liabilities	2,996	1,752
Other changes in equity	0	30
Special item for investment grants	-158	-158
Net cash from financing activities	3,323	16,870
Increase (decrease) in cash and cash equivalents	-5,922	11,524
Currency translation	-67	0
Cash and cash equivalents at beginning of period	19,156	4,384
Cash and cash equivalents at end of period	13,167	15,908
Supplemental cash flow information		
Cash paid for interests	238	195
Cash paid for taxes	132	240

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

	9 Months Report 01.01.-30.09.01 KEUR	Annual Report 01.01.-31.12.00 KEUR
Assets		
Current Assets		
Cash and cash equivalents	13,167	19,156
Trade accounts receivable net allowance for doubtful accounts of KEUR 332 (2000: KEUR 206)	32,200	30,728
Costs and estimated earnings in excess of billings on uncompleted contracts	45,658	34,121
Inventories	7,090	7,169
Deferred tax assets	0	0
Prepaid expenses	1,157	1,564
Other receivables	4,805	4,894
	104,077	97,632
Long-term assets		
Property, plant and equipment	11,966	12,739
Intangible assets	5,515	5,957
Investments	4,617	4,399
Goodwill	21,203	20,812
Deferred tax assets	0	0
	43,301	43,907
Total assets	147,378	141,539
Liabilities and shareholders' equity		
Current liabilities		
Short term debt	2,977	1,981
Trade accounts payable	12,010	11,598
Advance payments received in excess of estimated earnings on uncompleted contracts	20,105	14,070
Other accrued expenses	11,762	14,621
Deferred revenues	2,873	4,693
Deferred taxes	4,246	2,134
Other current liabilities	2,587	5,804
	56,560	54,901
Long-term liabilities		
Long-term profit participation rights	0	15
Long-term certificate of participating capital	1	1
Long-term debt	2,012	12
Deferred taxes	0	0
Pension accruals	18,318	17,274
Special item for investment grants	149	307
	20,480	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	-30,730	-29,541
Contributions made for capital increase	2,121	13,899
Unrealized net profits from securities	94	94
Cumulative translation adjustment	-233	-167
	66,365	65,249
Minority interests	3,973	3,780
Total Liabilities and shareholders' equity	147,378	141,539

Development of Fixed Assets from 1 January 2001 until 30 September 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
Contribution of 40% of Psipenta Automotive GmbH for issue of shares					1,779			1,779
Group net loss for 1 st nine month of 2001						-1,021		-1,021
Others						-168	-67	-235
As of 30.09.2001	10,126,160	25,887	68,006	1,220	2,121	-30,730	-139	66,365

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

	Shares	Options
Management Board		
Ali-Akbar Alizadeh-Saghati	36,438	2,400
Dietrich Jaeschke	50,385	2,400
Armin Stein	200	1,200
Supervisory Board		
Wolfgang Fischer	1,049	800
Siegfried Hartmann	1,313	1,600
Kurt Kasch	0	0
Franz Niedermaier	3,565	0
Dietrich Walther	17,850	0
André Warner	2,695	1,600

Notes on the consolidated financial statements as of 30 September 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
Solution Software GmbH	100.00
PK Software Engineering GmbH	75.00
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 quarters the companies included in consolidation changed as follows:

Effective 2 July 2001 PSI AG acquired 100% of the shares of Solution Software GmbH, Böblingen, for a payment of KEUR 256. Solution Software GmbH, Böblingen, develops and markets software solutions for public administration.

With an agreement from 11 July 2001 PSI AG acquired 40% of the shares of Psipenta Automotive GmbH, Gelsenkirchen, by issue of 161,710 non-par-value shares. Since the increase in capital associated with the purchase had not been filed at the commercial register by 30 September 2001, the stock price of the shares issued, totalling KEUR 1,779 was shown in a special item of the shareholder's equity.

With an agreement of 15 August 2001 PSI AG acquired 75% of the shares of PK Software Engineering GmbH, Leonberg, for a payment of KEUR 375. PK Software Engineering GmbH, Leonberg, provides software solutions for public service providers and eGovernment.

The acquisitions made in the 3rd quarter are of secondary importance for the overall image of the Group, so it is not necessary to provide any pro-forma information.

4. Selected Individual Items

Trade receivables

	Sep. 30, 2001 KEUR	Dez. 31, 2000 KEUR
Accounts receivable, trade	27,441	31,052
Allowances for bad debts	-141	-324
	27,300	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:

	Sep. 30, 2001 KEUR	Dez. 31, 2000 KEUR
Costs incurred on uncompleted contracts	64,412	54,728
Estimated earnings	30,354	22,632
	94,766	77,361
Less billings	-69,213	-57,310
	25,553	20,051

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

	Sep. 30, 2001 KEUR	Dez. 31, 2000 KEUR
Costs and estimated earnings in excess of billings on uncompleted contracts	45,658	34,121
Billings in excess of costs and estimated earnings on uncompleted contracts	-20,105	-14,070
	25,553	20,051

Other accruals

The other accruals essentially contain the following individual items:

	Sep. 30, 2001 KEUR	Dez. 31, 2000 KEUR
Services still to be performed	6,589	7,546
Vacation and overtime	1,822	2,488
Other	3,351	4,587
	11,762	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.

There were no shareholder equity transactions in the 3rd quarter or there were not any issues requiring explanation with additional announcements as per Article 160, Sec. 1 AktG (Stock Company Act).

Segment reporting according to product and systems business

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 nine-month period ending 30 September 2001 beyond the data reported in the interim report for the period in accordance with APB 28 (Interim Reporting).

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

	Product Business		Systems Business		PSI Group	
	30 Sep. 2001 KEUR	30 Sep. 2000 KEUR	30 Sep. 2001 KEUR	30 Sep. 2000 KEUR	30 Sep. 2001 KEUR	30 Sep. 2000 KEUR
Revenues						
Software production and maintenance	21,652	20,275	72,441	66,950	94,093	87,225
Licenses	5,246	5,469	6,041	1,528	11,287	6,997
Hardware	367	806	15,465	5,491	15,832	6,297
	27,265	26,550	93,947	73,969	121,212	100,519
Cost of revenues						
Software production and maintenance	14,581	15,908	55,885	46,721	70,466	62,629
Licenses	1,115	934	4,642	816	5,757	1,750
Hardware	295	531	12,726	4,157	13,021	4,688
	15,991	17,373	73,253	51,694	89,244	69,067
Gross profit	11,274	9,177	20,694	22,275	31,968	31,452
Operating expenses						
Selling and Marketing expenses	5,504	6,827	10,469	8,302	15,973	15,129
General and administrative expenses	2,015	2,086	5,444	4,330	7,459	6,416
Research and development	5,575	6,744	862	238	6,437	6,982
Capitalized research and development	-705	-423	-1,075	0	-1,780	-423
Depreciation of capitalized research and development	49	1,514	458	803	507	2,317
Other income or expenses	451	-59	-493	-2,363	-42	-2,422
	12,889	16,689	15,665	11,310	28,554	27,999
Operating income before goodwill amortisation	-1,615	-7,512	5,029	10,965	3,414	3,453
Amortisation of goodwill	-17	-5	-1,707	-1,189	-1,724	-1,194
Impairment loss	0	0	-969	0	-969	0
Operating income	-1,632	-7,517	2,353	9,776	721	2,259
Interest income, income from investments	-125	-98	625	200	500	102
Result before income taxes	-1,757	-7,615	2,978	9,976	1,221	2,361
Income tax	-242	661	-2,000	-6,917	-2,242	-6,256
Net income/loss	-1,999	-6,954	978	3,059	-1,021	-3,895



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>