



DIRECTION: EAST

Report on the 1st Six Months of 2007



PSI 

PSI Group Data as per 30 June 2007 at a Glance (IFRS)

	1.1. - 30.6.07 in KEUR	1.1. - 30.6.06 in KEUR	Change in KEUR	Change in %
Revenues	60,543	56,470	+4,073	+7.2
Operating Result	1,843	-398	+2,241	+563.1
Result before income taxes	1,257	-1,096	+2,353	+214.7
Net result	723	-956	+1,679	+175.6
Cash and cash equivalents	12,066	13,832	-1,766	-12.8
Employees on 30 September	1,058	1,037	+21	+2.0
Revenue/Employee	56.9	54.5	+2.4	+4.4

Interim Management Report

Business Development

Earnings

The PSI Group had sales revenues of 60.5 million euros (first six months of 2006: 56.5 million euros) in the first six months of 2007. The EBIT increased to 1.8 million euros (first six months of 2006: -0.4 million euros), the Group profit to 0.7 million euros (first six months of 2006: -1.0 million euros). There were 72 million euros (first six months of 2006: 72 million euros) in new orders in the first six months, once again above revenues, so that the volume of orders on 30 June 2007 had continued to increase to 85 million euros (30 June 2006: 83 million euros).

The Energy Management segment (Electricity, Gas, Oil, Heat, Water) had sales revenues of 26.3 million euros (first six months of 2006: 25.9 million euros) in the first six months. The EBIT improved to 1.3 million euros (first six months of 2006: 1.2 million euros). This contains expenses for the new energy control system for high and supergrid voltage networks and the integration of the product portfolio for gas and electricity trading.

In the Production Management segment (Industry, Logistics), sales revenues in the first six months increased to 25.1 million euros (first six months of 2006: 22.9 million euros). The EBIT improved to 0.5 million euros (first six months of 2006: -0.04 million euros) despite investments for the expansion of the international business.

Infrastructure Management (Traffic, Security, Telecommunications) increased sales revenues in the first six months by 19% to 9.2 million euros (first six months of 2006: 7.7 million euros), the EBIT which had been clearly negative in the previous year improved to 0.1 million euros (first six months of 2006: -1.3 million euros). In this segment an unusual percentage of the sales revenues were attained in the first quarter, due to the fact that the relevant hardware sales were contained here. In the second quarter, important new contracts were won in the traffic segment, establishing the conditions for further growth in that segment.

Financial Position

As a result of the continued expansion of the working capital (export, projects) liquid funds per 30 June 2007 decreased to 12.1 million euros (30 June 2006: 13.8 million euros).

Assets

Compared to 31 December 2006, there have not been any material changes in the Group's assets.

Personnel Development

The number of employees increased slightly to 1,058 (30 June 2006: 1,049), with the expansions primarily in the sites in China and Poland.

PSI-Shares

The PSI stock developed very positively in the 2nd quarter with a final price of 5.54, 24% above the final 2006 price of 4.46. In the same period, the Prime Software Index, which includes all the software stocks in the Prime Standard of the German Stock Exchange, had a decrease of 0.2%.

Special Events in the First Six Months

Effective 30 June 2007 the PSI Group has sold its partial business operation RISER (European registration service) to a group of investors.

Special Events since the Balance Sheet Day

On 5 July 2007, the PSI AG sold its subsidiary European IT Consultancy EITCO GmbH to a German investor group and therefore completed its concentration on the core business.

Risk Report

The estimate of the corporate risk has not changed since the Annual Report for 31 December 2006.

Outlook

For the second half of the year the management expects a continuation of the positive trend and important export orders in the core fields of business, Energy and Heavy Industry.

Group Balance Sheet

from 1 January 2007 until 30 June 2007 according to IFRS

Assets	6 Month Report 01.01.-30.06.07 KEUR	Annual Report 01.01.-31.12.06 KEUR
Non current assets		
Property, plant and equipment	7,858	7,908
Intangible assets	15,774	16,426
Other financial assets	87	67
Deferred tax assets	3,687	4,302
	27,406	28,703
Current assets		
Inventories	1,636	1,737
Trade accounts receivable, net	20,058	18,530
Receivables from long-term development contracts	23,657	17,966
Other current assets	3,987	2,384
Cash and cash equivalents	12,066	15,340
	61,404	55,957
Total assets	88,810	84,660
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	45	32
Accumulated losses	-34,324	-35,047
	29,683	28,947
Non-current liabilities		
Pension provisions	25,658	25,157
Deferred tax liabilities	2,191	2,297
	27,849	27,454
Current liabilities		
Trade payables	9,176	8,412
Other current liabilities	15,192	11,885
Liabilities from long-term development contracts	3,848	6,069
Short-term debt	1,837	393
Provisions	1,225	1,500
	31,278	28,259
Total equity and liabilities	88,810	84,660

Group Income Statement

from 1 January 2007 until 30 June 2007 according to IFRS

	Quarterly Report II		6-Month Report	
	01.04.07- 30.06.07 KEUR	01.04.06- 30.06.06 KEUR	01.01.07- 30.06.07 KEUR	01.01.06- 30.06.06 KEUR
Revenues	27,918	28,071	60,543	56,470
Other operating income	981	285	1,487	1,499
Changes in inventories of work in progress	18	-107	29	-27
Cost of materials	-4,187	-5,081	-10,245	-10,039
Personnel expenses	-18,323	-17,312	-36,687	-36,128
Depreciation and amortization	-767	-780	-1,546	-1,566
Other operating expenses	-4,660	-5,482	-11,738	-10,607
Operating result	980	-406	1,843	-398
Interest income	93	81	206	132
Interest expenses	-403	-420	-792	-830
Result before income taxes	670	-745	1,257	-1,096
Income tax	-353	8	-534	140
Net result	317	-737	723	-956
Earnings per share (in Euro per share, basic)	0.03	-0.06	0.06	-0.08
Earnings per share (in Euro per share, diluted)	0.03	-0.06	0.06	-0.08
Weighted average shares outstanding (basic)	12,112,870	12,112,870	12,112,870	12,112,870
Weighted average shares outstanding (diluted)	12,112,870	12,112,870	12,112,870	12,112,870

Group Cash Flow Statement

from 1 January 2007 until 30 June 2007 according to IFRS

	6 Month Report 01.01.-30.06.07 KEUR	6 Month Report 01.01.-30.06.06 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result after income taxes	723	-956
Adjustments for non-cash expenses		
Amortization on intangible assets	760	781
Depreciation of property, plant and equipment	747	785
Interest income	-206	-132
Interest expenses	792	830
Foreign exchange gains/losses	13	12
Other income/expense without cash effect	164	-403
	2,993	917
Changes of working capital		
Inventories	-299	112
Trade receivables	-6,963	-6,321
Other current assets	-853	-2,359
Provisions	-505	-111
Trade payables	764	-1,158
Other current liabilities	875	2,282
	-6,981	-6,638
Interest paid	-60	-16
Income taxes paid	-25	-69
Cash flow from operating activities	-4,073	-6,723
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-108	-26
Additions to property, plant and equipment	-723	-847
Additions to financial assets	0	0
Disposals of financial assets	-20	1,115
Interest received	206	132
Cash flow from investing activities	-645	374
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds/repayments from/of borrowings	1,444	1,234
Cash receipts from sale of treasury stocks	0	0
Acquisition of treasury stocks	0	0
Cash flow from financing activities	1,444	1,234
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-3,274	-5,115
Cash and cash equivalents at beginning of the period	15,340	18,947
Cash and cash equivalents at the end of the period	12,066	13,832

Development of Fixed Assets

from 1 January 2007 until 30 June 2007 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 2005	12,112,870	31,009	31,772	1,181	-35,474	-11	28,477
Group net result					-956		-956
Currency translation						12	12
As of 30 June 2006	12,112,870	31,009	31,772	1,181	-36,430	1	27,533
As of 31 December 2006	12,112,870	31,009	31,772	1,181	-35,047	32	28,947
Group net result					723		723
Currency translation						13	13
As of 30 June 2007	12,112,870	31,009	31,772	1,181	-34,324	45	29,683

Shares and Options held by Management Board and Supervisory Board as of 30 June 2007

	Shares	Options
Management Board		
Dr. Harald Schrimpf	60,000	0
Armin Stein	10,000	0
Supervisory Board		
Dr. Ralf Becherer	268	0
Christian Brunke	5,000	0
Wolfgang Dedner	28,500	0
Barbara Simon	7,890	0
Karsten Trippel	93,000	0
Prof. Dr. Rolf Windmüller	1,120	0

The Management Board of PSI had earnings of EUR 189k in the first six months of 2007.

Because Supervisory Board payments are made in the 4th quarter of the year, the Supervisory Board did not obtain any remuneration in the first six months of 2007.

Notes on the consolidated financial statements as of 30 June 2007

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, transport and government authorities. 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 2007 to 30 June 2007 were released for publication by a decision of the management on 27 July 2007.

The condensed interim consolidated financial statements for the period from 1 January 2007 to 30 June 2007 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 2006.

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 2006.

PSI AG applied the new standards IFRS 7 and IFRS 8 for the first time in the first quarter of 2007. No additional information resulted for the quarterly financial statements in connection with the first application of IFRS 7. PSI AG assumes that, for the end of the year, extended information on the financial instruments and financial debt will be included in the consolidated notes.

In the framework of the initial application of IFRS 8, PSI AG adapted the segment reporting. This also took into account the new strategic orientation of the individual operative areas of the PSI Group. For purposes of comparison with the previous year, an adaptation to the newly structured segments was also performed. Within the context of the new business segments, the restructuring was examined to determine if the new classification of the operative areas would result in an adjustment of assets. This examination determined that there was no adjustment of the assets shown in the operative areas.

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

The PSI Business Technology for Industries GmbH was merged into PSI Information Management GmbH on 20 April 2007 and renamed PSI Business Technology for Industries GmbH.

5. Selected Individual Items

Cash and cash equivalents

	30 June 2007 KEUR	31 December 2006 KEUR
Bank balances	8,359	11,040
Fixed term deposits	3,686	4,285
Cash	21	15
	12,066	15,340

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 June 2007 KEUR	31 December 2006 KEUR
Costs incurred on uncompleted contracts	49,226	41,883
Profit shares	5,403	5,283
Contract revenue	54,629	47,166
Payments on account	29,966	27,825
Receivables from long-term construction contracts	23,657	17,966
Liabilities from long-term construction contracts	3,848	6,069

Taxes on income

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

	30 June 2007 KEUR	31 December 2006 KEUR
Effective taxes expenses		
Effective tax expenses	-25	-253
Deferred taxes		
Emergence and reversal of temporary differences	-509	1,015
Tax expenses/income	-534	762

Segment Reporting

The PSI AG segment reporting was adapted in the course of the initial application of the IFRS 8 and in the context of the restructured strategic orientation of the PSI Group, and now occurs on a basis which deviates from the consolidated financial statements of 31 December 2006. The allocation to segments has changed as follows:

Segments in the Consolidated Financial Statements for 31 December 2006:

- Network Management: Intelligent systems for controlling and monitoring complex networks for energy supply, mobile telephones and the control of public transportation systems.
- 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.
- Information Management: IT solutions for enhanced community and customer relations by providing secure and efficient support for the business processes of public authorities and service providers.

Segments after the Restructuring:

- 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.

In the course of the reallocation of the segments, individual operative areas were assigned to the segments in accordance with their strategic orientation. The following changes from the former segment allocation resulted:

- The activities in the fields of telecommunication and transport were taken out of Network Management and assigned to the segments Production Management (transport logistics from the transport business) and Infrastructure Management (telecommunications and other activities of the transport business). The segment was renamed Energy Management.
- The former segment Production Management was assigned the activities transport logistics and electronic registration information.
- The activities in the area of electronic registration information were taken out of Information Management and assigned to the segment Production Management. Furthermore, the activities in the field of telecommunications and the activities in the field of transport (without transport logistics) were also assigned to the segment. The segment was renamed Infrastructure Management.

The management board of PSI AG assumes that the newly structured segment reporting will, along with the new strategic orientation of the PSI Group, allow for an improved insight into the assets, finances and earnings situation of the Group.

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 2007 until 30 June 2007 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	30-06-2007 KEUR	30-06-2006 KEUR	30-06-2007 KEUR	30-06-2006 KEUR	30-06-2007 KEUR	30-06-2006 KEUR	30-06-2007 KEUR	30-06-2006 KEUR	30-06-2007 KEUR	30-06-2006 KEUR
Sales revenues										
Sales to external customers	26,308	25,850	25,071	22,889	9,164	7,731	0	0	60,543	56,470
Inter-segment sales	48	31	698	615	1,602	1,076	-2,348	-1,722	0	0
Segment revenues	26,356	25,881	25,769	23,504	10,766	8,807	-2,348	-1,722	60,543	56,470
Other operating income	1,983	1,797	1,879	1,483	500	664	-2,875	-2,445	1,487	1,499
Changes in inventories of work in progress	0	-66	21	79	8	-40	0	0	29	-27
Cost of purchased services	-1,925	-1,045	-3,216	-2,520	-1,127	-892	1,417	515	-4,851	-3,942
Cost of purchased materials	-3,140	-4,253	-701	-705	-2,106	-1,655	553	516	-5,394	-6,097
Personnel expenses	-15,644	-14,740	-15,621	-15,829	-5,354	-5,705	-68	146	-36,687	-36,128
Depreciation and amortization	-737	-673	-468	-470	-349	-423	8	0	-1546	-1,566
Other operating expenses	-5,548	-5,703	-7,197	-5,581	-2,198	-2,094	3,205	2,771	-11,738	-10,607
Operating result before interest, tax, depreciation and amortisation	2,082	1,871	934	431	489	-915	-116	-219	3,389	1,168
Operating result	1,345	1,198	466	-39	140	-1,338	-108	-219	1,843	-398
Interest income	-210	-163	-234	-293	-134	-242	-8	0	-586	-698
Result before income taxes	1,135	1,035	232	-332	6	-1,580	-116	-219	1,257	-1,096
Segment assets	38,939	42,053	33,075	33,634	10,895	10,420	2,214	556	85,123	86,663
Segment liabilities	16,465	20,630	22,037	23,706	10,348	9,737	8,086	6,256	56,936	60,329
Segment investments	333	390	168	326	102	67	175	90	778	873

Financial Calendar

14 March 2007	Publication Annual Result 2006
14 March 2007	Analyst Conference
25 April 2007	Report on the 1 st Quarter of 2007
26 April 2007	Annual General Meeting
30 July 2007	Report on the 1 st Six Months of 2007
30 October 2007	Report on the 3 rd Quarter of 2007
14 November 2007	Analyst Presentation, German Equity Forum

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

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