What exactly do we do when we try to make sense of the behaviour of other people? There are two standard theories on the market: the so-called Theory-Theory and Simulation Theory. Furthermore, there are some recent approaches like Interaction Theory and the Narrative Theory. All these theories have severe deficits. So we are in need of a new alternative. I suggest the Person Model Theory. Person models are the basis for our ability to register and evaluate persons having mental as well as physical properties. I argue that there are two kinds of person models, nonconceptual person schemata and conceptual person images and both types of models can be developed for individuals as well as for groups. One interesting aspect of this theory of understanding others is that we can integrate the self-understanding as a special case of modelling persons.