ANNUAL REPORT

[2007]

_betasystems

[At A Glance]

Beta Systems Software AG and Group Companies – Group Financial Data in IFRS
(*Until 2003: Group Financial Data in US-GAAP)

Thousand €	2003*	2004	2005	2006	2007	2007 vs. 2006
Revenues	55,794	89,993	95,606	96,621	88,596	(8.3%)
Operating Result	3,819	895	(4,624)	(15,602)	5,819	137.3%
Result before Income Taxes	4,801	317	(5,144)	(16,412)	4,904	129.9%
Profit (Loss) for the Year	3,510	59	1,571	(18,390)	2,310	112.6%
Cash	14,775	11,532	4,383	2,050	3,176	54.9%
Shareholders' Equity	31,710	37,595	31,492	12,990	23,713	82.5%
Balance Sheet Total	62,139	104,083	74,594	69,532	69,408	(0.18%)
Equity Ratio in %	50.9	36.1	42.2	18.7	34.2	82.9%
Number of Employees	381	790	733	645	603	(6.5%)

German Security Code Number:	522 440
ISIN:	DE0005224406
Ticker Symbol:	BSS
Share Capital:	€ 17.3 million (13.3 million shares)
IPO:	June 30, 1997
Market Segment & Market Place:	Prime Standard at Deutsche Boerse, Frankfurt, Stock Exchanges Berlin, Dusseldorf, Hamburg, Hanover, Stuttgart.
Indexes:	Prime All Share, Prime Software, CDAX, CDAX Software, Technology All Share
Designated Sponsor:	Equinet Securities AG
IPO Lead Managers:	Deutsche Morgan Grenfell, Goldman Sachs, Sal. Oppenheim jr & Cie.

[Content]

Foreword by the Chief Executive Officer	4
Investor Relations and the Beta Systems Share	6
Corporate Profile	8
Interview with the Management Board	10
Corporate Governance Report	14
Combined Management Report on the Group and the Parent Company	18
Affirmation by the Legally Authorized Representatives	39
Report by the Supervisory Board	40
Independent Auditor´s Report	42
Consolidated Financial Statements	43
Glossary	85
Beta Systems Group Worldwide	86
Imprint	87

FOREWORD BY THE CHIEF EXECUTIVE OFFICER

Dear Shareholders,

There is nothing more convincing than success. And success is what Beta System had in 2007. As intended, we achieved the turnaround and, with an EBIT of € 5.8 million, delivered the best result since the Company was launched on the stock market. This success has enabled us to win back the trust of our customers, business partners, analysts, investors and employees. We have also set in place the prerequisites for greater success and for enhancing our profitability in the years ahead. This is a good start to the year in which we will be celebrating Beta System's 25th anniversary.

Despite all our successes in 2007, it was not an easy year and we have fought hard to attain our goals. At Group level, concentrating on the high-margin software licence business, raising the efficiency of our sales operations and optimizing our costs structures delivered an excellent result of € 2.3 million. We were able to divest unprofitable businesses, such as the low-margin segments of merchandise hardware, faster than we envisaged. Net of contributions from these segments, revenues even rose as much as 0.8%, which is proof that we are on the right track.

Revenues from product licences and services climbed 6.9% and 14.9% respectively. As expected, the maintenance business declined slightly in 2007, which was due to the lower volume of new license agreements concluded in the previous years (-6.8%).

The individual lines of business (LOBs) developed very well in 2007. Profitability in the DCI segment was consistently high and again made a strong contribution to the result. The ECM segment also returned to the profit zone in 2007 and contributed to the good consolidated results. Similarly, the IdM segment raised its profitability enormously in the past year and will write black figures in 2008. The DCI and IdM segments raised revenues by 4.7% and 1.4% in 2007. As expected, revenues in the ECM segment decreased in the wake of downsizing the hardware business (-20.4%).

Our international business, where we generated € 36 million which corresponds to 40.6% of our total revenues, grew more strongly than our domestic business in 2007. Our partner business also developed well and contributed almost 8% of total revenues.

Solution Provider with 25 Years' Experience

For 25 years Beta Systems has delivered convincing products, solutions and services to the IT market. Our customers value our flexibility as a mid-sized software provider above all, and this will remain the cornerstone of our entrepreneurial success.

Our innovative ideas are created through our cooperation with our customers with whom we work closely, in joint work groups for instance, to develop products which they want and need. This results in a high level of customer satisfaction which is anchored not least in our competence in product development and implementation. The proof is evident in our having acquired almost 30 new customers in the DCI/IdM segments which now count German banks, savings banks organizations, as well as customers of international repute, such as Banamex, BBVA Bancomer, AXA, IBM Global Services, Banca Intesa, CZ Aktief and Farmers Insurance Group. The ECM segment concluded contracts with the Allianz, UniVersa Versicherung and the Postbank in Germany, the UniCredit Group in Italy and BAWAG PSK in Austria, to name a few of its customers.

More Agility for our Customers

Our Beta 4Agility product and sales offensive, launched in 2007, also contributed to the success of the the fiscal year. In the summer, we presented Beta 4Agility at our annual customer conference, and the response was overwhelming. Our customers view this innovation program as being crucial as it gives them greater agility in reacting more swiftly to new, complex IT tasks while, at the same time, raising the productivity and growth of their own business segments or companies. With Beta 4Agility, we take a systemic approach by placing the areas of expertise where we operate in the IT of large companies in a holistic context. At the heart of our product development are the four new Beta Agility products which we are developing step by step and will launch on the market.

Focus on Key Accounts

We consistently pursued our focus on key accounts in the financial and industry sectors in 2007. As the process of concentration and consolidation continues to affect financial providers in particular, and as they are persistently confronted with new EU legislation and directives requiring them to optimize their IT processes on an ongoing basis, we see enormous potential here for achieving above-average growth in the future. In future, for instance, the new Beta Agilizers will support the process of integration in the wake of acquisitions. An end-to-end solution for image-supported cheque collection (ISE) and a payment system for the Single Euro Payments Area (SEPA) have already secured the settlement of transactions which complies with requirements arising from new pan-European regulations. In addition, the banking and insurance businesses are exposed to constant pressure to keep costs down which forces our customers to make their processes, e.g. in back office operations, leaner as well as to automate and standardize them. We will continue to focus on our key accounts, an approach which has been affirmed by our success in 2007: With our ten largest customers we generated revenues of almost € 28 million in 2007 which corresponds to more than 31% of our total revenues.

Capital Increase strengthens our Equity Base

The equity situation at the start of the year led us to propose to the Annual General Meeting of Shareholders that we execute a capital increase against cash. We executed this capital increase successfully in October 2007, thereby generating net proceeds of € 9.1 million. The great interest in subscribing to our new shares shows the trust which you continue to vest in Beta Systems. We would like to extend our greatest thanks to you for this trust! Similarly, the capital market showed that it was convinced by our Company's strategy, and the price of our share rose as did the valuation of Beta Systems on the capital market.

Growth and Technological Innovation with the Focus on Customers in the Financial Services Sector

Our intention is to improve our EBIT margin and to raise our revenue. The prerequisite for this is that all three of our business segments are profitable. The most important growth engine continues to be our product license and services business. In addition, we will continue to concentrate on customers in the financial services sector and on the launch of the new Beta Agilizer products on the market as well as on expanding our international business. The expansion of our partner business will contribute to us being able to grow faster than the rest of the IT market this year.

We intend to raise revenues in all three segments with product licenses primarily by acquiring new customers and developing the market, through innovative new products and services and through international growth. To complement these activities, we are also planning a number of smaller acquisitions in order to open up further customer potential and win more market share, a prime example being our takeover of SI Innovations GmbH at the start of 2008. Measures such as these will enable us to considerably strengthen our core business in the DCI segment. In our IdM segment, we will be concentrating on stabilizing revenues from maintenance and services so as to generate a positive result in 2008 in this business as well. To fulfil our goal of lifting revenue and the result in the ECM segment, we will focus on marketing software solutions to banks and insurance companies against the backdrop of internationalization.

New Internal Structures

Within our Company we also place emphasis on our strengths, on expediting the process of optimizing the interplay between the individual segments with their development and service operations, and on central functions such as sales, purchasing, human resources and corporate communication. New and leaner processes mean that decisions are swifter and work processes are more effective, which will ultimately raise our productivity.

Our Corporate Communication department kept all informed on a timely and ongoing basis about newly introduced processes and structures in 2007. In our external reporting, we placed importance on communicating news about product developments and on the turnaround achieved in our Company. Through these measures, and numerous marketing and PR activities, including sponsoring the German basketball champion 2007 Brose Baskets Bamberg and youth football in Berlin, as well as activities connected with IT training, we were able to significantly reinforce public awareness of the Beta Systems brand.

We achieved a great deal in 2007. I would like to thank all our employees for their ideas and their commitment and for making Beta Systems' success possible. On behalf of the Management Board, may I also extend our thanks to our customers, partners, analysts and investors for their support and their trust in our Company.

Berlin, in March 2008

Kamyar Niroumand
Chief Executive Officer

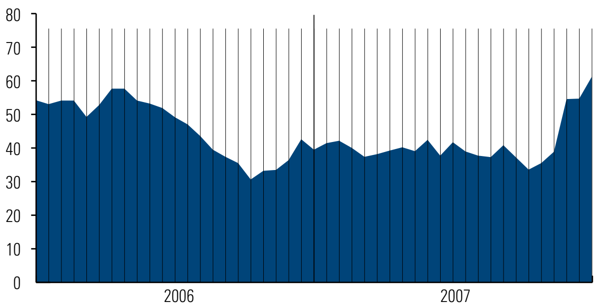
INVESTOR RELATIONS AND THE BETA SYSTEMS SHARE

The Beta Systems Share delivers positive Performance in 2007

On January 2, 2007, the Beta share started trading in Xetra at € 4.80 and, in the first half-year, developed moderately with an initially low trading volume (closing price on June 29, 2007: € 4.40). The upbeat results achieved by the Group after six and nine months, however, convinced investors and the trading volume rose significantly in the second half of the year. Beta Systems' intention of carrying out a capital increase was also positively received by the market.

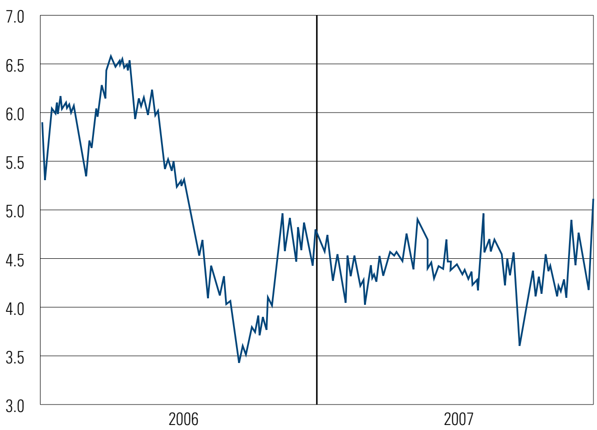
During the course of the year, the Beta share was subject to in part sharp price fluctuations. Surprisingly enough, however, the share price did not decline upon conclusion of the capital increase and admission of the new shares to continuous trading on November 5, 2007. With currently 13,288,914 listed shares, Beta System's market capitalization had risen to € 67.8 million by year-end (January 2, 2007/8,859,276 shares: € 42.5 million). This increase in stock market value is evidence of the confidence vested by the capital market in Beta Systems. At the end of the year, the market's verdict on the Beta share was that it was worth investing in. On December 28, 2007, the share posted a gratifying year-end closing price of € 5.10 (Xetra).

Market Capitalization of the Beta Systems Share



Market capitalization of the Beta Systems share 2006-2007 (Xetra) in € million

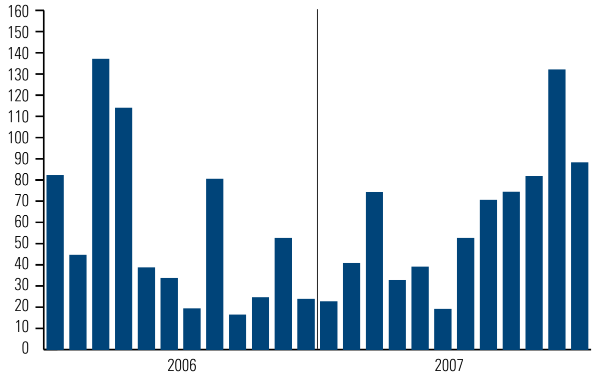
Performance of the Beta Systems Share



Performance of the Beta Systems share 2006-2007 in € (Xetra)

Despite the turbulence on the stock market in 2007, triggered in part by the US subprime mortgage crisis, the Beta share held its ground well, especially in the second half of the year. Accordingly, the share price rose swiftly in the wake of Beta Systems' announcement of its results in August 2007, which exceeded market expectations. Its performance when viewed in comparison with the then ailing financial markets, weakened by the US subprime crisis, is particularly positive.

Trading Volume of the Beta Systems Share



Trading volume of the Beta Systems share in thousand units

Beta Systems Key Share Data

	2006	2007
Earnings per share	€ (2.10)	€ 0.24
High (Xetra)	€ 6.60	€ 5.10
Low (Xetra)	€ 3.40	€ 3.55
Year-end closing (Xetra)	€ 4.80	€ 5.10
Number of shares issued	8,859,276 units	13,288,914 units
Share capital	€ 11.5 million	€ 17.3 million
Year-end market capitalization	€ 42.5 million	€ 67.8 million

Capital Increase

Beta Systems Software AG successfully concluded its capital increase upon entering it into the Commercial Register on October 30, 2007. With this measure, it raised its share capital by € 5,758,529.40 by issuing 4,429,638 new no-par ordinary shares made out to bearer against cash contribution. The share capital of the Company now comes to € 17,275,588.20 and is divided into 13,288,914 shares with a pro rata amount in the share capital of € 1.30 per share.

The new shares bear profit as from January 1, 2007, and were admitted to the regulated market of the Frankfurt Stock Exchange (Prime Standard), which entails additional obligations arising from such admission, on November 2, 2007. The securities prospectus for admission to the stock exchange was published on October 31, 2007, and the share was listed for trading on November 5, 2007.

Ongoing Capital Market Communication

Beta Systems continued to pursue its extensive, timely and transparent communication with institutional and private investors, financial analysts and the business media throughout 2007. Our active investor relations work in 2007 was focused on the turnaround, which had already been achieved by the first six months of the financial year, and the strategic realignment of the Company.

In 2007, we steadily built up our network of contacts and fostered our existing business relationships in one-to-one discussions with institutional investors and analysts and at investor conferences. The Beta share is an attractive investment for private individuals with whom we also communicate on an ongoing basis. Investors and potentially interested future shareholders can find extensive information for their assessment of the Beta Systems share on our web site under www.betasystems.com.

Contact

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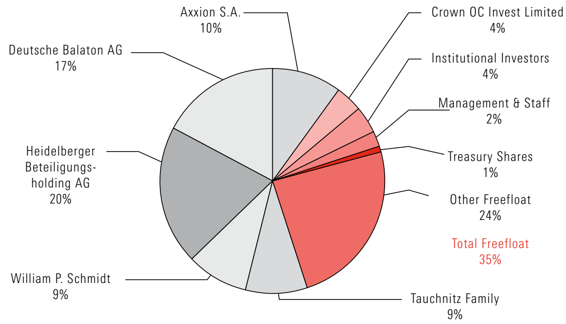
Shareholder Structure (as at December 31, 2007)



Beta Systems' Financial Calendar 2008

March 20, 2008
Announcement of the Annual Results 2007
Online Annual Press Conference, Berlin

April 30, 2008
Press Release - First Quarter Results 2008

May 6, 2008
Publication - First Quarter Results 2008

May 14, 2008
Annual General Meeting, Ludwig-Erhard-Haus, Berlin

May 2008
European Investor Road Show

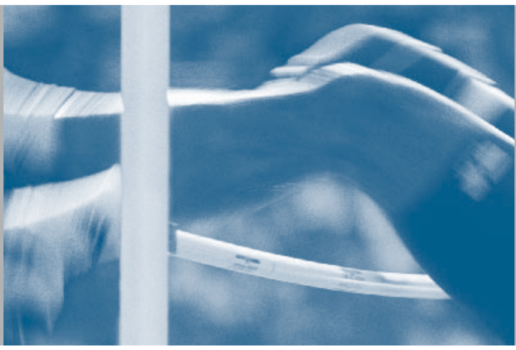
July 31, 2008
Press Release - Second Quarter Results 2008

August 5, 2008
Publication - Second Quarter Results 2008

October 30, 2008
Press Release - Third Quarter Results 2008

November 4, 2008
Publication - Third Quarter Results 2008

November 2008
Analyst/Investor Conference and European Investor Road Show

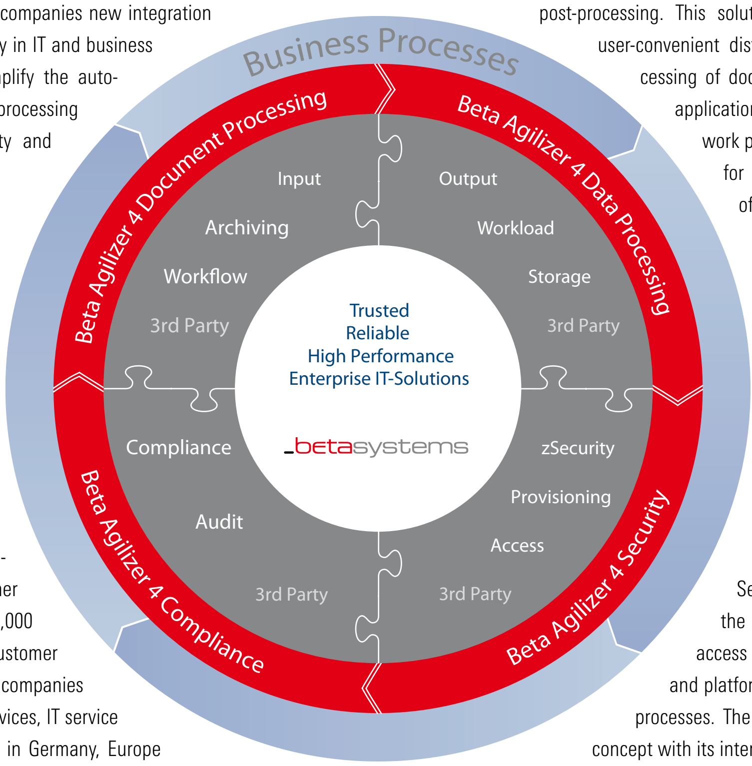


CORPORATE PROFILE OF BETA SYSTEMS SOFTWARE AG

OUR MISSION

Beta Systems Software AG Berlin (Prime Standard: BSS, ISIN DE0005224406) develops high-profile software products and solutions for the secure and efficient processing of large data volumes. The Company ranks among Europe's leading mid-sized software solution suppliers in its market segment. The core businesses of Beta Systems are document processing and IT user management, data processing in data centers and compliance solutions. The software products and solutions support customers in the automation, securing and transparency of their business processes. In addition, the Beta 4Agility suite offers large companies new integration products to enhance their agility in IT and business processes. These products simplify the automation of data and document processing and raise the level of security and performance of IT.

Beta Systems was founded in 1983, has been a listed company since 1997, and has a workforce of more than 600 employees. The Company's principal place of business is Berlin. Beta Systems has centers of competence in Augsburg, Cologne and Calgary, as well as 17 group companies worldwide and co-operations with numerous partner companies. With more than 3,000 running installations, it has a customer base of more than 1,300 major companies from the sectors of financial services, IT service providers and industry at large in Germany, Europe and the USA. 18 out of the 30 companies in the DAX and 50% of the European companies in EUROSTOXX trust Beta Systems' software solutions. In matters concerning IT and automation, 7 of the 10 largest European insurance groups (Allianz, AXA Service AG and others) rely on solutions from the Berlin-based software company. Moreover, 50 % of the largest European banks already work with the solutions of Beta Systems (Credit Suisse, Bank Austria, BAWAG P.S.K., Bancaja, Komercijana Banka A. D. and others).



Solutions for Information Management in Data Centers (DCI)

Beta Systems offers cross-sectoral information management solutions for the tasks typical to data centers of large corporations. Securing the smooth, error-free, secure and seamless provision of a central IT infrastructure for the processing of huge volumes of data and documents is at the heart of these solutions. The solutions for mainframes ensure the protection, availability and, in an emergency, the swift and targeted recovery of data critical to the company. In the context of running data center operations, the solutions enable complete process management, integrated into applications, and monitoring across all platforms.

As a solution to output management, Beta Systems offers a software suite which combines output management with solution-oriented document post-processing. This solution enables the efficient and user-convenient distribution, presentation and processing of documents generated by business applications. Seamless integration into work processes harbors great potential for the future-oriented automation of all document-based business processes. At the same time, a wide spectrum of legal provisions and requirements placed on electronic documents are covered by central and audit-compliant archiving.

User Management Solutions (IdM)

The SAM Jupiter solution for Identity Management and Security Administration enables the administration of users and access rights across whole businesses and platforms in compliance with business processes. The solution is based on the SAM concept with its interplay of provisioning policies and role-based security administration (role mining). SAM Jupiter offers an integrated suite of functions and components which automate the critical processes of user provisioning. Single sign-on enhances both security and user comfort in entering user IDs and password combinations. The SAM approach raises transparency and improves the IT security in the company. Administrators from the specialist departments can adjust the definitions of access rights with ease to the specialist requirements and security guidelines within the company. The administrative effort is thus minimized.

Document Management Solutions (ECM)

Capturing, interpreting, archiving and processing documents critical to the company – Beta Systems offers comprehensive solutions for document and information processing in input management. The whole life cycle of business documents is covered, from the capturing of paper-based and electronic documents, the automatic extraction and forwarding of information through to processing and archiving. Companies can use FrontCollect to capture the entire incoming post, including e-mails and telefaxes, and distribute them to downstream applications such as ERP or mailbox systems. The FrontOffice mailbox system is a „software assistant" designed to facilitate processing: Incoming documents initiate an independent research in the archive, the automatic formation of temporary event folders and the supply of all necessary information. Complete electronic files which contain all documents and information necessary for efficient processing are relayed to the mailbox of the person responsible.

Compliance Solutions

Beta Systems offers IT compliance consultancy services and uses a combination of its products systematically for the solution of pending tasks. Consultancy, services and products are combined across business issues (DCI, IdM and ECM) to support and further IT compliance.

Beta 4Agility Suite – Integration Solutions

The four Beta Agilizer products build on the existing solutions and core competences of Beta Systems. They use special connector technologies to integrate the customer's systems, applications and data with those of external parties. This process of integration is carried out within an IT application and also across the business, from document management and user management through to compliance solutions.

Beta Agilizer 4 Document Processing provides documents which accord with business processes. Documents are electronically archived and can be swiftly sought and found, irrespective of the archive system where they are kept. The Agilizer integrates a number of different archive solutions and provides documents via web services and other user and business process-oriented interfaces for processing.

beta 4gility Suite

Beta Agilizer 4 Security enables different identity management solutions to be linked up and access control systems to be integrated. User provisioning can thus be centrally operated from one integrated product. The Agilizers allow identity management and part functionalities from IT security to be linked up to other applications through different client connectors and web services.

Beta Agilizer 4 Data Processing is an integration platform for a wide variety of different products and tools in data center automation. Scheduling, workload management and other central tasks performed by data center administration can be addressed centrally and across solutions through Beta Agilizer 4 Data Processing.

Beta Agilizer 4 Compliance enables the automatic and centrally managed fulfillment of the compliance requirements specific to the company. The Agilizer manages them through a framework implemented in line with the policies and rules principle. Control loops which start with the monitoring of regulations and end with the preventive identification of risks and weak points in the existing compliance framework are thus improved and simplified.

INTERVIEW WITH KAMYAR NIROUMAND AND GERNOT SAGL, MEMBERS OF THE MANAGEMENT BOARD OF BETA SYSTEMS SOFTWARE AG

The year 2007 was a very successful one for Beta Systems. Did you achieve the goals you set yourself?

Niroumand: Our goal in 2007 was to return to profitability. By the end of the first half-year we had already achieved this, and by year-end we had produced the best result since our IPO in 1997. We achieved our turnaround through concentrating on the high-margin software license business, by consistently implementing measures in our sales operations, and by optimizing our cost structure. We now have a good basis to grow profitably in the future as well.

Sagl: In addition, we brought our capital increase to a successful close in autumn 2007, thereby substantially improving the equity base of Beta Systems and stabilizing the financing of our Company further. Our shareholders' great interest in our new shares, and the steady increase in our share price, is confirmation that the capital market has regained its confidence in our Company.

You also launched your new Beta 4Agility product program in 2007. What contribution did this make to Beta Systems' successful year?

Niroumand: With Beta 4Agility, we implemented our new product and sales strategy – and thus the last phase of our realignment – in summer 2007. Beta 4Agility is a program which underpins the sustainable increase in the value of our Company. It not only opens more doors in the market but will also lead to an ongoing strategic realignment of our Company. We want more agility for our customers. Our Beta 4Agility product offers them the possibility of reacting swiftly to new, complex IT tasks while, at the same time, raising their productivity and fostering their growth.

Sagl: With Beta 4Agility, we continue our tradition of 25 years of innovation for and with our customers. Drawing on our own strength and the resources we currently have in research and development, we bring new products to the market. Furthermore, this holistic approach enables us to bolster the sale of our tried and tested successful core business. The four new Agility products stand for the principles of flexibility, efficiency and the integrative ability of modern IT architectures which are becoming increasingly crucial for large companies, IT and financial services providers in both local and global markets.

What do you intend to achieve with your strategic product development?

Niroumand: We are focusing on the products and solutions which our customers want and need. The Beta 4Agility suite comprises four integration products from Beta Systems traditional core business segments: document processing and IT user management, data processing in data centers and compliance solutions. The Beta Agility products therefore build on the existing solutions and core competences of Beta Systems.

Gernot Sagl, CFO

Gernot Sagl assumed the position of Beta Systems Software AG's CFO in October 2006. He gained extensive international management experience during his earlier employments and was Regional Finance Manager of the US Wyeth-White Hall pharmaceuticals corporation in central and eastern Europe before deciding to join Beta Systems. Other previous positions of Mr Sagl, who holds a Master's degree in Business Administration, include Financial Director at the Austrian CCC AG and Director of Controlling and Treasury at ÖAG Handelsbeteiligungs AG.

Beta 4Agility is indisputable evidence of the strengths you have in the IT market. What is your competitive advantage over other providers of software solutions?

Niroumand: Our innovative strength and closeness to the customer are decisive factors which, along with our core competences, coupled with the secure and efficient processing of immensely large volumes of data and user figures, ensure that we are successful. As a mid-sized enterprise, we can operate at higher speeds than our larger competitors and, most importantly, we can be with our customers on site. We are thus able to help them more swiftly in automating their business processes, securing them and ensuring transparency. The flexibility and openendedness of our product portfolio are features particularly prized by our customers.

Sagl: In comparison with local competitors, we have the advantage of having excellent partnerships with global IT players. Our close cooperation with these manufacturers have endowed us with a considerable knowledge headstart in technological and sales skills terms.

■ It is primarily key customers who work with your product solutions. As already described, what these customers appreciate in you as a mid-sized company is your flexibility and swift decision channels. Apart from this, what else makes you interesting for large companies?

■ **Niroumand:** We provide support mainly to banks and insurance companies as well as key customers in industry in automation and ensure that their operations are secure and their business processes can be easily tracked. As, by definition, companies of this size have huge volumes of data and documentation to process, high IT user numbers to manage and the most complex legal and internal regulations which they must comply with, they need software solutions which can process these huge volumes securely and efficiently. Our innovative and qualitatively high products and solutions, which exclusively target their requirements, support them in this. We are therefore a strategically important provider for these large companies. The proof is evident in the numerous new contracts acquired in this segment.

Our product portfolio contains reliable solutions for secure and efficient information management in computer centers which have the greatest scaleability and performance in the processing of mass data. In the case of the largest German data center of the German savings banks, this means, for instance, the administration of 280,000 RACF users. Moreover, we offer solutions for automating critical processes in IT user administration. For example, our software solutions are used by a German bank which has 65,000 users with 250,000 permissions, 1,500 roles and 3,000 applications. Our software guarantees the utmost efficiency in the processing of documents, an example being the processing of incoming post of 110 million pages per year in top flagship projects. What is more, our software solutions take care that guidelines are implemented throughout the company and ensure compliance with legal and business requirements on a national and international scale. In one of the largest companies, this means the compliance-relevant archiving of more than 120,000 job logs a day. Our customers appreciate these solutions as well as our long-standing experience. They trust our employees and their know-how and value our extensive network of partners.

■ Your plans this year are focused primarily on expanding your market position in the area of financial services. What makes this sector so important to you?

■ **Sagl:** In our view, this is a critical sector. As you know, this is where there are countless consolidation processes taking place and, as a result, business processes, IT systems and organizations must be adapted. This is where we see great potential for generating above-average growth. An insurance company has, for instance, entrusted us as a strategic software supplier with expanding its customer management. This company uses our FrontCollect software solution to cover the processing of all of its incoming post.

Moreover, financial service providers throughout the whole of Europe have to cope with the most recent pan-European regulations such as MiFID (Markets in Financial Instruments Directive), Basel II or SEPA (Single Euro Payments Area). In connection with the introduction of SEPA, for instance, Beta Systems offers a new payment system with its FrontCollect for SEPA software solution. By using this payment software financial institutions create the technical conditions for the processing of non-electronic payments, such as direct debits and transfers, in compliance with existing rules and regulations. The uniform approach resulting from the launching of SEPA generates optimal growth prospects for Beta Systems in Europe.

Kamyar Niroumand, CEO

Kamyar Niroumand became CEO of Beta Systems Software AG in April 2006. In his previous position held at Deutsche Telekom subsidiary T Systems, he was in charge of the major account business as a member of the Executive Committee since 2005. After receiving a diploma in Business Engineering in 1986, Kamyar Niroumand began his vocational career at Siemens-Nixdorf Computer AG. In 1991 he moved on to debis Systemhaus (dSH) and joined the ranks of dSH sfi GmbH's (Systemhaus für Informationsverarbeitung) executive management in 1995. After the founding of T-Systems in early 2001, Niroumand became managing director of T-Systems CSM GmbH and was also in charge of the Computing & Desktop Services service line until the end of 2004.

■ The Beta Systems Group sells its products and solutions in a number of countries via cooperation and sales partners. As part of the realignment of sales operations, do you intend to step up sales through partners? Have you had first successes here yet?

■ **Niroumand:** In 2007, as in the previous year, sales via partners made a significant contribution to the success of Beta Systems. Focusing on this area resulted in a sharp growth in partner revenues which came to 66%. We are meanwhile represented through our partner network in 39 countries and have raised the number of our partners by 30%. We intend to develop this sales channel in 2008 as well in order to achieve even more momentum in the market.

■ What expectations do you have of fiscal year 2008?

■ **Niroumand:** The order situation continues to be good. We therefore anticipate that all three business lines will see profitable growth in fiscal year 2008 and that our resulting profit figures will rise. This year we expect our EBIT margin to growth in the upper one-digit range.

■ **Sagl:** Along with raising our productivity in the Company, we plan to improve profitability through continuing to build our software license and service business and by strengthening our market position in the financial services sector and large companies, flanked by the expansion of our international and partner business. Above all, the consistent implementation of our Beta 4Agility product and sales strategy plays a great role here. Our prospects for our anniversary year are excellent!

■ What are your plans for the three DCI, IdM and ECM business lines?

■ **Sagl:** Our primary goal this year is to achieve profitability in all three business units by concentrating on increasing license sales and stepping up cross selling activities. We are already working closely together in all three areas and complement each other very well. Beta 4Agility gives rise to natural synergy effects from which we will all benefit.

■ At the end of 2007, leading Garner's IT analysts placed Beta Systems Software AG in the "Challenger Quadrant" of their "Magic Quadrant for User Provisioning 2H07". As a leading German mid-sized standard software company, Beta Systems also took fourth place in the Lünendonk ranking in terms of its revenues in Germany. Can we take this as a sure sign that your products are extremely competitive in the market?

■ **Niroumand:** Yes, for many years Beta Systems has held a strong position in the market for standard software. We regularly receive confirmation of the competitiveness of our product portfolio from experts in the sector. According to Gartner, for instance, placing us in the "Challenger Quadrant" ranks us among the companies which have well-proven products for the characteristic requirements of the user provisioning market and strong sales with the respective clout in the market. As a "Challenger", we win customers mainly through our competitive products and our geographical proximity. For their part, customers value our specialized knowledge of the market and the industry. And this is not only the case in one business unit, as illustrated here by the IdM segment, but in all three.

■ Has Beta Systems stepped up its cooperation with the largest leading IT players in 2007?

■ **Niroumand:** Our technological partnerships with global IT players guarantee our customers high-performance software solutions which always accord with state-of-the-art technology. We cooperated intensively with these manufacturers last year and intend to foster and build these relationships in future.

Our partnership with IBM, for instance, goes back more than 20 years. Together we have developed quality solutions which are reliable and which benefit our customers every day in their projects. In the context of the IBM Co-Marketing Program, we also organized events together to present our latest developments to our customers and to optimize our products in line with their feedback. In summer 2007, Beta Systems Software AG was admitted to the IBM SOA Specialty Program and thus fulfils the technological and business requirements with the Web Enabler application. As a "Microsoft Gold Certified Partner", we enjoy the highest partner status with Microsoft. Evidence of the intensification of this partnership is this year's conference on Microsoft SharePoint which will also be attended by delegates from Beta Systems. We also work with SAP and Oracle in sales and technological partnerships.

■ Did the Company also actively fulfill its corporate responsibility in 2007?

■ **Sagl:** Beta Systems has committed itself to a number of initiatives designed to promote youth development, education and training. In 2007, as part of these activities we continued our training initiatives at the Oberstufenzentrum Informations- und Medizintechnik in Berlin-Neukölln. In addition, Beta Systems also supported Burgau Secondary School (Bavaria) in the implementation of its "Solar System" school project.

■ **Niroumand:** Beta Systems also promoted local sport for young people in 2007 and, as the main sponsor of the international "young talents cup" in 2007, an international competition for young people at the Hertha 03 Football Club in Zehlendorf, intensified its commitment as a sports sponsor in its local city of Berlin. At the national and European level, Beta Systems actively supported the Bundesliga national basketball league and Brose Baskets Bamberg, a basketball team participating in the Euroleague. Winning the German 2007 basketball championship was a fitting end to an exciting and successful season, which is why we will also be supporting coach Dirk Bauermann's team in the current season.

We make IT flexible.

CORPORATE GOVERNANCE REPORT FOR THE FISCAL YEAR 2007

Beta Systems has always placed great importance on responsible and transparent management. Since the introduction of the German Corporate Governance Code which has established standards for value-oriented and transparent management and monitoring of the company Beta Systems has, apart from a few exceptions, espoused the suggestions and recommendations of the Code in its current version dated June 14, 2007.

It is mandatory for German companies to apply the provisions prescribed by law. In respect of the recommendations, Section 161 of the German Stock Corporation Act (AktG) requires listed companies to make an annual declaration on the extent to which they comply with the German Corporate Governance Code and where they diverge from it. Companies may diverge from the suggestions of the Code without disclosure.

Information on Corporate Governance at Beta Systems

Documents pertaining to Corporate Governance, specifically the Articles of Association of Beta Systems Software AG and the declarations of conformity of previous years, are available on the web site of the Company at www.betasystems.com under the Investor Relations/Corporate Governance heading. The reports and documentation required by law for the Annual General Meeting of Shareholders, including the agenda, the Consolidated and Separate Financial Statements were published on the web site at www.betasystems.com under the Investor Relations/General Meeting of Shareholders 2007. Furthermore, the shareholders are regularly informed about important dates in a financial calendar which is in this Annual Report and published on the web site under the Investor Relations/Financial Calendar heading.

Compliance with the Corporate Governance Standards is monitored by the Compliance Officer:

Contact
Arne Baßler
Compliance Officer
Tel.: +49 (0) 30 726 118 170
Fax: +49 (0) 30 726 118 881
Email: complianceoffice@betasystems.com

Cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board cooperate closely for the benefit of the Company. Their common aim is to raise the enterprise value on a sustainable basis. The Management Board reports regularly, in a timely manner and extensively to the Supervisory Board on all relevant issues relating to corporate planning and strategic development, on the course of business, the Group's situation, including the risk position, as well as risk management and compliance. Moreover, the Supervisory Board gives its approval to important transactions requiring approval. The Management Board is made up of two persons and has a Chairman. A set of bylaws regulates the work of the Management Board, in particular the allocation of tasks to the Board members, matters reserved for the whole Management Board as well as the majority required for Board resolutions. More information on the cooperation between the Management Board and the Supervisory Board can be found in the Report by the Supervisory Board on pages 40 to 41.

Responsible Risk Management

Good corporate governance also entails responsible management by the Company of risks. Systematic risk management ensures that any risks are recognized at an early stage and assessed. The risk management system of Beta Systems is developed on an ongoing basis and adjusted to changes in business conditions. Details on risk management can be found on pages 30 to 34.

The monitoring of the observance of compliance guidelines was also an integral part of risk management in the fiscal year 2007. Part of this was to keep employees informed of the legal basis and the relevant requirements placed on internal and external communication. All relevant individuals who work for the Company and have access to insider information within the scope of their employment are registered in an Insider List and informed of the obligations arising from such insider rights.

Share Transactions and Shareholdings of the Management Board and the Supervisory Board

Pursuant to Section 15a of the German Securities Trading Act (WpHG) the members of the Management and Supervisory Boards are required by law to disclose the purchase or sale of the shares of Beta Systems Software AG if the value of a respective member and parties related to him reaches or exceeds the amount of € 5,000 in a calendar year. In accordance with the Insider Trading Policy of Beta Systems, members of executive bodies are obliged to report all transactions with shares of the Company. The following transactions were reported to Beta Systems Software AG in the fiscal year 2007:

	Kamyar Niroumand	Stefan Hillenbach
Date	November 2, 2007	November 2, 2007
Function	Management Board	Supervisory Board
Type of Transaction	Purchase	Purchase
Number of Shares	10,377	2,144
Price in €	2.05	2.05
Comment	The purchase of the shares was effected by exercising the subscription rights in the context of the capital increase against cash contribution entered into the Commercial Register on October 30, 2007.	The purchase of the shares was effected by exercising the subscription rights in the context of the capital increase against cash contribution entered into the Commercial Register on October 30, 2007.

All transactions have been disclosed on the web site of the Company at www.betasystems under the Investor Relations/Corporate Governance/Directors' Dealings section. Directors's shareholdings as at December 31, 2007, are as follows:

As at December 31, 2007	Shares
Management Board	
Kamyar Niroumand	29,377
Gernot Sagl	-
Supervisory Board	
Sebastian Leser	-
Dr. Arun Nagwaney	-
Jürgen Dickemann	-
Volker Wöhrle	-
Stefan Hillenbach	6,432
Wilhelm Terhaag	-
Beta Systems Software AG	
Treasury Shares	120,610

Remuneration Report

The total remuneration of the Board members is composed of a series of components. To be specific, remuneration is made up of a fixed and a performance-based component (bonus). The remuneration of the Supervisory Board is determined by the Annual General Meeting of Shareholders and is regulated in Section 10 of the Articles of Association.

It is based on the tasks and the responsibilities of the Supervisory Board members as well as on the financial position and the success of the Company. More information, including an itemization of remuneration, can be found in the Remuneration Report in the section under "Combined Management Report" on pages 35 to 37. As per December 31, 2007, there were no option rights and no valid option rights program.

Declaration of Conformity of Beta Systems Software AG with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG)

In the last Declaration of Conformity published on the Internet and in the 2006 Annual Report of Beta Systems Software AG, the Management Board and the Supervisory Board of Beta Systems Software AG declared that the Company had complied with the principles of conduct recommended by the German Commission of the German Corporate Governance Code with some minor departures from it and that it intends to do so in future. In the fiscal year 2007, Beta Systems Software AG complied with the German Corporate Governance Code in the version of June 14, 2007, with the following exceptions:

Code Item 2 3.2 – Relaying of the Convening of the Annual General Meeting and Convention of Documents by Electronic Channels:

The Company does not comply with this recommendation as it has bearer shares. Accordingly, not all domestic and foreign financial services providers, shareholders and associations of shareholders are known to the Company, which means that they cannot be reached via electronic channels.

Code Item 3.8 – Excess in D&O Insurance Policies:

Contrary to the recommendation that liability insurance taken out by the Company for its Management Board and Supervisory Board members (so-called Directors' and Officers' (D&O) insurance) should include a reasonable deductible, Beta Systems does not consider that this measure will lead to any significant improvement in the motivation or sense of responsibility of its directors and officers. The insurance policies currently taken out by Beta Systems do not include any deductible. There are no plans to change this policy in the future.

Code Item 4.2.3 – Compensation of the Management Board:

The Management Board of Beta Systems Software AG receive compensation in the form of a fixed and variable remuneration. At present, the Annual General Meeting of Shareholders has not authorized a Management Board remuneration program that includes components with long-term incentive effect and risk elements in the form of shares, stock options or comparable instruments. Such instruments were last issued in 2001 as part of programs previously implemented within this area. Rights resulting from these programs were last exercised in 2004 or have expired. Proposals aimed at issuing stock options to the Management Board in the future, taking into account the recommendations of the German Corporate Governance Code, failed to achieve the required majority in the last Annual General Meetings of Shareholders.

Code Items 5.1.2 viz. 5.4.1 – Age Limits for Management Board and Supervisory Board Members:

Beta Systems regards the stipulation of age limits for Supervisory Board members as imposing a limitation on shareholders' rights to elect the Supervisory Board members of their own choice. Accordingly, the Company has not set any age limit. A similar departure from the Code's recommendation is that there is no age limit for Management Board members either as this would restrict the Supervisory Board in its selection of suitable candidates.

Code Item 5.3.2 – Setting up of an Audit Committee:

In view of the current size and composition of the Supervisory Board (6 persons) as well as the size of Beta Systems itself, the Supervisory Board does not currently intend to set up a separate audit committee. Essentially the entire Supervisory Board deals with all questions regarding the rendering and auditing of accounts.

Code Item 5.3.3 – Setting up of a Nomination Committee:

In view of the current size and composition of the Supervisory Board (6 persons) as well as the size of Beta Systems itself, the Supervisory Board does not currently intend to set up a separate nomination committee. Essentially the entire Supervisory Board deals with proposals for elections.

Code Item 5.4.7 – Compensation of the Supervisory Board:

The Supervisory Board members of Beta Systems Software AG receive compensation only in the form of fixed remuneration. Membership and chairmanship of the Personnel Committee is not subject to specific compensation. Proposals aimed at amending the bylaws within this area failed to achieve the required majority at the last General Meetings of Shareholders.

With the exception of the afore-mentioned deviations, Beta Systems Software AG has complied and complies in fiscal year 2007 in all instances with the recommendations of the German Corporate Governance Code in the version dated June 14, 2007. Moreover, the Company has complied with the Code in the version dated June 12, 2006, with the deviations from the recommendations set out under Items 3.8, 4.2.3, 5.1.2 and 5.4.1 as well as 5.3.2 and 5.4.7. Deviations from Code Item 4.2.5 in conjunction with Code Item 6.8 (Information on the compensation system of the Management Board on the Internet and during the Annual General Meeting of Shareholders) are no longer applicable since the publication of the 2006 Remuneration Report on the Company's homepage. The Company has complied with the recommendation since this time.

Berlin, December 5, 2007

Sebastian Leser	Kamyar Niroumand
Chairman of the Supervisory Board	Chief Executive Officer

COMBINED MANAGEMENT REPORT ON THE GROUP AND ON THE PARENT COMPANY FOR THE FISCAL YEAR 2007

PRELIMINARY NOTE

Beta Systems Software AG has drawn up this Combined Management Report on the Group and the Parent Company as at December 31, 2007, in accordance with the legal requirements. It is to be read in conjunction with the Consolidated and seperate Financial Statements which are included elsewhere in this Annual Report. The audited Consolidated Financial Statements are based on a series of assumptions which are described in detail in the Notes to the Consolidated Financial Statements (Accounting Policies and Valuation Methods). The business development of the Beta Systems Group ("Beta Systems" or "Group") and of Beta Systems Software AG (the Parent Company) are closely linked, as the Parent Company is part of the groupwide development, sales, service and marketing network. For this reason, the report on Beta Systems Software AG is combined with the report on the Beta Systems Group. All information applies to the Group unless clearly attributed to the Parent Company.

The Consolidated Financial Statements as at December 31, 2007, are prepared in accordance with the generally accepted International Financial Reporting Standards (IFRS), as applicable with in the European Union. The following information relates to the consolidated results of the Beta Systems Group. The Segment Reporting has been prepared in accordance with the structure of the Company and is divided into the following business segments: Data Center Infrastructure (DCI), Identity Management (IdM), and Enterprise Content Management (ECM).

The annual financial statements of Beta Systems Software AG (Parent Company) have been drawn up in accordance with the provisions of the German Commercial Code (HGB). Tables and charts, including annotations, are for purposes of illustration and are not part of the Management Report.

1. BACKGROUND AND STRATEGIC GUIDELINES

Background

For 25 years, Beta Systems has developed high-profile software products and solutions for the secure and efficient processing of large volumes of data which support companies in the automation, safeguarding and transparency of their IT based business processes. The Beta Systems Group ranks among Europe's leading mid-sized software suppliers in its market segment and has been listed on the stock exchange since 1997. The Group currently has a workforce of more than 600 employees in its 4 competence centers in Berlin (headquarters), Cologne, Augsburg and Calgary. In addition, another 17 Group companies and numerous partner companies are engaged in business for the Beta Systems Group. The Group's customers include major companies from the sectors of financial services, industry and IT service providers in Germany, Europe, the USA, and Africa.

The software products and solutions support customers in three core areas. Accordingly, the operations of Beta Systems are managed in three lines of business ("LoBs"): Data Center Infrastructure (DCI, information management in data centers), Identity Management (IdM, user management) and Enterprise Content Management (ECM, document management).

Strategic Guidelines

Beta Systems' intention is to raise the enterprise value for investors and employees and enhance its customers' satisfaction. Beyond this, the Company plans to reinforce and expand its existing market position in the DCI, IdM and ECM segments, thereby developing into a leading supplier of software for the administration of large volumes of data, documents and users. The primary objective of Beta Systems is to raise its results on a sustainable basis. The prerequisite for this is that all three of our business segments are profitable, which is the goal in 2008.

Achieving of the Turnaround lays the Corner Stone for Future Growth

In fiscal year 2007, Beta Systems raised its results significantly. In doing so, it achieved operational turnaround by exceeding breakeven. This positive trend was attributable to the sustained growth in the profitable license business and in the services segment, as well as to the ongoing optimization of the cost structure. In the second quarter of 2007, Beta Systems also launched its new product and sales strategy which goes by the name of Beta 4Agility. To achieve profitable growth, Beta Systems will be concentrating on the following in the years ahead as part of its strategy:

Beta 4Agility Growth Program

The development of the Beta 4Agility product and sales strategy was initiated in fiscal year 2007. The Beta 4Agility Suite is a software package designed to optimize IT based business processes and to enable the customers of Beta Systems to achieve more agility through the automation of processes in data and document processing as well as in user and compliance management. Our customers are then able to react more swiftly while, at the same time, raising the productivity and growth of their own business segments or companies. Products and solutions of the Beta Systems Group and/or of third party suppliers are integrated into the Beta 4Agility Suite and managed centrally.

Increased Flexibility on the Cost Front and Enhanced Earnings Power

In fiscal year 2008, Beta Systems plans for all segments to return to the profit zone and to generate positive earnings within the Group. In order to achieve this goal the Company has planned, on the one hand, to raise its flexibility in respect of costs and, on the other, to improve earnings. Furthermore, it intends to supplement its product suites and adjust them in order to progress with the standardization of products and modules which, in turn, will enable the effort involved in integrating the software in the context of individual solutions to be minimized. These measures are ultimately aimed at cutting costs and raising the profitability of the respective products and solutions. Another key focus is the ongoing implementation of the Beta 4Agility product and sales strategy. In addition, Beta Systems is committed to optimizing its maintenance and service contracts and its price structures. In terms of its sales regions, the Company will continue to concentrate on Europe, with a greater focus on its cross selling activities.

Expanding its Position in the Financial Services Market

Beta Systems is striving to expand its market position in the financial services sector and to establish itself as a leading software supplier in this industry. Many of Europe's large insurance groups and banks have become customers of the Beta Systems Group.

Beta Systems sees further potential for the Group in the financial services sector in particular from SEPA (Single Euro Payments Area) which came into force on January 1, 2008. Beta Systems offers the FrontCollect for SEPA, a solution dedicated to the automated processing of non-electronic payments, such as direct debits and transfers, which has already been licensed to a number of high profile, mainly German customers. Furthermore, Beta Systems anticipates that new customers can be acquired in the financial services sector, above all in the SEPA countries where to date payments are still settled via cheques.

Besides this, Beta Systems believes that the growing requirements placed on companies as a whole to comply with the law, directives and guidelines, including the requisite control and monitoring (so-called compliance), as well as the constant changes in the legal environment harbor growth potential. Compliance with the law, directives and guidelines is particularly crucial to banks and insurance companies which, on the one hand, operate in stringently regulated markets and, on the other, process large volumes of critical data. The products and solutions offered by the Beta System Group center around these issues by, for instance, regulating access and permission rights, and providing control mechanisms and enabling adjustment to internal corporate guidelines. The Company expects this trend to persist, thereby boosting demand for its products and solutions, which will ultimately result in growth opportunities for the Beta Systems Group.

Moreover, the changing legal environment often requires the customers of Beta Systems to adjust the software products and solutions used within the respective company. The Beta Systems Group caters to this need by offering new products, add-ons, upgrades and updates which normally entail the customer concluding new license agreements. Particularly with its Beta Agilizer 4 Compliance solution, the Beta Systems Group gives its customers the possibility of accommodating rising compliance requirements and changes in the legal environment.

Strengthening Customer and Service Orientation, with Focus on Key Accounts

The software products and solutions support customers in the automation, securing and transparency of their business processes. This benefits large companies, such as banks and insurance companies in particular which, owing to their size and operations, have to process extremely large volumes of sensitive data and documents in business processes critical to their operations. Beta Systems intends to build up and strengthen its business with large corporations, above all with the Beta 4Agility Suite.

Furthermore, Beta Systems regards the ongoing process of concentration in the European economy as an opportunity of winning major enterprises as customers and of offering them new and/or extended licenses. In the Company's opinion, this trend is set to persist. Also in respect of the consolidation processes within conglomerates, for instance, the combination of IT infrastructures of parent and subsidiaries or the hiving off of IT infrastructures to external IT providers (so-called outsourcing), Beta Systems sees itself at an advantage as against other competitors owing to its fully fledged range of products and solutions which can span business segments, thereby generating competitive advantage through the resulting flexibility and customer proximity.

Strengthening and Focusing of the Portfolio – Cooperations

Beta Systems is increasingly focusing on solutions which are customized to suit the individual needs and requirements of its customers. The starting point and basis for this approach is to have research and development activities coordinated across the various segments. Solutions are to be supplemented increasingly by offering modular packages, in particular as part of the Beta 4Agility Suite, made up of mainly standardized software which can be combined with customer requirements in any combination.

Furthermore, the Beta Systems Group plans to streamline and optimize its existing product portfolio by concentrating resources on established and strategically important product lines such as, for instance, Beta 91, Beta 92 and Beta 93, SAM Jupiter, FrontCollect (including EBS 2000) and the Beta 4Agility Suite which is currently at the development stage.

The Management Board is also investigating the option of rounding up and complementing the product and service portfolio by taking on new and other (sub)tasks at the customer, for example. Beta Systems is therefore considering offering its customers additional services (Managed Services and/or Managed Operations) in the area of document processing, data processing in computer centers or user administration. Along with building up its own capacities, another strategic option is the acquiring of companies on a smaller scale.

The solutions of the Beta Systems Group are primarily integrated into the IT platforms of market and technology leaders such as, for instance, Microsoft, IBM, SAP or Oracle. With this in mind, the Beta Systems Group is already cooperating closely with these manufacturers at the level of technology and sales. Beta Systems intends to step up and deepen cooperation with these companies in order to be able to forge ahead with the integration of its solutions into the SAP NetWeaver, Microsoft SharePoint, Oracle Fusion and IBM Websphere programs in particular. Moreover, Beta Systems' intention is also to offer products and solutions on a timely basis especially designed for the new platform generations of these manufacturers in future.

Geographical Concentration

Beta Systems Group generates a large part of its revenues in Germany and Europe. In fiscal year 2007, the share of business in Germany in the total revenues of the Beta Systems Group came to around 59.4% and 28.8% in the rest of Europe. As before, the Company intends to concentrate its business in Europe as this region offers good growth prospects owing to its sound market position with the related potential for expansion. Besides this, the Beta Systems Group has plans to reinforce its presence and to build a sustainably profitable business in North America, foremost in the USA.

Ongoing Strategic Realignment of Sales

In order to implement its strategic goals, Beta Systems is progressing with the strategic realignment of its sales activities. Owing to the acquisition of new customers and new business with existing customers, Beta Systems expects consolidated revenues in the software product and services segments to rise and the maintenance business to stabilize, especially with key accounts. To this end, the Beta Systems Group has already set in place a leaner country organization through measures which included reducing the number of sales representatives in fixed employment in the subsidiaries of Beta Systems, streamlining operations and focusing on the DCI, IdM and ECM segments.

2. ECONOMIC ENVIRONMENT

Beta Systems operates in highly competitive domestic and international markets and has established business relationships with global players and large corporates in more than 40 countries. A major influence on Beta Systems' markets is therefore the global economic trend. Beta Systems expects that this trend will have an impact on the markets in which it operates.

The performance and success of the Company is therefore also dependent on the economic and business trends in the regions where the Beta Systems Group is present. The gross domestic product (GDP) grew by 3.6% in 2007 (estimate of Global Insight, Inc.), despite higher interest rates and oil price hikes.

Towards the end of the year 2007, however, global economic momentum slowed initially and the economic climate darkened, above all in the wake of the subprime mortgage crisis in the USA. The crisis in the financial markets had not been overcome by the start of 2008 and is set to have an impact on the economic development of the industrial nations in particular. By contrast, the German economy recorded more strong growth in 2007, and GDP rose by 2.5% (by 2.6% adjusted for the calendar year; press release of DESTATIS dated February 26, 2008). In the eurozone and the USA it rose by 2.6% and 2.2% respectively.

Most economic research institutes anticipate that the robust domestic economy in 2007 will be impacted by the deterioration in the global economic conditions and jittery financial markets in the year ahead. The situation at the start of the year was good but, in the opinion of the institutes, there will be an economic slowdown in the coming months. Similar to the eurozone economy, the global economy is also likely to grow only moderately. Economic expectations for Central and Eastern Europe (CEE) have also been marginally revised downwards. However, the most recent expectations since February 2008 give rise to more optimistic forecasts. ZEW economic expectations for Germany rose slightly, and the economy is cautiously expected to improve as from mid-year. At the start of the year 2008, German companies also continued to take a positive view of their position. If the negative influences in recent times were to abate for the most part, the economy in Germany would be poised to recover as from around the second half of 2008. According to ZEW economic expectations, the same is true of the eurozone and the CEE which would stabilize. Expectations for year-end 2008 and the year 2009 are also optimistic. The Kiel Institute for the Global Economy has set GDP in Germany in 2008 at 1.9% (2009: 1.6%), in the eurozone at 2.0% (2009: 2.0%) and in the USA at 1.8% (2009: 2.2%).

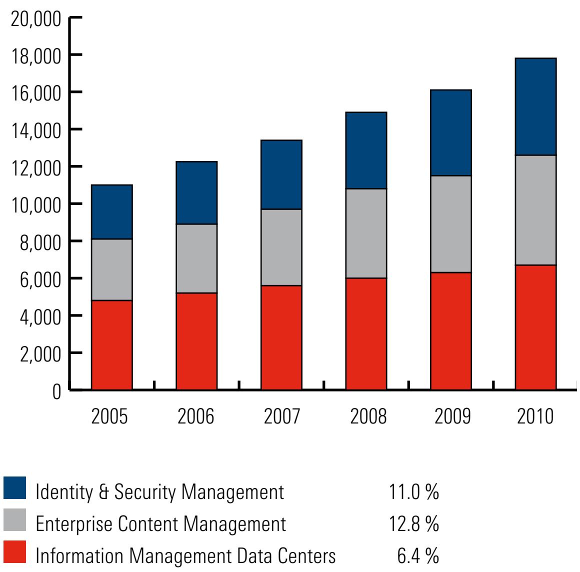
According to the Institute, the greatest risk factor which could impede the development of the German economy is the danger of a recession in the USA in the wake of the financial crisis as, in conjunction with the strong euro, this would weaken exports. A positive factor impacting the economic trend in Germany, however, would be private consumption, buoyed by the recovery in the labor market.

The ICT, Germany's information and communications technology sector, regards 2008 with confidence. According to BITKOM (German Association for Information Technology, Telecommunications and New Media), 78% of the companies surveyed anticipate revenue growth. The European Information Technology Observatory (EITO) also predicts a good year for the ICT market in Europe: The ICT sector is set to grow 2.9% to € 687 billion in Europe. There are expectations of a boom, especially in the areas of software (+6.5%) and IT services (5.5%). A number of large software companies also anticipate that the current global turbulence seen at the start of the year 2008 will not have an effect on the ICT sector. Instead, they predict rising revenues, in particular from the software license business.

Beta Systems is strategically focused on three LoBs, specifically DCI (Data Center Infrastructure), IdM (Identity Management) and ECM (Enterprise Content Management), each with its own market-oriented strategy geared towards enhancing financial performance and growth. IDC research predicts a global growth of an annual 9.6% in these three market segments up until the year 2010. The market volume of these segments is divided up into geographic regions as follows: 50% in America and 30% in Europe. Seen from a sectoral standpoint, more than 25% of the volume is attributable to the financial sector alone (banks, insurance companies and IT providers).

Market Segments relevant to Beta Systems

Market volume and average annual growth, worldwide in US$ millions viz. in percent



Source: Beta Systems; IDC Central Europe GmbH, Frankfurt, 2006

According to IDC research, the average growth rate from 2005 to 2010 is 11% in the Identity Security Management segment, 12.8% in the Enterprise Content Management segment, and 6.4% in the Information Management Data Centers segment.

We make IT powerful.

3. BUSINESS PERFORMANCE

3.1 Capital Increase against Cash

Beta Systems Software AG successfully concluded its capital increase upon entering it into the Commercial Register on October 30, 2007. With this measure, it raised its share capital by € 5,758,529.40 by issuing 4,429,638 new no-par ordinary shares made out to bearer against cash contribution. The share capital of the Company now comes to € 17,275,588.20 and is divided into 13,288,914 shares with a pro rata amount in the share capital of € 1.30 per share.

With the approval of the Supervisory Board, the Management Board of Beta Systems Software AG fixed the subscription period, the subscription ratio, and other details of the planned capital increase, as well as the conditions for issuing the shares on September 14, 2007. As part of an offer not open to the public (subscription period from September 19 until October 2, 2007), Beta Systems Software AG placed all 4,429,638 new shares from the capital increase resolved in the Annual General Meeting of Shareholders held on May 23, 2007, with a subscription right in a ratio of two old shares for one new at a price of € 2.05 per share. The gross proceeds from the capital increase amount to around € 9.1 million. On November 2, 2007, the new shares were delivered to the shareholders of Beta Systems Software AG who subscribed to shares as part of the offer not open to the public, by exercising their legal subscription rights, or who were allocated shares through having made more than one request for subscription.

The new shares bear profit as from January 1, 2007 and were admitted to the regulated market of the Frankfurt Stock Exchange (Prime Standard), which entails additional obligations arising from such admission on November 2, 2007. The securities prospectus for admission to the stock exchange was published on October 31, 2007. The share was listed for trading on November 5, 2007.

3.2 Performance of the LoBs

The presentation of the performance is shown in accordance with the strategy of the Beta Systems Group with its concentration on the three LoBs DCI, IdM and ECM.

January 1 to December 2006 In thousand €	DCI	IdM	ECM	Cross section	Total Group
Revenues with customers	35,400	9,647	51,574	-	96,621
... Intersegment Revenues	24	340	654	(1,018)	-
Total Revenues	**35,424**	**9,987**	**52,228**	**(1,018)**	**96,621**
Cost of Revenues and Operating Expenses of the Business Segments	(21,052)	(16,975)	(59,134)	1,721	(95,440)
Segment Income (Loss) for the Year	**14,372**	**(6,988)**	**(6,906)**	**703**	**1,181**

Non-recurring expenses of € 6.3 million were included in the results of the LoBs. Severance payments of € 4.2 million and goodwill impairment losses of € 1.3 million were not included in the segment results.

January 1 to December 2007 In thousand €	DCI	IdM	ECM	Cross section	Total Group
Revenues with customers	37,063	9,998	41,535	-	88,596
... Intersegment Revenues	35	127	26	(188)	-
Total Revenues	**37,098**	**10,125**	**41,561**	**(188)**	**88,596**
Cost of Revenues and Operating Expenses of the Business Segments	(21,865)	(11,893)	(40,589)	(604)	(74,951)
Segment Income (Loss) for the Year	**15,233**	**(1,768)**	**972**	**(792)**	**13,645**

DCI (Data Center Infrastructure)

With its expected high performance, the DCI segment made a positive contribution to the result, as planned, and concluded the financial year with revenues of € 37.1 million (2006: € 35.4 million) and a segment result of € 15.2 million (2006: € 14.4 million).

License revenues rose substantially by 14.4% to € 16.6 million (2006: € 14.5 million), revenues from services climbed 7.7% to € 2.8 million (2006: € 2.6 million); the decline in revenues from maintenance of 3.8% to € 17.6 million (2006: € 18.3 million) was thus more than compensated. Adjusted to take account of non-recurring expenses of € 0.7 million in fiscal year 2006, the result came to € 15.2 million, unchanged from the previous year's figure.

The DCI line of business is characterized by stable earnings potential from maintenance, expansion and replacement investments. However, it had to contend with a generally stagnating market environment in 2007, as segment revenues are generated predominantly in the mainframe environment.

In connection with the taking over from competitors or add-ons to existing installations, the concentration and consolidation process in the banking sector for the license and services business was again an opportunity used by the Company, which also explains the decline in maintenance revenues.

The cooperation between the DCI and IdM LoBs was considerably intensified in 2007. In order to strengthen the synergy effects between the individual segments, the organizational structures were streamlined in a first step which included setting in place a uniform sales management and cross-LoB product management. The second step was to combine the sales force, which ultimately benefited both segments. A focal point of the joint development activities was the Agilizer 4 Data Processing as part of the Beta 4Agility Suite. In addition, work on developing new versions of the Beta 91, Beta 92 and Beta 93 products continued in accordance with customer and market requirements, and the analysis and monitoring software Beta 96 were launched on the market. This development was part of the general research and development activities and did not raise the costs of the segment. In 2007, the DCI LoB succeeded in acquiring 20 new customers in an extremely competitive pan-European market environment.

Customers generating the largest revenues for the segment include NAV Drift og Utvikli (Public Administration, Norway), LVM Landwirtschaftlicher Versicherungsverein (financial service provider, Germany), CSC Computer Sciences Corporation (IT services provider, USA), Codan Forsikring A/S (financial services provider, Denmark), Banco Real/ABN Amro (financial services provider, Spain), Volkswagen AG (automotive industry, Germany), DATEV eG (IT services provider, Germany) and Deutsche Bundesbank (financial services provider, Germany).

IdM (Identity Management)

In fiscal year 2007, the IdM LoB achieved revenues of € 10.1 million (2006: € 10.0 million) and a result of € -1.8 million (2006: € -7.0 million). License revenues soared by 76.2% to € 3.7 million (2006: € 2.1 million), thereby compensating for the decline in revenues of 17.1% from maintenance to € 2.9 million (2006: € 3.5 million) and of 19.5% in services to € 3.3 million (2006: € 4.1 million). The resulting increase in overall revenues of 1.4% to € 10.1 million (2006: € 10.0 million) and the marked reduction in costs were reflected by a considerable improvement in the result. Adjusted to take account of non-recurring expenses of € 0.2 million in fiscal year 2006, year the improvement in the result came to € 4.9 million owing to reorientation towards the high-margin software license business.

As described above in connection with the DCI segment, the IdM LoB also benefited from synergy effects between the segments in 2007. Through the sales operations of the DCI LoB, joint activities geared towards the customer resulted in a number of multi-license contracts with key customers who have long-term maintenance and service agreements. In addition, the work on conceptual design of Agilizer 4 Security was initiated, alongside the market- and customer-oriented development of new versions of the SAM Jupiter and SAM eSSO products, in part with development teams spanning different locations. Owing to this measure, there were no increases in the research and development activities despite a series of innovations in this segment.

The success of the sales force of the IdM LoB is reflected in contracts agreed with IBM Deutschland GmbH (IT services provider, Germany), Credit Suisse (financial services provider, Switzerland), Commerzbank AG (financial services provider, Germany), Intesa Sanpaolo (financial services provider, Italy), Bayerische Landesbank (financial services provider, Germany), CZ Actief in gezondheid (insurance company, Netherlands), Westfield Group (financial services provider, USA) and T-Systems Italia (financial services provider, Italy).

ECM (Enterprise Content Management)

The ECM segment achieved revenues of € 41.6 million (2006: € 52.2 million), a decline which was attributable in the main to the scheduled downsizing of the low-margin hardware revenues of € 8.7 million. Services revenues grew 40.7% percent to € 8.3 million, up from € 5.9 million. By contrast, revenues from licenses and maintenance suffered declines to € 8.7 million (2006: € 10.6 million) and € 21.2 million (2006: € 23.1 million) respectively. The segment result of € 1.0 million is much higher than the previous year's figure (2006: € -6.9 million) which was burdened by special effects of € 5.4 million. Adjusted for this amount, the increase in 2007 comes to € 2.4 million. The positive result reflects the cost-cutting effects of the restructuring programs implemented in previous years and concentration on business with software solutions.

In 2007, the ECM segment focused on the market- and customer-oriented development of new versions of the FrontCollect Suite for banks and insurance companies. Alongside these activities, the development of Beta Agilizer 4 Document Processing was initiated. In this segment too, there were no increases in the costs of research and development activities despite a series of innovations.

The customers generating the highest revenues in 2007 for the ECM LoB include Postbank Systems AG (financial services provider, Germany), Central Bank of Nigeria (financial services provider, Nigeria), BAWAG P.S.K. (financial services provider, Austria), Allianz Deutschland (financial services provider, Germany), Sparkassen Informatik (financial services provider, Germany), Deutsche Apotheker und Ärzte Bank (financial services provider, Germany), Magyar Posta (financial services provider, Hungary), Deutsche Bundesbank (financial services provider, Germany), DSGF Deutsche Servicegesellschaft für Finanzdienstleister mbH (financial services provider, Germany) and DZ Service GmbH (financial services provider, Germany). In UniCredit Banca (financial services provider, Italy) the segment acquired its first Italian customer in 2007.

3.3 Partnerships

In the preceding fiscal years Beta Systems entered into technological partnerships with global IT players such as IBM, Microsoft, SAP, Oracle, HP, Sun, Novell, to name a few, which were continued and stepped up in fiscal year 2007. These partnerships enable Beta Systems to offer its customers software solutions which are always up to date in state-of-the art technology. Sales partnerships were also fostered and expanded in 2007. Beta Systems' partner network now comprises 36 partners in 39 countries (2006: 28 partners in 30 countries).

In summer 2007, Beta Systems Software AG was admitted to the IBM SOA Specialty Program and thus fulfils the technological and business requirements for SOA (service-oriented architectures). The "Server Proven" certification of the Beta 88, Beta 93 and SAM Jupiter products is proof for our key accounts of the ability of our software to function in live environments. With the "Ready for IBM Virtualized Engine" certificate granted for Beta 93 UX, Beta Systems delivers proof of its support of IBM's latest virtualization solutions. As part of the technological cooperation with Microsoft, Beta 99 was granted certification for Windows 2003 servers. In the context of the partnership with SAP, Beta Systems' products were incorporated into SAP NetWeaver integrations scenarios, also through the "Powered by SAP NetWeaver" certification of the FrontCollect Product Suite and the "Certified for SAP NetWeaver" issued for Beta 48 and Beta 92 products.

4. FINANCIAL PERFORMANCE, ASSET AND FINANCIAL POSITION

4.1 Financial Performance of the Beta Systems Group

With sales revenues of € 88.6 million (2006: € 96.6 million), Beta Systems achieved a pre-tax operating result of € 5.8 million (2006: € -15.6 million) and a net income of € 2.3 million (2006: € -18.4 million).

The previous year was impacted by non-recurring expenses of € 11.8 million. For the purposes of providing a basis for comparison between the 2006 and 2007 periods, the table below shows the 2006 figures net of special effects.

Development of Revenues
In fiscal year 2007, Beta Systems generated total revenues of € 88.6 million. The decline of € 8.0 million as against the previous year's figure of € 96.6 million was primarily attributable to the scheduled downsizing of the low-margin hardware revenues of € 8.7 million. Adjusted for hardware, revenue rose 0.8% as against the previous year. The high-earnings license and service business was raised substantially (€ 3.8 million). By contrast, maintenance revenues fell (€ -3.0 million). A detailed explanation of the revenues trend is included in the Segment Reporting as part of the Notes to the Consolidated Financial Statements. For the sake of comparability, figures have been classified according to revenue type and compared with the previous year's figures:

In thousand €	2006	2007	Change, in thousand €	Change, in %
Sales Revenues	**96,621**	**88,596**	**(8,025)**	**(8.3%)**
Software Licenses	27,127	28,995	1,868	6.9%
Hardware	12,015	3,280	(8,735)	(72.7%)
Maintenance	44,848	41,807	(3,041)	(6.8%)
Services	12,631	14,514	1,883	14.9%
Sales Revenues excluding Hardware	**84,606**	**85,316**	**710**	**0.8%**

Profitable revenues from **Software Licenses** advanced 6.9% to € 29.0 million (2006: € 27.1 million). The **Services** business rose 14.9% to € 14.5 million (2006:€ 12.6 million) owing to fuller order books at the start of the year in comparison with 2006. In respect of both sources of revenue, Beta Systems profited from the outsourcing by computer center service providers, from the concentration process in the computer center business, and from the merging of service providers of document-based processing.

The low-margin revenues generated by the **Hardware** business were reduced to € 3.3 million, as scheduled. The markedly high prior year figure for hardware (2006: € 12.0 million) resulted from one-off major projects for financial institutions in Eastern Europe and Africa. **Maintenance** revenues of € 41.8 million were again below the previous year's level (2006: € 44.8 million), mainly due to volume-induced effects and the aforementioned concentration processes.

We make IT running.

Development of Gross Profit

Owing principally to the lower volume of hardware business and the ensuing much lower level of costs, as well as lower expenses for maintenance and third-party licenses, the cost of revenues in 2007 was reduced to € 40.0 million.

In the year 2006, the cost of revenues posted € 54.0 million but also comprised non-recurring expenses of € 4.5 million. Detailed explanations on material operating expenses in 2006 are contained in the Notes to the Consolidated Financial Statements.

With lower volumes, offset by high-margin revenues, gross profit rose to € 48.6 million in the period under review. As compared with the 2006 gross profit of € 47.1 million, and adjusted for special effects, this is an increase of 3.2%. The gross profit margin rose considerably in 2007 to 54.9%.

In thousand €	2006 including non-recurring expenses	2006 adjusted for non-recurring expenses	2007	Change adjusted in thousand €	Change adjusted in %
Sales Revenues	96,621	96,621	88,596	(8,025)	(8.3%)
Cost of Revenues	54,041	49,557	39,968	(9,589)	(19.3%)
Gross Profit	**42,580**	**47,064**	**48,628**	**1,564**	**3.3%**
Gross Profit Margin	**44.1%**	**48.7%**	**54.9%**	-	-

Development of Costs and Expenses

Operating Expenses fell to € 42.9 million (2006: € 58.2 million). Taking account of the special effects of € 7.3 million in total included in the 2006 operating expenses, the adjusted figure was € 8.1 million, or 15.9%, lower:

In thousand €	2006 total	2006 non-recurring expenses	2006 adjusted for non-recurring expenses	2007	Change adjusted, in thousand €	Change adjusted, in %
Operating Expenses	**58,182**	**7,307**	**50,875**	**42,809**	**8,066**	**(15.9%)**
Selling Expenses	30,154	993	29,161	23,576	5,585	(19.2%)
General and Administrative Expenses	10,770	1,886	8,884	7,581	1,303	(14.7%)
Research and Development Expenses	12,858	249	12,609	12,050	559	(4.4%)
Severance Payments	4,179	4,179	-	-	-	-
Sundry Income	(598)	-	(598)	(848)	250	41.8%
Other Expenses	819	-	819	450	369	(45.1%)

Selling Expenses dropped to € 23.6 million in 2007 as compared with the previous year when they were still € 30.2 million and included non-recurring expenses of € 1.0 million primarily attributable to ex-gratia payment to a key customer. The decline adjusted for € 5.6 million, or 19.2%, is first and foremost due to lower personnel expenses and the concurrently lower level of travel expenses (as per December 31 respectively; 2006: 374 employees; 2007: 350 employees), reduced external sales commissions due to lower sales in the ECM LoB abroad, as well as lower marketing expenses owing to more efficient deployment and more targeted approach to customer groups.

General and Administrative Expenses were cut to € 7.6 million. In 2006, they still came to € 10.8 million and comprised special effects of € 1.9 million (in particular, expenses for consultancy services and those incurred in connection with the sale of Kleindienst Scanner GmbH). The adjusted decline of 14.7% is confirmation of the effectiveness of cost cutting measures as part of organizational and corporate legal restructuring in 2005 und 2006. Cost reductions resulted mainly from lower personnel expenses (as per December 31 respectively; 2006: 83 employees; 2007: 76 employees), considerably lower rental costs and lower depreciation and amortization expenses, both achieved through relocation in Augsburg combined with lower marketing expenses.

Research and Development Expenses came in at € 12.1 million. The 2006 figure of € 12.9 million included € 0.2 million in non-recurring expenses. The adjusted decline of € 0.6 million, or 4.4%, is mainly attributable to reduced personnel expenses (as per December 31 respectively; 2006: 177 employees; 2007: 166 employees).

Earnings before Tax (EBIT)

In the period under review, earnings before interest and tax posted € 5.8 million (2006: € -15.6 million). Taking account of the non-recurring expenses included in the previous year's figure, EBIT has improved by € 9.6 million.

In thousand €	2006 incl. non-recurring expenses	2006 non-recurring expenses	2006 adjusted for non-recurring expenses	2007	Change, in thousand €
Earnings before Tax (EBIT)	(15,602)	(11,791)	(3,811)	5,819	9,630

Finance Result

The **Finance Result** fell marginally by € 0.1 million to € -0.9 million in 2007 (2006: € -0.8 million). The decline is attributable to interest expenses in connection with the utilization of credit lines during the fiscal year and the discounting of long-term trade receivables.

Net Result for the Year and Income Taxes

In 2007, **Result before Income Taxes (EBIT)** rose considerably by € 21.3 million to € 4.9 million (2006: € -16.4 million). Taking account of the non-recurring expenses of € 11.8 million included in the previous year's figure, the adjusted increase comes to € 9.6 million.

After tax of € 2.6 million, the **Result for the Fiscal Year 2007** stood at € 2.3 million, up from the negative result of the previous year which came to € -18.4 million.

Human Resource Development

The workforce of the Beta Systems Group as per December 31, 2007, had been reduced to 603 employees (2006: 645 employees). The average number of employees in fiscal year 2007 came to 618. The reduction in the number of employees is the result of restructuring measures in previous years which were implemented as part of the new strategy of the Company. On the reporting date, the Group had 486 employees in Germany (2006: 521), 44 (2006: 40) in the rest of Europe (excluding Germany), 29 (2006: 41) in North America and 44 (2006: 43) in other regions. Personnel expenses fell by € 3.6 million or 4,7% to € 45.6 million, an effect which is spread across all operations.

Around 58.0% of the workforce (350 employees) are engaged in sales, marketing and services, 27.5% in research and development (166 employees), 12.6% in administration (76 employees) and 1.8% (11 employees) in production and materials management.

4.2 Asset and Financial Position of the Beta Systems Group

The balance sheet total came to € 69.4 million. A closer look at the balance sheet and the cash flow shows the following development:

On December 31, 2007, Beta Systems disclosed cash in the amount of € 3.2 million (2006: € 2.1 million). The operating cash flow in 2007 stood at € -1.3 million (2006: € -2.8 million) and comprises amounts of € 4.1 million (2006: € 5.1 million) for severance payments and restructuring measures. The volume of investments made, principally in computer hardware, came to € 0.6 million (2006: € 2.1 million). The cash flow from financing activities mainly concerned cash inflow of € 8.2 million generated by the capital increase and the redemption of borrowings from banks which came to € 4.9 million. This included the scheduled repayment of € 2.0 million on the medium-term loan of € 4.0 million (acquisition of Kleindienst Datentechnik AG).

Trade Receivables rose in 2007 from € 36.0 million to € 38.9 million owing to the greater proportion of license agreements where the payments by customers are spread over a number of years.

The net inventory of Work in Process (POC) climbed from € 3.8 million to € 4.9 million, a figure which reflects an increase of € 0.9 million in the gross inventory and a marginal decline of € 0.2 million in advance payments in relation to the projects.

Other Current Assets declined from € 4.0 million to € 2.2 million owing to the repayment of the purchase price of € 2.0 million of Kleindienst Scanner GmbH.

Fixed and Intangible Assets declined from € 10.3 million to € 8.1 million. The effects are shown in detail in the Development of the Group's Assets. Additions of € 1.7 million were offset by depreciation and amortization of € 4.5 million which include amortization of software product rights which were disclosed in the amount of € 1.2 million in the context of the purchase price allocation from the takeover of Kleindienst Datentechnik AG.

Current Liabilities fell from € 44.3 million to € 34.0 million. The decline was mainly the result of settling liabilities incurred during the restructuring process, repayments on credit lines and the settlement of trade payables.

The reduction of Long-Term Borrowings from € 12.3 million to € 11.7 million includes the redemption of a loan of € 2.0 million for the purchase of Kleindienst Datentechnik AG and an increase in Deferred Tax Liabilities of € 1.4 million.

Shareholders´ Equity advanced to € 23.7 million, up from € 13.0 million. Given a relatively constant balance sheet total, the equity ratio climbed from 18.7% to 34.2%. This development is mainly attributable to the effect of the capital increase of € 8.5 million and the positive financial performance of € 2.3 million.

4.3 Beta Systems Software AG

Beta Systems Software AG (the Parent Company) is the holding company of the Beta Systems Group. Along with managing operations in Germany, it is also the owner of the largest part of the product rights. This also includes the development and maintenance of the existing product portfolio and the development of new products. The holding company heads up all cross-functional management and centralized operations (groupwide finance and accounting, personnel, strategic research and development, groupwide process management, worldwide corporate and marketing communication, as well as sales management). The parent company draws up its annual financial statements, which are published separately, in accordance with the rules of the German Commercial Code (HGB).

In thousand €	2006	2007	Change
Operating Performance	81,756	68,593	(13,163)
Other Operating Income	5,951	6,889	938
Cost of Materials	(14,082)	(6,527)	7,555
Personnel Expenses	(43,987)	(40,051)	3,936
Depreciation and Amortization	(3,869)	(3,511)	358
Other Operating Expenses	(43,539)	(28,143)	15,396
Income from Investments	1,017	241	(776)
Net Interest Income	(662)	(546)	116
Result before Tax	**(17,415)**	**(3,055)**	**14,360**
Taxes	(813)	79	892
Net Result for the Year	**(18,228)**	**(2,976)**	**15,252**

The operating performance is the result of sales revenues and changes in inventories. Income from investments is the result of income from holdings and lendings, as well as depreciation of financial assets.

Financial Performance:

The net loss for the year of the Parent Company in the reporting period was € -3.0 million, up from € -18.2 million in 2006. The expectations of the Parent Company of a positive annual result were not fulfilled. The adjusted result before tax is still negative at € -1.7 million (2006: € -1.0 million). The development is mainly attributable to the lower income from investments in subsidiaries. This comparison takes account of special effects from restructuring expenses, costs of € 16.4 million owing to the revaluation of the risk position in 2006, as well as costs of € 1.3 million incurred by the capital increase and severance payments in 2007.

The special effects in 2006 mainly comprise the following: valuation allowances on trade receivables due from affiliated companies (€ 5.0 million); expenses for the termination of tenancy in connection with loss from the disposal of tenant fixtures and fittings and expenses for the settling of the tenancy (€ 3.8 million); expenses from the sale of Kleindienst Scanner GmbH (€ 3.1 million); expenses for severance payments (€ 1.5 million); write-downs on financial investments (€ 1.1 million); expenses for consultancy services in connection with the strategic realignment of the Group (€ 1.0 million) and ex-gratia payments to a key customer (€ 0.8 million).

The decline in operating performance was mainly due to lower revenues from the sale of hardware (€ 6.1 million), falling maintenance revenues (€ 3.0 million) and a decline in revenues from CPU upgrades (€ 0.7 million). The main changes described within the Group also affect Beta Systems Software AG as a material single entity.

Other operating income rose mainly owing to the release of adjustments for receivables from subsidiaries in the amount of € 0.6 million.

In line with the revenue trend of the low-margin hardware business, the cost of material dropped from € 14.1 million to € 6.5 million. Adjusted for the 2006 special effects for the sale of the scanner business of € 2.1 million, expenses have fallen by € 5.5 million.

Personnel expenses have declined from € 44.0 million to € 40.1 million. The decline of € 2.4 million is the result of personnel having been reduced by an average 46 employees as part of the restructuring process initiated in preceding years. Personnel expenses in 2006 were burdened by the cost of severance payments and leave of absence which came to € 1.5 million.

Depreciation and amortization has declined from € 3.9 million to € 3.5 million as a consequence of the lower amount of depreciation on facilities and office equipment resulting from a move to new office premises in Augsburg in the second half of 2006.

Other operating expenses have decreased from € 31.6 million to € 27.2 million. This figure reflects the fact that the fiscal year 2007 has been adjusted for consultancy services costs of € 0.9 million incurred in connection with the capital increase. For the sake of comparability, the previous year has been adjusted for the special effects of the impairment of trade receivables, termination of tenancy and the sale of the scanner business (€ 11.9 million).

The decline was mainly the result of lower distribution costs (€ 1.5 million), the smaller volume of services outsourced (€ 0.7 million), lower rent and building utility costs (€ 0.9 million), and reduced marketing expenses (€ 0.6 million).

The income from investments of Beta Systems Software AG fell by € 0.3 million to € 0.8 million (2006: € 1.1 million) owing in particular to lower dividend from the Benelux countries.

Asset and Financial Position:

The balance sheet total contracted from € 50.5 million to € 45.7 million.

The decline on the assets side was mainly attributable to the decrease in fixed and intangible assets by € 3.1 million and in receivables and other assets by € 2.9 million. By contrast, cash rose by € 1.4 million. With depreciation of € 3.5 million, the decrease in fixed and intangible assets, especially property, plant and equipment, came to € 1.5 million owing to the lower volume of investment.

The decline in trade receivables due from affiliated companies as part of the current assets resulted in the main from the payment of obligations.

Cash climbed from € 0.6 million to € 2.0 million, which reflects the development of the financial position in the seperate financial statements as part of the Consolidated Financial Statements. In this context, reference is made to the section on the financial position of the Group.

Shareholders´ Equity climbed from € 6.6 million to € 12.7 million, which reflects the rise in shareholders´ equity from the capital increase of € 9.1 million against which costs of € 0.9 million for the capital increase and the adjusted result for the year of € 2.0 million are offset. Liabilities and provisions fell from € 42.8 million to € 30.4 million. This decline is attributable to the repayment of € 4.7 million in bank borrowings, of obligations of € 2.8 million arising from restructuring measures and trade payables of € 3.2 million.

We make IT simple.

4.4 Appropriation of Profit and Dividend

In 2007, Beta Systems Software AG did not pay dividend for the fiscal year 2006. In view of the balance sheet deficit under the German Commercial Code (HGB), there will also be no dividend paid for 2007. If Beta Systems Software AG should generate unappropriated retained earnings in the years ahead, it will distribute dividend again.

5. OUTLOOK

Beta Systems is exposed to a number of risks and opportunities which are inextricably linked with entrepreneurial activities in respect of its global activities in software development and distribution. Risks may arise when making decisions based on estimates of the products and market opportunities as well as from strategic investments and financial investments. Similarly, operational risks may be incurred by the influence and interaction of internal and external events on strategy, employees, processes and technologies. Risk policy consists of using the opportunities which present themselves in the context of business activities to the full and only entering into associated risks if value added can be derived from the opportunity. Risk management is an integral part of the business processes and the entrepreneurial decisions of Beta Systems. The Management Board formulates the fundamental risk guidelines which are then implemented by management. The subsidiaries and business segments are also responsible for implementing risk management in accordance with groupwide risk guidelines.

5.1 Components of the Risk Management System of Beta Systems

The risk management system has been set up to reflect the organization structure.

Based on an early warning system implemented throughout the Group any risks are recognized at an early stage, analyzed and assessed, and appropriate countermeasures are taken. These measures include the recording, monitoring and control of internal processes with the help of an internal reporting system, the management and control system, and a planning process applied uniformly throughout the Group. The Supervisory Board, which is responsible for supervising and monitoring the Management Board, is informed on an extensive and ongoing basis.

To cover possible loss and liability risks, Beta Systems has taken out insurances which ensure that the financial consequences of potential risk events can be contained or excluded altogether. The extent of coverage is reviewed on an ongoing basis and adjusted, if necessary.

Despite the precautionary measures, loss sustained by or claims asserted by market partners and their negative effect on the financial position of Beta Systems cannot be entirely excluded.

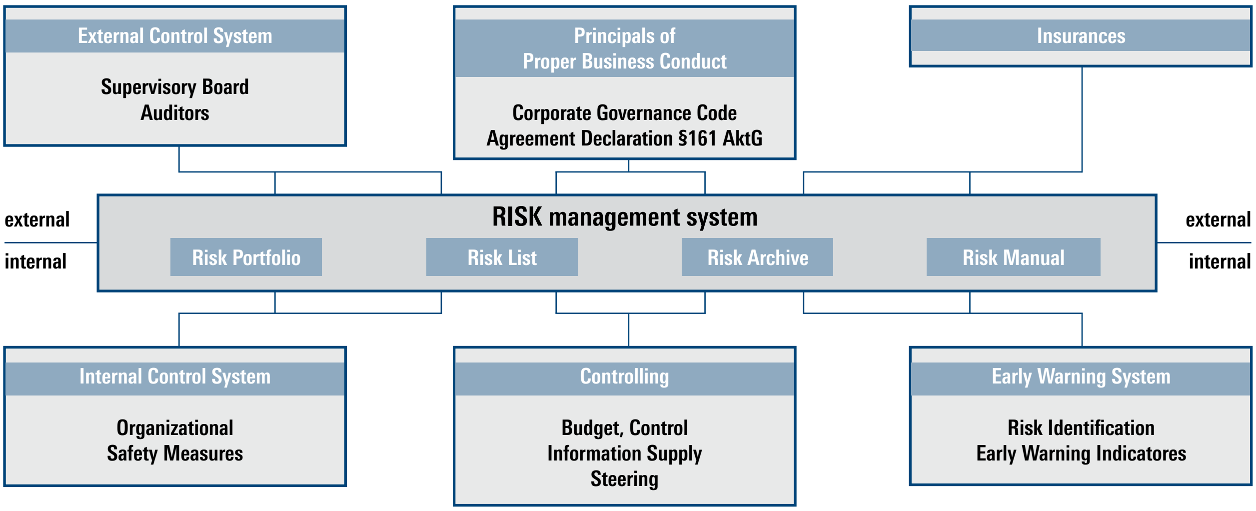


Chart: Beta Systems Risk Management System

5.2 Significant Risks monitored by the Risk Management System

Business and Markets

The global markets for our products are hallmarked by fierce competition. This applies to prices, the quality of products and services, product and process development and time to market. Market risk is associated in particular with new products in the ECM segment as well as products developed for open systems environment which incur a greater earnings risk through higher sales risks and more expenses for market development, market launch and market penetration. The achieving of revenue targets depends especially on the general developments of these markets and the acceptance of our solutions by customers. There is a risk that the market may not develop as anticipated or that the relevant products may not be as well received in the market as originally anticipated. Measures to counteract this threat include placing paramount importance on adjusting and developing products which are aligned to market needs. Beta Systems is confronted with fierce price competition in all its segments. The trend currently emerging in the software industry is the transition away from capacity-related price calculation methods towards use-oriented models. Moreover, Beta Systems' business is exposed to the danger of the slumps in the market and in growth. Changes in the legal environment in regulated sectors can also be a cost factor.

Moreover, there are a few specific market risks in connection with Input Management in the area of payment settlements in the financial sector. Along with the long-standing process of consolidation in the bank sector, these segments are confronted with a declining number of payment vouchers requiring processing. Competition in the market is intensifying owing to the process of consolidation in Germany and a growing number of larger projects abroad. The more efficient use of capacities associated with larger systems may lead to a further decline in the volume of investments and to a lower volume of services, the pricing of is determined by the former. There is a risk that these trends may accelerate faster than expected from today's standpoint. Overall, the segments operating in payments settlements seek to counteract this risk by focusing on cost efficiency and the realizing of large-scale solutions.

Fluctuations, Seasonality of Revenue, Large-scale Projects

A large portion of the revenue from software licenses is generated in the fourth quarter of the fiscal year. The maturities, the volume and the content of customer-specific license and service agreements are decisive for Beta Systems performance as reflected in the results of the segments. Many of the agreements cover high revenue volumes, and the selling cycles for products of Beta Systems are often very long and partly difficult to determine in advance. Owing to the large share of the license and services businesses in total revenues, these risks are closely watched in order to be able to intervene swiftly and effectively in the event of untoward developments. The more even distribution of business over the quarters is to be promoted by strengthening the project business and putting sales incentive systems in place. At the same time, however, there is the typical dependency on large-scale projects. Owing to their weighting in the sales and earnings contribution large-scale projects are particularly important for the achieving of the company's goals. If such orders were not to be placed or subject to a delay, this could have a considerable impact on the financial situation.

Product Portfolio

In fiscal 2007, 54.4% of revenues was generated by the four products EBS 2000, Beta 93, Beta 92 and SAM Jupiter. Each factor burdening pricing or demand for these products and services can negatively affect the net assets, financial position and results of operations. The appeal of the mainframe environment served primarily by the SAM Jupiter, Beta 92 and Beta 93 products depends greatly on the innovations and the business policy of IBM and other major hard- and software manufacturers.

Beta Systems has introduced a number of measures to protect its product rights, including copyright protection, brand names and trademarks, licenses, confidentiality agreements and other technical precautions. There can, however, be no guarantee that these protective measures will be sufficient. Despite all the preventative measures, for instance, it may still be possible for third parties to copy or develop Beta Systems products or otherwise to gain access to information which Beta Systems regards as its intellectual property. Moreover, the property rights of Beta Systems are not protected in a number of other countries to the same extent as in Germany or in the EU. By the same token, Beta Systems might infringe the protection rights of third parties, in particular copyrights and patents. This threat is also counteracted by proactive risk management.

Beta Systems conducts a thorough testing of new products or product versions before they are released in the market. Despite such testing, products may contain errors of which Beta Systems is unaware. The process of eliminating these errors may bind substantial resources. Furthermore, there is no guarantee that customers will not assert claims for damages, request an exchange of the software or other concessions from the company. In addition, Beta Systems has taken numerous precautions to ensure that products are launched on the market in accordance with deadlines. Nonetheless, the supply or delivery of new products may be subject to delays. Such delays may adversely affect the market acceptance of Beta Systems' products and its development.

International Operations

Beta Systems serves its customers through local subsidiaries in Europe as well as in North America and Africa. Accordingly, the Beta Systems Group with its subsidiaries are exposed to risks accruing from international business, including currency risk.

Partnerships

Achieving growth targets in international business and in the partner business depends on the successful alignment of the activities of Beta Systems in these markets. There is a risk that the development of these markets and the expansion of existing and building up of new sales channels progress more slowly than planned. Management has reacted to this risk by strengthening foreign sales activates and the foreign subsidiaries, by cooperating with local sales partners and by implementing suitable organizational measures. Potential acquisitions made in the future with the aim of extending and supplementing the product and services portfolio or for developing new markets may place a considerable financial burden on the Beta Systems Group and take up much of their management resources; the integration of companies purchased may fail and the goals pursued only achieved to a limited extent.

Dependency on Qualified Personnel

The success of the Company is dependent to a great extent on having qualified employees and available specialized knowledge. Accordingly, preventing highly qualified employees from leaving the Company and winning additional new personnel is a decisive factor for the Company's future earnings, asset and financial position. The current dearth of qualified personnel on the labor market incurs a risk that positions which become vacant through fluctuation or created by growth of the Company cannot be filled with suitable personnel – or only with a delay.

Restructuring

The upbeat performance throughout fiscal year 2007 is a reflection of the success, particularly evident in the cost trend, from the restructuring process and the effectiveness of the measures implemented in recent years. In as much, the reassessment of the risk position has shown that it has improved after the conlusion of the restructuring process.

Credit Risk

Credit risk is the risk of financial loss to a company if customers fail to fulfill their contractual payment obligations in respect of the company. The potential credit risk for the Company consists mainly in defaulted customer receivables. Owing to the customer structure, composed mainly of DAX listed corporations with a strong capital base and good credit standing, the risk default, measured in terms of total revenue, is, as experience has shown, very low. In individual cases, credit defaults result from unrecoverable amounts from individual sales transactions with small revenue volumes.

Liquidity Risk

The liquidity risk is the risk of a company not being able to settle its financial obligations by the deadline. The aim and the task of liquidity management is to have its own and borrowed funds available in sufficient quantities.

The liquidity planning and the monitoring of inherent risks is carried out as part of central, groupwide Cash Management by way of a series of supplementary measures. A consistently implemented receivables management, requirements planning updated on a regular basis, a centrally managed cash pool, the effective control of payment to creditors through observing full terms of payment and discounts and, last but not least, an effective controlling system to minimize and optimize costs form the basis for calculating the financing requirements from own funds and borrowings and the targeted optimization of cash return. All in all, the Company had credit lines available at its principal banks for the purpose of drawdowns at short notice of € 9.5 million (2006: € 12.5 million) as per December 31, 2007. The financing commitments of these banks are tied to the Company's achieving certain financial ratios. In the course of the year 2007, the Company was unable to comply with all agreed covenants of lenders. None of the banks exercised their special right to termination. As per December 31, 2007, the Company had fulfilled all covenants. At the time when the financial statements were prepared, the Company had, as planned, redeemed all credit commitments. Beta Systems is conducting intensive discussions and negotiations with its principal banks. The course of such meetings is extremely positive and both parties show great interest in maintaining business relations.

Currency Risk

Owing to its international operations, the Company is exposed to currency risk arising from the fluctuations in exchange rates in relation to business transactions and the assets and liabilities denominated in a foreign currency. With the aim of managing these currency risks and of keeping the impact of volatility risks on the consolidated result within plannable and acceptable limits, the Company buys and sells derivative instruments in the form of forward exchange transactions.

Interest Risk

The monitoring of the interest rate is also carried out as part of the groupwide Cash Management. Excess payments from the central cash pool carry interest and, taking account of the estimated need for funds at short notice, are invested in short- to medium-term money market instruments. Similarly, the short-term operating payment deficit is covered via credit on current account at the interest rates customary in the market.

Shareholders´ Equity Position of the Parent Company

The shareholders´ equity position of Beta Systems Software AG (Parent Company) has been substantially strengthened through the capital increase in a year-on-year comparison. On the reporting date, equity came to 73.6% (2006: 57.3%) of the share capital. However, it was not possible to fulfill the goal of generating a positive result in the Parent Company; net loss for the year stood at € 3.0 million (2006: € -18.2 million).

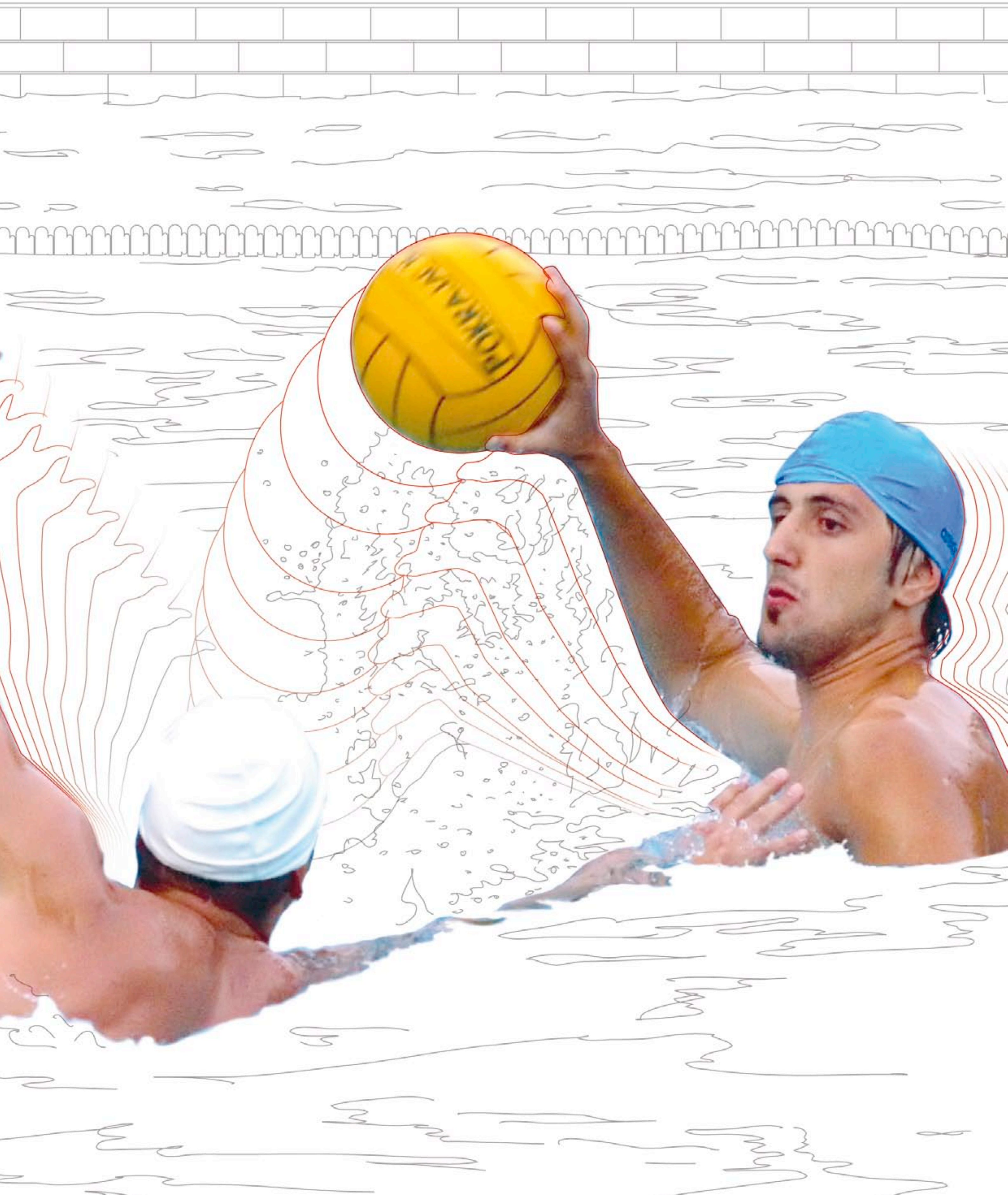
Shareholders' Compensation Claim

Kleindienst Datentechnik AG and Beta Systems Software AG concluded a merger agreement on April 27, 2005. Under this contract, Kleindienst Datentechnik AG was to be integrated into Beta Systems through dissolution without liquidation by way of integration by assigning the entire assets against granting of shares of Beta Systems. The exchange ratio was set at three Beta shares for five Kleindienst shares.

A number of former shareholders of Kleindienst Datentechnik AG do not consider the exchange ratio appropriate and have therefore filed an application for a shareholders' compensation claim.

Beta Systems is attempting to bring about an out-of-court settlement with these applicant shareholders. In the period under review, the out-of-court settlement was pursued further and, in agreement with the applicants claiming shareholders' compensation, a draft of a settlement has been drawn up. This draft of a settlement for the shareholders' compensation claim was approved with the required majority at the Annual General Meeting of Shareholders of Beta Systems held on May 23, 2007. The Company is now striving to bring about swift agreement with all applicants and a conclusion to the settlement under the law on the basis of the draft. Funds in the amount of approximately € 0.4 million for 430,905 shares outstanding at the time of the merger can be expected to be disbursed, including costs of litigation and legal advice incurred by then. Following an initial analysis, this disbursement would not affect income but would be capitalized under goodwill.

We make IT efficient.



5.3 Significant Opportunities

Profitable Market and Revenue Growth in the new Segments

In the context of restructuring the Beta Systems Group in the years 2005 and 2006, the formerly combined sales and services functions were directly allocated to the DCI, IdM and ECM segments. This new structure created closer links with customer companies and facilitated a more targeted specialization of the sales and services employees in respect of the commercial requirements in the various market segments. This measure enables a swifter reaction to customer wishes, greater flexibility in response to requirements and accelerated decision making, along with reinforcing entrepreneurship in the new organization. Management sees a significant opportunity in the new structure and its advantages for winning additional market shares and raising the level of revenues. Leaner processes in the respective LoBs has already enhanced profitability on a sustained basis.

Beta 4Agility New Product and Sales Strategy

With its Beta 4Agility growth program, initiated in the second quarter of 2007, Beta Systems is taking the opportunity of improving its market position on a sustained basis with the aim of releasing additional revenue and earnings potential through an improved and market-oriented product and solution offering and a uniform presence market in the market. This incurs the customary risks associated with introducing new products in the market identified in this Outlook report.

Service-oriented Architectures

In its brochure entitled "Zukunft digitale Wirtschaft" (future of the digital economy) published in 2007, BITKOM, the German Association for Information Technology, Telecommunications and New Media, has identified a growth area in the near future in so-called service-oriented architectures ("SOAs"). BITKOM estimates the revenue volume of SOA-based services at around € 38 billion worldwide and at around € 1.8 billion in Germany in the year 2010. A SOA is a software architecture which splits applications used in companies into individual services. Through its product suites, which can be put together flexibly from individual applications, and a SOA initiative already launched, Beta Systems believes it is well equipped to be able to successfully offer its product portfolio for SOA environments.

Compliance

Another trend that Beta Systems has identified is compliance software to ensure compliance, the monitoring thereof and the control of legislation, directives and guidelines throughout the respective company. In recent years, companywide compliance with legislation, directives and guidelines has become increasingly importance owing to constant and more stringent changes in the law. Compliance is particularly important in banks and insurance companies which process large volumes of critical data. The products and solutions of the Beta Systems Group already place special importance on companywide compliance with legislation, directives and guidelines. The Company is expecting this trend to accelerate, with a concurrent increase in the demand for its products and solutions which will result in growth opportunities for the Beta Systems Group.

Enterprise Application and Business Process Management

Besides this, Beta Systems sees other market trends in software for the companywide integration of business functions through the combination of a number of applications and different platforms (so-called Enterprise Application Management) as well as in software for locating, design, documentation, control and improvement of business processes (so-called Business Process Management). Beta Systems intends to expand its development activities to include these areas.

Global Consolidation Trend

Moreover, the Company views the ongoing process of consolidation as another market trend. Numerous mergers, particularly in Europe's financial services sector, led to increasing consolidation. In addition, a number of large corporations have recently begun to outsource their IT infrastructure to IT service providers (so-called outsourcing). With its customer and service orientation, its focus on key accounts and its new Beta 4Agility Suite products, Beta Systems is well positioned to cater for this trend.

Expansion of the Partner Business

As part of the realignment of the Beta Systems Group an independent central department was set up back in 2006 solely for the purpose of concentrating on business with sales partners of Beta Systems. The deepening of existing partner relationships and the building up of the partner network of Beta Systems in Europe, as well as reinforcing the long-term profitable presence of the company in North America, are key areas of partner business activities.

6. RESEARCH AND DEVELOPMENT

In fiscal year 2007, the research and development activities were an important stimulus for the development and launch of new products and solutions. With the issue of another approximately 40 product releases, manifold customer and market requirements were implemented in order to continue to satisfy the great demands placed on functionality, flexibility, security and efficiency by Beta Systems' customers and to accommodate swift technological change. Beta Systems entrusts its own employees with research and development for the most part. The costs came to € 12.1 million in fiscal 2007 (2006: € 12.9 million).

Products and solutions are developed in locations in Germany in Berlin (focus: DCI), Cologne (focus: IdM) and Augsburg (focus: ECM) and in the subsidiary Beta Systems Software of Canada Inc. in Calgary, Canada (focus: DCI).

The development of the Beta 4Agility product and sales strategy was newly initiated in fiscal year 2007. The Beta 4Agility Suite is a software package designed to optimize IT based business processes which give the customers of Beta Systems more agility through the automation of processes in data and documentation processing and in user and compliance management.

The Beta 4Agility Suite comprises four new products, the Agilizers, through which Beta Systems is positioning itself as a supplier of integration products. The new Agilizers are scheduled to be introduced in phases into the market by the end of 2008.

The Beta Agilizer 4 Document Processing provides solutions for documents and business processes related to documents. The Agilizer can integrate any number of archiving solutions and make the documents available for processing via Web Services and other user and business process-oriented interfaces (clients, APIs etc.). The Beta Systems products customarily assigned to this 4Agililty domain also include the payment system FrontCollect which has been made more effective as the successor product to EBS 2000. In addition, other applications were developed on the basis of FrontCollect, including FrontCollect Insurance with its functional depth, for instance for the processing of claims in private healthcare.

Beta Agilizer 4 Security is a solution for the comprehensive integration of all Identity Management aspects. It offers the integration of administration and provisioning services in existing portals, workflows and SOA platforms. The Agilizer covers identity and system audit functions and is seamlessly linked with Beta compliance products. These solutions enable a cross-functional and companywide Identity Management and a central integration platform for IdM solutions in large corporations.

Beta Agilizer 4 Data Processing is an integration platform for a wide variety of products and tools in the field of computer center automation. Output Management, scheduling, workload management and other central tasks of computer center automation can be addressed centrally via this Agilizer to encompass all solutions.

In Beta Agilizer 4 Compliance customers will have a product with which they can organize and implement an automated and companywide uniform Compliance Management. An array of different compliance requirements which arise from the specific company context are managed via an implemented set of policies and rules via this Agilizer. This improves and simplifies control loops. This Agilizer, as part of the Beta product portfolio, has been assigned to Beta 96 Enterprise Compliance Auditor, among others. In spring of 2007, Beta Systems launched this analysis and monitoring software in the market to facilitate IT audit which can span systems. The docs&rules software solution aimed at compliance with legal or voluntary provisions (Compliance) and at the minimization of legal risk is assigned to this Agilizer. Since autumn 2007, it has belonged to the product portfolio following the intensification of Beta Systems' cooperation with docs&rules GmbH. Beta Systems has thus extended its software offering to include solutions for a rules-based early warning system.

In addition, the focus of research and development activities in the ECM segment in 2007 was on the programming of the new software solution FrontCollect for SEPA which enables the automated processing of non-electronic payments such as direct debits and transfers in the Single Euro Payments Area (SEPA) as well as the integration of the FrontCollect Suite in the insurance sector.

In the past year, Beta Systems was also involved in a number of different initiatives which are concerned with the latest technological innovations, including BITKOM's SOA initiative.

Since 2005, the key areas of research and development have been in programming and developing software for service-oriented architectures (SOA). The development of the SOA initiative was carried out with the aim of stepping up the strategic alignment of the product portfolio of Beta Systems to future-oriented and innovative concepts, of ensuring that products can be even better integrated into customer business processes, and of developing other applications and solutions. In the summer of 2007, Beta Systems was admitted to the IBM SOA Speciality program and, with the Web Enabler application, thus fulfils the technological and business requirements for SOA. As an integration layer between the end user and the output management solutions, the Beta Web Enabler is compatible with the software and SOA strategy of IBM.

In the area of research and development, Beta Systems benefits above all from its technological partnerships with global IT leaders such as IBM, Microsoft, SAP, Oracle, HP, Sun, Novell, and others. These partnerships enable Beta Systems to develop high-performance software solutions which accord with state-of-the-art technical specifications.

7. REMUNERATION REPORT

Remuneration of the Management Board

The remuneration structure of the Management Board is determined by the Personnel Committee of the Supervisory Board of Beta Systems Software AG. The Personnel Committee advises and regularly reviews the compensation structure and amount.

The overall remuneration of the Management Board is made up of two components: a fixed-based component (salary and fringe benefits) and a performance-based component (bonus).

The fixed remuneration is paid as a monthly salary. In addition, the Management Board receives non-cash benefits such as the private use of a company car viz. the granting of a vehicle allowance. In addition, the members of the Management Board receive an annual bonus, the granting and amount of which depends on the operating and financial results of the Beta System Group as well as on the individual personal performance of the respective Board member.

In the event of a change of control, where more than 75% of the shares with voting rights of the Company are acquired by a third party, Chief Executive Officer Kamyar Niroumand will receive a non-recurring gross payment. The amount of this additional remuneration will be calculated on the basis of the purchase price for the majority of the voting shares and is capped at € 5,000,000.

In the event of the premature termination of the employment contract, Board member contracts do not contain an explicit severance commitment. There may be a severance arrangement fixed in an individually agreed termination agreement.

The remuneration of the individual members of the Management Board in fiscal 2007 is set out in the table below:

	Fixed components in 2006		Performance-based components in 2006	Fixed components in 2007		Performance-based components in 2007
In thousand €	Salary	Other benefits		Salary	Other benefits	
Kamyar Niroumand[1]	270,000,00	9,435,69	240,000,00[2]	360,000,00	12,514,08	240,000,00[3]
Gernot Sagl[4]	9,000,00[5]	-	-[6]	130,000,00[7]	9,063,00	100,000,00[8]
Dietmar Breyer[9]	120,000,00	13,648,57 120,000,00[10]	30,000,00	-	-	-
Dr. Oskar von Dungern[11]	103,998,00	6,435,69	8,215,20	-	-	-
Total	**502,998,00**	**149,519,95**	**278,215,20**	**490,000,00**	**21,577,08**	**340,000,00**

[1] Mr. Kamyar Niroumand was appointed to the position of Chief Executive Officer of Beta Systems Software AG on April 1, 2006.

[2] In fiscal year 2006, Mr. Kamyar Niroumand received a target bonus of a full € 240,000.00 irrespective of the degree to which goals were achieved and the results of the Company owing to a provision in his employment contract. The granting of a full bonus for the year of joining the Management Board is not unusual in practice.

[3] In fiscal year 2007, Mr. Kamyar Niroumand is entitled to a target bonus of € 240,000.00 owing to a bonus and objectives agreement with the Company, represented by the Supervisory Board. The payment of the bonus depends on the consolidated result.

[4] Mr. Gernot Sagl was appointed Chief Executive Officer of Beta Systems Software AG on October 26, 2006.

[5] On the basis of his activities until the end of fiscal year 2006, Mr. Gernot Sagl received remuneration of € 9,000 in proportion to the period during which he discharged his duties. At the time when the financial statements were drawn up, a conclusive agreement had not yet been agreed.

[6] The personal performance of Mr. Gernot Sagl in the year 2006 will be included in the bonus paid for 2007.

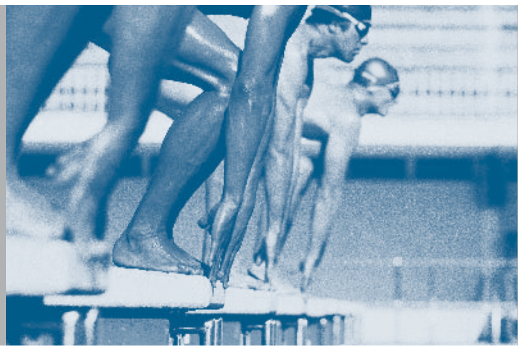
[7] Of the performance-based remuneration, Mr. Gernot Sagl will receive an amount of € 111,336 in fiscal year 2007 from Beta Systems Software AG for his activities as Chief Financial Officer of the Company. For his activities as Managing Director of the Vienna-based subsidiary Beta Systems EDV Software Gesellschaft m.b.H., Mr. Gernot Sagl will receive remuneration of € 18,664 in fiscal year 2007. This amount is included in the remuneration of the Management Board listed above.

[8] In fiscal 2007, Mr. Gernot Sagl is entitled to variable compensation of € 100,000.00. The payment of variable remuneration depends on the consolidated result as well as on the achieving of personal goals. Entitlement is based on a bonus and objectives agreement of Mr. Gernot Sagl with the Company, represented by the Supervisory Board. This amount comprises personal performance achieved in 2006 to be included in the bonus in 2007.

[9] Mr. Dietmar Breyer withdrew from the Management Board of Beta Systems Software AG on September 15, 2006.

[10] Severance payment owing to the termination of the employment of Mr. Dietmar Breyer.

[11] Dr Oskar von Dungern withdrew from the Management Board of Beta Systems Software AG on June 30, 2006.



In fiscal year 2007, no remuneration components with long-term incentive (e.g. share options) were issued. In the reporting year, members of the Management Board of Beta Systems Software AG did not receive any advance payments or loans.

The Company has taken out a D&O insurance (liability group insurance) for members of executive boards and senior executives of Beta Systems Software AG as well as for all executive bodies of affiliated companies in Germany and abroad. The insurance covers the personal liability risk for the event that damages are asserted against this group of persons in the exercising of their management tasks. The members of such executive bodies do not have to pay a deductible within the meaning of the German Corporate Governance, Code Item 3.8 para. 2. Beta Systems Software AG does not consider that having a deductible is necessary to improve the motivation and the responsibility with which the members of the Management Board and the Supervisory Board discharge their duties. For this reason, Beta Systems Software AG does not consider a deductible necessary for the aforementioned group of persons.

Compensation of the Supervisory Board

The remuneration of the Supervisory Board of Beta Systems Software AG is determined by the Annual General Meeting of Shareholders and is regulated in Section 10 of the Articles of Association. Remuneration is based on the tasks and the responsibilities of the Supervisory Board members as well as on the financial position and the success of the Company.

The members of the Supervisory Board receive a fixed annual remuneration of € 7,700.00 for each member, double this amount for the Chairman of the Supervisory Board and one and a half times this amount for his deputy. Accordingly, the members of the Supervisory Board received the amounts shown in the table below in fiscal year 2007:

	Fixed remuneration 2006[1]	Fixed remuneration 2007[2]
Sebastian Leser[3]	9,408,76	15,400,00
Dr. Arun Nagwaney[4]	7,056,58	11,550,00
Volker Wöhrle[5]	4,704,38	7,700,00
Jürgen Dickemann	7,910,96	7,700,00
Stefan Hillenbach	7,700,00	7,700,00
Wilhelm Terhaag	7,700,00	7,700,00
Harald J. Joos[6]	5,147,40	-
William P. Schmidt[7]	4,704,38	-
Thomas Engelhardt[8]	2,995,62	-
Total	**57,328,08**	**57,750,00**

[1] The position of Chairman of the Supervisory Board was held by Mr. Sebastian Leser, Mr. William P. Schmidt and Mr. Harald J. Joos in fiscal year 2006. The position of Vice Chairman of the Supervisory Board was held by Dr. Arun Nagwaney, Mr. Jürgen Dickemann and Mr. William P. Schmidt in fiscal year 2006.

[2] The position of Chairman of the Supervisory Board was held by Mr. Sebastian Leser in fiscal year 2007. The position of Vice Chairman of the Supervisory Board was held by Dr. Arun Nagwaney in fiscal year 2007.

[3] Mr. Sebastian Leser was appointed Chairman of the Supervisory Board of Beta Systems Software AG effective May 22, 2006.

[4] Dr. Arun Nagwaney was appointed Vice Chairman of the Supervisory Board of Beta Systems Software AG effective May 22, 2006.

[5] Mr. Volker Wöhrle was appointed member of the Supervisory Board of Beta Systems Software AG effective May 22, 2006.

[6] Mr. Harald J. Joos withdrew from Supervisory Board of Beta Systems Software AG on May 2, 2006.

[7] Mr. William P. Schmidt withdrew from Supervisory Board of Beta Systems Software AG on May 22, 2006.

[8] Mr. Thomas Engelhardt withdrew from Supervisory Board of Beta Systems Software AG on May 22, 2006.

In addition, the members of the Supervisory Board are reimbursed with outlays associated with the discharge of their office, including any VAT.

No provision has been made for a performance-based remuneration of Supervisory Board members. Membership and chairmanship of the Personnel Committee is not subject to specific compensation. In the reporting year, members of the Supervisory Board of Beta Systems Software AG did not receive any advance payments or loans.

8. DISCLOSURE AND REPORT BY THE MANAGEMENT BOARD OF BETA SYSTEMS SOFTWARE AG PURSUANT TO SECTIONS 289 PARA. 4, 315 PARA. 4 GERMAN COMMERCIAL CODE (HGB)

The share capital of the Company is currently € 17,275,588.20 and is divided into 13,288,914 shares with a pro rata amount in the share capital of € 1,30 per share. The associated rights and duties are regulated in the German Stock Corporation Act (AktG).

The Management Board is not aware of other restrictions which relate to the voting rights or the transfer of shares.

The Company has been notified of direct or indirect shareholdings of the share capital which exceed 10% of the voting rights:

ABC Beteiligungen AG holds 37.1155% of the voting rights. Of this percentage amount the following is attributable to it pursuant to Section § 22 para. 1 sentence 1 no. 1 German Securities Trading Act (WpHG): the voting rights of Heidelberger Beteiligungsholding AG, a company controlled by ABC Beteiligungen AG, and pursuant to Section 22 para. 2 sentence 1 German Securities Trading Act (WpHG) the voting rights of Deutsche Balaton AG.
Heidelberger Beteiligungsholding AG: 20.2868% (2,695,902 voting rights)
Deutsche Balaton Aktiengesellschaft: 16.8287% (2,236,349 voting rights)

More details are included in the statements on the share capital in the Notes to the Financial Statements of the Parent Company.

Axxion S.A. holds 10.15% of the voting rights (1,349,145 voting rights).

To the knowledge of the Management Board, no other shareholder holds more than 10% of the share capital, either directly or indirectly.

The members of the Management Board are exclusively appointed and dismissed pursuant to the legal provisions (Sections 84, 85 German Stock Corporation Act (AktG)). There is no specific regulation in the Articles of Association which provides for the appointing and dismissal of the members of the Management Board. The Supervisory Board is responsible for the appointing and dismissal. It appoints Management Board members for a maximum of five years. A renewal of the appointment or extending of the term of office, for five years maximum respectively, is permitted.

Amendments to the Articles of Association are possible under the legal provisions (Sections 133, 179 German Stock Corporation Act (AktG)).

The Management Board is not authorized to issue or buy back shares. In particular, the Management Board is not authorized to raise the share capital on the basis of authorized or contingent capital.

There is currently no authorization of the Company to buy back own shares.

In respect of the agreements which are subject to the conditions governing change of control, reference is made to the Remuneration Report. There are no other agreements, e.g. compensation agreements, in the event of a takeover offer.

The explanatory report of the Management Board of Beta Systems Software Aktiengesellschaft on information pursuant to Sections 289 para. 4, 315 para. 4 German Commercial Code (HGB) in the Combined Management Report on the Group and the Parent Company for the fiscal year 2007 will be submitted to the Annual General Meeting of Shareholders and can be viewed in the offices of Beta Systems Software AG, Alt-Moabit 90 d, D-10559 Berlin and on the website at http://ww2.betasystems.com/en/investors/annualgeneralmeeting.html. Upon request, each shareholder shall immediately receive a free copy of the report which will be on display at the Annual General Meeting.

9. EVENTS AFTER THE BALANCE SHEET DATE

In November 2007, Beta Systems released information on its takeover of all the shares of Neustadt-based SI Software Innovation GmbH (SI GmbH) as per January 1, 2008. The acquisition transaction was concluded on February 18, 2008, effective January 1, 2008. The company will be managed as an independent GmbH (limited liability company) within the DCI LoB with new management. The purchase price of € 4.2 million has been financed by own funds.

Beta Systems has strengthened its mainframe business through this acquisition of SI GmbH. With 20 years of experience in the market, SI GmbH has long-standing customer relationships with a large number of major enterprises. One of the company's core businesses is in the financial services sector. The Large Documents Management System (LDMS) product of SI GmbH is a central archiving system for document-based business processes and digital files based on IBM's state-of-the-art zServer (mainframe) technology.

As early as fiscal year 2008, the Management Board is expecting growth and a positive contribution to the result of the Data Center Infrastructure (DCI) segment, the portfolio of which is to incorporate LDMS suite as a standalone product in future.

SI Software Innovation GmbH was founded in 1996 by the staff of the IT providers ICR and EDS. Since this time, know-how gained in the area of document management since1986 has been intensified and the LDMS (Large Documents Management System) product developed into a modern solution for companies of all sizes operating in all sectors. The company, which has its headquarters in the Weinstraße in Neustadt, currently has 30 employees who are mainly engaged in the area of research and development, services and sales.

10. SUMMARY AND OUTLOOK FOR THE GROUP AND THE PARENT COMPANY

With an EBIT of € 5.8 million, Beta Systems generated the best operating result since its IPO, thereby clearly achieving breakeven after the high losses of the preceding year. The Company achieved this marked improvement in the result by focusing on the high-margin software license and services business, streamlining the cost structure and by implementing measures in sales operations. Beta 4Agility, the new product and sales strategy introduced in the summer of 2007, provides additional support as a growth program for the switch from the restructuring mode of recent years to future growth mode.

In order to achieve sustainable growth, Beta Systems intends to raise the efficiency of its sales through expanding its software license and services business, reinforcing its market position with financial services providers and key accounts, as well growing its international business, particularly in Europe and strengthening its indirect sales through partners.

In the years ahead, Beta Systems will also be concentrating on measures to raise productivity achieved through cutting costs and enhancing flexibility so as to raise its earnings strength. In doing so, the Company will place great importance on focusing its portfolio and developing it further, above all through the implementation of its product and sales strategy Beta 4Agility in 2007. Supplementations and adjustments to the product suites will also be achieved through sales and technology partnerships which will contribute to reducing costs and raising the profitability throughout the whole Company. In fiscal year 2008, for instance, Beta Systems plans for profitable growth in all three business lines and thus for all segments to make a positive contribution to the consolidated result.

With a marginal sales growth, the Beta Systems Group expects an improved EBIT margin in the upper single-digit range and a double-digit EBITDA margin in fiscal year 2008. The realignment of the Group, concluded in 2007, was the start of this sustained positive development. In the fiscal years 2008 and 2009, Beta Systems therefore anticipates a growth in revenues and profit. In respect of Beta Systems Software AG, the Management Board assumes that, with an increase in revenues, income from investments and interest income, the Company will return to the profit zone.

11. DECLARATION OF THE MANAGEMENT BOARD PURSUANT TO SECTION 312 PARA. 3 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

No reportable business transactions existed in the fiscal year.

Berlin, March 3, 2008

Kamyar Niroumand	Gernot Sagl
Chief Executive Officer	Chief Financial Officer

Final Statements/Disclaimer

This Annual Report contains forward-looking statements based on underlying assumptions and estimates made by the management of Beta Systems Software AG. Although these forward-looking statements are assumed to be realistic, there can be no assurance that the expectations prove to be correct. The assumptions may be subject to risks and uncertainties which could cause actual results to diverge materially from the forward-looking statements. The factors which could cause such divergences have been outlined in the Outlook report. An updating of the forward-looking statements by Beta Systems is neither planned nor does the Company undertake any such obligation. All company, product and service trade names, brandmarks and logos are the property of the respective companies.

Beta Systems Software Aktiengesellschaft, Berlin AFFIRMATION BY THE LEGALLY AUTHORIZED REPRESENTATIVES PURSUANT TO SECTION 315 PARA. 1 SENTENCE 6 AND TO SECTION 289 PARA. 1 SENTENCE 5 OF THE GERMAN COMMERCIAL CODE (HGB)

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Combined Management Report on the Group and the Parent Company includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Parent Company, and the Combined Management Report on the Group and the Parent Company includes a fair review of the development and performance of the business and the position of the Parent Company, together with a description of the principal opportunities and risks associated with the expected development of the Parent Company.

Berlin, March 3, 2008

Kamyar Niroumand	Gernot Sagl
Chief Executive Officer	Chief Financial Officer

REPORT BY THE SUPERVISORY BOARD

Dear Shareholders,

The Supervisory Board of Beta Systems Software AG has discharged the duties entrusted to it under the law and the Articles of Association with great diligence in the financial year 2007. The Management Board informed the Supervisory Board at 11 meetings (physical meetings and telephone conferences) about the business situation and the development of Beta Systems Software AG. All Supervisory Board members were present at more than half the meetings. Ensuring that the Supervisory Board was adequately supplied with information was the joint task of both Management Board and Supervisory Board.

We regularly advised and monitored the Management Board in respect of its management of the Company. The Supervisory Board was involved in all material decisions and was informed extensively by the Management Board in the form of written and oral reports in a regular and timely fashion about all issues relating to corporate planning and strategic development, on the course of business, the situation of the Company, including its risk position, as well as in respect of risk management and compliance. Any divergences from the plans and goals during the course of business were explained to us in detail. The Management Board conferred with us to agree the strategy of the Company. We discussed all material business transactions of the Company in detail based on reports submitted by the Management Board in the Supervisory Board plenum. After thorough examination and consultation, we approved the reports and the resolutions proposed by the Management Board in as much as required by law and the Articles of Association. Apart from the Supervisory Board meetings, I personally had regular contact with the Management Board and informed myself of the current development of business and material transactions. I deliberated on the strategy, the business development and the risk management of the Company with the Management Board and informed the Supervisory Board accordingly. Moreover, in my capacity as Chairman of the Supervisory Board, I coordinated the work of the Supervisory Board, chaired its meetings and represented the Board externally in all matters. In addition, the Supervisory Board ratified important transactions requiring its approval. Conflicts of interest relating to the members of the Management and Supervisory boards which are to be disclosed immediately to the Supervisory and communicated to the General Meeting of Shareholders did not arise.

The Supervisory Board has an adequate number of independent members who dispose(d) of sufficient time to be able exercise their mandates; no former member of the Management Board belongs to the Supervisory Board. The Supervisory Board members do not act on behalf of executive bodies nor in a consultancy capacity for major competitors of the Company.

Key Points of Consultation

In the fiscal year 2007, the Supervisory Board met to confer on a broad range of issues. In the first half-year, this included in particular the restructuring of the ECM business segment. At the start of the year, the Board deliberated the execution of the capital increase against cash. This was approved in May by the Annual General Meeting of Shareholders and successfully completed in October.

In addition, the Beta 4Agility new sales and product strategy was discussed in detail at a number of Supervisory Board meetings. The strategic realignment of the Beta Systems Group in the year 2006 was monitored on an ongoing basis and conferred upon. The agendas of the meetings mainly comprised measures geared towards sustainably reinforcing the financial performance and bolstering the growth opportunities of the individual lines of business and the Group as a whole, as well as the monitoring and assessment of the respective current risk position, including the capital base of the Company.

In the second half of 2007, the Supervisory Board concentrated on the analysis of business performance in 2007 and the medium-term planning submitted and explained by the Management Board for the financial years from 2008 to 2010, including the product and market strategies. Moreover, the purchase of SI Software Innovation GmbH was discussed in detail and consulted upon. In addition, the Supervisory Board conferred on adjusting and creating effective, new corporate governance mechanisms and standards.

Corporate Governance and Declaration of Conformity

The Management Board reports on corporate governance at Beta Systems – also on behalf of the Supervisory Board – in its Corporate Governance Report in the Annual Report 2007. The Management Board and the Supervisory Board have repeatedly discussed the recommendations and suggestions of the German Corporate Governance Code and have submitted an updated Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) on December 5, 2007. The declaration is included in the Corporate Governance Report of the Annual Report 2007 and has been made permanently accessible to the shareholders on the website of the Company. Prior to a number of joint meetings, the Supervisory Board met to deliberate without Management Board. The content of these meetings also included the critical review of the efficiency of the Supervisory Board's work. In its meeting on December 5, 2007, the Supervisory Board conferred conclusively in a structured form entailing a detailed review of efficiency. The outcome is the basis for the ongoing optimization of the work of the Supervisory Board. The resulting proposals for enhancing reporting and the procedure of meetings will form the basis for improvements and will be implemented subsequently.

Beta Systems has complied and will continue to comply with the recommendations of the Government Commission of the German Corporate Governance Code in the versions of June 14, 2007, and June 12, 2006, with some minor departures from it.

Personnel Committee and Business Committee

The Personnel Committee is made up of three persons and confers on the appointment of Board members and determines both the structure and the remuneration of the Board members as well as reviewing these components on a regular basis. In the reporting period, the Personnel Committee did not convene separate meetings as the issues were discussed and resolved in the presence of the whole Supervisory Board.

The Business Committee is made up of three persons. The Committee's task is to ratify transactions which require the approval of the Supervisory Board. The Committee did not meet during the reporting period as all transactions requiring the approval were submitted to the whole Supervisory Board for its approval.

As described in the Declaration of Conformity of December 5, 2007, there is neither an Audit Committee nor a Nomination Committee owing to the current size and composition of the Supervisory Board (six persons) and the size of Beta Systems itself. Essentially the entire Supervisory Board deals with all questions regarding the rendering and auditing of accounts and is responsible for submitting election proposals to the Annual General Meeting of Shareholders.

Adoption of the Financial Statements

The accounting, the financial statements and the Combined Management Report on the Group and the Parent Company for the fiscal year 2007 were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin, and were granted an unqualified auditor's opinion. The Supervisory Board took cognizance of the audit results and affirmed them in its meeting of March 19, 2008 in the presence of the auditor. Following its own concluding examination, the Supervisory Board raises no objections to the financial statements and the Combined Management Report on the Group and the Parent Company. The Supervisory Board approves the annual financial statements which are thereby adopted.

The Consolidated Financial Statements were prepared by the Management Board in accordance with the International Financial Reporting Standards (IFRS) and were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin. The key audit areas defined in the process of this year's annual audit of the accounts were the achieving of revenue as well as the value of goodwills and capitalized software product rights. The ensuing report, other audit reports and the financial statements with detailed explanations were sent to all Supervisory Board members in good time for their scrutiny. Following its own concluding examination, the Supervisory Board raises no objections to the Consolidated Financial Statements and the Combined Management Report on the Group and the Parent Company. The Supervisory Board approved the Consolidated Financial Statements prepared by the Management Board in its meeting on March 19, 2008, in the presence of the auditor. In this meeting the Management Board also reported to the Supervisory Board on the profitability of the Company, in particular on return on capital employed. Furthermore, a detailed report was delivered on the financial position of the subsidiaries. The Supervisory Board examined the dependency report prepared by the Management Board which was granted an unqualified auditor's opinion by the auditor. There were no objections to the explanations of the Management Board.

The Supervisory Board would like to thank the Management Board and all employees of the Beta Systems Group for their commitment throughout the fiscal year 2007.

Berlin, in March 2008

On behalf of the Supervisory Board

Sebastian Leser
Chairman of the Supervisory Board

INDEPENDENT AUDITOR'S REPORT

We have audited the Consolidated Financial Statements, prepared by Beta Systems Software Aktiengesellschaft, Berlin, comprising the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Consolidated Statement of Cash Flows and the Notes to the accounts, as well as the Combined Management Report on the Group and the Parent Company for the fiscal year from January 1 to December 31, 2007. The preparation of the Consolidated Financial Statements and the Combined Management Report on the Group and the Parent Company in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the addi-tional requirements of German commercial law pursuant to Section 315a para. 1 of the German Commercial Code (HGB) are the responsibility of the authorized representatives of the Company. Our task is to make an audit judgment of the Consolidated Financial Statements and the Combined Management Report on the Group and the Parent Company based on our audit examination.

We have performed our audit of the Consolidated Financial Statements in accordance with Section 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements as promulgated by the Institute of German Public Accountants (IDW). Under these standards, the audit is to be planned and executed in such a way that, in accordance with the accounting standards applicable, inaccuracies and misstatements which have a major impact on the true and fair view given by the Consolidated Financial Statements and the Combined Management Report on the Group and the Parent Company, as well as of the net worth, financial position and earnings situation can be detected with sufficient certainty. The planning of the audit procedure drew on knowledge of the Group's business and the economic and legal environment in which the Group operates, as well as on the expectation of possible errors. Within the scope of the audit, the effectiveness of the accounting standards-related internal control systems, along with evidence upon which the information in the Consolidated Financial Statements and the Combined Management Report on the Group and the Parent Company is based, is assessed predominantly on the basis of sample checks. The scope of the audit comprised the assessment of the annual financial statements of the companies included in the Group financial statements, of the definition of the group of consolidated companies, of the accounting and consolidation policies applied and of the substantive estimates of the authorized representatives, as well as an appraisal of the overall presentation of the Consolidated Financial Statements and Combined Management Report on the Group and the Parent Company. We are of the opinion that our audit provides a sufficiently secure basis for our audit judgment.

Our audit did not give rise to any objections.

In our opinion, based on the outcome of the audit, the Consolidated Financial Statements comply with IFRS, as adopted by the EU, and with the additional provisions which are applicable pursuant to Section 315a para. 1 of the German Commercial Code (HGB) and, in observance of these standards, give a true and fair view of the net worth, financial position and results of operations of the Group. The Combined Management Report on the Group and the Parent Company accords with the Consolidated Financial Statements and reflects an overall accurate view of the situation of the Group as well as giving an appropriate account of the opportunities and risks inherent in its future development.

Berlin, March 4, 2007

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Kronner	Marquordt
Certified Public Accountant	Certified Public Accountant

CONSOLIDATED FINANCIAL STATEMENTS

CONTENT

Consolidated Statement of Comprehensive Income **44**
Consolidated Statement of Financial Position **45**
Consolidated Statement of Cash Flows **46**
Consolidated Statement of Changes in Shareholders' Equity **47**
Notes to the Consolidated Financial Statements for the Fiscal Year 2007
General Information **48**
Accounting Policies and Valuation Methods **50**
New Pronouncements **56**
Segment Reporting **57**

Notes to the Statement of Comprehensive Income
1. Significant Operating Expenses in the Fiscal Year 2006 60
2. Restructuring 60
3. Sundry Income 61
4. Other Expenses 61
5. Finance Result 61
6. Income Taxes 61
7. Earnings per Ordinary Share 63

Notes to the Statement of Financial Position
8. Cash 64
9. Trade Receivables 64
10. In Process Project Orders (POC) 64
11. Inventories 64
12. Other Current Assets 65
13. Property, Plant & Equipment 65
14. Goodwill 65
15. Other Intangible Assets 66
16. Acquired Software Product Rights 67
17. Other Non-Current Assets 68
18. Short-Term Finance and Finance Leasing 68
19. Deferred Income 69
20. Current Income Taxes 69
21. Provisions 69
22. Other Current Liabilities 69
23. Long-Term Borrowings 70
24. Retirement Benefits 70
25. Termination Benefits 71
26. Other Non-Current Liabilities 72
27. Stock Option Plans 72
28. Financial Risk Management 72

Notes to the Statement of Changes in Shareholders' Equity
29. Shareholders' Equity 78
30. Dividend Distribution 78

Other Disclosures
31. Guarantees 79
32. Contingent Liabilities 79
33. Related Party Disclosures 79
34. Auditor's Fees 79
35. Operating Leases 79
36. Events after the Balance Sheet Date 80

Development of the Group's Fixed and Intangible Assets **81**
Supplementary Disclosures to the Consolidated Financial Statements for the Fiscal Year 2007 **82**
Directors´ Boards **82**
Group Entities **84**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January 1 to December 31 Thousand €, except share data in €	*Note*	2006	2007
Revenues		**96,621**	**88,596**
• Product Licenses		27,127	28,995
• Hardware		12,015	3,280
• Maintenance		44,848	41,807
• Services		12,631	14,514
Cost of Revenues		**54,041***	**39,968**
Gross Profit		**42,580**	**48,628**
Operating Expenses	*1*	**58,182**	**42,809**
• Selling Expenses		30,154	23,576
• General and Administrative Expenses		10,770	7,581
• Research and Development Expenses		12,858	12,050
• Severance Payments	*2*	4,179	-
• Sundry Income	*3*	(598)	(848)
• Other Expenses	*4*	819	450
Operating Result		**(15,602)**	**5,819**
Finance Result	*5*	**(810)**	**(915)**
• Interest Income		13	76
• Interest Expenses		(823)	(991)
Result before Income Taxes		**(16,412)**	**4,904**
Income Taxes	*6*	**(1,978)**	**(2,594)**
Profit (Loss) for the Year		**(18,390)**	**2,310**
Earnings per Ordinary Share			
Basic and Diluted	*7*	**(2.10)**	**0.24**

* including Reclassifications (refer to pages 49 and 50)

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31 Thousand €	Note	2006	2007
Current Assets		**49,996**	**52,494**
• Cash	8	2,050	3,176
• Trade Receivables	9	35,957*	38,912
• Work in Process Project Orders (POC)	10	3,780	4,878
• Inventories	11	3,689	3,342
• Other Current Assets	12	3,974*	2,186
• Current Income Taxes	20	546	-
Non-Current Assets		**19,536**	**16,914**
• Property, Plant & Equipment	13	4,860	4,202
• Goodwill	14	1,522	1,522
• Other Intangible Assets	15	1,087	768
• Acquired Software Product Rights	16	2,836	1,599
• Deferred Tax Assets	6	7,949	7,644
• Other Non-Current Assets	17	1,282*	1,179
Total Assets		**69,532**	**69,408**
Current Liabilities		**44,269**	**33,990**
• Short-Term Finance and Finance Leasing	18	10,371*	8,228
• Trade Payables		8,767	5,915
• Deferred Income	19	8,294	7,207
• Current Income Taxes	20	1,142	202
• Advance Payments Received (POC)		472*	290
• Provisions	21	2,638	369
• Other Current Liabilities	22	12,585*	11,779
Non-Current Liabilities		**12,273**	**11,705**
• Long-Term Borrowings	23	2,000*	-
• Employee Benefits	24,25	2,939*	2,921
• Deferred Tax Liabilities	6	5,793	7,238
• Other Non-Current Liabilities	26	1,541*	1,546
Total Liabilities		**56,542**	**45,695**
Shareholders' Equity	29	**12,990**	**23,713**
• Share Capital		11,517	17,276
• Capital Reserve		7,985	10,709
• Retained Losses		(7,260)	(4,950)
• Other Comprehensive Income		1,167	1,097
• Treasury Shares		(419)	(419)
Total Liabilites and Shareholders' Equity		**69,532**	**69,408**

* including Reclassifications (refer to pages 49 and 50)

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31 Thousand €	Note	2006	2007
Net Cash used in Operating Activities		**(2,825)**	**(1,330)**
• Profit (Loss) for the Year		(18,390)	2,310
Reconciliation from Profit (Loss) for the Year to Cash used in Operating Activities:			
• Depreciation and Amortization		5,733	3,558
• Loss on the Disposal of Property, Plant & Equipment		223	86
• Finance Expenses, net		810	915
• Current Tax Expenses		1,046	70
• Deferred Tax Expenses		932	1,750
• Income Taxes Paid		(500)	(464)
• Foreign Currency Gains (Losses), net		(273)	151
• Changes in Assets and Liabilities:			
Increase in Trade Receivables		(164)	(4,052)
Increase (Decrease) in Trade Payables		5,256	(2,852)
Increase (Decrease) in Deferred Revenues		2,286	(1,086)
Changes in other Assets and Liabilities		216	(1,716)
Net Cash used in Investing Activities		**(2,085)**	**(606)**
• Acquisition of Property, Plant & Equipment		(1,710)	(682)
• Interest Received		13	76
• Acquisition of Software Product Rights		(413)	-
• Proceeds from the Sale of Investments		25	-
Net Cash from Financing Activities		**2,586**	**3,132**
• Net Change in Short-Term Finance and Finance Leasing		5,366	(2,899)
• Repayment of Long-Term Borrowings		(2,223)	(2,000)
• Interest Paid		(557)	(452)
• Dividend Distribution		-	-
• Share Capital Increase		-	9,081
• Cost of Increase in Share Capital		-	(598)
Increase (Decrease) in Cash		**(2,324)**	**1,196**
Effect of Exchange Rate Fluctuations on Cash		(9)	(70)
Cash at the Beginning of the Year		4,383	2,050
Cash at the End of the Year	8	**2,050**	**3,176**

* including Reclassifications (refer to pages 49 and 50)

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Thousand €, except share data in no. of shares	Note	Ordinary Shares: Number of Shares Issued	Ordinary Shares: Value	Capital Reserve	Retained Earnings (Losses)	Other Comprehensive Income (loss)	Net Income (Loss) including Other Comprehensive Income (loss)	Treasury Shares: Number of Ordinary Shares	Treasury Shares: Value	Total Shareholders' Equity
Balance as at January 1, 2006		**8,859,276**	**11,324**	**8,178**	**11,130**	**1,279**		**(120,610)**	**(419)**	**31,492**
Capital Smoothing		-	193	(193)	-	-		-	-	-
Net Loss for the Year		-	-	-	(18,390)	-	(18,390)	-	-	(18,390)
Other Comprehensive Loss, net of tax effects										
• Currency Translation Adjustments		-	-	-	-	(112)	(112)	-	-	-
Other Comprehensive Loss		-	-	-	-	-	(112)	-	-	(112)
Net Income, including Other Comprehensive Loss							(18,502)			
Balance as at December 31, 2006		**8,859,276**	**11,517**	**7,985**	**(7,260)**	**1,167**		**(120,610)**	**(419)**	**12,990**
Share Capital Increase		4,429,638	5,759	3,322	-	-		-	-	9,081
Cost of Increase in Share Capital, net of tax effects		-	-	(598)	-	-		-	-	(598)
Net Profit for the Year		-	-	-	2,310	-	2,310	-	-	2,310
Other Comprehensive Loss, net of tax effects										
• Currency Translation Adjustments		-	-	-	-	(70)	(70)	-	-	-
Other Comprehensive Loss		-	-	-	-	-	(70)	-	-	(70)
Net Loss, including Other Comprehensive Loss							2,240			
Balance as at December 31, 2007	*29*	**13,288,914**	**17,276**	**10,709**	**(4,950)**	**1,097**		**(120,610)**	**(419)**	**23,713**

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2007

GENERAL INFORMATION

Beta Systems Software AG with registered office in Germany comprises together with its subsidiaries, the Group ("Beta Systems" or "the Company") for which the subsequent Consolidated Financial Statements for the fiscal year 2007 were compiled in accordance with IFRS standards.

The Company's principal place of business is located at Alt-Moabit 90d, D-10559 Berlin, Germany. The subsidiaries are located in Europe, Africa and North America.

Description of the Business Operations

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 Mainframe-, 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 ("LoBs") Data Center Infrastructure ("DCI"), Enterprise Content Management ("ECM") and Identity Management ("IdM") of Beta Systems support the Company's customers in the automation, safeguarding and transparency of their IT supported business processes.

The Line of Business (LoB) Data Center Infrastructure (DCI) focuses on cross-sector solutions for reliable, transparent and error free IT management in data center environments. The control and monitoring of the application processes, the processing, storing and restoring as well as the documenting of complex IT supported business processes is accomplished by the employment of products of this LoB.

The business unit Identity Management (IdM) is geared to serve the increasingly growing global demands in the Identity Management sector. Within this LoB cross-sector solutions for the central definition, control and administration of digital identities as well as IT user rights for purpose of the implementation and compliance with IT security standards in large enterprises and for IT service providers are developed, marketed and distributed.

The business unit Enterprise Content Management (ECM) supplies a comprehensive, industry-specific solutions portfolio designed to optimize fully integrated document-based business processes within the sectors banking, insurance, public administration, industry, trade and services. The identification, processing, providing, distribution and archiving of documents and data form the core functions of the products and solutions of this LoB. The ECM product portfolio is supplemented by the Kleindienst scanner and sorter product range, a brand owned by Beta Systems Software AG.

Statement of Compliance

The Consolidated Financial Statements for Beta Systems Software AG were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations by the International Financial Interpretations Committee (IFRIC), as required to be applied in the European Union.

On March 3, 2008 the Management Board of Beta Systems Software AG authorized the Consolidated Financial Statements for the fiscal year 2007 for issue to the Supervisory Board. It is the duty of the Supervisory Board to examine the Consolidated Financial Statements and to acknowledge their approval. The Supervisory Board has the power to amend the Consolidated Financial Statements after their issue, but not beyond the date of the Company's Annual General Meeting to be held on May 14, 2008.

Financial Reporting Principles and Measurement

The Consolidated Financial Statements were in principal prepared on the historical cost basis, and for the following financial and non-financial assets and liabilities on the basis of their fair value:

- Cash
- Trade Receivables and Trade Payables
- Short-Term Finance and Finance Leasing
- Long-Term Borrowings
- Derivative Financial Instruments

The methods and assumptions used in determining fair values are discussed under the heading "Accounting Policies and Valuation Methods" in the notes specific to these assets and liabilities.

The accounting policies and valuation methods set out below were applied consistently to all periods presented in the Consolidated Financial Statements and by all Group entities. Certain comparative amounts were reclassified to conform to the current year's presentation. Full details thereto are supplied under the heading "Reclassifications".

Functional Currency

The Consolidated Financial Statements are prepared in euro thousand (T€). All amounts are commercially rounded to full T€. The euro is the Parent Company's functional currency. Due to the utilization of electronic data processing devices differences in the addition of rounded values and percentages may arise.

Use of Accounting Estimates and Discretionary Decisions

The preparation of financial statements in conformity with IFRS 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. Subsequent actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the Statement of Comprehensive Income in the period in which the estimates are revised, as well as in subsequent periods.

Significant projections as well as nature and carrying amounts of assets with inherent valuation risks made in the of the power of judgment by the Company's management are described separately in each case in the Notes to the Consolidated Financial Statements, in particular in the Notes to the following assets and liabilities:

Note 6. "Deferred Tax Assets"
Note 9. "Trade Receivables"
Note 10. "Work in Process Project Orders (POC)"
Note 11. "Inventories"
Note 12. Derivative Financial Instruments under "Other Current Assets"
Note 13 "Property, Plant & Equipment"
Note 14. "Goodwill"
Note 15. "Other Intangible Assets"
Note 16. "Acquired Software Product Rights"
Note 18. Finance Leasing under "Short-Term Finance and Finance Leasing"
Note 24. and 25. "Employee Benefits"
Note 32. "Contingent Liabilities"

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 a parent company is in the position to influence, directly or indirectly, the financial and business policies of the company.

The annual financial statements of the fully consolidated companies included in the Consolidated Financial Statements are based on the same accounting policies and valuation methods. The reporting date for all companies is December 31, 2007.

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

Apart from the Beta Systems Software AG as Parent Company the Consolidated Financial Statements include 17 group companies (2006: 17 group companies).

The basis of consolidation is presented in the table "Group Entities" at the end of the Notes to the Consolidated Financial Statements.

Reclassifications

Several reclassifications were made in the Consolidated Financial Statements to ensure that the presentation of the comparative information for the fiscal year 2006 conforms to the presentation for fiscal year 2007. These reclassifications have no impact on the net income or shareholders' equity reported for the prior year.

The reclassifications made in the Statement of Comprehensive Income for fiscal year 2006 in order ensure that the presentation of the comparative information for the fiscal year 2006 conforms to the presentation for fiscal year 2007 are detailed in the following table:

Cost of Revenues and Operating Expenses	Original Value	Value after Reclassification	Change
Total Cost of Revenues	**52,428**	**54,041**	**1,613**
Amortization of Intangible Assets and Goodwill	1,613	-	(1,613)
Total	**54,041**	**54,041**	**-**

By means of this reclassification the Company has integrated the valuation allowance expense on Goodwill and the amortization on Other Intangible Assets previously disclosed separately into the "Cost of Revenues". As a result of the reallocation the analysis of expenses based on their function is maintained and comparability of the disclosures is achieved.

The reclassifications made in the Statement of Financial Position for fiscal year 2006 in order ensure that the presentation of the comparative information for the fiscal year 2006 conforms to the presentation for fiscal year 2007 are detailed as follows:

Assets	Original Value	Value after Reclassification	Change
Trade Receivables	29,016	35,957	6,941
Other Non-Current Assets	8,223	1,282	(6,941)
Prepaid Expenses & Deferred Charges	1,360	-	(1,360)
Other Current Assets	2,614	3,974	1,360
Total	**41,213**	**41,213**	**-**
Liabilities	**Original Value**	**Value after Reclassification**	**Change**
Short-Term Finance and Finance Leasing	10,277	10,371	94
Long-Term Borrowings	2,094	2,000	(94)
Advance Payments Received (POC)	-	472	472
Other Current Liabilities	13,350	12,585	(765)
Employee Benefits	2,028	2,939	911
Other Non-Current Liabilities	2,159	1,541	(618)
Total	**29,908**	**29,908**	**-**

In accordance with IAS 1.59 Current Assets include amongst others trade receivables not due for payment within twelve months after the balance sheet date. This necessitated the reclassification of the trade receivables in the amount of T€ 6,941 reported under „Other Non-Current Assets", to the disclosure "Trade Receivables" under the Current Assets. The representation is now comparable.

For purposes of simplification and a thus enhanced understanding of the Annual Financial Statements the Company dispenses with the separate disclosure of the „Prepaid Expenses and Deferred Charges", which are henceforth combined in one position with the „Other Current Assets". This required a respective reclassification in the amount of T€ 1,360 in the disclosures of the comparative period.

In accordance with IAS 1.62 Short-Term Finance includes amongst others also financial liabilities (e.g. Finance Leasing) which do not become due for settlement within twelve months after the balance sheet date. This required a reclassification of the finance lease liabilities disclosed under "Long-Term Borrowings" in the amount of T€ 94 to the disclosure "Short-Term Finance and Finance Leasing". The representation is now comparable.

An improved information content is achieved by means of a separate disclosure of „Advance Payments Received (POC)". In consequence, a reclassification of the gross amount due to customers for Work in Process Project Orders (POC) from the disclosure "Other Current Liabilities" in the amount of T€ 472 was effected.

Apart from that, a reclassification in the amount of T€ 293 was made from an amount disclosed under "Other Current Liabilities" to "Other Non-Current Liabilities".

The reclassifications in the amount of T€ 911 resulted from the combination of the retirement benefits and the termination benefits under the position "Employee Benefits". For this reason a reallocation was effected from "Other Non-Current Liabilities" to "Employee Benefits". This provides for the comparability of the disclosures.

The following reclassifications were made in the Statement of Cash Flows for fiscal year 2006 in order to adjust these to the amended structure of the Statement of Cash Flows for fiscal year 2007:

Cash from (used in):	Original Value	Value after Reclassification	Change
Investing Activities	(2,098)	(2,085)	13
Financing Activities	2,599	2,586	(13)
Total	**501**	**501**	**-**

Interest received in the amount of € 13, in the prior year included under Cash from Financing Activities has been incorporated under Cash used in Investing Activities. The relevant receipts relate to repayments of demand deposits held at banks.

ACCOUNTING POLICIES AND VALUATION METHODS

Revenue Recognition

Software license revenue, consisting of new product licenses and CPU upgrades, is recognized when persuasive evidence of an arrangement exists, when delivery of the software has occurred and the execution key has been provided, the fee is fixed or determinable and receipt of payment is probable. When a licensing agreement includes multiple elements, revenues are allocated to those elements on the basis of their fair value. For revenue recognized from licenses with temporary use, the criteria described in IAS18 App 20 are tested in particular.

Maintenance revenue is recognized pro rata temporis over the maintenance service period.

Service revenue consists of services for consulting, installation and training and is recognized, on the basis of contractually agreed prices, at the time when the services are delivered.

In addition to the existing standard software products for infrastructure software, the Company also offers, in the context of consulting services, 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 as 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 project, whereby the actual costs accrued for the performance already completed as at reporting date are set in ratio to the estimated total project costs at that time.

Apart from the revenue categories referred to additional revenues are realized in the LoB Enterprise Content Management (ECM) from sales of hardware (scanner systems). Revenue is recognized when ownership passes to the buyer, i.e. upon delivery of the goods and acceptance by the buyer.

Research and Development Costs

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 product rights are therefore recognized as research costs in the consolidated Statement of Comprehensive Income in the period of their accrual in accordance with the principles of IAS 38.52 and IAS 38.53.

Acquired Software Product Rights

Acquired capitalized software product rights are recognized in the Statement of Financial Position in the amount of the acquisition costs, less the scheduled allocation of amortization and the possible impairment losses.

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

At each reporting date, the unamortized, acquired and capitalized software product rights 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 product rights 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.

Severance Payments

The corporate restructure was supplemented by the following measures and concluded during the fiscal year 2006:

- personnel changes on Management- and Supervisory Boards,
- downsizing and reorganization of the sales and distribution structure in the subsidiaries (regional realignment),
- Augsburg office relocation (significant reduction in operating expenses in the future),
- cost optimization- and consolidation measures in line with the new business structure (fine-tuning of the corporate strategy, streamlining of the portfolio, industry focus and market-related strategies for the LoBs),
- sale of the subsidiary Kleindienst Scanner GmbH.

Full details on the development of the provisions for severance payments are provided under the Note 2. "Restructuring".

Sundry Income / Other Expenses

The sundry income comprises gains on the disposal of fixed assets and gains on financial assets and hedging instruments recognized in profit or loss. The income is recognized as it accrues.

Other expenses comprise losses on the disposal of fixed assets and on financial assets and hedging instruments recognized in profit or loss, as well as impairment losses recognized. These expenses are recognized in the statement of comprehensive income in the accounting period in which they occur.

Foreign currency gains and losses are reported on a net basis.

Finance Result

The finance income comprises all interest income on short-term cash deposits and interest provisions relating to long-term provisions. Interest income is recognized as an income as it accrues in profit and loss, using the effective interest method.

The finance expenses comprise interest expenses on short-tem finance and on long-term borrowings as well as interest provisions relating to long-term trade receivables. All borrowing costs are recognized as an expense in the accounting period in which they occur, using the effective interest method.

Current Income Taxes

Current income taxes are determined based on the amounts of the corporate taxes due viz. receivable which are expected to result from the individual companies' taxable income viz. taxable loss for the current and former reporting periods. They are established under assumption of the tax regulations and tax rates valid for the respective companies as at reporting date and are recognized at that value which is expected to result as tax payment or tax refund. As settlement will be effected on a net basis, current taxes payable and current taxes receivable were offset against each other.

Deferred Income Taxes

Deferred tax assets and liabilities are determined using the liability method according to IAS 12 for all temporary differences between the accounting base of assets and liabilities as recognized in the Consolidated Financial Statements according to IFRS and the corresponding tax base values. In addition, tax gains on future taxable earnings resulting from existing losses carried forward which are likely to be realized are also considered in the calculation. Exceptions from the application of this principle are differences relating to non-deductible goodwill and temporary differences in connection with investments. The assumptions are quoted under the Note 6. "Income Taxes".

Tax Rate Changes resulting from the Corporate Tax Reform 2008 for the Federal Republic of Germany

Since the year 2004, and until December 31, 2007, the German corporate tax rate on undistributed earnings and on distributed earnings is 25.0%. Together with the solidarity surcharge and the trade tax rate a composite tax rate in the amount of 39.11% has since then been applied.

With the resolution for the implementation of the corporate tax reform 2008 passed by the upper house of the German parliament on July 6, 2007, a new tax law was enacted and is therefore required to be applied in accordance with IAS 12. The corporate tax reform provides for the change in corporate tax rates with effect from 2008. These tax rate changes were considered and applied in the assessment of deferred tax assets and liabilities in the interim consolidated financial statements as at September 30, 2007.

The corporate tax reform has resolved, amongst others, the following material changes: With effect from fiscal 2008 the corporate tax rate will be lowered to 15.0%. While the trade tax rate measurement value will be lowered from a maximum of 5.0% to a uniform 3.5%, the trade tax will in future no longer represent a tax-deductible business expense.

In consequence, a composite tax rate of 30.53% has been applied in the assessment of deferred tax assets and liabilities in the interim consolidated financial statements at September 30, 2007 in accordance with IAS 12. This comprises a corporate tax rate of 15.0%, a solidarity surcharge in the amount of 0.83% and an average trade tax rate of 14.7%.

The implementation on the statement of financial position of the tax rate change has been realized and recorded in the interim financial statements as at September 30, 2007 as a discrete item on a cumulative basis. This method appropriately presents the effect of a tax rate change completely at that point in time in which the change has occurred, and represents a non-recurring effect.

Earnings per Ordinary Share

The basic earnings per ordinary share is calculated by dividing the net income or loss available to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the fiscal year.

Diluted earnings per ordinary share is calculated by dividing the net income or loss available to present and potentially new ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the fiscal year, adjusted for the effects of all dilutive potential ordinary shares. The dilutive effect of outstanding options is reflected by application of the treasury stock method in diluted earnings per ordinary share.

Cash

Cash comprises cash on hand and demand deposits at banks callable without notice.

Trade Receivables

Trade Receivables are stated at their acquisitions cost less valuation allowances for expected uncollectible or doubtful accounts. The carrying amounts of these trade receivables due for payment within twelve months from reporting date approximate their fair values because of their short maturity.

In addition, receivables with long-term settlement terms are included under this position. These are assessed on the basis of the present value of the expected future cash flows.

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.

Project costs comprise both direct costs as well as general production overhead costs in connection with the existing agreements indirectly allocable.

During the construction phase the construction costs including margin are recognized in the Statement of Financial Position as In Process Project Orders (POC). This represents the gross unbilled amount expected to be collected from customers for contract work performed to date, excluding progress payments already received. If advance payments and progress payments received from a customer exceed the recognized profits for a particular In Process Project Order, the net excess is presented in the Statement of Financial Position under the position “Advance Payments Received (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.

Other Current Assets

Other current assets principally comprise prepaid expenses and deferred charges and are valued at their acquisition cost less impairment losses.

Derivative Financial Instruments

In order to limit and control existing financial foreign currency and interest risks, certain derivative financial instruments in the form of foreign currency forwards and interest caps are employed. These do not fulfill the requirements of the Fair Value Hedge in terms of Hedge Accounting.

Foreign currency forwards are stated at acquisition cost at the time of the conclusion of the contract and stated at fair value in the subsequent reporting periods. The fair value of the currency forwards is assessed on the basis of the forward rates ruling on the reporting date.

Fixed interest caps are made use of to cover interest risks. The fair value of the interest caps is principally determined on the basis of the present value of the expected future cash inflows.

The results of the valuation adjustments resulting from the changes in fair value are recognized in the applicable accounting period in the Statement of Comprehensive Income.

Property, Plant & Equipment

Property, Plant & Equipment is valued at historical acquisition cost less accumulated allocation of scheduled straight-line depreciation amounts.

The scheduled depreciation of the depreciable assets is recognized in profit or loss and is based on the assets' expected useful lives. Assets which are subject to a finance leasing arrangement are depreciated over the useful life of the asset.

The following estimated useful economic lives are applied:

Estimated Useful Life	Years
Technical Plant and Machinery, Computer Equipment	3–5
Leasehold Improvements	5–10
Facilities and Office Equipment	3–13

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains and losses on disposal of assets are determined by comparing the proceeds with the carrying amount of the asset, and are recognized within "Sundry Income" and "Other Expenses" in the Statement of Comprehensive Income respectively.

Goodwill

Goodwill arises on a business combination, and represents the excess of the cost of the acquisition over the Company's interest in the net fair values of the identifiable assets and liabilities of the acquiree. Goodwill is measured at this resulting difference amount, less all accumulated impairment losses resulting from impairment testing conducted in accordance with IAS 36.

Other Intangible Assets and Acquired Software Product Rights

Acquired intangible assets are valued in the Statement of Financial Position at acquisition cost, less scheduled accumulated amortization and accumulated impairment losses (value in use).

Intangible assets are subject to scheduled allocation of straight-line amortization. For the scheduled amortization of the intangible assets, which is recognized in profit or loss, an estimated useful economic life of five years is applied as a general rule.

The realizable value is determined on the basis of the value in use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets.

Other Non-Current Assets

Other non-current assets include insurance policies intended to fund a portion of the Company's pension obligations. The Company values these investments at cash surrender value.

Operating Leasing / Finance Leasing

The classification of leases as finance leases viz. operating leases is determined on the basis of the economic content of the lease agreement in accordance with IAS 17.8. When all essential risks and rewards with respect to such property pass on to the lessee, the lease agreement is classified as a finance lease.

The lessee capitalizes the asset under Property, Plant & Equipment 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.

Other leases are operating leases and are not recognized on the Group's Statement of Financial Position. Payments made under operating leases are recognized in the Statement of Comprehensive Income over the term of the lease.

Trade Payables

Trade Payables are stated at their net carrying amount; this is equivalent to the repayment value. The carrying amounts of these trade payables due for payment within twelve months from reporting date approximate their fair values because of their short maturity.

Provisions

Provisions are accrued when the Company has legal or valid obligations towards third parties due to past events and if it is likely that such obligations 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 possible estimate. 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.

Other Current Liabilities

Other Current Liabilities are stated at their net carrying amount, which is equivalent to the repayment value.

Long-Term Borrowings

Long-Term Borrowings 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 Finance Result.

Retirement Benefits

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 investments in pension fund reinsurances earmarked for this purpose.

The retirement benefit provisions are recognized in the Statement of Financial Position in accordance with IAS 19 according to the projected unit credit method under application of the corridor method and are included in "Employee Benefits".

The actuarial gains and losses are distributed under application of the corridor method. The disclosure is included in the cost of revenues and in the operating expenses. Recognition of pro rata actuarial gains and losses outside the corridor are recognized for the expected average remaining service period in respect of the employees covered under the plan in the Statement of Comprehensive Income.

Termination Benefits

Employee benefits due in respect of partial retirement plans originating from collective bargaining agreements are also included in the position "Employee Benefits".

Here included are both benefits due in respect of existing partial retirement employment agreements as well as provisions for the likely future claiming of benefits by potential claimants.

The provisions were calculated according to the actuarial principles in accordance with IAS 19.133 ff. These assumptions are quoted under the Note 26. "Termination Benefits".

Fair Value of Financial Instruments

Financial instruments of the Company consist of non-derivative financial instruments including cash, trade receivables and trade payables, short-term finance and finance leasing and long-term borrowings, as well as derivative financial instruments in the form of foreign currency forwards.

Non-derivative financial instruments are recognized initially at fair value plus – for instruments not at fair value through profit or loss – any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described in each case.

Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent measurement is at fair value through profit or loss.

The fair values of financial assets and liabilities, as well as their carrying amounts shown in the Statement of Financial Position, are as follows:

Thousand €	December 31, 2006 Carrying Amount	December 31, 2006 Fair Value	December 31, 2007 Carrying Amount	December 31, 2007 Fair Value
Cash	2,050	2,050	3,176	3,176
Trade Receivables	35,957	35,957	38,912	38,912
Short-Term Finance and Finance-Leasing	(10,371)	(10,371)	(8,228)	(8,228)
Trade Payables	(8,767)	(8,767)	(5,915)	(5,915)
Long-Term Borrowings	(2,000)	(2,000)	-	-
Derivative Financial Instruments	12	12	125	125
Financial Instruments	**16,881**	**16,881**	**28,070**	**28,070**

Financial Risk Management

The Group has exposure to the following risk from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including currency- and interest risk)

The use of financial instruments and the nature and extent of the risks arising from the financial instruments to which the Company is exposed as at reporting date, as well as the Company's objectives, policies and processes for measuring and managing risk, and the Company's capital are described in full detail under "Outlook" within the „Combined Management Report".

Full quantitative disclosures are included in these Consolidated Financial Statements under the Note 28. "Financial Risk Management".

Impairment of Assets

Financial Assets: All the Company's financial assets designated as at fair value through profit or loss, i.e. cash, trade receivables and trade payables and derivative financial instruments are assessed for indications of an impairment of value at each reporting date. Individually significant assets are tested for impairment on an individual basis.

If objective indications are found that one or more events have a negative effect on the estimated future cash flows of that asset, impairment is recorded for that asset. This is calculated as the difference between its carrying amount and the (lower) present value of the estimated and discounted future cash flows. Impairment losses are recognized in profit or loss.

Non-Financial Assets: The carrying amounts of the Company's non-financial assets, i.e. Goodwill, Other Intangible Assets and Acquired Software Product Rights are assessed for indications of an impairment of value at each reporting date. Individually significant assets are tested for impairment on an individual basis.

If such indications are found, the recoverable value of the respective asset is determined as the higher amount of the value in use and the fair value less the selling costs. Should this recoverable value be below the carrying amount for this asset, the carrying amount of the asset is reduced to its net realizable value.

A goodwill acquired in a business combination is principally tested annually for impairment. Impairment losses are recognized in profit or loss.

Foreign Currency Conversion

The assets and liabilities denominated in the Statement of Financial Positions of foreign subsidiaries were converted to Euro on the basis of the appropriate foreign exchange benchmark rates at the reporting date, while the revenues and expenses in the Statement of Comprehensive Incomes were translated using the appropriate average monthly foreign exchange benchmark rates.

The exchange benchmark rates of the main currencies developed as follows:

		Exchange Benchmark Rate at December 31		Average Exchange Rate for the Year	
Country	Currency Unit	2006	2007	2006	2007
USA	1USD = €	0.758668	0.679532	0.796927	0.730826
Canada	1CAD = €	0.653851	0.692521	0.702938	0.681701
Great Britain	1GBP = €	1.489425	1.361285	1.467252	1.461823
Switzerland	1CHF = €	0.621891	0.603974	0.635805	0.610755
Sweden	1SEK = €	0.110583	0.105988	0.108015	0.108091
Poland	1PLN = €	0.260329	0.278334	0.256089	0.263853
Nigeria	1NGN = €	0.005771	0.005656	0.006025	0.005728

Cumulative currency translation adjustments resulting from changes not affecting the Statement of Comprehensive Income were reported as a separate component of "Other Comprehensive Loss" in shareholders' equity.

Realized gains resulting from continuing business transactions in foreign currency were recognized on a net basis in the position "Sundry Income" in the Statement of Comprehensive Income and amounted to T€ 151 in 2007 (2006: losses in the amount of T€ 273, in "Other Expenses").

The currencies employed, with the exception of the US Dollar, fluctuated only marginally during the fiscal year. Against the euro, the US Dollar weakened by 8.3% on average during the fiscal year, while the comparison as at reporting date reflects a weakening of 10.4% against the euro.

Shareholders' Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized directly in equity, net of any tax effects.

Each Ordinary share entitles the holder to one vote.

When share capital recognized as equity is repurchased, the repurchased shares are classified as treasury shares and the amount paid, net of any tax effects, is recognized as a deduction from equity.

Share-Based Payment

The Company accounts for any share-based payment, which it grants in equity-settled instruments, in accordance with the principles of IFRS 2.

Several employees were granted options which entitle the holders to acquire ordinary shares at a previously determined fixed exercise price (US$1.00) on a certain exercise date determined by the allocation committee, but in no event later than 10 years from grant date. In the event that the share market price exceeds the exercise price on exercise date, the title holder realizes a gain in the amount of the difference. If the market price is below the exercise price, the options expire. The option holders are required to fulfill certain vesting conditions (e.g. continued service with the Company) within the determined vesting period.

IFRS requires the realization of granted share-based payments to the Statement of Comprehensive Income.

The total cost results from the multiplication of the fair value of the options at grant date by the expected number of options fulfilling the conditions. If the options can be exercised immediately at grant date without a vesting period, the costs are recognized immediately. If certain vesting conditions are required to be fulfilled for the exercise of the options, the total costs are distributed over the vesting period. Cancellations by the employees or the early settlement in cash or cash equivalents during the vesting period results in an adjustment of the costs still to be distributed over the remaining periods. The assumptions are quoted under the Note 27. "Stock Option Plans".

NEW PRONOUNCEMENTS

The amendments to existing IAS as well as new IFRS and IFRIC interpretations, as adopted by the European Union, were applied when compiling the Consolidated Financial Statements. The amendments to existing or new standards and interpretations already adopted for application by the European Union, which were issued but are not yet effective as at December 31, 2007 were – with the exception of the Standard IFRS 8 "Operating Segments" published on November 30, 2006 and endorsed on November 22, 2007 – not voluntarily applied ahead of the effective date.

Standards and Interpretations to be applied in the Current Fiscal Year

On August 18, 2005 the IASB published the Amendment to Amendments to **IAS 1 "Presentation of Financial Statements"**. These provide for additional disclosures in respect of the equity of enterprises, a.o. relating to capital structure, the maintenance and control of capital by the enterprises management as well as to possible legal supervisory regulations with regard to the capitalization. The European Union adopted the amendment to IAS 1 on January 27, 2006. The amendments are applicable to reporting periods beginning on or after January 1, 2007. The first-time adoption led to additional disclosures in these Consolidated Financial Statements.

On August 18, 2005 the IASB published the Standard **IFRS 7 "Financial Instruments: Disclosures"**. This standard complements the principles for the publication of financial instruments hitherto published under IAS 32 and IAS 39. The European Union adopted the standard on January 1, 2007. The standard is applicable to reporting periods beginning on or after January 1, 2007. The application led to extensive additional disclosures in the Consolidated Financial Statements.

On July 20, 2006 the IASB published the Interpretation **IFRIC 10 "Interim Financial Reporting and Impairment"**, which the European Union adopted on June 1, 2007. The interpretation IFRIC 10 addresses the interaction between the requirements of IAS 34 and the recognition of impairment losses on goodwill in IAS 36 and certain financial assets in IAS 39, and the effect of that interaction on subsequent interim and annual financial statements. The application of IFRIC 10 is compulsory for fiscal years beginning on or after November 1, 2006. The application did not lead to changes in the disclosures in the Consolidated Financial Statements.

Voluntary Early Adoption of Standards and Interpretations

On November 30, 2006 the IASB published the Standard **IFRS 8 "Operating Segments"**. IFRS 8 replaces the hitherto relevant IAS 14 Segment Reporting. Except for minimal terminological amendments the wording of the corresponding US-GAAP Standard SFAS 131 was completely taken over by IFRS 8. The Standard was adopted by the European Union on November 21, 2007 and its amendment is compulsory for fiscal years beginning on or after January 1, 2009. The Company applies the principles of this standard voluntarily ahead of the effective date in its Consolidated Financial Statements for the fiscal year 2007. The early application of the standard resulted in a reduced scope of the disclosure in respect of the reporting according to the secondary segmentation, i.e. the segment reporting according to geographic regions.

Published Standards und Interpretations Not Yet Applied

As at reporting date the following Interpretations – apart from the Standard 8 "Segment Reporting" which the Company applied voluntarily ahead of the effective date – had already been published and adopted by the European Union; their application however not yet being compulsory.

On November 2, 2006 the IFRIC Committee published the Interpretation **IFRIC 11 "Group and Treasury Share Transactions"**. The interpretation aims to clarify the application of IFRS 2 "Share-Based Payment" on payment with equity instruments and with equity instruments of a different group company. It provides guidance on the questions of how share-based payment arrangements across the group are to be recognized, what the implications of employee movements within the group are, and how share-based payment transactions involving an entity's own equity instruments and those which it needs to acquire from a third party or which need to be granted by the shareholders are to be accounted for. The European Union adopted the Interpretation on June 1, 2007. The interpretation is to be applied for annual periods beginning on or after March 1, 2007. The adoption of this standard is not expected to have any impact on the financial statements of the Group.

SEGMENT REPORTING

SEGMENT REPORTING ACCORDING TO BUSINESS UNITS

The segmentation comprises the allocation of reportable data according to the business units of the Company.

The business segments are determined based on the Group's management and internal reporting structure. These strategic units offer different products and services and are managed separately because they require different technology, sales and marketing strategies.

The existing business units of the Company are positioned into the three Lines of Business (LoBs) IdM (Identity Management), DCI (Data Center Infrastructure) and ECM (Enterprise Content Management) with individual market-driven strategies for each.

The delimitation of the business units is in accordance with the product- and solutions- oriented market segmentation customary in the IT market. Strategically responsive structures, transparency and effective marketing establish Beta Systems' position as strategic supplier in three critical key areas of the IT infrastructure business.

The structure of the LoBs is oriented towards the respective 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. Marketing-, sales- and service functions are also allocated directly to each particular LoB. The LoB-manager operates as entrepreneur, taking the responsibility for the global success of his business.

This structure achieves great proximity with client enterprises and a high level of specialization within the Company's sales and service teams in order to tailor their activities accurately to the specific requirements of the different market sectors. The effect is the fast reaction to customer demand, great flexibility in meeting specific requirements as well as accelerated decision-making processes and pronounced entrepreneurship within the organization. Highly efficient general business processes and the "go-to-market" process, as well as close strategic partnership with the customer as a result of allocation of the marketing-, sales- and service activities to the LoBs count among the advantages that accrue.

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.

Under the LoB-structure described above the functional areas Sales and Service are directly allocated to the LoBs. Simultaneously the internal cost allocation of the functional areas is in operation – this allows for a "fair according to the input involved" allocation of the costs for the functional areas Sales and Service.

The revenue-relevant settlement of revenues realized between the business segments are allocated, as is shown in the following table in the "Cross Section" column, directly to the LoBs and subsequently eliminated. Inter-segment sales are transacted on the basis of the arm's length terms and conditions. Cost of Revenues and Operating Expenses incurred by the business segments, but not directly allocable to these, are accounted for and also disclosed in the "Cross Section" column in the table.

January 1 to December 31, 2006	DCI	IdM	ECM	Cross Section	Total Group
Revenues with Customers	35,400	9,647	51,574	-	96,621
… Intersegment Revenues	24	340	654	(1,018)	-
Total Revenues	**35,424**	**9,987**	**52,228**	**(1,018)**	**96,621**
Cost of Revenues and Operating Expenses of the Business Segments	(21,052)	(16,975)	(59,134)	1,721	(95,440)
Segment Income (Loss) for the Year	**14,372**	**(6,988)**	**(6,906)**	**703**	**1,181**
Interest Income	13	-	-	-	13
Interest Expenses	-	-	(823)	-	(823)
Capital Investment Expenditures for Fixed and Intangible Assets	(631)	(172)	(920)	-	(1,723)
Total Carrying Amount of Segment Assets	25,475	6,942	37,115	-	69,532
Segment Liabilities	20,716	5,645	30,181	-	56,542
Scheduled Depreciation and Amortization	(1,629)	(444)	(2,374)	-	(4,447)
Impairment Losses	-	(1,286)	-	-	(1,286)
Material Non-Cash Expenses (except Depreciation and Amortization)	-	-	(3,987)	-	(3,987)

January 1 to December 31, 2007	DCI	IdM	ECM	Cross Section	Total Group
Revenues with Customers	37,063	9,998	41,535	-	88,596
… Intersegment Revenues	35	127	26	(188)	-
Total Revenues	**37,098**	**10,125**	**41,561**	**(188)**	**88,596**
Cost of Revenues and Operating Expenses of the Business Segments	(21,865)	(11,893)	(40,589)	(604)	(74,951)
Segment Income (Loss) for the Year	**15,233**	**(1,768)**	**972**	**(792)**	**13,645**
Interest Income	76	-	-	-	76
Interest Expenses	-	-	(991)	-	(991)
Capital Investment Expenditures for Fixed and Intangible Assets	(743)	(200)	(832)	-	(1,775)
Total Carrying Amount of Segment Assets	29,036	7,833	32,539	-	69,408
Segment Liabilities	19,116	5,157	21,422	-	45,695
Scheduled Depreciation and Amortization	(1,488)	(402)	(1,668)	-	(3,558)
Impairment Losses	-	-	-	-	-
Material Non-Cash Expenses (except Depreciation and Amortization)	-	-	-	-	-

The accounting policies of the operating segments are the same as those described in the "Significant Accounting Policies and Valuation Methods" and were retained unchanged from those applied during the prior year.

The total carrying amount of the Company's assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Investments, long-term borrowings, corporate assets (primarily the Company's headquarters) and related expenses, as well as the scheduled allocation of depreciation and amortization, income tax assets and liabilities are allocated on the basis of the reported Segment Revenues with Customers. Segment capital expenditure is the total cost incurred to acquire fixed and intangible assets other than goodwill.

The material non-cash expenses for the fiscal year 2006 comprise severance payments.

As for purposes of internal reporting and steering of the Company not all costs are allocated to the operating Results generated by the LoBs - i.e. certain Cost of Revenues, General Administrative Expenses, Severance Payments as well as Sundry Income and Other Expenses - a reconciliation of the results of the business segments to the Company's consolidated totals is as follows:

January 1 to December 31	2006	2007
Total Segment Income for the Year	1,181	13,645
Unallocated Overhead Costs		
• Cost of Revenues	(1,613)	(643)
• General Administrative Expenses	(10,770)	(7,581)
• Severance Payments	(4,179)	-
Sundry Income	598	848
Other Expenses	(819)	(450)
Operating Result	**(15,602)**	**5,819**
Finance Result	(810)	(915)
Result before Income Taxes	**(16,412)**	**4,904**
Income Taxes	(1,978)	(2,594)
Income (Loss) for the Year	**(18,390)**	**2,310**

The analysis of sales revenues according to the geographical location into markets in Germany, other European countries, America, Africa and the Rest of the World as well as corresponding disclosures relating to the non-current assets in these regions as at reporting date is as follows:

January 1 to December 31, 2006	Germany	Other Europe	America	Africa and RoW	Total
Total Revenues, as disclosed	**50,144**	**33,720**	**5,913**	**6,844**	**96,621**
Non-Current Assets, excluding Deferred Tax Assets	10,637	157	668	125	11,587
Deferred Tax Assets	7,104	190	655	-	7,949
Employee Benefits	2,939	-	-	-	2,939

January 1 to December 31, 2007	Germany	Other Europe	America	Africa and RoW	Total
Total Revenues, as disclosed	**52,597**	**25,564**	**4,932**	**5,503**	**88,596**
Non-Current Assets, excluding Deferred Tax Assets	7,153	1,303	709	105	9,270
Deferred Tax Assets	6,879	3	726	36	7,644
Employee Benefits	2,921	-	-	-	2,921

The management of the risks and uncertainties which may have a negative effect on the economic success of the Company's business segments is described in detail under the heading "Outlook" within the "Combined Management Report".

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

1. SIGNIFICANT OPERATING EXPENSES IN FISCAL YEAR 2006

The operating result of the comparative period comprises non-recurring expenses.

Non-Recurring Operating Expenses included in the Operating Result for Fiscal Year 2006	Position as disclosed	Non-Recurring Expenses included therein
Cost of Revenues	54,041	4,484
Selling Expenses	30,154	993
General and Administrative Expenses	10,770	1,886
Research and Development Expenses	12,858	249
Severance Payments	4,179	4,179
Total Cost of Revenues and Operating Expenses	**112,002**	**11,791**

In connection with the sale of the Kleindienst Scanner GmbH non-recurring expenses in the amount of T€ 2,333 resulted in fiscal year 2006. This amount is included in the cost of revenues. Additionally the commencement of the liquidation of the Polish subsidiary resulted in non-recurring expenses in the amount of T€ 292. Furthermore the early termination of the tenancy agreement over the business premises in Augsburg is included in this position in the amount of T€ 573.

Further non-recurring expenses in the amount of T€ 1,286 are included in the Cost of Revenues in respect of the Amortization of Intangible Assets and Goodwill and result from the valuation allowance recorded in connection with an impairment test conducted as at December 31, 2006. This is described in detail under the Note 14. "Goodwill".

Included in the Selling Expenses is an amount of T€ 830 for a product refund relating to a product purchase in the year 2004 granted to a major German customer in terms of fair dealing considerations. Apart from that costs in connection with the termination and execution of the lease agreement and the relocation of offices in Augsburg led to a non-recurring effect in the amount of T€ 163.

The non-recurring expenses included in the General and Administrative Expenses relate to non-recurring expenses in the amount of T€ 1,004 for corporate consulting in connection with the strategic realignment undertaken. Furthermore, costs in connection with the sale of the Kleindienst Scanner GmbH arose in the amount of T€ 724. Further costs in the amount of T€ 11 in connection with the early termination of the tenancy agreement over the business premises in Augsburg as well as other expenses in the amount of T€ 147 resulted.

The proportionate non-recurring expenses included in the Research and Development Expenses can be ascribed to the early termination of the tenancy agreement over the business premises in Augsburg.

Comprehensive disclosures and details on the Severance Payments are disclosed under the Note 2. "Restructuring".

2. RESTRUCTURING

Restructuring Costs

The strategy formulated by the management of the Company for fiscal year 2005, "Growth and Profit 2005" ("GaP'05") program, included the implementation of plans to realize far-reaching cost saving potential. Measures to reduce operating expenses group-wide by streamlining the organizational- and cost structures as well as the measures introduced to increase the efficiency in the administration-, sales- and development areas were introduced during the fiscal year 2005.

In fiscal year 2006 the corporate restructure was supplemented by identified optimization measures. With the exclusion of the employees transferred to the Kleindienst Scanner GmbH in connection with the sale this essentially comprised the downsizing and reorganization of the sales and distribution structure in the subsidiaries.

In fiscal year 2006 the staff reduction plan affected altogether 43 employees: 4 employees from the Berlin location, 28 employees from Augsburg, 2 employees from Köln and 9 employees from foreign subsidiaries left the Company during the fiscal year 2006. The employees were allocated to the following operational areas:

• Sales and Service	19 employees
• Administration and Shipping	13 employees
• Research and Development	4 employees
• Manufacture	7 employees

The restructuring measures affected all the business segments.

As at December 31, 2006 costs for severance payments were disclosed separately in the operating expenses in the Statement of Comprehensive Income. They would have been allocated to the operating expenses as follows:

December 31	2006
Cost of Revenues	1,655
Selling Expenses	1,182
General and Administrative Expenses	748
Research and Development Expenses	594
Total Severance Payments	**4,179**

The severance payments detailed above relate in total to costs for severance and release period payments.

The development of the provision for severance payments during the fiscal year 2007 is as follows:

December 31 Development of the Accrual	2006	2007
Balance as at January 1	2,197	2,615
Appropriation	4,179	-
Recognition	(3,761)	(2,007)
Reversal	-	(239)
Balance as at December 31	**2,615**	**369**

The provision for these severance payments will result in cash outflows during the fiscal year 2008.

3. SUNDRY INCOME

The Sundry Income is composed of:

December 31	2006	2007
Gain from Foreign Currency Translations, net	-	151
Income from the Reversal of Provisions and Liabilities	292	299
Gain on Disposal of Property, Plant & Equipment	12	7
Income from Insurance Claims	9	10
Other Income	285	381
Sundry Income	**598**	**848**

4. OTHER EXPENSES

The Other Expenses are composed of:

December 31	2006	2007
Loss from Foreign Currency Translations, net	(273)	-
Loss on Disposal of Property, Plant & Equipment	(235)	(93)
Loss from Other Operating Taxes	(115)	(91)
Sundry Expenses	(196)	(266)
Other Expenses	**(819)**	**(450)**

5. FINANCE RESULT

December 31	2006	2007
Interest Income on Call Deposits at Banks	13	76
Interest Income	**13**	**76**
Interest Expense on Current Operating Facilities at Banks	(282)	(276)
Interest Expense on Finance Leasing	(24)	(44)
Discount on Long-Term Trade Receivables	(301)	(416)
Interest Expense on Long-Term Borrowings	(216)	(141)
Other Interest	-	(114)
Interest Expenses	**(823)**	**(991)**
Finance Result	**(810)**	**(915)**

The above includes no interest income or interest expenses in respect of financial assets and liabilities not measured at fair value through profit or loss.

6. INCOME TAXES

The Result before Income Taxes is attributable to the following geographic locations:

December 31	2006	2007
Germany	(17,331)	4,026
Abroad	919	878
Result before Income Taxes	**(16,412)**	**4,904**

The income tax expenses are attributable as follows:

December 31	2006	2007
Current Taxes		
• Germany	742	(110)
• Abroad	304	703
Total Current Taxes	**1,046**	**593**
Deferred Taxes		
• Germany	663	2,425
• Abroad	269	(424)
Total Deferred Taxes	**932**	**2,001**
Total Corporate Taxes	**1,978**	**2,594**

Since the year 2004 the corporate tax rate on undistributed earnings and on distributed earnings is 25.0%. In addition a solidarity surcharge of 5.5% is levied on the corporate tax liability established.

A deferred tax expense affecting net income in the amount of T€ 1,195 resulted for the Company from the change in the tax law for 2008 ff.

A reconciliation of income taxes determined using the German federal statutory rate of 26.38% plus the federal trade taxes of 17.30% for a combined statutory rate of 39.11% is as follows:

December 31	2006	2007
Expected Tax Expenses	(6,362)	1,917
Non-Deductible Operating Expenses	172	142
Unrealized Losses of the Current Fiscal Year	6,068	1,249
Temporary Differences in the Recognition of Expenses	959	(515)
Tax Effects resulting from Change in Tax Rate	-	(17)
Deferred Taxes resulting from the Change in Recognized Losses	1,022	-
Withholding Taxes	(142)	48
Other	261	(230)
Actual Income Tax Expense	**1,978**	**2,594**
Effective Corporate Tax Rate	**12.1%**	**52.9%**

Deferred income tax assets and liabilities are summarized as follows:

December 31	2006	2007
Deferred Tax Assets relating to:		
• Accumulated Net Operating Losses	7,379	6,633
• Property, Plant & Equipment	-	17
• Pension Obligations	360	203
• Unrealized Foreign Currency Losses	210	196
• Deferred Expenses	-	595
Total Deferred Tax Assets	**7,949**	**7,644**
Deferred Tax Liabilities relating to:		
• Trade Receivables	(4,399)	(5,773)
• Capitalized Software Development Costs	(663)	(291)
• Deferred Revenues	91	-
• Work in Process Project Orders (POC)	(742)	(732)
• Property, Plant & Equipment	(42)	(61)
• Other Liabilities	(38)	(381)
Total Deferred Tax Liabilities	**(5,793)**	**(7,238)**
Net Deferred Tax Assets as per Balance Sheet	**2,156**	**406**

In assessing the possible realization of deferred tax assets on accumulated net operating losses, the Management Board considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible.

The German accumulated net operating losses do not expire, while the American accumulated net operating losses expire in 2025. Utilization of the accumulated losses in Germany is set at a maximum of T€ 1,000 per annum. A net taxable income in excess is only recognizable at 60% with the accumulated net operating losses. Further accumulated net operating losses exist in the subsidiaries in Spain, Great Britain and Sweden.

The deferred taxes resulting from the accumulated net operating losses recognized as likely in the amount of T€ 6,633 (2006: T€ 7,379) apply to Beta Systems Software AG (parent company) in the amount of T€ 6,339 (2006: T€ 7,232) and to Beta Systems Software of North America, Inc. in the amount of T€ 294 (2006: T€ 147). For the parent company accumulated net corporate operating losses in the amount of T€ 18,440 (2006: T€ 18,237) and accumulated net trade losses in the amount of T€ 21,049 (2006: T€ 19,018) were assumed.

Only those accumulated net operating losses which are likely to be realized within five years were recognized. During 2008 trade tax losses in the amount of T€ 4,202 and corporate tax losses in the amount of T€ 3,748 will probably be realized.

The Company presently deems accumulated net corporate operating losses in Germany in the amount of T€ 54,419 (2006: T€ 47,143) and accumulated net trade losses in the amount of T€ 54,668 (2006: T€ 49,847) as not realizable. The deferred tax assets would amount to T€ 16,893 (2006: T€ 19,155).

Further non-realizable deferred tax assets for accumulated net operating losses and timing differences exist in the subsidiaries in the USA in the amount of T€ 1,672 (2006: T€ 1,694) and in Canada in the amount of T€ 3,142 (2006: T€ 2,041).

The underlying assumptions with respect to the extent of the realizable net operating losses and the taxation rates are described in detail above.

7. EARNINGS PER ORDINARY SHARE

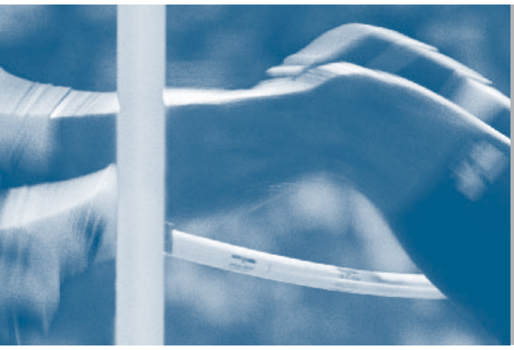
The earnings per ordinary share were calculated by dividing the profit (loss) for the year attributable to the shareholders of the Company by the weighted average number of ordinary shares in circulation during the fiscal year. No option rights to the purchase of new ordinary shares, which would influence the net earnings per ordinary share, existed.

Earnings per Ordinary Share as disclosed December 31	2006	2007
Weighted Average Number of Ordinary Shares Outstanding		
Number of Ordinary Shares, basic and diluted	8,738,666	9,430,418
Income (Loss) for the Year attributable to the Shareholders of the Parent Company		
Thousand €	(18,390)	2,310
Earnings per Ordinary Share € per Ordinary Share, basic and diluted	**(2.10)**	**0.24**

A reconciliation of the weighted average number of ordinary shares outstanding used as a denominator in calculating basic and diluted earnings per ordinary shares is as follows:

Weighted Average Number of Ordinary Shares Outstanding	Days in Circulation	2006	2007
Balance as at January 1, 2006	365	8,738,666	
Balance as at December 31, 2006	**365**	**8,738,666**	
Balance as at January 1, 2007	308		8,738,666
November 5, 2007	57		4,429,638
Balance as at December 31, 2007	**365**		**13,168,304**
Weighted Average Number of Ordinary Shares Outstanding		**8,738,666**	**9,430,418**

The timing of the inclusion of the ordinary shares was determined by the terms and conditions attaching to their issue. The ordinary shares which were issued in exchange for cash were included when the cash was received and the shares were released for trading.



NOTES TO THE STATEMENT OF FINANCIAL POSITION

8. CASH

Cash comprises cash on hand in the amount of T€ 8 and demand deposits held at banks in the amount of T€ 3,168.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed under the Note 28. "Financial Risk Management".

9. TRADE RECEIVABLES

The measurement of the trade receivables is based on the amount of the future benefit which will be realized by the Company. Principally, the trade receivables are valued individually according to their respective expected cash inflow.

The valuation allowance relates exclusively to trade receivables overdue for payment.

The Company's customer base substantially comprises customers from the banking and insurance sectors and key accounts from the industrial sector. These have, in the majority of cases, an Investment Grade Rating; in conclusion the trade receivables inventory is not afflicted with any material credit losses.

The discounted value of Trade Receivables with a maturity of more than one year, included in the total value of the Trade Receivables, amounts to T€ 10,909 (2006: T€ 6,941). The interest rate applied is 5.0% p.a. (2006: 5.0% p.a.).

The maturity of the receivables as at reporting date is as follows:

As at December 31	2006	2007
2008	3,501	-
2009	2,486	5,457
2010	612	3,456
2011	259	1,235
2012	83	732
2013	-	29
Long-Term Trade Receivables	**6,941**	**10,909**

The carrying amount of the Trade Receivables, which were assigned as collateral for a long-term debt due to the Deutsche Bank AG in the form of a global cession, amounts to T€ 15,586 as at December 31, 2007 (2006: T€ 21,757).

The Group's exposure to credit and currency risks and impairment losses related to trade receivables are disclosed under the Note 28. "Financial Risk Management".

10. IN PROCESS PROJECT ORDERS (POC)

December 31	2006	2007
Order Revenues realized: Gross POC Inventory	8,070	8,939
Total Revenues in the Reporting Period	16,064	28,301
Total Costs accrued i.r.o. Gross POC Inventory	(5,169)	(5,937)
Total Costs in the Reporting Period	(13,163)	(25,299)
Disclosed Project Income	**2,901**	**3,002**
Progress Payments Received	(4,290)	(4,061)
In Process Project Orders (POC)	**3,780**	**4,878**

The In Process Project Orders (POC) are recognized in the Statement of Financial Position during the construction phase at construction costs including margin.

Accounting estimates used in the measurement of the In Process Project Orders (POC) are based on prospective assumptions in connection with the planned costs and the percentage of completion for the individual projects. These assumptions are based on long standing experience with regards to the extent and cost of consulting services required as well as on the basis of reliably determinable market values for the procurement of necessary hardware.

In Process Project Orders (POC) for which advance payments and progress payments in excess of the values for which revenues have been recognized were received as at reporting date are contained with a liability balance in the amount of T€ 290 (2006: T€ 472) under the position "Advance Payments Received (POC)" in the Statement of Financial Position as at December 31, 2007.

The In Process Project Orders (POC) reported as at December 31, 2007 will presumably be completed within one year.

11. INVENTORIES

December 31	2006	2007
Production Supplies and Materials	4,546	4,418
Finished Goods	339	177
Subtotal	**4,885**	**4,595**
Valuation Allowances	(1,196)	(1,253)
Total Carrying Amount of Inventories	**3,689**	**3,342**

The gross value of the value-adjusted inventories amounted to T€ 1,467 (2006: T€ 2,435). The increase in the valuation allowance was recognized as an expense in fiscal year 2007.

No valuation gains were recognized for the inventories. Pledging as collateral for liabilities did not exist.

Accounting estimates used in the measurement of inventories are based on prospective assumptions with reference to the range of coverage of these inventories. This is determined on the basis of the average change in inventories of the preceding year.

Purchases, including the change in inventory, are included in the amount of T€ 6,178 in the cost of revenues (2006: T€ 14,830).

12. OTHER CURRENT ASSETS

December 31	2006	2007
Prepaid Expenses & Deferred Charges	1,360	1,426
Derivative Financial Instruments	12	125
Foreign Sales Tax Benefit	95	26
Purchase Price Receivable Scanner GmbH	2,061	-
Sundry Current Assets	446	609
Other Current Assets	**3,974**	**2,186**

Derivate Financial Instruments

In fiscal year 2007 the Company entered into foreign currency forward contracts in order to cover foreign currency risks related to USD-receivables and CAD-payables. As at December 31, 2007 six open USD-positions from forward currency agreements with a total volume in the amount of TUSD 2,200 and twelve open CAD-positions from forward currency agreements with a total volume in the amount of TCAD 1,800 exist (2006: none). The fair value of the derivative financial instruments amounted to T€ 113 as at December 31, 2007 (2006: T€ 0).

As at reporting date an interest cap, the conditions of which are in coordination with the interest liability structure of an investment loan, exists on the basis of a variable yield (3-months-EURIBOR). The interest cap guarantees a maximum interest rate of 3.00% until December 31, 2008. The fair value of this interest cap amounted to T€ 12 as at December 31, 2007 (2006: T€ 12).

Accounting estimates used in the measurement of the derivative financial instruments are based on prospective assumptions with reference to the development of the foreign currency exchange rates. The valuations are determined on the basis of customary actuarial valuation methods; the material assumptions are estimates in connection with the development of interest rates in the currency areas USA, Canada and Germany. These are based on the usual market swap rates.

The Group's exposure to credit, currency and interest rate risks related to derivative financial instruments are disclosed under "Financial Risk Management".

Other assets with an expected maturity of more than one year are recognized in the Statement of Financial Position under the position "Other Non-Current Assets".

13. PROPERTY, PLANT & EQUIPMENT

December 31	2006	2007
Acquisition Costs		
• Computer Equipment	12,274	12,751
• Leasehold Improvements	1,914	1,914
• Facilities and Office Equipment	3,129	2,833
Acquisition Costs	**17,317**	**17,498**
Accumulated Scheduled Depreciation	(12,457)	(13,296)
Property, Plant & Equipment, net	**4,860**	**4,202**

Scheduled depreciation expenses charged to the Statement of Comprehensive Income amounted to T€ 2,001 in fiscal year 2007 (2006: T€ 2,884) and as follows:

December 31	2006	2007
Cost of Revenues	780	398
Selling Expenses	281	248
General & Administrative Expenses	1,223	755
Research & Development Expenses	600	600
Scheduled Depreciation Expenses	**2,884**	**2,001**

The Company leases computer and office equipment under a number of finance lease agreements. These are described in detail under the heading "Short-Term Finance and Finance Leasing". As at December 31, 2007, the net carrying amount of equipment subject to finance leasing was T€ 1,058 (2006: T€ 605).

Accounting estimates used in the measurement of property, plant & equipment are based on prospective assumptions with reference to the expected economic useful lives of these assets. These are described in detail under the heading "Property, Plant & Equipment" within the "Accounting Policies and Valuation Methods".

The development of the carrying amounts from the beginning to the end of the reporting period, separately detailing additions, disposals and exchange differences, are presented in the table on page 81 "Development of the Group's Fixed and Intangible Assets".

14. GOODWILL

December 31	2006	2007
Goodwill		
• Acquisition Costs	2,809	2,774
• Valuation Allowance	(1,287)	(1,252)
Goodwill, net	**1,522**	**1,522**

The acquisition costs result from the Asset Deal with the SYSTOR Security Solutions GmbH in fiscal year 2003 in the amount of T€ 1,252 (Goodwill I) (2006:T€ 1,287) and the acquisition of the Kleindienst Datentechnik AG in fiscal year 2004 in the amount of T€ 1,522 (Goodwill II) (2006: T€ 1,522). The variance in the acquisition costs of the goodwill results from a foreign currency difference of the Goodwill I in the amount of T€ 35 (2006: T€ 37). The Goodwill I was allocated to the business unit Identity Management (IdM), the Goodwill II to the business unit Enterprise Content Management (ECM).

Based on the business budget for 2007 to 2011 an impairment test was conducted in fiscal year 2006 as at reporting date. This resulted in a valuation allowance of the SYSTOR Goodwill in the full amount. The valuation loss in fiscal year 2006 in respect of the Goodwill I is included in the Cost of Revenues in the comparative reporting period.

The valuation of the Goodwill I in fiscal year 2006 was established on the basis of the expected discounted net future cash inflows attributable to the assets. For the budget of the expected cash inflows the Company adopted the assumptions of a range of between 5% p.a. and 10% p.a. regarding the revenue increases customary for the trade in the business segments for the following years and applied a capital interest rate in the amount of 20% p.a.

The valuation of the Goodwill as at reporting date for the fiscal year 2007 was established on the basis of the expected discounted net future cash inflows attributable to the assets. For the forecast of the expected cash inflows the Company adopted the assumptions of a range of between 5% p.a. and 10% p.a. (2006: 5% p.a. and 10% p.a.) regarding the revenue increases customary for the trade in the business segments for the following years from 2008 to 2012 and applied a capital interest rate in the amount of 15% p.a. (2006: 15% p.a.).

The estimated growth rate forecast for the expected cash inflows beyond 2012 amounts to 0% (2006: 0%).

The assumptions are based on the expectations of the Company's management in reference to the future development of the Company's business. These expectations draw on empirical values for the fiscal year 2007, on external market studies and on the expected general developments of future economic conditions.

Impairment testing as at December 31, 2007 did not result in a requirement to recognize an impairment loss in respect of Goodwill II.

The development of the carrying amounts from the beginning to the end of the reporting period, separately detailing additions, disposals and exchange differences, are presented in the table on page 81 "Development of the Group's Fixed and Intangible Assets".

15. OTHER INTANGIBLE ASSETS

December 31	2006	2007
License Rights		
• Acquisition Costs	3,611	3,611
• Accumulated Amortization	(2,524)	(2,843)
Other Intangible Assets, net	**1,087**	**768**

Other Intangible Assets essentially comprise the product rights for the product suite SAM (Security Administration Manager). This constitutes software for the administration of digital IT user rights and software licenses.

During fiscal year 2005 license rights in the amount of T€ 2,167 were acquired. This acquisition essentially comprised the product rights for the new SAM Enterprise Single Sign-On product ("SAM eSSO") and was allocated to the Identity Management business segment (IdM). The acquisition costs consisted of a revenue-dependent purchase price payment in the amount of T€ 1,100 valid until the year 2010. The Company is liable to settle the purchase price by making payment in the amount of 20% of the annual revenues realized with this product.

Following a re-assessment conducted in fiscal year 2006 in respect of revenue expectations until the year 2010 the revenue-dependent purchase price component was reduced by T€ 846 and stipulated at an amount of T€ 254. The carrying amount of the intangible asset amounts to T€ 755 as at December 31, 2006 (2006: T€ 1,014). This amount will be amortized on a straight-line basis over the estimated remaining useful life until the year 2010. The outstanding liability in respect of the purchase amounts to T€ 293 as at December 31, 2007 (2006: T€ 293).

Beta Systems Software AG assumes annual revenue increases with this product in the amount of 10% (2005: 20%). The fair value is determined on the basis of the expected discounted cash outflows.

The scheduled amortization expense included in the operating expenses under the Cost of Revenues in fiscal year 2007 amounted to a total amount of T€ 319 (2006: T€ 327).

The expected scheduled allocation of amortization expense for the next years is as follows:

At December 31	
2008	272
2009	259
2010	237
Total Expected Amortization Expense	**768**

The Company conducted an impairment test for its other intangible assets as at reporting date. The valuation of the other intangible assets was established on the basis of the expected discounted net future cash inflows attributable to the assets. For the forecast of the expected cash inflows the Company adopted the assumptions of a range of between 5% p.a. and 10% p.a. (2006: 5% p.a. and 10% p.a.) regarding the revenue increases customary for the trade in the business segments for the following years from 2008 to 2010, by business segment as the case may be, and applied a capital interest rate in the amount of 15% p.a. (2006: 15% p.a.).

The computation of the expected cash flows was performed for a period of three years, corresponding to the remaining useful life of the other intangible assets.

The assumptions are based on the expectations of the Company's management in reference to the future development of the Company's business. These expectations draw on empirical values for the fiscal year 2007, on external market studies and on the expected general developments of future economic conditions.

A requirement to recognize an impairment loss did not result.

The development of the carrying amounts from the beginning to the end of the reporting period, separately detailing additions, disposals and exchange differences, are presented in the table on page 81 "Development of the Group's Fixed and Intangible Assets".

16. ACQUIRED SOFTWARE PRODUCT RIGHTS

December 31	2006	2007
Acquired Software Product Rights		
• Acquisition Costs	6,362	6,363
• Accumulated Amortization	(3,526)	(4,764)
Acquired Software Product Rights, net	**2,836**	**1,599**

The acquired software product rights comprise the product rights for the software in the business unit ECM. The core function of the software is the recognition, processing and the archiving of document-based information.

Investments for acquired software product rights in fiscal year 2007 amounted to T€ 0 (2006: T€ 13). The variance in the acquisition costs of the software product rights compared with the prior year results from a foreign currency difference in the amount of T€ 1 (2006: T€ 3). Amortization expenses related to acquired software costs amounted to T€ 1,238 in fiscal year 2007 (2006: T€ 1,236). The amortization expenses are included in total in the cost of revenues.

The expected scheduled allocation of amortization expense for the next years is as follows:

At December 31	
2008	1,031
2009	432
2010	133
2011	3
Total Expected Amortization Expense	**1,599**

The valuation was established on the basis of the acquisition costs less the scheduled allocation of amortization. A verification of the current carrying amounts of the acquired software product rights was established on the basis of the expected discounted net future cash inflows attributable to the software products. For the forecast of the expected cash inflows the Company adopted the assumptions of a range of between 5% p.a. and 10% p.a. (2006: 5% p.a. and 10% p.a.) regarding the revenue increases customary for the trade in the business segments for the following years from 2008 to 2012, by product and by business segment as the case may be, and applied a capital interest rate in the amount of 15% p.a. (2006: 15% p.a.).

The computation of the expected cash flows was performed for a period of three years, corresponding to the remaining useful life of the acquired software product rights.

The assumptions are based on the expectations of the Company's management in reference to the future development of the Company's business. These expectations draw on empirical values for the fiscal year 2007, on external market studies and on the expected general developments of future economic conditions.

A requirement to recognize an impairment loss did not result.

The development of the carrying amounts from the beginning to the end of the reporting period, separately detailing additions, disposals and exchange differences, are presented in the table on page 81"Development of the Group's Fixed and Intangible Assets".

17. OTHER NON-CURRENT ASSETS

December 31	2006	2007
Guarantee Deposits and Other Non-Current Assets	372	116
Cash Surrender Value of Insurance Policies	910	1,063
Other Non-Current Assets	**1,282**	**1,179**

The cash surrender value of the insurance policies was confirmed by the particular insurance companies.

18. SHORT-TERM FINANCE AND FINANCE LEASING

In addition to the long-term financing described in detail under the heading "Long-Term Borrowings" below, the Company made use of the following short-term credit facilities and finance leasing:

December 31	2006	2007
Deutsche Bank AG	673	351
Landesbank Berlin	2,987	2,642
Commerzbank AG	1,987	-
Dresdner Bank AG	2,425	2,365
Current Operating Liabilities due to Banks	**8,072**	**5,358**
Finance Lease Obligations	299	870
Current Installment of Long-Term Borrowings	2,000	2,000
Short-Term Finance and Finance Leasing	**10,371**	**8,228**

Current Operating Liabilities due to Banks

The repayment obligations for the short-term finance due to banking institutions are due within the next twelve months. The interest rate for the short-tem finance ranges between EURIBOR plus 1.00% p.a. and 7.75% p.a.

As at December 31, 2007 the Company has total short-term credit facilities available in an amount of T€ 9,500 (2006: T€ 12,500).

The granting of liabilities due to banking institutions is bound to the compliance with certain business performance indicators. In 2007 the Company could not meet all agreed terms and provision imposed by the lenders. No bank exercised any special termination rights. As at December 31, 2007 the Company fulfilled all obligations, and repaid all credit approvals.

The Group's exposure to interest rate and liquidity risks related to short-term finance and current operating liabilities due to banks are disclosed under the Note 28. "Financial Risk Management".

Finance Leasing

A long-term liability due to IBM resulted from the purchase in fiscal year 2004 of a data center system through a finance lease agreement. The lease arrangement was subject to interest at an average rate of 4.75% p.a. and matured in 2007. Pursuant to IAS 17 the Company capitalized the present value of the lease payments and recorded the same amount as long-term borrowings. As at December 31, 2007 the remaining obligation in respect of this acquisition amounts to a total of T€ 0 (2006: T€ 141).

Another lease obligation results from the purchase of a telephone system in 2004 for T€ 141. The acquisition costs of this fixed asset amounted to T€ 158. Monthly repayments in the amount of T€ 3 are due in payment of the finance lease for the telephone system until March 2009. As at December 31, 2007 the remaining obligation in respect of the finance lease for the telephone system amounts to T€ 38, inclusive of the current portion in the amount of T€ 30 (2006: T€ 66 viz. T€ 28) of this long-term finance lease.

During fiscal year 2005 a finance lease agreement was concluded with IBM for acquisition of mainframe computer equipment (Part I) in the amount of T€ 200. The lease arrangement is subject to interest at an average rate of 4.70% p.a. and matures in 2009. Pursuant to IAS 17 the Company has capitalized the present value of the lease payments and recorded the same amount as long-term borrowings. As at December 31, 2007 the remaining obligation in respect of this acquisition amounts to a total of T€ 76, inclusive of the current portion of this long-term finance lease in the amount of T€ 50 (2005: T€ 92 viz. T€ 36).

A further long-term liability due to IBM resulted from a further finance lease agreement resulting from extensions to the mainframe computer (Part II) in fiscal year 2007. The lease arrangement is subject to interest at an average rate of 5.00% p.a. and matures in 2012. The present value of the lease payments has been capitalized and recorded in the same amount as long-term borrowings. As at December 31, 2007 the remaining obligation in respect of this acquisition amounts to a total of T€ 756, inclusive of the current portion of this long-term finance lease in the amount of T€ 151.

Scheduled amortization in respect of these capitalized assets amounted to T€ 279 in 2007 (2006: T€ 258):

December 31	2006	2007
IBM Leasing Data Center	190	92
Telephone System	32	32
IBM Leasing Mainframe Computer (Part I)	36	36
IBM Leasing Mainframe Computer (Part 1I)	-	119
Scheduled Depreciation Expenses	**258**	**279**

Repayment terms for the Finance Leases are as follows:

At December 31	
2008	273
2009	242
2010	208
2011	208
2012	35
Sum of Future Lease Obligations	**966**
Less Interest Portion 2008	(42)
Less Interest Portion 2009 - 2012	(54)
Total Carrying Amount of Finance Leasing Obligations	**870**
Short-Term Portion of the Carrying Amount	**231**
Long-Term Portion of the Carrying Amount	**639**

Accounting estimates used in the measurement of the finance leasing are based on prospective assumptions in connection with the estimated economic useful life of the assets. These are described in detail under the heading "Property, Plant & Equipment" within the "Accounting Policies and Valuation Methods".

The Group's exposure to interest rate and liquidity risks related to finance lease obligations are disclosed under the Note 28. "Financial Risk Management".

19. DEFERRED INCOME

In compliance with the regulations on the realization of revenues this position comprises the revenues already billed but not yet realized, i.e. in respect of services from maintenance-, consulting- or service contracts still to be delivered.

20. CURRENT INCOME TAXES

Tax Liabilities

The provisions for liabilities in respect of corporate income taxes amount to T€ 470 as at reporting date (2006: T€ 1,622).

Tax Receivables

The receivables due in respect of corporate taxes amount to T€ 161 as at reporting date (2006: T€ 350). Additionally the Company is subject to withholding tax in various countries - these represent an allowable deduction from corporate taxes in the amount of T€ 107 as at reporting date (2006: T€ 130).

21. PROVISIONS

December 31	2006	2007
Accruals for Severance Payments	2,615	369
Warranty Liabilities	23	-
Provisions	**2,638**	**369**

Provisions for Severance Payments

This position comprises exclusively provisions for severance payments still due to employees affected by the staff reduction measures of the preceding year. Full details on the development of the provisions for severance payments are provided under the Note 2. "Restructuring".

The respective cash outflow is expected to be realized in fiscal year 2008. Uncertainty about the amount or the maturity of this provision does not exist as at reporting date.

Warranty Liabilities

On the basis of fair dealing considerations the Company provided a basic limited warranty with reference to one particular instance. The Company estimated the costs that could have been incurred under this limited warranty and recorded a liability in the amount of such costs in the probable amount at the time when the product revenue was realized. The Company periodically assesses the adequacy of its provisions and adjusts the amount as necessary.

During the fiscal year 2007 the unused amount of T€ 23 was reversed (In 2006 provisions in the amount of T€ 86 were used).

22. OTHER CURRENT LIABILITIES

December 31	2006	2007
Other Taxes and Social Security Payables	1,926	1,609
Deferred Payroll and Personnel Expenses	6,495	7,776
Outstanding Invoices for Goods and Services	2,287	607
Sundry Current Liabilities	1,877	1,787
Other Current Liabilities	**12,585**	**11,779**

Taxes and Social Security Payables

This position comprises liabilities due to the tax authorities for GST/VAT and for payroll taxes as well as payments due to social security institutions.

Deferred Payroll and Personnel Expenses

This position comprises holiday entitlements, overtime and flexi-time as well as provisions for sales commissions and incentive payments. Refunds due from travel expenses are also contained herein.

Outstanding Invoices for Goods and Services

Substantially included here are outstanding invoices for goods and services received and for legal-, auditing- and consulting services.

23. LONG-TERM BORROWINGS

As at December 31, 2007, a remaining portion of only T€ 2,000 with a short-term maturity remains on the books of Beta Systems AG in respect of its long-term borrowings (2006: T€ 4,000, T€ 2,000 thereof due short-term). As no refinancing obligation exists on the past of the lender, the remaining liability is classified as current and is included in the position "Short-Term Finance and Finance Leasing" in the Balance Sheet with corresponding Note 18. "Short-Term Finance and Finance Leasing"

Long-Term Borrowings

The balance in the amount of T€ 4,000 as at December 2006 in respect of the long-term borrowing taken up with the Dresdner Bank AG in fiscal year 2005 in the amount of T€ 6,000 was redeemed in full during fiscal year 2007. Concurrently the Company took up borrowings in the amount of T€ 3,500 with the Deutsche Bank AG in fiscal year 2007. The borrowing bears an interest rate of 1.25% p.a. above 3-months-EURIBOR and matures at the end of 2008. As security, a global cessation on all trade receivables due to Beta Systems Software AG (parent company) was assigned as collateral. Of the T€ 3,500, T€ 1,500 were due for repayment in fiscal year 2007. The balance of T€ 2,000 is due for repayment in equal quarterly installments of T€ 500 over the remainder of the term during the fiscal year 2008. As at December 31, 2007 the Company has no other long-term borrowing facilities available in addition to the borrowing above (2006: None in addition to the borrowing above).

	Balance December 31, 2006	Balance December 31, 2007
Dresdner Bank AG	2,000	-
Deutsche Bank AG	-	-
Long-Term Borrowings	**2,000**	**-**

The Group's exposure to interest rate and liquidity risks related to long-term borrowings are disclosed under the Note 28. "Financial Risk Management".

24. RETIREMENT BENEFITS

Pension obligations exist at Beta Systems Software AG on the basis of individual formal agreements and a general pension scheme.

These are included in the position "Employee Benefits".

The Company provides limited defined benefit pension benefits to one founder member and two former Management Board Members of Beta Systems Software AG. The benefits are based upon years of service and salary earned.

Although the Company is not required under German law to maintain separate plan assets, the Company maintains life insurance policies to cover its pension obligations. The cash surrender value of these policies, T€ 1,063 (2006: T€ 910), is included under the position "Other Non-Current Assets". The Company anticipates increasing its contributions by T€ 25 in fiscal year 2008 (2007: T€ 32) to fund the future plan obligations.

A general pension scheme exists for several former employees of the Kleindienst Datentechnik AG. These pension obligations arise from a bargaining agreement dated December 21, 1972 and appendices thereto. All employees who joined the services of the company on or before September 20, 1987 are eligible for benefit. The general pension scheme provides for the granting of an old-age pension after a 10-year service period with the company and following the attainment of the age of 65 viz. on receipt of the advanced old-age pension in the full amount from the legally regulated pension fund as well as the granting of a disability pension on termination following the attainment of the age of 58 on the grounds of a permanent disability in terms of the legally regulated pension fund.

Assumed discount rates and rates of increase in remuneration used in calculating the projected benefit obligations follows:

The calculations as at December 31, 2007 are based on the following assumptions:

December 31		2006	2007
Interest Rate		4.36%	5.39%
Pension Increases	Individual Agreements	2.00%	2.00%
	General Scheme	1.50%	1.50%
Salary Increases	Individual Agreements	none	none
	General Scheme	none	none
Fluctuations	Individual Agreements	none	none
	General Scheme	3.50%	3.50%
Retirement Age - Women		56.5 - 60	56.5 - 60
Retirement Age - Men		61.5 - 65	61.5 - 65

The decrements applied are based on the "Richttafeln 2005 G von Klaus Heubeck ".

The individual commitments are due to retired former employees of the Company. Salary increases are thus not relevant.

No increases in remuneration were considered in the calculation of the general scheme, as the monthly old-age and disability pensions are based on fixed, salary-independent pension components in the amount of T€ 2.76 for each year of service after the completed age of 30 years.

A reconciliation of the opening and closing balances of the present value of the defined benefit obligations in respect of post-employment benefits, showing the effects during the fiscal year for the applicable positions, follows:

December 31	2006	2007
Projected Benefit Obligations at the Beginning of the Year	1,907	1,890
Periodic Pension Costs:		
• Interest Cost on Projected Benefit Obligations	83	82
• Unrecognized Transitional Amount of Obligations and Prior Service Cost which will cease in the Event of an Improvement of an exisiting Commitment for completed Years of Service	(34)	(319)
• Current Service Cost for the Fiscal Year	39	32
• Actual Pension Payments during the Fiscal Year	(16)	(19)
• Reversal of Benefit Obligations	(89)	-
Projected Benefit Obligations at the End of the Year	**1,890**	**1,666**

The past service costs for fiscal year 2007, as well as for the prior year, amount to T€ 0. The current service cost is recognized through profit or loss and is included in the General & Administrative Expenses in the Statement of Comprehensive Income; the Interest Expenses are contained in the Finance Result. No actuarial gains or losses were recognized through profit or loss during the fiscal year 2007 (2006: T€ 31).

The development of the present value of the defined benefit obligation for the current and the previous four reporting periods is as follows:

Year	Defined Benefit Obligation
2003:	1,581
2004:	1,667
2005:	1,907
2006:	1,890
2007:	1,666

The following table sets forth the composition of the provision for the defined benefit pension plan:

December 31	2006	2007
Projected Benefit Obligations at the End of the Year	1,890	1,666
Unrecognized Actuarial Gains	138	457
Provision for Pension Obligations at the End of the Year	**2,028**	**2,123**

No past service costs are included in the unrecognized actuarial gains.

The valuation of the obligations as at December 31, 2007 was determined by independent actuarial method.

The Company also maintains a defined contribution plan at its subsidiary in the United Kingdom to which the Company made discretionary contributions of T€ 28 in 2007 (2006: T€ 34).

The accumulated benefit obligations viz. the defined benefit obligations (DBO) represent the pension obligations of the company excluding, viz. including assumed trends related to salary development. The calculation of the pension accrual on the basis of the defined benefit obligation for the first time after the pension accrual previously disclosed resulted in a difference which is being amortized over the average remaining service period of the beneficiaries. The unrecognized transition amount is the unamortized difference as at Statement of Financial Position date. The unrecognized net gain is the difference between the amount estimated previously and the actual amount of pension expenses determined afterward. The difference results from the deviations between the assumptions forming the basis of the calculations of the pension obligations and the actual development thereof.

Defined contributions into the statutory pension insurance in the amount of T€ 2,482 were recognized as an expense during the fiscal year (2006: T€ 2,646).

The prospective assumptions, on which the accounting estimates used in the measurement of the retirement benefits are based, are described in detail above.

25. TERMINATION BENEFITS

Furthermore, termination benefits in the amount of T€ 798 (2006: T€ 911) are included in "Employee Benefits".

No voluntary works council agreement exists for partial retirement in the Company. The employer effects certain payments to employees attaining the age of 57 years during the partial retirement period and a severance payment at the end of the partial retirement employment period. The obligations of the commitment legally come into force between the employer and the employee with the conclusion of a partial retirement agreement which is based on the trade agreement. Obligations resulting from the possibility of the claiming of partial retirement benefits by employees in the future are determined at each reporting date in accordance with IAS 19.140 on the basis of their present value (Defined Benefit Obligation - DBO), and under recognition of the respective extent of future probable claims.

The entitlement to a partial retirement agreement between the Company and the employer is precluded when, and as long as, 5% of the employees of the Company are making use of the a partial retirement agreement. Furthermore the utilization of partial retirement is subject to upper limits depending on age groups. During the entire partial retirement phase the employer accrues top-up amounts in accordance with the provisions of the AltTZG; at the end of the partial retirement employment period the employee receives a severance payment.

Obligations for the payment of future top-up amounts constitute so-called termination benefits in terms of IAS 19.7.

As a result of the definition and form of the partial retirement agreement settlement arrears accrue on the employer's side according to the block model during the employment phase in the amount of the not yet remunerated portion of the service performed. This fact is compensated for by means of the accrual of a liability, the value of which is determined on the basis of the present value. When compensation of the employee then occurs in accordance with the partial employment agreement, without the employee actually delivering corresponding performance, the utilization of the accrued liability is effected.

The following assumed discount rates and rates of increase in remuneration were used in calculating the present values of settlement arrears and top-up payments as at December 31, 2007:

December 31	2006	2007
Interest Rate	3.97%	4.96%
Salary Increases	2.00%	2.00%

The biometrical decrements applied are based on the "Richttafeln 2005 G von Klaus Heubeck ".

A reconciliation of the opening and closing balances of the present value of the defined benefit obligations in respect of termination benefits, showing the effects during the fiscal year for the applicable positions, follows:

December 31	2006	2007
Defined Benefit Obligations i.r.o. Termination Benefits at the Beginning of the Year	813	911
• Top-Up Amounts and Settlement Arrears	98	194
• Benefits Paid	-	(270)
• Reversals	-	(37)
Defined Benefit Obligations i.r.o. Termination Benefits at the End of the Year	**911**	**798**

The Company does not maintain separate plan assets to cover its obligations arising from partial retirement agreements. A claim for repayment by the Federal Agency in respect of the top-up amounts paid is due to the employer only when all conditions itemized under §§ 2,3 AltTZG are met. As these requirements are not satisfied as at reporting date, the Company could not recognize any claim for reimbursement.

No other direct claims by employees for other post-employment benefits exist against the employer. As a result no requirement to accrue further provisions exists.

The prospective assumptions, on which the accounting estimates used in the measurement of the termination benefits are based, are described in detail above.

26. OTHER NON-CURRENT LIABILITIES

Included in the Other Non-Current Liabilities is a revenue-dependent purchase price liability valid for the following three years for the Software SAM Enterprise Single Sign-On (SAM eSSO) in the amount of T€ 293 (2006: T€ 293). This liability is assessed on the basis of future revenue-dependent earn-out payments until fiscal year 2010. The Company is liable to settle the purchase price by making payment in the amount of 20% of the annual revenues realized with this product. Beta Systems Software AG assumes annual revenue increases with this product in the amount of 10% (2006: 10%). The fair value is determined on the basis of the expected discounted cash outflows.

27. STOCK OPTION PLANS

Following the launch of Tantia Technologies, Inc., now Beta Systems Software of North America, Inc., Herndon, USA at the beginning of the second quarter of 2000, the Company adopted the Tantia Technologies, Inc. 2000 Stock Option Plan („Tantia Plan") for its employees and members of the Management Boards of the Beta Group on May 11, 2000. 2,500,000 options to purchase common stock were authorized to be awarded under the Plan, 985,000 thereof to recipients in Europe. The awards of the options were allocated by the Management Board of the Company and, for awards to members of the Management Board by the Supervisory Board of the Company. As at December 31, 2007 a total of 130,310 options were issued to recipients in Europe at an exercise price of US$ 1.00 per option (2005: 136,550 options). The options vest after three years and expire upon termination of employment with the Company or any subsidiary of the Company during the vesting period. The validity period of the Plan ends in the year 2010.

A summary of Tantia's stock options as at December 31, 2007 follows:

December 31	2006 Weighted Average Exercise Price Ordinary Shares in US$		2007 Weighted Average Exercise Price Ordinary Shares in US$	
Exercisable Options at the Beginning of the Year	448,376	1.00	136,550	1.00
Options Granted	-	-	-	-
Options Expired	(311,826)	1.00	(6,240)	1.00
Options Excercised	-	-	-	-
Exercisable Options at the End of the Year	**136,550**	**1.00**	**130,310**	**1.00**

The Company records no unearned deferred compensation costs as at December 31, 2007.

28. FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer is not able to meet its contractual payment obligations. Possible credit risk results primarily from the Company's Trade Receivables.

The exposition is influenced predominantly by the Company's dependency on key accounts and their credit rating; the business sector and the country in which customers operate also have an influence.

The Company serves mainly key accounts from the banking-, insurance- and IT sectors and currently realizes between 50% and 60% of its corporate revenues from business with domestic customers. The ten largest Trade Receivable inventories comprise a share of ca. 20% of the aggregate portfolio; of these, eight have their principal place of business in Germany. All the Company's customers are end-user customers, and with the overriding number of its key customers the Company looks back on uninterrupted business relations for more than five years.

As a result of the customer structure, mostly DAX-quoted corporations with solid capitalization and an immaculate credit rating, the Company's loss of receivables is, based on experience and when measured against its corporate revenues, rather insignificant. In some individual cases losses of receivables result from uncollectibility of amounts from individual sales with small revenue volumes.

As a result of the significant customer structure, creditworthiness checks, purchase limits and deliveries against prepayment play a subordinate role. Suspension of further deliveries to customers finds application on a limited scale with middle-sized customers, mainly abroad.

Retirement of one or more of these key accounts from the market, with resulting uncollectibility of due receivables could have a substantial negative effect on the short-term liquidity and the development of the future performance of the Company.

Monitoring of the credit risk is performed within the scope of the centralized group-wide cash management. Regularly conducted overdue analyses of all trade receivables and a process of collection consistently implemented, progressing swiftly from payment reminder notices via establishment of personal contact by the sales representative with the customer, through to the point of escalation and the possible use of legal means are the methods employed in managing this risk.

Exposure

The carrying amounts of financial assets represent the maximum credit exposure as at reporting date:

Financial Assets December 31	*Note*	2006	2007
Cash	*8*	2,050	3,176
Trade Receivables	*9*	35,957	38,912
Derivative Financial Instruments	*12*	12	125
Financial Assets		**38,019**	**42,213**

The maximum exposure to credit risk as at reporting date for Trade Receivables was, by geographic regions, as follows:

Trade Receivables December 31	2006	2007
Domestic	21,326	25,319
Europe, excluding Germany	8,928	8,596
USA and Canada	3,960	3,389
Africa and the Rest of the World	1,743	1,608
Trade Receivables, net	**35,957**	**38,912**

The trade receivables exclusively comprise end-user customers.

The Group's ten largest Trade Receivables, mainly key accounts from the banking-, insurance- and IT sectors, contributed a share of the carrying amount of the Trade Receivables in the amount of T€ 7,539 as at December 31, 2007 (2006: T€ 8,341).

Impairment

The aging of Trade Receivables due or past due as at reporting date was:

	December 31, 2006		December 31, 2007	
Trade Receivables	Carrying Amount	Impairment	Carrying Amount	Impairment
Aging Analysis				
Not Yet Due	10,675		19,295	
Due 0 - 30 Days	18,719		16,377	
Past Due 31 - 90 Days	2,238		1,048	
Past Due 91 - 180 Days	1,552		1,377	
Past Due 181 - 360 Days	3,252	(561)	632	
Past Due more than 365 Days	632	(550)	689	(506)
Trade Receivables	**37,068**	**(1,111)**	**39,418**	**(506)**

The development in the valuation allowance for expected uncollectible or doubtful Trade Receivables during the fiscal year was as follows:

December 31	2006	2007
Beginning Balance	(917)	(1,111)
• Appropriation	(574)	(65)
• Recognition	380	670
Ending Balance	**(1,111)**	**(506)**

The Allowance Account for Expected Uncollectible or Doubtful Trade Receivables is used to record impairment losses for individual trade receivables possibly impaired by credit losses. If the company is certain that no recovery of the amount owing is possible, it is considered irrecoverable and is written off in full.

The determination of the impairment is based on different assumptions and on individually particular receivables; the Company assesses its allowance for expected uncollectible or doubtful trade receivables on the credit rating of its customers as well as on the general economic conditions.

The impairment recorded here substantially comprises allowances of between 40% and 100% of the carrying amount of trade receivables already past due for payment by more than 365 days.

Liquidity Risk

Liquidity risk is the risk that the Company will not be in the position to meet its financial obligations on schedule. Objective and function of the Company's liquidity management is the continuous and sufficient provision of own resources and external funds.

Liquidity planning and the monitoring of its inherent risks are performed within the scope of the centralized group-wide cash management by means of employing a number of complementary measures. The consistently pursued management of receivables, regularly updated cash requirement planning, a centrally administered cash pool, efficient control of payments to creditors by making use of advantageous payment targets and discounts, and not least an effective controlling to ensure adherence to budgeted costs form the basis in determining the financing requirements from own resources and external funds, and the planned optimization of the cash return.

Typically, the Company's principal aim is to insure that it always has sufficient readily available cash resources at its disposal to meet its operative expenses and short-term liabilities for up to 60 days in advance. The cash flow monitoring described above serves towards the continuous monitoring. Surplus cash balances are deposited in interest-bearing deposits in the financial market.

As at December 31, 2007, short-term bank credit facilities in the amount of T€ 9,500 (2006: T€ 12,500) were available to the Company. The granting of liabilities due to banking institutions is bound to the compliance with certain business performance indicators In 2007 the Company could not meet all agreed terms and provision imposed by the lenders. No bank exercised any special termination rights. As at December 31, 2007 the Company fulfilled all obligations, and repaid all credit approvals.

In 2007 the Company could meet all terms and provision imposed by its bankers without qualification. The current short-term credit facilities granted expired on February 28, 2008. New terms and conditions are currently being negotiated in present discussions with the Company's bankers.

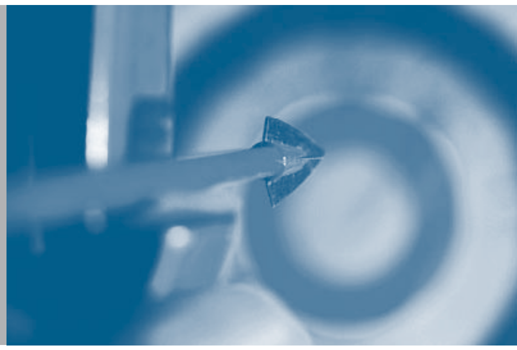
As at December 31, 2007, the Company has no long-term borrowing facilities at its disposal to provide required resources in significant exceptional situations. On the basis of the credit rating and the performance of the Company, management presumes that possible future application for the granting of external financing resources will be responded to in the affirmative.

Apart from the instruments described above, the Company incorporates the possibility of making use of alternative methods of financing, e.g. project financing and finance leasing, in its planning and risk management process.

Exposure

The carrying amounts of financial liabilities represent the maximum liquidity exposure as at reporting date:

Financial Liabilities December 31	*Note*	2006	2007
Short-Term Finance and Finance Leasing	*18*	10,371	8,228
Trade Payables		8,767	5,915
Long-Term Borrowings	*23*	2,000	-
Financial Liabilities		**21,138**	**14,143**



The following are the contractual maturities of the company's financial liabilities, including estimated interest payments:

	December 31, 2006			December 31, 2007		
Financial Liabilities	Short-Term Finance and Finance Leasing	Trade Payables	Long-Term Borrowings	Short-Term Finance and Finance Leasing	Trade Payables	Long-Term Borrowings
Carrying Amount	10,371	8,767	2,000	8,228	5,915	-
Contractual Cash Flow	10,677	8,767	2,094	8,430	5,915	-
Maturity						
Due within 0 - 30 Days	8,121	8,684	-	5,424	5,847	-
Due within 31 - 90 Days	588	65	-	565	25	-
Due within 91 - 180 Days	626	8	-	590	17	-
Due within 181 - 360 Days	1339	10	-	1,159	10	-
Due after more than 365 Days	3	-	2,094	692	16	-
Financial Liabilities	**10,677**	**8,767**	**2,094**	**8,430**	**5,915**	**-**

Currency Risk

As a result of its international business activities the Company is subject to currency risks resulting from the influence which currency fluctuations have on its business transactions and on its assets and liabilities denominated in foreign currencies.

Here the exposure principally covers the business activities and transactions denominated in the currency units US-Dollar and CA-Dollar by the respective foreign subsidiaries. With reference to the US-Dollar the necessity for corporate financial limitation of the currency risk exists primarily as a result of the weakening of the Dollar against the euro; this averaged 8.3% during the fiscal year and amounted to 10.4% when compared at reporting date. With reference to the CA-Dollar, it is the volume of the liabilities denominated in CA-Dollar which is specifically relevant.

With the aim of controlling currency risks and maintaining volatility risks within predictable and acceptable limits the Company purchases and sells derivative financial instruments in the form of forward currency exchange transactions. These transactions are accurately determined, planned and employed. A direct matching of maturities with reference to specific receivables viz. payables in foreign denominations does however not take place.

Determination of the detailed currency requirements is based on the forecasts and the cash management of the particular subsidiaries abroad as well as on the findings of the group-wide cash- and liquidity management described above, including ongoing updates of sensitivity analyses for the various currency units.

Exposure

The Group's exposure to foreign currency risk as at reporting date was as follows:

	December 31, 2006					
Financial Instruments	**USD**	**CAD**	**GBP**	**CHF**	**SEK**	**NGN**
Cash	91	53	64	1,061	7,028	13,277
Trade Receivables	2,688	-	885	922	28,061	52,769
Short-Term Finance and Finance Leasing	-	-	-	-	-	-
Trade Payables	(68)	10	(17)	-	(219)	-
Long-Term Borrowings	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-
Balance Sheet Exposure	**2,711**	**63**	**932**	**1,983**	**34,870**	**66,046**
Forecast Revenues	7,795	64	1,526	1,793	18,404	42,111
Forecast Expenditures	(3,259)	(3,112)	(741)	(223)	(9,653)	(159,983)
Net Exposure	**7,247**	**(2,985)**	**1,717**	**3,553**	**43,621**	**(51,826)**

	December 31, 2007					
Financial Instruments	**USD**	**CAD**	**GBP**	**CHF**	**SEK**	**NGN**
Cash	82	117	5	605	1,910	25,146
Trade Receivables	2,833	-	661	805	28,727	80,606
Short-Term Finance and Finance Leasing	-	-	-	-	-	-
Trade Payables	(21)	-	(10)	(31)	(274)	-
Long-Term Borrowings	-	-	-	-	-	-
Derivative Financial Instruments	(2,200)	1,800	-	-	-	-
Balance Sheet Exposure	**694**	**1,917**	**656**	**1,379**	**30,363**	**105,752**
Forecast Revenues	7,174	66	1,525	2,305	22,490	472,391
Forecast Expenditures	(3,357)	(2,943)	(609)	(393)	(9,854)	(165,230)
Net Exposure	**4,511**	**(960)**	**1,572**	**3,291**	**42,998**	**412,912**

The table portrays the exposition in thousand currency units of the respective foreign currencies.

Sensitivity Analysis

A strengthening of the euro against the following currencies as at reporting date of 10% would have increased (decreased) equity and profit or loss by the amounts shown below. This assumes that all other variables remain constant.

	December 31, 2006					
Effect in T€	USD	CAD	GBP	CHF	SEK	NGN
Equity	(206)	(4)	(139)	(123)	(386)	(38)
Profit or Loss	(361)	214	(115)	(100)	(95)	71

	December 31, 2007					
Effect in T€	USD	CAD	GBP	CHF	SEK	NGN
Equity	(47)	(133)	(89)	(83)	(322)	(60)
Profit or Loss	(279)	196	(134)	(117)	(137)	(176)

A weakening of the euro against the following currencies as reporting date of 10% would have had the equal but opposite effect on the above currencies.

The currency exchange rates applied in the sensitivity analysis in respect of the balance sheet exposure and the forecast revenues and expenditures denominated in foreign currencies are the Exchange Benchmark Rates viz. the Average Exchange Rates respectively presented under the heading "Foreign Currency Conversion" within the "Accounting Polices and Valuation Methods".

Interest Risk

The monitoring of the interest risk is also performed within the scope of the centralized group-wide cash management. Under allowance of the estimated short-term cash requirements, surplus cash from the centralized cash pool is invested in interest-bearing short- to medium-term deposits in the financial market. Similarly, short-term operative cash shortages are financed by making use of overdraft facilities at customary interest rates. Overall, the resulting interest risk to the Company is marginal.

As a matter of principle significant interest risks may result to the Company from any required provision of long-term external debt financing. The Company meets necessary resourcing by making us of investment credits with fixed and variable interest components.

For purpose of the financial delimitation of the risk relating to the variable interest component the Company employs the use of an interest cap.

Exposure

At reporting date the Group's interest-bearing financial instruments were:

Financial Instruments December 31	2006	2007
Fixed Rate Financial Assets	35,969	39,037
Fixed Rate Financial Liabilities	(10,996)	(6,785)
Variable Rate Financial Assets and Liabilities	(8,092)	(4,182)
Financial Instruments	16,881	28,070

Sensitivity Analysis

An increase in 100 basis points in interest rates as at reporting date would have decreased profit or loss by T€ 42 (2006: T€ 81). This assumes that all other variables remain constant.

CAPITAL MANAGEMENT

The purpose of the Company's capital management is the satisfactory provisioning of equity, serving both any legal minimum capital requirements as well as allowing for adequate distribution to the shareholders and leading to an external Investment Grade rating for the Company.

The minimum requirements refer on the one hand to the observance with commercial law stipulations under the national § 92 AktG and on the other hand to the requirements by the banks with regard to the granting of credit facilities.

As a result of the significantly improved financial performance and the share capital increase implemented in fiscal year 2007 the minimum capital requirements could be met.

Under the provisions of German commercial law and § 92 AktG of the German stock corporation law Beta Systems Software AG (parent company) is subject to legal minimum capital requirements. Hereunder the amount of equity of the parent company may not fall below 50% of the value of the ordinary share capital. In fiscal year 2007 the Company has met these requirements. In addition, the Company's equity basis has been strengthened significantly as a result of the share capital increase.

NOTES TO THE SHAREHOLDERS' EQUITY

29. SHAREHOLDERS' EQUITY

The issued **Share Capital** of the Company as at December 31, 2005 amounted to T€ 11,324 with altogether 8,859,276 no-par ordinary shares issued, including 120,610 treasury shares. The imputed nominal value per ordinary share of the Company therefore amounted to € 1.28 per ordinary share.

As a result of a resolution passed at the Annual General Meeting of shareholders of Beta Systems Software AG on May 22, 2006 to undertake a recapitalization, the share capital of the Company was raised by T€ 193 by conversion from APIC. The recapitalization took place without an issuance of ordinary shares. On June 2, 2006 the conversion was registered in the Commercial Register.

The issued Share Capital of the Company as at December 31, 2006 amounted to T€ 11,517 with altogether 8,859,276 no-par ordinary shares issued, including 120,610 treasury shares. The imputed nominal value per ordinary share of the Company therefore amounted to € 1.30 per ordinary share.

Increase in Share Capital
The Management Board of Beta Systems Software AG made the proposal at the Company's Annual General Meeting held on May 23, 2007 for an increase in the ordinary share capital of the Company by means of a cash contribution.

On September 14, 2007 the Management Board of Beta Systems Software AG, with consent by the Supervisory Board, determined the subscription period, the subscription ratio and further details of the planned share capital increase as follows:

By means of issue of up to 4,429,638 shares in the name of the holder the ordinary share capital of the Company was to be increased by up to € 5,758,529.40 from € 11,517,058.80 up to € 17,275,588.20. The new shares were to be issued at the lowest amount advanced of € 1.30 per ordinary share, and were to partake in the profit distribution from the beginning of fiscal year 2007.

The new shares were offered to the shareholders by means of a non-public rights offer during the subscription period from September 19, 2007 to October 2, 2007 (both inclusive) in the way of indirect options on new shares in a ratio of 2 old shares : 1 new share at an exercise price in the amount of € 2.05 for subscription per ordinary share.

On October 30, 2007 the registration of the increase in share capital was lodged in the Companies' Register (Handelsregister) of the Beta Systems Software AG, HRB 38874 B of the Companies' Register at the District Court (Amtsgericht) Charlottenburg, Berlin, Germany.

Following the registration of the increase in share capital the ordinary share capital of the Company with effect from October 30, 2007, as well as per December 31, 2007, thus amounts to € 17,275,588.20, divided into 13,288,914 ordinary shares in the name of the holder with a nominal amount in the amount of € 1.30 per ordinary share.

All issued shares are fully paid.

The amount of T€ 10,709 disclosed under **Capital Reserve** (2006: T€ 7,985) comprises the accumulated value of transactions with the Company's shareholders which exceeded the nominal value of the ordinary shares. The Capital Reserve in accordance with German HGB differ from this value by an amount of T€ 4,024 (2006: T€ 3,426). The reasons for this variance are differing carrying amounts resulting from the merger with the Kleindienst Datentechnik AG in the amount of T€ 2,239, differing treatment of the transaction costs for the merger in the amount of T€ 521, compensation costs for share-based compensation in the amount of T€ 666 and costs in respect of the share capital increase in 2007 in the amount of T€ 866, net of the tax effect in the amount of T€ 268.

National regulations principally prohibit the use of the capital reserve for distribution.

Results accumulated **Retained Losses** comprise the accumulated net income viz. the accumulated net losses of the Group as at reporting date. This comprises the gain for the period in the amount of T€ 2,310 (2006: loss T€ 18,390).

The amounts recognized under **Other Comprehensive Income and Expenses** are accumulated net amounts after the deduction of the apportionable income taxes. The income and losses of the fully consolidated subsidiaries result in changes not through profit or loss in the shareholders' equity and result from foreign exchange translation differences.

As at December 31, 2007 the Company held 120,610 **Treasury Shares**. These are valued at acquisition cost, i.e. T€ 419 (2006: 120,610 Treasury Shares, viz. T€ 419).

The composition of and the changes in the shareholders' equity is presented in the "Consolidated Statement of Changes in Shareholders' Equity".

30. DIVIDEND DISTRIBUTION

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Dividends are recognized when the shareholders right to receive payment is established. Amounts available for distribution to the shareholders are determined according to stock corporation law and the individual financial statements of the Beta Systems Software AG (parent company). These accounts are prepared in accordance with the German commercial code (HGB).

No dividends were paid to the shareholders in fiscal year 2007 in respect of fiscal year 2006 (no dividends paid in fiscal year 2006 in respect of fiscal year 2005).

As at December 31, 2007 the net loss for the year in accordance with German HGB amount to T€ 2,976 (2006: T€ 18,228). After December 31, 2007 no dividend for fiscal year 2007 was proposed.

OTHER DISCLOSURES

31. GUARANTEES

During the previous ownership of Datasec GmbH, Siegen, which was sold as at 31 December, 2001, Kleindienst Datentechnik AG had issued an unsecured guarantee in the amount of T€ 333 in favor of Volksbank im Siegerland eG within the terms of providing its share of the security for a long-term loan to Datasec GmbH. The corresponding loan liability at Datasec GmbH is still held in full and expires on November 30, 2009. As a result of shares in Datasec GmbH being sold, Kleindienst Datentechnik AG has the right to release itself from its guarantee obligations or to obtain a right of recourse from the acquirer of the company. The Company is not aware of any evidence that would suggest delivering payment on the guarantee and estimates the fair value of the guarantee at zero. No liability is therefore recorded.

32. CONTINGENT LIABILITIES

Altogether 11 applicants initiated a shareholders compensation claim against Beta Systems Software AG during the fiscal year 2005 in connection with the merger onto the Kleindienst Datentechnik AG. The shareholders compensation claim aims at a cash adjustment in the sense of § 15 Abs. 1 UmwG. In the case of an adjudging verdict a cash adjustment would become due to all previous shareholders of the Kleindienst Datentechnik AG who became shareholders of the Company as a result of the merger. In the case of a settlement an approximation by the Company's legal consultants estimates payments for a total amount of up to T€ 440. At this stage the final outcome can not be concluded exactly. In the case of a settlement this would increase the purchase price and would be allocable to the goodwill of the LoB ECM in the full amount. No effect to net income would result. In addition, the net realizable value determined pursuant to the impairment test in accordance with IAS 36 conducted as at December 31, 2007 would also cover the carrying amounts inclusive of the estimated cash adjustment.

33. RELATED PARTY DISCLOSURES

On the basis of their direct equity investment viz. on the basis of the attribution of voting rights the Deutsche Balaton AG, Heidelberg, the Heidelberger Beteiligungsholding AG, Heidelberg and the ABC Beteiligungen, Heidelberg had significant influence on the Company during the fiscal year 2007. As a result of the relationship of dependence of the Deutsche Balaton AG, Heidelberg, the VV Beteiligungen AG, Heidelberg and the Delphi Unternehmensberatung GmbH, Heidelberg are also related parties of Beta Systems software AG.

No other related party business relationships existed.

Comprehensive disclosures relating to the remuneration of the members of the Management Board and the Supervisory Board can be found in the "Remuneration Report" within the "Combined Management Report".

34. AUDITOR'S FEES

The expenses accrued during the fiscal year 2007 in respect of fees paid to the KPMG Treuhand-Gesellschaft AG, Berlin as Group Auditors amounted to T€ 162 for the audit of the annual and consolidated financial statements and the IFRS consolidation packages, T€ 12 for tax consultancy and T€ 123 for other auditing and corporate consultancy services rendered (2006: T€ 156 for audit fees, T€ 35 for tax consultancy and T€ 102 for other auditing services).

35. OPERATING LEASING

The Company has payment commitments from non-cancellable operating leases for its data processing and office equipment, vehicle fleet, for other business plant and equipment as well as for long-term rental agreements for its office facilities. The lease terms are evident from the presentation of the future office rentals and operating leasing payments. Options for extensions do not exist.

The minimum future rental and leasing payments as at December 31, 2007 are as follows:

December 31	Office Rentals	Other Operating Leasing
2008	3,143	1,664
2009	3,109	885
2010	3,021	536
2011	1,604	163
2012	1,000	160
Total Minimum Payments for Rentals and other Operating Leasing	**11,877**	**3,408**

No contractual obligations for the payment of office rentals exist beyond the year 2012.

Total costs for office rentals and operating leasing expensed during the fiscal year ended on December 31, 2007 amounted to T€ 4,903 (2006: T€ 6,664, including the early termination of the tenancy agreement over the business premises in Augsburg in the amount of T€ 850).

36. EVENTS AFTER THE BALANCE SHEET DATE

ACQUISITION OF SI SOFTWARE INNOVATION GMBH

On November 27, 2007 the Company announced its planned takeover of all the shares of Neustadt-based SI Software Innovation GmbH (SI GmbH) as per January 1, 2008. The Management and Supervisory Boards of Beta Systems Software AG and the shareholders and the Management Board of SI GmbH on concluded the sales agreement on February 18, 2007.

With 20 years of experience in the market, SI GmbH has long-standing customer relationships with a large number of major enterprises. One of this company's core businesses is in the financial services sector. The company's customers also include GAD eG and FIDUCIA IT AG, the two central IT providers for the Volksbanken- und Raiffeisen Verbund (association of German cooperative banks) with more than 900 banks linked up in their network. The Large Documents Management System (LDMS) product of SI GmbH is a central archiving system for document-based business processes and digital files on IBM's state-of-the-art zServer (mainframe) technology.

The Management Board of Beta Systems Software AG expects a positive contribution to the revenues and profit of the Data Center Infrastructure (DCI) business line, the portfolio which is to incorporate LDMS suite as a stand-alone product, as early as the financial year 2008.

Through this acquisition the Company aims in particular to strengthen its highly profitable mainframe business and to concertedly build up its market share in data centers in the financial services sector in the German home market. It is anticipated that the combination with its own activities in output management and archiving will be an effective supplementation to its portfolio in this business line, both in terms of sales and technology."

SI Software Innovation GmbH was founded in 1996 by the staff of the IT providers ICR and EDS. Since this time, know-how gained in the area of document management since1986 has been intensified and the LDMS product developed into a modern solution for companies of all sizes operating in all sectors. The company, which has its head offices in the Weinstraße in Neustadt, currently has 30 employees who are mainly engaged in the area of research and development, services and sales.

SI GmbH offers fully fledged solutions in the areas of output management and list distribution management, document management and archive migration as well as scanner services and processing of incoming mail.

The purchase price in the amount of T€ 4,217 will be funded fully from own capital resources and comprises the transfer of the share in the business in the amount of T€ 3,000, the expected net gain from the sale of property in the amount of T€ 1,200 and costs related to the acquisition in the amount of T€ 17.

DEVELOPMENT OF THE GROUP'S FIXED AND INTANGIBLE ASSETS

Thousand €	Property, Plant & Equipment: Computer Equipment	Leasehold Improvements	Facilities and Office Equipment	Property, Plant & Equipment	Goodwill, Other Intangible Assets, Acquired Software Product Rights: Goodwill	Licenses	Goodwill and Other Intangible Assets	Acquired Software Product Rights	Total: Fixed and Intangible Assets
Acquisition Costs									
Balance January 1, 2006	11,261	2,899	3,680	17,840	2,846	4,456	7,302	6,329	31,471
Additions	725	525	460	1,710	-	-	-	13	1,723
Currency Translation Differences	(61)	(1)	(104)	(166)	(37)	1	(36)	3	(199)
Disposals	(349)	1,509	907	2,067	-	846	846	(17)	2,896
Balance December 31, 2006	12,274	1,914	3,129	17,317	2,809	3,611	6,420	6,362	30,099
Depreciation and Amortization									
Balance January 1, 2006	8,355	1,590	1,535	11,480	-	2,195	2,195	2,291	15,966
Additions	1,479	590	815	2,884	-	327	327	1,236	4,447
Impairment Losses	-	-	-	-	1,286	-	1,286	-	1,286
Currency Translation Differences	(30)	-	(50)	(80)	1	2	3	(1)	(78)
Disposals	102	1,429	296	1,827	-	-	-	-	1,827
Balance December 31, 2006	9,702	751	2,004	12,457	1,287	2,524	3,811	3,526	19,794
Carrying Amount									
December 31, 2005	2,906	1,309	2,145	6,360	2,846	2,261	5,107	4,038	15,505
December 31, 2006	2,572	1,163	1,125	4,860	1,522	1,087	2,609	2,836	10,305
Acquisition Costs									
Balance January 1, 2007	12,274	1,914	3,129	17,317	2,809	3,611	6,420	6,362	30,099
Additions	1,693	-	82	1,775	-	-	-	-	1,775
Currency Translation Differences	19	-	(58)	(39)	(35)	-	(35)	1	(73)
Disposals	1,235	-	320	1,555	-	-	-	-	1,555
Balance December 31, 2007	12,751	1,914	2,833	17,498	2,774	3,611	6,385	6,363	30,246
Depreciation and Amortization									
Balance January 1, 2007	9,702	751	2,004	12,457	1,287	2,524	3,811	3,526	19,794
Additions	1,314	252	435	2,001	-	319	319	1,238	3,558
Currency Translation Differences	14	-	(45)	(31)	(35)	-	(35)	-	(66)
Disposals	891	-	240	1,131	-	-	-	-	1,131
Balance December 31, 2007	10,139	1,003	2,154	13,296	1,252	2,843	4,095	4,764	22,155
Carrying Amount									
December 31, 2007	2,612	911	679	4,202	1,522	768	2,290	1,599	8,091

SUPPLEMENTARY DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2007

Performance related to Other Reporting Periods

Other operating income in the amount of T€ 1,824 relating to other reporting periods and other operating expenses in the amount of T€ 743 relating to other reporting periods were included in the cost of revenues and operating expenses for the fiscal year (2006: net expenses in the amount of T€ 1,578). (2006: other operating income relating to other reporting periods in the amount of T€ 2,011and other operating expenses relating to other reporting periods in the amount of T€ 433).

Personnel Expenses (including Restructuring Costs)

Personnel expenses for the fiscal years 2006 and 2007 were as follows:

December 31	2006	2007
Wages and Salaries	45,448	39,354
Social Security Contributions	3,805	6,251
Severance Payments	4,179	-
Total Personnel Expenses	**53,432**	**45,605**

Staff Complement

The average number of 618 employees in the fiscal year 2007 (2006: 681 employees) was distributed as follows:

	2006	2007
Sales and Service	378 Employees	361 Employees
Development	195 Employees	168 Employees
Administration	87 Employees	78 Employees
Manufacture	21 Employees	11 Employees
	681 Employees	**618 Employees**

Effective January 1, 2006 Beta Systems Software AG resigned its membership from the employer's union. Of the 603 staff employed as at December 31, 2007 (2006: 645 employees), 156 employees (25.9%) are covered by the collective bargaining arrangement IG Metall (2006: 174 employees viz. 27.0%).

Declaration of Conformity with the German Corporate Governance Code

The declaration of conformity for Beta Systems Software AG in accordance with § 161 of the German Stock Corporation Act (AktG) was issued on December 5, 2007 by the Management and Supervisory Boards for the fiscal year 2007 and has been made permanently available to the shareholders in German and English on the corporate Internet website at www.betasystems.com.

DIRECTORS´ BOARDS

Management Board

Management Board members of the Company during the fiscal year 2007 were:

- Mr. Dipl.-Wirtschaftsing. Kamyar Niroumand,
  Chief Executive Officer, Member from April 1, 2006,
- Mr. Gernot Sagl, MA,
  Chief Financial Officer, Member from October 26, 2006.

The disclosure requirements pursuant to IAS 24 on the remuneration of Management in key positions of the Group comprise the remuneration of the members of the Management Board and the Supervisory Board. The total remuneration for current employment benefits for the members of the Management Board amounted to T€ 852 during fiscal year 2007 (2006: T€ 811, and T€ 120 as a result of a termination agreement). The total remuneration for members of the Management Board comprises various remuneration elements. The individualization and full details are contained under the audited section "Remuneration Report" within the "Combined Management Report".

In respect of future pension obligations due to former members of the Management Board benefit provisions were increased in the amount of T€ 31 during the fiscal year (2006: T€ 28). The balance as at December 31, 2007 amounted to T€ 1,008 (2006: T€ 943).

Supervisory Board

Members of the Supervisory Board of the Company during the fiscal year 2007 were:

- Mr. Dipl.-Kfm. Sebastian Leser, MBA – Diplômé de l'ESSEC, Karlsruhe, Chairman of the Supervisory Board, Member from May 22, 2006, Member of the Management Board of Heidelberger Beteiligungsholding AG, Heidelberg, Member of the Management Board of Fidelitas Deutsche Industrie Holding AG, Berlin from December 7, 2006, Member of the Management Board of ABC Beteiligungen AG, Heidelberg from December 7, 2007,
- Dr. Arun Nagwaney, London, Vice Chairman of the Supervisory Board, Member from May 22, 2006, Director of AF Capital Partners Ltd, London, Director Petrous Limited, London, Director Plastics Capital Plc, London,
- Mr. Dipl.-Kfm. Volker Wöhrle, Rheinstetten, Member from May 22, 2006, International Sales Director Rooflite Group, an entity of VKR-Holing, Horsholm, Denmark until December 31, 2007, Member of the Management Board of Fortuna Maschinenbau Holding AG, Bad Staffelstein from January 1, 2008,
- Mr. Dipl.-Kfm. Jürgen Dickemann, Heidelberg, Member from June 14, 2005, Member of the Management Board of the Deutsche Balaton, Heidelberg until December 31, 2007, Managing Director of PCD GmbH, Heidelberg from January 7, 2008,
- Mr. Stefan Hillenbach, Berlin, Employee Representative, Member from May 16, 2000, Manager Software Engineering,
- Mr. Wilhelm Terhaag, Augsburg, Employee Representative, Member from June 14, 2005, Workers' Council Augsburg.

Dr. Arun Nagwaney is Member of the Board of Directors of the following Companies:

- Plastics Capital Trading Limited, London,
- Plastics Capital Bearings Limited, London,
- Cobb Slater Limited, London,
- Bell Holdings Limited, London
- Bell Plastics Limited, London,
- BNL (UK) Limited, London,
- Sabreplas Limited, London,
- Trimplex Limited, Belvedere,
- Trimplex Safety Tread Limited, Belvedere,
- Channel Matrix Limited, London,

Howper 136 Limited, London.

Mr. Volker Wöhrle is member of the following Supervisory Board:

- Heidelberger Beteiligungsholding AG, Heidelberg, Vice Chairman of the Supervisory Board.

Mr. Jürgen Dickemann holds the following memberships in the Supervisory Boards of:

- CornerstoneCapital AG, Frankfurt am Main, Vice Chairman of the Supervisory Board until February 4, 2008, CornerstoneCapital Verwaltungs AG, Heidelberg, Chairman of the Supervisory Board since June 25, 2007, ABC Beteiligungen AG, Heidelberg, Chairman of the Supervisory Board since January 26, 2005 until February 1, 2008, Stratec Grundbesitz AG, Mannheim, Chairman of the Supervisory Board since January 20, 2006 until February 1, 2008.

Mr. Sebastian Leser is member of the following Supervisory Board:

- CornerstoneCapital Verwaltungs AG, Heidelberg, Vice Chairman of the Supervisory Board since June 25, 2007.

The Supervisory Board members Mr. Wilhelm Terhaag and Mr. Stefan Hillenbach hold no other Supervisory Board mandates.

The total remuneration for current employment benefits for the members of the Supervisory Board amounted to T€ 57 during fiscal year 2007 (2006: T€ 58). Full details are contained under the audited section "Remuneration Report" within the "Combined Management Report".

GROUP ENTITIES

Summary of Holdings as at December 31, 2007 (Unconsolidated)

Company	Local Currency	Share Capital at 12.31.2007 in Local Currency	Equity at 12.31.2007 in Local Currency	Net Income (Loss) at 12.31.2007 in Local Currency	Interest	Share Capital at 12.31.2007 in T€	Equity at 12.31.2007 in T€	Net Income (Loss) at 12.31.2007 in T€
Beta Systems EDV-Software GmbH, Vienna, Austria					100%	36	388	34
Beta Systems Software SPRL, Waterloo, Belgien					100%	50	218	113
Beta Systems Marketing GmbH, Berlin, Germany (Profit Distribution)					100%	26	26	-
Beta Systems Software France SARL, Saint Thibault des Vignes, France					100%	763	1,931	456
Beta Systems Software Ltd, Reading, Great Britain	TGBP	400	(1,171)	12	100%	545	(1,594)	15
Beta Systems Software SRL, Milan, Italy					100%	52	535	148
Beta Systems Software BV, Nieuwegein, Netherlands					100%	23	83	61
Betann Systems AB, Sundbyberg, Sweden	TSEK	3,893	13,480	4,782	100%	413	1,429	512
Beta Systems Software AG, Wallisellen, Switzerland	TCHF	100	877	189	100%	60	529	115
Beta Systems Software Espana SL, Madrid, Spain					100%	1,553	385	786
Beta Systems Software of North America, Inc., Herndon, USA	TUSD	401	8,020	263	100%	273	5,450	164
Kleindienst Datadress GmbH, Augsburg, Germany					100%	26	25	(1)
EDM Verwaltungs GmbH (i.L.), Augsburg, Germany					100%	25	31	-
ICR Verwaltungs GmbH (i.L.), Augsburg, Germany					100%	25	29	(1)
Kleindienst Polska Sp.z.o.o. (i.L.), Warsaw, Poland	TPLN	2,000	510	(135)	100%	557	142	(36)
Beta Systems Software Africa Ltd, Lagos, Nigeria	TNGN	5,000	30,101	(17,758)	100%	28	170	(98)

In addition Beta Systems Software AG holds the following indirect equity investments:

Beta Systems Software of North America, Inc. wholly owns Beta Systems Software of Canada Inc., which therefore counts towards the indirect holdings:

• Beta Systems Software of Canada Inc., Calgary, Canada	TCAD	31,356	(18,903)	(1,089)	100%	21,714	(13,091)	(1,202)

Apart from those holdings listed above, no further equity holdings exist.

The values of the equity and the operating results for the fiscal year 2007 are those resulting from the financial statements of the individual entities drawn up in accordance with IFRS (unconsolidated). The Statement of Financial Positions of foreign subsidiaries were converted from the national currency to euro at the foreign exchange benchmark rate at the reporting date while the Statement of Comprehensive Income was translated at the average monthly foreign exchange benchmark rate during the period.

GLOSSARY

Add-ons
Programs which supplement existing software

Automated User Management
Equips users with the basic prerequisites for fulfilling their tasks and grants them the individual access rights based on their roles/tasks within the organization on an automated basis

Backup
Securing data

User Management
Administration of access rights for users

Business Process Management
Location, design, documentation, control and improvement of business processes

Compliance
Compliance with legal provisions and other directives and guidelines within entities and organizations for the protection of owners, customers and investors against loss or damage through illegal entrepreneurial transactions

Data Processing
Processing of data in data centers

Document Management
Recording and processing of electronic and paper-based incoming data and targeted distribution of electronic documents

Document Processing
Document processing and linking business processes with documents

Enterprise Application Management
Companywide integration of business functions by linking various applications and different platforms

Enterprise Content Management (ECM)
All tools and strategies implemented to capture, archive, administer, preserve and transmit content and documents related to the organizational processes of an entity

Information Management
Provision and securing of data in corporate networks

Input Management
Capturing, recording, preparation and processing of analogue and electronic information

ISE
Image-supported cheque collection

Job Scheduling
Control, automation, monitoring and planning of IT processes

Mainframe
A very complex and extensive computer system which is optimized in respect of reliability and high data throughput

Open Systems Environment
Operating environment which secures the inter-operationability and portability through open, i.e. freely accessible interfaces and specifications (e.g. Linux or UNIX as an operating system in an open system)

Output Management
Preparation, generating, control and distribution of electronic or physically accessible documents to all requisite recipients in or outside the organization

Outsourcing Service
Provision of services to customers who have outsourced this area to external providers

Computer Centers
This designates both the building and the areas in which core computer technology of one or several entities or companies is located, as well as any organization which services these computers

SAM Jupiter
Solution of the Beta Systems Group for the administration of user access rights (user administration)

SEPA
Single Euro Payments Area

SOA – Service-Oriented Architecture
A SOA is a software architecture which splits applications used in organizations into individual services

Level of Standardization
The proportion of deployable standardized products and solutions; the higher the degree of standardization the lower the amount of effort involved in software-related customizing

Suite
An organized, consistent collection of software programs for carrying out a number of associated responsibilities (e.g. office packages with customary office software)

Synchronization
Synchronized processes which ensure that resources are deployed efficiently and data kept at a consistent level

Update
Actualization of existing products and solutions which correct program defects or include smaller program improvements

Upgrade
New versions of a basic software which contains additional functions; upgrades are generally identifiable through a change in the version number as part of the product name

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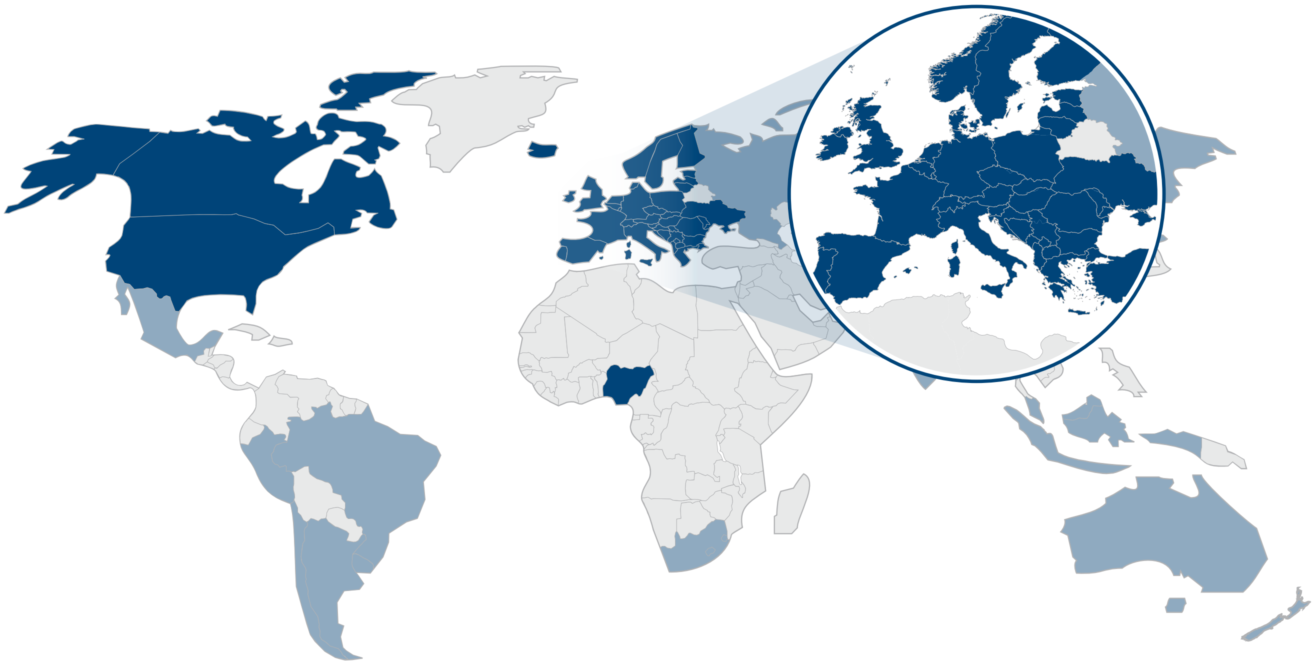

IMPRINT

Published by:
Beta Systems Software AG
Alt-Moabit 90d
D-10559 Berlin

Editors:
Stefanie Frey, Ulrike Zemke

Layout and Final Artwork:
ART-KON-TOR Kommunikation GmbH
Hainstraße 1
D-07745 Jena

Image Rights:
Beta Systems Software AG

Printed by:
COLOR-DRUCK ZWICKAU GmbH & Co. KG
Industrierandstraße 23
D-08060 Zwickau

WWW.ART-KON-TOR.DE