Q U A R T E R L Y   R E P O R T

Beta Systems Software AG announces results for the first quarter 2004

Berlin, May 7, 2004 - Beta Systems Software AG, Berlin, (Prime Standard: BSS) recorded a significant year-on-year increase in revenues in the first quarter ended March 31, 2004.

Operational Highlights First Quarter 2004

- "Go Ahead Beta" program continues: acquisition of majority interest in Kleindienst Datentechnik AG and submission of mandatory offer

- Majority interest in Kleindienst stands at 73.87% following mandatory offer and stock exchange purchases

Financial Highlights First Quarter 2004

- Revenue increased by 24.2% to Euro 11.6 million (Q1 2003: Euro 9.3 million)

- Non-recurring effect of Euro 0.5 million attributable to non-cash expenses for stock options as a result of significant increase in Beta Systems' share price

- Operating loss of Euro 1.7 million (Q1 2003: operating loss of Euro 1.5 million)

- Pre-tax loss of Euro 1.1 million (Q1 2003: pre-tax loss of Euro 1.2 million)

- Net loss of Euro 0.7 million or Euro 0.18 per share
  (Q1 2003: net loss of Euro 0.5 million or Euro 0.14 per share)

- Positive cash flow from operating activities amounting to Euro 8.9 million

- Decline in cash and cash equivalents to Euro 8.8 million due to acquisition of majority interest in Kleindienst

Comments of the Management Board

"In terms of operating activities, the first quarter progressed in line with our corporate targets. In fact, we generated double-digit growth in almost all business units. Security Management and Document/Output Management proved particularly successful, achieving substantial increases in revenue and securing a number of new contracts. Adjusted for the non-recurring effects associated with stock-option expenses, which were a direct result of the significant increase in our share price in the first quarter, our quarterly result once again showed signs of year-on-year improvement and currently stands at a level that can be considered satisfactory," said Karl-Joachim Veigel, CEO of Beta Systems Software AG, commenting on the results.

"The acquisition of Kleindienst Datentechnik AG initiated in the first quarter will propel our company into the top-ten ranking of German software enterprises and will allow us to position ourselves as one of Germany's leading independent software houses. It also gives us the opportunity to spearhead a targeted assault on the Open Systems market and to extend our portfolio on a systematic basis."

Mr. Veigel concluded: "Benefiting from the corporate amalgamation with Kleindienst Datentechnik AG, Beta Systems will emerge as a premier player within the growth market of Enterprise Content Management, supplying a comprehensive range of products and customized solutions as well as supervising complex IT projects. We were delighted at the favorable reaction to our takeover shown by customers, shareholders, employees and business associates from both companies. This is a clear incentive for us to bring the acquisition to a swift conclusion; working in close cooperation with the management board of Kleindienst, we are currently defining detailed action plans and subsequent measures to ensure the integration of both companies."

"Go Ahead Beta" program continues

As part of the "Go Ahead Beta" program, which spans a period of three to five years, the management of Beta Systems set itself the objective of becoming a strategic supplier to its existing customer base. The long-term goal is to establish the Company as a leading European systems management enterprise. The acquisition of a majority interest in Kleindienst Datentechnik AG will provide additional forward momentum when it comes to delivering software infrastructure solutions targeted at controlling and safeguarding business-critical applications.

Kleindienst Datentechnik AG – Majority interest and mandatory offer

On March 18, 2004, Beta Systems acquired 2,052,251 bearer shares in Kleindienst Datentechnik AG, Augsburg/Germany, at a purchase price of Euro 7.50 per share. This represents 51.31% of the share capital furnished with voting rights. The shares were purchased from an investment group headed by German Venture Managers (2000) Limited as well as the Chairman of the Supervisory Board and the Chairman of the Management Board of Kleindienst Datentechnik AG.

On April 6, 2004, Beta Systems published the offer document relating to the mandatory offer put forward to the shareholders of Kleindienst Datentechnik AG. The offer is aimed at acquiring all shares in Kleindienst not currently held by Beta Systems. As part of the offer put forward by Beta Systems to the shareholders of Kleindienst, Beta System proposes to acquire the shares held by said shareholders for a price of 7.50 Euro per share, thus conforming with the provisions of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs - und Übernahmegesetz). The offer and its execution are not dependent on the fulfillment of suspensory conditions. The acceptance period commences on April 6, 2004, and ends on May 18, 2004.

As of May 3, 2004, the mandatory offer was accepted for a total of 274,758 shares. This represents 6.87% of the share capital and the voting rights of Kleindienst Datentechnik AG. In addition, as of the aforementioned

date, Beta Systems acquired a further 627,849 shares in Kleindienst Datentechnik AG, representing 15.69% of the share capital and voting rights of Kleindienst Datentechnik Aktiengesellschaft, at a price of Euro 7.50 per share. This transaction was effected as part of stock-exchange purchases beyond the framework of the mandatory offer.

Thus, as at the reporting date, Beta Systems held a total of 2,954,858 shares in Kleindienst Datentechnik AG. This represents 73.87% of the share capital and the voting rights of Kleindienst Datentechnik AG.

The acquisition of all 4,000,000 shares in Kleindienst Datentechnik AG would represent an aggregate purchase price of Euro 30.0 million for Beta Systems, in addition to transaction costs amounting to an estimated Euro 1.0 million. Beta Systems Software AG has at its disposal cash resources and confirmed loans to cover the purchase consideration for the acquisition of Kleindienst Datentechnik AG. The aforementioned cash resources and confirmed loans are in excess of the aggregate purchase price.

Rationale behind the acquisition of Kleindienst Datentechnik AG

- Creation of a major IT solution provider for software infrastructure within the field of Enterprise Content Management (ECM)

- Development of a comprehensive ECM solution for input und output management based on complementary product portfolios

The recent series of company mergers within the area of Enterprise Content Management (ECM) is evidence of a growing trend in the IT market, which is dominated by the need to consolidate on the one hand and the desire to unlock additional growth potential on the other. By acquiring Kleindienst Datentechnik AG, Beta Systems will further enhance its competitive position within the growth market of Enterprise Content Management. The market research company META Group has forecast growth of around 15% per annum for this segment over the coming years.

Specializing in document management, Kleindienst Datentechnik has successfully positioned itself as a market leader in the field of input management. This encompasses scanning, automatic interpretation, and archiving of documents. Beta Systems' core competence is to be found chiefly in the area of document distribution, processing, and output (so-called output management). The acquisition will allow Beta Systems to extend its service offering within the area of ECM software infrastructure by introducing pioneering input management products. Furthermore, the Company looks set to enhance its level of expertise as a solution provider and a lead contractor for highly complex projects.

Supported by pooled strengths and resources, the merging of Beta Systems and Kleindienst Datentechnik will create a force to be reckoned with in the ECM segment:

- Together with Kleindienst Datentechnik, Beta Systems presents customers with the prospect of seamless business processes by implementing highly compatible document and information logistics on the basis of a uniform software infrastructure.

- In a concerted effort with Kleindienst Datentechnik, Beta Systems will emerge as one of the few specialists with the ability to deliver solutions on all relevant platforms such as Microsoft, Unix, and Mainframe as well as in the Open Source (Linux) environment.

- In unison with Kleindienst Datentechnik, Beta Systems will serve all major European markets. Whereas Beta Systems has established a strong presence with sales organizations in almost all Western European countries, Kleindienst has focused on Germany as well as the growth markets of Central and Eastern Europe.

As a result of the acquisition of a majority interest, Kleindienst Datentechnik AG will be included in the scope of consolidation of the Beta Systems Group as of the second quarter of fiscal 2004. This shall take effect on April 1, 2004. The financial results attributable to Kleindienst Datentechnik AG are not included in the quarterly results of Beta Systems Software AG for the first quarter 2004.

Effect of the acquisition on the financial position, financial performance, and cash flows
The information contained in the following section is based on the assumption that Beta Systems acquires all Kleindienst shares issued at a price of Euro 7.50 per share. Moreover, the information contained in the following section is based on the assumption that Beta Systems is able to fund the aggregate purchase price and transaction costs of approx. Euro 31.0 million, by means of a loan in the amount of Euro 16.0 million and the provision of existing current-asset resources in the amount of Euro 15.0 million.

The following section contains selected financial data of the Beta Systems Group taken from the consolidated financial statements for the fiscal year ended December 31, 2003. The fiscal year of the consolidated entities within the Beta Systems Group and the Kleindienst Group coincides with the calendar year.

According to the consolidated financial statements, the Kleindienst Group generated revenue amounting to Euro 68.6 million in the fiscal year ended December 31, 2003. Operating income totaled Euro 4.4 million, while net income for the period amounted to Euro 0.8 million. As of December 31, 2003, the Kleindienst Group had total assets (balance sheet total) of Euro 55.3 million.

Based on the current valuations performed by the Company to date, Beta Systems is of the opinion that, on the basis of the consolidated financial statements of the Beta Systems Group and the consolidated financial statements of the Kleindienst Group (having accounted for the capitalization of transaction costs), the financial position, financial performance, and cash flows of the Beta Systems Group may be subject to the following pro forma effects (as of December 31, 2003):

Effect on balance sheet

in Euro millions	Beta Systems Group excl. Kleindienst Group	Beta Systems Gruppe incl Kleindienst Group
Cash and cash equivalents	14.8	15.7
Accounts receivable (less allowances)	26.1	28.8
Other current assets	3.2	17.4
Property and equipment	3.1	10.2
Goodwill and other intangible assets	1.6	10.6
Capitalized software development costs	4.2	11.5
Deferred tax assets	3.3	8.8
Other non-current assets	5.8	6.0
Total assets	**62.1**	**109.0**
Current liabilities	25.6	47.5
Long-term debt	0.1	19.2
Other liabilities	4.7	5.8
Accrued expenses	0.0	0.4
Interest of other shareholders	0.0	4.8
Shareholders' equity	31.7	31.3
Total liabilities and shareholders' equity	**62.1**	**109.0**

Effect on income statement

Assuming full inclusion of Kleindienst and its consolidated subsidiaries in the consolidated financial statements of the Beta Systems Group – without accounting for loss of interest income associated with cash resources utilized and interest expense for external funding of the acquisition of Kleindienst –, the following pro forma effects on the income statement are considered possible as of December 31, 2003:

- An increase in revenue of approx. Euro 68.6 million, resulting in total revenue of Euro 124.4 million.

- An increase in operating income of approx. Euro 4.4 million, resulting in total operating income of Euro 8.2 million.

- A decline in financial income of approx. Euro 0.9 million, resulting in a financial result of minus Euro 0.6 million.

- An increase in income taxes of approx. Euro 1.9 million, resulting in total income taxes of Euro 3.2 million.

- An increase in net income of approx. Euro 0.8 million, resulting in total net income of Euro 4.3 million.

If an outflow of cash resources used for the acquisition of Kleindienst shares had already taken place at the beginning of fiscal 2003, interest income would have been Euro 0.3 million lower. Beta Systems anticipates that interest expense associated with the loan granted for the acquisition of Kleindienst will total Euro 0.4 million for the period from the date on which it avails itself of the loan to the end of the year 2004.

Other Events

- Change to the Management Board of Beta Systems

The Management Board and the Supervisory Board of Beta Systems have announced that Ralf Männlein, the Management Board member responsible for Marketing, Services, and Global Sales, asked the Supervisory Board not to extend his contract ending on June 1, 2004, due to personal reasons. The Supervisory Board has complied with his request and would like to thank Mr. Männlein for his dedication and the close rapport established over the course of the last four fiscal years. The area of responsibility previously managed by Mr. Männlein will be supervised by the CEO Karl-Joachim Veigel for a transitional period.

Development of Revenue

The Company's revenues are generated through software licenses, maintenance agreements, and services. Revenues increased by 24.2% to Euro 11.6 million in the first quarter of 2004, up from Euro 9.3 million in the first quarter of 2003. This upward trend was underpinned by a number of license and license upgrade agreements with major companies such as Signal Iduna, Zuger Kantonalbank, Itellium, Michelin, ARAG IT, World Savings & Loan, and DB Systems.

Revenues from licenses increased by 39.0% to Euro 4.5 million in the first quarter of fiscal 2004, up from Euro 3.2 million in the first quarter of fiscal 2003. This growth is mainly attributable to higher sales of new licenses (22.6% of total revenue). Revenues from new licenses amounted to Euro 2.6 million in the first quarter of 2004, in contrast to Euro 1.9 million in the first quarter of 2003. This corresponds to an increase of 34.9%. At the same time, revenues from license upgrades (16.3% of total revenue) increased to Euro 1.9 million in the first quarter of 2004, up from Euro 1.3 million in the first quarter of 2003. Maintenance revenues (51.4% of total revenue) increased by 14.1% to Euro 6.0 million in the period under review, up from Euro 5.2 million in the first quarter of 2003. This was mainly prompted by additional maintenance contracts resulting from new license agreements concluded in the previous fiscal year. Revenues generated by Services (9.7% of total revenue) increased by 29.3%, up from Euro 0.9 million in the first quarter of 2003, to Euro 1.1 million in 2004.

Performance of Business Units

All business units generate revenues from product licenses, maintenance contracts, and services. The Company's Data Center Management, Document/Output Management, and Security Management business units mainly operate within the German and European markets, while the Storage Management business unit has its main focus on North America.

In the first quarter of 2004, revenues generated by the business units Data Center Management, Document Management, Security Management, and Storage Management amounted to 30.8%, 27.3%, 33.0%, and 8.9% of revenues respectively, in contrast to 35.2%, 28.7%, 27.2%, and 8.9% respectively in the same period last year. Compared with the first quarter of 2003, revenues generated by the Data Center Management, Document Management, Security Management, and Storage Management business units increased by 8.5%, 18.5%, 50.4%, and 24.4% respectively.

Operating income for the Data Center Management business was close to break-even in the period under review, following a loss of Euro 0.3 million in the first quarter of 2003. The loss recorded by the Document Management business unit decreased from Euro 1.1 million in Q1 2003 to Euro 0.6 million in Q1 2004. In contrast to a break-even result achieved in the first quarter of 2003, the Security Management business unit recorded an operating loss of Euro 1.1 million in the period under review as a result of increased investments in research and development. Operating income generated by the Storage Management business unit was close to break-even in the first quarter of 2004, following a loss of Euro 0.1 in the same period a year ago.

Gross Profit

Gross profit increased by 16.9% to Euro 7.5 million in the first quarter of 2004, compared with Euro 6.4 million in the first quarter of 2003. The Company's gross margin declined to 64.5% in the first quarter of 2004, down from 68.8% in the same period a year ago. The downward shift was attributable chiefly to a negative gross-profit contribution by Services. This, in turn, was the result of a decline in capacity utilization of human resources in Professional Services at the beginning of 2004.

Costs and Expenses Development

Operating expenses increased by Euro 1.2 million, i.e. 15.3%, to Euro 9.1 million in the first quarter of 2004, compared to Euro 7.9 million in the first quarter of 2003. The stock option plan implemented for senior management at Beta Systems and accounted for in net income represented a significant non-cash expense item in the period under review. As a result of the substantial increase in Beta Systems' share price, total expenses amounted to Euro 0.5 million.

Selling expenses increased by 22.8% year on year. At Euro 2.2 million, general and administrative expenses remained virtually unchanged compared with the same period a year ago. Research and development costs amounted to Euro 2.7 million in the first quarter of 2004 (Q1 2003: Euro 2.3 million), an increase of 20.5%. Within this context, staff recruitment measures implemented at the development unit in Cologne resulted in an increase in costs. The recruitment drive completed at the end of 2003 is aimed, in particular, at shortening development cycles for the Open Systems version of the Security Administration Manager (SAM). Furthermore, in the previous fiscal year R&D costs associated with the newly acquired SAM product line were not applicable until February.

As a result of the increase in overall revenues, operating expenses as a percentage of revenues fell from 84.9% in Q1 2003 to 78.8% in the first quarter of 2004.

Income

The operating loss for the first quarter of fiscal 2004 amounted to Euro 1.7 million, in contrast to an operating loss of Euro 1.5 million posted in the same quarter a year ago. The company generated other income amounting to Euro 0.4 million. The loss before interest and taxes amounted to Euro 1.2 million in the first quarter of 2004, compared to Euro 1.4 million in the first quarter of 2003. Interest income totaled Euro 0.1 million (Q1 2003: Euro 0.2 million).The loss before taxes was Euro 1.1 million in the first quarter of 2004 (Q1 2003: loss before taxes of Euro 1.2 million).

Tax Expenses and Net Income

Tax income attributable to the first quarter of 2004 was the result of the recognition of deferred tax assets for the carryforward of losses in the amount of Euro 0.4 million. Therefore, this item is considered to be non-cash income. The net loss for the first quarter of 2004 was Euro 0.7 million, or Euro 0.18 per share, in contrast to a net loss of Euro 0.5 million, or Euro 0.14 per share, in the first quarter of 2003. In the first quarter of 2004, the weighted average number of shares outstanding was 3,960,405 (Q1 2003: 3,914,626).

Financial Position

As at March 31, 2004, the Company had cash and cash equivalents amounting to Euro 8.8 million and shareholders' equity of Euro 31.5 million, compared with cash and cash equivalents of Euro 14.8 million and shareholders' equity of Euro 31.7 million at December 31, 2003. The decrease in cash and cash equivalents is mainly a result of the purchase of the majority stake in Kleindienst Datentechnik AG.

Personnel

The overall number of staff employed by Beta Systems Software AG increased from 381 at the end of fiscal 2003 to 387 as of March 31, 2004.

Conference Call

The Management Board will comment on the financial results for the first quarter of 2004 as part of a conference call to be held on Friday, 7 May 2004. The conference call will take place at 11:00 CET and can be accessed by calling +44 (0)207 019 9509 (Access Code: "betasystems"). A tape recording of the telephone conference will be available for twenty-four hours. This recording can be accessed by calling +44 (0)207 984 7578 (Access Code: 544921).

The Management Board

Disclosure of Director's Holdings of Beta Systems Software AG (unaudited)

At March 31, 2004	Number of shares	Number of options
Management Board		
Karl-Joachim Veigel	61,720	29,600
Ralf Männlein	-	24,600
Dr. Oskar von Dungern	2,020	24,600
Supervisory Board		
Harald J. Joos	1,000	5,000
William P. Schmidt	534,166	-
Dr. Karl Kauermann	-	5,000
Bernhard Auer	-	5,000
Stefan Hillenbach	2,644	5,616
Martina Dymala	170	5,820
Beta Systems Software AG		
Treasury stock	60,305	-

Beta Systems Software AG, Berlin, Germany

Beta Systems Software AG (Deutsche Börse - Prime Standard: BSS) is a leading provider of intelligent, high-performance solutions for the administration of bulk data. Beta Systems supplies software which enables companies to streamline and simplify their data center, backup, and document management processes. The company specializes in the automation and optimization of its customers' high volume data processing systems, focusing on handling, storing, and distributing data and documents in the most cost effective and intelligent way. Beta Systems' customers are typically large organizations in the industrial, finance, telecommunications, energy, service, and public sectors whose previous methods of data management involved cumbersome procedures consuming a great deal of time, money, and other resources. The solutions developed by Beta Systems have an open architecture and create an information infrastructure which considerably reduces the previous complexity of the customer's information management. Beta Systems' products are distributed worldwide by its own subsidiaries as well as partner organizations. The company has been publicly traded since 1997 and has 387 employees worldwide (as of March 2004). For further information, please visit the company website at www.betasystems.com .

Contacts:

Investor Relations	**Public Relations**
Arne Bassler	Stefanie Katrin Fehse
Beta Systems Software AG	Beta Systems Software AG
Tel.: +49 (0)30 726 118 -170	Tel.: +49 (0)30 726 118 -674
Fax: +49 (0)30 726 118 -881	Fax: +49 (0)30 726 118 -852
e-mail: arne.bassler@betasystems.com	e-mail: stefanie.fehse@betasystems.com

Except for the historical information herein, the matters discussed in the news release include forward-looking statements within the meaning of the 'safe harbor' provisions of the US Private Securities Litigation Reform Act of 1995, that may involve a number of risks and uncertainties. Actual results may vary significantly based on a number of factors, including, but not limited to, risks in product and technology development, market acceptance of new products and continuing product demand, the impact of competitive products and pricing, changing economic conditions both here and abroad, timely development and release of new products by strategic suppliers and other risk factors detailed in the Company's most recent annual report and other filings with the Securities and Exchange Commission, as well as the effect of the Company's accounting policies.

All trademarks, trade names, service marks, and logos referenced herein belong to their respective companies.

_betasystems

Beta Systems Software AG and Subsidiaries
Consolidated Statements of Income
(In US GAAP; Euro in thousands, except share data)

	Three months ended March 31,	
	2003	**2004**
	(unaudited)	**(unaudited)**
Revenues:		
Product licences	3,243	4,509
Maintenance	5,219	5,956
Service	874	1,131
Total revenues	9,336	11,596
Cost of revenues:		
Product licences	522	601
Maintenance	1,339	1,867
Service	1,075	1,645
Total cost of revenues	2,936	4,113
Gross profit	6,400	7,483
Operating expenses:		
Selling	3,453	4,240
General and administrative	2,215	2,174
Research and development	2,258	2,720
Amortization of intangible assets	7	15
Total operating expenses	7,933	9,149
Operating loss	(1,533)	(1,666)
Other income, net	180	437
Interest income, net	175	88
Loss before income taxes	(1,178)	(1,141)
Income tax benefit	(629)	(422)
Net loss	**(549)**	**(719)**
Net loss per ordinary share		
Basic and diluted	(0.14)	(0.18)
Weighted average number of shares used to compute net loss per ordinary share		
Basic and diluted	3,914,626	3,960,405

See accompanying Notes to the Consolidated Financial Statements

10

Beta Systems Software AG and Subsidiaries
Consolidated Balance Sheets
(In US GAAP; Euro in thousands, except share data)

	At December 31, 2003	At March 31, 2004
	(audited)	**(unaudited)**
Current assets:		
Cash and cash equivalents	14,775	8,827
Restricted Cash	0	10,155
Marketable securities available for sale, at fair value	1,018	1,025
Accounts receivable, less allowances:		
2003: 628; 2004: 466	26,096	24,152
Prepaid expenses and deferred charges	863	1,510
Deferred income taxes (current)	35	535
Other current assets	1,359	1,266
Total current assets	44,146	47,470
Property and equipment, net	3,129	2,945
Goodwill and other intangibles, net	1,554	1,550
Capitalized software development costs, net	4,190	4,081
Investments	0	4,212
Deferred income taxes (non-current)	3,295	3,300
Other assets	5,825	4,781
Total assets	62,139	68,339
Current liabilities:		
Current installments of obligations under capital leases	367	269
Accounts payable	3,558	2,584
Deferred revenue	11,028	18,932
Income taxes payable	401	499
Deferred income taxes (current)	1,995	1,934
Accrued expenses and other current liabilities	8,283	7,897
Total current liabilities	25,632	32,115
Long-term debt and other liabilities	67	13
Pension obligations	850	859
Deferred income taxes (non-current)	3,875	3,875
Other liabilities	5	6
Total liabilities	30,429	36,868
Shareholders' equity		
Ordinary shares, EUR 2.56 imputed nominal value, December 2003 and March 2004: 4,020,710 shares issued and 3,960,405 shares outstanding	10,279	10,279
Capital in excess of par value	38,244	38,787
Accumulated deficit	(17,619)	(18,338)
Accumulated other comprehensive income	1,225	1,162
Treasury stock at cost: 60,305 shares in 2003 and 2004	(419)	(419)
Total shareholders' equity	31,710	31,471
Total liabilities and shareholders' equity	62,139	68,339

See accompanying Notes to the Consolidated Financial Statements

Beta Systems Software AG and Subsidiaries
Consolidated Statements of Cash Flows
(In US GAAP; Euro in thousands)

	Three months ended March 31,	
	2003	**2004**
	(unaudited)	**(unaudited)**
Operating activities		
Net loss	(549)	(719)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	610	658
(Gain) Loss on sale of equipment	81	(26)
Compensation expenses	42	543
Deferred taxes	(661)	(565)
Changes in assets and liabilities, net of amounts acquired:		
Decrease in accounts receivable	624	1,944
Decrease in accounts payable	(44)	(974)
Increase in deferred revenue	8,603	7,904
Change in other assets and liabilities including current tax	(341)	158
Net cash provided by operating activities	8,365	8,923
Investing activities		
Proceeds from sale of short-term investment	2,500	0
Purchases of property and equipment	(160)	(173)
Proceeds from sales of property and equipment	12	33
Capitalization of software development costs	(114)	(162)
Cash restricted for business acquisition	0	(10,155)
Cash paid for investments and asset deals, net	(2,420)	(4,212)
Net cash used in investing activities	(182)	(14,669)
Financing activities		
Payment of long-term debt and capital leases	(94)	(98)
Proceeds from issuance of long-term debt	5	0
Net cash used in financing activities	(89)	(98)
Effect of exchange rate changes on cash	(166)	(104)
Increase in cash and cash equivalents	7,928	(5,948)
Cash and cash equivalents at beginning of period	15,740	14,775
Cash and cash equivalents at end of period	23,668	8,827

See accompanying Notes to the Consolidated Financial Statements

Beta Systems Software AG and Subsidiaries
Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss)
(In US GAAP; Euro in thousands, except share data)
Three months ended March 31, 2004 (unaudited)

	Ordinary Shares		Capital in Excess of Par Value	Unearned Deferred Compensation	Accumulated Other Comprehensive Income	Accumulated Deficit	Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Number of Shares Issued	Nominal Amount						Number of Shares	Amount, at Cost	
Balance at December 31, 2002	3,974,931	10,162	38,627	(597)	1,232	(21,129)		(60,305)	(419)	27,876
Issuance of ordinary shares	45,779	117	61	-	-	-		-	-	178
Net income	-	-	-	-	-	3,510	3,510	-	-	3,510
Other comprehensive loss, net of tax effect										
Unrealized gain on investment securities	-	-	-	-	-	-	176	-	-	-
Currency translation adjustments	-	-	-	-	-	-	(183)	-	-	-
Other comprehensive loss	-	-	-	-	(7)	-	(7)	-	-	(7)
Comprehensive income	-	-	-	-	-	-	3,503	-	-	-
Compensation related to stock options vesting	-	-	(444)	597	-	-		-	-	153
Balance at December 31, 2003	4,020,710	10,279	38,244	0	1,225	(17,619)		(60,305)	(419)	31,710
Issuance of ordinary shares	-	-	-	-	-	-		-	-	-
Net loss	-	-	-	-	-	(719)	(719)	-	-	(719)
Other comprehensive loss, net of tax effect										
Unrealized gain on investment securities	-	-	-	-	-	-	7	-	-	-
Currency translation adjustments	-	-	-	-	-	-	(70)	-	-	-
Other comprehensive loss	-	-	-	-	(63)	-	(63)	-	-	(63)
Net loss, including comprehensive loss	-	-	-	-	-	-	(782)	-	-	-
Compensation related to stock options vesting	-	-	543	-	-	-		-	-	543
Balance at March 31, 2004	4,020,710	10,279	38,787	0	1,162	(18,338)		(60,305)	(419)	31,471

See accompanying Notes to the Consolidated Financial Statements

Beta Systems Software AG and Subsidiaries - Notes to the Consolidated Financial Statements
(In US GAAP; Euro in thousands, except share data)

1. Summary of Significant Accounting Policies

Description of Business — Beta Systems Software Aktiengesellschaft and subsidiaries ("Beta Systems" or "the Company") develops, markets and supports enterprise automation software solutions for mainframe computers and other hardware managed by information systems departments of large corporations, government agencies and other organizations. The Company's products are designed to increase the productivity of data centers by automating manual tasks and optimizing the use of hardware resources. The Company's products feature a common comprehensive architecture which facilitates the development and integration of the Company's products across applications. The Company's principal offices are located in Berlin, Germany, and subsidiaries are located throughout Europe and North America.

Basis of Presentation — The consolidated financial statements have been prepared in accordance with the accounting principles for interim financial information generally accepted in the United States of America (US GAAP). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the fiscal year 2004. For further information, refer to the Company's financial statements and footnotes thereto for the fiscal year ended December 31, 2003.

Principles of Consolidation — All companies in which Beta Systems has legal control are fully consolidated. The effects of intercompany transactions have been eliminated.

Foreign Currencies — The balance sheets of foreign subsidiaries have been translated to Euro on the basis of period-end exchange rates, while the income statements have been translated using average exchange rates during the period. Cumulative translation adjustments are reported as a separate component of other comprehensive income.

Revenue Recognition — Product license revenue, consisting of new product licenses, version upgrades and CPU upgrades, is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is probable. If a licensing agreement includes multiple elements, revenues are allocated to those elements based on vendor specific objective evidence of fair value. Maintenance revenue is recognized ratably over the maintenance period. Service revenue consists principally of installation and training and is recognized as the services are performed. In addition to the existing standard software product range, the Company also offers products to meet the demand for individually customized software solutions. Revenues from these construction contracts are recognized according to the efforts-expended-method, a percentage-of-completion method requiring the following criteria be satisfied for revenue recognition: rights and responsibilities must be clearly defined in the contract, pre-project calculation of costs and revenues must be possible, the final profitability of the project must be able to be determined reliably and objectively, i.e. further projected costs and revenues must equally be able to be estimated accurately, risks may not hinder the ability to deliver the contract (e.g. credit risks, legal considerations), and payment by the customer must be probable.

Research and Development and Capitalized Software Development Costs — Research and development costs are charged to expense as incurred. Costs for the development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time further development costs are capitalized. Capitalization of costs ceases when the product is available for general release to customers.

Capitalized software development costs are amortized each reporting period by the greater of (i) the straight-line method over the estimated useful life of the software (normally five years) or (ii) the ratio of current gross revenues from sales of the software to the total of current and anticipated future gross revenues from sales of that software.

At each balance sheet date, unamortized capitalized software development costs are compared to net realizable values of those products to determine whether an impairment exists. If an impairment has occurred, the amount by which the unamortized capitalized software development costs exceed the net realizable value (the present value of future estimated sales of the products less costs to sell) of that asset is written off.

Advertising Costs — Advertising costs are charged to expense as incurred.

Cash and Cash Equivalents — Cash and cash equivalents represent cash and highly liquid certificates of deposit and investments with original maturities of three months or less.

Restricted Cash — As at March 31, 2004, a restricted cash amount of EUR 10,155 is available for the purchase price of the acquisition of Kleindienst Datentechnik AG. The amount is disclosed under investing activities in the Statements of Cash Flows.

Property and Equipment — Property and equipment is valued at acquisition cost and subsequently depreciated using the straight-line method over the assets' useful lives as follows: building improvements — 5 to 10 years; computer equipment — 3 to 5 years; facilities and office equipment — 3 to 10 years.

Goodwill and Other Intangible Assets — Intangible assets including goodwill are valued at acquisition cost. At each reporting date the Company assesses the recoverability in accordance with FAS 142.

Other Non-Current Assets — Other non-current assets include an investment intended to fund a portion of the Company's pension obligations. The Company accounts for such investment at cash surrender value. In addition, other assets include tax receivables and receivables from unbilled invoices.

Marketable Equity Securities — In accordance with SFAS No. 115 the Company has classified these securities as "available-for-sale" and reports them at fair value based on market quotations. Unrealized holding gains and losses are accounted for as other comprehensive income and accumulated as a separate component of shareholders' equity until realized. A decline below cost in the market value of any available-for-sale security that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings, and a new cost basis is established.

Fair Value of Financial Instruments — Financial instruments of the Company consist primarily of cash and cash equivalents, marketable securities, accounts receivable, accounts payable, accrued liabilities and long-term debt. The fair value of long-term debt does not vary materially from its carrying value. The carrying value of other financial instruments approximates their fair value because of the short maturity of such instruments.

Stock Option Plans — The Company accounts for its stock incentive plans in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation* permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant.

Alternatively, SFAS No. 123 also allows entities to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock based compensation, as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to apply the provisions of APB Opinion No. 25 and to provide the pro forma disclosure provisions of SFAS No. 123.

Net Loss Per Share — Basic net loss per ordinary share has been calculated by dividing net loss by the weighted average number of ordinary shares outstanding during each period. Diluted net loss per ordinary share has been calculated in accordance with SFAS No. 128 to reflect the effect of dilutive securities.

The following is a reconciliation from basic loss per share to diluted loss per share from continuing operations:

	At March 31, 2003	2004
Net Loss	(549)	(719)
Average Number of Shares Outstanding	3,914,626	3,960,405
Effect of Dilution: Options	0	0
	3,914,626	3,960,405
Net Loss per Share – Basic and Diluted...........................	(0.14)	(0.18)

Use of Estimates — The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent amounts at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Segment Information

All segments derive revenues from sales of product licenses as well as maintenance and consulting services. The accounting policies of the operating segments are the same as those described in Summary of Significant Accounting Policies. Segment amounts disclosed are prior to any elimination entries made in consolidation.

Additionally, entities in Germany and Canada engage in research and development activities.

Three months ended March 31, 2003	Storage Management	Security Management	Data Center Management	Document Management	Total
Revenues from Customers	830	2,542	3,290	2,674	9,336
Intersegment Revenues	198	607	786	639	2,230
	1,028	3,149	4,076	3,313	11,566
Segment Income (Loss)	(144)	17	(298)	(1,101)	(1,526)

Three months ended March 31, 2004	Storage Management	Security Management	Data Center Management	Document Management	Total
Revenues from Customers	1,033	3,824	3,570	3,169	11,596
Intersegment Revenues	279	1,030	963	855	3,127
	1,312	4,854	4,533	4,024	14,723
Segment Income (Loss)	(56)	(1,100)	55	(550)	(1,651)

**Beta Systems Software AG and Subsidiaries - Notes to the Consolidated Financial Statements
(In US GAAP; Euro in thousands, except share data)**

A reconciliation of the loss before taxes of the reportable segments to the Company's consolidated totals is as follows:

	At March 31,	
	2003	2004
Loss before Taxes		
Total Operating Loss for Reportable Segments	(1,526)	(1,651)
Unallocated Amount of Overhead....................................	(7)	(15)
Other Income, net	180	437
Interest Income	175	88
Consolidated Loss before Taxes, as reported	(1,178)	(1,141)

A distribution of revenues and net operating income for the regions Germany, Europe, and America for the period ended March 31, 2004 is as follows:

Three months ended March 31, 2004	Germany	Europe	America	Total
Group Revenues, as reported..........................	5,752	4,025	1,819	11,596
Operating Income (Loss).................................	(1,675)	65	(41)	(1,651)

3. Comprehensive Loss

Comprehensive loss consists of the following:

Three months ended March 31,	2003	2004
Net Loss	(549)	(719)
Other Comprehensive Income (Loss)		
Foreign Currency Translation adjustments........................	(127)	(70)
Unrealized Gain (Loss) on Investment Securities	(141)	7
Comprehensive Loss	(817)	(782)

4. Business acquisitions

On March 18, 2004, the Company concluded three acquisition- and assignment contracts for the purchase of altogether 2,052,251 shares of Kleindienst Datentechnik AG, Augsburg, Germany, at an acquisition price of EUR 7,50 per share. This represents 51.31% of the total issued share capital of Kleindienst. Transfer of ownership became effective upon payment of the purchase price on April 1, 2004.

Between March 19, 2004 and March, 26, 2004 the Company purchased 513,428 Kleindienst shares on the stock exchange at a price not exceeding EUR 7,50 per share. These shares are classified as capitalized investments as at March 31, 2004. Further, purchase costs of EUR 361 were activated.

On April 6, 2004 the Company published its public offer in accordance with the German Securities and Takeover Act for the purchase of the remaining shares of Kleindienst at on offer price of EUR 7,50 per share. The acceptance period ends on May 18, 2004.

Beta Systems Software AG and Subsidiaries - Notes to the Consolidated Financial Statements
(In US GAAP; Euro in thousands, except share data)

Issued share capital of Kleindienst at the time of signing the public offer on April 1, 2004 amounted to EUR 12,000, divided into 4,000,000 shares with a nominal value of EUR 3.00.

As at May 3, 2004, the Company had acquired 2,954,858 shares of Kleindienst Datentechnik AG. This represents 73.87% of the total share capital of Kleindienst Datentechnik AG. The acquisition of the total number of 4,000,000 shares results in an aggregate purchase price of EUR 30,000; additional estimated transaction costs of EUR 1,000 accrue. The purchase price for the acquisition of Kleindienst Datentechnik AG is available in cash and in firmly granted bank credits in an amount exceeding the purchase price.

Kleindienst and its subsidiaries ("Kleindienst Group") is a leading developer and provider of software-supported Document Management solutions with key areas of competence in product development, systems integration, service and support.

The business activity of the Kleindienst Group is divided into the segments Enterprise Systems and Outsourcing Services. The Enterprise Systems segment develops and markets software-supported solutions for enterprise-wide document management for various sectors, in particular for payment processing in the banking sector. The Outsourcing Services segment represents Kleindienst's business as external service provider for banks on the basis of long-term contracts for the electronic processing and archiving of documents.

Background and aim of the offer is the achievement of a decisive strengthening of the competitive position of the Company in the growing market for software infrastructure for the capture and the management of digital contents, the steering of processes and the best possible connection to already existing systems ("Enterprise Content Management" or "ECM").

Kleindienst as document management specialist is a leading enterprise especially in the area of document input (Input Management). The expertise of Beta lies especially in the area of document distribution, processing and output (Output Management).

With the takeover of Kleindienst and the bundling of the strengths of both enterprises Beta expands its capacity and its competence as provider of complex software infrastructure for all relevant platforms in the entire European market.

The allocation of the purchase price is, due to reasons of practicability, not yet possible.