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Strong and flexible

Report on the
1st Quarter of 2002

PSI 

PSI Group Data as per 31 March 2002 at a Glance

	1.1. - 31.3.02 in KEUR	1.1. - 31.3.01 in KEUR	Change in KEUR	Change in %
Revenues	35,933	39,476	-3,543	-9.0
Operating income	505	575	-70	-12.2
Result before income taxes	562	681	-119	-17.5
Net loss	-683	-606	-77	-12.7
Equity	20,351	17,739	+2,612	+14.7
Employees on 31 March 2002	1,348	1,375	-27	-2.0

The PSI Group returned to the profit zone in the first quarter of 2002 with a positive EBIT of 0.51 million euros. This corresponds to a profit improvement of 3.42 million euros compared to the fourth quarter of 2001 and a decrease of 70,000 euros from the same quarter of the previous year. The consolidated result of 683,000 euros was also 77,000 euros below the level of the same quarter last year. Sales decreased compared to the previous year by 9 % to 35.93 million euros. This is, on the one hand, due to the decrease of hardware sales of 1.95 million euros, the partial sale of the subsidiaries GSI and Integral (0.8 million euros), which were completely consolidated in the previous year and to the organizational and personnel measures initiated in the fourth quarter. The cash resources increased by 2.62 million euros over the same quarter of the previous year and by 7.48 million euros to 20.36 million euros compared to 31 December 2001.

The first quarter of 2002 was marked by a slow recovery of demand in the IT market, but was still marked by long decision-making processes and uncertainty about the future economic developments. The organizational and personnel measures introduced in the fourth quarter have, as expected, had a positive impact on the PSI Group earnings. At 120 million euros the volume of orders as per 31 March remained at a high level.

Business Development

In the Network Management Segment (energy, telecommunication, traffic) sales increased by 4.6 % to 16.60 million euros compared to the same quarter of the previous year and the EBIT increased by 104% to 1.19 million euros. This is attributable to both the good business development in the segments telecommunication and energy as well as the excellent market position in the energy segment.

In the Production Management Segment (industry, logistics) sales decreased by 17.5% to 12.74 million euros, which is attributable to both the sale of the majority holdings in the subsidiaries GSI and Integral as well as the personnel measures introduced in the previous year. The EBIT decreased by 0.82 million euros to -1.01 million euros.

In Information Management (government, services, CRM) sales decreased by 19.4% to 6.60 million euros as a result of a stronger focusing. The EBIT could be increased by 78.8% to 0.33 million euros.

The billing of a number of major projects resulted in a significant improvement of the operative cash-flow and therefore to an increase in cash resources of 7.48 million euros to 0.33 million euros compared to 31 December 2001.

The number of new orders in the first quarter was 32 million euros, the total volume of orders 132 million euros.

Personnel Development

In the framework of qualitative and quantitative capacity adjustments and the tightening of the organization, the number of employees in the group decreased by 27 compared to the first quarter of 2001 and by 57 compared to the end of the year. The number of employees is 1,348.

Special Events in the 1st Quarter

On 12 March 2002 PSI and Compaq Computer Corporation concluded an agreement on the integration and joint marketing of the PSI solution for Mobile Common Configuration Management (MCCM) with Compaq's network management platform TeMIP.

Outlook

Despite the difficult market environment PSI was able to increase its own position in the first quarter and thereby establish the conditions for a further increases in earnings. Despite the noticeable increase in demand for PSI solution compared to the fourth quarter, the IT market is still marked by long decision-making processes and uncertainty about future economic developments.

PSI expects the market to revive in the second half of the year and therefore assumes that the targeted earnings for the year will be attained. The management will continue the reorganizational measures in the group which were introduced in the fourth quarter and continue to focus on increasing earnings.

Additional positive effects will be gained from the strategic orders obtained in the first quarter, the cooperation with Compaq, the acquisition of Büsing & Buchwald GmbH in the second quarter and the strategic alliance with the VA TECH Group concluded in the beginning of May. With this PSI has solidified its excellent market position and therefore established the basis for even better results in the future.

Group Income Statement
From 1 January 2002 until 31 March 2002 according to US-GAAP

	3 Month Report 01.01.-31.03.02 KEUR	3 Month Report 01.01.-31.03.01 KEUR
Revenues		
Software production and maintenance	29,106	31,649
Licenses	2,818	1,864
Hardware	4,009	5,963
	35,933	39,476
Cost of Revenues		
Software production and maintenance	21,616	21,477
Licenses	1,326	237
Hardware	2,885	5,079
	25,827	26,793
Gross profit	10,106	12,683
Operating expenses		
Selling and Marketing expenses	5,057	5,600
General and administrative expenses	1,812	2,758
Research and development	2,762	2,019
Capitalized research and development	-200	0
Depreciation of capitalized research and development	129	205
Other income or expenses	41	958
Goodwill amortization	0	568
Impairment loss	0	0
Operating income	505	575
Interest income, income from investments	57	106
Result before income taxes	562	682
Income tax	-1,194	-1,178
Result before minority interest	-632	-496
Minority interest	-51	-109
Net income/ loss	-683	-605
Earnings per share (in Euro per share, basic)	-0,07	-0,06
Earnings per share (in Euro per share, diluted)	-0,07	-0,06
Weighted average shares outstanding (basic)	10,207,015	9,856,993
Weighted average shares outstanding (diluted)	10,408,265	9,943,393

Group Cash Flow Statement
from 1 January 2002 until 31 March 2002 according to US-GAAP

	3 Month Report 01.01.-31.03.02 KEUR	3 Month Report 01.01.-31.03.01 KEUR
CASH FLOW FROM OPERATING ACTIVITIES		
Net income/loss before tax	562	682
Net income/loss after tax	-632	-496
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation of intangible assets and property, plant and equipment	1,094	1,799
Impairment loss	0	0
Pension reserves	482	365
Deferred taxes	1,194	1,013
Minority interests in result	0	0
Change in assets, which are not included in investing or financing activities	8,712	-5,368
Change in liabilities, which are not included in investing or financing activities	-2,312	2,274
Net cash from operating activities	8,539	-413
INVESTING ACTIVITIES		
Additions to capitalized research and development costs	-200	0
Net additions to property, plant, equipment and other intangible assets	-860	-749
Net additions to goodwills (without liquid assets)	0	0
Purchase of financial assets	0	0
Net cash from investing activities	-1,060	-749
FINANCING ACTIVITIES		
Capital increase through cash payments	0	133
Minority interests	0	0
Financial liabilities	0	-267
Other changes in equity	0	0
Special item for investment grants	-11	-53
Net cash from financing activities	-11	-187
Increase (decrease) in cash and cash equivalents	7,484	-1,417
Currency translation	16	-68
Cash and cash equivalents at beginning of period	12,873	19,156
Cash and cash equivalents at end of period	20,357	17,739
Supplemental cash flow information		
Cash paid for interests	31	29
Cash paid for taxes	57	109

Group Balance Sheet
from 1 January 2002 until 31 March 2002 according to US-GAAP

	3 Month Report 01.01.-31.03.02 KEUR	Annual Report 01.01.-31.12.01 KEUR
Assets		
Current Assets		
Cash and cash equivalents	20,357	12,873
Trade accounts receivable net allowance for doubtful accounts of KEUR 211 (2001: KEUR 311)	39,210	44,789
Costs and estimated earnings in excess of billings on uncompleted contracts	32,693	35,423
Inventories	6,957	6,800
Deferred tax assets	0	0
Prepaid expenses	1,841	1,068
Other receivables	4,888	6,268
	105,946	107,221
Long-term assets		
Property, plant and equipment	11,276	11,498
Intangible assets	5,814	5,627
Investments	6,149	6,118
Goodwill	22,387	22,387
Deferred tax assets	0	0
	45,626	45,630
Total assets	151,572	152,851
Liabilities and shareholders' equity		
Current liabilities		
Short term debt	5,084	4,948
Trade accounts payable	8,673	15,367
Advance payments received in excess of estimated earnings on uncompleted contracts	17,995	14,962
Other accrued expenses	13,149	15,398
Deferred revenues	5,083	4,183
Deferred taxes	6,304	5,109
Other current liabilities	5,889	3,291
	62,177	63,258
Long-term liabilities		
Long-term debt	2,101	2,124
Deferred taxes	0	0
Pension accruals	19,426	18,944
Other long-term liabilities	80	93
	21,607	21,161
Shareholders' equity		
Share capital, EUR 2.55 calculated par value	26,301	25,887
Additional paid-in capital	69,372	68,006
Revenue surplus	1,220	1,220
Accumulated deficit	-35,309	-34,627
Contributions made for capital increase	3,650	5,428
Cumulative translation adjustment	-233	-167
	64,860	65,555
Minority interests	2,928	2,877
Total Liabilities and shareholders' equity	151,572	152,851

Development of Fixed Assets from 1 January 2002 until 31 March 2002

	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 31.12.2001	10,126,160	25,887	68,006	1,220	5,428	-34,627	-359	65,555
Issue of shares								
Contribution of 40% of Pspenta Automotive GmbH for issue of shares	161,710	413	1,366		-1,779			0
Group net loss for 3 Month 2002						-683		-683
Others							-15	-15
As of 31.03.2002	10,287,870	26,300	69,372	1,220	3,649	-35,310	-374	64,857

Shares and Options held by Management Board and Supervisory Board as of 31 March 2002

	Shares	Options
Management Board		
Ali-Akbar Alizadeh-Saghati	36,438	2,400
Dietrich Jaeschke	51,385	2,400
Armin Stein	700	1,200
Supervisory Board		
Wolfgang Fischer	1,049	800
Siegfried Hartmann	1,313	1,600
Kurt Kasch	0	0
Franz Niedermaier	3,565	0
André Warner	2,695	1,600

Notes on the consolidated financial statements as of 31 March 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, 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, 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, Schwitzerland	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
PSI logistics GmbH, Berlin (Group)	91.50
PK Software Engineering GmbH	75.00
front2back Aktiengesellschaft, Berlin	60.00
PSI-BT Business Technologies for Industry AG, Düsseldorf	58.00

b) Description of changes

Compared to the prior quarter there were no changes in the consolidation group.

4. Selected Individual Items

Trade receivables

	31.03.2002 KEUR	31.12.2001 KEUR
Accounts receivable, trade	39,421	45,100
Allowances for bad debts	-211	-311
	39,210	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:

	31.03.2002 KEUR	31.12.2001 KEUR
Costs incurred on uncompleted contracts	53,192	54,151
Estimated earnings	28,397	34,102
	81,589	88,253
Less billings	-66,891	-67,792
	14,698	20,461

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

	31.03.2002 KEUR	31.12.2001 KEUR
Costs and estimated earnings in excess of billings on uncompleted contracts	32,693	35,423
Billings in excess of costs and estimated earnings on uncompleted contracts	-17,995	-14,962
	14,698	20,461

Other accruals

Die sonstigen Rückstellungen enthalten die folgenden wesentlichen Einzelpositionen:

	31. 03. 2002	31. 12. 2001
	KEUR	KEUR
Services still to be performed	7,695	7,793
Vacation and overtime	2,040	3,963
Other	3,414	3,642
	13,149	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 quarter.

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 three-month period ending 31 March 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 31 March 2002 according to US-GAAP

	Network Management		Production Management		Information Management		PSI-Group	
	31 Mar. 2002 KEUR	31 Mar. 2001 KEUR	31 Mar. 2001 KEUR	31 Mar. 2001 KEUR	31 Mar. 2001 KEUR	31 Mar. 2001 KEUR	31 Mar. 2001 KEUR	31 Mar. 2001 KEUR
Revenues								
Software production and maintenance	12,252	10,144	10,918	13,593	5,936	7,912	29,106	31,649
Licenses	979	138	1,680	1,726	159	0	2,818	1,864
Hardware	3,367	5,580	140	115	502	268	4,009	5,963
	16,598	15,862	12,738	15,434	6,597	8,180	35,933	39,476
Cost of revenues								
Software production and maintenance	9,133	7,149	7,885	8,596	4,598	5,732	21,616	21,477
Licenses	926	85	379	151	21	0	1,326	237
Hardware	2,348	4,873	165	90	372	116	2,885	5,079
	12,407	12,108	8,429	8,837	4,991	5,848	25,827	26,793
Gross profit	4,191	3,755	4,309	6,597	1,606	2,332	10,106	12,683
Operating expenses								
Selling and Marketing expenses	1,611	1,417	2,440	2,587	1,006	1,596	5,057	5,600
General and administrative expenses	392	304	1,137	1,883	283	571	1,812	2,758
Research and development	1,091	25	1,671	1,994	0	0	2,762	2,019
Capitalized research and development	-200	0	0	0	0	0	-200	0
Depreciation of capitalized research and development	42	130	62	75	25	0	129	205
Other income or expenses	69	906	9	177	-37	-126	41	958
Amortisation of goodwill	0	392	0	70	0	106	0	568
Impairment loss	0	0	0	0	0	0	0	0
Operating income	1,186	581	-1,009	-188	329	184	505	575
Interest income, income from investments	35	76	23	11	-1	19	57	106
Result before income taxes	1,221	657	-987	-177	328	203	562	683
Income tax	-561	-583	-449	-230	-184	-365	-1,194	-1,178
Net income/loss	660	74	-1,436	-407	144	-162	-632	-495

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