Quarterly Report

Q1/2007

_betasystems

Contents




Dynamic growth of both licenses and services revenues in the first quarter of 2007

In the first quarter of 2007, Beta Systems is continuing the positive trend seen in the second half of the 2006 fiscal year and raised profit considerably as against the previous year period. This increase resulted, on the one hand from the dynamic growth in license and service operations, as well as, on the other, sustained optimisation of the cost structure.

Key financial data for Q1/2007

- License revenue climbs by 32.6% to € 5.9 million (Q1/2006: € 4.5 million)
- Services revenue climbs by 19.5% to € 3.6 million (Q1/2006: € 3.0 million)
- Total revenue of approximately € 21 million (Q1/2006: € 21.8 million) stable despite scheduled substantial reduction in revenue from hardware (down -64.4% to € 1.1 million as against 2006)
- Sharp increase in the cash flow from operating activities to € 8.5 million (Q1/2006: € 5.4 million)
- Earnings before interest and tax (EBIT) rises € 2.9 million to € -0.7 million (Q1/2006: € -3.0 million)
- Quarterly result increases to € -0.9 million / € -0.10 per share (Q1/2006: € -1.5 million / € -0.17 per share)

Comment by the Chief Executive Officer
"Beta Systems was very successful in the first quarter of 2007. The double-digit growth rate in our license and software business is clear evidence of the consistent implementation of measures to refocus sales operations and, in particular, of our increasingly stronger market position as a strategic IT partner to major customers in the European financial services sector," stated **Kamyar Niroumand, Chief Executive Officer (CEO)** of Beta Systems Software AG.

Gernot Sagl, Chief Financial Officer (CFO) of Beta Systems Software AG, added the following comment: "Proof of the result of our stringent cost management was delivered by our much leaner cost structure which, coupled with gratifying sales, enabled us to improve results considerably. We are working steadily on optimising our structures and processes and have come a long way towards our goal of achieving a sustained turnaround in 2007."

Outlook for the fiscal year 2007 confirmed
The results of operations in the first quarter underpin guidance given at the start of fiscal 2007. The Management Board anticipates a slight increase in revenues in fiscal 2007 from measures focusing specifically on sales operations as part of the corporate strategy. This will be flanked by a significant growth in the software license and services business and a further decline in revenue from hardware.




Owing to the sustained streamlining of the cost structure, management currently anticipates a durable positive profit situation in the course of the remaining year and that an EBIT margin in the single-digit range will be achieved in fiscal 2007.

Key operational highlights

- Beta Systems plans cash capital increase
- Launch of new Beta 96 Enterprise Compliance Auditor product
- Presentation of solutions for the automation of business processes of financial institutions
- Beta Systems and Lufthansa Systems sign cooperation agreement
- Deutsche Post In Haus Service GmbH decides in favor of mail scanning technology by Beta Systems
- Beta Systems' Partner Days 2007 in Berlin brought to a successful conclusion
- SAP certifies FrontCollect Invoice

Beta Systems plans cash capital increase

The proposal is to be put to the Annual General Meeting on May 23, 2007, to raise the share capital of the company against cash contribution. The share capital of the company is to be raised, against cash contribution, from € 11,517,058.80 by up to € 5,758,529.40 to up to € 17,275,588.20 through the issuing of up to 4,429,638 bearer shares. The new shares are to be offered to the shareholders by way of indirect subscription right in a ratio of 2:1 at a subscription price of between € 2.00 and € 2.50 per share.

New Beta 96 Enterprise Compliance Auditor product launched

In its product Beta 96 Enterprise Compliance Auditor, Beta Systems has launched an analysis and monitoring software on the market for cross-system, dynamic IT auditing. The Beta 96 Enterprise Compliance Auditor identifies critical situations and events in IT systems and ensures consistent, documented monitoring. For large corporations in particular, this guarantees a high degree of IT security designed to protect data critical to the enterprise and ensures compliance with legal requirements.




Presentation of solutions for the automation of business processes of financial institutions

At CeBIT 2007, as part of a special display of "BANK-FINANZ-SYSTEME" (banking and finance systems), Beta Systems presented its new solutions for efficient Document Management for financial institutions. The extensive application possibilities of the portfolio in the back office operations of banks and savings banks were demonstrated. In particular, the issue of the segregation of trading and back office operations and general incoming mail, including e-mails (digitalization, central data processing, archiving) were a focal point. Cost-effective loan processing was also presented using Beta Systems products, as well as the recording and verification of signatures and the integrated accessing of archived data and data from mainframe applications. Furthermore, Beta Systems has extended its payment transaction software to include functions which will enable banks and bank service providers to make better use of the advantages offered by the pending pan-European uniform payment zone SEPA (Single Euro Payment Area).

Beta Systems and Lufthansa Systems sign cooperation agreement

Similarly, in the first quarter of 2007, Beta Systems and the IT service provider Lufthansa Systems signed a cooperation agreement for the joint marketing of GOVERNER, a security management solution. The aim of the contract is to acquire new customers for the GOVERNOR solution developed by Lufthansa Systems. GOVERNOR is an Enterprise Security Management solution which provides a comprehensive service covering user administration, allocation of access rights and controls for IT users. The core of the solution is based on the IdM standard software SAM Jupiter by Beta Systems.

Deutsche Lufthansa has deployed the GOVERNOR solution virtually group-wide for the administration of user accounts since 2001. Today there are around 150,000 enterprise user IDs under the administration of GOVERNOR. Lufthansa Systems is in the process of supplementing the core functions of the Security Management solution by adding hosting in its own data center to develop it into full service application providing. The software supplier and the IT provider thus jointly offer their customers an enhanced service. Beta Systems and Lufthansa Systems will jointly support projects, from the potential and requirements analysis stage through to implementation and successful operation.




Deutsche Post In Haus Service GmbH decides in favor of mail scanning technology by Beta Systems

Deutsche Post In Haus Service GmbH has chosen Beta Systems' mail scanning solution for the processing of large volumes of mail. The Enterprise Content Management solution comprises scanner hardware as well as image processing and recognition software and has been in use since the fall of 2006 in the Munich-based services center of DPIHS. This center identifies and sorts tens of thousands of letters of three major customers a day using the mail scanning technology. The system supports the DPIHS in the process of switching from manual sorting to machine-based mail processing. A large volume of mail can thus be processed at higher speeds, with the error quota kept to a minimum. In addition, the Beta Systems' solution sorts outgoing mail in terms of optimized postage and corrects returned mail automatically in customer data. In the near future, the DPIHS plans to equip other services centers in Frankfurt, Augsburg and Coblenz with the new technology.

SAP certifies FrontCollect Invoice

Beta Systems has been granted the "Powered by SAP NetWeaver®" certification for its Input Management solution FrontCollect. FrontCollect Invoice reads and records invoices and credits automatically and supports invoice processing right through to the automated checking of all invoices. FrontCollect Invoice recognizes the supplier and makes the link to the relevant order. More than 70 companies in Europe now belong to the group of customers which use the invoice readers of Beta Systems. These companies include Metzeler Automotive Profile Systems GmbH, Volkswagen AG, KarstadtQuelle AG, Nestlé Deutschland, Schering AG, Linde AG and Peek & Cloppenburg.

Beta Systems' Partner Days 2007 in Berlin brought to a successful conclusion

As part of stepping up its sales activities via sales partners, Beta Systems invited its sales partners to the Partner Days 2007. Participants included value added resellers and system integrators from the EMEA region (Europe, Middlle East & Africa) who informed themselves about the extensive product portfolio and new business opportunities.

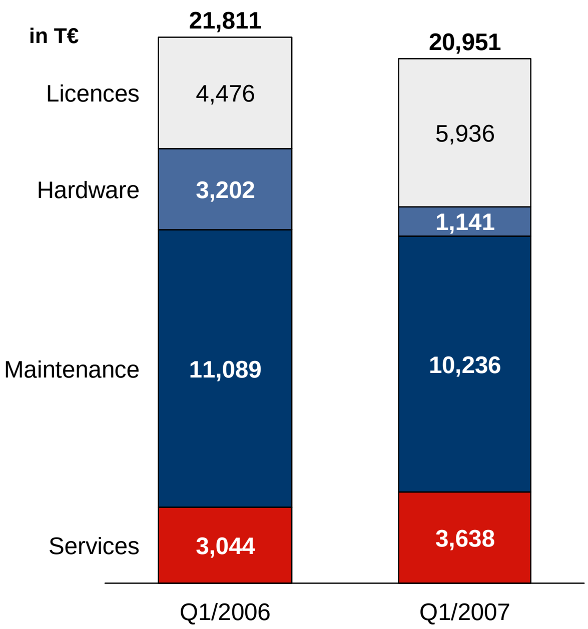
Financial position, financial performance and cash flows

Important comments and preliminary remarks

All reports are drawn up in accordance with the generally recognised International Financial Reporting Standards (IFRS). The information set out below relates to the consolidated results of the Beta Systems Group (excepting segment reporting). Segment reporting is carried out in line with the corporate structure in the business segments of Identity Management (IdM), Enterprise Content Management (ECM) and Data Center Infrastructure (DCI).

Revenue trend

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



Sales revenues came to € 21.0 million in the first quarter of 2007 as compared with € 21.8 million in the previous year's period, with the slight decline resulting primarily from the scheduled scaling back of hardware revenue. Hardware revenue fell 64.4% to € 1.1 million (Q1/2006: € 3.2 million); the decline, however, was nearly compensated by the dynamic growth of the software license and services segments. Revenue from the sale of software rose to € 5.9 million in the first quarter of 2007, up 32.6% from € 4.5 million in the first three months of 2006. Revenue from services rose from € 3.0 million in the first quarter of 2006 to € 3.6 million in the reporting period in the wake of brisker project business with the implementation of numerous customer projects in the financial services sector in the ECM and IdM segments.

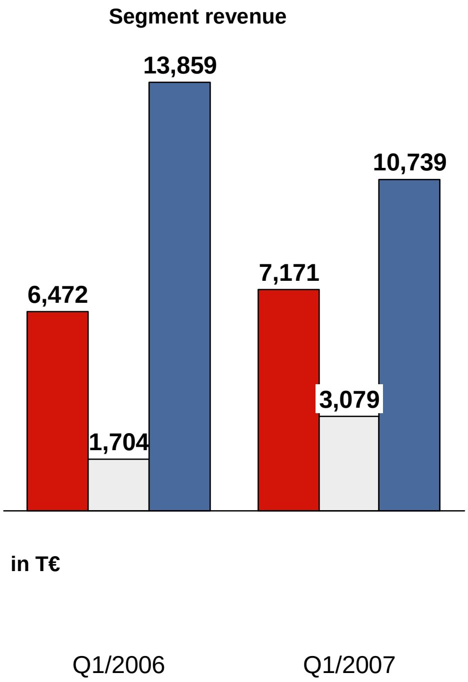
Maintenance revenue declined from € 11.1 million to € 10.2 million in the first quarter of 2007, owing to contractual consolidation at top-account customers, a decline which, however, was stabilized through the strong license and services business.

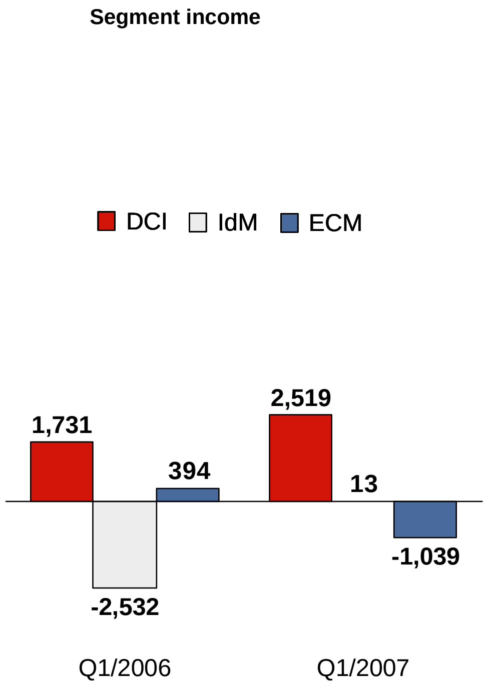
The companies belonging to the Beta Systems Group concluded a series of contracts world-wide with renowned customers in all three segments. The greatest sales successes in the DCI segment comprised, among others, contracts with Fortis (financial services, Netherlands), LVM Versicherungen (financial services, Germany), Nordea (financial services, Scandinavia) and UMICORE (industry, Belgium).

In the IdM segment, new contracts were concluded or extended with BBVA (financial services, Mexico), CZ Actief in Gezondheid (health insurance, Netherlands), Banca Intesa (financial services, Italy), AXA Gruppe (financial services, Germany) as well as IBM Deutschland GmbH (IT services).

A significant sales volume was generated in the ECM segment, also by way of concluding contracts with the Deutsche Bundesbank, Postbank, HypoVereinsbank, BAWAG PSK as well as uniVersa Versicherungen (all financial services providers in Germany and Austria).

Performance of the business segments





Revenue in the DCI segment advanced to € 7.2 million, up 10.8% from € 6.5 million in the first quarter of 2007, in particular owing to the increase in the software license business. This high-margin sales growth boosted the operating result significantly, from € 1.7 million to € 2.5 million.

The IdM segment saw a sharp increase in revenue which soared 80.7% to € 3.1 million in the reporting quarter (Q1/2006: € 1.7 million), with the greatest growth being generated in the software license and services business. The large share of the license business and active cost management resulted in breakeven, which was a distinct improvement on the previous year's level of € -2.5 million.

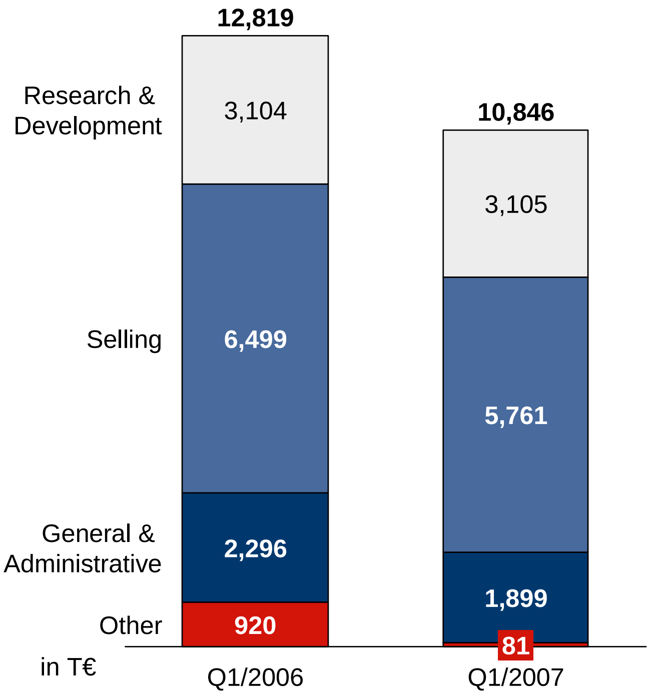
The ECM segment generated revenues of € 10.7 million (Q1/2006: € 13.9 million), the decrease being attributable to the aforementioned downsizing of the hardware business which exclusively affects this segment. This decline was not fully compensated through the corresponding software license sales in the

ECM segment in the first quarter of 2007. The operating result fell from € 0.4 million in the first quarter of 2006 to € -1.0 million in the first three months of 2007.

Gross profit trend

In the first quarter of 2007, gross profit rose 9.9% to € 10.1 million in a year-on-year comparison. The gross profit margin rose to 48.2% in the first quarter of 2007, up from 42.2% in the previous year's period, in particular due to the decline in hardware costs resulting from the scheduled downsizing of the lower-margin merchandise business, with the concurrent focusing on license and services activities.

Cost trend



Operating expenses decreased by 15.4% to € 10.8 million in the first quarter of 2007, as against € 12.8 million in the first quarter of 2006. Selling costs fell, from € 6.5 million to € 5.8 million, due to enhanced efficiency in marketing and sales operations. Research and development costs remained at € 3.1 million in the reporting period, unchanged from the first quarter of 2006.

The personnel measures having become effective in 2006, restructuring costs were no longer incurred. Measured against revenues, operating expenses declined to 51.8% in the first quarter of 2007 (Q1/2006: 58.8%).

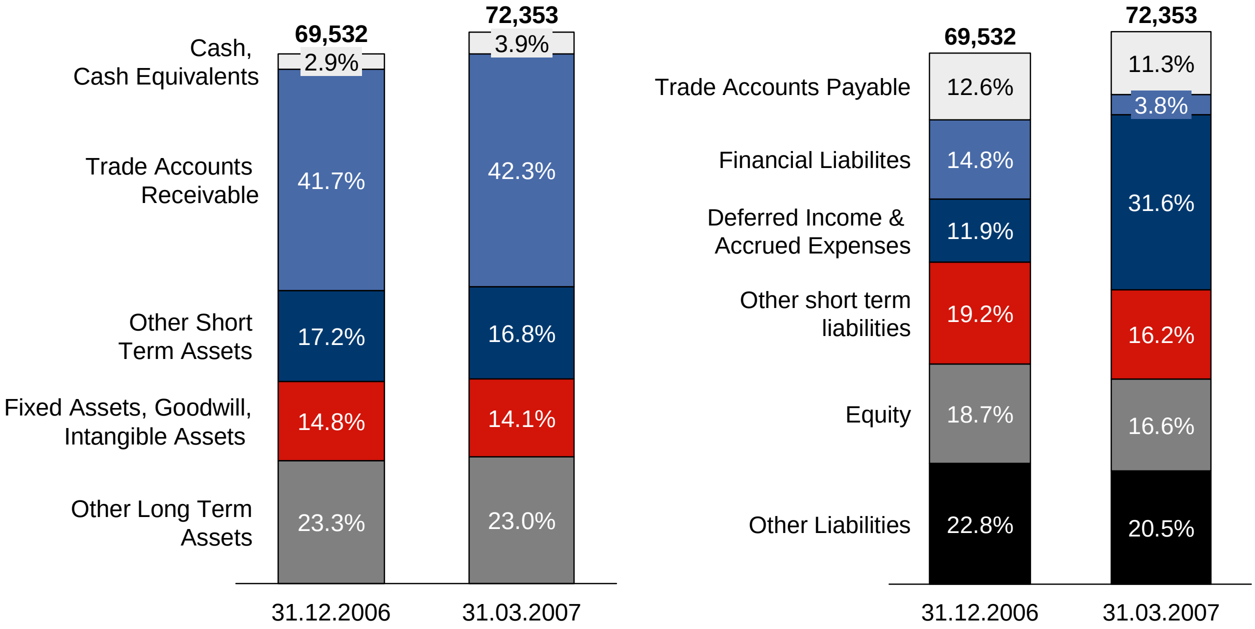
Financial Performance

In the first quarter of 2007, Beta Systems recorded an operating result (EBIT) before other income (€ 0.02 million) of € -0.7 million as compared with an operating loss of € -3.6 million in the previous year's quarter. Financial result came to € 0.1 million (Q1/2006: € 0.0 million). Earnings before tax (EBT) posted € -0.7 million in the first quarter of 2007 (Q1/2006: € million).

Income tax and net result

In the period under review, the net result climbed to € -0.9 million or € -0.10 per share, up from € -1.5 million or € -0.17 per share in the first quarter of 2006. The weighted average number of outstanding shares came to 8,738,666 shares in the first quarter of 2007, unchanged from the previous year's period.

Financial position and equity



As per March 31, 2007, the cash and cash equivalents and equity of Beta Systems came to € 2.8 million and € 12.0 million respectively as compared with € 2.0 million and € 13.0 million as per December 31, 2006. By the reporting date, receivables had risen from € 29.0 million as per December 31, 2006, to € 30.6 million as per March 31, 2007; at the same time, construction contracts in the course of the quarter owing to project progress made climbed from € 3.8 million to € 5.5 million.

The sharp increase in the cash flow from operating activities to € 8.5 million (Q1/2006: € 5.4 million) was attributable to maintenance revenue from customer contracts generated in the first quarter and payments resulting from license and service agreements based on contracts concluded in the fourth quarter of 2006.

As per the reporting date, the short-term liabilities of the Beta Systems Group had fallen from € 10.3 million on December 31, 2006 to € 2.8 million due to repayments. The increase in deferred tax liabilities of € 22.5 million, up from € 8.3 million, was the result of maintenance contracts invoiced at the start of the year for which the respective providing of services and revenue are to be realised during the course of the year.

Personnel

The number of employees in the Beta Systems Group had fallen from 645 at the end of fiscal 2006 to 626 by the end of the first quarter of 2007, essentially due to the personnel measures which took effect as compared with the previous year.

Hotline for Investors, Analysts, and Journalists

If you have any questions relating to the results of Q1 2007, please feel free to contact Beta Systems' Investor Relations team: phone +49 30 726 118 -170 or e-mail ir@betasystems.com.

Disclosure of Directors' Holdings of Beta Systems Software AG

At March 31, 2007	Number of shares
Management Board	
Kamyar Niroumand	19,000
Gernot Sagl	-
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.

Berlin, May 2007

Kamyar Niroumand
CEO

Gernot Sagl
CFO

Important Legal Notices
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)

	Q1/2006 (unaudited)	Q1/2007 (unaudited)
Revenues	**21,811**	**20,951**
Product Licenses	4,476	5,936
Hardware	3,202	1,141
Maintenance	11,089	10,236
Services	3,044	3,638
Cost of Revenues	**12,615**	**10,846**
Gross Profit	**9,196**	**10,105**
Operating Expenses	**12,819**	**10,846**
Selling Expenses	6,499	5,761
General and Administrative Expenses	2,296	1,899
Research and Development Expenses	3,104	3,105
Amortization of Intangible Assets	125	81
Severance Payments and Restructuring Costs	795	-
Operating Result, before Other Income	**(3,623)**	**(741)**
Other Income	722	20
Operating Result, including Other Income	**(2,901)**	**(721)**
Financing Result	**(6)**	**(111)**
Interest Income	20	16
Interest Expenses	(26)	(127)
Result before Income Taxes	**(2,907)**	**(832)**
Income Taxes (Income Tax Benefit)	(1,403)	75
Net Loss for the Fiscal Period	**(1,504)**	**(907)**
Earnings per Ordinary Share		
Basic and Diluted	**(0.17)**	**(0.10)**
Weighted Average Number of Shares Outstanding used to compute Earnings per Ordinary Share		
Basic and Diluted	**8,738,666**	**8,738,666**

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)

	12.31.2006 (audited)	03.31.2007 (unaudited)
Current Assets	**43,055**	**45,541**
Cash and Cash Equivalents	2,050	2,795
Trade Accounts Receivable	29,016	30,571
Work in Process Project Orders (POC)	3,780	5,531
Inventories	3,689	2,808
Prepaid Expenses and Deferred Charges	1,360	2,630
Other Current Assets	2,614	700
Current Income Taxes	546	506
Non-Current Assets	**26,477**	**26,812**
Fixed Assets	4,860	5,144
Goodwill	1,522	1,522
Other Intangible Assets	1,087	1,006
Acquired Software Development Costs	2,836	2,528
Deferred Tax Assets	7,949	8,156
Other Non-Current Assets	8,223	8,456
Total Assets	**69,532**	**72,353**
Current Liabilities	**44,468**	**47,441**
Short-Term Finance and Current Installments of Long-Term Borrowings and Finance Leases	10,277	2,762
Trade Accounts Payable	8,767	8,161
Deferred Revenues	8,294	22,489
Current Income Taxes	1,142	933
Provisions	2,638	1,341
Other Current Liabilties	13,350	11,755
Non-Current Liabilities	**12,074**	**12,883**
Long-Term Borrowings and Finance Leases	2,094	2,849
Pension Obligations	2,028	2,028
Deferred Tax Liabilities	5,793	5,792
Other Non-Current Liabilities	2,159	2,214
Total Liabilities	**56,542**	**60,324**
Shareholders' Equity	**12,990**	**12,029**
Ordinary Shares: € 1.30 Nominal Value per Ordinary Share	11,517	11,517
Additional Paid-In Capital	7,985	7,985
Accumulated Loss	(7,260)	(8,167)
Accumulated Other Comprehensive Income	1,167	1,113
Treasury Stock at Cost: 120,610 Ordinary Shares	(419)	(419)
Total Liabilities and Shareholders' Equity	**69,532**	**72,353**

See accompanying Notes to the Consolidated Financial Statements




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

	Q1/2006 (unaudited)	Q1/2007 (unaudited)
Net Cash provided by Operating Activities	**5,414**	**8,456**
Net Loss for the Fiscal Period	(1,504)	(907)
Reconcilation between Net Loss for the Fiscal Period and Net Cash provided by Operating Activities:		
Depreciation and Amortization	1,139	905
(Gain) Loss on the Disposal of Fixed Assets	-	19
Interest Expenses	26	127
Interest Income	-	(16)
Current Tax Expenses (Benefit)	305	(169)
Deferred Tax Benefit	(1,667)	(208)
Income Taxes Paid	(171)	(308)
Foreign Currency (Gains) Losses	(172)	(78)
Changes in Assets and Liabilities:		
- (Increase) Decrease in Trade Accounts Receivable	59	(1,555)
- Increase (Decrease) in Trade Accounts Payable	3,477	(605)
- Increase in Deferred Revenues	13,918	14,195
Changes in other Assets and Liabilities	(9,996)	(2,944)
Net Cash used in Investing Activities	**(226)**	**(36)**
Purchase of Fixed Assets	(234)	(36)
Proceeds from the Disposals of Fixed Assets	8	-
Net Cash used in Financing Activities	**(2,673)**	**(7,621)**
Net Change in Short-Term Finance	(2,532)	(7,515)
Change in Long-Term Borrowings and Finance Leases	(9)	5
Interest Paid	(152)	(127)
Interest Received	20	16
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(54)**	**(54)**
Decrease in Cash and Cash Equivalents	**2,461**	**745**
Cash and Cash Equivalents at the Beginning of the Fiscal Period	4,383	2,050
Cash and Cash Equivalents at the End of the Fiscal Period	**6,844**	**2,795**

See accompanying Notes to the Consolidated Financial Statements

Beta Systems Software AG and Subsidiaries - Consolidated Statement of Changes in Shareholders' Equity and Other Comprehensive Income
(According to IFRS; in Thousand €, except share data)
At March 31, 2007 (unaudited)

	Ordinary Shares						Treasury Stock		
	Number of Shares Issued	Nominal Amount	Additional Paid-In Capital	Other Comprehensive Income (Loss)	Accumulated Income (Loss)	Net Income (Loss) including Other Comprehensive Income (Loss)	Number of Ordinary Shares	Amount at Cost	**Total Shareholders' Equity**
Balance at January 1, 2006	**8,859,276**	**11,324**	**8,178**	**1,279**	**11,130**		**(120,610)**	**(419)**	**31,492**
Issuance of Ordinary Shares	-	-	-	-	-		-	-	-
Cost of Increase in Paid-In Capital	-	193	(193)	-	-		-	-	-
Net Loss for the Year	-	-	-	-	(18,390)	(18,390)	-	-	**(18,390)**
Other Comprehensive Loss, less Income Taxes									
Currency Translation Adjustments	-	-	-	(112)	-	(112)	-	-	-
Other Comprehensive Loss	-	-	-	-	-	(112)	-	-	**(112)**
Net Loss, including Other Comprehensive Loss						(18,502)			
Balance at December 31, 2006	**8,859,276**	**11,517**	**7,985**	**1,167**	**(7,260)**		**(120,610)**	**(419)**	**12,990**
Issuance of Ordinary Shares	-	-	-	-	-		-	-	-
Cost of Increase in Paid-In Capital	-	-	-	-	-		-	-	-
Net Loss for the Year	-	-	-	-	(907)	(907)	-	-	**(907)**
Other Comprehensive Loss, less Income Taxes									
Currency Translation Adjustments	-	-	-	(54)	-	(54)	-	-	-
Other Comprehensive Loss	-	-	-	-	-	(54)	-	-	**(54)**
Net Loss, including Other Comprehensive Loss						(962)			
Balance at March 31, 2007	**8,859,276**	**11,517**	**7,985**	**1,113**	**(8,167)**		**(120,610)**	**(419)**	**12,029**

See accompanying Notes to the Consolidated Financial Statements




BETA SYSTEMS SOFTWARE AG AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FIRST QUARTER 2007
(IN THOUSAND €, EXCEPT SHARE DATA)

PRESENTATION OF THE SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS

Description of the Business Activity

Beta Systems Software AG, with its principal office at Alt-Moabit 90d, D-10559 Berlin, Germany, together with its subsidiaries comprises the Group ("Beta Systems" or "the Company") for which the subsequent Consolidated Financial Statements for the first fiscal quarter 2007 were compiled in accordance with IFRS Standards.

The Company develops, market, implements and supports high-class automation software products and -solutions for the safe and efficient processing of large data volumes for use by enterprises, public administration as well as industry- and trade organizations for application on mainframe computers and other hardware in Unix-, Linux- and Windows environments.

The Company's products are designed to increase the productivity of voluminous data processing transactions in data centers by means of the cost saving automation of manual tasks and the qualitative optimization of the use of hardware resources. Highest safety standards in critical business processes with sensitive data and the observance of legal regulations form the fundamental structure of the products. The Company's products feature a common comprehensive architecture which facilitates the development and integration of the Company's products across platforms, independent of the application.

The software products and -solutions of the Lines of Business ("LoB's") Identity Management ("IdM"), Enterprise Content Management ("ECM") and Data Center Infrastructure ("DCI") of Beta Systems Software AG support the Company's customers in the automation, safeguarding and transparency of their IT-supported business processes.
The Company's principal office is located in Berlin, Germany. The subsidiaries are located in Europe, Africa and North America.

Financial Reporting Principles

The Consolidated Financial Statements for Beta Systems Software AG were prepared in compliance with the International Financial Reporting Standards (IFRS) for interim financial reports (IAS 34).

Accordingly they do not include all of the information and notes required by the International Financial Reporting Standards (IFRS) for annual financial statements.
In the opinion of management, all adjustments considered necessary for fair presentation (normal recurring provisions) are included. Operating results for the period to March 31, 2007 are not necessarily indicative of the results which may be expected for the fiscal year 2007. For further information, the Company's consolidated financial statements for the fiscal year 2006 and footnotes thereto should be referred to.

The financial statements of the fully consolidated companies included in the consolidated financial statements are based on the same accounting policies and valuation methods.
The Consolidated Financial Statements are prepared in Euro Thousand (T€). Due to the utilization of electronic data processing devices differences in the addition of rounded values and percentages may arise.




Basis of Consolidation and Consolidation Methods
Beta Systems Software AG is the parent company. All companies which are subject to a controlling interest by the parent company ("subsidiaries") were included in the consolidated financial statements by means of full consolidation. A controlling influence exists when the parent company is in the position to influence, directly or indirectly, the financial and business policies of the company.

Inter-company revenues and expenses, accounts receivable, accounts payable, inter-company operating results and inter-company dividend payments were eliminated.

Revenue Recognition
Software 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 collectibility is probable. According to IFRS, regulations for the allocation of the purchase price for multiple element license contracts do not exist. If a licensing agreement includes multiple elements, revenues are allocated to those elements on the basis of their fair value. Maintenance revenue is recognized pro rata temporis over the maintenance service period. Service revenue consists of services for installation and training and is recognized, on the basis of contractually agreed prices, at the time when the services are delivered. Revenues from consulting are similarly realized at the time of performance of the services and are recognized on the basis of the service time performed.

In addition to the existing standard software products for infrastructure software, the Company also offers products designed to meet the individual requirements and technological resources of customers in the form of customized project solutions and individual support. On the one side these construction contracts comprise the creation of made-to-order software through modification or further development of existing standard products and on the other hand project orders which comprise the combination of hardware, software licensing, maintenance and various services. Revenues from these construction contracts are recognized in compliance with IAS 11 according to the progress of the performance in accordance with the percentage-of-completion method, a method making reference to the degree of completion of the project and requiring the following criteria to be satisfied for revenue recognition: the amount of the revenue must be able to be determined reliably, the economic gain resulting from the delivery of the service must be probable, the percentage of completion at reporting date must be reliably measurable and the total projected costs of the contract must be able to be determined dependably. The Company uses the cost-to-cost method to determine the degree of completion of the progress for construction contracts.

Research and Development Costs
In-house research and development projects by the Company, which result in the construction of new software products or in the substantial enhancements to existing software products, proceed without being able to be clearly differentiated into a research and a development phase. Due to the lack of conformity with the recognition criteria an allocation of the costs to the particular phases is thus not possible. All software development costs are therefore recognized as research costs in the consolidated income statement in the period of their accrual in accordance with the principles of IAS 38.52 and IAS 38.53.

Acquired Software Development Costs
Acquired capitalized software development costs are recognized in the balance sheet in the amount of the acquisition costs, less the systematic allocation of amortization and the possible unscheduled impairment losses.

For each reporting period the costs are amortized according to the straight-line method over the estimated useful life of the software (five years).




At each reporting date, the unamortized, acquired and capitalized software development costs are compared to the net realizable values of those products, in order to determine whether any impairment of value exists. If an impairment of value has occurred, the amount by which the unamortized capitalized software development costs exceeds the net realizable value of that asset (the present value of future estimated sales of the products less cost of sales and selling costs) is written off.

Earnings per Ordinary Share
The earnings per ordinary share were calculated by dividing the net loss by the weighted average number of ordinary shares in circulation during the fiscal period. No option rights to the purchase of new ordinary shares, which would influence the net earnings per ordinary share, existed.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash on hand and cash at banks callable without notice.

In Process Project Orders (POC)
The project order contracts comprise the manufacture of customized - and continuing across various accounting periods - made-to-order project solutions designed to meet the individual requirements of customers. On the one side these construction contracts comprise the construction of made-to-order software through modification or further development of existing standard products and on the other hand project orders which comprise a combination of hardware, software licensing and various services.

The nature and the extent of the goods and services to be delivered are in compliance with the respective contract terms; usually these are construction contracts for which the extent of the contractually agreed performance is provided at a fixed fee.

The allocation of the revenues and expenses to the respective accounting periods is determined on the basis of application of the realized progress of the total project by applying the percentage-of-completion method for each of the respective construction contracts. The Company uses the cost-to-cost method to determine the degree of completion of the project, whereby the actual costs accrued for the performance already completed at reporting date are set in ratio to the estimated total project costs at that time.

Project costs comprise costs both directly allocable to the project as well as general production overhead costs indirectly allocable and possible other proportionately allocable administration costs. During the construction phase the construction costs including margin are activated in the balance sheet as In Process Project Orders (POC).

Inventories
Inventories are stated at the lower value of the average acquisition- or production costs and the net realizable value at the reporting date. In the case of commercial inventories the net realizable value is based on the current market price while the value determined from projected income less estimated production costs is used as a basis for the other inventories. Inventory risks resulting from storage, slow-moving-, obsolete- and damaged goods are taken into consideration by accounting for appropriate valuation adjustments.

Fixed Assets
Property and equipment is valued at acquisition cost less systematic allocation of straight-line depreciation amounts.
The systematic depreciation of the depreciable assets is based on the assets' expected useful lives. The following useful lives are uniformly applied across the Group:

Technical plant and machinery, computer equipment	3 – 5 years
Leasehold improvements	5 – 10 years
Facilities and office equipment	3 – 13 years




Goodwill and Other Intangible Assets
Acquired intangible assets, including goodwill, are valued in the balance sheet at acquisition cost. Intangible assets, excluding goodwill, are subject to systematic allocation of straight-line amortization. For the systematic amortization of the intangible assets a useful life of five years is uniformly applied across the Group.

Acquired Software Development Costs
Acquired capitalized software development costs are recognized in the balance sheet in the amount of the acquisition costs, less the systematic allocation of amortization and the possible unscheduled impairment losses.

For each reporting period the costs are amortized according to the straight-line method over the estimated useful life of the software (five years).

At each reporting date, the unamortized, acquired and capitalized software development costs are compared to the net realizable values of those products, in order to determine whether any impairment of value exists. If an impairment of value has occurred, the amount by which the unamortized capitalized software development costs exceeds the net realizable value of that asset (the present value of future estimated sales of the products less cost of sales and selling costs) is written off.

Other Non-Current Assets
Other non-current assets include an investment intended to fund a portion of the Company's pension obligations. The Company values this investment at cash surrender value. In addition, other non-current assets include receivables from long-term rental- and leasing contracts assessed on the basis of their present value.

Provisions
Provisions are accrued when the Company has a legal or valid obligation towards a third party due to a past event and if it is likely that such obligation will result in an outflow of funds. Such provisions are stated at such value as can be determined at the time the annual financial statements are compiled, on the basis of the best estimate. If such amount cannot be reasonably estimated, no provision is accrued. If the present value of the provision, determined on the basis of customary interest rates, differs substantially from the nominal value, the provision is stated at the present value of the obligation.

Financial Liabilities
Liabilities are stated in the amount of the actual inflow less transaction costs. A difference between the amount received and the repayment amount is distributed over the financing term and is stated in the financing result.

Operating Leasing / Finance Leasing
The classification of leases as finance leasing viz. operating leasing is determined on the basis of the economic content of the lease agreement in accordance with IAS 17.10. When, in the case of leased assets, all essential risks and rewards with respect to such property pass on to the lessee, the lessee capitalizes the asset under non-current assets and the present value of the obligation towards the lessor is carried as a liability. The difference between the present value of the future lease installments and the sum of the discounted lease installments constitutes deferred interest costs which are realized over the term of the agreements proportionate to the total amounts payable.




Pensions Obligations
On the basis of existing contracts, several employees are due to receive pension payments under certain conditions upon their taking retirement. These defined benefit pension commitments are partly covered by the investment in a pension fund reinsurance earmarked for this purpose.
The pension provisions are recognized in the balance sheet in accordance with IAS 19 according to the projected unit-credit method under application of the corridor method. Actuarial gains and losses are recognized in the income statement.

Fair Value of Financial Instruments
Financial instruments of the Company consist of cash and cash equivalents, derivative financial instruments, accounts receivable, accounts payable, provisions and loans, all of which are stated at their fair values in the balance sheet and the changes in valuation for which are recognized at the time of their accrual in the income statement.
The fair value of loans 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 Currency Conversion
The assets and liabilities denominated in the balance sheets of foreign subsidiaries were converted to Euro on the basis of the appropriate foreign exchange benchmark rate at the reporting date, while the revenues and expenses in the income statements were translated using the appropriate average foreign exchange benchmark rate during the period.
Cumulative currency translation adjustments resulting from changes not affecting the income statement were reported as a separate component in the shareholders' equity.

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.
Significant projections as well as nature and carrying values of assets with inherent valuation risks are described separately in each case in the Notes to the Consolidated Financial Statements.

NEW PRONOUNCEMENTS

On March 29, 2007 the International Accounting Standards Board (IASB) issued a revision of IAS 23 “Borrowing Costs“. The main change from the previous version is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The IASB is of the opinion that application of the revised Standard will improve financial reporting in three ways:

- The cost of an asset will in future include all costs incurred in getting it ready for use or sale.
- Comparability is enhanced because one of the two accounting treatments that previously existed for those borrowing costs is removed.
- The revision to IAS 23 achieves convergence in principle with US-GAAP.

The revised Standard does not require the capitalization of borrowing costs relating to assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.
The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. Earlier application is permitted.
The Company at this stage expects a voluntary early application of the Standard as well as the assumption, that the application of the Standard will have no significant impact on the financial statements of the Group.




1. SEGMENT REPORTING

SEGMENT REPORTING ACCORDING TO BUSINESS UNITS

The segmentation comprises the allocation of reportable data according to the business units of the Company. These are positioned into the three Lines of Business (LoB's) IdM (Identity Management), DCI (Data Center Infrastructure) and ECM (Enterprise Content Management) with individual market-driven strategies for each.

The LoB's constitute the top line in the structure and are oriented towards relevant markets and strategic challenges. For this purpose the Company's products and services are allocated to each LoB on the basis of its strategic business concept. The profit center structure is designed to provide LoB-management with direct, more self-determined operational and financial control, which also incorporates the product development of the allocated products, as well as the production and project management. The marketing-, sales- and service functions previously bundled within the Company are also allocated directly to each particular LoB. The LoB-manager operates as entrepreneur, taking the responsibility for the global success of his business.
All segments derive revenues from sales of product licenses, maintenance and consulting services as well as revenues from construction projects. Hardware sales are also realized in the ECM business segment.

The accounting policies of the operating segments are the same as those described in the "Presentation of the Significant Accounting Policies and Valuation Methods" and were retained unchanged from those applied during the prior year.
Inter-company sales are transacted on the basis of the usual market terms and conditions.

Q1/2006	DCI	IdM	ECM	Elimi-nation	Total Group
Total Revenues	6,472	1,704	13,859	(224)	21,811
Segment Income (Loss) from Continuing Operations	1,731	(2,532)	394	-	(407)
Q1/2007	**DCI**	**IdM**	**ECM**	**Elimi-nation**	**Total Group**
Total Revenues	7,171	3,079	10,739	(38)	20,951
Segment Income (Loss) from Continuing Operations	2,519	13	(1,039)	(254)	1,239

As for purposes of internal reporting and steering of the Company not all costs are allocated to the Results from Continuing Operations generated by the LoB's - i.e. General Administrative Expenses, Amortization of Intangible Assets and Goodwill, Severance Payments and Restructuring Costs, Other Income (Expenses), Financing Result as well as Income Taxes and Income from Discontinued Operations - a reconciliation of the results of the business segments to the Company's consolidated totals is as follows:

	Q1/2006	Q1/2007
Segment Income (Loss) from Continuing Operations	(407)	1,239
Unallocated Overhead Costs	(3,216)	(1,980)
Other Income	722	20
Operating Result, including Other Income	(2,901)	(722)
Financing Result	(6)	(111)
Result before Income Taxes	(2,907)	(832)
Income Taxes (Income Tax Benefit)	(1,403)	75
Loss for the Fiscal Period	(1,504)	(908)

2. EVENTS AFTER THE BALANCE SHEET DATE

On April 5, 2007 the Management Board of Beta Systems Software AG decided to make the proposal at the Company's Annual General Meeting to be held on May 23, 2007 for an increase in the ordinary share capital of the Company by means of a cash contribution. By means of issue of up to 4,429,638 shares in the name of the holder the ordinary share capital of the Company is to be increased by up to € 5,758,529.40 from € 11,517,058.80 up to € 17,275,588.20. The new shares are to be issued at the lowest amount advanced of € 1.30 per ordinary share, and are to partake in the profit distribution from the beginning of that fiscal year for which, at the time of issue, no resolution concerning the appropriation has yet been passed by the Annual General Meeting. The new shares are to be offered to the shareholders in the way of indirect options on new shares in a ratio of 2 : 1 at an exercise price of between € 2.00 and € 2.50 per ordinary share.




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 625 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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