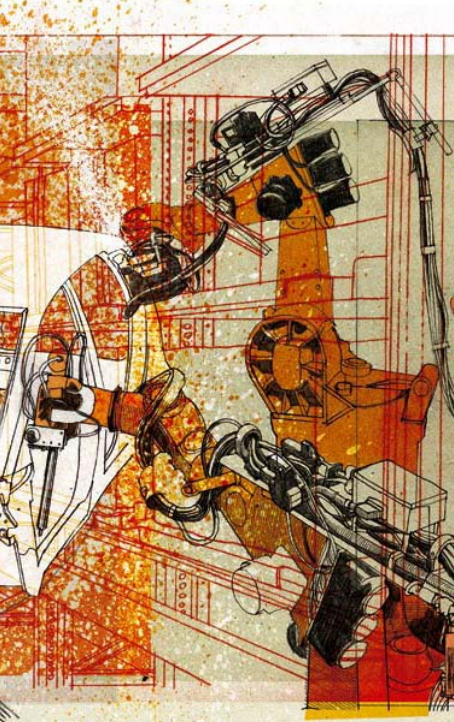
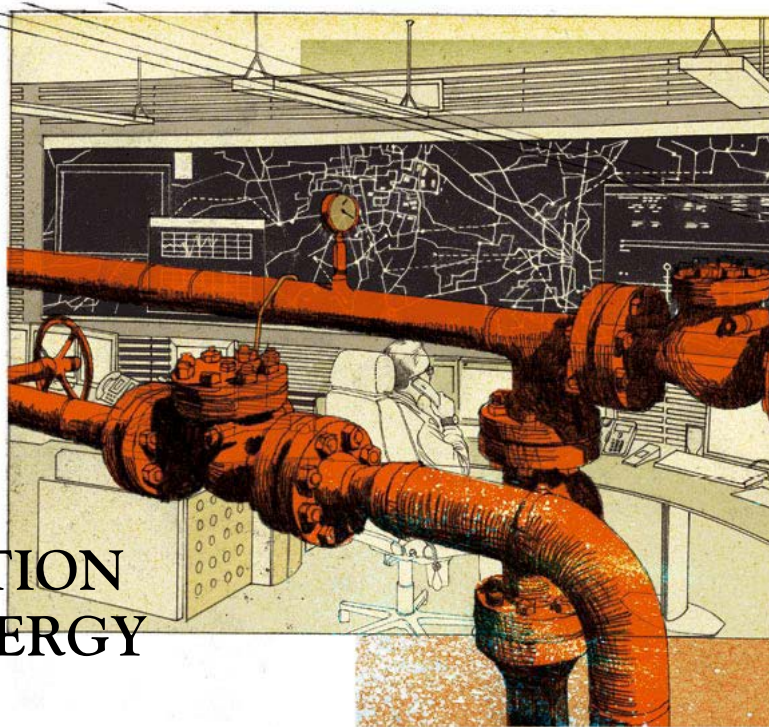




Report on the 1st Six Months of 2008



SMART PRODUCTION
SMART ENERGY

PSI 

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

	01/01-30/06/08 in KEUR	01/01-30/06/07 in KEUR	Change in KEUR	Change in %
Revenues	57,749	60,543	-2,794	-4.6
Operating Result	2,685	1,843	+842	+45.7
Result before income taxes	2,170	1,257	+913	+72.6
Net result	1,878	723	+1,155	+159.8
Cash and cash equivalents	18,297	12,066	+6,231	+51.6
Employees on 30 June	1,053	1,058	-5	-0.5
Revenue/Employee	54.8	57.2	-2.4	-4.2

Interim Management Report

Business Development

Earnings

The PSI Group increased its EBIT in the first half of 2008 to 2.7 million euros (first six months of 2007: 1.8 million euros). The pre-tax profit increased to 2.2 million euros (first six months of 2007: 1.3 million euros), the Group net result to 1.9 million euros (first six months of 2007: 0.7 million euros). As a result of the sale of the government business in mid-2007 and the lower portion of 3rd party products and services, Group sales, at 57.7 million euros, were slightly below the year before (first six months of 2007: 60.5 million euros). Adjusted for these effects, this represents a growth of about 5 percent over the first six months of 2007. The volume of new orders increased by 8 percent to 78 million euros (first six months of 2007: 72 million euros), the order book volume increased by 15 percent to 98 million euros (30 June 2007: 85 million euros).

The Energy Management segment (electricity, gas, oil, heat) had sales of 25.4 million euros (first six months of 2007: 26.3 million euros). The EBIT was, with 1.6 million euros, above the value for the previous year (first six months of 2007: 1.3 million euros). In the electrical energy business, important orders were attained from Germany and Asia. PSI is expecting additional important export orders in the electrical energy and gas business units from Russia and other regions in the coming quarters.

Sales in the Production Management segment (industry, logistics) were, at 24.7 million euros, at about the same level as the previous year (first six months of 2007: 25.1 million euros). The EBIT doubled compared to the previous year to 1.0 million euros (first six months of 2007: 0.5 million euros). The steel industry business increased the most again, further expanding its market position, especially internationally, with numerous important contracts.

In Infrastructure Management (traffic, security, telecommunication) sales decreased due to the smaller portion of hardware and the sale of the government business to 7.6 million euros (first six months of 2007: 9.2 million euros). The EBIT improved slightly to 0.2 million euros (first six months of 2007: 0.1 million euros).

Financial Position

The operating cash flow was positive at 0.7 million euros (first six months of 2007: –4.1 million euros), liquid funds increased to 18.3 million euros (30 June 2007: 12.1 million euros).

Assets

Compared to 31 December 2007, there have not been any material changes in the Group's assets.

Personnel Development

The number of employees decreased slightly to 1,053 compared to the same quarter of the previous year (30 June 2007: 1.058). PSI is planning to hire new staff until the end of the year, the focus being on export.

PSI-Shares

The PSI stock ended the 1st half year of 2008 with a final price of 4.60 euros, 22 % below the final 2007 price of 5.90 euros. In the same period, the DAXsector Software Index, which includes all the software stocks in the Prime Standard of the German Stock Exchange, had a decline of 8.7 %.

Risk Report

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

Outlook

The share of exports in new orders at PSI increased to over 30 percent in the first six months of 2008. PSI is profiting from the high cost of energy and raw materials which are leading to additional expansion and efficiency investments, above all in the energy and heavy industries. PSI has started into the second half of the year with orders of almost 100 million euros and a very well-filled sales pipeline. The management therefore reconfirms its annual goals of about 130 million euros in sales and an EBIT of more than 5 million euros. As announced, the decision to raise the annual forecast will be made in the course of the 3rd quarter.

Group Balance Sheet

from 1 January 2008 until 30 June 2008 according to IFRS

	6 Month Report 01/01-30/06/08 KEUR	Annual Report 01/01-31/12/07 KEUR
Assets		
Non current assets		
Property, plant and equipment	7,873	7,745
Intangible assets	15,202	15,030
Other financial assets	36	20
Deferred tax assets	2,885	3,093
	25,996	25,888
Current assets		
Inventories	1,497	990
Trade accounts receivable, net	15,722	22,255
Receivables from long-term development contracts	27,274	19,130
Other current assets	3,483	2,790
Cash and cash equivalents	18,297	18,948
	66,273	64,113
Total assets	92,269	90,001
Total Equity and Liabilities		
Equity		
Subscribed capital, EUR 2,56 calculated par value	31,009	31,009
Capital reserves	31,772	31,772
Retained earnings	1,181	1,181
Other reserves	105	95
Accumulated losses	-31,460	-33,338
	32,607	30,719
Non-current liabilities		
Pension provisions	25,857	25,550
Deferred tax liabilities	2,084	1,990
	27,941	27,540
Current liabilities		
Trade payables	8,156	9,386
Other current liabilities	16,106	14,291
Liabilities from long-term development contracts	6,369	6,685
Short-term debt	160	305
Provisions	930	1,075
	31,721	31,742
Total equity and liabilities	92,269	90,001

Group Income Statement

from 1 January 2008 until 30 June 2008 according to IFRS

	Quarterly Report II		6-Month Report	
	01.04.08- 30.06.08 KEUR	01.04.07- 30.06.07 KEUR	01.01.08- 30.06.08 KEUR	01.01.07- 30.06.07 KEUR
Revenues	30,357	27,918	57,749	60,543
Other operating income	220	981	1,497	1,487
Changes in inventories of work in progress	-59	18	-40	29
Cost of materials	-4,757	-4,187	-8,686	-10,245
Personnel expenses	-18,488	-18,323	-36,036	-36,687
Depreciation and amortization	-636	-767	-1,247	-1,546
Other operating expenses	-5,225	-4,660	-10,552	-11,738
Operating result	1,412	980	2,685	1,843
Interest income	157	93	280	206
Interest expenses	-399	-403	-795	-792
Result before income taxes	1,170	670	2,170	1,257
Income tax	-130	-353	-292	-534
Net result	1,040	317	1,878	723
Earnings per share (in Euro per share, basic)	0.09	0.03	0.16	0.06
Earnings per share (in Euro per share, diluted)	0.09	0.03	0.16	0.06
Weighted average shares outstanding (basic)	12,112,870	12,112,870	12,112,870	12,112,870
Weighted average shares outstanding (diluted)	12,112,870	12,112,870	12,112,870	12,112,870

Group Cash Flow Statement

from 1 January 2008 until 30 June 2008 according to IFRS

	6 Month Report 01/01-30/06/08 KEUR	6 Month Report 01/01-30/06/07 KEUR
CASHFLOW FROM OPERATING ACTIVITIES		
Result after income taxes	1,878	723
Adjustments for non-cash expenses		
Amortization on intangible assets	389	760
Depreciation of property, plant and equipment	829	747
Interest income	-280	-206
Interest expenses	795	792
Foreign exchange gains/losses	10	13
Other income/expense without cash effect	302	164
	3,923	2,993
Changes of working capital		
Inventories	-377	-299
Trade receivables	-1,435	-6,963
Other current assets	-692	-853
Provisions	-607	-505
Trade payables	-1,258	764
Other current liabilities	1,169	875
	-3,200	-6,981
Interest paid	-26	-60
Income taxes paid	10	-25
Cash flow from operating activities	707	-4,073
CASHFLOW FROM INVESTING ACTIVITIES		
Additions to intangible assets	-26	-108
Additions to property, plant and equipment	-951	-723
Payments for investments in subsidiaries, net of cash	-516	0
Disposals to financial assets	0	-20
Interest received	280	206
Cash flow from investing activities	-1,213	-645
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds/repayments from/of borrowings	-145	1,444
Cash receipts from sale of treasury stocks	0	0
Acquisition of treasury stocks	0	0
Cash flow from financing activities	-145	1,444
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Changes in cash and cash equivalents	-651	-3,274
Cash and cash equivalents at beginning of the period	18,948	15,340
Cash and cash equivalents at the end of the period	18,297	12,066

Development of Fixed Assets

from 1 January 2008 until 30 June 2008 according to IFRS

	Number of shares issued	Share capital	Additional paid-in capital	Revenue reserve	Accumulated deficit	Accumulated other comprehensive result	Total
	Number	KEUR	KEUR	TEUR	KEUR	KEUR	KEUR
As of 31 December 2006	12,112,870	31,009	31,772	1,181	-35,047	32	28,947
Group net result					723		723
Currency translation						13	13
As of 30 June 2007	12,112,870	31,009	31,772	1,181	-34,324	45	29,683
As of 31 December 2007	12,112,870	31,009	31,772	1,181	-33,338	95	30,719
Group net result					1,878		1,878
Currency translation						10	10
As of 30 June 2008	12,112,870	31,009	31,772	1,181	-31,460	105	32,607

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

	Shares	Options
Management Board		
Dr. Harald Schrimpf	66,000	0
Armin Stein	16,000	0
Supervisory Board		
Dr. Ralf Becherer	1,268	0
Wilfried Götze	54,683	0
Bernd Haus	1,000	0
Barbara Simon	7,890	0
Karsten Trippel	110,100	0
Prof. Dr. Rolf Windmüller	1,120	0

The Management Board of PSI had earnings of KEUR 666 in the first six months of 2008, which consist of a fixed component of KEUR 196 and a variable component of KEUR 420.

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

Notes on the consolidated financial statements as of 30 June 2008

The Company

1. Business Activities and Legal Background

The business activities of PSI AG and its subsidiaries relate to the development and sale of software systems and products fulfilling the specific needs and requirements of its customers, particularly in the following industries and service lines: utilities, manufacturing, logistics, telecommunications, safety and transport. In addition, the Group provides services of all kinds in the field of data processing, sells electronic devices and operates data processing systems. The PSI Group is divided into the three core business segments energy management, production management and infrastructure management.

The Company is exposed to a wide range of risks that are similar to other companies active in the dynamic technology sector. Major risks for the development of the PSI Group lie in the success with which it markets its software systems and products, competition from larger companies, the ability to generate sufficient cash flows for future business development as well as in individual risks regarding the integration of subsidiaries, organizational changes and the cooperation with strategic partners.

Main customers are utilities and manufacturing companies in Germany, Europe and Asia. Main locations with business activities are located in Berlin, Aschaffenburg, Barsinghausen, Essen, Dortmund, Düsseldorf, Karlsruhe, Hamburg, Munich and Stuttgart. The Company is listed in the Prime Standard segment of the Frankfurt stock exchange.

The condensed interim consolidated financial statements for the period from 1 January 2008 to 30 June 2008 were released for publication by a decision of the management on 28 June 2008.

The condensed interim consolidated financial statements for the period from 1 January 2008 to 30 June 2008 were produced in compliance with IAS 34 "Interim Financial Reporting". The condensed interim consolidated financial statements do not contain all the data and notes prescribed for the annual financial statements and should be read in conjunction with the consolidated financial statements for 31 December 2007.

2. Accounting and Valuation Principles

With regard to the principles of accounting and valuation and especially the application of International Financial Reporting Standards (IFRS) see the group consolidated financial statements for the financial year 2007.

The first-time application of standards or interpretations which have not been applied voluntarily in the previous year had no impact on net assets, financial position and results of operation.

3. Seasonal Influences on the Business Activities

Seasonal effects resulted in the PSI Group operations with regards to the receipt of maintenance revenues in the first quarter of the financial year (deferment of the influences on the result of corresponding incoming payments throughout the year) and significantly greater demand and project accounting in the fourth quarter of the financial year.

4. Changes in the Consolidation Group

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

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

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

5. Selected Individual Items

Cash and cash equivalents

	30 June 2008 KEUR	31 December 2007 KEUR
Bank balances	10,754	13,754
Fixed term deposits	7,520	5,175
Cash	23	19
	18,297	18,948

Costs and estimated earnings in excess of billings on uncompleted contracts

Costs and estimated earnings in excess of billings on uncompleted contracts arise when revenues have been recorded but the amounts cannot be billed under the terms of the contracts. Such amounts are recoverable from customers upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of the contract. Costs and estimated earnings contain directly allocable costs (labour cost and cost of services provided by third parties) as well as the appropriate portion of overheads including pro rata administrative expenses.

Costs and estimated earnings on uncompleted contracts and related amounts are billed as follows:

	30 June 2008 KEUR	31 December 2007 KEUR
Costs incurred on uncompleted contracts	48,656	40,425
Profit shares	6,728	6,848
Contract revenue	55,384	47,273
Payments on account	28,110	28,143
Receivables from long-term construction contracts	27,274	19,130
Liabilities from long-term construction contracts	6,369	6,685

Taxes on income

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

	30 June 2008 KEUR	31 December 2007 KEUR
Effective taxes expenses		
Effective tax expenses	10	-105
Deferred taxes		
Emergence and reversal of temporary differences	-302	-902
Tax expenses/income	-292	-1,007

Segment Reporting

The PSI AG segment reporting was adapted in the context of the restructured strategic orientation of the PSI Group in 2007 financial year.

Segments of the PSI Group:

- **Energy Management:** Intelligent solutions for energy suppliers from the electricity, gas, oil and water markets. Focal points are reliable and economically sound solutions for the network management and trade and sales management in the liberalised energy market.
- **Production Management:** Software products and individual solutions for production planning, special tasks in production control and efficient logistics. Focuses are the optimisation of the use of resources and the increase of quality and profitability.
- **Infrastructure Management:** High-availability control system solutions designed for monitoring and economically sound operation of infrastructures in the telecommunications, transportation, public safety, environmental protection and disaster prevention areas.

Responsibility Statement

To the best of our knowledge, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the group's development and performance of its position, together with a description of the principal opportunities and risks associated with the expected development of the group in the remaining months of the financial year, in accordance with German proper accounting principles of interim consolidated reporting.

Group Segment Reporting

from 1 January 2008 until 30 June 2008 according to IFRS

	Energy Management		Production Management		Infrastructure Management		Reconciliation		PSI Group	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007	30/06/2008	30/06/2007	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Sales revenues										
Sales to external customers	25,448	26,308	24,742	25,071	7,559	9,164	0	0	57,749	60,543
Inter-segment sales	423	48	1,124	698	674	1,602	-2,221	-2,348	0	0
Segment revenues	25,871	26,356	25,866	25,769	8,233	10,766	-2,221	-2,348	57,749	60,543
Other operating income	2,013	1,983	2,044	1,879	272	500	-2,832	-2,875	1,497	1,487
Changes in inventories of work in progress	0	0	-43	21	3	8	0	0	-40	29
Cost of purchased services	-1,303	-1,925	-2,403	-3,216	-1,209	-1,127	757	1,417	-4,158	-4,851
Cost of purchased materials	-2,463	-3,140	-1,171	-701	-1,777	-2,106	883	553	-4,528	-5,394
Personnel expenses	-15,837	-15,644	-16,326	-15,621	-3,710	-5,354	-163	-68	-36,036	-36,687
Depreciation and amortization	-690	-737	-401	-468	-148	-349	-8	8	-1,247	-1,546
Other operating expenses	-5,970	-5,548	-6,543	-7,197	-1,498	-2,198	3,459	3,205	-10,552	-11,738
Operating result before interest, tax, depreciation and amortisation	2,311	2,082	1,424	934	314	489	-117	-116	3,932	3,389
Operating result	1,621	1,345	1,023	466	166	140	-125	-108	2,685	1,843
Interest income	-346	-210	-203	-234	34	-134	0	-8	-515	-586
Result before income taxes	1,275	1,135	820	232	200	6	-125	-116	2,170	1,257
Segment assets	42,490	38,939	36,223	33,075	9,176	10,895	1,495	2,214	89,384	85,123
Segment liabilities	18,418	16,465	23,408	22,037	8,947	10,348	6,805	8,086	57,578	56,936
Segment investments	331	333	815	168	85	102	262	175	1,493	778

Financial Calendar

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

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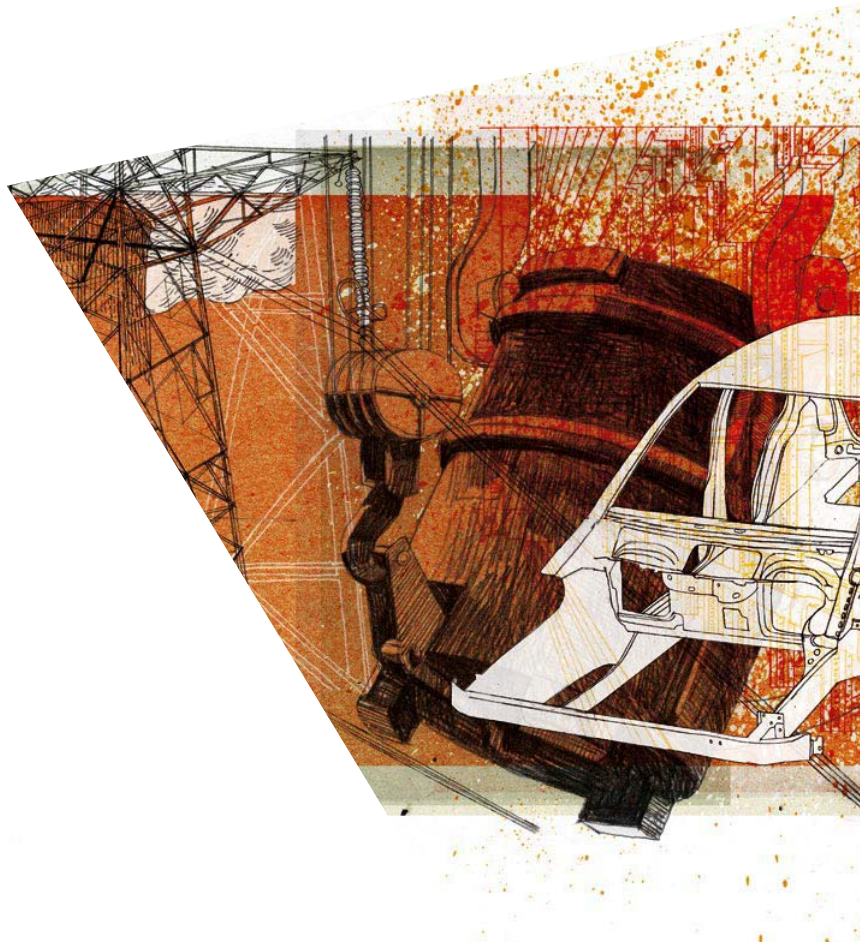
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We will be happy to include you in our distribution list for stockholder information.

Please contact us should you require other information material.

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



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