[Quarterly Report]

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Key Operational Highlights

- "Growth and Profit 2005 – GaP'05" restructuring program currently being implemented
- Sale of Outsourcing Service business unit by Kleindienst completed
- Annual General Meeting agrees to merger with Kleindienst and elects new Supervisory Board
- Conversion of financial reporting from US GAAP to IFRS implemented

Financial Highlights for Second Quarter 2005, Beta Systems

- Revenue declines by 6.0% to Euro 23.4 million (Q2 2004: Euro 24.9 million)
- Non-recurring effects I: expenses of Euro 1.5 million associated with integration (incl. merger-related expenses) as well as Group-wide restructuring and cost-reduction measures under "GaP'05" program
- Pre-tax loss from continuing operations of Euro 3.1 million (Q2 2004: loss of Euro 0.5 million)
- Non-recurring effects II: gain on disposal of Outsourcing Service business unit of Euro 5.6 million (net of tax and operating loss from April 1, 2005 up to effective date on April 30, 2005)
- Net quarterly income of Euro 3.6 million/Euro 0.87 per share (Q2 2004: loss of Euro 0.07 million/Euro 0.02 per share)

Financial Highlights for First Half 2005, Beta Systems

- Revenue increases by 18.4% to Euro 43.2 million (HY 2004: Euro 36.5 million)
- Non-recurring effects I: expenses of Euro 1.9 million associated with integration (incl. merger-related expenses) as well as Group-wide restructuring and cost-reduction measures under "GaP'05" program
- Pre-tax loss from continuing operations of Euro 5.7 million (HY 2004: loss of Euro 1.1 million)
- Non-recurring effects II: gain on disposal of Outsourcing Service business unit of Euro 5.1 million (net of tax and operating loss from January 1, 2005 up to effective date on April 30, 2005)
- Net half year income of Euro 1.8 million/Euro 0.44 per share (HY 2004: loss of Euro 0.2 million/Euro 0.05 per share)

Comments of the Management Board

"As outlined at the beginning of the year, the situation within the IT industry is extremely challenging in 2005. Particularly in Germany, which is one of our key markets, companies have been exercising considerable restraint when it comes to investing in major IT projects. Operating against this backdrop, we have therefore stepped up our efforts as part of the 'GaP'05' program,

which we intend to implement rapidly by the end of the year," said Karl-Joachim Veigel, CEO of Beta Systems Software AG, commenting on the results.

Mr. Veigel added, "At the time, we also made it quite clear that this fiscal year would be dominated by cost streamlining, consolidation and integration. These are the current focal points of the 'GaP'05' program and the basis of profitable growth in the future. I would like to emphasize once more that our objective of scaling back costs by up to Euro 5 million will not be achieved within the short term. Within this context, our operating results have been impacted not only by sluggish demand in the first half of 2005 but also by the one-off effects of business realignment and restructuring. Revenue is expected to be comparable to last year's figure, while net profits are forecast to increase because of the sale of Outsourcing Service. Beyond this, however, we are not anticipating any further impetus for 2005 in terms of revenue and earnings. Our operating results are not expected to improve significantly until 2006."

Sale of Outsourcing Service business unit by Kleindienst

- Sale completed: Euro 5.6 million gain on disposal
- Adjustment in EBT guidance due to disposal and IFRS conversion

Kleindienst has completed the sale of its Outsourcing Service business unit to TAI AG. The purchase price obligation amounted to Euro 10.35 million and was settled in full. The gain on disposal associated with this transaction was Euro 5.6 million (net of tax and operating loss up to effective date on April 30, 2005) and was recognized in the second quarter of 2005. Because of the discontinued operations in this business segment in connection with the IFRS conversion the quarterly and half year earnings before tax (EBT) for the fiscal years 2004 and 2005 contain neither the operating results of Outsourcing Service nor the gain on the disposal of the unit.
As a result, the Management adjusts its previous EBT guidance for the full fiscal year 2005 and does not expect an increase in EBT according to IFRS for the continuing operations compared to the previous year. The guidance for the net result 2005 remains unchanged: due to the one-time gain on the disposal the Company expects a significant increase in net income for the full fiscal year 2005.

Annual General Meeting 2005

- Approval granted for merger agreement with Kleindienst Datentechnik AG
- New Supervisory Board elected

Following the consent by the General Meeting of Shareholders of Kleindienst Datentechnik AG on June 13, 2005, on June 14 the General Meeting of Shareholders of Beta Systems Software AG also granted its approval to the merger agreement concluded by the two companies. The merger will come into effect following entry in the Commercial Register of both companies.

The General Meeting of Shareholders elected the following members of the new Supervisory Board: Mr. Harald J. Joos, Chairman of the Managing Board of Demag Cranes & Components; Mr. William P. Schmidt; Mr. Jürgen Dickemann, CEO of Deutsche Balaton AG, as well as Mr. Thomas Engelhardt, Asset Manager at Sparkasse Jena. Prior to this, Mr. Stefan Hillenbach, Software Engineer, as well as Mr. Wilhelm Terhaag, Works Council, had been elected as employee representatives. As part of its meeting held subsequent to the Annual General Meeting of Shareholders, the Supervisory Board elected Mr. Harald Joos as Chairman of the Supervisory Board and Mr. William P. Schmidt as Deputy Chairman of the Supervisory Board.

Conversion of financial reporting from US GAAP to IFRS

For the first time, the consolidated financial statements for the second quarter of 2005 have been prepared in accordance with the generally accepted International Financial Reporting Standards (IFRS) for interim reporting. All balance sheet items as well as all items associated with the income statements for the same periods a year ago were adjusted retroactively. The conversion from US GAAP to IFRS has resulted in a number of differences in terms of financial reporting. These have been outlined in the Notes, which also include reconciliations. Within this context, one of the main changes is that the enterprise’s own software development costs are no longer capitalized. This item has been written off against equity and eliminated from the balance sheet. Consequently, the interim result for the first six months does not include capitalized items and amortization for internally generated software products. The comparable data for the previous year has been adjusted in order to take account of this effect.

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.

Development of Revenue

As a supplier of complex IT enterprise solutions, Beta Systems generates revenues in the area of software licenses, maintenance agreements, and services. In addition, revenues within the area of ECM/Input Management are derived from company-produced hardware (e.g. scanner systems) and hardware reselling (e.g. PC workstations and servers). As the reporting structure used by Kleindienst does not differentiate between the categories of revenue outlined above, revenues generated by Kleindienst as well as manufacturing costs and costs of goods sold are not reported on this basis. 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).

Revenues declined by 6.0% to Euro 23.4 million in the second quarter of 2005, from Euro 24.9 million in the same period a year ago. This was attributable to weak demand within the IT sector, particularly in Germany. The companies within the Beta Systems Group were able to conclude a number of agreements with major customers. In Europe, these included contracts with T-Systems Italy (IT services, Italy), Poste Italiane (transport and logistics, Italy), GIE Europex (IT services, France), Rikstrygdeverket (insurance, Norway), Credit Suisse (financial services, Switzerland), and Mazda (industrial sector, Belgium). In Germany, RWE Systems (industrial sector), IBM Deutschland (IT services), Postbank and Hypovereinsbank (both financial services), Bundesamt für Finanzen (public sector), as well as Volkswohlbund Versicherung and DEVK (both insurers) placed orders with companies within the Beta Systems Group. Beyond Europe, the Group managed to secure a contract with the Nigerian authorities for a major IT-based census project.

Revenues from licenses decreased by 26.1% to Euro 3.6 million in the second quarter of fiscal 2005, down from Euro 4.9 million in the second quarter of fiscal 2004. The decline is mainly attributable to lower sales from new licenses and license upgrades. At Euro 5.9 million, maintenance revenues generated in the second quarter of fiscal 2005 were comparable to the figure reported in the same period a year ago. Revenues from services increased by 16.4%, from Euro 1.5 million in the second quarter of 2004 to Euro 1.7 million in the period under review. Revenues generated via project business within the area of ECM/Input Management declined to Euro 12.2 million (Q2 2004: Euro 12.7 million).

Performance of Business Segments

Segment reporting is based on the business segments Data Center Management, Identity/Security Management, Storage Management, and Enterprise Content Management, which comprises the sub-categories ECM/Output Management and ECM/Input Management.

Revenue generated by the business segment Data Center Management declined to Euro 3.2 million, while the operating result was nearly break-even. The Identity/Security Management business segment posted an operating loss of Euro 1.2 million due to significant investments in research and development as well as marketing and sales. At the same time, revenues within this area increased to Euro 3.6 million. The Storage Management business segment recorded revenues of Euro 0.6 million and an operating loss of Euro 0.1 million. Revenues generated by the ECM/Output Management business segment amounted to Euro 3.8 million, while the operating loss stood at Euro 0.5 million. ECM/Input Management reported a decline in revenue to Euro 12.2 million, with an operating loss of Euro 1.5 million.

Gross Profit

Gross profit declined by 24.8% to Euro 10.1 million in the second quarter of 2005, compared with Euro 13.5 million in the same period a year ago. As the former reporting structure of Kleindienst Datentechnik AG did not differentiate between the various categories of cost of sales, the manufacturing costs and costs of goods sold attributable to Kleindienst for ECM/Input Management project business are reported separately. The gross profit margin declined to 43.3% in the second quarter of 2005, down from 54.1% in the same period a year ago. This was attributable principally to increased manufacturing costs associated with ECM/Input Management solutions developed within the framework of project business. Within this context, the lower level of capacity utilization as a result of sluggish demand had an adverse effect. In addition, Beta Systems recorded a negative gross-profit contribution within the area of Services.

Costs and Expenses Development

Operating expenses fell by Euro 0.5 million, or 3.4%, to Euro 13.6 million in the second quarter of 2005, down from Euro 14.1 million in the same period a year ago. Within this area, the effects of cost reductions achieved in general administration were largely offset by one-off expenses associated with the integration of Kleindienst Datentechnik AG (incl. merger), as well as non-recurring expenses attributable to Group-wide restructuring and cost streamlining. These amounted to Euro 1.5 million in the second quarter and were distributed across the full range of operating costs. The level of operating expenses in relation to revenue was slightly higher in the period under review, increasing from 56.6% in the second quarter of 2004 to 58.2% in Q2 2005.

Income

In the second quarter of 2005, Beta Systems recorded an operating loss of Euro 3.0 million, compared with an operating loss of Euro 0.5 million in the same period a year ago. The company generated other operating income of Euro 0.5 million. The loss before interest and taxes (EBIT) amounted to Euro 3.0 million in the second quarter of 2005, compared to a loss before interest and taxes of Euro 0.5 million in the second quarter of 2004. Interest expense totaled Euro 0.2 million (Q2 2004: approx. Euro 0). The loss before taxes from continuing operations (EBT) and minority interests amounted to Euro 3.1 million in the second quarter of 2005 (Q2 2004: pre-tax loss of Euro 0.5 million). The minority interests relate to the shares held by minority shareholders of Kleindienst.

Income Tax and Net Quartely Result

Taking into account a tax credit of Euro 1.6 million in Q2 2005 and the gain on the disposal of the discontinued operations, net income for the second quarter of 2005 was Euro 3.6 million, or Euro 0.87 per share, compared with a net loss of Euro 0.01 million, or Euro 0.02 per share, in the second quarter of 2004. In the second quarter, the weighted average number of shares outstanding was 4,110,790 (Q2 2004: 4,014,978).

Financial Position and Shareholders' Equity

As at June 30, 2005, Beta Systems had cash and cash equivalents (including restricted cash) amounting to Euro 20.7 million and shareholders' equity of Euro 30.9 million, compared with cash and cash equivalents (including restricted cash) of Euro 11.5 million and shareholders' equity of Euro 37.3 million at December 31, 2004. Long-term borrowings within the Beta Systems Group were reduced from Euro 16.5 million at December 31, 2004, to Euro 12.5 million at the end of the quarter under review. The increase in cash and cash equivalents and the decline in long-term borrowings are due to the sale of the Outsourcing Service unit by Kleindienst.

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 758 as at June 30, 2005, mainly due to the sale of the Outsourcing Service unit.

Conference Call

The company will comment on the financial results for the second quarter of 2005 as part of a conference call to be held on **Wednesday, August 10, 2005**. The conference call will take place at 11:00 CET and can be accessed by calling +44 (0)20 / 7365 1849 (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 / 784 1024 (Access Code: 4845245#).

The Management Board

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

At June 30, 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
Stefan Hillenbach	2,144
Dr. Karl Kauermann (until June 14 2005)	-
Bernhard Auer (until June 14 2005)	-
Martina Dymala (until June 14 2005)	1,170
Wilhelm Terhaag (since June 14 2005)	-
Thomas Engelhardt (since June 14 2005)	28,000
Jürgen Dickemann (since June 14 2005)	-
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 758 employees (as of June 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.

Beta Systems Software AG and Subsidiaries
Consolidated Statements of Operations second quarter
(In IFRS; Euro in thousands, except share data)

		Three months to June 30,	
	Note	**2004 (unaudited)**	**2005 (unaudited)**
Revenues:			
Product licences		4,906	3,626
Maintenance		5,888	5,855
Service		1,450	1,687
Project Business ECM Input Management		12,663	12,244
Total revenues		24,907	23,412
Cost of revenues:			
Product licences		786	268
Maintenance		1,887	1,977
Service	*2*	2,199	1,850
Project Business ECM Input Management		6,562	9,188
Total cost of revenues		11,434	13,283
Gross profit		13,473	10,129
Operating expenses:			
Selling	*2*	6,430	5,353
General and administrative	*2*	3,742	3,357
Research and development	*2*	3,795	5,022
Amortization of intangible assets		128	(109)
Total operating expenses		14,095	13,623
Other operating income, net		145	522
Operating loss		(477)	(2,972)
Interest expense, net		(3)	(166)
Net financing costs		(3)	(166)
Loss from continuing operations, before income taxes and and minority interests		(480)	(3,138)
Income tax benefit		(540)	(1,643)
(Gain) Loss from discontinued operations, less income taxes	*4*	446	(5,629)
Net income (loss) before Minority interests		(386)	4,134
Minority interests		(316)	562
Net income (loss)		(70)	3,572
Net income (loss) per ordinary share			
Basic and diluted	*1*	(0.02)	0.87
Weighted average number of shares used to compute net income (loss) per ordinary share			
Basic and diluted		4,014,978	4,110,790

See accompanying Notes to the Consolidated Financial Statements

Beta Systems Software AG and Subsidiaries
Consolidated Statements of Operations first half-year
(In IFRS; Euro in thousands, except share data)

		Six months to June 30,	
	Note	**2004 (unaudited)**	**2005 (unaudited)**
Revenues:			
Product licences		9,415	7,366
Maintenance		11,844	11,382
Service	*2*	2,581	2,953
Project Business ECM Input Management		12,663	21,509
Total revenues		36,503	43,210
Cost of revenues:			
Product licences		1,167	953
Maintenance		3,674	4,030
Service		3,806	3,258
Project Business ECM Input Management		6,562	14,975
Total cost of revenues		15,209	23,216
Gross profit		21,294	19,994
Operating expenses:			
Selling	*2*	10,608	10,822
General and administrative	*2*	5,815	7,398
Research and development	*2*	6,519	9,275
Amortization of intangible assets		143	122
Total operating expenses		23,085	27,617
Other operating income, net		643	2,217
Operating loss		(1,148)	(5,406)
Interest income (expense), net		85	(258)
Net financing costs		85	(258)
Loss from continuing operations, before income taxes and and minority interests		(1,063)	(5,664)
Income tax benefit		(973)	(2,545)
(Gain) Loss from discontinued operations, less income taxes	*4*	446	(5,107)
Net income (loss) before Minority interests		(536)	1,988
Minority interests		(316)	199
Net income (loss)		(220)	1,789
Net income (loss) per ordinary share			
Basic and diluted	*1*	(0.05)	0.44
Weighted average number of shares used to compute net income (loss) per ordinary share			
Basic and diluted		4,005,833	4,110,790

See accompanying Notes to the Consolidated Financial Statements

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

	Note	**At December 31, 2004 (audited)**	**At June 30, 2005 (unaudited)**
Current assets:			
Cash and cash equivalents		10,836	20,747
Restricted cash		705	-
Accounts receivable, less allowances: 2004: 656; 2005: 662		29,178	27,427
Work in Process (POC), net		5,805	2,215
Inventories, net		7,193	8,272
Prepaid expenses and deferred charges		1,987	2,243
Other current assets		3,211	1,512
Total current assets		58,915	62,416
Property and equipment, net		8,893	5,751
Goodwill, net		11,372	1,353
Other intangible assets, net		6,284	715
Capitalized software development costs, net		4,478	4,405
Deferred income taxes (non-current)		4,597	6,269
Other assets		6,848	6,192
Total assets		101,387	87,101
Current liabilities:			
Short-term finance and current installments of long-term debt and capital leases		10,108	1,774
Accounts payable		4,034	3,006
Deferred revenues		9,246	16,160
Income taxes payable		3,388	1,499
Accrued expenses and other current liabilities	*2*	14,377	15,297
Total current liabilities		41,153	37,736
Long-term debt and capital leases		16,528	12,537
Pension obligations		1,954	2,007
Deferred income taxes (non-current)		3,704	2,509
Other liabilities		774	1,398
Total liabilities		64,113	56,187
Shareholders' equity:			
Ordinary shares: EUR 2.56 imputed nominal value; Dec 2004: 4,171,095 shares issued and 4,110,790 shares outstanding; Jun 2005: 4,171,095 shares issued and 4,110,790 shares outstanding.		10,663	10,663
Additional paid-in capital		19,283	19,283
Accumulated loss		(2,630)	(1,869)
Accumulated other comprehensive income		1,491	1,283
Treasury stock at cost: 60,305 shares in 2004 and 2005		(419)	(419)
Total shareholders' equity attributable to the shareholders of the parent		28,388	28,941
Minority interests	*3*	8,886	1,973
Total shareholders' equity		37,274	30,914
Total liabilities and shareholders' equity		101,387	87,101

See accompanying Notes to the Consolidated Financial Statements

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

	Note	Six months to June 30, 2004 (unaudited)	2005 (unaudited)
Operating activities			
Net Income (Loss)		(220)	1,789
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization		1,699	2,174
Non-Cash Effects of discontioued operations		941	1,266
Gain on Sale of Equipment		(24)	(10)
Gain on Sale of Outsourcing Service	*4*	-	(5,846)
Deferred compensation		9	-
Interest expenses		44	258
Income tax expenses		351	1,525
Deferred taxes		(1,156)	(2,901)
Minority interests		(139)	258
Interest paid		(112)	(331)
Income taxes paid		(180)	(208)
Changes in assets and liabilities, net:			
- Decrease in accounts receivable		7,823	1,394
- Decrease in accounts payable		(2,069)	(902)
- Increase in deferred revenue		2,569	6,914
- Change in other assets and liabilities, including current tax liabilites and Assets Held for Sale, net		(3,290)	1,375
Net cash provided by operating activities		6,245	6,755
Investing activities			
Proceeds from repayment of short-term investments		-	705
Purchases of property and equipment		(848)	(246)
Proceeds from sales of property and equipment		282	260
Proceeds from sales Outsourcing Service, net of cash assets	*4*	-	9,920
Cash paid for acquisition of software development costs		(223)	(237)
Interests received		165	128
Cash paid for investments and asset deals, net	*3*	(16,499)	(395)
Net cash provided by (used in) investing activities		(17,122)	10,135
Financing activities			
Repayment of of short-term borrowings		261	(5,714)
Proceeds from grant of long-term debt		12,674	-
Repayment of long-term debt and capital leases		(3,392)	-
Dividends paid		(1,957)	(1,028)
Issuance of shares, net		242	-
Additional paid-in capital		511	-
Net cash provided by (used in) financing activities		8,339	(6,742)
Effect of exchange rate changes on cash		31	(237)
Increase (Decrease) in cash and cash equivalents		(2,507)	9,911
Cash and cash equivalents at the beginning of the period		14,775	10,836
Cash and cash equivalents at the end of the period		12,268	20,747

See accompanying Notes to the Consolidated Financial Statements

Beta Systems Software AG and Subsidiaries - Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss)
(In IFRS; Euro in thousands, except share data)
Six months to June, 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	Shareholders' equity attributable to the shareholders of the parent	Minority interest	Total shareholders' equity
Balance at December 31, 2003	4,020,710	10,279	18,244	-	1,225	2,381		(60,305)	(419)	31,710	-	31,710
IFRS Conversion	-	-	(337)	780	-	(2,792)		-	-	(2,349)		(2,349)
Balance at January 1, 2004	4,020,710	10,279	17,907	780	1,225	(411)		(60,305)	(419)	29,361	-	29,361
Issuance of ordinary shares	150,385	384	586	-	-	-		-	-	970	-	970
Dividends paid	-	-	-	-	-	(2,203)		-	-	(2,203)	-	(2,203)
Net loss	-	-	-	-	-	(17)	(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	-	266
Comprehensive income							249			-	-	-
Unearned deferred compensation		-	790	(780)	-	-		-	-	10	-	10
Shareholders' equity attributable to the shareholders of the parent	4,171,095	10,663	19,283	-	1,491	(2,630)		(60,305)	(419)	28,388	-	28,388
Minority interests	-	-	-	-	-	-		-	-	-	8,886	8,886
Balance at December 31, 2004	4,171,095	10,663	19,283	-	1,491	(2,630)		(60,305)	(419)	28,388	8,886	37,274
Issuance of ordinary shares	-	-	-	-	-	-		-	-	-	-	-
										-	-	-
Minority interests	-	-	-	-	-	-		-	-	-	-	-
Dividends paid	-	-	-	-	-	(1,028)		-	-	(1,028)	-	(1,028)
Net income	-	-	-	-	-	1,789	1,789	-	-	1,789	-	1,789
Other comprehensive loss, net of tax effect												
Currency translation adjustments	-	-	-	-	-	-	(208)	-	-	-	-	-
Other comprehensive loss	-	-	-	-	(208)	-	(208)	-	-	(208)	-	(208)
Comprehensive loss							1,581	-	-	-	-	-
										-	-	-
Unearned deferred compensation	-	-	-	-	-	-		-	-	-	-	-
Shareholders' equity attributable to the shareholders of the parent	4,171,095	10,663	19,283	-	1,283	(1,869)		(60,305)	(419)	28,941	8,886	37,827
Minority interests	-	-	-	-	-	-		-	-	-	(6,913)	(6,913)
Balance at June 30, 2005	4,171,095	10,663	19,283	-	1,283	(1,869)		(60,305)	(419)	28,941	1,973	30,914

See accompanying Notes to the Consolidated Financial Statements

Beta Systems Software AG and Subsidiaries
Notes to Consolidated Financial Statements
(In IFRS; Euro in thousands, except share data)
June 30, 2004 and 2005 (unaudited)

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 International Financial Reporting Standards (IFRS) for interim financials. 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 June 30, 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 in US GAAP 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. According to IFRS, regulations for allocation of the purchase price for multiple element licence contracts do not exist. 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 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 expenses as incurred. The development of new software products and substantial enhancements to existing software products takes place incrementally and iteratively. The research phase of an internal development project to create a software product cannot be distinguished from the development phase, accordingly expenses cannot be distinctly allocated to these phases. The Company treats these expenditures as if they were incurred in the research phase only,in accordance with IAS 38.52 and 38.53.

Acquired 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 acquired 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.

Inventories — Inventories are stated at the lower historical costs or net selling price, considering the lower of cost or market principle. Inventory risks are accounted for by adequate reserves for slow-moving, obsolete and damaged items where appropriate. Unnecessary allowances are reversed.

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 less write-offs. Based on future cash flows the Company assesses at each reporting date the recoverability in accordance with IAS 36.

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 instruments approximates their fair value because of the short maturity of such instruments.

Stock Option Plans — The company accounts its tax-privileged stock options plans in accordance with IFRS 2. Thus, share-based payments are expensed with the Fair Value as personnel costs. The simplification rule of IFRS 2.60 is not applied.

Net Income (Loss) Per Share — The net income (loss) per ordinary share was calculated by dividing the net income (loss) by the weighted average number of ordinary shares outstanding during the reporting period. Diluted net income (loss) per ordinary share has been calculated in accordance with IAS 33 in order to reflect the diluted effect of shares.

The following is a reconciliation from basic net income (loss) per share to diluted net income (loss) per share from continuing operations.

	Three months to June,		**Six months to June,**	
	2004	**2005**	**2004**	**2005**
Net Income (Loss)	(70)	**3,572**	(220)	**1,789**
Average Number of Shares Outstanding	4,014,978	**4,110,790**	4,005,833	**4,110,790**
Dilution Effect : Options	-	**-**	-	**-**
	4,014,978	**4,110,790**	4,005,833	**4,110,790**
Net Income (Loss) per Share Basic and Diluted	(0.02)	**0.87**	(0.05)	**0.44**

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. Restructuring

Based on a social compensation program and a compensation agreement the Company has implemented a restructuring program which will be expected to be completed by the end of the third quarter. The plan concerns 25 employees mainly at the Berlin location. As at June 30, 2005 19 of them of the following divisions where informed: administration 3 employees, shipping 2 employees, marketing 1 employee and service and development 13 employees. The restructuring in the development division affects the ECM Output und Data Center business units.

As at June 30, 2005 costs for severance payments were accrued and expensed in the income statement as follows:

	As at June 30, 2005
Cost of Sales	70
Selling Costs	26
Research and Development	804
General Administration	126
Total Severance Payments	**1,026**

The total amount was accrued in second quarter 2005. No cash payments were effected as at June 30, 2005.

3. Business acquisition

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.

As of June 30, 2005 Beta Systems Software AG purchased 3,569,095 (June 30, 2004: 3,490,532) Kleindienst Datentechnik AG shares at an average unit price of EUR 7.50 per share. The total number of shares amount to 89.23% of the total share capital of Kleindienst Datentechnik AG.

Kleindienst Datentechnik AG and its subsidiaries has been consolidated in the Beta Group since April 1, 2004.

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.

The share exchange ratio was determined by PricewaterhouseCoopers GmbH Wirtschafts-prüfungsgesellschaft, Frankfurt am Main in accordance with the Ertragswertverfahren (discounted future earnings method) .The appropriateness of the share exchange ratio is was audited by Warth & Klein GmbH Wirtschaftsprüfungsgesellschaft as independent merger auditors appointed by the court.

The merger was voted on at the Annual General Meetings held by Beta Systems AG on June 14, 2005, viz. by Kleindienst Datentechnik AG on June 13, 2005. The merger will be effective after registration in the commercial register.

4. Sale of Outsourcing Service

On April 10, 2005, Outsourcing Service and accordingly all shares of DS Dokumenten Service Holding GmbH were sold to Transaktionsinstitut für Zahlungsverkehrsdienstleistungen AG (TAI AG), a subsidiary of DZ Bank AG. The purchase price was EUR 10,350. The sale was retrospective effective on January 1, 2005.

Outsourcing Service represented an independent business unit as an external service provider within the group of Kleindienst companies. Beta Systems continued the business unchanged and as a result Outsourcing Service represented an independent controlled business unitwithin the Beta Group.

The sold net assets amounted EUR 3,418. The gain after tax of sold assets allocated in the income statement amounts EUR 5,846. The operative income and expenses and income taxes of the business area is allocated in the income statement as "(Gain) Loss from discontinued operations, less income taxes". Comparative figures of the previous year were adjusted consequently. Revenues, Income and Expenses of the sold business area for the first six-month of 2005 are as follows:

	3 months to June 30, 2004	3 months to June 30, 2005	6 months to June 30, 2004	6 months to June 30, 2005
Revenues	3,652	1,707	3,652	6,974
Operating Expenses	(3,583)	(1,804)	(3,583)	(7,297)
Operating Income (Loss)	69	(97)	69	(323)
Other Expenses	(30)	(28)	(30)	(1)
Net Financing Cost	(130)	(18)	(130)	(120)
Loss from Continuing Operations, before Taxes and Minority Interests	(91)	(143)	(91)	(444)
(Gain) Loss from Discontinued Operations, less Income Taxes	-	5,846	-	5,846
Income Taxes	(182)	-	(182)	(60)
Net income (loss) before Minority Interests	(273)	5,703	(273)	5,342
Minority Interests	(173)	(74)	(173)	(235)
Net income (Loss) after Taxes and Minority Interests	**(446)**	**5,629**	**(446)**	**5,107**

All assets and liabilities of the business segment were eliminated in the consolidated balance sheets as at June 30, 2005.

The net cash flow of the disposed business segment is as follows:

	6 months to June 30, 2004	6 months to June 30, 2005
Net cash provided by operating activities	895	1,195
Net cash used in investing activities	(13)	(12)
Net cash used in financing activities	(1,590)	(762)
Increase (Decrease) in cash and cash equivalents	(708)	421

The sale reduces the number of employees from 1,022 at December 31, 2004 to 758 employees at June 30, 2005.

5. Segment Information

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.

The following active business segments of the Company represent the primary reporting format:

Three months to June 30, 2004	Storage Management	ID/Security Management	Data Center Management	ECM/Output Management	ECM/Input Management	Total
Revenues from Customers	772	3,390	4,459	3,623	12,663	24,907
Intersegment Revenues	37	234	444	335	2,217	3,267
	809	3,624	4,903	3,958	14,880	28,174
Segment Income (Loss)	(62)	(1,060)	799	(391)	197	(516)

Three months to June 30, 2005	Storage Management	ID/Security Management	Data Center Management	ECM/Output Management	ECM/Input Management	Total
Revenues from Customers	603	3,603	3,175	3,787	12,244	23,412
Intersegment Revenues	77	469	407	491	1,597	3,041
	680	4,072	3,582	4,278	13,841	26,453
Segment Income (Loss)	(146)	(1,206)	(71)	(449)	(1,534)	(3,406)

Six months to June 30, 2004	Storage Management	ID/Security Management	Data Center Management	ECM/Output Management	ECM/Input Management	Total
Revenues from Customers	1,805	7,214	8,029	6,792	12,663	36,503
Intersegment Revenues	316	1,263	1,407	1,190	2,217	6,393
	2,121	8,477	9,436	7,982	14,880	42,896
Segment Income (Loss)	(83)	(2,030)	834	(593)	300	(1,572)

Six months to June 30, 2005	Storage Management	ID/Security Management	Data Center Management	ECM/Output Management	ECM/Input Management	Total
Revenues from Customers	1,350	6,498	6,667	7,186	21,509	43,210
Intersegment Revenues	183	880	903	973	2,912	5,851
	1,533	7,378	7,570	8,159	24,421	49,061
Segment Income (Loss)	(319)	(2,492)	(291)	(956)	(3,443)	(7,501)

The explanation for the segment of Outsourcing Service can be found under Note 4.

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

	Three months to June 30, 2004	Three months to June 30, 2005	Six months to June 30, 2004	Six months to June 30, 2005
Operating Loss of Segments before Taxes	(516)	**(3,406)**	(1,572)	**(7,501)**
Costs not Allocated	(106)	**(88)**	(219)	**(122)**
Other Income, net	145	**522**	643	**2,217**
Operating Loss	(477)	**(2,972)**	(1,148)	**(5,406)**
Net Financing Costs	(3)	**(166)**	85	**(258)**
Loss from Continuing Operations, before Income Taxes and Minority Interests	(480)	**(3,138)**	(1,063)	**(5,664)**
Income (Loss) from Discontinued Operations, less Income Taxes	(446)	**5,629**	(446)	**5,107**
Income Tax Benefit	540	**1,643**	973	**2,545**
Net Income (Loss) before Minority Interests	(386)	**4,134**	(536)	**1,988**
Minority Interests	316	**(562)**	316	**(199)**
Net Income (Loss) as Reported	(70)	**3,572**	(220)	**1,789**

6. IFRS Adoption

The Company applies the IFRS standards in its financial statements for the first time as at June 30, 2005. The transition date is January 1, 2004. All balance sheet items as well as all items of the income statements for the comparative periods were adjusted retrospectively in accordance with IFRS 1.

The conversion affects the accounting of all assets and liabilities in accordance with IFRS, the elimination of assets and liabilities not to be accounted under IFRS, the reclassification of assets and liabilities which do not correspond to IFRS definitions, and the valuation of assets and liabilities under IFRS.

All necessary adjustments were allocated to retained earnings in the beginning balance as at January 1, 2004.

Compared with the previously applied Generally Accepted Accounting Principles in the US (US GAAP) the Company made the following adjustments and applied the following exemptions:

IFRS 2 "Share-based payment“ states that a company has to recognize share based payments at Fair Value over the term of service rendered. Under certain conditions share based payments were recognized under US GAAP with the Intrinsic Value Method or the Fair Value Method, which is similar to IFRS 2. The intrinsic value is the difference between the quoted market price of the stock at the date of grant and the price payable by the employee. The Company applied the intrinsic value method and accordingly expensed an additional EUR 780 in first six months of 2004 to the income statement. No adoption adjustments exist in the Company’s income statements for the current year, as no share or option-based right exist. The exemption of IFRS 2.60 was not applied.

In the event of the acquisition of an entity which is not wholly acquired, all assets and liabilities shall be allocated at Fair Value in accordance with IFRS 3 " Business Combinations”. Under US GAAP all assets and liabilities are allocated at Fair Value only attributable to the acquire.

The Company acquired the majority of Kleindienst Datentechnik AG as of April 1, 2004. The Company executed further purchase in stages until June 30, 2005, resulting in approximately 10% of Kleindienst Datentechnik AG being held by minority interest holders at the end of the period. The undisclosed reserves of acquired assets attributable to minority interests, less adjustments for the goodwill in the amount of EUR 5,551 were recorded at April 1, 2004 and will be reversed in following periods. The additional reversal expensed in the first half of 2005 amounted to EUR 842 (2004: EUR 754).

IAS 19, "Employee benefits“ determines that a partial retirement agreement accrual shall be recorded for probable obligations due by the Company to employees.

Contrary to this treatment, US GAAP required a contractual agreement. Accordingly, as of April 1, 2004 additional future obligations in the amount of EUR 526)where recorded considering the likelihood of the usage by employees (IAS 19.140). An additional gain of EUR 11 and EUR 22 resulted from the reversal of the accrual for the first six months of 2004 and 2005 respectively. The valuation of the pension liabilities compared to US GAAP has not resulted in a material difference.

The Company capitalized software development cost in accordance with SFAS 86 when technological feasibility of the research and development projects was achieved. An exact distinction between research and development was not required. Thus, primary software production costs until general availability were capitalized. IAS 38 “Intangible assets“ requires in contrast a separation of the research and development process and accordingly a separation of research and development cost for capitalization of software development costs (IAS 38.52).

The Company's research and development projects are iterative and incremental and accordingly a clear separation between these processes is not possible.

The Company allocated all previously capitalized software costs and accumulated amortization whit a total net amount of EUR 3,142 against retained earnings in the opening balance sheet as at January 1, 2004.

Accordingly, the Company has no capitalization and amortization for software development cost in the result for the period. The net effect amounted to EUR (140) in first half of 2004.

The valuation of balance sheet items in accordance with IFRS results in adjustments for deferred taxes. These concern primarily capitalized software costs, the capitalization of undisclosed reserves for minority interests and accruals for retirement obligations. The effect of these adjustments is disclosed in the following reconciliation.

The Company does not avail itself of the following exemptions:

- Fair value or revaluation of deemed costs (IFRS 1.16-19)
- Employee benefits (IFRS 1.20)
- Cumulative translation benefits (IFRS 1.21)

The following exceptions are not relevant to the Company:

- Compound financial instruments (IFRS 1.23)
- Assets and liabilities of subsidiaries, associates and joint ventures (IFRS 1.24-1.25)
- Derecognition of financial assets and liabilities 1.1.2001 (IFRS 1.27)
- Hedge accounting (IFRS 1.28)
- Estimates (IFRS 1.31-1.34)

A reconciliation of the annual, half-yearly and quarterly results for 2004, and of the equity as at January 1, 2004, June 30, 2004 and as at December 31, 2004 from US GAAP to IFRS follows:

	Three months to June 30, 2004
Quarterly results US GAAP	**(229)**
Elimination of amortization of software development costs	194
Elimination of capitalization of software development costs	(355)
Reversal of accruals for retirement	11
Share based costs	242
Amortization of undisclosed reserves of minority interests	(754)
Deferred tax	363
Minority interest in earnings	458
Quarterly results IFRS	**(70)**

	Six months to June 30, 2004
Six month results US GAAP	**(948)**
Elimination of amortization of software development costs	408
Elimination of capitalization of software development costs	(548)
Reversal of accruals for retirement	11
Share based costs	780
Amortization of undisclosed reserves of minority interests	(754)
Deferred tax	373
Minority interest in earnings	458
Six month results IFRS	**(220)**

	As at December 31, 2004
Net loss US GAAP	**(17)**
Elimination of amortization of software development costs	1,138
Elimination of capitalization of software development costs	(2,413)
Reversal of accruals for retirement	33
Share based costs	780
Amortization of undisclosed reserves of minority interests	(1,927)
Deferred tax	(1,295)
Minority interest in earnings	(1,170)
Net income IFRS	**59**

Reconciliation of equity:

	As at January 1, 2004
Equity US GAAP	**31,710**
Derecognition of software development cost, net against retained earnings	(3,142)
Reclassification of share based expenses from APIC	(337)
Reclassification of share based expenses deferred compensation costs	780
Reclassification of share based expenses in retained earnings	(443)
Deferred taxes against retained earnings	793
Equity IFRS	29,361

	As at June 30, 2004
Equity US GAAP	**30,383**
Derecognition of software development cost, net against retained earnings	(3,142)
Reclassification of share based expenses from APIC	(337)
Reclassification of share based expenses in retained earnings	(443)
Allocation of retirement accrual against retained earnings	(526)
Deferred taxes against retained earnings	993
Expenses for elimination of amortization of software development costs and amortization	(140)
Elimination of Deferred Compensation Expenses	780
Reversal of accruals for retirement	11
Reclassification of minority interests	9,509
Deferred taxes	82
Equity IFRS	**37,170**

	As at December 31, 2004
Equity US GAAP	**31,762**
Derecognition of software development cost, net against retained earnings	(3,142)
Reclassification of share based expenses from APIC	(337)
Reclassification of share based expenses in retained earnings	(443)
Allocation of retirement accrual against retained earnings	(526)
Deferred taxes against retained earnings	993
Expenses for Elimination of amortization of software development costs and amortization	(1,275)
Elimination of Deferred Compensation Expenses	780
Reversal of accruals for retirement	33
Reclassification of minority interests	8,886
Deferred taxes	543
Equity IFRS	**37,274**

Adjustments in Cash Flow are as follows:

	Six months to June 30, 2004
Net Income	**728**
Depreciation	346
Compensation costs for options	(780)
Deferred taxes	(373)
Minority interests	(458)
Changes in assets and liabilities, net	(18)
Net cash provided by operating activities	**(555)**
Capitalization of software costs	555
Net cash provided by investing activities	**555**
Increase (Decrease) in cash and cash equivalents	**0**