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[Quarterly Report]

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Key Operational Highlights

- Group-wide restructuring program "Growth and Profit 2005 – GaP'05" launched
- Outsourcing Service business segment sold by Kleindienst with economic effect as of 1.1.2005
- Progress made towards merger of Beta Systems and Kleindienst

Financial Highlights of First Quarter 2005, Beta Systems (including Kleindienst for the first time)

- Total revenue increases by 70.7% to Euro 19.8 million (Q1 2004: Euro 11.6 million)
- Non-recurring effects: expenses of Euro 0.4 million attributable to integration (including merger costs) and group-wide restructuring and cost-reduction measures under the "GaP'05" program
- Pre-tax loss of Euro 2.5 million (Q1 2004: 1.1 million)
- Negative net result of Euro 1.2 million or Euro 0.28 per share (Q1 2004 Euro 0.7 million or Euro 0.18 per share)

Comments of the Management Board

"Our results for the quarter reflect the typical seasonal trend, which is amplified by the similarly fluctuating nature of project business in Kleindienst's ECM/Input Management sub-division. As expected, the situation in the IT sector remains challenging in 2005, with corporations reluctant to commit to capital expenditure and large IT projects affected by longer decision-making cycles. We are currently working to bring several sales projects to fruition in the areas of Identity/Security Management and ECM, although major customer investment decisions are likely to be taken mid-year at the earliest. By the end of the second quarter, but more particularly in the fourth quarter, this could lead to a number of major orders," said Karl-Joachim Veigel, CEO of Beta Systems Software AG, commenting on the results.

Veigel continued, "As announced at the beginning of the fiscal year, we have addressed the issues affecting the development of our business operations. Intensive preparatory work for the restructuring is largely complete and, within the Group as a whole, most of the achievable short-term and medium-term reductions in costs have been identified. These measures aimed at reducing costs by up to Euro 5 million will be implemented in the course of 2005 and take full effect in 2006. As a result of the sale of the Outsourcing Service segment and the efficiency gains already realized, we expect revenues in fiscal 2005 to remain consistent year-on-year, with significant improvement of pre-tax results."

Sale of Outsourcing Service Segment by Kleindienst

- Sale of the segment is a sound strategic and commercial decision
- Significant effects on group financial position, financial performance, and cash flows

On April 18, Kleindienst Datentechnik AG sold all its shares in DS Dokumenten Service Holding GmbH, and hence its Outsourcing Service business segment, to Transaktionsinstitut für Zahlungsverkehrsdienstleistungen AG (TAI AG), a subsidiary of DZ BANK AG. The Outsourcing Service segment provides affiliated banks and "Sparkassen" (savings banks), mainly from the DZ BANK Group and the SparkassenVerband Baden-Württemberg, with voucher preparation and processing services for paper-based transaction systems (e.g. automatic creation and processing of transfer slips). The sale takes economic effect as of 1 January 2005 and will be completed in the second quarter. The purchase price is Euro 10.35 million.

Strategic Background to the Sale of the Business Segment

In the course of an analysis of potential synergies and business opportunities, the role of the Outsourcing Service segment in the future business strategy and positioning of Kleindienst Datentechnik AG and the new Beta Systems Group as an IT solutions provider for infrastructure software was reviewed. The management of Kleindienst reached the conclusion that from a strategic viewpoint, this segment was not central to the long-term prospects of Kleindienst Datentechnik AG or its positioning within Beta Systems Group. Moreover, the Outsourcing Service segment provides services which clients of the Kleindienst Group traditionally carry out themselves. This was giving rise to scenarios of undesirable competition and risks resulting from conflicts of interests with customers. Beta Systems welcomes the decision to sell the Outsourcing Service business segment. The sale gives Kleindienst a more consistent focus as a provider of infrastructure software, and counteracts undesirable competition and conflicts of interest involving customers of Beta Systems.

Until now DZ BANK AG has been the minority shareholder in the Kleindienst Group companies responsible for the administrative and operational activity of the Outsourcing Service segment. TAI AG now assumes all indirect and direct investments attributable to this business segment and to Kleindienst Datentechnik AG, and thus the majority stake in these companies.

Effect on Group Financial Position, Financial Performance, and Cash Flows

The Outsourcing Service business segment achieved revenue in fiscal 2004 of Euro 14.6 million, and operating income of Euro 2.9 million (before interest and before taking into account the DZ BANK AG minority interest). In fiscal 2004, pro-rata for the nine months following its initial inclusion in the scope of consolidation, it contributed revenue of Euro 10.8 million and operating income of Euro 2.4 million to the operating result of the Beta Systems Group (again before interest and before taking into account the DZ BANK AG minority interest). The short-term and long-term borrowing liabilities reported in the consolidated balance sheet of Beta Systems Group and attributed to this business segment totaled Euro 6.1 million at the end of fiscal 2004 and are transferred to TAI AG in the course of the transaction.

The sale results in an increase in cash and cash equivalents on the consolidated balance sheets of Beta Systems Group; long-term and short-term borrowings are reduced, with a corresponding lowering of annual interest payments at group level. These had amounted to approx. Euro 0.6 million in fiscal 2004. As a result of the sale, this business segment will no longer contribute to the operating result of Beta Systems Group in 2005 and subsequent years. At the same time, it generates an item of extraordinary income for the Group in fiscal 2005. Since it took economic effect as of January 1, 2005, the sale of the Outsourcing Service business segment is already reflected in this quarterly report. The revenues of the business segment are not included in the consolidated income statement for the first quarter, and the assets earmarked for sale are reported separately in the consolidated balance sheet to March 31, 2005.

Merger with Kleindienst Datentechnik AG

- Based on company valuations, merger agreement specifies share exchange ratio of three Beta Systems shares for five Kleindienst shares

Beta Systems and Kleindienst have agreed on a share exchange ratio for the planned merger of Kleindienst with Beta Systems. Accordingly, Kleindienst shareholders will receive three Beta Systems shares for five Kleindienst shares, i.e. 0.6 Beta Systems shares per Kleindienst share.

In preparation for setting the share exchange ratio, Beta Systems and Kleindienst jointly commissioned PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to carry out company valuations using the "Ertragswertverfahren" (capitalized earnings value method), taking into account assets to be valued separately. The "Ertragswerte" (capitalized earnings values) of the two companies, which were determined on the basis of the new version of the standard governing the execution of company valuations (IDW ES1 new version), as issued by Institut der Wirtschaftsprüfer in Deutschland e.V., correspond to Euro 20.53 per Beta Systems share and Euro

12.29 per Kleindienst share, including the special asset items. The share exchange ratio was assessed and deemed appropriate by Warth & Klein GmbH Wirtschaftsprüfungsgesellschaft, the independent court-appointed mergers auditor.

The following table contains a selection of the material valuation parameters and planning assumptions applied in order to determine the company valuations of Beta Systems and Kleindienst.

Key data regarding discount rate	**Beta Systems Group**	**Kleindienst Group**
Range of period-specific discount rates (after typified shareholder income tax, before growth rate deduction) 2005-2009	11.4% - 9.0%	8.4% - 8.8%
Base (risk-free) rate before typified shareholder income tax	5.0%	5.0%
Beta factor unlevered	1.0	1.0
Market risk premium after typified shareholder income tax	5.5%	5.5%
Typified shareholder income tax	35.0%	35.0%
Growth rate from 2010 onward	1.5 %	1.5%
Underlying estimates for 2005E to 2009E used in valuation		
Revenue 2005E / 2009E (in €m)	55.4 / 73.5	52.1 / 58.2
EBIT 2005E / 2009E (in €m) €)	4.6 / 11.4	0.7 / 3.9
EBT 2005E / 2009E (in €m)	3.5 / 10.9	0.7 / 4.1
Earnings after corporate taxes 2005E / 2009E (in €m)	2.9 / 7.0	0.4 / 3.2
Dividend payout ratio 2005E / 2009E	35.6% / 14.7%	0% / 100%
Typified shareholder income tax rate for dividend payments	35.0%	35.0%
Terminal value assumptions 2010E et seq.		
EBIT (in €m)	7.2	4.0
EBT (in €m)	7.0	4.3
Earnings after corporate taxes (in €m)	4.4	2.8
Special asset items of Kleindienst Group		
Investment in DS Dokumenten Service Holding GmbH (after accounting for tax effects) (in €m)		9.1
Assets not required for operations (in €m)		6.4
Special asset items of Beta Systems Group		
Investment of Beta Systems in Kleindienst AG (in €m)	43.9	

Beta Systems and Kleindienst recorded the merger agreement in notarial form on 27 April 2005. The shareholders of both companies will vote on the merger agreement at the General Meeting of Shareholders to be held by Beta Systems on June 14, 2005, and by Kleindienst on June 13, 2005.

Since the date on which the respective Annual General Meetings were convened to vote on the merger, the merger agreement, the joint merger report and the audit report of the court-appointed mergers auditor Warth & Klein, as well as all other requisite documents, are available for inspection, and copies will be forwarded free of charge to shareholders on request. Further information regarding the merger has also been published online at "www.betasystems.de/verschmelzung".

Financial Position, Financial Performance, and Cash Flows

The information contained in the following sections refers to the consolidated results of the Beta Systems Group, including the Kleindienst Group. Since the majority stake in Kleindienst Group was acquired with effect from 1 April 2004, the first quarter results for 2004 did not include Kleindienst Group's first quarter results.

Development of Revenue

Beta Systems is a supplier of complex IT business solutions which generates its revenues in the areas of software licenses, maintenance agreements, and services. In the ECM/Input Management area, additional revenues are generated with company-produced hardware (e.g. scanner systems) and third-party hardware (e.g. PC workstations and servers). As the reporting structure used by Kleindienst does not differentiate between the categories of revenue mentioned, the revenues generated, the manufacturing costs and costs of goods sold attributable to Kleindienst are not reported under these categories. Therefore the relevant figures for revenues generated by Kleindienst are reported separately under revenues from project business in the ECM/Input Management area (i.e. hardware solutions, software licenses, maintenance agreements, and services).

Total revenues increased by 70.7% to Euro 19.8 m in the first quarter of 2005 from Euro 11.6 in the first quarter of 2004. This was due to full consolidation of the results of Kleindienst Group for the first time in fiscal 2005. The companies of the Beta Systems Group succeeded in concluding a range of contracts with renowned customers worldwide. In Europe these included BNP Paribas (financial services, France), IBM UK (IT services, Great Britain), Servibanca (financial services, Spain), GIE PIGCA (IT services, France) and Grupo Financiero HSBC (financial services, Spain) and in the USA, the University of South Carolina (public administration). In Germany, companies from the Beta Systems Group concluded contracts with Deutsche Post, Lufthansa (both transport and logistics), IBM Deutschland (IT services), Postbank (financial services), Deutsche Bundesbank (public administration), Signal Iduna, KKH and Techniker Krankenkasse (all insurance providers).

Total revenues from licenses were down 17.0% to Euro 3.7 million in the first quarter of 2005, from Euro 4.5 million in the first quarter of 2004. This decline can be attributed to lower revenue from new licenses and license upgrades (12.7% of total revenue). Revenue from new licenses amounted to Euro 2.5 million in the first quarter of 2005 compared with Euro 2.6 million in the first quarter of 2004, a decline of 3.8%. At the same time, revenues from license upgrades (6.1% of total revenue) were down to Euro 1.2 million in the first quarter of 2005, from Euro 1.9 million in the first quarter of 2004. Maintenance revenues (27.9% of total revenue) declined by 7.2% to 5.5 million in the first quarter of 2005, from Euro 6.0 million in the first quarter of 2004, primarily due to

currency variations in comparison to the previous year. Revenues from services (6.4% of total revenue) increased by 11.8% from 1.1 million in the first quarter of 2004 to Euro 1.3 million in 2005. Project business in the area of ECM/Input Management contributed additional revenues of Euro 9.3 million (46.8% of total revenue).

Performance of Business Units

Segment reporting is broken down into the business segments “Data Center Management”, “Identity/Security Management”, “Storage Management” and “Enterprise Content Management” with the sub-divisions "ECM/Output Management and "ECM/Input Management". In the Enterprise Content Management reporting segment, the results attributable to Beta Systems' “ECM/Output Management” business unit and the ECM/Input Management sub-division are included in the results of Kleindienst’s “Enterprise Systems” business unit. Following the sale of Kleindienst Datentechnik AG's Outsourcing Service business unit, there is no further requirement to include it in segment reporting.

The revenues generated by the business units Data Center Management, Identity/Security Management, Storage Management and Enterprise Content Management, including the sub-divisions ECM/Output Management and ECM/Input Management, corresponded to 17.6% (30.8%), 14.6% (33.0%), 3.8% (8.9%), 17.2% (27.3%) and 46.8% (- %) of revenues respectively in the first quarter of 2005 (percentages for Q1 2004 in brackets). In comparison with the first quarter of 2004, revenues in the ECM/Output Management business unit increased by 7.3% or Euro 0.2 million. The Data Center Management, Identity/Security Management and Storage Management segments reported a decline in revenue of 2.2% (Euro 0.1 million), 24.3% (Euro 0.9 million) and 27.6% (Euro 0.3 million) respectively compared with last year's first quarter (absolute figures shown in brackets).

The Data Center Management segment posted a break-even operating result in the reporting period, as in the same quarter of last year. Reflecting the continuing high level of investment in research and development and in marketing and sales, the Identity/Security Management segment followed last year's first quarter negative operating result of Euro 1.1 million with a negative operating result of Euro 1.3 million in the first quarter of 2005.
The Storage Management business unit, which posted a break-even result for the same period a year ago, recorded an operating loss of Euro 0.2 million in 2005. The result posted by the ECM/Output Management business segment remained roughly level year-on-year with a loss of Euro 0.5 million in the first quarter of 2005. The loss in the ECM/Input Management segment was Euro 1.9 million in the first quarter of 2005

Gross Profit

Gross profit increased by 32.1% to Euro 9.9 million in the first quarter of 2005, compared with Euro 7.5 million in the first quarter of 2004. The gross profit margin declined to 49.9% in the first quarter of 2005, down from 64.5% in the same period a year ago. The downward shift was attributable chiefly to the higher proportion of hardware (third-party and company-produced goods) in the cost of sales of Kleindienst Datentechnik AG, which had an adverse effect on the gross profit margin. In addition, Beta Systems recorded a negative gross-profit contribution from its Services segment. As the former reporting structure used by Kleindienst Datentechnik AG did not differentiate between the various categories of cost of sales, all manufacturing costs and costs of goods sold attributable to Kleindienst for ECM/Input Management project business are reported separately. The gross profit margin in this area was 37.5%.

Costs and Expenses Development

Operating expenses increased by Euro 4.8 million, or 53.0%, to Euro 14.0 million in the first quarter of 2005 compared with Euro 9.1 million in the first quarter of 2004. The substantial increase in expense items for sales, research and development, as well as general administration is mainly due to the consolidation of the corresponding expense items attributable to Kleindienst Datentechnik AG. Included in the operating costs of the first quarter are exceptional items in connection with the integration of Kleindienst Datentechnik AG (including the merger) and non-recurring expenses incurred during the group-wide restructuring and cost-reduction programs. These amounted to Euro 0.4 million in total in the first quarter of 2005.

Selling expenses increased by 29.0% year on year to Euro 5.5 million (Q1 2004: Euro 4.2 million). General administrative expenses increased by 85.9% to Euro 4.0 million (Q1 2004: Euro 2.2 million). Research and development costs amounted to Euro 4.3 million in the first quarter of 2005 (Q1 2004: Euro 2.7 million), an increase of 56.4%. The increase in costs was chiefly an effect of the consolidation of Kleindienst's research and development expenditure.

As a result of the increase in overall revenues, combined with the lower level of operating costs and Kleindienst's differing cost structure, operating expenses as a percentage of revenues were down from 78.9% in Q1 2004 to 70.7% in the first quarter of 2005.

Income

Beta Systems posted a negative operating result of Euro 4.2 million in the first quarter of 2005, compared with an operating loss of Euro 1.7 million in the same quarter of 2004. The company generated other income amounting to Euro 1.7 million. The result before interest and taxes (EBIT) was Euro -2.4 million in the first quarter of 2005, compared to Euro -1.2 million in the first quarter of 2004. Interest expense totaled Euro 0.1 million (Q1 2004: interest income Euro 0.1 million). The pre-tax result (EBIT) before minority interests was Euro -2.5 million in the first quarter of 2005 (Q1 2004: pre-tax loss of Euro 1.1 million). The reported minority interests relate to approximately 10% of shares in Kleindienst which are still held by minority shareholders.

Tax Expenses and Net Income

Taking into account a tax credit of Euro 0.9 million in the first quarter of 2005, the net loss for the first quarter of 2005, after deduction of losses attributable to the minority interests in Kleindienst, was Euro 1.2 million or Euro 0.28 per share, compared with a net loss of Euro 0.7 million or Euro 0.18 per share in the first quarter of 2004. In the first quarter of 2005, the weighted average number of shares outstanding was 4,110,790 (Q1 2004: 3,960,405).

Financial Position and Shareholders' Equity

As of March 31, 2005, Beta Systems had cash and cash equivalents (including restricted cash) amounting to Euro 15.3 million and shareholders' equity of Euro 30.6 million, compared with cash and cash equivalents (including restricted cash) of Euro 11.5 million and shareholders' equity of Euro 31.8 million at December 31, 2004. Long-term borrowings in the Beta Systems Group were reduced from Euro 16.5 million at December 31, 2004 to Euro 12.6 million at the end of the first quarter.

Personnel

Within the Beta Systems Group, including the Kleindienst Group, the number of staff employed declined from 1,022 at the end of fiscal 2004 to 996 as of March 31, 2005. 607 of this number were Kleindienst Group employees as of March 31, 2005 (including the 221 employees of the Outsourcing Service segment sold on April 18, 2005). Following the sale of the Outsourcing Service segment, the headcount for Beta Systems Group has been reduced to approx. 800 employees by the date of publication of this quarterly report.

Conference Call

Comment on the financial results for the first quarter of 2005 will be given as part of a conference call to be held on **Tuesday, May 10, 2005**. The conference call will take place at **11:00 CET** and can be accessed by calling +44(0)20 7 365 1834 **(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)20 7784 1024 (Access Code: 7371844#).

The Management Board

Disclosure of Directors' Holdings of Beta Systems Software AG (unaudited)

At March 31, 2005	Number of shares
Management Board	
Karl-Joachim Veigel	-
Dr. Oskar von Dungern	15,520
Dietmar Breyer	-
Supervisory Board	
Harald J. Joos	-
William P. Schmidt	534,166
Dr. Karl Kauermann	-
Bernhard Auer	-
Stefan Hillenbach	2,144
Martina Dymala	1,170
Beta Systems Software AG	
Treasury stock	60,305

None of the Supervisory Board or Management Board members currently holds stock options or conversion rights to shares of Beta Systems Software AG.

Beta Systems Software AG, Berlin, Germany

Beta Systems Software (Prime Standard: BSS on the German stock market) is a leading provider of high-performance enterprise solutions which enable companies to improve the efficiency of their business processes in the areas of Identity Management, Enterprise Content Management, Scheduling and Storage Management. Beta Systems' core skills are centered on developing automated solutions that reduce costs and qualitatively optimize the processing of large quantities of data in z/OS, Unix, Linux and Windows environments.

Beta Systems has been listed on the stock market since 1997, has 800 employees (as of April 2005) and operates worldwide through 15 own subsidiaries and through several corporate partners. IT service providers and large financial services and insurance companies are among Beta Systems' customers, as are enterprises in the areas of trade, industry, telecommunications, logistics and energy supply, and public authorities. For further information, please visit our website at www.betasystems.com

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This quarterly report contains forward-looking statements based on current assumptions and forecasts by the management of Beta Systems. Although these assumptions and forecasts are based on prudent commercial judgment, there can be no assurance that the expectations expressed therewith are correct or will materialize. The assumptions and forecasts contained herein may be subject to risks or uncertainties which could cause actual results or outcomes to differ materially from those expressed in the assumptions and forecasts. Factors that may cause actual results to differ materially are, among others, changes in economic conditions and the business-related environment, changes in exchange rates and interest rates, introduction of competing products, lack of demand for or interest in new products or services, as well as changes with regard to the Company's strategy. Beta Systems disclaims any obligation to update any forward-looking statements to reflect subsequent events or circumstances. Statements made with regard to the company values computed on the basis of the standards set out in "IDW ES 1 new version" do not constitute a forecast or assumption as to the future share price performance of Beta Systems. All trade names, trademarks, and service marks or logos used in this document are the property of the respective companies.

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

	Three months to March 31, 2004 (unaudited)	2005 (unaudited)
Revenues:		
Product licences	4,509	3,741
Maintenance	5,956	5,528
Service	1,131	1,265
Project Business ECM Input Management	-	9,265
Total revenues	11,596	19,799
Cost of revenues:		
Product licences	601	665
Maintenance	1,867	2,053
Service	1,645	1,408
Project Business ECM Input Management	-	5,786
Total cost of revenues	4,113	9,912
Gross profit	7,483	9,887
Operating expenses:		
Selling	4,240	5,469
General and administrative	2,174	4,042
Research and development	2,720	4,254
Amortization of intangible assets	15	230
Total operating expenses	9,149	13,995
Operating loss	(1,666)	(4,108)
Other income, net	437	1,694
Interest income (expense), net	88	(93)
Loss from continuing operations, before income taxes and and minority interests	(1,141)	(2,507)
Income tax benefit	(422)	(903)
Income from discontinued operations, less income tax expense	-	(82)
Minority interests	-	(364)
Net loss	(719)	(1,158)
Net loss per ordinary share		
Basic and diluted	(0.18)	(0.28)
Weighted average number of shares used to compute net loss per ordinary share		
Basic and diluted	3,960,405	4,110,790

See accompanying Notes to the Consolidated Financial Statements

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

	At December 31, 2004 (audited)	At March 31, 2005 (unaudited)
Current assets:		
Cash and cash equivalents	10,836	14,578
Restricted cash	705	705
Accounts receivable, less allowances:		
2004: 656; 2005: 662	29,178	26,112
Work in Process (POC), net	5,805	4,897
Inventories, net	7,193	7,839
Prepaid expenses and deferred charges	1,987	2,648
Deferred income taxes (current)	-	626
Other current assets	3,211	1,117
Total current assets	58,915	58,522
Property and equipment, net	8,893	6,203
Goodwill, net	13,445	1,352
Other intangible assets, net	2,596	1,551
Capitalized software development costs, net	8,546	7,816
Deferred income taxes (non-current)	4,229	3,127
Other assets	6,848	5,716
Assets held for sale	-	21,107
Total assets	103,472	105,394
Current liabilities:		
Short-term finance and current installments of long-term debt and capital leases	10,108	318
Accounts payable	4,034	2,422
Deferred revenues	9,246	19,861
Income taxes payable	3,388	1,900
Deferred income taxes (current)	3,415	1,570
Accrued expenses and other current liabilities	13,883	14,348
Total current liabilities	44,074	40,419
Long-term debt and capital leases	16,528	12,552
Pension obligations	1,954	1,981
Deferred income taxes (non-current)	-	80
Other liabilities	774	1,343
Liabilities associated with Assets held for Sale	-	16,340
Total liabilities	63,330	72,715
Minority interests	8,380	2,109
Shareholders' equity:		
Ordinary shares: EUR 2.56 imputed nominal value;		
Dec 2004: 4,171,095 shares issued and 4,110,790 shares outstanding;		
Mar 2005: 4,171,095 shares issued and 4,110,790 shares outstanding.	10,663	10,663
Additional paid-in capital	19,620	19,620
Accumulated income (loss)	407	(751)
Accumulated other comprehensive income	1,491	1,457
Treasury stock at cost: 60,305 shares in 2004 and 2005	(419)	(419)
Total shareholders' equity	31,762	30,570
Total liabilities and shareholders' equity	103,472	105,394

See accompanying Notes to the Consolidated Financial Statements

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

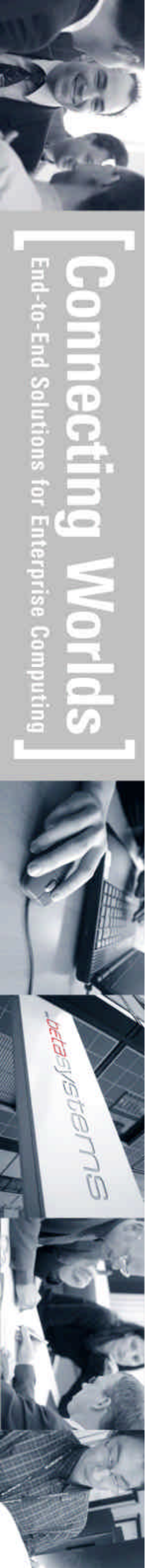
	Three months to March 31,	
	2004 (unaudited)	**2005 (unaudited)**
Operating activities		
Net loss	(719)	(1,158)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	658	1,250
(Gain) Loss on sale of equipment	(26)	2
Deferred compensation	543	-
Deferred taxes	(565)	(2,563)
Minority interests	-	(203)
Changes in assets and liabilities, net:		
- Decrease in accounts receivable	1,944	1,758
- Decrease in accounts payable	(974)	(1,554)
- Decrease in deferred revenue	7,904	10,615
- Change in other assets and liabilities, including current tax liabilites and Assets Held for Sale, net	158	3,640
Net cash provided by operating activities	8,923	11,787
Investing activities		
Purchases of property and equipment	(173)	(152)
Proceeds from sales of property and equipment	33	(15)
Capitalization of software development costs	(162)	(169)
Cash paid for acquisition of software development costs	-	(198)
Restricted cash for acquisitions	(10,155)	-
Cash paid for investments and asset deals, net	(4,212)	(373)
Net cash used in investing activities	(14,669)	(907)
Financing activities		
Repayment of of short-term borrowings	-	(7,040)
Repayment of long-term debt and capital leases	(98)	-
Net cash used in financing activities	(98)	(7,040)
Effect of exchange rate changes on cash	(104)	(98)
Increase (Decrease) in cash and cash equivalents	(5,948)	3,742
Cash and cash equivalents at the beginning of the period	14,775	10,836
Cash and cash equivalents at the end of the period	8,827	14,578

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 to March 31, 2005 (unaudited)

	Ordinary Shares							Treasury Stock		
	Number of shares issued	Nominal amount	Additional paid-in capital	Unearned deferred compensation	Accumulated other comprehensive income	Accumulated deficit	Net income incl. Comprehensive income (Loss)	Number of shares	Amount, at cost	Total shareholders' equity
Balance at December 31, 2003	4,020,710	10,279	18,244	-	1,225	2,381		(60,305)	(419)	31,710
Issuance of ordinary shares	150,385	384	586	-	-	-		-	-	970
Dividends paid	-	-	-	-	-	(1,957)		-	-	(1,957)
Net loss	-	-	-	-	-	(17)	(17)	-	-	(17)
Other comprehensive loss, net of tax effect										
Unrealized loss on investment securities	-	-	-	-	-	-	(41)	-	-	-
Currency translation adjustments	-	-	-	-	-	-	307	-	-	-
Other comprehensive income	-	-	-	-	266	-	266	-	-	266
Comprehensive income							249			
Unearned deferred compensation		-	790	-	-	-		-	-	790
Balance at December 31, 2004	4,171,095	10,663	19,620	-	1,491	407		(60,305)	(419)	31,762
Issuance of ordinary shares	-	-	-	-	-	-		-	-	-
Dividends paid	-	-	-	-	-	-				-
Net loss	-	-	-	-	-	(1,158)	(1,158)	-	-	(1,158)
Other comprehensive loss, net of tax effect										
Currency translation adjustments	-	-	-	-	-	-	(34)	-	-	-
Other comprehensive loss	-	-	-	-	(34)	-	(34)	-	-	(34)
Comprehensive loss							(1,192)			
Unearned deferred compensation	-	-	-	-	-	-		-	-	-
Balance at March 31, 2005	4,171,095	10,663	19,620	-	1,457	(751)		(60,305)	(419)	30,570

See accompanying Notes to the Consolidated Financial Statements



Beta Systems Software AG and Subsidiaries
Notes to Consolidated Financial Statements
(In US-GAAP; Euro in thousands, except share data)
March 31, 2004 and 2005

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 ECM/Input Management business segment develops and sells Document-Management-Solutions for various sectors and especially for the payment processing in the banking sector. 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 period ended March 31, 2005 are not necessarily indicative of the results that may be expected for the fiscal year 2005. For further information, refer to the Company's financial statements and footnotes thereto for the fiscal year ended December 31, 2004.

Principles of Consolidation — All companies in which Beta Systems has legal control are fully consolidated. The effects of intercompany transactions have been eliminated. Minority interests represent the share by outside companies in the earnings of the Kleindienst Group.

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 and CPU upgrades, is recognized when persuasive evidence of an arrangement exists, that 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 (SOP 97-2). Maintenance revenue is recognized ratably over the maintenance period.

Service revenue consists principally of installation and training services 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 percentage-of-completion method, a 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. The Company uses the cost-to-cost – viz. the efforts-expended method to determine the percentage of completion.

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.

Software development costs at Kleindienst Datentechnik AG are not activated due to the short time span between technical feasibility and general availability.

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, 2005 an amount of EUR 705 is restricted in connection with a liability towards a customer. An advance payment was delivered on a construction project. The amount is utilized according to progress on the project.

Inventories — Inventories are stated at the lower of cost or market principle, with cost being determined based on the average cost method. Inventory risks are accounted for by adequate reserves for slow-moving, obsolete and damaged items where appropriate. Direct and indirect material and production costs were included in the determination of the production cost.

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 — five to ten years; computer equipment — three to five years; facilities and office equipment — three to ten 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 non-current assets include tax receivables and receivables from unbilled invoices.

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

Net Loss Per Share — The net loss per ordinary share was calculated by dividing the net loss by the weighted average number of ordinary shares outstanding during the reporting period.

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.

Reclassifications — Certain reclassifications were made in the consolidated financial statements to ensure that the presentation for the prior year information conforms with the presentation for fiscal year 2005. These reclassifications have no impact on the net income or shareholders' equity reported for the prior year.

2. Business acquisition

Kleindienst Datentechnik AG - 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 (“Kleindienst”) at an acquisition price of EUR 7.50 per share. This represented 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.

As at December 31, 2004, the Company had acquired altogether 3,522,616 shares of Kleindienst Datentechnik AG for a total purchase price of EUR 27,350 at an average unit price of EUR 7.50 per share. This represented 88.07% of the total share capital of Kleindienst Datentechnik AG. The acquisition of the total number of 4,000,000 Kleindienst shares would result in an estimated purchase price of EUR 30,000; additional transaction costs of EUR 1,000 were estimated to accrue. The purchase price for the acquisition of Kleindienst Datentechnik AG was settled by Beta Systems by means of available cash and firmly granted bank credits in an amount exceeding the purchase price. As at December 31, 2004, additional purchase costs of EUR 916 were recorded. Kleindienst and her subsidiaries (“Kleindienst Group”) were fully consolidated into the Beta Group for the first time as at April 1, 2004.

During the first quarter of 2005 Beta Systems Software AG purchased further 43,474 Kleindienst Datentechnik AG shares. The total number of shares held by Beta Systems Software AG in Kleindienst Datentechnik AG at March 31, 2005 thus amounts to 3,566,090 shares or 89.15% of the total share capital.

Following further purchases of 3,007 shares the public offer for Kleindienst Datentechnik shares expired on April 6, 2005. On April 22, 2005 the share exchange ratio for the planned merger of Kleindienst Datentechnik AG into Beta Systems Software AG was mutually agreed on by both companies. Accordingly, Kleindienst shareholders will receive 0.6 Beta Systems shares for each Kleindienst share.

To determine the share exchange ratio, the Management Board of both companies jointly contracted PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, to conduct the company valuations in accordance with the Ertragswertverfahren (discounted future earnings method), taking into account assets to be valued separately. The appropriateness of the share exchange ratio has been audited by Warth & Klein GmbH Wirtschaftsprüfungsgesellschaft as independent merger auditors appointed by the court.

The merger agreement will be certified by a notary and the merger will be voted on at the Annual General Meetings to be held by Beta Systems AG on June 14, 2005, viz. by Kleindienst Datentechnik AG on June 13, 2005.

The purchase price of EUR 27,717 for the acquired majority shareholding was allocated as follows:

Acquisition Costs: Kleindienst Datentechnik AG

Cash	10,468
Accounts Receivable	13,876
Inventories	7,588
Software Development Costs	3,298
Goodwill	12,334
Licence Rights	2,808
Fixed Assets	6,512
Other Assets	3,349
Deferred Tax Assets	7,091
Accounts Payable	(2,350)
Other Payables	(13,542)
Long-term Debt and Capital Leases	(11,274)
Deferred Tax Liabilities	(3,294)
Deferred Revenues	(1,621)
Minorities	(7,526)
Purchase Price	27,717
Acquired Cash	(10,468)
Cash Paid for Business Acquisition, net	17,249

The Goodwill in the amount of EUR 12,334 was allocated to the Outsourcing Service business segment. The acquired Software Development Costs and the Licence Rights are amortized over five years.

Kleindienst with its subsidiaries 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 was divided into the segments Enterprise Systems and Outsourcing Service. 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 Service segment represented 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 acquisition was 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 expanded its capacity and its competence as provider of complex software infrastructure for all relevant platforms in the entire European market.

3. Segment Information

Restructuring of the Document / Output Management Business Segment

As a result of the acquisition of Kleindienst a renaming of the business segment Document/Output Management into Enterprise Content Management (“ECM”) was put into effect in fiscal year 2004. This segment now comprises the two sub-segments Enterprise Content Management : Output (previously Beta’s segment Document/Output Management) and Enterprise Content Management : Input (previously Kleindienst’s business segment Enterprise Systems).

This presentation reflects that of Beta’s Management chosen decision making approach, i.e. to combine the existing own Document/Output portfolio and the corresponding portfolio acquired from Kleindienst into an integral and unique business solution within the business segment ECM, and as such also to present and to manage it.

Restructuring Costs

The central administrative functions performed by Kleindienst at its location at Augsburg were closed by the end of 2004; these activities were successively taken over by Beta System AG’s own administrative capacities located at Berlin effective from October 01, 2004 onwards.

In sum, the number of staff reduced at the Augsburg site amounted to 14. None of the employees affected accepted transfers to the Berlin offices. The Company has recorded provisions for restructuring costs in the operating results as at December 31, 2004 in respect of these measures.

These costs relate exclusively to one-time termination benefits.

Restructuring costs are included in operating expenses for the business segment Enterprise Content Management as follows:

	At December 31, 2004
Selling Costs	-
General and Administrative Expenses	304
Total Restructuring Costs..	304

All of the above costs relate to reduction of staff. Further material costs are not expected to incur.

Development of the accrued liabilities for staff restructuring costs during 2004 was as follows:

	At December 31, 2004
Development of the Accrual	
Total Accrual established during the Year	304
Use of the Accrual	(158)
Balance at December 31, 2004	146

Development of the accrued liabilities for staff restructuring costs during 2005 was as follows:

	At March 31, 2005
Development of the Accrual	
Balance at December 31, 2004	146
Use of the Accrual	(107)
Balance at March 31, 2005	39

The accrual is expected to be fully utilized during the current financial year.

Discontinued Operations: Outsourcing Service Business Segment
This segment formed an independent economic and key business unit within the Kleindienst Group structure, representing Kleindienst's business as external service provider. Within the Beta Group, the acquired business segment Outsourcing Service was adopted unchanged and constituted an independently managed business entity of its own in fiscal year 2004.

A study was conducted with the purpose of identifying viable business opportunities (assuming the inclusion of the business segment Outsourcing Service) in the future strategic approach and positioning of the new Beta Systems Group as an IT solution provider. Management and Supervisory Boards came to the conclusion that the scope of the Outsourcing Service unit would not contribute a central role towards the long-term strategic business perspective, and the sale of this unit was thus decided.

On April 18, 2005 the Management and Supervisory Boards of Kleindienst Datentechnik AG published the announcement of the sale of their business segment Outsourcing Service, and thus its majority holdings in DS Dokumenten Service Holding GmbH, to Transaktionsinstitut für Zahlungsverkehrsdienstleistungen AG (TAI AG), a subsidiary of DZ Bank AG.

The sale is effective January 1, 2005, and will presumably be executed during the second quarter of 2005. The purchase price amounts to EUR 10,350.

According to SFAS 144 the assets and liabilities of this business unit are presented separately under “Assets Held for Sale” and “Liabilities associated with Assets Held for Sale” in the consolidated balance sheet as at March 31, 2005.

As a result of the transaction this business segment will no longer contribute to the operating result of the Beta Systems Group. The Group will record an extraordinary income under “Discontinued Operations” in its Consolidated Statement of Income. The comparative figures for the prior year were amended accordingly.

The staff complement declines from 1,022 as at December 31, 2004, to ca. 800 at March 31, 2005 as a result of the business segment disposal.

	At March 31, 2005
Cash and Cash Equivalents	199
Trade Accounts Receivable	1,860
Prepaid Expenses and Deferrred Charges	53
Other Current Assets	1,739
Property and Equipment, net	1,950
Goodwill, net	12,263
Intangible Assets, net	1,445
Deferred Income Taxes (Non-Current)	1,598
Assets Held for Sale	21,107

	At March 31, 2005
Short Term Finance	1,326
Accounts Payable	59
Income Taxes Payable	2,302
Long-Term Debt and Capital Leases	6,373
Deferred Income Taxes (Non-Current)	329
Minorities	5,951
Liabilities Associated with Assets Held for Sale	16,340

	At March 31, 2005
Revenues	3,314
Other income / expenses, including Cost of Revenues	(2,983)
Ordinary Income from Discontinued Operations before Taxes	331
Provisions for Income Taxes	(249)
Discontinued Operations, net	82

All segments derive revenues from sales of product licenses as well as maintenance, consulting and services. As a result of the combining of business activities with Kleindienst, hardware sales are also realized.

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

Three months to March 31, 2004	**Storage Management**	**ID / Security Management**	**Data Center Management**	**ECM/Output Management**	**ECM/Input Management**	**Total**
Revenues from Customers	1,033	3,824	3,570	3,169	0	11,596
Intersegment Revenues	279	1,030	963	855	0	3,127
	1,312	4,854	4,533	4,024	0	14,723
Segment Income (Loss)	(56)	(1,100)	55	(550)	0	(1,651)

Three months to March 31, 2005	**Storage Management**	**ID / Security Management**	**Data Center Management**	**ECM/Output Management**	**ECM/Input Management**	Total
Revenues from Customers	748	2,895	3,492	3,399	9,265	19,799
Intersegment Revenues	106	411	496	482	1,315	2,810
	854	3,306	3,988	3,881	10,580	22,609
Segment Loss	(173)	(1,286)	(11)	(507)	(1,900)	(3,878)

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

	At December 31, 2004	2005
Income before Taxes..		
Total Operating Loss for Reportable Segments	(1,651)	**(3,878)**
Unallocated Amount of Overhead	(15)	**(230)**
Other Income, net	437	**1,694**
Interest Income (Expense), net......................................	88	**(93)**
Consolidated Loss before Taxes, as reported.....................	(1,141)	**(2,507)**

A distribution of revenues and net operating income for the regions Germany, Europe, America and Other is as follows:

At March 31, 2005	Germany	Europe	America	Other	Total
Group Revenues, as reported........	12,607	5,708	1,262	222	**19,799**
Operating Income (Loss) before Taxes...	(3,800)	329	(456)	49	**(3,878)**

4. Comprehensive Loss

Comprehensive loss consists of the following:

	Three months to March 31,	
	2004	**2005**
Net Loss	(719)	**(1,158)**
Other Comprehensive Loss		
Foreign Currency Translation adjustments....	(70)	**(34)**
Unrealized Gains on Investment Securities ...	7	**-**
Comprehensive Loss	(782	**(1,192)**

5. Events after the Balance Sheet Date

Management continues to pursue the merger of Kleindienst Datentechnik AG into Beta Systems Software AG. From the corporate legal perspective this creates an important basis for the further integration process of both companies and will lead to a swap of the Kleindienst shares into Beta Systems shares. The effective merger date is January 1, 2005. The exchange ratio of the shares has already been determined on the basis of an independent valuation and audit of both companies. The Company expects the merger to come into force in the second half of 2005, following the required agreements by the shareholders. The exchange listing of Kleindienst Datentechnik AG will end with the effectiveness of the merger.