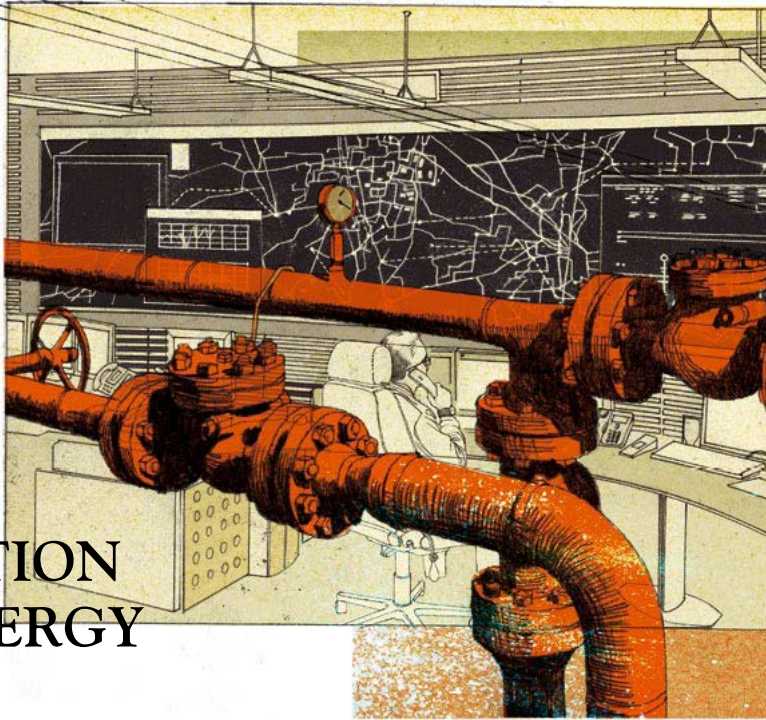
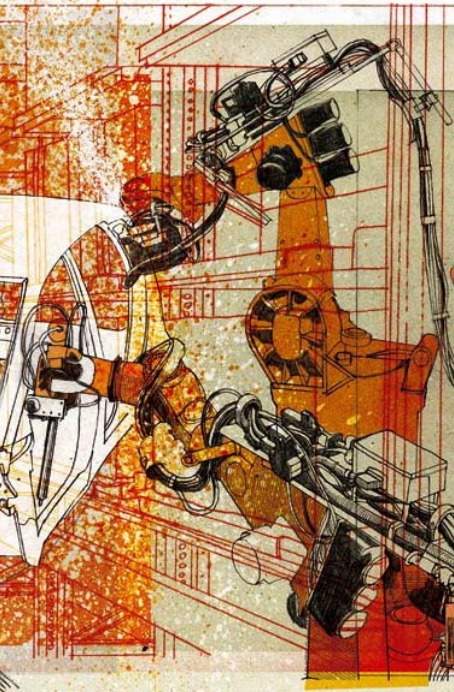


Report on the 3<sup>rd</sup> Quarter of 2008



**SMART PRODUCTION  
SMART ENERGY**

**PSI** 

**PSI Group Data as per 30 September 2008 at a Glance (IFRS)**

	01/01-30/09/08 in KEUR	01/01-30/09/07 in KEUR	Change in KEUR	Change in %
Revenues	92,006	87,734	+4,272	+4.9
Operating Result	4,177	2,569	+1,608	+62.6
Result before income taxes	3,410	1,686	+1,724	+102.3
Net result	2,754	818	+1,936	+236.7
Cash and cash equivalents	21,553	18,336	+3,217	+17.5
Employees on 30 September	1,109	1,014	+95	+9.4
Revenue/Employee	83.0	86.5	-3.5	-4.0

# Interim Management Report

## Business Development

### Earnings

The PSI Group increased its EBIT to 4.2 million euros (30 Sept. 2007: 2.6 million euros). The pre-tax profit increased to 3.4 million euros (30 Sept. 2007: 1.7 million euros), the Group net result to 2.8 million euros (30 Sept. 2007: 0.8 million euros). Group sales increased to 92.0 million euros (30 Sept. 2007: 87.7 million euros). Adjusted for the sale of the government business in mid-2007 and the acquisition of F/L/S GmbH and the 4Production AG in the second and third quarters of 2008 the sales grew by just under 8 percent compared to the same period for the previous year. The volume of new orders increased by 16 percent to 119 million euros (30 Sept. 2007: 103 million euros), the order book volume increased by 24 percent to 105 million euros (30 Sept. 2007: 85 million euros).

The Energy Management segment (electricity, gas, oil, heat) obtained sales of 39.3 million euros (30 Sept. 2007: 38.2 million euros). The EBIT was increased by 59 percent to 2.5 million euros (30 Sept. 2007: 1.6 million euros). In the German-speaking market PSI was awarded numerous important contracts from large electricity and gas suppliers. In the field of electrical energy an important pilot contract for a Russian high-voltage grid region was obtained. In the coming quarters PSI expects additional important contracts from domestic and export markets in this segment.

Sales in the Production Management segment (industry, logistics) were, with 41.9 million euros, 12 percent above that of the level for the previous year (30 Sept. 2007: 37.5 million euros). The EBIT doubled compared to the previous year by 1.7 million euros (30 Sept. 2007: 0,8 million euros). Here, the Metals unit could further expand its market position with important international orders and the integration of the 4Production AG. The areas of logistics and mechanical engineering also profited from increased investments in the efficiency of industrial added-value processes.

In Infrastructure Management (traffic, safety, telecommunications) sales decreased as a result of the lower hardware portion and the sale of the government business to 10.8 million euros (30 Sept. 2007: 12,0 million euros). The EBIT was, with 0.2 million euros slightly below the value of the previous year (30 Sept. 2007: 0.5 million euros, including 0.8 million euros for the sale of the government business).

## **Financial Position**

The cash-flow from operating activities improved to 2.7 million euros (30 Sept. 2007: 2.4 million euros). Liquid funds on 30 Sept. 2008 were, with 21.6 million euros above the value of the previous year (30 Sept. 2007: 18.3 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 increased as of 30 Sept. 2008 to 1,109 (30 Sept. 2007: 1,014) as a result of the acquisitions and targeted recruitment with an emphasis on export.

## **PSI-Shares**

The PSI stock ended the 3<sup>rd</sup> quarter of 2008 with a final price of 4.24 euros, 28 % below the final 2007 price of 5.90 euros. In the same period, the Technology All Share Index, which includes all the technology stocks in the Prime Standard of the German Stock Exchange, had a decline of 31.2 %.

## **Risk Report**

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

## **Outlook**

PSI records growing efficiency investments of the heavy industry and the energy sector in Germany and export markets. As a consequence of the continuing concentration on the growing economies in Eastern Europe and Asia, PSI is profiting from the continuing investments in the improvement of national and industrial infrastructure in these countries. The long-term cost-reduction program for platform convergence and the right-sourcing will continue to improve the margin. With the record order book volume of 105 million euros and the well-filled sales pipeline PSI foresees a continuation of the good business in 2009 and beyond. The management reiterates the annual targets of about 130 million euros in sales and about 6 million euros for the EBIT and the cash-flow from operations.

# Group Balance Sheet

from 1 January 2008 until 30 September 2008 according to IFRS

	9 Month Report 01/01-30/09/08 KEUR	Annual Report 01/01-31/12/07 KEUR
<b>Assets</b>		
<b>Non current assets</b>		
Property, plant and equipment	8,070	7,745
Intangible assets	18,719	15,030
Other financial assets	36	20
Deferred tax assets	2,589	3,093
	<b>29,414</b>	<b>25,888</b>
<b>Current assets</b>		
Inventories	2,141	990
Trade accounts receivable, net	17,379	22,255
Receivables from long-term development contracts	28,675	19,130
Other current assets	3,042	2,790
Cash and cash equivalents	21,553	18,948
	<b>72,790</b>	<b>64,113</b>
<b>Total assets</b>	<b>102,204</b>	<b>90,001</b>
<b>Total Equity and Liabilities</b>		
<b>Equity</b>		
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	12	95
Accumulated losses	-30,584	-33,338
	<b>33,390</b>	<b>30,719</b>
<b>Non-current liabilities</b>		
Long-term debt	90	
Pension provisions	26,010	25,550
Deferred tax liabilities	2,380	1,990
	<b>28,480</b>	<b>27,540</b>
<b>Current liabilities</b>		
Trade payables	11,341	9,386
Other current liabilities	16,450	14,291
Liabilities from long-term development contracts	7,349	6,685
Short-term debt	4,232	305
Provisions	962	1,075
	<b>40,334</b>	<b>31,742</b>
<b>Total equity and liabilities</b>	<b>102,204</b>	<b>90,001</b>

# Group Income Statement

from 1 January 2008 until 30 September 2008 according to IFRS

	Quarterly Report III		9-Month Report	
	01.07.08- 30.09.08 KEUR	01.07.07- 30.09.07 KEUR	01.01.08- 30.09.08 KEUR	01.01.07- 30.09.07 KEUR
Revenues	34,257	27,191	92,006	87,734
Other operating income	528	1,250	2,025	2,737
Changes in inventories of work in progress	56	-98	16	-69
Cost of materials	-5,433	-5,181	-14,119	-15,426
Personnel expenses	-18,674	-16,925	-54,710	-53,612
Depreciation and amortization	-675	-836	-1,922	-2,382
Other operating expenses	-8,567	-4,675	-19,119	-16,413
<b>Operating result</b>	<b>1,492</b>	<b>726</b>	<b>4,177</b>	<b>2,569</b>
Interest income	172	95	452	301
Interest expenses	-424	-392	-1,219	-1,184
<b>Result before income taxes</b>	<b>1,240</b>	<b>429</b>	<b>3,410</b>	<b>1,686</b>
Income tax	-364	-334	-656	-868
<b>Net result</b>	<b>876</b>	<b>95</b>	<b>2,754</b>	<b>818</b>
Earnings per share (in Euro per share, basic)	0.07	0.01	0.23	0.07
Earnings per share (in Euro per share, diluted)	0.07	0.01	0.23	0.07
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 2008 until 30 September 2008 according to IFRS

	9 Month Report 01/01-30/09/08 KEUR	9 Month Report 01/01-30/09/07 KEUR
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
Result after income taxes	2,754	818
<b>Adjustments for non-cash expenses</b>		
Amortization on intangible assets	579	1,085
Depreciation of property, plant and equipment	1,315	1,157
Interest income	-452	-301
Interest expenses	1,219	1,184
Foreign exchange gains/losses	-83	13
Other income/expense without cash effect	588	-745
	5,920	3,211
<b>Changes of working capital</b>		
Inventories	-1,021	-232
Trade receivables	-3,117	-3,208
Other current assets	-201	-557
Provisions	-804	-572
Trade payables	1,771	708
Other current liabilities	333	3,139
	-3,039	-722
Interest paid	-68	-102
Income taxes paid	-68	-26
<b>Cash flow from operating activities</b>	<b>2,745</b>	<b>2,361</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Additions to intangible assets	-43	-128
Additions to property, plant and equipment	-1,513	-1,125
Additions to financial assets	0	-20
Payments for investments in subsidiaries, net of cash	-3,053	0
Disposals of property, plant and equipment	0	26
Disposals of financial assets	0	2
Disposals of shares in affiliated companies, net of cash	0	1,563
Interest received	452	301
<b>Cash flow from investing activities</b>	<b>-4,157</b>	<b>619</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Proceeds/repayments from/of borrowings	4,017	16
Cash receipts from sale of treasury stocks	0	0
Acquisition of treasury stocks	0	0
<b>Cash flow from financing activities</b>	<b>4,017</b>	<b>16</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
Changes in cash and cash equivalents	2,605	2,996
Cash and cash equivalents at beginning of the period	18,948	15,340
Cash and cash equivalents at the end of the period	21,553	18,336

## Development of Fixed Assets

from 1 January 2008 until 30 September 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					818		818
Currency translation						13	13
As of 30 September 2007	12,112,870	31,009	31,772	1,181	-34,229	45	29,778
As of 31 December 2007	12,112,870	31,009	31,772	1,181	-33,338	95	30,719
Group net result					2,754		2,754
Currency translation						-83	-83
As of 30 September 2008	12,112,870	31,009	31,772	1,181	-30,584	12	33,390

## Shares and Options held by Management Board and Supervisory Board as of 30 September 2008

	Shares	Options
<b>Management Board</b>		
Dr. Harald Schrimpf	66,000	0
Armin Stein	18,000	0
<b>Supervisory Board</b>		
Dr. Ralf Becherer	1,268	0
Wilfried Götze	54,683	0
Bernd Haus	1,000	0
Barbara Simon	7,890	0
Karsten Trippel	110,100	0
Prof. Dr. Rolf Windmüller	1,120	0

The Management Board of PSI had earnings of KEUR 764 in the first nine months of 2008, which consist of a fixed component of KEUR 294 and a variable component of KEUR 470.

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



# Notes on the consolidated financial statements as of 30 September 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, Düsseldorf, Karlsruhe, Hamburg, Munich, Stuttgart and Aachen. 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 30 September 2008 were released for publication by a decision of the management on 27 October 2008.

The condensed interim consolidated financial statements for the period from 1 January 2008 to 30 September 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. Changes in the Consolidation Group

With the agreement dated 19 May 2008, 100 % of the shares of the F/L/S FUZZY Logik Systeme GmbH, which is headquartered in Dortmund, were acquired. At the time of the acquisition the company had assets totalling KEUR 875 and liabilities of KEUR 603. Correspondingly, the net assets (at book values) were KEUR 272. In the course of breaking down the purchase price, these net assets will be offset by the costs of acquisition (KEUR 805). The resulting difference will be allocated to the intangible assets with limited utilization and the goodwill.

The following table provides a preliminary breakdown of the costs of acquisition to the market values of the assets and liabilities acquired:

	Book value before the acquisition KEUR	Adjustment KEUR	Book value after the acquisition KEUR
<b>Non-current assets</b>			
Property, plant and equipment	6	0	6
Other intangible assets	2	336	338
Goodwill	0	297	297
<b>Current assets</b>			
Inventories	130	0	130
Trade receivables	176	0	176
Other Assets	16	0	16
Cash and cash equivalents	545	0	545
<b>Liabilities</b>			
Financial liabilities	256	0	256
Deferred tax liabilities	0	100	100
Trade payables	27	0	27
Other liabilities	207	0	207
Liabilities from long-term development contracts	113	0	113
<b>Net assets</b>	<b>272</b>	<b>533</b>	<b>805</b>

With the agreement dated 19 May 2008, 100 % of the shares of the 4Production Holding GmbH, which is headquartered in Würselen, were acquired. At the time of the acquisition the company had assets totalling KEUR 3,159 and liabilities of KEUR 2,597. Correspondingly, the net assets (at book values) were KEUR 562. In the course of breaking down the purchase price, these net assets will be offset by the costs of acquisition (KEUR 3,956). The resulting difference will be allocated to the intangible assets with limited utilization and the goodwill.

The following table provides a preliminary breakdown of the costs of acquisition to the market values of the assets and liabilities acquired:

	Book value before the acquisition KEUR	Adjustment KEUR	Book value after the acquisition KEUR
<b>Non-current assets</b>			
Property, plant and equipment	102	0	102
Other intangible assets	9	689	698
Goodwill	0	2,911	2,911
<b>Current assets</b>			
Receivables from long-term development contracts	1,273	0	1,273
Trade receivables	103	0	103
Other Assets	47	0	47
Cash and cash equivalents	1,625	0	1,625
<b>Liabilities</b>			
Financial liabilities	203	0	203
Deferred tax liabilities	0	206	206
Trade payables	156	0	156
Other liabilities	722	0	722
Liabilities from long-term development contracts	1,516	0	1,516
<b>Net assets</b>	<b>562</b>	<b>3,394</b>	<b>3,956</b>

#### 4. 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.

## 5. Selected Individual Items

### Cash and cash equivalents

	30 September 2008 KEUR	31 December 2007 KEUR
Bank balances	10,262	13,754
Fixed term deposits	11,271	5,175
Cash	20	19
	<b>21,553</b>	<b>18,948</b>

### 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 (labour 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 September 2008 KEUR	31 December 2007 KEUR
Costs incurred on uncompleted contracts	51,931	40,425
Profit shares	6,464	6,848
<b>Contract revenue</b>	<b>58,395</b>	<b>47,273</b>
Payments on account	29,720	28,143
Receivables from long-term construction contracts	28,675	19,130
Liabilities from long-term construction contracts	7,349	6,685

### Taxes on income

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

	30 September 2008 KEUR	31 December 2007 KEUR
<b>Effective taxes expenses</b>		
Effective tax expenses	-68	-105
<b>Deferred taxes</b>		
Emergence and reversal of temporary differences	-588	-902
<b>Tax expenses/income</b>	<b>-656</b>	<b>-1,007</b>

## **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 30 September 2008 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	30/09/2008 KEUR	30/09/2007 KEUR	30/09/2008 KEUR	30/09/2007 KEUR	30/09/2008 KEUR	30/09/2007 KEUR	30/09/2008 KEUR	30/09/2007 KEUR	30/09/2008 KEUR	30/09/2007 KEUR
<b>Sales revenues</b>										
Sales to external customers	39,323	38,222	41,900	37,495	10,783	12,017	0	0	92,006	87,734
Inter-segment sales	544	86	1,569	950	1,002	1,927	-3,115	-2,963	0	0
<b>Segment revenues</b>	<b>39,867</b>	<b>38,308</b>	<b>43,469</b>	<b>38,445</b>	<b>11,785</b>	<b>13,944</b>	<b>-3,115</b>	<b>-2,963</b>	<b>92,006</b>	<b>87,734</b>
Other operating income	2,887	3,150	2,925	2,087	406	1,904	-4,193	-4,404	2,025	2,737
Changes in inventories of work in progress	0	0	14	-77	2	8	0	0	16	-69
Cost of purchased services	-2,457	-2,856	-4,215	-4,641	-1,680	-1,430	1,587	1,596	-6,765	-7,331
Cost of purchased materials	-3,993	-4,488	-1,668	-1,106	-2,230	-2,992	537	491	-7,354	-8,095
Personnel expenses	-24,027	-23,354	-24,903	-23,058	-5,544	-7,097	-236	-103	-54,710	-53,612
Depreciation and amortization	-1,027	-1,125	-670	-708	-213	-551	-12	2	-1,922	-2,382
Other operating expenses	-8,773	-8,084	-13,243	-10,141	-2,287	-3,283	5,184	5,095	-19,119	-16,413
<b>Operating result before interest, tax, depreciation and amortisation</b>	<b>3,504</b>	<b>2,676</b>	<b>2,379</b>	<b>1,509</b>	<b>452</b>	<b>1,054</b>	<b>-236</b>	<b>-288</b>	<b>6,099</b>	<b>4,951</b>
<b>Operating result</b>	<b>2,477</b>	<b>1,551</b>	<b>1,709</b>	<b>801</b>	<b>239</b>	<b>503</b>	<b>-248</b>	<b>-286</b>	<b>4,177</b>	<b>2,569</b>
Interest income	-497	-369	-278	-367	8	-149	0	2	-767	-883
<b>Result before income taxes</b>	<b>1,980</b>	<b>1,182</b>	<b>1,431</b>	<b>434</b>	<b>247</b>	<b>354</b>	<b>-248</b>	<b>-284</b>	<b>3,410</b>	<b>1,686</b>
<b>Segment assets</b>	<b>42,451</b>	<b>43,979</b>	<b>47,172</b>	<b>32,278</b>	<b>8,463</b>	<b>8,814</b>	<b>1,529</b>	<b>-103</b>	<b>99,615</b>	<b>84,968</b>
<b>Segment liabilities</b>	<b>19,014</b>	<b>19,555</b>	<b>33,086</b>	<b>22,122</b>	<b>8,094</b>	<b>8,214</b>	<b>6,240</b>	<b>6,429</b>	<b>66,434</b>	<b>56,320</b>
<b>Segment investments</b>	<b>445</b>	<b>484</b>	<b>3,554</b>	<b>292</b>	<b>123</b>	<b>164</b>	<b>487</b>	<b>230</b>	<b>4,609</b>	<b>1,170</b>

## **Financial Calendar**

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

## **Your Investor Relations contact person:**

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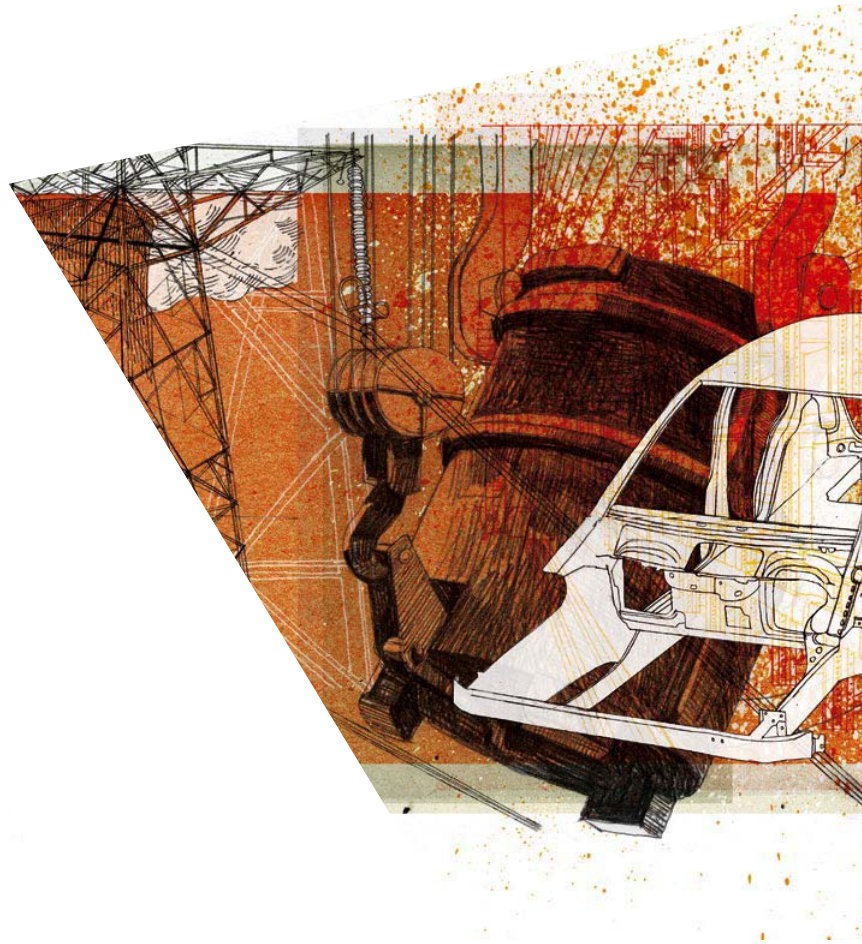
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We will be happy to include you in our distribution list for stockholder information.

Please contact us should you require other information material.

For the latest IR information, please visit our website at [www.psiag.com/ir](http://www.psiag.com/ir).



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