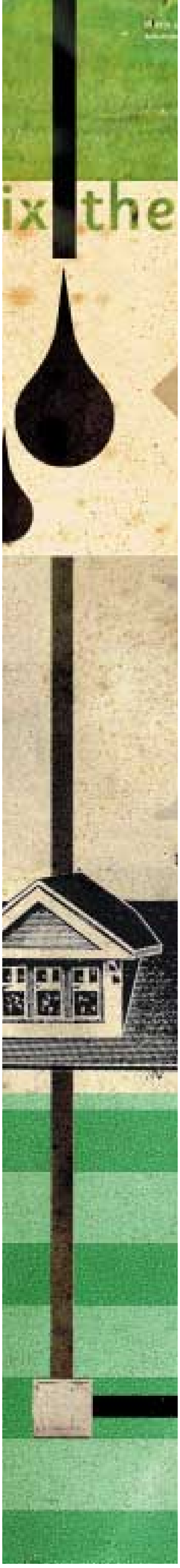


Strong and flexible

Annual Report **2001**

PSI

PSI software is indispensable in all areas of modern life: our innovative solutions are backed by over 30 years of expertise.

We turn bits and bytes into euros.

PSI Group in figures (US GAAP)
(in € million)

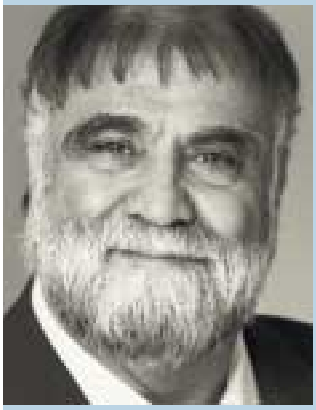
	1997	1998	1999	2000	2001
Net sales	65.8	95.2	123.7	146.7	164.9
Operative result before write-off*	–2.1	0.5	–7.6	4.0	1.1
Operative result after write-off*	–2.1	0.5	–8.5	–13.4	–2.2
Balance sheet total	–5.3	1.3	–8.4	–13.2	–1.5
Equity	12.2	55.5	52.3	65.2	65.6
Equity ratio (in %)	16.9	50.4	51.9	46.1	42.9
Investments	8.1	11.1	24.5	18.9	11.8
Employees as at Dec. 31 (Number)	669	833	1.064	1.362	1,405
Turnover/employee (in € '000)	99	115	116	108	117

*Goodwill amortization and impairment loss

Security is founded on experience. This simple insight is the key to our advantage – we provide solutions for highly complex network, production and information management. We are the market leaders in energy management software for electricity, gas and oil. We hold a strong position in telecommunication networks and public transport. Our software controls production in industrial manufacturing, in the automotive, steel and chemical industries, and it merges individual components to form complete, consistent logistics chains. In the high-potential field of information management we create the technological systems that enable public authorities and private sector enterprises to face the future with an enhanced level of accessibility for citizens and customers.

Dear Stockholders,
Dear Ladies and Gentlemen,

Dietrich Jaeschke



Ali-Akbar Alizadeh-Saghati

Armin Stein

2001 was a difficult year – both for our company and all PSI stockholders. The price of PSI shares, which due to external circumstances experienced a decline in the course of the year, does not do justice to the Group's development in 2001. Despite the weak overall economy we succeeded in improving our group results by 66% and net sales by 12.4%. We further secured and strengthened our position in all our target markets.

Even better results will have a positive influence on the future value of our shares. The Board is fully aware of its responsibility in this matter, which is why we have given the constant drive to improve the Group's results absolute priority. The foundation for this progress was laid in 2001. Major changes have been the qualitative and quantitative modification of production capacities and the systematic streamlining of the company.

Structured to best serve the market

Our three corporate pillars – Network Management, Production Management and Information Management – are now firmly anchored in our corporate structure. This has enabled us to increase our capacities and exploit synergies in both Sales and Research & Development. This move boosted our ability to innovate in 2001, and led to a breakthrough in the market for energy distribution and trading systems. Our PSIPENTA.COM product has defined the future of the market, and PSI's UMTS activities have made a conspicuous mark.

Network Management expanded

The new Network Management unit incorporates the divisions Energy (electricity, gas, oil), Telecommunications and Public Transport. All of these divisions utilize similar core technologies, enhancing their ability to meet the growth surges that pan-European deregulation will bring.

Seamless Production Management

Our traditional target markets – mechanical engineering, automotive, steel and chemicals – now benefit from a full range of services that includes complete logistics chains, from supplier right through to manufacturer and customer. These solutions are based on PSIPENTA.

Public Information Management made public

The third pillar in our corporate structure utilizes the growth potential stemming from schemes such as the federal government's "Modern State" programme. The focus will be on accessibility and customer-orientation.

Our new corporate structure will be reflected in segment reporting as from 2002, and it will enable us to provide an even greater level of transparency. PSI's assets are clear: a deep insight into our customers' core business processes; our long-term customer relationships; and our software, used to control highly sensitive areas of our customers' operations.

Excellently prepared

Economic growth in 2002 will remain slack. PSI has prepared for this, and the Group is on course for a significant increase in profitability. Our consistent internationalization drive will give us an excellent market position once the forecast economic recovery kicks off in the second half of the year. An important role will be played by strategic alliances which will open up the global market for our control systems.

The Executive Board would like to express its gratitude to all customers, stockholders and staff for their continued faith in PSI in a very difficult year, and for their valued, constructive and critical input. As you will see on the following pages, we start 2002 with an excellent initial position. Paired with our strength and our will to actively shape the future, we believe that we have every reason to look optimistically forward to this year's results and the positive development of our share price.

Berlin, March 2002
The Executive Board

Dietrich Jaeschke

Ali-Akbar Alizadeh-Saghati

Armin Stein

The PSI Stocks

Making hard times work for the company

In 2001, the downswing of the Neuer Markt stock market, which started the previous year, continued unabated. Exaggerated expectations and unsuccessful business models brought countless disappointments and a further drop in confidence amongst investors. In this difficult environment, PSI was increasingly perceived as a company with a strong base, a successful business plan, an experienced management team and renowned customers. In the year under review, our Investor Relations strategy focused clearly on highlighting PSI's outstanding market position and increased profitability.

To get out of difficult times you need to keep your eyes on the path ahead

Backed by these crucial strengths, PSI stocks held their own reasonably well throughout the first six months, losing only 7.5%, while the Neuer Markt Nemax Index lost 40% of its value.

In the second six months of the year PSI stocks lost the battle against the prevailing downward trend on the Neuer Markt: our stocks started the year at €18.50, but lost two thirds over the next months, hitting an absolute low on September 12 at €6.10. The Nemax All Share Index had lost 75% of its value by September, reaching an all-time low of just under 700 points after the atrocities of September 11.

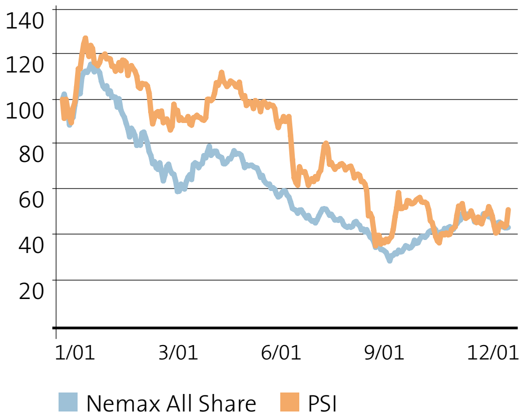
By the end of the year the index had recovered to 1095 points – which was still down 56% against the start of the year.

Initially, PSI stocks were able to resist the pull of rock bottom prices, but eventually sank again to €6.50 after the reduction of the annual forecasts at the end of October, before recovering to sit at €9.50 by the end of the year. With this development pattern PSI stocks had almost halved in price since the beginning of the year. Although PSI stocks developed better than the Neuer Markt throughout the whole of last year, we are not satisfied with their performance. More than ever, our strategy must clearly focus on increasing profitability in the current year. We also remain committed to providing sustained, qualitative Investor Relations which eloquently communicate the potential of PSI to the capital market.

Prices are the result of capital and contacts

PSI has an attractive stockholder structure: the employee stockholder pool formed in 2000 holds 10% of the Group's share capital and is still the largest single stockholder. A relevant proportion of the 90% of the company's ordinary stocks is held by employees and managers of PSI Group. The high proportion of ordinary stocks will considerably increase PSI's weight in the Nemax Index in 2002. As in previous years, in 2001 we put in place numerous measures to strengthen the price of our stocks. In addition to holding two analyst conferences, we presented PSI at two investment forums. Investor roadshows in Frankfurt/Main, Munich, London, Zurich and Paris have given us a welcome opportunity to strengthen our contacts with institutional investors.

Performance of PSI stocks compared to the Nemax All Share Index (in %)



Throughout the year, PSI was covered by nine banks and research firms. In the course of the year Bankgesellschaft Berlin, Deutsche Bank, Dresdner Kleinwort Wasserstein, DZ Bank, HypoVereinsbank, Independent Research, Bankhaus Lampe and, for the first time, Sal. Oppenheim and Delbrück & Co issued purchase recommendations for PSI.

We also succeeded in increasing our media presence considerably: more than 30 business, financial and stock market media gave PSI positive coverage, including 3Sat's stock market TV programme and the news channels N24 and n-tv.

Our Investor Relations section on the PSI website is specifically aimed at private investors. At www.psi.de/ir we provide information about our stocks, prices and charts, annual and quarterly reports, as well as analyst assessments and excerpts from media coverage of PSI. Additionally, users can request printed information through the site and subscribe to regular PSI newsletters. Increasing traffic and a wealth of positive comments demonstrate how popular this service is.

To achieve goals you need active input

With PSI's present satisfactory position and the good long-term prospects of the software sector we are convinced that our stocks have the potential to be up there amongst the winners when the technology indices recover again. We will continue to tailor effective corporate policies that will increase the company's value; and are confident that in the long-term we will be one of the stock market success stories.

Share Key Figures	**2001**	**2000**	**Change**
	EUR	EUR	in %
Earnings per share	–0.51	–1.59	+67.9
Market Capitalization at year-end	96,198,520	201,823,716	–52.3
Number of share as at Dec. 31, 2001	10,126,160	9,587,825	

Stock Information

Listings	Xetra, Frankfurt, Stuttgart, Berlin, Düsseldorf, Hamburg, Hannover, Bremen
Indices	Nemax All Share, Nemax Software, FTSE eTX All Share
	ISIN: DE0006968225 WKN: 696822

Strategy

A threefold stronger basis through our new organization

Based on a solid foundation of two strong corporate pillars, PSI has evolved into an imposing building over the past 30 years, and will remain a major market player in the years to come: for business partners, employees, investors and customers we offer a stable framework for rewarding encounters.

Fiscal year 2001 brought with it dramatic changes for the IT sector, changes which led to a sharp fall in demand in individual market segments, while at the other end of the scale there was increased investment in strategic software solutions.

Why we welcome change

PSI views the disparate development of the company's target markets as a unique opportunity, and we reacted to the changes at an early stage by implementing internal capacity transfers. In autumn 2001, we also streamlined PSI's organizational structure.

Each network is different, but the basics are the same

We united three technologically related business fields to form our new Network Management segment: Energy, Telecommunications, and Public Transport. This move has enabled us to further strengthen the excellent position in energy and telecommunications we have built over the past 30 years. We have also significantly increased our capacities in these fields, a step which will have a positive influence on our speed of innovation.

We're impressively productive in Production Management

Our Production Management segment incorporates the subdivisions ERP (Enterprise Resource Planning), Metal, Chemicals and Logistics. These corporate divisions now form a stronger unit on the market. The benefits for our customers are a broader range of services, and even more innovative products. All divisions in this segment share common sales channels and use the same basic products. This enlarges the customer base for the products and increases our development capacity.

We take our Information Management expertise to the public

With our third segment, Information Management, we intend to focus on the attractive public services growth market. PSI stands to profit more than most companies from the rapid development of eGovernment; and we are determined to consistently build and expand our good market position over the next few years.

The new organizational structure has given our strong Network Management corporate pillar even more muscle. We have succeeded in holding our own in difficult markets, and contrary to global trends we have also further increased our operating results. The new structure will be reflected in the Group's segment reporting as from 2002.

We don't believe in fleeting acquaintances

Our software is built on deep insight into our customer's core business processes. But we go further than that; we offer our customers strategic partnerships. This forms the basis of our shared success. Being a reliable partner for our customers is something we take very seriously, and we accompany our customers through thick and thin. We forge long-term business relationships over periods of ten years and more; these enduring relationships are the cornerstone of PSI's success.

For our customers we go to the ends of the world

Backed by our strong partners, our globally active customers benefit from worldwide support for our solutions. In 2001, we consolidated our existing strategic alliances with leading companies, including Oracle, IBM, ALSTOM and Compaq, and have set up several new cooperations. The expansion of our strategic alliances for global business will always occupy an important position in our corporate policies.

We take a long-term approach to our customers, because we know that as a long-standing partner we can provide precisely the skills and expertise they need. The result is an enduring, mutually profitable relationship.

1400 good reasons speak for us

Highly motivated and excellently qualified employees are a key resource in our industry. PSI Group employs 1,400 people – of which a very high proportion are outstandingly educated academics. Their expertise in identifying technical solutions and their extensive specialist knowledge of our customers' core processes secure our competitive leverage. Our employees not only have exemplary qualifications, but also identify with the company. Most are PSI stockholders: the employee stockholder pool holds 10% of the Group's share capital, making it the largest single stockholder. At PSI, entrepreneurial thinking takes place at all levels within the company.

PSI's attractiveness as an employer increased in 2001, thanks to our positive business development, and we have succeeded in recruiting exceptionally motivated, high-potential young professionals.

Being good is not enough – you have to be better

Against the trend in our sector, PSI succeeded in improving the Group's economic performance. Qualitative growth is a key aim for 2002: with both eyes firmly on the future, we have intensified the Group's focus and intend to continue this route, aided by organizational streamlining within the segments. In administration and personnel we have created the conditions required to profit greatly from the revival of the IT market. We will continue to actively drive change: always strong, flexible and reliable.

Network Management

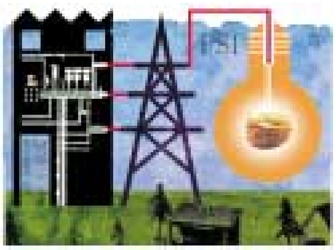
Everything flows smoothly with PSI

Energy, be it electricity, gas or oil, has to unfold its power where it is needed. PSI provides advanced solutions to operate electricity grids and pipelines efficiently, reliably, and in tune with the environment. We bring energy home.

Modern society demands flexibility and speed. Wherever we look, our lives are influenced by complex networks: in energy supply, telecommunications and public transport, securing powerful and reliable network infrastructures is one of the key challenges in our day and age. PSI's strength lies in the fact that we master these complex tasks.

Powering the world for 30 years

For almost three decades, the energy industry has benefited from our competence in the transportation and distribution of electricity: PSI develops advanced control systems for the management of large networks. Our technological lead has enabled us to further expand our market leadership in the past years. Major energy supply companies and network operators, including RWE, E.ON, Deutsche Bahn, and scores of large utilities and national suppliers, base their services on PSI control systems. The liberalization of the energy markets requires control systems that are both flexible and powerful. Our superior technology enables large networks to be operated and extended reliably and economically.



When a light goes on, it's because of electricity. We make sure that the electricity reaches the socket – you can rely on PSI's network control systems.

The deregulation of the energy market throughout Europe leaves energy companies facing new challenges, such as energy transmission, energy trading and sales. For two years we have been providing our customers with groundbreaking solutions. Many renowned power supply companies, including EnBW in Baden-Württemberg, VEAG in east Germany, and BEWAG in Berlin, have chosen PSI software. Companies such as the Hamburg HEW and Munich's Syneco have ordered demand forecast systems from us, systems which enable them to calculate output and effectively manage their electricity trading and distribution services.

Taking control of pipelines

PSI has become Europe's leading supplier for control systems for large gas networks and oil pipelines. Similar to our electricity products, we offer a new generation of network control systems for the gas market which support both transmission management and gas transport. As a strong strategic partner we develop groundbreaking solutions for our customers, for instance new gas management systems for Ruhrgas and Gazprom, and a new gas dispatching system for the Italian gas supplier Snam.

In pipelines for crude oil and oil products we have also stuck to our winning approach of success through technological leadership. Our patented leak detection and localization system has been ordered by the Russian company Lukoil to ensure the environmentally compatible transportation of mineral oil products in one of the company's pipelines. With this order we have entered the Russian market, the world's most important market for oil pipelines. We are expecting further orders from Russia, as many new pipelines will be built in the next few years and existing ones modernized.

Maximum obtainability for our telecommunications goals

Telecommunications in motion: we will continue to set technological milestones for our customers.

In the 1990s second generation wireless networks conquered the world – and PSI software played a decisive role. Last year this sector was ablaze with new dynamism as the race for the new UMTS third generation technology started. All major network companies invested substantially in the new technology. Wireless-network providers have started rolling out the UMTS infrastructure and are developing valuable new services, e.g. mobile payment transactions. PSI has been involved from the word go. We positioned ourselves at an early stage with our cooperation in a global standardization project for the operation of the new wireless networks. This gained us numerous new orders from network vendors and network operators last year, including the development of the new IT network and service management system for Vodafone's D2 network.

Fortified by our leading expertise and an excellent market position we intend to further expand and internationalize our Telecommunications division. With this aim in sight, we have set up a marketing alliance with the computer manufacturer Compaq. Under the terms of this agreement Compaq will market PSI configuration management software for mixed networks as part of Compaq's own UMTS management platform.

Going places in public transport

Public transport and transit providers are preparing themselves for a significant increase in competition as European liberalization takes effect. These companies are investing in modern control systems to enhance the provision of services and information, and to make existing networks safer. We gained a firm footing in this market last year and positioned our subsidiary PSI Transportation as a competent solution provider.

We offer everything that public transport providers need: control systems for rail and bus networks, centralized rail supervision and train control, as well as solutions for station management and rail electricity supplies.

PSI solutions make this industry fit for the future. As different transport systems, e.g. buses, suburban railways and underground trains, are increasingly interlinked, public transport networks are becoming progressively more complex, creating greater challenges for control centres. We consistently drive the development of our control systems, thus playing a vital role in making public transport more attractive. PSI has many renowned reference customers in this sector, including the Amsterdam Metro and Munich's suburban railway. For the Hamburg suburban railway we installed one of Europe's largest and most advanced operations control systems at the end of last year, thus firmly positioning the company at the vanguard of this technology.

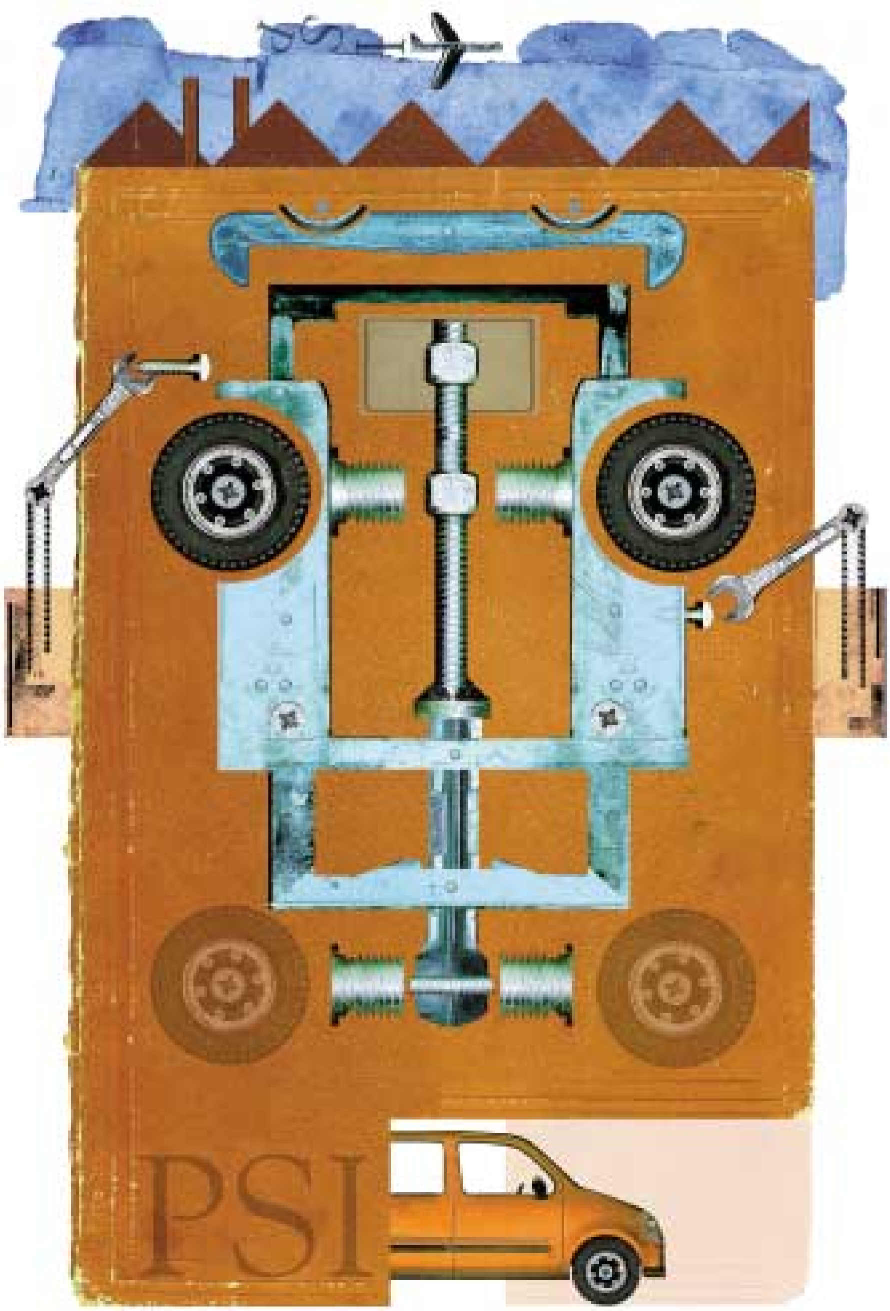
We know where the path leads: public transport is becoming increasingly attractive; control systems progressively more complex. With PSI network control systems you always know where you're going.

All our networks pull together

In the autumn we united our successful Network Management divisions – Energy, Telecommunications and Public Transport – to form one strong segment. This merger has created valuable synergies. The divisions can utilize the same basic software and boost their efficiency through internal capacity balancing. We are now in a position to react even faster to all market opportunities that present themselves. In future we intend to invest considerable effort in marketing our energy solutions to ensure that we enjoy the same level of success internationally as we have in Germany, where we are market leader. For this purpose, we formed a joint subsidiary with the Austrian company VA Tech AG. For this purpose, we will be striving to form further strategic alliances which will enable us to provide control systems for energy transmission and distribution world-wide. The main focus will be on Europe and the US market, which has a vast potential for powerful network control solutions.

Production Management

At the right place and the right time – with PSI



With so many individual components needed to make a finished product, today's production processes require complex control systems. With advanced software by PSI to stringently monitor every step of the process you know that the end result will be a fully marketable product.

For more than 30 years we have been a reliable partner for all areas of industry. Most manufacturers have two main objectives: to stick to production deadlines and to produce economically. Our solutions ensure that these objectives are met. Capital goods and consumer products manufactured by industrial enterprises have to be at the right place at the right time: PSI logistics solutions make sure they are. What our customers most appreciate about our services is that we are familiar with their core business and processes, right down to the smallest detail. This knowledge flows into the software we develop. In the several thousand projects we have successfully realized we have accompanied and also shaped our partners' evolution. This level of commitment has been rewarded with the unique position we occupy on the German software market.

For us, standard is never average

We developed our standard software PSIPENTA specifically to meet the demands of medium-sized manufacturers. From the very start our main focus was on providing solutions for machine and plant engineering, and the automotive supply industry.

Consistent development work on PSIPENTA further increased our technological lead last year. At last year's CeBIT we unveiled PSIPENTA.COM, one of the world's most advanced ERP systems (Enterprise Resource Planning). PSIPENTA.COM makes companies fit for global commerce. The software runs on the Internet and supports all key industry standards. It allows customers to manage worldwide production networks and include direct links to customers and suppliers. With its highly advanced Internet architecture, PSIPENTA.COM is the ideal basis for individual solutions, while at the same time offering all the cost benefits of a standard application.

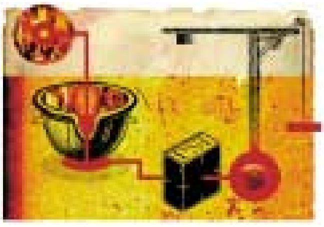
Customers want far-reaching, full solutions. To meet this demand, we integrated Varial Software AG's financial software package, an application that is ideal for medium-sized enterprises, in PSIPENTA.COM. To further enhance the attractiveness and future-safety of our product, we acquired a stake in Varial in November 2001.

Many prominent customers, including Volkswagen Group, chose PSIPENTA.COM in 2001. As from 2002, our ERP software will be used at Volkswagen Racing for the production of racing cars and organization of motor sports activities. With these market successes under its belt, PSIPENTA is firmly back on track for the success the company has mapped out for it. In this very fraught and difficult market, PSI is perceived as a stable, reliable partner.

Our software melts steel

In the steel and chemicals industries our software is greatly in demand. It is used to control logistical core processes in metal production and processing, and in the chemicals industry. It covers all areas, from procurement to production logistics and supply chain management.

This industry-specific software was developed by our subsidiary PSI-BT – based on PSIPENTA. PSI-BT is a joint venture with the German Steel Industry Association (VDEh) and is Germany's leading industry software company.



Trade is based on a chain of processes: PSI solutions link the control processes, transforming raw materials into finished products and visions into profits.

PSI-BT is used by renowned customers, such as ThyssenKrupp Steel, ISPAT and BASF, and it is being successfully marketed internationally in cooperation with our partners.

Always in the right place at the right time with us

PSI software ensures that global goods streams flow smoothly: starting from warehousing logistics and the control of all airport logistics processes, right through to the management of complete logistics networks.

To further increase our competitive leverage in this field we merged all our logistics activities at the beginning of the year to form PSI logistics. This new division bonds the competence of three formerly independent companies to form a strong unit.

In 2001, we successfully consolidated our market position in this segment and acquired important logistics orders from renowned companies such as TNT Logistics, Leipzig/Halle airport and Osram. With orders from South America, the US and Russia, PSI logistics has also successfully driven forward the internationalization of its business activities.

The future is shaped together

The trend towards single, cross-company value chains will continue. Software solutions for supply chain management, production management and logistics both enable and expedite this development. We intend to invest particular effort in ensuring that our products fully comply with this trend and will be forging even closer links between our business areas ERP, Metal, Chemicals and Logistics. The use of common basic products, shared development resources, domestic and international sales channels will boost our efficiency and strengthen our market position. Now and in the future, we will remain an attractive and reliable partner for our customers.

Information Management

Everything under control in public administration with PSI

Technology is there to make life easier. PSI, for instance, develops solutions to ensure that visits to local authorities become more pleasant – simply because you don't have to go there anymore.

In our society information has increasingly become a decisive resource for success. As the data quantities we process every day become larger and larger, so does the need for powerful information management solutions. Particularly in public administration and associations there is a great demand for such systems. On the one hand, these organizations are confronted with a mounting flood of data; while on the other, they are expected to be service providers and become more accessible for citizens. Companies are also faced with the challenge of improving their customer relationship management to boost their competitive leverage.

Good counsel from the Local Council without the bother of going there

For the past few years, PSI has been developing software for public authorities. The focus of these products is on eGovernment solutions, which unite the latest Internet technology with our extensive administrative expertise to create strong, appealing services for citizens.

For instance, PSI developed an information system for the Berlin citizens' offices. In addition to supporting all administrative workflows, these systems also provide the basis which in future will enable citizens to access communal services through an Internet portal instead of having to go to the office in person.

An order from the Federal Office for Freight Transport gives us a welcome opportunity to demonstrate our sound consultancy and project-management skills: since autumn 2001 we have been involved in implementing the Truck Toll regulation.

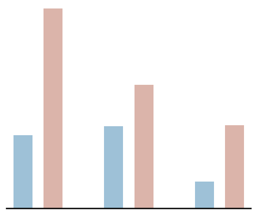
To enable us to deliver even more advanced public administration solutions we took over Solution Software GmbH in 2001 and acquired 75% of PK Software Engineering GmbH. These investments enable us to successfully expand our eGovernment activities for the federal authorities, in southern Germany as well as in the social service sector.

In response to the dramatic changes on the Internet market we have consistently aligned our eBusiness segment to customer relationship management and PSI's core target markets. We now, for instance, offer our medium-sized PSIPENTA customers solutions for electronic procurement or web-based spare parts services. We also provide our eBusiness expertise specifically for the energy market. This approach has been very successful, for the simple reason that our customers know that they receive the very best, all-round services from one single company: PSI.

Management Report
and Analysis of the Financial Situation

Despite the difficult market situation PSI was able again to increase sales in 2001. Contrary to the overall trend, sales results in our Product division improved.

PSI grows faster than the market
(Turnover growth in %)



	1999	2000	2001
IT-market in Western Europe	+10.8	+12.1	+3.9
PSI	+30.0	+18.6	+12.4

Source: European Information Technology Observatory (EITO)

Overall economic situation

Economic growth in Germany and Europe slowed down noticeably in the course of 2001. Following 3.0% growth last year, the gross domestic product in 2001 grew by only 0.6%, which is the lowest rate since 1993. Throughout the euro zone, growth rates were negative, with the year finishing at 1.6%, significantly down on the previous year's rate of 3.4%.

Ailing IT economy

The market for information technology in western Europe grew by 3.9% in 2001 (2000: 12.1%) to a total volume of €1140 billion. In Germany, growth decreased to 1.2% (2000: 10.7%), taking the value of the IT market here to €72 billion.

The segments that are relevant for PSI – software products and IT services – displayed better growth rates than the overall market, with 4% in Germany and 8% in western Europe. In comparison to last year's double-digit growth, however, this is also a slight decrease.

Economic insecurity hinders investment decisions

Throughout the year under review the prevalent economic insecurity and the slump in demand in many markets led to far-reaching changes in the IT industry. The eBusiness sector in particular was faced with a dramatic drop in investment, indicating that the euphoria of the past two years is definitely on a downswing. There was a highly satisfactory rise in the demand for production and supply chain management software, with the industry trend focusing very much on creating global, cross-company value chains. However, the general economic slowdown since the terrorist attacks on September 11 has also been instrumental in delaying investment decisions in this segment.

Liberalization will continue to trigger demand

In comparison, progressive liberalization throughout Europe has triggered increased investment in strategic software solutions: following telecommunications, electricity and gas, other areas which are presently still state-controlled, e.g. water supplies or public transport, are expected to be deregulated soon.

Consolidation of products activities completed

Product sales increased by 3.3% to €37.0 million. This segment controls all commercial activities related to sales of our standard software PSIPENTA, including standard development, licence sales, customer-specific modifications, introduction, maintenance and support.

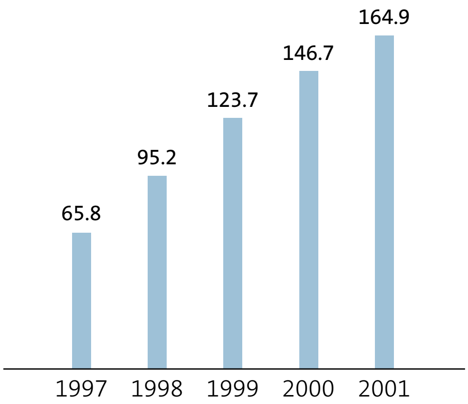
As in 2000, the focus in the year under review was on improving cost structures and increasing margins in service sales. Taking the special depreciation carried out in 2000 into account, this has generated an improvement of €22.7 million in operating results to yield a loss for the year of €1.9 million.

Company Development

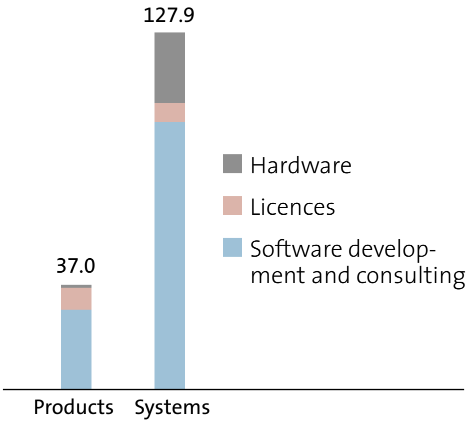
Double-digit turnover growth despite difficult market situation

Despite the difficult market situation PSI's turnover in 2001 grew faster than the rest of the market – rising by 12.4% to €164.9 million. As in last year, the Products and Systems segments again displayed different growth rates.

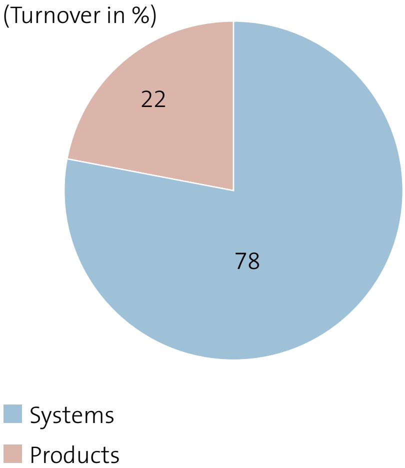
PSI sales increase by more than 150% since 1997 (in EUR million)



Software development and support remain PSI's key revenue sources
(in EUR million)



Systems account for more than three-quarters of turnover
(Turnover in %)



Systems activities influenced by eBusiness economy

The Systems segment comprises all business activities relating to the development, introduction, maintenance and support of customer-specific software solutions. Sales in this segment rose by 15.3% to €127.9 million. The divisions Energy and Telecommunications displayed particularly good growth, while our eBusiness solutions were hit by the slump in this sector. The number of major projects implemented in the Energy and Telecommunications sectors resulted in a sizeable rise in sales of hardware, which in turn had a negative impact on the margins in our Systems business.

This development, compounded by higher goodwill depreciation, special depreciation due to activated research and development costs, higher investment in research, development and sales, and the cost of UBIS' cancelled IPO, has lessened the operative results yielded by our Systems activities by €11.8 million to € –0.3 million.

The varying development of the segments Products and Systems led to an increase in the proportion of total sales contributed by Systems from 76% last year to 78% in 2001. As from 2002, PSI's segment reporting will focus on the target markets Network Management, Production Management and Information Management, thus creating an enhanced level of transparency.

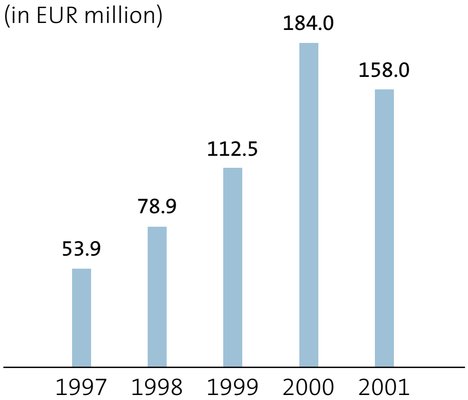
Consolidated operating result significantly improved

The Group's consolidated operating result in 2001 improved by €11.2 million compared with last year's result to €-2.2 million; while the consolidated net operating result rose from €-14.8 million to €-5.1 million. For 2002 we expect the Group to report a positive net operating result. This forecast is based on a range of structural changes introduced throughout the Group in autumn 2001 and the good inflow of orders.

High inflow of orders proves customers' confidence in PSI

In 2001, the inflow of orders reported by the Group hit €158 million, which is the second-highest level in the Group's history. This clearly demonstrates the faith and confidence the Group's customers have in it and can be read as an important signal for the future. As at January 1, 2002, the volume of orders received by PSI was €130 million, which is 6% higher than at the beginning of 2001. This further improves PSI's chances of attaining the Group's medium- and long-term targets.

Order inflow at PSI remains high in 2001
(in EUR million)



Financing

On June 8, 2001, we increased our shares in PSI (Schweiz) AG by 21.6% to 100%. Under the terms of this purchase our share equity was increased by a contribution of €48,572.73 from authorized capital.

On July 11, 2001, we increased our stake in PSIPENTA Automotive GmbH by 40% to 100% by increasing our share equity with a contribution of €413,405.05 from authorized capital.

With the increase of PSI's stake in UBIS from 75% to 100% the share equity was increased with a contribution of €1,342,141.1 from authorized capital.

The capital increases effected in connection with the increase in the stakes held in PSI (Schweiz) AG, PSIPENTA Automotive GmbH and UBIS AG had not yet been recorded in the Trade Register as at December 31, 2001.

Balance sheet structure

The balance sheet total for 2001 rose by 8.0% compared with the previous year to €152,851 million.

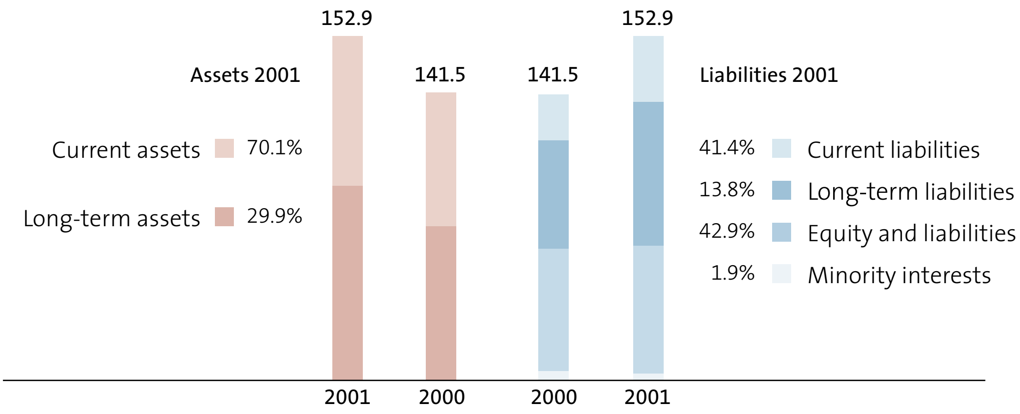
In the year under review short-term assets accounted for 70.1% of the balance sheet total (2000: 69.0%). A significant increase in trade receivables was offset against a slight decrease in liquidity. This is partially the result of the extension of our Systems business, but was also triggered by the trend towards large-scale projects, specifically in the Energy and Telecommunications sector. The proportion of long-term assets decreased marginally from 31.0% to 29.9% in the year under review.

The share of short-term liabilities in the balance sheet rose slightly from 38.8% to 41.4%, largely as the result of an increase in bank overdrafts and trade payables. The share of long-term liabilities rose from 12.4% to 13.8%. This is principally the result of an increase in pension reserves. The equity ratio went down slightly from 46.1% to 42.9%.

Liquidity

In the year under review liquidity went down from €19.2 million to €12.9 million, chiefly as a result of the increasing proportion of major network management projects which resulted in capital being tied up. A positive cash flow from the Group's operative business is anticipated for 2002. PSI has sufficient lines of credit with the company's banks.

Balance sheet structure 2001
(in EUR million and %)



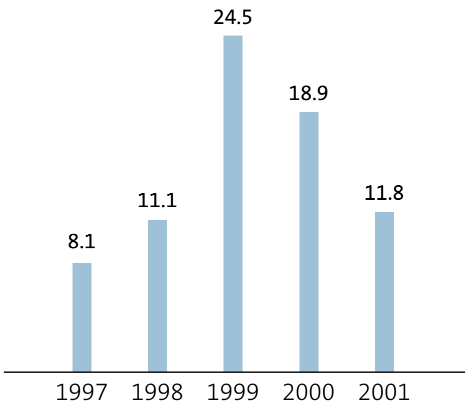
Investments

In 2001 PSI Group invested €11.8 million (previous year: €18.9 million). The decrease is the result of investments made last year in the takeover of other companies.

Expenditure for Research & Development was €10.3 million (2000: €9.1 million). Expressed as a proportion of sales this is 6.3%, a slight rise against last year's figure of 6.2%. This increase is the result of higher Research & Development expenditure in our Systems business, although it is not entirely possible to distinguish completely between development for specific projects and R&D expenditure for the entire company.

In 2001, Research & Development activities focused on the new PSIPENTA.COM version, a new software for logistics, solutions for the deregulated energy market, and products for the management of the future UMTS networks. With the new PSIPENTA.COM version PSI has the necessary basis to profit from the anticipated revival of the business software market. The other focal areas in R&D see PSI preparing to meet the imminent investments which the UMTS network roll-out will trigger and the increasing deregulation of the energy markets.

Investments
(in EUR million)



Risk Factors

The market for PSI's products and services will continue to grow over the coming years. Nonetheless, economic cycles, unexpected events, and technological breakthroughs can have an impact on PSI's business. The following factors present specific risks for PSI's operations:

- The simplification of the complexity of PSI Group's present legal structure. This step is essential for the Group's commercial success, as is the swift reconstruction of the subsidiaries UBIS, PSI logistics and PSI Schweiz.
- Strategic alliances, and especially those set up in connection with our targeted internationalization drive, can lead to mutual dependencies.
- Our present focus is on increasing revenues and preserving an appropriate and viable level of liquidity. After the sales-growth strategy of the past few years this reorientation presents a challenge to the company.

• Securing our load factor is decisive to ensure commercial success in areas of the company that provide high levels of consultancy.
• The development of high-tech share prices – specifically those of PSI – on the stock market can restrict our financial scope and impact our image and market status.

Risk management

We use effective control systems to monitor and deal with existing risks. Our present risk management system complies with KonTraG regulations (the Law for Control and Transparency for Corporate Enterprises). This system covers the area Controlling and the strategic risks Market and Human resources.

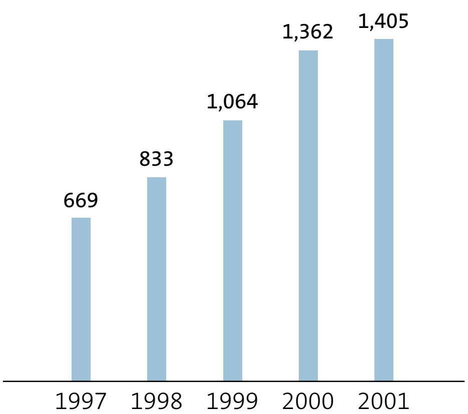
Employees

Qualified and motivated employees are essential for our success and continued growth. In 2001, we adjusted the number of employees, reducing the number in specific corporate areas affected by the weak development of the market, and increasing staff in other areas of the company. The number of people employed by PSI rose by 43 to 1,405. Turnover per employee rose by 9% to €117,000.

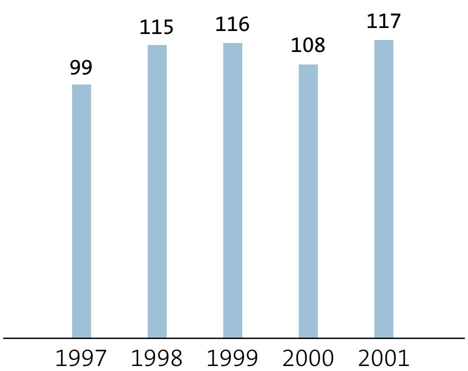
In our drive to recruit new employees we have for the past years cooperated very successfully with the universities. This enables us to incorporate promising young academics in the company at an early stage and allow them to benefit from essential practical training.

In addition to recruiting new employees, PSI is intensely committed to developing and training our existing staff. Our activities in this field include enhancing methodical- and application-oriented skills in our customers' areas of activity. Our measures include strategy-oriented career development and ongoing qualification through internal and external seminars and training. The current focus of our internal training is on methodical training and skill development in consultancy and in development.

More employees



Turnover per employee
(in EUR '000)



In addition to promoting human resources development over the past years we have also continued to implement modern HR concepts, such as a variable, performance-related salary system, flexible working times and flat hierarchies.

The motivation and identification of PSI staff is underscored by the large number of employees who hold shares in the company. The employee stockholder pool holds over 10% of stocks, making it PSI's largest single stockholder. A considerable proportion of our ordinary stocks are held by employees.

In 2000, we introduced a stock-option plan and a scheme to issue employee stocks with the aim of further increasing our employees' motivation and shareholder value-orientation. These measures considerably enhance the appeal of PSI for high-potential employees.

The board would like to thank all employees for their valuable efforts over the past year, particularly in light of the far-reaching changes that took place within PSI Group and our industry in the year under review.

Outstanding events in 2001

Armin Stein was appointed to the Board on January 1, 2001, as Director of Finances and Controlling. Björn S. Eriksen resigned from the PSI Board as of March 31, 2001.

On January 1, 2001, PSI's logistics activities were grouped under the banner of PSI logistics GmbH, a company comprising ECI, Planar and the logistics division of PSI AG. This move has created a new major player on the German logistics market.

On June 8, 2001, PSI increased the company's stake in PSI (Schweiz) from 21.6% to 100%. This move is part of our internationalization strategy.

On June 20, 2001, PSI acquired 100% of Solution Software GmbH, a specialist for case processing and IT services for public administration. The acquisition strengthens PSI's position in the market for services to local authorities and public administration, in particular for federal offices and in southern Germany.

On July 11, 2001, PSI AG increased its stake in PSIPENTA Automotive GmbH by 40% to 100%, thus underscoring our aim to become a major player in the automotive supply sector.

On August 15, 2001, PSI acquired 75% of PK Software Engineering GmbH. The company's core competencies are in the development of innovative software for communal services, with a focus on social services and youth welfare. Strengthened by PSI's consultancy and project management skills, this creates a strong array of services for the communal market.

On November 9, 2001, PSI acquired a 9.1% stake in Varial Software AG. Varial develops software components for accounting which can be used in conjunction with PSIPENTA. The investment has resulted in a closer coordination of development activities between the two companies which will have a positive impact on the appeal of PSIPENTA.

Our previous internal infrastructure segment was positioned on the market in 2001 as an independent company, PSI Infrastruktur Services GmbH. This move enables PSI to focus even more stringently on satisfying our customers' requirements.

PSI increased its stake in UBIS AG from 25% to 100% through the acquisition of the company. UBIS develops innovative solutions for Customer Relationship Management. The acquisition gives PSI sole executive control over UBIS and will enable the company to react with greater flexibility to market opportunities and changes.

With the aim of targeting our Product business more stringently at the upper segment of the medium-sized enterprise market, we elected to reduce PSI's stake in GSI mbH from 51% to 18%.

PSI's subsidiaries and participatory investments

100%	PSIPENTA GmbH
100%	PSIPENTA Automotive GmbH
100%	PSI AG, Schweiz
100%	NENTEC GmbH
100%	PSI Transportation GmbH
100%	PSI Solutions GmbH
100%	PSI Infrastruktur Services GmbH
100%	UBIS AG
91.5%	PSI logistics GmbH
75%	PK Software Engineering GmbH
60%	front2back AG
58%	PSI-BT AG
49%	integral GmbH
28.5%	Schindler Technik AG
18%	GSI mbH
9%	Varial Software AG

As of March 1, 2002

PSIPENTA Software Systems GmbH develops and markets the standard business software PSIPENTA.COM. PSIPENTA Automotive GmbH and SOFTSYSTEMS Scheufele & Happe GmbH give PSIPENTA a competence centre for the automotive supply industry. integral datentechnik GmbH markets PSIPENTA to smaller medium-sized enterprises.

PSI Schweiz represents PSI services and products on the Swiss market. The focus is on sales and implementation of PSIPENTA in medium-sized enterprises.

PSI Transportation GmbH develops traffic control systems based on the company's own standard solutions. The company gives PSI a footing in the key growth market for traffic control systems.

PSI Infrastruktur Service GmbH unites IT infrastructure with consulting know-how to provide turnkey solutions. The company was formed in 2001 when PSI's internal infrastructure division was outsourced.

UBIS AG is a PSI competence centre which specializes in new services and electronic customer relationship management. In addition to product-neutral consultancy, UBIS offers solutions based on leading standard products and a range of the company's own artificial intelligence products.

NENTEC Netzwerktechnologie GmbH's activities focus on technology development for telecommunications applications. The technology developed by NENTEC enables digital transmission technology to be used for network control applications in the energy sector.

PSI Solutions GmbH specializes in IT services for pubic administration. The company focuses on case processing and is particularly strong in federal and state offices and in southern Germany.

PSI logistics GmbH designs, implements and optimizes business processes in logistics networks. This includes the coordination of cross-company flows of goods and the integration of eBusiness and the Internet.

PK Software Engineering GmbH develops innovative full solutions for the communal sector, with a focus on social services and youth welfare. The company is a leader for these services in Germany.

The web experts at **front2back AG** deliver a full array of Internet-based solutions, from the creation of a single Web page right through to the complete integration of existing software infrastructures.

PSI-BT AG develops customized solutions for resource management in the metal and chemicals industries. The company is a joint venture between PSI and the Association of the German Steel Industry. PSI-BT develops solutions based on the PSIPENTA suite of products.

Schindler Technik AG consults, plans and implements computer and communications networks. PSI utilizes these services to offer customers full solutions for all their requirements.

The future

Despite an ailing economy in 2001, PSI succeeded in improving the Group's financial substance, thus creating the basis for improved profitability in the future. In 2002 the information technology market is expected to display very slow growth. Most market research institutes believe that significant recovery will not set in until the second half of the year, meaning that the present retrenchment that is gripping the entire IT industry is likely to continue for several more months.

In autumn, PSI put in place the structures required to strengthen and extend the company's leading market position and to increase profitability. With the aid of effective organizational streamlining and the modification of our production capacities we have prepared the company to face the challenges of 2002.

In our Network Management segment we are expecting the positive development of the energy segment to continue. We see valuable potential in the growth market for energy trading and distribution systems, and the expansion of our leading position for network management systems to cover international markets. Additional opportunities are presented in the telecommunications sector by the imminent roll-out of the new UMTS networks, in which PSI will be playing a major role. In the medium term the liberalization of public transport will open up further growth potential for PSI.

Despite the prevailing industry-wide retrenchment, there is a distinct trend towards strategically important software solutions and cross-company logistics solutions. In the coming months we are anticipating an increase in demand for software solutions that provide consistent production management. With the extension of PSIPENTA.COM in 2001 we created the necessary corporate basis to benefit from this positive trend. In Production Management we laid the foundations for the expansion of our leading position on the German market. One factor that has contributed strongly to this is our success in gaining renowned companies in the steel industry as distribution partners for our industry-specific solutions.

In Information Management our future plans are to concentrate on the lucrative public administration growth market. Initiatives like the "Modern State – Modern Government" programme will generate additional demand for IT solutions in this sector over the next few years.

PSI has kicked off into 2002 with a clear profile and a streamlined organizational structure. We are fully on course to generate a profit in 2002, despite the slack growth that has been forecast for the industry. Our excellent orders volume of €130 million endorses this optimism, as do the measures introduced at the beginning of 2002 to internationalize our energy activities.

Over the next few years we expect the IT industry to continue the cautious recovery which is presently being displayed and to emerge again as a strong growth market. With our firm corporate substance and excellent position in the key markets of the future, PSI stands to profit greatly from this revival.

Consolidated Financial Statements

according to US GAAP

Consolidated Statement of Income

	Note	2001 KEUR	2000 KEUR
Net sales			
Software production and maintenance	6, 37, 38	124,522	124,784
Licences	6, 37, 38	14,910	9,439
Hardware	6, 37, 38	25,427	12,482
		164,859	**146,705**
Cost of sales			
Software production and maintenance	6	97,736	91,371
Licences	6	6,952	2,364
Hardware	6	20,502	10,067
		125,190	**103,802**
Gross profit		**39,669**	**42,903**
Operating expenses			
Selling expenses	7	21,164	20,743
General and administrative expenses	7	9,712	9,793
Research and development costs	7	10,309	9,082
Capitalized research and development costs	7, 15, 29	–1,420	–486
Depreciation of capitalized research and development costs	15, 29	592	2,528
Other income and expense		–1,750	–2,741
Goodwill amortization	15	–2,287	–1,856
Impairment loss	15, 29	–969	–15,532
Operating result*		**–2,194**	**–13,404**
Interest income and expense		716	215
Loss from continuing operations before income taxes, minority interests and extraordinary items		**–1,478**	**–13,189**
Taxes on income	36	–3,248	–1,622
Minority interests		–360	–4
Net loss		**–5,086**	**–14,815**
Basic and diluted earnings per share in euros per share	39	–0.51	–1.59
Share basis for calculation of basic and diluted earnings per share (thousands of shares)		9,984	9,334

* Operating result before goodwill amortization and impairment loss		1,062	3,984

Consolidated Cash Flow Statement

	2001 KEUR	2000 KEUR
Cash flows from operating activities		
Net loss	–4,726	–14,811
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation of intangible assets and tangible assets	7,239	9,012
Impairment loss	969	15,532
Pension reserves	1,670	1,356
Deferred taxes	2,975	1,190
Minority interests in result	–360	–4
Changes in assets		
Inventories	369	–2,570
Prepaid expenses	496	–197
Other receivables	134	–2,634
Trade receivables	–14,061	–1,502
Costs and estimated earnings in excess of billings on uncompleted contracts	–1,302	–23,212
Changes in liabilities		
Short-term operational financial liabilities	2,967	0
Trade payables	3,769	–236
Deferred income	–510	927
Other reserves and accrued liabilities	–1,967	5,586
Billings in excess of costs and estimated earnings on uncompleted contracts	892	10,606
= **Cash flow from operating activities**	**–1,446**	**–957**
Investing activities		
Additions to capitalized software development costs	–1,420	–486
Additions to tangible and other intangible assets	–4,159	–2,780
Additions to goodwill	–127	0
Cash paid for acquisitions, net of cash acquired	–1,300	2,831
= **Cash flow from investing activities**	**–7,006**	**–435**
Financing activities		
Capital increase through cash payments	250	13,606
Minority interests	0	2,087
Cash received from raising of financial liabilities	2,000	650
Special item for investment grants	0	–234
Issue of profit participating rights / profit participation certificate capital	0	–1
= **Cash flow from financing activities**	**2,250**	**16,108**
Changes in cash and cash equivalents due to exchange rates and valuation	–81	56
Changes in cash and cash equivalents	**–6,283**	**14,772**
Cash and cash equivalents at the beginning of the fiscal year	**19,156**	**4,384**
Cash and cash equivalents at the end of the fiscal year	**12,873**	**19,156**
Supplemental cash flow information		
Interest payments	216	250
Tax payments	84	270

Consolidated Balance Sheet

ASSETS	Note	31.12.2001 KEUR	31.12.2000 KEUR
Current assets			
Cash and cash equivalents	9	12,873	19,156
Trade receivables net of allowance for doubtful accounts of KEUR 311 (2000: KEUR 206)	6	44,789	30,728
Costs and estimated earings in excess of billings on uncompleted contracts	6, 25	35,423	34,121
Inventories	10, 26	6,800	7,169
Prepaid expenses		1,068	1,564
Other receivables	27	6,268	4,894
		107,221	**97,632**
Long-term assets			
Financial assets	4, 11, 28	6,118	4,399
Property, plant and equipment (net)	14, 29	11,498	12,739
Intangible assets (net)	15, 29	28,014	26,769
		45,630	**43,907**
Total assets		**152,851**	**141,539**

LIABILITIES AND SHAREHOLDERS EQUITY

	Note	31.12.2001 KEUR	31.12.2000 KEUR
Current liabilities			
Bank overdrafts	30	4,948	1,981
Trade payables		15,367	11,598
Billings in excess of costs and estimated earnings on uncompleted contracts	6, 25	14,962	14,070
Deferred income	6	4,183	4,693
Other current liabilities and accrued expenses		18,689	20,425
Deferred income taxes	36	5,109	2,134
		63,258	**54,901**
Long-term liabilities			
Pension reserves	32	18,944	17,274
Financial debts	30	2,124	12
Other long-term liabilities		93	323
		21,161	**17,609**
Minority interests		**2,877**	**3,780**
Commitments and contingencies	35		
Shareholders' equity			
Capital stock; 2.56 euro calculated par value; authorized shares 4,766,394 (2000: 4,944,175) issued and outstanding shares 10,287,870 (2000: 9,587,825)	33	25,887	24,511
Capital surplus		68,006	55,233
Other reserves		1,220	1,220
Contributions made for capital increase	33	5,428	13,899
Net retained earnings		–34,627	–29,541
Accumulated other comprehensive income	19	–359	–73
		65,555	**65,249**
Total equity and liabilities		**152,851**	**141,539**

Consolidated Statements of Changes in Shareholders Equity

	Number of shares issues and outstanding (at calculated value of EUR 2.56)	Subscribed stock KEUR	Additional paid-in capital KEUR
As of December 31, 1999	**9,279,228**	**22,968**	**39,910**
Net loss			
Foreign currency translation			
Issuance of shares			
Capital increase from cash contribution	233,437	1,167	11,617
Contribution of 90% of Planar GmbH for issuance of shares	21,474	107	907
Contribution of 100% of Nentec GmbH for issuance of shares	53,686	269	2,799
Contribution of 9% of UBIS AG for issuance of shares			
Contribution of 100% of Repas AEG GmbH for issuance of shares			
Contribution of GMS debis for issuance of shares			
Unrealized profit from financial investments			
As of December 31, 2000	**9,587,825**	**24,511**	**55,233**
Net loss			
Foreign currency translation			
Issuance of shares			
Capital increase from cash contribution	18,430	46	203
Conversion of convertible debt	128	1	
Contribution of 21.6% of PSI AG/Schweiz for issuance of shares			
Contribution of 40% of PSIPENTA Automotive GmbH for issuance of shares			
Contribution of 25% UBIS AG for issuance of shares			
Registration in the commercial register			
Registration of contribution of 9% of UBIS AG for issuance of shares	39,539	101	1,409
Registration of contribution of 100% of Repas AEG GmbH for issuance of shares	145,000	371	3,218
Registration of contribution of GMS debis for issuance of shares	335,238	857	7,943
Unrealized profit from financial investments			
As of December 31, 2001	**10,126,160**	**25,887**	**68,006**

		Components of the comprehensive income			
Contributions made for capital increase KEUR	**Revenue reserves KEUR**	**Retained earnings/ accumulated deficit KEUR**	**Other comprehensive income/loss KEUR**	**Total comprehensive loss KEUR**	**Total shareholders equity KEUR**
3,068	**1,220**	**–14,726**	**–128**	**–14,854**	**52,312**
		–14,815		–14,815	–14,815
			–37	–37	–37
					12,784
					1,014
–3,068					0
1,510					1,510
3,589					3,589
8,800					8,800
			92	92	92
13,899	**1,220**	**–29,541**	**–73**	**–29,614**	**65,249**
		–5,086		–5,086	–5,086
			–81	–81	–81
					249
					1
342					342
1,779					1,779
3,307					3,307
–1,510					0
–3,589					0
–8,800					0
			–205	–205	–205
5,428	**1,220**	**–34,627**	**–359**	**–34,986**	**65,555**

Consolidated Fixed Asset Movement Schedule

	Acquisition and production cost			
	01.01.2001 KEUR	Additions KEUR	Disposals KEUR	31.12.2001 KEUR
Financial assets				
Marketable securities	4,347	65	0	4,412
Investments valuated at cost	0	1,685	0	1,685
Associated companies consolidated 'at equity'	52	175	0	227
	4,399	**1,925**	**0**	**6,324**
Property, plant and equipment				
Land, land rights and buildings including buildings on third-party land	12,090	96	0	12,186
Technical equipment and machines	14,154	1,744	2,298	13,600
Other equipment, factory and office equipment	4,484	470	216	4,738
	30,728	**2,310**	**2,514**	**30,524**
Intangible assets				
Software	13,932	1,849	638	15,143
Goodwill	24,912	4,274	568	28,618
Capitalized software development costs	23,224	1,420	443	24,201
	62,068	**7,543**	**1,649**	**67,962**
	97,195	**11,778**	**4,163**	**104,810**

	Accumulated depreciation				Net book values	
	01.01.2001 KEUR	Provisions KEUR	Reversals KEUR	31.12.2001 KEUR	31.12.2001 KEUR	31.12.2000 KEUR
	0	206	0	206	4,206	4,347
	0	0	0	0	1,685	0
	0	0	0	0	227	52
	0	**206**	**0**	**206**	**6,118**	**4,399**
	4,460	329	0	4,789	7,397	7,630
	10,860	2,134	1,828	11,166	2,434	3,294
	2,669	595	193	3,071	1,667	1,815
	17,989	**3,058**	**2,021**	**19,026**	**11,498**	**12,739**
	10,374	1,302	311	11,365	3,778	3,558
	4,100	2,287	156	6,231	22,387	20,812
	20,825	1,561	34	22,352	1,849	2,399
	35,299	**5,150**	**501**	**39,948**	**28,014**	**26,769**
	53,288	**8,414**	**2,522**	**59,180**	**45,630**	**43,907**

Notes

Notes to the consolidated financial statements as of December 31, 2001

The company

1. Business activities and legal background

The business activities of PSI AG (hereinafter referred to as 'Company' or 'PSI AG') and its subsidiaries (hereinafter referred to as 'PSI Group') 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, 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 wide range of risks that are similar to those of 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 utility, telecommunications and manufacturing companies in Germany and Europe.

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 in Frankfurt/Main.

The Company has its headquarters in Berlin, where it has been registered at the commercial register, department B under no. HRB 51463.

Main locations with business activities are located in Berlin, Aschaffenburg, Essen, Dortmund, Düsseldorf, Karlsruhe and Neviges.

Summary of significant accounting and valuation principles

2. Basis of presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ('US GAAP'). The accompanying consolidated financial statements and the notes thereto are presented in thousands of euros (KEUR).

3. Consolidation principles

The assets, liabilities and results of operations of entities in which the Company has a controlling interest have been consolidated. All material intercompany accounts and transactions have been eliminated for consolidation purposes.

4. Associated enterprises

Investments in which the Company exercises significant influence but which does not control (generally 20-50% ownership interest) are accounted for under the equity method of accounting.

5. Currency translation

Currency translation is performed according to the Statement of Financial Accounting Standards ('SFAS') No. 52 'Foreign Currency Translation'. According to this standard the assets and liabilities of the subsidiaries are translated into Euro at the exchange rate prevailing on the balance sheet date and the income statement is translated using the annual average exchange rate. Equity is translated at the historical exchange rate. Currency differences resulting from the use of different rates are recorded without effect on income and shown as a separate item under equity. Gains and losses from transactions in foreign currency are recorded with effect on income.

6. Revenue recognition

The Company generates its revenues mainly from the licencing of the rights to use its software products to end users both with and without customization. The Company also generates revenues from sales of third-party software and hardware as well as other services, including installation, consulting, training and maintenance.

Revenue from licences is recognized in accordance with the Statement of Position ('SOP') 97-2 'Software Revenue Recognition' of the American Institute of Certified Public Accountants – AICPA for short), and applying the supplementary statements SOP 98-4 and SOP 98-9 (collectively 'SOP 97-2'). In accordance with SOP 97-2, revenue from licences is recognized if there is sufficient evidence that a contractual agreement exists, delivery has occurred, the licence fee is fixed or determinable and the collection of the fee is probable. Revenue from maintenance agreements is realized on a straight-line basis over the term of the agreement based on past experience. Income from consulting services and training is recognized as soon as the service has been rendered. If a contract contains multiple elements revenue is recognized based on the vendor-specific objective evidence for the separate components.

Revenues from long-term projects are recognized in accordance with SOP 97-2. SOP 97-2 requires arrangements to deliver software systems to be accounted for in conformity with Accounting Research Bulletin (ARB) No. 45 'Long-Term Construction-Type Contracts' using the relevant guidance therein, and in SOP 81-1 'Accounting for Performance of Construction-Type and Certain Production-Type Contracts' if significant modification or customization is involved. For long-term construction-type contracts which meet the criteria of the percentage of completion method, revenues from the development and sale of software systems and products are deferred and recognized under the percentage of completion method of accounting as the project is performed. Percentage of completion is measured by the labour cost incurred to the total estimated labour cost or on a milestone basis. Billings issued to and cash payments received from customers are not shown as sales revenue but deducted without effect on income from cost and estimated earnings in excess of billings on uncompleted contracts or added to billings in excess of cost and estimated earnings on uncompleted contracts. Revenue from all other construction-type contracts is recognized according to the completed contract method upon partial or final acceptance and billing of the project. Changes in project conditions may result in revisions to previously recorded costs and revenues for a particular project. These changes are recognized in the period in which the revisions are determined; this generally occurs when formal change orders are signed between the Company and the customer. Furthermore, provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

In December 1999, the Securities and Exchange Commission ('SEC') issued Staff Accounting Bulletin No. 101 'Revenue Recognition in Financial Statements' ('SAB 101'). The Company's accounting policies are consistent with the SEC's clarification, and accordingly, the Company's adoption of SAB 101 did not materially impact the consolidated financial statements.

7. Product-related expenses

Expenses for advertising and sales promotion as well as other sales-related expenses are recorded with effect on income as they are incurred. Accruals for warranties are established when the products are sold. Research and development are expensed as incurred – unless capitalization is required pursuant to SFAS No. 86 'Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed'.

8. Earnings per share

Basic earnings per share are computed in accordance with SFAS No. 128 'Earnings per Share' using income available to common shareholders divided by the weighted average of common shares outstanding during the year. Diluted earnings per share are similar to basic earnings per share except that the weighted average of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares, such as options, had been issued. For all periods presented, no potentially dilutive securities have been included in the calculation of diluted loss per share as such amounts would be antidilutive in periods in which a loss has been reported.

9. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current bank balances as well as deposits that can be cashed at short notice with original terms of three months or less.

10. Inventories

Inventories consist of supplies that have been purchased from suppliers but not yet billed to customers stated at acquisition cost, work in progress valuated according to the completed contract method and prepayments for ordered services and hardware. Inventories are shown at the lower of purchase cost or market value. No write-downs of inventory were necessary for the periods presented.

11. Investments in available-for-sale securities

The Company classifies its existing marketable equity securities as available-for-sale in accordance with SFAS No. 115 'Accounting for Certain Investments in Debt and Equity Securities'. These securities are carried at fair value, with unrealized gains and losses reported in shareholders' equity as a component of other comprehensive income (loss), net of tax. Other than temporary impairments of held-to-maturity and available-for-sale securities are recorded in the statement of operations. Gains and losses on securities sold are based on the specific identification method.

12. Concentration of credit risk

Pursuant to SFAS Number 105 ('Disclosure of Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk') all financial risks not included in the balance sheet are to be disclosed. In the PSI Group there are no major credit risks not included in the balance sheet that might arise, for example, from contracts in foreign currency, options or other hedging instruments.

13. Fair value of financial instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximate their fair values. All balances within accounts receivable are due within one year. Marketable securities designated as available for sale are recorded at market with any unrealized gain or loss being recorded in the shareholders' equity section of the balance sheet.

14. Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method of depreciation over the useful lives of the respective classes of assets as follows:

	Useful life/ depreciation rate	Method
Buildings and land improvements	10–50 years	Straight-line/ declining balance
Leasehold improvements	3–15 years	Straight-line
Computers and accessories	3–4 years	Straight-line
Office and factory equipment	5–10 years	Straight-line

Leasehold improvements are amortized over the life of the lease or the life of the asset, whichever is shorter.

The Company periodically evaluates the recoverability of the carrying amount of its long-lived tangible assets in accordance with SFAS No. 121, 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of.' Whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable, the Company will compare undiscounted net cash flows estimated to be generated by those assets to the carrying amount of those assets. When these undiscounted cash flows are less than the carrying amounts of the assets, the Company will record impairment losses to write the asset down to fair value, measured by the discounted estimated net future cash flows expected to be generated from the assets.

15. Intangible assets and goodwill

Intangible assets are valued at cost less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of three to ten years. Intangible assets comprise of goodwill, capitalized software development costs and other intangible assets. The Company periodically evaluates the recoverability of the carrying amount of its long-lived intangible assets and any attributable goodwill in accordance with SFAS No. 121.

Goodwill is the difference between the purchase price of a business less the fair value of the net tangible and separately identifiable intangible assets. Goodwill arising from acquisitions until June 30, 2001, is amortized over the estimated useful life of ten years. Goodwill arising from acquisitions after July 1, 2001, is not amortized. The Company periodically assesses the impairment of enterprise level goodwill in accordance with the provisions of Accounting Principles Board Opinion No. 17, 'Intangible Assets'. An impairment review is performed whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important which could trigger an impairment include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, significant negative industry or economic trends, a significant decline in the Company's stock price for a sustained period and the Company's market capitalization relative to net book value. When the Company determines that the carrying value of goodwill or other intangible assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, the Company measures any impairment based on a projected discounted cash flow. During the years ended December 31, 2000 and 2001, management believes that no such impairments existed.

Under SFAS No. 142 'Goodwill and Other Intangible Assets' goodwill will no longer be amortized on a straight-line basis over its estimated useful life, but will be tested for impairment on an annual basis and whenever indicators of impairment arise. The goodwill impairment test, which is based on fair value, is to be performed on a reporting unit level. A reporting unit is defined as an SFAS No. 131 operating segment or one level lower. Goodwill will no longer be allocated to other long-lived assets for impairment testing under SFAS No. 121 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of'. Additionally, goodwill on equity method investments will no longer be amortized; however, it will continue to be tested for impairment in accordance with APB Opinion No. 18 'The Equity Method of Accounting for Investments in Common Stock'. Under SFAS No. 142 intangible assets with indefinite lives will not be amortized. Instead they will be carried at the lower cost or market value and tested for impairment at least annually. All other recognized intangible assets will continue to be amortized over their estimated useful lives.

SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, although goodwill on business combinations consummated after July 1, 2001, is not amortized. On adoption the Company may need to record a cumulative-effect adjustment to reflect the impairment of previously recognized intangible assets. In addition goodwill on prior business combinations will cease to be amortized. Had the Company adopted SFAS No. 142 at January 1, 2001, the Company would not have recorded goodwill amortization charges of KEUR 2,287 for the year ended December 31, 2001. The Company has not determined the impact that this Statement will have on intangible assets or whether a cumulative-effect adjustment will be required upon adoption.

The Company accounts for internally generated software development cost for the development of new software products and of significant improvements to existing software products in accordance with SFAS No. 86, 'Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed'. Capitalization of software development costs begins upon the establishment of technological feasibility of the product, which the Company defines as the development of a working model and further defines as the completion of beta testing of the software. The establishment of technological feasibility and the ongoing assessment of the recoverability of these costs requires considerable judgement by management with respect to certain external factors, including, but not limited to, anticipated future gross product revenue, estimated economic life and changes in technology. Capitalized software development costs are depreciated at the higher of the following two amounts:

- straight-line over the estimated useful life of the software (four years) or
- in proportion of the current gross revenue from the sale of the software to the total amount of current and estimated future gross revenue from the sale of this software.

As of the balance sheet date the book value of the capitalized software developments is compared with the present value of the estimated future net sales revenue of the software. If the book value of the capitalized software development costs exceeds this present value, an appropriate valuation allowance is created.

16. Derivatives

SFAS No. 133 'Accounting for Derivative Instruments and Hedging Activities' requires that companies recognize all derivatives as either assets or liabilities in the balance sheet at fair value. Under this statement, accounting for changes in fair value of a derivative depends on its intended use and designation. In June 1999, the FASB issued SFAS No. 137 'Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of SFAS No. 133'. SFAS No. 137 amends the effective date of SFAS No. 133. SFAS No. 133 will now be effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. The Company adopted these standards on December 31, 2000. As of December 31, 2001 and 2000, the Company did not hold derivative instruments. Therefore, the adoption of this new standard did not have an effect on the Company's results of operations or financial position.

17. Income taxes

The Company utilizes the liability method of accounting for income taxes in accordance with SFAS 109 'Accounting for Income Taxes'. Under the liability method, deferred taxes are determined based on the differences between the financial reporting and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Deferred tax assets are provided for tax-deductible net-loss carryforward. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that such assets will not be realized.

18. Stock-based compensation

The Company accounts for stock-based compensation using the intrinsic value method prescribed in APB 25 'Accounting for Stock issued to Employees'. Compensation cost for stock option is measured as the excess of the quoted market price of the Company's stock on the measurement date over the amount an employee must pay to acquire the stock and is recognized over the vesting period. The intrinsic value of the options is measured on the basis of the current market value of the Company's stock at the end of each period.

SFAS No. 123 'Accounting for Stock-Based Compensation' established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. The Company has elected to retain the method of accounting as described above, and has adopted the disclosure requirements of SFAS No. 123.

19. Comprehensive Income

Accumulated other comprehensive income consists of the following:

	Dec. 31, 2001 KEUR	Changes 2001 KEUR	Dec. 31, 2000 KEUR
Foreign currency translation adjustment	–248	–81	–167
Unrealized gain on available-for-sale-Securities	–111	–205	94
	–359	**–286**	**–73**

20. Recent accounting pronouncements

In June 2001, the FASB issued SFAS No. 143 'Accounting for Asset Retirement Obligations'. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. An entity shall measure changes in the liability for an asset retirement obligation due to passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period. The interest rate used to measure the change shall be the credit-adjusted risk-free rate that existed when the liability was initially measured. That amount shall be recognized as an increase in the carrying amount of the liability and as an expense classified as an operating item in the statement of income. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company does not anticipate that adoption of SFAS No. 143 will have a material impact on its results of operations or its financial position.

In August 2001, the FASB issued SFAS No. 144 'Accounting for the Impairment or Disposal of Long-Lived Assets'. SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale consistent with the fundamental provisions of SFAS No. 121 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of'. Whilst it supersedes APB Opinion No. 30 'Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions', it retains the presentation of discontinued operations but broadens that presentation to include a component of an entity (rather than a segment of a business). However, discontinued operations are no longer recorded at net realizable value and future operating losses are no longer recognized before they occur. Under SFAS No. 144 there is no longer a requirement to allocate goodwill to long-lived assets to be tested for impairment. It also establishes a probability weighted cash flow estimation approach to deal with situations in which there are a range of cash flows that may be generated by the asset being tested for impairment.

SFAS No. 144 also establishes criteria for determining when an asset should be treated as held for sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The provisions of the Statement are generally to be applied prospectively. The Company currently has no plans to dispose of any operations and accordingly does not anticipate that adoption of SFAS No. 144 will have a material impact on its results of operations or its financial position.

21. Exemptive consolidated financial statements pursuant to Sec. 292 a (1) and (2) HGB (German Commercial Code)

The consolidated financial statements of PSI AG as of December 31, 2001, were prepared as **exempting consolidated financial statements in accordance with § 292a of the German Commercial Code (HGB) in conformity with U.S. generally accepted accounting principles ('US GAAP')** and on the basis of the German Accounting Standards No 1 (DRS 1) from the German Standardization Committee (Deutscher Standardisierungsrat DRSC e.V.). The provisions of the German Commercial Code (HGB) and German Stock Corporation Law (AktG) differ from US GAAP in certain significant respects. The main differences that may be relevant to an evaluation of the net worth, financial position, and the results of the Company are described below: Pursuant to HGB, all items in the balance sheet and income statement must be set out in the form and order laid down in §§ 266, 275 HGB. US GAAP requires a different presentation, in which the balance sheet items are presented with more liquid items first. According to US GAAP, the short-term portions of long-term receivables and liabilities are shown in a separate balance sheet item. The portion that falls due in less than one year is treated as short-term.

According to US GAAP, **cost to develop software** to be sold, leased, or otherwise marketed can be capitalized and amortized over its estimated economic life. According to HGB, internally developed software forming part of fixed assets cannot be capitalized.

According to HGB, deferred tax refund claims arising from **loss carryforwards** may not be shown on the balance sheet, as expected future tax savings are deemed to be not yet realized. According to US GAAP, these types of future tax reduction claims are to be capitalized. Their value depends upon the probability of the loss carryforwards being utilized within the required period. The Company has recorded a valuation allowance for its deferred tax asset due to uncertainties regarding the realization of the asset.

In accordance with US GAAP, sales **revenue** is recognized in compliance with SOP 97-2, 'Software Revenue Recognition', and related interpretations. There is no general difference to HGB with regard to proceeds from licensing. US GAAP requires accounting for work in process on service transactions to be performed according to the percentage of completion method, whereby the progress of each project leads to revenue recognition on a pro-rata basis. Service revenue would only be taken into account upon completion of work according to HGB.

Under US GAAP, there is – with the start of the application of SFAS 141 – one exclusive method of **accounting for business combinations** — purchase accounting. Under purchase accounting, the valuation is based on fair market values of the net assets at the time of combination. The difference between the fair market values of the net assets acquired and the consideration given represents goodwill or intangible assets. Intangible assets are amortized over their estimated useful life. Income of the acquired company is reflected only from the acquisition date forward. Under HGB, only the purchase method is used, and, in certain circumstances – different than according to US GAAP – the income of the acquired company may be retroactively reflected.

Changes in the consolidation group

22. Subsidiaries

The following companies are included in the consolidated financial statements as subsidiaries:

	Shares %	Equity* as of Dec. 31, 2001 KEUR	Net income* 2001 KEUR
PSI-BT Business Technologies for Industry AG, Düsseldorf ('PSI-BT')	58.0	6,702	1,162
UBIS United Business Internet Solutions AG, Berlin ('UBIS')	100.0	2,884	–1,651
PSIPENTA Software Systems GmbH, Berlin ('PSIPENTA')	100.0	1,302	–51
PSI Transportation GmbH, Berlin ('Transportation')	100.0	1,280	749
NENTEC Netzwerktechnologie GmbH, Karlsruhe ('Nentec')	100.0	759	568
PK Software Engineering GmbH, Leonberg ('PK Soft')	75.0	518	8
PSIPENTA Automotive GmbH ('Automotive') – Group	100.0	233	–21
PSI Infrastruktur Services GmbH, Berlin ('IFS')	100.0	49	–1
front2back AG, Berlin ('f2b')	60.0	45	1
PSI Solutions GmbH, Stuttgart ('Solution')	100.0	–108	–122
PSI logistics GmbH, Berlin ('Logistics') – Group	91.5	–444	–2,406
PSI AG Produkte und Systeme der Informationstechnologie, Schwerzenbach, Switzerland ('PSI/CH')	100.0	–1,352	–1,104

* Figures according to US GAAP before consolidation entries

23. Acquisitions

The following table summarizes the acquisitions completed during 2001:

Company	**UBIS**	**Automotive**	**PK Soft**	**PSI/CH**	**Solution**
Acquisition date in 2001	Sept. 11 2001	July 11 2001	Aug 15 2001	June 8 2001	June 20 2001
Shares acquired	25%	40%	75%	21.6%	100%
Purchase price					
Number of shares issued	525,000	161,710	0	19,000	0
Fair value (KEUR)	3,307	1,779	0	342	0
Cash paid (KEUR)	0	0	375	0	256
	3,307	**1,779**	**375**	**342**	**256**

Total of purchase prices for acquisitions in 2001 amounts to KEUR 6,059. From the acquisitions the acquisition of shares in UBIS, Automotive and PSI/CH relate to the acquisition of remaining minority shares of these companies. UBIS, Automotive as well as PSI/CH were considered as subsidiaries in the prior year's consolidated financial statements of PSI AG. The fair value of the consideration in shares of PSI was assessed based on market values as of effective date of the related acquisition.

The following is a preliminary allocation of the purchase prices for the acquisitions to the fair value of the assets acquired and liabilities assumed:

	2001 KEUR	KEUR	2000 KEUR	Straight-line amortization over a useful life of
Intangible assets				
Software and Licences	5	5	0	3–10 years
Tangible assets	8	8	0	3–4 years
Goodwill				
Goodwill to be amortized	342		13,228	10 years
Goodwill not to be amortized	3,805	4,147	0	
Short-term assets				
Order backlog	252		2,040	
Receivables	355		0	
Other assets	130		0	
Cash and cash equivalents	719	1,456	25	
		5,616	**15,293**	
Liabilities				
Accruals	–489		–525	
Advance payments	–9		0	
Trade payables	–3		0	
Other liabilities	–212	–713	–364	
			–889	
Minorities				
Additions of minorities	–125		727	
Disposal of minorities	1,281	1,156	0	
		6,059	**15,131**	

The allocation of purchase price is based on preliminary estimates of fair value and is subject to revision based upon finalization of management's assessment of the fair value of net assets acquired. Changes in the allocation of purchase price would likely be limited to a revaluation of identified intangible assets, resulting in a change of goodwill, if a revaluation leads to a value different from preliminary estimate.

The results of operations of the acquired entities have been included in the consolidated statement of operations since the related acquisition date.

Since the major transactions (acquisition of UBIS, Automotive and PSI/CH) relate to acquisition of minority shares of companies which were considered in the prior year's consolidated financial statements no additional pro-forma financial information is needed.

24. Other transactions

During 2001 PSI AG founded the subsidiary IFS. The newly founded company in which PSI AG holds 100% of the shares manages the infrastructure equipment for all companies of the PSI-group and renders its services to non-group companies as well.

On October 2, 2001, the merger between ECI-Entwicklungsgesellschaft für computergestützte Industriesysteme mbH, Planar Gesellschaft für technische Softwaresysteme mbH and the branch for logistics systems of PSI AG became effective. The new company is named **PSI logistics GmbH**.

Explanations

25. 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:

	Dec. 31, 2001 KEUR	Dec. 31, 2000 KEUR
Costs incurred on uncompleted contracts	54,151	54,728
Estimated earnings	34,102	22,633
	88,253	**77,361**
Less billings	–67,792	–57,310
	20,461	**20,051**

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

	Dec. 31, 2001 KEUR	Dec. 31, 2000 KEUR
Costs and estimated earnings in excess of billings on uncompleted contracts	35,423	34,121
Billings in excess of costs and estimated earnings on uncompleted contracts	–14,962	–14,070
	20,461	**20,051**

26. Inventories

	Dec. 31, 2001 KEUR	Dec. 31, 2000 KEUR
Work in progress	2,454	3,243
Hardware	3,886	2,767
Advance payments to hard- and software suppliers	460	1,159
	6,800	**7,169**

27. Other receivables

	Dec. 31, 2001 KEUR	Dec. 31, 2000 KEUR
Advance payments to subcontractors	2,014	1,922
Receivables from reimbursements	1,212	0
Receivables due from tax authorities	1,016	991
Other	2,026	1.981
	6,268	**4,894**

28. Financial assets

	Dec. 31, 2001 KEUR	Dec. 31, 2000 KEUR
Marketable securities	4,206	4,347
Associated companies consolidated 'at equity'	227	52
Investments valuated at cost	1,685	0
	6,118	**4,399**

The acquisition costs and current selling values of the securities stated at market value shown under financial assets break down as follows:

	Dec. 31, 2001 KEUR	Dec. 31, 2000 KEUR
Marketable securities		
Acquisition cost	4,315	4,252
Unrealized gains	0	102
Unrealized losses	–109	7
Fair value	**4,206**	**4,347**

The marketable securities mainly consist of shares of SZ-Cofonds (investment fund) which invests in German companies listed in the DAX 100 and other European debt securities. Investment income/loss for this investment fund (dividends paid, increase/decrease in market value) amounts to KEUR –106 (loss) for 2001 and KEUR 102 (income) for 2000 respectively.

Associated companies consolidated 'at equity' comprise the book values of the following companies:

	Share %	Dec. 31, 2001 KEUR	Dec. 31, 2000 KEUR
Integral Datentechnik Kaiserslautern GmbH, Kaiserslautern	49.0	96	0
Schindler AG, Berlin	28.5	131	52
		227	**52**

The investments valuated at cost comprise the net acquisition cost of the following shares:

	Share %	Dec. 31, 2001 KEUR	Dec. 31, 2000 KEUR
Varial GmbH	9.0	1.300	0
GSI Gesellschaft für Steuerungs- und Informationssysteme mbH	18.0	385	0
		1.685	**0**

29. Tangible and intangible assets

The development of the tangible and intangible assets is shown in the fixed asset movement schedule.

In fiscal year 2001 an impairment loss of KEUR 969 was charged on capitalized software development costs for telecommunication network management systems. The management believes that due to the fast technological development the Company cannot realize sufficient cash flows to amortize the capitalized software development costs. Therefore the management determined that the capitalized software development costs related to telecommunication network management systems was impaired and wrote off the remaining balance in the fiscal year 2001.

30. Financial liabilities

	Dec. 31, 2001 KEUR	Dec. 31, 2000 KEUR
Bank loans and overdrafts		
Current portion	4,948	1,981
Noncurrent portion	2,124	12
	7,072	**1,993**

PSI AG has taken out several bank loans having an original face amount of KEUR 9,500 (KEUR 0 in 2000) in total to finance investments in tangible and intangible assets. Additionally several Group companies use bank overdrafts for short-term financing. The loans carry an average interest rate of 5.3% and overdrafts carry an average interest rate of 8% per annum.

Repayment year for overdrafts and loans

	TEUR
2002	4,948
2003	2,124
	7,072

The current cash position of PSI group as of December 31, 2001, amounts to KEUR 12.873. As of balance sheet date the following credit lines are available to PSI group:

	Aval-kredit-Guarantees %	Mixed guarantees and credit lines KEUR	Project financing KEUR
Credit lines	61,276	13,226	7,500
Usage of credit lines	44,053	3,472	3,600
Remaining credit lines	**17,223**	**9,754**	**3,900**

31. Accrued expenses and other current liabilities

	Dec. 31, 2001 KEUR	Dec. 31, 2000 KEUR
Accrued project-related costs	7,793	7,546
Accruals for personnel costs (vacation, overtime)	3,963	2,488
Liabilities due to tax authorities	2,054	1,351
Liabilities for personnel costs (social security)	1,237	1,200
Other	3,642	7,840
	18,689	**20,425**

32. Pension accruals

The Company has made pension pledges (unfunded plan) to various employees. These payments are based on the length of service and agreements in the employment contracts. The valuation of pension obligations is based on the projected unit credit method in SFAS 87 'Employers' Accounting for Pensions'. Total pension plan expense includes the following components:

	2001 KEUR	2000 KEUR
Service cost (benefits earned during the period)	707	605
Interest cost	1,073	877
Actuarial loss (gain)	101	20
Settlement effects	–204	102
Net periodic pension expense	**1,677**	**1,604**

The following tables set forth changes in the benefit obligation:

	Dec. 31, 2001 KEUR	Dec. 31, 2000 KEUR
Benefit obligation, beginning	**17,274**	**8,246**
Service cost	707	605
Interest cost	1,073	877
Actuarial loss (gain)	101	20
Settlement effects	–204	102
Benefits paid	–244	–227
Amortization	–40	–38
Acquisitions	277	7,689
Benefit obligation, ending	**18,944**	**17.274**

To calculate the pension obligations in the financial year and the prior year, a discount of 6.5% and long-term salary increase rates of 1.5% were assumed. The losses not considered in fiscal 2001 as a result of a change in assumptions when computing pension reserves mainly relate to the changed mortality tables (Heubeck's Mortality Tables 1998). The difference ascertained in fiscal 1998 will be transferred to the pension reserves in equal installments of KEUR 38 over a period of 12.9 years from fiscal 1999.

33. Equity

Common stock

Fully paid-in capital stock as filed in the commercial register amounts to EUR 25,887,166.99. Common stock is divided into 10,126,160 shares of non-par-value.

Capital increases

Through conversion of convertible debt the contingent capital was reduced by EUR 327.22. The capital increase (issuance of 128 shares) was filed with the commercial register on March 27, 2001.

By contribution contract certified by public notary dated April 19, 2000, 9% of the shares in UBIS United Business Internet Solutions AG, Berlin were acquired by issue of 39,539 non-par-shares with an imputed par value of EUR 2.56. The increase in capital (EUR 101,079.85 – use of Authorized Capital III) was filed with the commercial register on March 27, 2001.

On May 31, 2000, the gas-systems operation of debis Systemhaus GEI – Gesellschaft mbH, Aachen, was acquired by issue of 335,238 non-par-value shares with an imputed par value of EUR 2.56. That increase in capital (EUR 857,022.34 – use of Authorized Capital III) was filed with the commercial register on March 27, 2001.

By virtue of a notarized purchase agreement of October 25, 2000, 100% of the shares in repas AEG Software GmbH, Berlin – now PSI Transportation GmbH – were acquired by issue of 145,000 non-par-value shares with an imputed par value of EUR 2.56. That increase in capital (EUR 370,686.61 – use of Authorized Capital III) was filed with the commercial register on March 27, 2001.

By virtue of a notarized purchase agreement of July 11, 2001, 40% of the shares in PSIPENTA Automotive GmbH, Gelsenkirchen, were acquired by issue of 161,710 non-par-value shares with an imputed par value of EUR 2.56. That increase in capital (EUR 413,405.05) was filed with the commercial register on January 21, 2002.

By contribution contract dated June 8, 2001, 21.6% of the shares in PSI Aktiengesellschaft Produkte und Systeme der Informationstechnologie, Schwerzenbach, Swizerland, were acquired by issue of 19,000 non-par-shares with an imputed par value of EUR 2.56. That increase in capital (EUR 48,572.73) was not yet filed with the commercial register.

By contribution contract certified by public notary dated September 11, 2001, 25% of the shares in UBIS United Business Internet Solutions AG, Berlin, were acquired by issue of 525.000 non-par-shares with an imputed par value of EUR 2.56. That increase in capital (EUR 1,342,141.19) was not yet filed with the commercial register.

Authorized and contingent capital

	Dec. 31, 2001 KEUR	Changes in 2001 KEUR	Registration date	Dec. 31, 2000 KEUR
Authorized capital (AC)				
AC I (until June 7, 2006)	2,585,000.00	921,741.95	July 19, 2001	1,663,258.05
AC II (until June 7, 2006)	7,090,749.19	3,145,015.16	July 19, 2001	3,945,734.03
AC III (cancelled)	0.00	–1,328,788.80	March 27, 2001	2,045,167.52
		–716,378.72	July 19, 2001	
AC IV (cancelled)	0.00	–2,428,636.44	July 19, 2001	2,428,636.44
AC V (until May 25, 2005)*	1,231,114.15	–47,115.55	Feb. 8, 2001	1,278,229.70
	10,906,863.34	–454,162.40		11,361,025.74
Contingent capital (CC)				
CC I	0.00	–327.22	March 27, 2001	327.22
CC II (May 25, 2005)	1,278,229.70	0.00		1,278,229.70
	1,278,229.70	**–327.22**		**1,278,556.92**
	12,185,093.04	**–454,489.62**		**12,639,582.66**

* After cancellation of AC III (old) and AC IV (old), AC V (old) was renamed as AC III (new).

34. Stock Option Plans

The Company has introduced a stock-option programme to employees of the Company. The objective of this programme is to attract and retain personnel and promote the success of the Company by providing employees the opportunity to acquire common stock.

The Company is authorized to issue 500,000 option rights for the subscription of PSI AG shares to employees of PSI AG and its affiliated companies until May 25, 2005.

Under the 2000/2003 stock-option plan (the '2000/2003 plan') the Company has issued 86,400 option rights for the subscription of PSI shares to employees of PSI AG. The option rights entitle the bearer to purchase shares in the Company at a price of EUR 24.13 and to vest such shares in one instalment approximately after two and a half years. No further conditions have been set up for exercising the option rights.

Under the 2001/2003 stock-option plan (the '2001/2003 plan') the Company has issued 86,400 option rights for the subscription of PSI shares to employees of PSI AG. The option rights entitle the bearer to purchase shares in the Company at a price of EUR 17.79 and to vest such shares in one installment approximately after two years. No further conditions have been set up for exercising the option rights.

The status of the Company's stock plan is summarized as follows:

	2000/2003 plan	2001/2003 plan
Outstanding at December 31, 2001	**86,400**	**121,400**
Granted	0	0
Exercised	0	0
Forfeited	–2,950	–3,600
Outstanding at December 31, 2002	**83,450**	**117,800**

None of the outstanding options as of December 31, 2001, are exercisable. All options vest in July 2003. The options had no positive intrinsic value at the grant-date.

The fair value of options granted in November 2000 was according to the SFAS 123 calculation approximately EUR 3.52 per share. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used: risk-free interest rate at 5.29% p.a., expected life of 32 months, expected dividend yield of zero per cent and expected volatility of 15%.

The fair value of options granted in July 2001 was according to the SFAS 123 calculation approximately EUR 3.07 per share. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used: risk-free interest rate at 5.72% p.a., expected life of 24 months, expected dividend yield of zero per cent and expected volatility of 15%.

Had compensation costs for these grants been consistent with SFAS No. 123, 'Accounting for Stock-Based Compensation', the Company's net loss would have been increased by approximately KEUR 217. Loss per share would have been increased by approximately EUR 0.02 for the basic earnings.

35. Obligations from rent and lease agreements and other financial commitments and contingent liabilities

Office equipment, data processing systems and other equipment have been rented on the basis of operating lease agreements. In 2001 leasing charges of KEUR 112 (2000: KEUR 109) were incurred for office equipment and of KEUR 470 (2000: KEUR 466) for the rented data processing systems and other equipment.

In fiscal 1996 PSI AG entered into a rent agreement for an office building in Berlin. The rent agreement expires on March 31, 2012. Furthermore, PSIPENTA entered into a rent agreement for a further office building in Berlin in fiscal 1999. The rental payments from the rent agreement are as follows:

	Rental payments KEUR	Lease payments KEUR	Total KEUR
2002	4,478	705	5,183
2003 - 2004	7,512	471	7,983
2005 - 2008	9,038	0	9,038
2009 - 2012	6,805	0	6,805

PSI AG has issued securities of KEUR 44,053.

36. Income Taxes

	2001 KEUR	2000 KEUR
Current income taxes	–234	0
Deferred income taxes	–3,014	1,622
	–3,248	**–1,622**

A reconciliation of income taxes determined using the combined statutory rate of 38.9% is as follows:

	Dec. 31, 2001 KEUR	Dec. 31, 2000 KEUR
Income before income taxes	–1,478	–13,189
Expected expense/benefit for income taxes	575	5,131
Utilization of tax loss carryforwards	731	0
Valuation allowance on deferred tax assets	–790	–603
Consolidation effects	–4,052	–6,600
Other items	288	450
	–3,248	**–1,622**

Valuation allowances on deferred tax assets were considered if it is more likely than not that the related tax loss carryforwards will be used in the future.

Deferred tax assets and liabilities are summarized as follows:

	Dec. 31, 2001 KEUR	Dec. 31, 2000 KEUR
Short-term portion of tax liabilities (net)		
Deferred tax asset resulting from tax loss carryforwards	29,072	32,863
Valuation allowance for deferred tax assets resulting from tax loss carryforwards	–25,686	–27,027
Deferred tax assets (net)	3,386	5,836
Current assets, payments on account and sales-related accruals	–7,866	–7,170
Other	56	–17
	–7,810	**–7,187**
Long-term portion of tax liabilities (net)		
Capitalized software development costs	–792	–933
Pension reserves	107	30
Others	0	120
	–685	**–783**
Net deferred tax liabilities	**–5,109**	**–2,134**

37. Segment reporting – sales by geographically defined area

The following table provides geographical information in respect of sales (sales to domestic customers and sales to international customers):

	Germany		Other		Total	
	2001 KEUR	2000 KEUR	2001 KEUR	2000 KEUR	2001 KEUR	2000 KEUR
Software production and maintenance	114,151	117,674	10,371	7,110	124,522	124,784
Licences	12,929	8,358	1,981	1,081	14,910	9,439
Hardware	21,459	12,032	3,968	450	25,427	12,482
	148,539	**138,064**	**16,320**	**8,641**	**164,859**	**146,705**

Sales to other geographical regions mainly relate to sales to Switzerland (KEUR 7,202 for 2001 and KEUR 4,933 for 2000 respectively).

38. Segment reporting according to systems and product business

	2001 System business KEUR	2001 Product business KEUR	2001 Total KEUR	2000 System business KEUR	2000 Product business KEUR	2000 Total KEUR
P/L Information						
Segment sales						
Software production and maintenance	96,060	28,462	124,522	96,913	27,871	124,784
Licences	6,910	8,000	14,910	2,617	6,822	9,439
Hardware	24,924	503	25,427	11,383	1,099	12,482
	127,894	**36,965**	**164,859**	**110,913**	**35,792**	**146,705**
Gross profit	23,727	15,942	39,669	30,165	12,738	42,903
Operating expenses	–20,783	–17,824	–38,607	–17,068	21,851	38,919
thereof research and development expenses	–2,818	–7,491	–10,309	–329	–8,753	–9,082
Result before income tax	498	–1,976	–1,478	11,536	– 24,725	–13,189
Net profit/loss	–2,684	–2,042	–4,726	5,356	–20,167	–14,811
Other information						
Depreciation (scheduled)	–5,933	–1,306	–8,208	–7,571	–1,441	–9,012
thereof goodwill depreciation	–2,265	–22	–2,287	–1,842	–14	–1,856
Impairment losses	–969	0	–969	–102	–15,430	–15,532
Long-lived assets	42,877	2,753	45,630	39,990	3,917	43,907

Segment reporting for systems and product business was done on the basis of the income statements for the Group companies included in comprehensive consolidation. The income statements were adjusted to eliminate Group-internal effects.

The ‘systems business’ segment mainly includes the economic activities of PSI AG, which mainly consist in the creation, introduction, maintenance and updating of customized software. In the financial year, there were no sales in which a single customer achieved a sales volume of more than 10% of total sales for the segment.

The ‘product business’ segment includes the economic activities of PSIPENTA GmbH and of the Group companies allocated operatively to that company. In particular, product business comprises sales from the sale of the standard PSIPENTA software. In the financial year, there were no sales in which a single customer achieved a sales volume of more than 10% of total sales for the segment.

39. Earnings per share

For fiscal years 2001 and 2000, earnings per share were calculated as follows:

	2001 thousands of share certificates	2000 thousands of share certificates
Shares at the beginning of the year	9,588	8,984
Option rights at the beginning of the year	98	12
Shares at the end of the year	10,126	9,588
Option rights at the end of the year	0	98
Average	**9,984**	**9,334**
Net loss	**– 5,086**	**–14,815**
	2001	**2000**
Basic and diluted loss per share in EUR	–0.51	–1.59

40. Supplementary declarations pursuant to the German Commercial Code and the Requirements of the Neuer Markt

The following information comprises supplementary declarations that are a mandatory part of the explanatory notes pursuant to the German Commercial Code:

Remuneration of the Executive Board and Supervisory Board

The Executive Board of PSI AG received regular remuneration of KEUR 644. The supervisory board received remuneration of KEUR 90.

The following persons were members of the **Executive Board** in 2001:

Name	Profession	City	Member since/until
Dietrich Jaeschke	Businessman	Berlin	
Ali-Akbar Alizadeh-Saghati	Graduate engineer	Berlin	
Armin Stein	Graduate Businessman/ Graduate engineer	Berlin	Since Jan. 1, 2001
Björn S. Eriksen	Graduate Businessman	Berlin	Until March 31, 2001

The following persons were members of the **supervisory board** in 2001:

Name	Profession	City	Membership in other supervisory boards of listed companies
Dr André Warner (Chairman)	Graduate Businessman	Berlin	
Kurt Kasch (Deputy Chairman)	Consultant	Berlin	CONDAT AG, RÖNTEC Holding AG
Franz Niedermaier	Consultant	Munich	Bit by bit Software AG (until 9/2001) GFT Technologies AG IBIKUS AG (until 4/2001) Pepper Technologies AG Secaron AG
Dietrich Walter	Entrepreneur	Iserlohn	Gold-Zack AG Ce Consumer Electronic AG Kampa Haus AG Porta Systems AG Schleicher & Co International AG
Wolfgang Fischer (Employee Representative)	Graduate engineer (FH)	Aschaffenburg	
Siegfried Hartmann (Employee Representative)	Graduate engineer	Aschaffenburg	

Number of employees

As at balance sheet date, the PSI group employed an average of 1,390 personnel during the year.

Material and personnel expenses

	2001 KEUR	2000 KEUR
Material and service expenses		
Service expense	42,408	26,852
	42,408	**26,852**
Personnel Expenses		
Wages and salaries	76,883	65,276
Social securitiy and pensions	16,356	13,860
	93,239	**79,628**

Resolution concerning loss appropriation

The management board of PSI AG has proposed to the shareholders of PSI AG that the net loss for the year according to the financial statements of KEUR 1,017 and the loss carryforward of KEUR 39,012 be carried forward to new account.

Berlin, March 21th, 2002

Dietrich Jaeschke   Ali-Akbar Alizadeh-Saghati   Armin Stein

Auditor's Report

on the exemptive consolidated financial statements prepared pursuant to sec. 292 a HGB

We have audited the consolidated financial statements of PSI Aktiengesellschaft für Produkte und Systeme der Informationstechnologie, Berlin, as of December 31, 2001, including the consolidated balance sheet and the related consolidated statements of income, cash flows, changes in shareholders' equity and notes for the year then ended.

The legal representatives of the company are responsible for the preparation and content of the consolidated financial statements. Our responsibility is to express an opinion, based on our audit, whether these consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (US GAAP).

We conducted our audit in accordance with the German Auditing Rules and in compliance with the general accepted standards of auditing prescribed by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. In establishing the audit procedures we considered our knowledge about the group's business operations, its economic and legal environment, and expectations of possible errors. An audit includes examining the effectiveness of the internal accounting control system, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present a true and fair view of the group's financial position, results of operations and cash flows in accordance with United States generally accepted accounting principles.

Our audit which also includes the management report for the fiscal period from January 1, 2001, to December 31, 2001, which is the responsibility of the Company's management has not given rise to any reservations. In our opinion the management report and the additional disclosures in the consolidated financial statements conveys a suitable presentation of the situation of the PSI group taken as a whole and presents the risks to its future developments adequately. Additionally, we confirm that the consolidated financial statements and the group's management report for the fiscal period from January 1, 2001, to December 31, 2001, meet the requirements for an exemption to prepare consolidated financial statements and the group's management report in accordance with the rules and regulations of the German Commercial Code. An audit of the requirements for the consolidated financial statements to be in accordance with the 7th EC Directive in order to be exempted from German rules and regulations is based on the interpretation of the Directive by GAS 1 "Exempting Consolidated Financial Statements in accordance with § 292a of the German Commercial Code" issued by the German Accounting Standards Committee.

Berlin, March 21, 2002

Arthur Andersen
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Plett	Selter
Auditor	Auditor

Report of the Supervisory Board

Dr André Warner,
Chairman of the Supervisory Board

The Supervisory Board has fulfilled the duties incumbent on it by law and under the company's statutes and regularly supervised and advised the management of PSI AG in the year under review. The Supervisory Board monitored all important business transactions and convened ten times to discuss the most important transactions with the Executive Board.

The company's annual accounts, the consolidated financial statements, and the Group situation report for the period from January 1 to December 31, 2001, have been examined by Arthur Andersen Wirtschaftsprüfungs- und Steuerberatungs-Gesellschaft, Berlin, the auditor appointed at the annual general meeting held on June 8, 2001, and an unqualified certificate of approval has been issued by the auditor. The Supervisory Board itself also examined the annual accounts and Group situation report. In the Balance Sheet Committee meeting held on March 11, 2002, and the Supervisory Board meeting held on March 21, 2002, at which the auditors and members of the Executive Board were present, the annual accounts were discussed and approved by the Supervisory Board.

Mr Armin Stein was appointed to the Executive Board as director for finances and controlling on January 1, 2001. Mr Eriksen retired from the Executive Board as planned on March 31, 2002. Both changes were announced in the last report of the Supervisory Board. There were no further changes to the Executive Board or the Supervisory Board in 2001.

The Executive Board and the Supervisory Board met on several occasions in 2001 to intensively examine and discuss investments. The following resolutions affecting the Group were approved:

- the Group's IT infrastructure services were spun off to form an independent company, PSI Infrastruktur Services GmbH
- the increase of the stake held in UBIS AG to 100%
- the increase of the stake held by PSI AG in Switzerland to 100%
- the acquisition of 75% of PK Software Engineering GmbH
- the acquisition of PSI Solutions GmbH
- the acquisition of 9% of VARIAL Software AG
- and the sale of shares in Integral Datentechnik GmbH and GSI GmbH, leaving the Group holding minority interests in these companies

All resolutions were passed in ordinary supervisory board meetings. The Supervisory Board's Investment Committee convened once on June 29, 2001. The Supervisory Board's Personnel Committee convened once on October 23, 2001, in a meeting held prior to the 83rd meeting of the Supervisory Board.

The entire IT market experienced a formidable slump in 2001, with the sectors eBusiness and IT consultancy exhibiting a particularly sharp fall. This development impacted the Group's corporate units that are active in this sector. The annual results remain substantially below what the Group had anticipated.

The Supervisory Board and the Executive Board expect the IT market to display very slow recovery in the course of 2002. Accordingly, measures have been put in place throughout the entire Group since October 2001 with the objective of achieving sustainable improvement to the company's substance and increasing profitability. These measures include refocusing the Group on the three segments Network Management, Production Management and Information Management.

The Supervisory Board counts on the Executive Board to do everything in its power and expects the Group to conclude its consolidation process swiftly. Over the next few years the target for PSI must be to develop into an IT company with greater than average profitability, thus fulfilling the expectations of both stockholders and employees.

Berlin, March 2002

Dr André Warner
Chairman of the Supervisory Board

The Executive Board

Dietrich Jaeschke's goal for 2002 is to concentrate on driving PSI's internationalization, thus continuing the consistent development pattern he has set since the company's very beginning.

Dietrich Jaeschke is one of the co-founders of PSI. He was managing shareholder of PSI GmbH in Berlin from 1969, and was appointed to the Executive Board when the company converted into a plc in 1994. He is in charge of strategic focus, marketing and distribution. His ability to think globally takes him from vision to success.

After gaining a degree in mathematics from the University of Hamburg, he joined AEG, where he was involved in establishing the Institute of Automation, until leaving to form PSI. He sits on several supervisory boards and is a very active supporter of Berlin as a business location and the IT sector.

Ali-Akbar Alizadeh-Saghati is determined to hone PSI's profile in 2002, and he intends to give Information Management fresh impulses.

Mr. Saghati has had a decisive influence on the company's profile for many years: he has been with PSI since 1974, occupying several management positions and has been decisively responsible for shaping the company's growth. He was appointed head of the Consulting division in 1987 and was in charge of setting up PSI's Information Management division. As a member of the Executive Board, he has been in charge of Personnel and the Technology division since April 1, 2000. Under his guidance these key areas project a clear corporate image.

Mr. Saghati studied electrical engineering and computer sciences at Bingen Polytechnic and the Technical University of Berlin. Before joining PSI he developed electronic dialling systems for SEL in Stuttgart.

Armin Stein will be focusing in fiscal 2002 on increasing transparency for the financial community.

The expertise and competence he brings from his previous positions uniquely qualify him for this task: he was appointed managing director of PSI Transportation GmbH on October 1, 2000, and was appointed to the PSI AG Executive Board on January 1, 2001, as director for finances and controlling. He studied telecommunications at Giessen Polytechnic, and business management at the universities of Frankfurt and Berlin.

He started his career at AEG, where he was commercial manager of the telecontrol and console systems departments from 1979, later moving into network technology. In 1989, he was appointed business manager of AEG Softwaretechnik GmbH, Berlin, and in 1994 became business and general manager of AEG Plant and Automation Technology (Eastern Region). In 1995, he was appointed managing director of AEG Softwaretechnik GmbH, and from 1997 to 2000 was appointed to the repas AEG Group Executive Board.

PSI stocks are strong and have great potential

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PSI Stocks	
Stock market trading segment	Neuer Markt
Stock market symbol	PSA2
German Securities Code (WKN)	696 822

We will be happy to include you in our distribution list for stockholder information. Please contact us should you require a copy of the AG Report.

For the latest IR information, please visit our website at www.psi.de/ir

"Specialist software company PSI remains well positioned"
DZ Bank Research

"Solid basis for further growth"
Delbrück Asset Management

"Successful turnaround in product business"
Dresdner Kleinwort Wasserstein Research

"The business units energy and telecommunication have developed positively"
Deutsche Bank Equity Research

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PSI

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