



DIRECTION: EAST

Report on the 1st Quarter of 2007



PSI 

PSI Group Data as per 31 March 2007 at a Glance (IFRS)

	1.1. - 31.3.07 in KEUR	1.1. - 31.3.06 in KEUR	Veränderung in TEUR	Veränderung in %
Revenues	32,625	28,399	+4,226	+14.9
Operating Result	863	8	+855	+10.787.5
Result before income taxes	587	-351	+938	+267.2
Net loss	406	-219	+625	+285.4
Cash and cash equivalents	13,928	15,591	-1,663	-10.7
Employees on 30 September	1,052	1,049	+3	+0.3
Revenue/Employee	31.0	27.1	+3.9	+14.4

Business Development

In the first quarter of 2007, the PSI Group had an EBIT of 0.9 million euros and a result of 0.4 million euros. First quarter sales increased by 14.9% to 32.6 million euros compared to the previous year. With 38 million euros, new orders were above sales so that the volume of orders increased by 5 million euros to 79 million euros compared to 31 December 2006.

The Energy Management Segment (electricity, gas, oil, heating, water) had sales of 12.8 million euros in the first three months. The EBIT improved to 0.8 million euros. Important new orders in the areas of gas, electricity and energy trading were obtained in the energy business.

Compared to the previous year, the Production Management Segment (industry, logistics) increased sales in the first three months by 13.6% to 13.4 million euros. The EBIT improved to 0.1 million euros despite expenditures for the expansion of the Russian business .

Infrastructure Management (traffic, safety, telecommunications, government) increased sales in the first three months by 56% to 6.5 million euros. The EBIT, which had been negative in the pervious year, improved to 0.1 million euros. In this segment it was primarily the traffic area that obtained new orders so that the segment is working closer to capacity.

Liquidity decreased on 31 March 2007 as a consequence of the expansion of the working capital in export to 13.9 million euros.

Personnel Development

The number of employees remained constant at 1,052 whereby there were structural changes to the benefit of the export business as a consequence of the expansion of the sites in China and Poland.

PSI Shares

The share price of PSI stock moved horizontally during the first three months and, at 4.46 euros, ended the quarter at exactly the same level as the final price of 2006. During this period, the Prime Software Index, which compiles all the software shares in the Prime Standard of the German Stock Exchange, fell 12%.

Special Events in the 1st Quarter

Since the beginning of the year, the PSI Group has been organized in the segments Energy Management, Production Management and Infrastructure Management. Infrastructure Management, in contrast to the former Information Management, is clearly oriented toward solutions that are not limited to the domestic market, but rather can be exported to the growth markets in eastern Europe and Asia. Unlike the former Network Management, Energy Management concentrates exclusively on energy management solutions for the German and international market. This consists of systems for electricity, gas, oil, heating and water suppliers as well as for the increasing energy trading and sales.

Outlook

The management expects the trend to be confirmed in the second quarter and another positive EBIT of one million euros. The volume of orders at 79 million euros represents a very good basis for continuing the positive development in the coming quarters.

Group Balance Sheet

from 1 January 2007 until 31 March 2007 according to IFRS

	3 Month Report 01.01.-31.03.07 KEUR	Annual Report 01.01.-31.12.06 KEUR
Assets		
Non current assets		
Property, plant and equipment	7,816	7,908
Intangible assets	16,195	16,426
Other financial assets	87	67
Deferred tax assets	4,063	4,302
	28,161	28,703
Current assets		
Inventories	2,188	1,737
Trade accounts receivable, net	20,989	18,530
Receivables from long-term construction contracts	22,612	17,966
Other current assets	3,457	2,384
Cash and cash equivalents	13,928	15,340
	63,174	55,957
Total assets	91,335	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	-34,641	-35,047
	29,366	28,947
Non-current liabilities		
Pension provisions	25,458	25,157
Deferred tax liabilities	2,242	2,297
	27,700	27,454
Current liabilities		
Trade payables	7,865	8,412
Other current liabilities	17,513	11,885
Liabilities from long-term development contracts	7,017	6,069
Short-term debt	539	393
Provisions	1,335	1,500
	34,269	28,259
Total equity and liabilities	91,335	84,660

Group Income Statement

from 1 January 2007 until 31 March 2007 according to IFRS

	3 Month Report 01.01.-31.03.07 KEUR	3 Month Report 01.01.-31.03.06 KEUR
Sales revenues	32,625	28,399
Other operating income	506	1,214
Changes in inventories of work in progress	11	80
Cost of materials	-6,058	-4,958
Personnel expenses	-18,364	-18,816
Depreciation and amortization	-779	-786
Other operating expenses	-7,078	-5,125
Operating result	863	8
Interest income	113	51
Interest expenses	-389	-410
Result before income taxes	587	-351
Income tax	-181	132
Net result	406	-219
Earnings per share (in Euro per share, basic)	0.03	-0.02
Earnings per share (in Euro per share, diluted)	0.03	-0.02
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 2007 until 31 March 2007 according to IFRS

	3 Month Report 01.01.-31.03.07 KEUR	3 Month Report 01.01.-31.03.06 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result after income taxes	406	-219
Adjustments for non-cash expenses		
Amortization on intangible assets	334	393
Depreciation of property, plant and equipment	417	393
Interest income	-113	-51
Interest expenses	389	409
Foreign exchange gains/losses	13	5
Other income/expense without cash effect	187	-282
	1,633	648
Changes of working capital		
Inventories	-451	116
Trade receivables	-7,105	-538
Other current assets	-1,073	-1,579
Provisions	-230	-156
Trade payables	-547	-2,898
Other current liabilities	6,573	207
	-2,833	-4,199
Interest paid	-22	-3
Income taxes paid	0	16
Cash flow from operating activities	-1,222	-4,186
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-103	-25
Additions to property, plant and equipment	-325	-467
Additions to financial assets	-20	0
Disposals of financial assets	0	1,050
Interest received	112	51
Cash flow from investing activities	-336	609
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds/repayments from/of borrowings	146	221
Cash receipts from sale of treasury stocks	0	0
Acquisition of treasury stocks	0	0
Cash flow from financing activities	146	221
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-1,412	-3,356
Cash and cash equivalents at beginning of the period	15,340	18,947
Cash and cash equivalents at the end of the period	13,928	15,591

Development of Fixed Assets

from 1 January 2007 until 31 March 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					-219		-219
Currency translation						5	5
As of 31 March 2006	12,112,870	31,009	31,772	1,181	-35,693	-6	28,263
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

Shares and Options held by Management Board and Supervisory Board as of 31 March 2007

	Shares	Options
Management Board		
Dr. Harald Schrimpf	55,000	0
Armin Stein	9,000	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	90,000	0
Prof. Dr. Rolf Windmüller	1,120	0

Notes on the consolidated financial statements as of 31 March 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 31 March 2007 were released for publication by a decision of the management on 24 April 2007.

The condensed interim consolidated financial statements for the period from 1 January 2007 to 31 March 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 former PSI Transportation GmbH was renamed PSI Transcom GmbH on 29 January 2007.

5. Selected Individual Items

Cash and cash equivalents

	31 March 2007	31 December 2006
	KEUR	KEUR
Bank balances	7,617	11,040
Fixed term deposits	6,293	4,285
Cash	18	15
	13,928	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:

	31 March 2007	31 December 2006
	KEUR	KEUR
Costs incurred on uncompleted contracts	45,153	41,883
Profit shares	5,124	5,283
Contract revenue	50,277	47,166
Payments on account	29,966	27,825
Receivables from long-term construction contracts	22,612	17,966
Liabilities from long-term construction contracts	7,017	6,069

Taxes on income

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

	31 March 2007 KEUR	31 December 2006 KEUR
Effective taxes expenses		
Effective tax expenses	0	-253
Deferred taxes		
Emergence and reversal of temporary differences	-181	1,015
Tax expenses/income	-181	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:

- Informationsmanagement: IT-Lösungen für mehr Bürger- und Kundennähe durch sichere und effiziente Unterstützung der Geschäftsprozesse von Behörden und Dienstleistern.

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.

Group Segment Reporting

from 1 January 2007 until 31 March 2007 according to IFRS

	Energy Management		Production Management		Infrastruktur Management		Reconciliation		PSI Group	
	31-03-2007	31-03-2006	31-03-2007	31-03-2006	31-03-2007	31-03-2006	31-03-2007	31-03-2006	31-03-2007	31-03-2006
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Sales revenues										
Sales to external customers	12,755	12,467	13,413	11,789	6,457	4,143	0	0	32,625	28,399
Inter-segment sales	16	9	376	289	720	519	-1,112	-817	0	0
Segment revenues	12,771	12,476	13,789	12,078	7,177	4,662	-1,112	-817	32,625	28,399
Other operating income	1,059	939	697	1,051	186	575	-1,436	-1,351	506	1,214
Changes in inventories of work in progress	0	82	11	36	0	-38	0	0	11	80
Cost of purchased services	-952	-711	-1,659	-1,059	-596	-298	835	360	-2,372	-1,708
Cost of purchased materials	-1,253	-1,808	-327	-442	-2,102	-1,000	-4	0	-3,686	-3,250
Personnel expenses	-7,807	-7,399	-8,002	-8,385	-2,564	-2,950	9	-82	-18,364	-18,816
Depreciation and amortization	-359	-328	-236	-240	-187	-218	3	0	-779	-786
Other operating expenses	-2,667	-2,703	-4,125	-2,959	-1,831	-1,200	1,545	1,737	-7,078	-5,125
Operating result before interest, tax, depreciation and amortisation	1,151	876	384	320	270	-249	-163	-153	1,642	794
Operating result	792	548	148	80	83	-467	-160	-153	863	8
Interest income	-109	-76	-105	-159	-64	-124	2	0	-276	-359
Result before income taxes	683	472	43	-79	19	-591	-158	-153	587	-351
Segment assets	41,927	39,749	33,819	33,051	12,477	12,519	-951	-2	87,272	82,317
Segment liabilities	18,033	16,515	23,912	22,748	11,682	10,675	6,100	5,222	59,727	55,160
Segment investments	185	256	129	202	45	25	89	9	448	492

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
November 2007	Analyst Presentation, German Equity Forum

Your Investor Relations contact person:

Karsten Pierschke

Telephone: +49/30/2801-2727

Fax: +49/30/2801-1000

E-Mail: kpierschke@psi.de

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

Please contact us should you require other information material.

For the latest IR information, please visit our website at www.psiag.com/ir.



PSI Aktiengesellschaft für
Produkte und Systeme der
Informationstechnologie

Dircksenstraße 42-44
10178 Berlin
Germany
Telefon: +49/30/2801-0
Fax: +49/30/2801-10 00
ir@psi.de
www.psi.de

PSI 