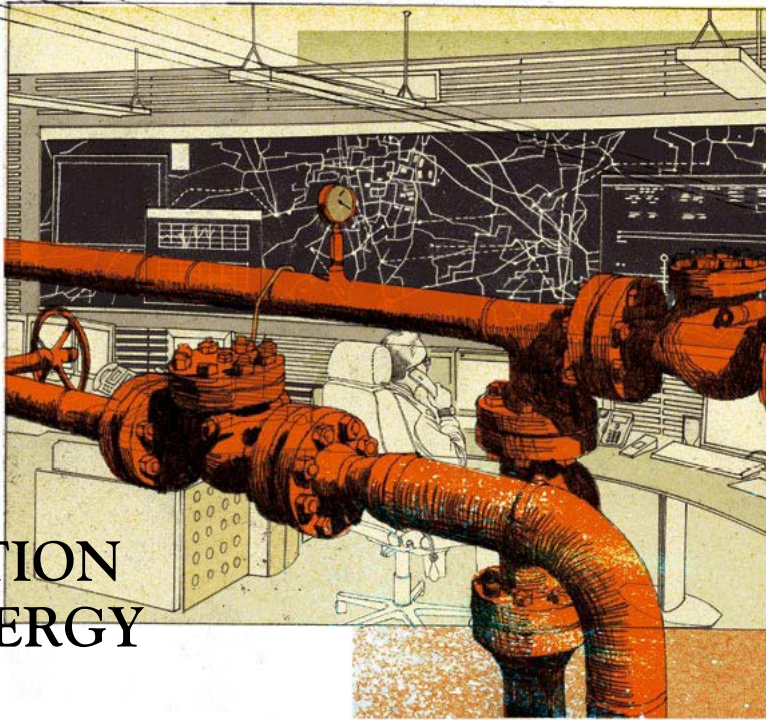
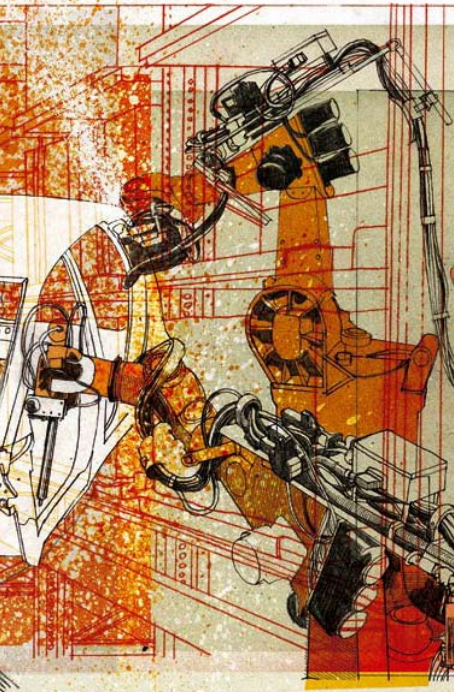


Report on the 1st Quarter of 2008



**SMART PRODUCTION
SMART ENERGY**

PSI 

PSI Group Data as per 31 March 2008 at a Glance (IFRS)

	01/01-31/03/08 in KEUR	01/01-31/03/07 in KEUR	Change in KEUR	Change in %
Revenues	27,392	32,625	-5,233	-16.0
Operating Result	1,273	863	+410	+47.5
Result before income taxes	1,000	587	+413	+70.4
Net result	838	406	+432	+106.4
Cash and cash equivalents	21,380	13,928	+7,452	+53.5
Employees on 31 March	1,030	1,052	-22	-2.1
Revenue/Employee	26,6	31,0	-4,4	-14.2

Interim Management Report

Business Development

Earnings

The PSI Group increased its EBIT in the first quarter of 2008 to 1.3 million euros (1st quarter 2007: 0.9 million euros). The pre-tax profit increased to 1.0 million euros (1st quarter 2007: 0.6 million euros), the Group annual EBIT to 0.8 million euros (1st quarter 2007: 0.4 million euros). Sales decreased to 27.4 million euros primarily as a result of the sale of the government business in mid-2007 and the more than 2 million euros smaller hardware portion (1st quarter 2007: 32.6 million euros). The volume of new orders was, with 36 million euros, about the same level as the same quarter of the previous year, which contained about 2 million euros from the government business (1st quarter 2007: 38 million euros). The order book volume increased to 86 million euros (31 March 2007: 79 million euros).

The Energy Management segment (electricity, gas, oil, heating, water) had sales of 12.2 million euros (1st quarter 2007: 12.8 million euros). The EBIT was, with 0.9 million euros, slightly above the previous year (1st quarter 2007: 0.8 million euros). In the fields of electrical energy and gas, PSI expects new important export orders in the coming quarters.

Sales in the Production Management segment (industry, logistics) were, with 11.6 million euros, below the figure for the same quarter of last year (1st quarter 2007: 13.4 million euros). Here, sales for goods and services delivered decreased while the volume of new orders increased. The EBIT improved significantly compared to the previous year to 0.4 million euros (1st quarter 2007: 0.1 million euros). The steel industry business developed best, continuing to expand its position internationally.

In Infrastructure Management (transport, safety, telecommunications), sales decreased to 3.6 million euros (1st quarter 2007: 6.5 million euros) as a result of a smaller portion of hardware and the sale of the government business. The EBIT was, at 0.1 million euros, at the level of the previous year (1st quarter 2007: 0.1 million euros).

Financial Position

The operating cash flow was positive at 2.7 million euros (1st quarter 2007: –1.2 million euros), liquid funds increased to 21.4 million euros (31 March 2007: 13.9 million euros).

Assets

Compared to 31 December 2007, there have not been any material changes in the Group's assets.

Personnel Development

The number of employees decreased slightly to 1,030 compared to the same quarter of the previous year (31 March 2007: 1.052). PSI is planning to hire new staff by the end of the year, the focus being on export.

PSI-Shares

The PSI stock ended the 1st quarter 2008 with a final price of 4.50 euros, 23.7% below the final 2007 price of 5.90 euros. In the same period, the DAXsector Software Index, which includes all the software stocks in the Prime Standard of the German Stock Exchange, had a decline of 12.9%.

Risk Report

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2007.

Outlook

For 2008, PSI foresees a good climate for investments in rationalization in Germany and a continued dynamic development of the strong growth in the countries in eastern Europe and Asia. In the export markets, the focus of investment is shifting increasingly from initial equipping to modernization of existing facilities (retrofitting). For PSI, this represents an increase in the accessible market potential. With the increased volume of orders and other growth opportunities resulting from large contracts in export, the starting position for targeted growth in sales for the year and the increase of the EBIT to at least 5 million euros has continued to improve. For the second quarter, PSI expects a higher volume of new orders than in the prior-year quarter and a better EBIT than in the first Quarter of 2008.

Group Balance Sheet

from 1 January 2008 until 31 March 2008 according to IFRS

	3 Month Report 01/01-31/03/08 KEUR	Annual Report 01/01-31/12/07 KEUR
Assets		
Non current assets		
Property, plant and equipment	7,747	7,745
Intangible assets	14,846	15,030
Other financial assets	20	20
Deferred tax assets	2,802	3,093
	25,415	25,888
Current assets		
Inventories	971	990
Trade accounts receivable, net	16,967	22,255
Receivables from long-term development contracts	23,616	19,130
Other current assets	3,795	2,790
Cash and cash equivalents	21,380	18,948
	66,729	64,113
Total assets	92,144	90,001
Total Equity and Liabilities		
Equity		
Subscribed capital, EUR 2,56 calculated par value	31,009	31,009
Capital reserves	31,772	31,772
Retained earnings	1,181	1,181
Other reserves	130	95
Accumulated losses	-32,500	-33,338
	31,592	30,719
Non-current liabilities		
Pension provisions	25,703	25,550
Deferred tax liabilities	1,858	1,990
	27,561	27,540
Current liabilities		
Trade payables	6,563	9,386
Other current liabilities	16,549	14,291
Liabilities from long-term development contracts	8,658	6,685
Short-term debt	251	305
Provisions	970	1,075
	32,991	31,742
Total equity and liabilities	92,144	90,001

Group Income Statement

from 1 January 2008 until 31 March 2008 according to IFRS

	3 Month Report 01/01-31/03/08 KEUR	3 Month Report 01/01-31/03/07 KEUR
Sales revenues	27,392	32,625
Other operating income	1,277	506
Changes in inventories of work in progress	19	11
Cost of materials	-3,929	-6,058
Personnel expenses	-17,548	-18,364
Depreciation and amortization	-611	-779
Other operating expenses	-5,327	-7,078
Operating result	1,273	863
Interest income	123	113
Interest expenses	-396	-389
Result before income taxes	1,000	587
Income tax	-162	-181
Net result	838	406
Earnings per share (in Euro per share, basic)	0.07	0.03
Earnings per share (in Euro per share, diluted)	0.07	0.03
Weighted average shares outstanding (basic)	12,112,870	12,112,870
Weighted average shares outstanding (diluted)	12,112,870	12,112,870

Group Cash Flow Statement

from 1 January 2008 until 31 March 2008 according to IFRS

	3 Month Report 01/01-31/03/08 KEUR	3 Month Report 01/01-31/03/07 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result after income taxes	838	406
Adjustments for non-cash expenses		
Amortization on intangible assets	196	334
Depreciation of property, plant and equipment	401	417
Interest income	-123	-113
Interest expenses	396	389
Foreign exchange gains/losses	35	13
Other income/expense without cash effect	159	187
	1,902	1,633
Changes of working capital		
Inventories	19	-451
Trade receivables	802	-7,105
Other current assets	-1,005	-1,073
Provisions	-336	-230
Trade payables	-2,823	-547
Other current liabilities	4,234	6,573
	891	-2,833
Interest paid	-12	-22
Income taxes paid	-3	0
Cash flow from operating activities	2,778	-1,222
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-12	-103
Additions to property, plant and equipment	-403	-325
Additions to financial assets	0	-20
Interest received	123	112
Cash flow from investing activities	-292	-336
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds/repayments from/of borrowings	-54	146
Cash receipts from sale of treasury stocks	0	0
Acquisition of treasury stocks	0	0
Cash flow from financing activities	-54	146
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	2,432	-1,412
Cash and cash equivalents at beginning of the period	18,948	15,340
Cash and cash equivalents at the end of the period	21,380	13,928

Development of Fixed Assets

from 1 January 2008 until 31 March 2008 according to IFRS

	Number of shares issued	Share capital	Additional paid-in capital	Revenue reserve	Accumulated deficit	Accumulated other comprehensive result	Total
	Number	KEUR	KEUR	TEUR	KEUR	KEUR	KEUR
As of 31 December 2006	12,112,870	31,009	31,772	1,181	-35,047	32	28,947
Group net result					406		406
Currency translation						13	13
As of 31 March 2007	12,112,870	31,009	31,772	1,181	-34,641	45	29,366
As of 31 December 2007	12,112,870	31,009	31,772	1,181	-33,338	95	30,719
Group net result					838		838
Currency translation						35	35
As of 31 March 2008	12,112,870	31,009	31,772	1,181	-32,500	130	31,592

Shares and Options held by Management Board and Supervisory Board as of 31 March 2008

	Shares	Options
Management Board		
Dr. Harald Schrimpf	66,000	0
Armin Stein	15,000	0
Supervisory Board		
Dr. Ralf Becherer	1,268	0
Christian Brunke	5,000	0
Wolfgang Dedner	28,500	0
Barbara Simon	7,890	0
Karsten Trippel	107,500	0
Prof. Dr. Rolf Windmüller	1,120	0

The Management Board of PSI had earnings of EUR 98k in the first three months of 2008.

Because Supervisory Board payments are made in the 4th quarter of the year, the Supervisory Board did not obtain any remuneration in the first three months of 2008.

Notes on the consolidated financial statements as of 31 March 2008

The Company

1. Business Activities and Legal Background

The business activities of PSI AG and its subsidiaries 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 service lines: utilities, manufacturing, logistics, telecommunications, safety and transport. In addition, the Group provides services of all kinds in the field of data processing, sells electronic devices and operates data processing systems. The PSI Group is divided into the three core business segments energy management, production management and infrastructure management.

The Company is exposed to a wide range of risks that are similar to other companies active in the dynamic technology sector. Major risks for the development of the PSI Group lie in the success with which it markets its software systems and products, competition from larger companies, the ability to generate sufficient cash flows for future business development as well as in individual risks regarding the integration of subsidiaries, organizational changes and the cooperation with strategic partners.

Main customers are utilities and manufacturing companies in Germany, Europe and Asia. Main locations with business activities are located in Berlin, Aschaffenburg, Barsinghausen, Essen, Dortmund, Duesseldorf, Karlsruhe, Hamburg, Munich and Stuttgart. The Company is listed in the Prime Standard segment of the Frankfurt stock exchange.

The condensed interim consolidated financial statements for the period from 1 January 2008 to 31 March 2008 were released for publication by a decision of the management on 23 April 2008.

The condensed interim consolidated financial statements for the period from 1 January 2008 to 31 March 2008 were produced in compliance with IAS 34 "Interim Financial Reporting". The condensed interim consolidated financial statements do not contain all the data and notes prescribed for the annual financial statements and should be read in conjunction with the consolidated financial statements for 31 December 2007.

2. Accounting and Valuation Principles

With regard to the principles of accounting and valuation and especially the application of International Financial Reporting Standards (IFRS) see the group consolidated financial statements for the financial year 2007.

The first-time application of standards or interpretations which have not been applied voluntarily in the previous year had no impact on net assets, financial position and results of operation.

3. Seasonal Influences on the Business Activities

Seasonal effects resulted in the PSI Group operations with regards to the receipt of maintenance revenues in the first quarter of the financial year (deferment of the influences on the result of corresponding incoming payments throughout the year) and significantly greater demand and project accounting in the fourth quarter of the financial year.

4. Changes in the Consolidation Group

Compared to 31 December 2007 there were no changes in the consolidation group.

5. Selected Individual Items

Cash and cash equivalents

	31 March 2008 KEUR	31 December 2007 KEUR
Bank balances	13,108	13,754
Fixed term deposits	8,251	5,175
Cash	21	19
	21,380	18,948

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:

	31 March 2008 KEUR	31 December 2007 KEUR
Costs incurred on uncompleted contracts	46,294	40,425
Profit shares	5,902	6,848
Contract revenue	52,196	47,273
Payments on account	28,580	28,143
Receivables from long-term construction contracts	23,616	19,130
Liabilities from long-term construction contracts	8,658	6,685

Taxes on income

The main components of the income tax expenditure shown in the group income statement are added as follows:

	31 March 2008 KEUR	31 December 2007 KEUR
Effective taxes expenses		
Effective tax expenses	-3	-105
Deferred taxes		
Emergence and reversal of temporary differences	-159	-902
Tax expenses/income	-162	-1,007

Segment Reporting

The PSI AG segment reporting was adapted in the context of the restructured strategic orientation of the PSI Group in 2007 financial year.

Segments of the PSI Group:

- **Energy Management:** Intelligent solutions for energy suppliers from the electricity, gas, oil and water markets. Focal points are reliable and economically sound solutions for the network management and trade and sales management in the liberalised energy market.
- **Production Management:** Software products and individual solutions for production planning, special tasks in production control and efficient logistics. Focuses are the optimisation of the use of resources and the increase of quality and profitability.
- **Infrastructure Management:** High-availability control system solutions designed for monitoring and economically sound operation of infrastructures in the telecommunications, transportation, public safety, environmental protection and disaster prevention areas.

Responsibility Statement

To the best of our knowledge, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the group's development and performance of its position, together with a description of the principal opportunities and risks associated with the expected development of the group in the remaining months of the financial year, in accordance with German proper accounting principles of interim consolidated reporting.

Group Segment Reporting

from 1 January 2008 until 31 March 2008 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	31/03/2008 KEUR	31/03/2007 KEUR	31/03/2008 KEUR	31/03/2007 KEUR	31/03/2008 KEUR	31/03/2007 KEUR	31/03/2008 KEUR	31/03/2007 KEUR	31/03/2008 KEUR	31/03/2007 KEUR
Sales revenues										
Sales to external customers	12,163	12,755	11,617	13,413	3,612	6,457	0	0	27,392	32,625
Inter-segment sales	227	16	419	376	269	720	-915	-1,112	0	0
Segment revenues	12,390	12,771	12,036	13,789	3,881	7,177	-915	-1,112	27,392	32,625
Other operating income	1,361	1,059	1,066	697	187	186	-1,337	-1,436	1,277	506
Changes in inventories of work in progress	0	0	14	11	5	0	0	0	19	11
Cost of purchased services	-790	-952	-1,214	-1,659	-609	-596	360	835	-2,253	-2,372
Cost of purchased materials	-1,197	-1,253	-341	-327	-460	-2,102	322	-4	-1,676	-3,686
Personnel expenses	-7,805	-7,807	-7,780	-8,002	-1,884	-2,564	-79	9	-17,548	-18,364
Depreciation and amortization	-337	-359	-197	-236	-72	-187	-5	3	-611	-779
Other operating expenses	-2,767	-2,667	-3,195	-4,125	-953	-1,831	1,588	1,545	-5,327	-7,078
Operating result before interest, tax, depreciation and amortisation	1,192	1,151	586	384	167	270	-61	-163	1,884	1,642
Operating result	855	792	389	148	95	83	-66	-160	1,273	863
Interest income	-184	-109	-130	-105	41	-64	0	2	-273	-276
Result before income taxes	671	683	259	43	136	19	-66	-158	1,000	587
Segment assets	40,136	41,927	35,852	33,819	11,339	12,477	2,015	-951	89,342	87,272
Segment liabilities	18,104	18,033	23,744	23,912	10,210	11,682	6,552	6,100	58,610	59,727
Segment investments	163	185	182	129	33	45	37	89	415	448

Financial Calendar

13 March 2008	Publication Annual Result 2007
13 March 2008	Analyst Conference
24 April 2008	Report on the 1 st Quarter of 2008
25 April 2008	Annual General Meeting
29 July 2008	Report on the 1 st Six Months of 2008
28 October 2008	Report on the 3 rd Quarter of 2008
November 2008	Analyst Presentation, German Equity Forum

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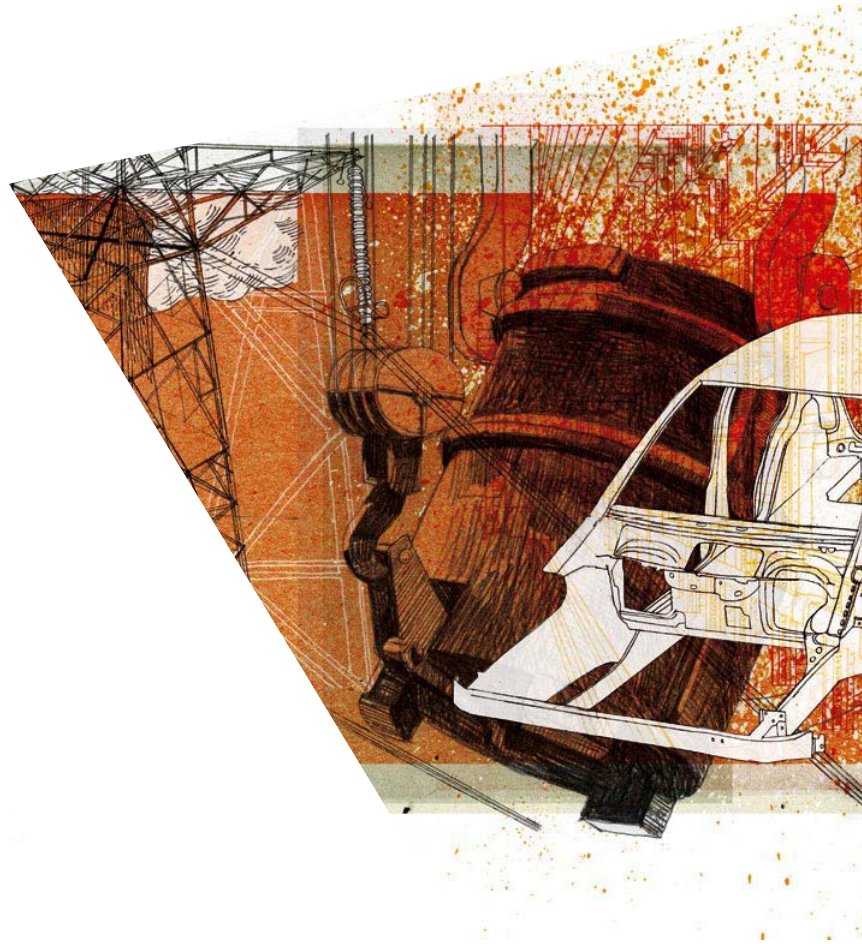
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We will be happy to include you in our distribution list for stockholder information.

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