[Quarterly Report]

03/06

Contents

Positive Business Performance in Third Quarter of 2006

Beta Systems achieved a significant year-on-year increase in earnings in the third quarter, while also raising sales revenue by around 3%.

Financial Highlights for Third Quarter 2006

- Revenue increases by 3.4% to Euro 22.4 million (Q3 2005: Euro 21.7 million)
- Growth in the area of software licenses (5.9% year-on-year) and services (37.1% year-on-year)
- Operating result (from continuing operations) up by Euro 3.4 million to Euro -0.3 million (Q3 2005: Euro -3.7 million)
- Net income for the quarter increases to Euro 0.1 million / Euro 0.02 per share (Q3 2005: Euro -1.7 million / Euro -0.21 per share)

Comments by the CEO

"Having begun the second half of 2006 with noticeably streamlined cost structures, our main focus is on stepping up our sales activities and delivering a sustainable improvement in bottom-line results. The feedback received from our key accounts operating in the financial and industrial sectors in response to our focus on this service portfolio has been particularly encouraging, Therefore, I am delighted with third-quarter growth achieved in the all-important license business for the first time this year, buoyed by several major contracts. Our operating result has also developed well and is considerably higher than during the same quarter a year ago," said **Kamyar Niroumand**, **CEO of Beta Systems Software AG** commenting on the results. He added: "We have yet again invested in positioning and enhancing our sales activities in favor of the key account category, in addition to expanding our partner business. Indeed, we are confident that this will deliver fresh impetus for our particularly important year-end business, the aim being to further increase license and services revenues."

Financial Highlights for First Nine Months 2006

- Revenue grows by 4.3% to Euro 67.7 million (9M 2005: Euro 64.9 million)
- Comparable (adjusted) operating result increases to Euro -6.3 million (9M 2005: Euro -9.4 million)
- Exceptional charges in first nine months of 2006: operating result affected by non-recurring expenses amounting to Euro 13.0 million for cost-reduction measures as well as latest assessment of current risk situation
- Operating result, including exceptional charges, declines to Euro -19.3 million (9M 2005: Euro -11.3 million)

- Net result for first nine months, including exceptional charges, declines to Euro -10.8 million / Euro -1.23 per share (9M 2005: Euro 0.3 million / Euro 0.03 per share)

Key Operational Highlights

- Gernot Sagl appointed as Chief Financial Officer
- New Augsburg office officially opened
- Beta Systems User Conference successfully concluded
- Second round of "Qualifications Initiative" launched
- Technological innovations brought to market

Beta Systems appoints Gernot Sagl as new CFO

In a meeting convened on October 26, 2006, the Supervisory Board of Beta Systems Software AG appointed Gernot Sagl (37) as Chief Financial Officer (CFO) with immediate effect. Mr. Sagl has an extensive track record in international management, and most recently held the position of Regional Finance Manager within a top-ten US pharmaceutical group, where he was responsible for the financial operations of enterprises based in Central and Eastern Europe. Prior to this, Gernot Sagl gained many years of experience in the area of finance, including positions as CFO at Austrian-based communications specialist CCC AG and Head of Controlling & Treasury at ÖAG Handelsbeteiligungs AG.

New Augsburg office officially opened

The Enterprise Content Management (ECM) business unit celebrated the official inauguration of its new location in central Augsburg during the third quarter. The ECM business unit will now be operating from its new premises in the south of Germany, thus underlining Beta Systems' commitment to this location.

The Augsburg-based competence center for secure and efficient document management is home to a team of 280 employees, who are responsible for developing and distributing technologies capable of electronically capturing, administering, storing and supplying documents required within the area of banking, insurance, public administration, manufacturing, retailing and other sectors of the service industry. The ECM unit is one of the Company's growth segments, accountable for around 50 per cent of total sales revenue generated by Beta Systems in 2005. The Company develops a significant proportion of its ECM product range in Augsburg, from where the core activities relating to sales, support and project management are also directed. In addition to providing a more stylish setting, the relocation to new premises has brought about a sizeable reduction in operating expenses within this area.

Beta Systems User Conference successfully concluded

On September 14 and 15, Beta Systems hosted a special information and communication event as part of its annual User Conference in Berlin. The main topics were document- and user management, as well as information management.

The conference, which was attended by 220 customers, industry experts and other interested groups, was hosted to provide visitors with an in-depth insight into the latest trends, products and services. Visitors were also given the opportunity to find out more about specific user installations and to discuss the possibility of customized solutions with Beta Systems experts. The growing number of people attending the event bears testimony to the success of the overall concept on which this conference is based. Compared with last year, the 2006 event saw a rise in visitor numbers by 25 per cent. The User Conference was officially opened by CEO Kamyar Niroumand, who gave an overview of the latest business developments at Beta Systems. The event program included presentations by industry experts, the main focus being on business process management and IT, the evolution of European payment transactions, as well as the role of IT systems in improving legal compliance within large corporations.

Second round of "Qualifications Initiative" launched

Beta Systems continued to invest in its "Qualifications Initiative" launched in June 2006. The Company has created new openings for school-leaver trainees, and the apprenticeship program will also extend to training within the mainframe environment. Alongside the internal apprenticeship program, Beta Systems also plans to take part in the Girls' Day staged in Berlin on April 27, 2007. As part of the event, Beta Systems will organize a company visit for girls from the Greater Berlin area, the objective being to introduce them to information technology and how it is applied in practice. The aim of promoting next-generation talent is to support qualification programs for young adults based in Berlin and to underline Beta Systems' firm commitment to the future of young professionals.

Technological innovations brought to market

Beta Systems has seamlessly integrated its Input Management solution **FrontCollect** into the next generation of Microsoft technologies. At the DMS Expo in Cologne Beta Systems presented the application scenario "Automated Mailbox Distribution" as a prototype for Contoso GmbH, a fictitious company created by Microsoft for the purpose of showcasing this technology. The close collaboration between Beta Systems and Microsoft was of pivotal importance to the successful completion of this integration project. Having further extended its scope of expertise within the Microsoft environment, Beta Systems was recently awarded Microsoft Gold Partner Status.

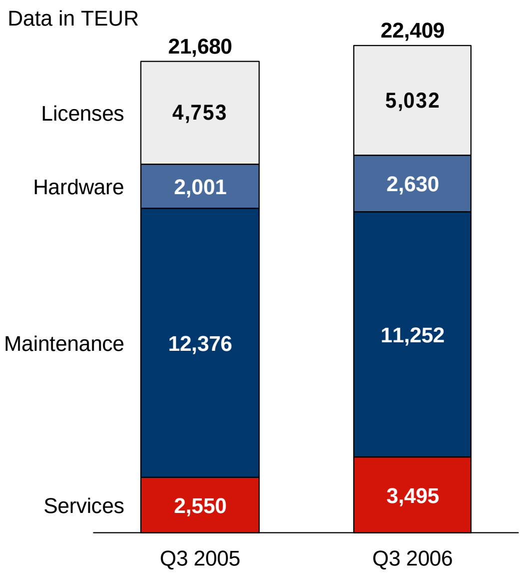
Financial Position, Financial Performance, and Cash Flows

Important Details and Preliminary Remarks

All financial statements are prepared in accordance with generally accepted International Financial Reporting Standards (IFRS). Within this context, all data for previous years, i.e. all balance sheet items as well as all items included in income statements, has been adjusted accordingly. Owing to the discontinuation of operations within the area of Outsourcing Service in 2005, all data for 2005 relating to pre-tax earnings categories has been listed with the supplementary annotation "from continuing operations". These figures include neither revenues nor operating expenses associated with the business unit disposed of by the Company. Income from discontinued operations is reported after taxes and is included directly in net income for the reporting period.

The information contained in the following sections refers to the consolidated results of the Beta Systems Group. Effective from fiscal 2006 (except segment information), segment reporting has been recategorized in accordance with the new corporate structure and now encompasses the business segments Identity Management (IdM), Enterprise Content Management (ECM) and Data Center Infrastructure (DCI).

Development of Revenues



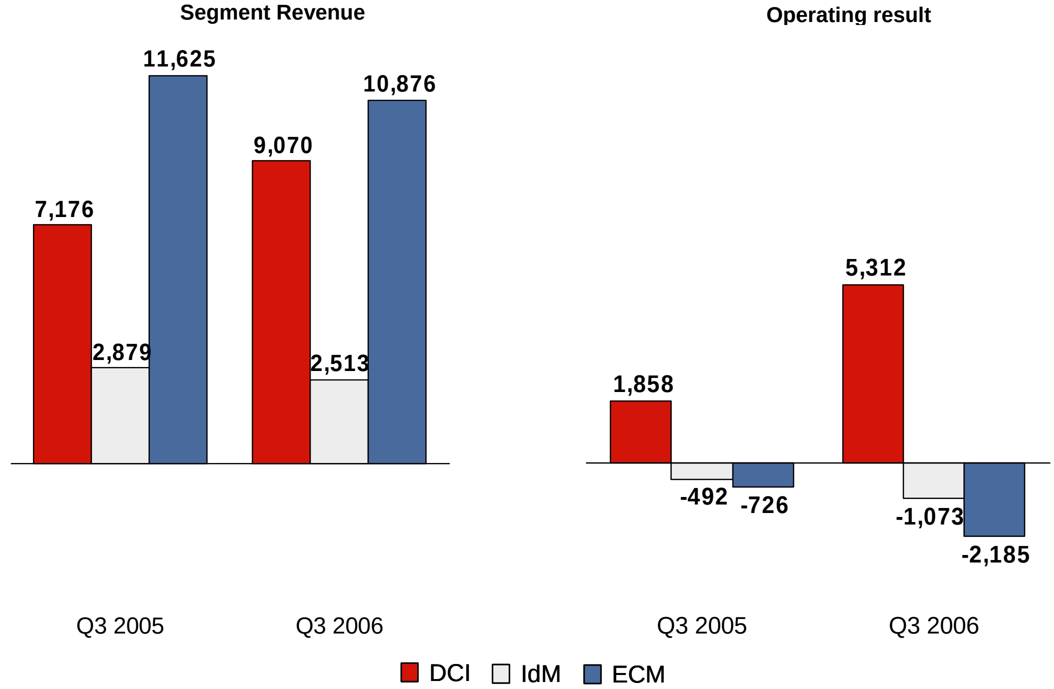
As a supplier of complex IT enterprise solutions, Beta Systems generates revenues in the area of software licenses, maintenance agreements, and services. This is supplemented by revenues for hardware in the form of scanner systems and other merchandise (e.g. PC workstations and servers).

Revenues increased to Euro 22.4 million in the third quarter of 2006, up from Euro 21.7 million in the same period a year ago. Worldwide, the companies within the Beta Systems Group secured a number of contracts with major customers in the period under review. Successful deals within the area of DCI included agreements concluded with Postbank Systems AG, IBM Deutschland GmbH, and Kommunales Rechenzentrum Niederrhein (all IT service providers, Germany), as well as IBM UK (IT services, UK) and Groupama Sig (IT services, France). Within the IdM segment, agreements for new licenses were negotiated with Credit Suisse (financial services, Germany), -Systems (IT services, Italy), and Capitalia (financial services, Italy). The ECM segment generated significant sales revenue, buoyed by agreements concluded with The Central Bank of Nigeria (financial services, Nigeria), Südleasing GmbH, and Allianz Lebensversicherungs AG (both financial services, Germany).

Due to strong demand for licenses and license upgrades, revenues from the sale of software licenses increased from Euro 4.8 million a year ago to Euro 5.0 million in the third quarter of 2006. Revenue derived from hardware sales amounted to Euro 2.6 million in the third quarter of 2006, thus also outpacing last year's figure (Q3 2005: Euro 2.0 million); they were attributable mainly to a major contract with Nigerian Central Bank. Maintenance revenues decreased from Euro 12.4 million to Euro 11.3 million in the third quarter of 2006. In contrast, revenues generated with services rose from Euro 2.6 million in the third quarter of 2005 to Euro 3.5 million in the reporting period, benefiting from an expansion of project business in the areas of ECM and IdM.

Performance of Business Segments

Data in TEUR



Revenue generated within the DCI segment increased from Euro 7.2 million in the third quarter of 2005 to Euro 9.1 million in the third quarter of 2006 due, in particular, to more buoyant software license business. Benefiting from this high-margin revenue growth, together with a reduction in costs associated with external services, the operating result increased significantly from Euro 1.9 million to Euro 5.3 million.

The IdM segment achieved revenues of Euro 2.5 million in the period under review (Q3 2005: Euro 2.9 million), whereas revenue growth in services proved insufficient to compensate fully for the reduction in software revenues. Owing to substantial investments in marketing and sales the operating result of Euro -1.1 million moved below last year's figure of Euro -0.5 million. Cost-reduction measures within this business segment have already been initiated.

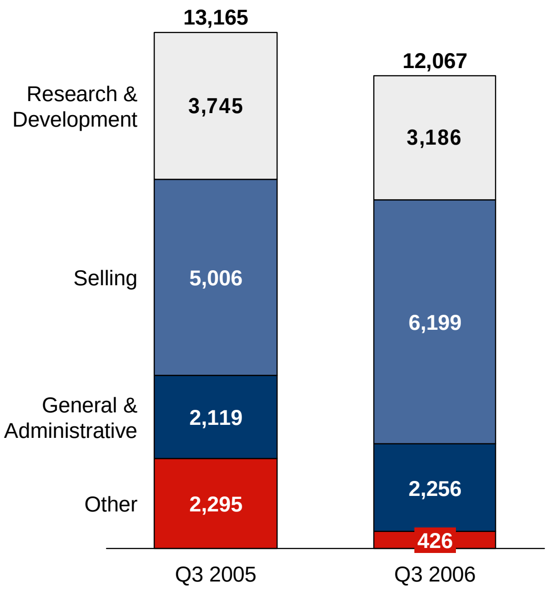
The ECM unit generated revenue in the amount of Euro 10.9 million (Q3 2005: Euro 11.6 million). The slight reduction was due to the postponement to the fourth quarter of several large-scale banking and insurance projects with a high proportion of software license and services business. The operating result contracted from Euro -0.7 million in the third quarter of 2005 to Euro -2.2 million in the third quarter of 2006, particularly as a result of the significant proportion of hardware.

Gross Profit

Gross profit increased by 24.6% to Euro 11.8 million in the third quarter of 2006, compared with Euro 9.4 million in the third quarter of 2005. The gross profit margin rose to 52.5% in the third quarter of 2006, up from 43.6% in Q3 2005. Growth within this area was attributable chiefly to a reduction in hardware costs prompted by the scheduled downsizing of less profitable merchandise business and the focus on license activities.

Costs and Expenses Development

Data in TEUR



Operating expenses declined by 8.3% to Euro 12.1 million in the third quarter of 2006, compared with Euro 13.2 million in Q3 2005. This trend is attributable in particular to the growing effectiveness of cost-reduction measures. Selling expenses increased from Euro 5.0 million to Euro 6.2 million as a result of more dynamic marketing and sales activities. In parallel, research and development costs were reined back from Euro 3.7 million to Euro 3.2 million in the reporting period as restructuring measures took effect. The expense item "Restructuring Expenses" now includes the redundancy payments associated with staff downsizing measures implemented effective from Q3 2006. The operating expenses in relation to revenue declined to 53.8% in the third quarter 2006 (Q3 2005: 60.7%).

Income

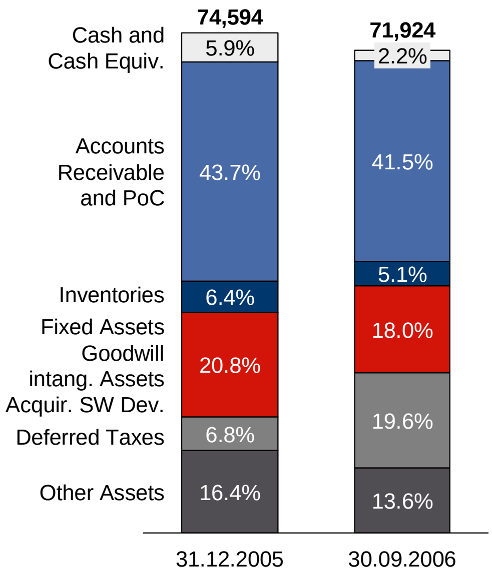
In the third quarter of 2006, Beta Systems recorded an operating loss of Euro 0.3 million from continuing operations, compared with an operating loss of Euro 3.7 million in the same period a year ago. Earnings before interest and taxes (EBIT) from continuing operations amounted to Euro -0.2 million in the third quarter of 2006, compared with Euro -3.8 million in the third quarter of 2005. The finance result was comparable to the figure recorded in the same period a year ago (Q3 2006: Euro -0.1 million, Q3 2005: Euro -0.1 million). Earnings before taxes (EBIT) amounted to Euro -0.3 million in the third quarter of 2006 (Q3 2005: Euro -3.8 million).

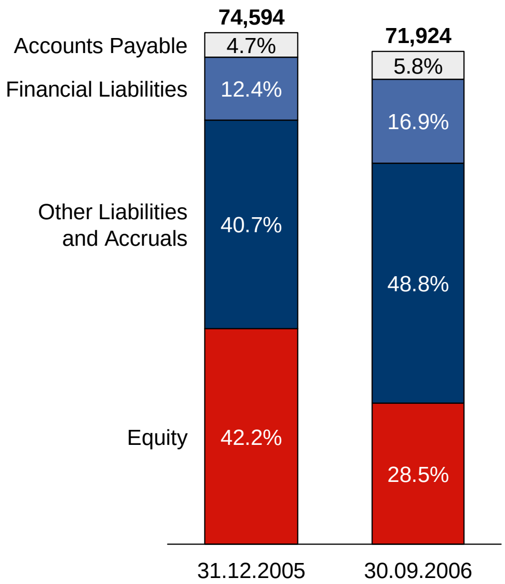
Income Tax and Net Result

The net result increased from Euro -1.7 million, or Euro -0.21 per share, in the third quarter of 2005 to Euro 0.1 million, or Euro 0.02 per share, in the reporting period. The net result includes an income tax credit in the amount of Euro 0.4 million (Q3 2005: Euro 2.2 million). In the third quarter of 2006, the weighted average of shares outstanding was 8,738,666 (Q3 2005: 8,221,580 shares).

Financial Position and Shareholders' Equity

Data in TEUR





As at September 30, 2006, Beta Systems had cash and cash equivalents amounting to Euro 1.6 million and shareholders' equity of Euro 20.5 million, compared with cash and cash equivalents of Euro 4.4 million and shareholders' equity of Euro 31.5 million at December 31, 2005. Receivables declined from Euro 28.6 million at December 31, 2005, to Euro 21.1 million at September 30, 2006, while construction contracts increased over the course of the year from Euro 4.0 million to Euro 8.7 million. The higher deferred tax assets of Euro 14.1 million include an income tax credit in the amount of Euro 7.0 million.

Long-term borrowings within the Beta Systems Group were reduced from Euro 4.3 million at December 31, 2005, to Euro 3.2 million at the end of the quarter under review as a result of principal repayments. Higher provisions amounting to Euro 13.3 million (December 31, 2005: Euro 2.3 million) are associated primarily with redundancy payments and risk provisioning measures implemented in the second quarter of 2006.

Personnel

The staff complement within the Beta Systems Group declined from 733 at the end of fiscal 2005 to 679 at the end of Q3 2006. This was attributable mainly to the sale of scanner production activities in the first quarter of 2006 and the personnel measures now taking effect.

Hotline for Investors, Analysts, and Journalists

If you have any questions relating to the results of Q3 2006, please feel free to contact Beta Systems' Investor Relations team: phone +49 30 726 118 -170 and -171 or e-mail ir@betasystems.com.

The Management Board

Disclosure of Directors' Holdings of Beta Systems Software AG

At September 30, 2006	Number of shares
Management Board	
Kamyar Niroumand	19,000
Dietmar Breyer (until August 31, 2006)	-
Supervisory Board	
Sebastian Leser	-
Dr. Arun Nagwaney	-
Jürgen Dickemann	-
Volker Wöhrle	-
Stefan Hillenbach	4,288
Wilhelm Terhaag	-
Beta Systems Software AG	
Treasury stock	120,610

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

Beta Systems Software AG, Berlin, Germany
Beta Systems Software AG (Prime Standard: BSS) develops high-quality software products and solutions for the secure and efficient processing of large quantities of data, and is one of the leading medium-sized, independent, European software solution providers in its market segment. Its software products and solutions sup-port customers in the automation, safeguarding and traceability of their business processes within the three core areas of document management (Enterprise Content Management business area), user management (Identity Management business area) and information management in data processing centres (Data Centre Infrastructure business area).

The company has been listed on the stock exchange since 1997, and currently employs around 700 staff, mainly in the competence centres of Berlin (company headquarters), Cologne, Augsburg and Calgary. In addi-tion to this, Beta Systems is internationally active with 17 wholly-owned subsidiaries and numerous partner companies. Among its worldwide total in excess of 1,300 customers with over 3,000 running installations are major businesses in the fields of financial services, industry, commerce, logistics and IT services, in Germany, Europe and the USA. For more information, please visit 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 Income Statement
(According to IFRS; in Thousand €, except share data)

	Note	Q3/2005 (unaudited)	Q3/2006 (unaudited)
Revenues	*1*	**21,680**	**22,409**
Product Licences		4,753	5,032
Hardware Sales		2,001	2,630
Maintenance		12,376	11,252
Services		2,550	3,495
Cost of Revenues		**12,232**	**10,636**
Product Licences		1,508	1,200
Hardware Sales	*2*	1,693	960
Maintenance		6,710	5,186
Services		2,321	3,290
Gross Profit		**9,448**	**11,773**
Operating Expenses		**13,165**	**12,067**
Selling	*2*	5,006	6,199
General and Administrative		2,119	2,256
Research and Development		3,745	3,186
Amortization of Intangible Assets		64	125
Severance Payments and Restructuring Costs	*3*	2,231	301
Operating Result from Continuing Operations		**(3,717)**	**(294)**
Other Income (Expenses)		(49)	123
Result from Continuing Operations, including Other Income (Expenses)		**(3,766)**	**(171)**
Financing Result		**(83)**	**(110)**
Interest Income		57	13
Interest Expense		(140)	(123)
Result from Continuing Operations, before Income Taxes		**(3,849)**	**(281)**
Income Taxes		(2,154)	(430)
Income from Discontinued Operations, less Income Taxes		-	-
Income (Loss) for the Fiscal Period		**(1,695)**	**149**
Earnings per Ordinary Share			
Basic and Diluted		**(0.21)**	**0.02**
Weighted Average Number of Shares Outstanding used to compute Earnings per Ordinary Share			
Basic and Diluted		**8,221,580**	**8,738,666**

See accompanying Notes to the Consolidated Financial Statements

Beta Systems Software AG and Subsidiaries
Consolidated Income Statement
(According to IFRS; in Thousand €, except share data)

	Note	Q1-Q3/2005 (unaudited)	Q1-Q3/2006 (unaudited)
Revenues	*1*	**64,890**	**67,677**
Product Licences		15,230	14,975
Hardware Sales		5,470	9,389
Maintenance		36,688	33,947
Services		7,502	9,366
Cost of Revenues		**35,378**	**42,394**
Product Licences		4,488	5,008
Hardware Sales	*2*	4,089	12,496
Maintenance		19,725	14,505
Services		7,076	10,385
Gross Profit		**29,512**	**25,283**
Operating Expenses		**40,852**	**44,617**
Selling	*2*	15,802	21,381
General and Administrative		9,391	9,115
Research and Development		12,216	10,291
Amortization of Intangible Assets		186	374
Severance Payments and Restructuring Costs	*3*	3,257	3,456
Operating Result from Continuing Operations		**(11,340)**	**(19,334)**
Other Income (Expenses)		2,156	10
Result from Continuing Operations, including Other Income (Expenses)		**(9,184)**	**(19,324)**
Financing Result		**(341)**	**(237)**
Interest Income		185	32
Interest Expense		(526)	(269)
Result from Continuing Operations, before Income Taxes		**(9,525)**	**(19,561)**
Income Taxes		(4,703)	(8,803)
Income from Discontinued Operations, less Income Taxes	*4*	(5,107)	-
Income (Loss) for the Fiscal Period		**285**	**(10,758)**
Earnings per Ordinary Share			
Basic and Diluted		**0.03**	**(1.23)**
Weighted Average Number of Shares Outstanding used to compute Earnings per Ordinary Share			
Basic and Diluted		**8,221,580**	**8,738,666**

See accompanying Notes to the Consolidated Financial Statements

Beta Systems Software AG and Subsidiaries
Consolidated Statement of Cash Flow
(According to IFRS; in Thousand €, except share data)

	Q1-Q3/2005 (unaudited)	Q1-Q3/2006 (unaudited)
Net Cash Provided by Operating Activities	**3,819**	**(4,677)**
Net Income (Loss) for the Fiscal Period	285	(10,758)
Adjustments to reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	3,238	3,446
Non-Cash Expenditures of Discontinued Operations	1,266	-
Loss on Sale of Fixed Assets	55	52
Gain on Sale of Outsourcing Service Business Unit	(5,846)	-
Interest Expense	341	277
Interest Paid	508	(292)
Interest Received	-	38
Current Tax Expenses	573	601
Deferred Tax Benefit	(5,269)	(9,404)
Income Taxes Paid	188	(536)
Foreign Currency Gains (Losses)	-	(257)
Changes in Assets and Liabilities:		
- Decrease in Trade Accounts Receivable	5,701	10,937
- Increase (Decrease) in Trade Accounts Payable	(709)	631
- Increase (Decrease) in Deferred Revenues	398	2,348
- Change in other Assets and Liabilities, including Assets Held for Sale	3,090	(1,760)
Net Cash Used in Investing Activities	**8,456**	**(961)**
Interest Income	-	39
Purchases of Fixed Assets	(635)	(1,047)
Proceeds from Disposals of Fixed Assets	260	47
Proceeds from Sale of Outsourcing Service, net of Cash Disposed	9,920	-
Acquisition of Software Development Costs	(694)	-
Cash Paid for Investments and Payments for Asset Deals	(395)	-
Net Cash Used in Financing Activities	**(15,549)**	**3,035**
Repayment of Short-Term Borrowings	(7,562)	4,210
Proceeds from grant of long-term debt	6,000	-
Repayment of Long-Term Debt and Finance Leases	(12,103)	(1,175)
Dividend Distribution	(1,028)	-
Additional paid-in capital viz. payment for the merger	(856)	-
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**60**	**(211)**
Increase in Cash and Cash Equivalents	**(3,214)**	**(2,814)**
Cash and Cash Equivalents at the Beginning of the Fiscal Period	11,541	4,383
Cash and Cash Equivalents at the End of the Fiscal Period	**8,327**	**1,569**

See accompanying Notes to the Consolidated Financial Statements

Beta Systems Software AG and Subsidiaries
Consolidated Balance Sheet
(According to IFRS; in Thousand €, except share data)

	Note	12.31.2005 (audited)	09.30.2006 (unaudited)
Current Assets		**46,852**	**38,427**
Cash and Cash Equivalents		4,383	1,569
Trade Accounts Receivable		28,609	21,139
Work in Process Project Orders (POC)		4,023	8,740
Inventories		4,737	3,646
Prepaid Expenses and Deferred Charges		1,517	1,631
Other Current Assets		894	1,589
Current Income Taxes		946	113
Assets Held for Sale	*5*	1,743	-
Non-Current Assets		**27,742**	**33,497**
Fixed Assets		5,965	5,098
Goodwill		2,846	2,822
Other Intangible Assets		2,656	1,887
Acquired Software Development Costs		4,038	3,147
Deferred Tax Assets		5,068	14,107
Other Non-Current Assets		7,169	6,436
Total Assets		**74,594**	**71,924**
Current Liabilities		**32,685**	**42,386**
Short-Term Debt and Current Installments of Long-Term Debt and Finance Leases		4,912	8,995
Trade Accounts Payable		3,511	4,142
Deferred Revenues		6,008	8,356
Current Income Taxes		927	367
Accrued Expenses		2,306	13,265
Other Current Liabilties		14,502	7,261
Liabilities Associated with Assets Held for Sale	*5*	519	-
Non-Current Liabilities		**10,417**	**9,015**
Long-Term Debt and Finance Leases		4,317	3,156
Pension Obligations		2,038	2,024
Deferred Tax Liabilities		1,904	1,598
Other Non-Current Liabilities		2,158	2,237
Total Liabilities		**43,102**	**51,401**
Shareholders' Equity		**31,492**	**20,523**
Ordinary Shares	*6*	11,324	11,517
Additional Paid-In Capital		20,178	19,985
Accumulated Loss		(870)	(11,628)
Accumulated Other Comprehensive Income		1,279	1,068
Treasury Stock at Cost: 120,610 Ordinary Shares		(419)	(419)
Total Liabilities and Shareholders' Equity		**74,594**	**71,924**

See accompanying Notes to the Consolidated Financial Statements

Beta Systems Software AG and Subsidiaries - Consolidated Statement of Changes in Shareholders' Equity and Comprehensive Income (Loss)
(According to IFRS; in Thousand €, except share data)
At September 30, 2006 (unaudited)

	Ordinary Shares						Treasury Stock				
	Number of Shares Issued	Nominal Amount	Additional Paid-In Capital	Accumulated other Comprehensive Income (Loss)	Accumulated Income (Loss)	Net Income (Loss), incl. Comprehensive Income (Loss)	Number of Ordinary Shares	Amount, at Cost	**Shareholders' Equity attributable to the Shareholders of the Parent Company**	Minority Interests	Total Shareholders' Equity
Balance at January 1, 2005	**8,342,190**	**10,663**	**18,387**	**1,491**	**(1,413)**		**(120,610)**	**(419)**	**28,709**	**8,886**	**37,595**
Issuance of Ordinary Shares	517,086	661	2,312	-	-		-	-	**2,973**	-	2,973
Cost of Increase in Paid-In Capital			(521)						**(521)**		(521)
Dividend Distribution	-	-	-	-	(1,028)		-	-	**(1,028)**	-	(1,028)
Net Income for the Year	-	-	-	-	1,571	1,571	-	-	**1,571**	(364)	1,207
Other Comprehensive Income, net of Tax Effect											
Currency Translation Adjustments	-	-	-	-	-	(212)					
Other Comprehensive Income, net of Tax Effect	-	-	-	(212)	-	(212)			**(212)**		(212)
Total Comprehensive Income						1,359					
Minority Interests	-	-	-	-	-		-	-	-	(8,522)	(8,522)
Balance at December 31, 2005	**8,859,276**	**11,324**	**20,178**	**1,279**	**(870)**		**(120,610)**	**(419)**	**31,492**	**-**	**31,492**
Issuance of Ordinary Shares	-	193	(193)	-	-		-	-	-		-
Dividend Distribution	-	-	-	-	-		-	-	-		-
Net Loss for the Fiscal Period	-	-	-	-	(10,758)	(10,758)	-	-	**(10,758)**		(10,758)
Other Comprehensive Loss, net of Tax Effect											
Currency Translation Adjustments	-	-	-	-	-	(211)					
Other Comprehensive Loss, net of Tax Effect	-	-	-	(211)	-	(211)	-	-	**(211)**		(211)
Total Comprehensive Loss						(10,969)					
Balance at September 30, 2006	**8,859,276**	**11,517**	**19,985**	**1,068**	**(11,628)**		**(120,610)**	**(419)**	**20,523**	**-**	**20,523**

See accompanying Notes to the Consolidated Financial Statements

Beta Systems Software AG and Subsidiaries
Notes to the Consolidated Financial Statements according to IFRS
(In Thousand €, except share data)
Interim financial report at September 30, 2006 (unaudited)

Summary of Significant Accounting Policies

Description of Business Activity — 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 centres 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 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, Africa and North America.

Financial Reporting Principles — The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), and particularly in compliance with IAS 34 for interim financial reports. Accordingly they do not include all of the information and footnotes required by International Financial Reporting Standards (IFRS) for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation (normal recurring accruals) were included. Operating results for the period ended September 30, 2006 are not necessarily indicative of the results that may be expected for the fiscal year 2006. For further information, refer to the Company’s financial statements and footnotes thereto for the fiscal year ended December 31, 2005.

Basis of Consolidation and Consolidation Methods — All companies in which Beta Systems has legal control are fully consolidated. The effects of intercompany transactions are eliminated.

As the reporting structure in use by the Kleindienst Group does not comprise any comparable differentiation into the reporting categories applied by Beta Systems Software AG effective from January 1, 2006, the allocation of the revenues realized by the Kleindienst Group and the cost of revenues viz. the manufacturing costs for the comparative period are partially based on estimates and assumptions.

Revenue Recognition — Product license revenue, consisting of new product licenses and CPU upgrades, is recognized when persuasive evidence of an arrangement exists, when delivery has occurred, the fee is fixed or determinable, and receipt of payment is probable. According to IFRS, regulations for the 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 pro rata temporis 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 to 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 Method to determine the percentage of completion.

Research and Development and Acquired 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 IAS 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.

Earnings per Ordinary Share — The basic earnings per ordinary share is calculated by dividing the net result for the fiscal period by the weighted average number of ordinary shares outstanding during the reporting period. Diluted net loss per ordinary share is calculated in accordance with IAS 33 to reflect the diluting effect of shares.

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 of 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. Obsolete allowances are reversed.

Fixed Assets — Fixed Assets are 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 thirteen years.

Goodwill and Other Intangible Assets — Intangible assets including goodwill are valued at acquisition cost, net of impairments. At each reporting date the Company assesses the recoverability based on future cash flows 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.

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

Use of Accounting 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.

1. Segment Information

All segments derive revenues from sales of product licenses as well as maintenance, consulting and services. Additionally, hardware sales are 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 results for the active business segments of the Company are presented according to the Company's primary reporting format:

Q3/2005	**DCI**	**IdM**	**ECM**	**Elimi-nation**	**Total Group**
Total Revenues	7,176	2,879	11,625	-	21,680
Segment Income (Loss) from Continuing Operations	1,858	(492)	(726)	57	697
Q3/2006	**DCI**	**IdM**	**ECM**	**Elimi-nation**	**Total Group**
Total Revenues	9,070	2,513	10,876	(50)	22,409
Segment Income (Loss) from Continuing Operations	5,312	(1,073)	(2,186)	334	2,387
Q1-Q3/2005	**DCI**	**IdM**	**ECM**	**Elimi-nation**	**Total Group**
Total Revenues	23,137	7,699	34,054	-	64,890
Segment Income (Loss) from Continuing Operations	5,905	(2,390)	(2,078)	57	1,494
Q1-Q3/2006	**DCI**	**IdM**	**ECM**	**Elimi-nation**	**Total Group**
Total Revenues	22,465	6,264	39,638	(690)	67,677
Segment Income (Loss) from Continuing Operations	8,155	(6,174)	(8,966)	596	(6,389)

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

	Q3/2005	Q3/2006
Segment Income (Loss) from Continuing Operations	697	2,388
Unallocated Overhead Costs	(4,414)	(2,682)
Other Income (Expenses)	(49)	123
Result from Continuing Operations, including Other Income (Expenses)	(3,766)	(171)
Financing Result	(83)	(110)
Result from Continuing Operations, before Income Taxes	(3,849)	(281)
Income Taxes	(2,154)	(430)
Income from Discontinued Operations, less Income Taxes	-	-
Income (Loss) for the Fiscal Period	(1,695)	149

	Q1-Q3/2005	Q1-Q3/2006
Segment Income (Loss) from Continuing Operations	1,494	(6,389)
Unallocated Overhead Costs	(12,834)	(12,945)
Other Income (Expenses)	2,156	10
Result from Continuing Operations, including Other Income (Expenses)	(9,184)	(19,324)
Financing Result	(341)	(237)
Result from Continuing Operations, before Income Taxes	(9,525)	(19,561)
Income Taxes	(4,703)	(8,803)
Income from Discontinued Operations, less Income Taxes	(5,107)	-
Income (Loss) for the Fiscal Period	285	(10,758)

2. Significant Operating Expenses

In connection with the valuation of existing contingencies in connection with long-term acceptance obligations for non-Company products the Company recognized an amount of T€ 5,300. This amount is included in Cost of Hardware.

Included in Selling Expenses is an amount of T€ 830. This represents the cost for a product refund granted to a major German customer in terms of fair dealing considerations.

3. Restructuring

Further measures introduced during the first quarter of the current fiscal year to reduce operating expenses by streamlining business processes were further implemented. The staff reduction affects employees at the Augsburg location. The restructuring concerns the LoB ECM. The measures are expected to be completely implemented by the end of the reporting year.

As at September 30, 2006 costs for severance payments were accrued as follows:

	Q1-Q3/2005	Q1-Q3/2006
Cost of Revenues	717	1,631
Selling Expenses	600	539
Administrative Expenses	997	614
Research & Development Expenses	943	672
Total Severance Payments	3,257	3,456

The amount was accrued during the first three quarters of the current fiscal year. All of the above costs relate to the reduction of staff.

4. Sale of the Outsourcing Service business unit

The operating revenues, expenses and income taxes transacted by this business unit for the **fiscal year 2005** are shown in the consolidated **income statement for the comparative reporting period** under the position “Loss from Discontinued Operations, less Income Taxes”.

On April 10, 2005, the Outsourcing Service business unit was sold to the Transaktionsinstitut für Zahlungsverkehrsdienstleistungen AG (TAI AG), a subsidiary of the DZ Bank AG. The sale was economically effective retrospectively to January 1, 2005.

5. Outsourcing of the Kleindienst Scanner and Sorter Hardware Manufacture through the Sale of the Kleindienst Scanner GmbH

On March 6, 2006 the Company announced that the outsourcing of the Kleindienst scanner and sorter hardware manufacture through the sale of the subsidiary Kleindienst Scanner GmbH to SIS SEAC was concluded. The sale was economically effective retrospectively to January 1, 2006. No effect to the income statement resulted from this in the reporting period.

The assets and liabilities held by this business unit as at December 31, 2005 are shown in the consolidated balance sheet for the comparative reporting period under the positions “Assets Held for Sale” viz. “Liabilities associated with Assets Held for Sale”.

The final consolidation was done effective April 1, 2006.

6. Shareholders’ Equity

As a result of a resolution passed at the General Shareholders’ Meeting held on May 22, 2006 to undertake a recapitalization the share capital was raised by conversions of T€ 193 from APIC to T€ 11,517. The recapitalization took place without the issuance of any ordinary shares. The recapitalization results in a proportionate value of exactly € 1.30 per ordinary share.

7. Change in Management

Dietmar Breyer, Deputy Chief Executive Officer, left the Company effective August 31, 2006.

8. Events after the Reporting Date

On October 26, 2006 the Supervisory Board of the Company announced the appointment of Gernot Sagl as Chief Financial Officer of Beta Systems Software AG with immediate effect.