



# Quarterly Report

Q1/2008

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**-beta**systems

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**I. REPORT AS AT MARCH 31/FIRST QUARTER 2008**

- **EBIT and EBITDA higher against the backdrop of enhanced efficiency**
- **Net cash from operating activities raised substantially owing to the healthy order intake**
- **Management Board affirms goals for the year**

Beta Systems Software AG (BSS, ISIN DE0005224406) attained earnings before tax (EBIT) of €-0.6 million in the first quarter of 2008 million (Q1/2007: €-0.7 million), raising this figure as against the year-earlier period. The Berlin-based software supplier achieved this positive development first and foremost by enhancing efficiency as part of ongoing measures to improve processes in the areas of sales, development and services. As a result, revenue costs fell 19.0% to €8.9 million, down from €10.9 million. Gross profit advanced accordingly by 11.2% to €11.2 million (Q1/2007: €10.0 million).

Earnings before interest, tax, depreciation and amortization (EBITDA) climbed to €0.5 million in the first quarter of 2008 (Q1/2007: €0.2 million) and the result for the fiscal period improved to €-0.6 million (Q1/2007: €-0.9 million).

The net cash from operating activities developed particularly well, rising by €3.9 million, or 46.2%, to €12.4 million, up from €8.5 million, owing to the healthy business situation in the fourth quarter of 2007. As a result, long-term borrowings and purchase price obligations arising from the acquisition of SI Software GmbH were fully paid from own funds at the start of the year.

Revenues in the first quarter of 2008 stood at €20.0 million (Q1/2007: €21.0 million), falling only marginally short of the previous year's quarter during which a major order for licenses of around €2 million was placed. Contrary to the previous year, the development of revenues in all segments was attributable to a number of smaller and mid-size orders placed. Despite the crisis in the international financial markets, especially in the core market of Europe, a stable demand continues to be enjoyed in particular by the banking and insurance sectors. In the first three months of 2008, revenues from software products and services came to €5.1 million (Q1/2007: €5.9 million) and €3.0 million (Q1/2007: €3.6 million) respectively. Maintenance revenues of €10.1 million held steady at the previous year's level in the first quarter of 2008 (Q1/2007: €10.2 million). A large number of high-end scanners was delivered as part of a project which brought revenues from scanner hardware to €1.9 million (Q1/2007: €1.1 million).



**Q1/2008 Key Financial Data at a Glance**

- Net cash from operating activities increases significantly by 46.2% to € 12.4 million (Q1/2007: € 8.5 million)
- EBIT advances to € -0.6 million (Q1/2007: € -0.7 million)
- Total revenues come to € 20.0 million (Q1/2007: € 21.0 million, including large order)
- License revenues post € 5.1 million (Q1/2007: € 5.9 million) and services revenues to € 3.0 million (Q1/2007: € 3.6 million)
- Maintenance revenues of € 10.1 million remain unchanged from the previous year's level (Q1/2007: € 10.2 million)
- Project-related increase in revenues from scanner hardware to € 1.9 million (Q1/2007: € 1.1 million)

**Statement by the Chief Executive Officer**

Kamyar Niroumand, CEO of Beta Systems Software AG, commented as follows: "We have had a good start to the fiscal year 2008 and have again improved on our already good results of last year through ongoing measures to streamline processes. This is all the more noteworthy as revenues in the first quarter of 2008 were not influenced by a repeat of a single large order. We are on the right path to achieving our ambitious targets for EBIT margin and revenue growth in the fiscal year 2008 and affirm our positive outlook for the year."

**Outlook for the fiscal year 2008**

At the end of the first three months of 2008, the Management Board affirms the outlook it made at the start of the year for the current fiscal year and, with a marginal increase in sales, anticipates an EBIT margin in the upper single-digit range and a double-digit EBITDA margin. The prerequisite for this is that all three business segments are profitable. The Management Board anticipates, as before, that sustained profit growth will be achieved through concentration on the Company's software license and services business, through expanding customer relationships, above all in the financial services sector and industry at large, through building up its global partner business, and through the consistent implementation of its Beta 4Agility product and sales strategy.



**Key operational highlights**

- Beta Systems successfully concludes the acquisition of SI Software Innovation GmbH
- Beta Systems Software presents solutions for the digitalization of credit application files at the German SharePoint Conference
- Beta Systems steps up business activities in CEE and opens an office in Prague
- Beta Systems integrates new functionalities into its Beta UX infrastructure software

**Beta Systems successfully concludes the acquisition of SI Software Innovation GmbH**

On February 18, 2008, Beta Systems Software AG announced the successful takeover of all the shares of Neustadt-based SI Software Innovation GmbH (SI GmbH). The company will continue to be managed as an independent GmbH (limited liability company under German law). With immediate effect, Harald Podzuweit, head of the Data Center Infrastructure (DCI) and Identity Management segments at Beta Systems, and Richard Racs, SI GmbH's managing director to date, will take over management of the company.

Similar to Beta Systems, SI GmbH, with its 20 years of experience in the market, has long-standing customer relationships with a large number of major enterprises and customers in the financial services sector. Beta Systems is currently extending its existing product portfolio to include the Large Documents Management System (LDMS) product of SI GmbH which will, in particular, strengthen its mainframe business. LDMS will be managed as an independent product line as before, which underscores Beta System's intention of long-term commitment to the Neustadt location.

Beta Systems has increased its market share in computer centers in Germany's financial services sector through the acquisition of SI GmbH while reinforcing its profile as a strategic IT supplier to the German savings banks and the retail banks. At the same time, the existing customers of SI GmbH and those of Beta Systems Software AG will receive extensive support with a broad-based solution portfolio for data processing in computer centers. In addition, customers will benefit from the first-rate support, maintenance and the services of Beta Systems.

**Beta Systems Software presents solutions for the digitalization of credit application files at the German SharePoint Conference**

From February 19 to 21, 2008, the interested public had the opportunity of meeting Beta Systems at the German SharePoint Conference in Frankfurt am Main. At this event, they were informed about how to use the advantages of SharePoint Portal Servers as part of credit application file digitalization, thereby tapping the ensuing new business opportunities.

Credit application processing is at the forefront of the industrialization of banking business processes. Many credit application archives are currently paper based. These documents need to be prepared for digital processing, scanned, indexed and archived. With these requirements in mind, the professional workflow functions of the SharePoint Server guarantees efficient capturing and processing. Using Microsoft SharePoint for the comprehensive management of credit





application file archiving enables access to the documentation anytime anywhere. SharePoint Portal is therefore highly effective in its support of providers of scanning services.

### **Beta Systems steps up business activities in the Central and Eastern European (CEE) countries and opens an office in Prague**

Beta Systems Software AG is stepping up its sales activities in Eastern Europe. In this process, it is concentrating on the Czech Republic, among other countries, in whose capital it has now opened an office. The aim of this measure is to be able to service customers locally, more swiftly and efficiently, and to take better account of the regional differences and needs. This also includes providing local versions of Beta Systems software products and solutions for the secure and efficient processing of large volumes of data specially tailored to the Czech and Slovakian market.

In the realizing of its goals in the CEE countries, Beta Systems uses both direct and indirect sales channels. In ISS Europe spol. s r.o., a manufacturer of hard- and software specialized in disk sub-system security and application acceleration, Beta Systems has found a strong sales channel partner for the regions of the Czech Republic and Slovakia. Beyond sales, ISS will also take over the task of customizing Beta Systems solutions for the local market. The first step will be to modify the FrontCollect Suite, a Beta Systems' input management solution, specifically the FrontCollect Invoice reader, to suit the country's specific requirements. Beta System's SAM Jupiter solution, which enables secure and efficient user management, and SAM eSSO for Enterprise Single Sign-On will be the next in line.

### **Beta Systems integrates new functionalities into its Beta UX infrastructure software**

The infrastructure software Beta UX by Beta Systems Software AG has been enhanced to include extended functionalities with immediate effect. For instance, Beta UX for highly efficient document processing in computer centers now also supports the universal and ISO-compliant archiving format PDF/A and treats it as it does all established print data streams (PCL, PostScript, AFP). Moreover, the system is also suitable for use in the history management of computer center processes through its ability to process log and process information from a wide variety of platforms and applications. Protocol information from numerous sources, such as scheduler and operating systems or database applications, are processed centrally, archived and thus remain transparent and available for information purposes over a long period of time.

With the next PDF/A release, Beta UX provides support as a full incoming data format. Beta UX is able to capture the content of documentation, to index the content and to use this information for the further processing of documents. This is how PDF/A documents can be analyzed in relation to their content, irrespective of the ability of the source system, can be archived in accordance with auditor requirements, combined with other documents and distributed via very different dissemination channels. Beta Systems Software AG is a member of the PDF/A Competence Center which is an amalgamation of global leaders and experts in the area of PDF technology.



## II. INTERIM MANAGEMENT REPORT

### 1. Preliminary Note

Beta Systems Software AG has drawn up this Interim Management Report as at March 31, 2008, in accordance with the legal requirements. The reporting period covers the first three months of 2008. The Interim Management Report is to be read in conjunction with the Interim Consolidated Financial Statements as at March 31, 2008.

All forward-looking statements relate to the period up until December 31, 2008. In observance of the legal provisions, this Interim Management Report is not an instrument of information in its own right but constitutes material changes to the statements made in the Combined Management Report on the Group and on the Parent Company as per 31 December 2007 and must therefore be read in conjunction with the latter. In respect of the forward-looking statements, these are also an update on those made on December 31, 2007.

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).

All amounts cited in the Interim Management Report and information derived therefrom (e.g. percentage figures) are figures fully rounded up to thousands of euros as presented in the Interim Consolidated Financial Statements.

The Interim Consolidated Financial Statements as at 31 March 2008 and the Interim Management Report were neither audited by the external auditor nor were they subject to a review by the external auditor.



## 2. Report on the Financial Performance, Assets and Financial Position

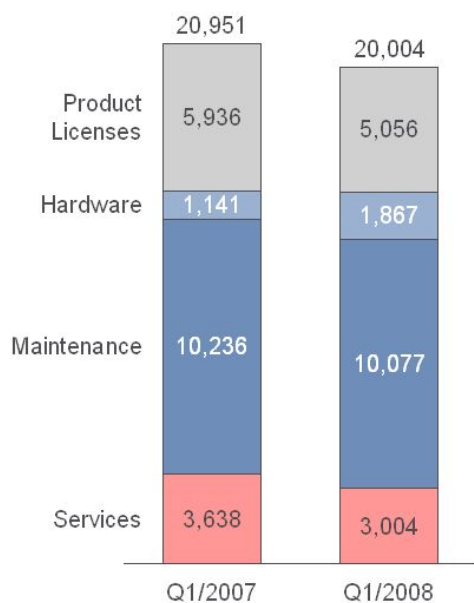
### 2.1. Financial performance of the Beta Systems Group

#### Development of Revenues

As a supplier of complex corporate IT solutions, Beta Systems generates revenues from the components of software licenses, maintenance and services. An additional source of revenue is hardware in the form of scanner systems.

#### Development of Revenues

Amounts in T€



Revenues in the first quarter of 2008 stood at €20.0 million (Q1/2007: €21.0 million) and were thus only marginally lower, with 4.5% below the level of the previous year's quarter during which a major order for a license of around €2 million was placed. As against the previous year's quarter, the development of revenues was generated by numerous small and mid-size orders in all business segments. Demand in the core market of Europe came primarily from the banking and insurances sector despite the crisis in the financial markets.





In the first quarter of 2008, revenues from **software licenses** came to €5.1 million (Q1/2007: €5.9 million), which was attributable to the seasonally-induced course of business typical of the first quarter when revenue volumes are low. In addition, software license revenues from a major order placed in the first quarter of 2007 had made a positive contribution in the previous year.

In the **hardware** business, the delivery of a large number of high-end scanners as part of a large project in Africa was carried out, which lifted revenues from scanner hardware to €1.9 million (Q1/2007: €1.1 million).

In the first three months of 2008, **maintenance revenues** remained virtually unchanged at the previous year's level of €10.1 million (Q1/2007: €10.2 million).

In the **services** segment, revenues generated by the end of March 2008 posted €3.0 million (Q1/2007: €3.6 million), a development which resulted in conjunction with declining software license revenues.

#### **Development of Gross Profit**

The **cost of revenues** fell significantly again to €8.9 million in the first quarter of 2008 (Q1/2007: €10.9 million). This development is primarily the result of enhancing efficiency as part of ongoing process improvements in the area of sales, development and services.

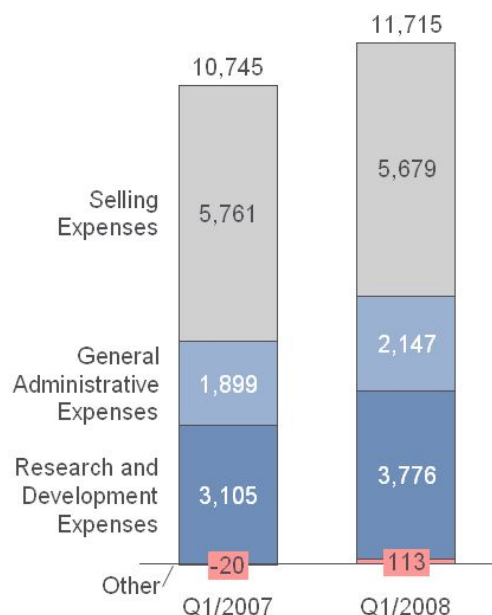
At the end of three months, **gross profit** rose on the back of operating improvements at the level of revenue costs by 11.2% to €11.2 million (Q1/2007: €10.0 million ).

At the end of the first three months of 2008, the **gross profit margin** stood at 55.7% (Q1/2007: 47.8%).



**Development of Costs and Expenses****Development of Costs and Expenses**

Amounts in T€



**Operating expenses** climbed 9.0% to €11.7 million in the first quarter of 2008 (Q1/2007: €10.8 million), which reflects the increase in research and development expenses.

**Selling expenses** remained unchanged at €5.7 million in the first quarter (Q1/2007: €5.8 million).

**General administrative expenses** rose from €1.9 million to €2.1 million in the first quarter of 2008.

**Research and development expenses** advanced by 21.6% to €3.8 million, up from €3.1 million, in the first three months of 2008. The reason for this increase were new product releases which are scheduled to be released in the second quarter of 2008.



Measured against revenues, operating expenses had risen to 58.6% by the end of first three months (Q1/2007: 51.3 %).

**Earnings before interest and tax (EBIT)** improved to € -0.6 million in a year-on-year comparison (Q1/2007: € -0.7 million).

**Earnings before interest, tax, depreciation and amortization (EBITDA)** climbed to € 0.5 million in the first quarter of 2008 (Q1/2007: € 0.2 million).

The **finance result**, which stood at € 0.2 million in the first quarter of 2008, was marginally positive (Q1/2007: € -0.1 million).

The **result before income taxes** improved notably and, at the end of the first three months of 2008, stood at € -0.4 million (Q1/2007: € -0.8 million).

Despite the decline in revenues, the **result for the fiscal period** rose to € -0.6 million (Q1/2007: € -0.9 million).

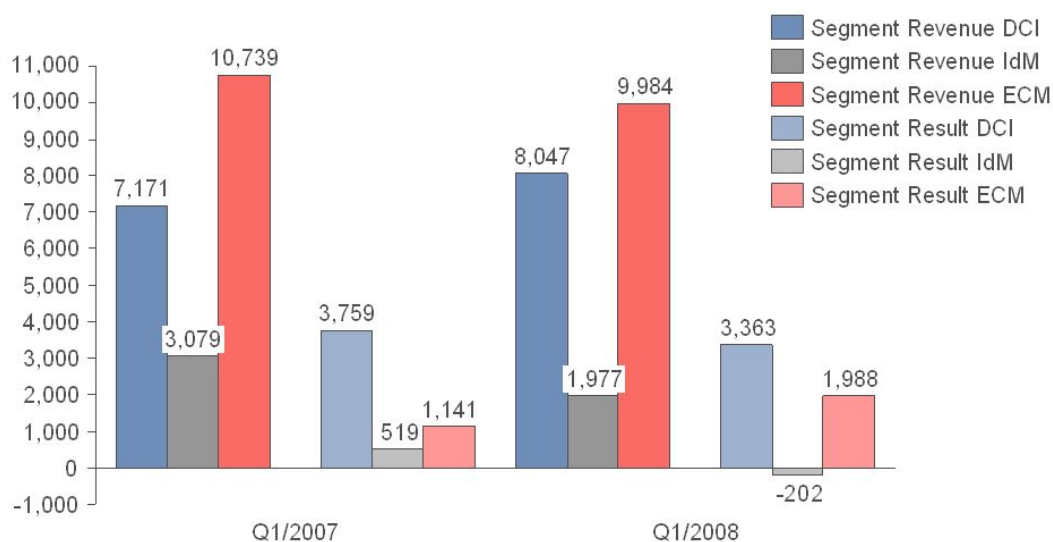
**Earnings per share** improved to € -0.04 (1Q/2007: € -0.10), and the weighted average number of shares outstanding at the end of the first three months of 2008 came to 13,288,914 shares (Q1/2007: 8,738,666 shares).

Despite the global crisis in the financial markets, demand in the core market of Europe came primarily from the banking and insurance sectors. In the first quarter of 2008, the entities of the Beta Systems Group signed a series of contracts worldwide with renowned customers in all of its three business segments. In the DCI segment, contracts were concluded with SIA-SSB (financial services provider, Italy), IBM Global Services (IT service provider, USA) and Europay France Services (financial services provider, France). In the ECM segment, new contracts were signed with the Central Bank of Nigeria (financial services provider, Nigeria), National Planning Commission (government administration, Nigeria), F. Hoffmann-LaRoche (pharmaceuticals company, Switzerland) and UniCredit Global (financial services provider, Italy). In the IdM segment, one of the most significant successes of sales was a contract signed with Credit Suisse (financial services provider, Switzerland).



## Performance of the Business Segments

Amounts in T€



In the first three months of 2008, the revenues of the **DCI** segment had risen 12.2% to €8.0, up from €7.2 million, in a year-on-year comparison. This result was attributable to the revenues of €1.3 million of SI Software GmbH which was consolidated for the first time. The segment result fell from €3.8 million to €3.4 million.

The **IdM** segment recorded revenues of €2.0 million (Q1/2007: €3.1 million) in the first three months of 2008. Despite reduced revenue expenses and operating expenses (-14.9%), the segment result dropped to €-0.2 million (Q1/2007: €0.5 million).

At the end of the first three months of 2008, the revenues of the **ECM** segment had declined slightly to €10.0 million (Q1/2007: €10.7 million). The segment result improved significantly, however, to €2.0 million (Q1/2007: €1.1 million, which was mainly due to cutting revenue costs by 16.7% against the previous year's period.

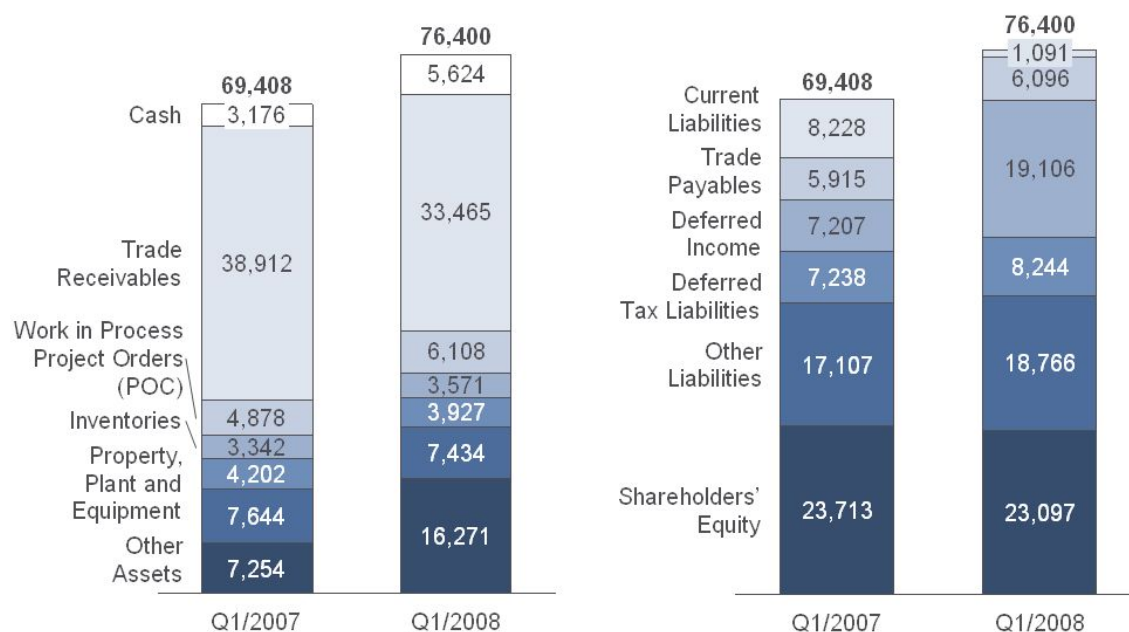
## Human Resource Development

The number of employees in the Beta Systems Group had fallen from 603 at the end of the fiscal year 2007 to 596 as per March 31, 2008.



## 2.2. Assets and Financial Position of the Beta Systems Group

Amounts in T€



On March 31, 2008, Beta Systems disclosed **cash** amounting to €5.6 million compared with €3.2 million on December 31, 2007. The volume of **investments** made, principally for the acquisition of SI Software Innovation GmbH, came to €2.7 million (Q1/2007: €0.0 million).

On the reporting date, **trade receivables** had fallen through improved debtor management, from €38.9 million on December 31, 2007, to €33.5 million as per March 31, 2008.

**Work in process project orders (POC)** climbed owing to progress made to €6.1 million (December 31, 2007: €4.9 million).

**Other current assets** advanced to €3.8 million (December 31, 2007: €2.2 million) and comprised deferred expenses formed at the beginning of the year.

**Current income taxes** stood at €0.6 million on March 31, 2008 (December 31, 2007: €0.0 million) due to a tax reimbursement claim from a corporate tax credit balance.

**Assets held for sale** posted €2.4 million (December 31, 2007: €0.0 million) through a property bought as part of the acquisition of SI Software Innovation GmbH.

**Other intangible assets** rose through the acquisition of SI Software GmbH, from €0.8 million to €3.2 million.





**Aquired software product rights** climbed to €2.7 million (Q1/2007: €1.6 million) through rights to Software Large Documents Management System (LDMS) purchased as part of the acquisition of SI Software GmbH.

The **cash flow from operating activities** developed particularly well owing to brisk business in the final quarter of 2007. It rose €3.9 million, or 46.2%, to €12.4 million (Q1/2007: €8.5 million), with the result that long-term borrowings and the purchase price obligations arising in connection with the acquisition of SI Software Innovation GmbH at the start of the year were fully paid from own funds.

On March 31, 2008, **short-term finance** had fallen to €1.1 million through the repayment of short-term borrowings of €8.2 million as per December 31, 2007.

Due to seasonal influences, **deferred income** rose to €19.1 million (December 31, 2007: €7.2 million) and included maintenance revenues invoiced at the start of the year for the corresponding provision of services and recognition of revenues in the course of the year in accordance with the accruals concept.

**Liabilities held for sale** posted €1.3 million (December 31, 2007: €0.0 million) through the property bought as part of the acquisition of SI Software Innovation GmbH.

As per March 31, 2008, **shareholders' equity** came to €23.1 million (December 31, 2007: €23.7 million), and the **equity ratio** stood at 30.2% as compared with 34.2% at year-end 2007.

### 3. Outlook

In respect of the end of the fiscal year 2008, the Management Board confirms its outlook as per December 31, 2007, published in its Combined Management Report on Group and the Parent Company.

### 4. Opportunities and Risk Report

The opportunities and risk report is an update of the assumptions made in the Combined Management Report on Group and the Parent Company as per December 31, 2007. The report is therefore to be read in conjunction with these statements. Major changes in the current financial year have occurred in relation to the following opportunities and risks:



**Market and Product Portfolio**

With its "Beta 4Agility" growth program launched in the second quarter of 2007, the Beta Systems Group 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 offer and an enhanced uniform presence in the market. This incurs the customary risks identified in the last Management Report associated with introducing new products in the market.

The acquisition of the rights to the Large Documents Management System (LDMS) product of SI Software Innovation GmbH will enable Beta Systems to expand its current product portfolio in the mainframe business. LDMS will continue to be managed as an independent product line in its own right. Beta Systems assumes that synergies arising from the combined product portfolios can be used successfully for data processing in data centers.

**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 did not consider the exchange ratio appropriate and 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 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 the 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.



**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.

Berlin, in May 2008

A handwritten signature in black ink, appearing to read "K. Niroumand".

Kamyar Niroumand  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "Gernot Sagl".

Gernot Sagl  
Chief Financial Officer

**Final Statement/Disclaimer**

This Interim 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 Risk Report included in the 2007 Management 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, brand marks and logos are the property of the respective companies.



**BETA SYSTEMS SOFTWARE AG AND SUBSIDIARIES**  
**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2008**  
**(UNAUDITED)**

<b>CONSOLIDATED STATEMENT OF INCOME</b>		
(Thousand €, except share data in € viz. in number of shares)		
	<b>Q1/2007</b> <b>(unaudited)</b>	<b>Q1/2008</b> <b>(unaudited)</b>
<b>Revenues</b>	<b>20,951</b>	<b>20,004</b>
Product Licenses	5,936	5,056
Hardware	1,141	1,867
Maintenance	10,236	10,077
Services	3,638	3,004
<b>Cost of Revenues</b>	<b>10,927</b>	<b>8,853</b>
<b>Gross Profit</b>	<b>10,024</b>	<b>11,151</b>
<b>Operating Expenses</b>	<b>10,745</b>	<b>11,715</b>
Selling Expenses	5,761	5,679
General Administrative Expenses	1,899	2,147
Research and Development Expenses	3,105	3,776
Sundry Income	(45)	(134)
Other Expenses	25	247
<b>Operating Result</b>	<b>(721)</b>	<b>(564)</b>
<b>Finance Result</b>	<b>(111)</b>	<b>183</b>
Interest Income	16	241
Interest Expenses	(127)	(58)
<b>Result before Income Taxes</b>	<b>(832)</b>	<b>(381)</b>
Income Taxes	(75)	(199)
<b>Loss for the Fiscal Period</b>	<b>(907)</b>	<b>(580)</b>
Earnings per Ordinary Share		
<b>Basic and Diluted</b>	<b>(0.10)</b>	<b>(0.04)</b>
Weighted Average Number of Shares Outstanding used to compute Earnings per Ordinary Share		
<b>Basic and Diluted</b>	<b>8,738,666</b>	<b>13,168,304</b>

See accompanying Notes to the Consolidated Financial Statements



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousand €)	12.31.2007 (audited)	03.31.2008 (unaudited)
<b>Current Assets</b>	<b>52,494</b>	<b>55,580</b>
Cash	3,176	5,624
Trade Receivables	38,912	33,465
Work in Process Project Orders (POC)	4,878	6,108
Inventories	3,342	3,571
Other Current Assets	2,186	3,806
Current Income Taxes	-	606
Assets Held for Sale	-	2,400
<b>Non-Current Assets</b>	<b>16,914</b>	<b>20,820</b>
Property, Plant & Equipment	4,202	3,927
Goodwill	1,522	2,044
Other Intangible Assets	768	3,183
Acquired Software Product Rights	1,599	2,716
Deferred Tax Assets	7,644	7,434
Other Non-Current Assets	1,179	1,516
<b>Total Assets</b>	<b>69,408</b>	<b>76,400</b>
<b>Current Liabilities</b>	<b>33,990</b>	<b>40,887</b>
Short-Term Finance and Finance Leasing	8,228	1,091
Trade Payables	5,915	6,096
Deferred Income	7,207	19,106
Current Income Taxes	202	697
Advance Payments Received (POC)	290	-
Provisions	368	359
Other Current Liabilities	11,779	12,287
Liabilities Held for Sale	-	1,251
<b>Non-Current Liabilities</b>	<b>11,705</b>	<b>12,416</b>
Employee Benefits	2,921	2,925
Deferred Tax Liabilities	7,238	8,244
Other Non-Current Liabilities	1,546	1,247
<b>Total Liabilities</b>	<b>45,695</b>	<b>53,303</b>
<b>Shareholders' Equity</b>	<b>23,713</b>	<b>23,097</b>
Share Capital	17,276	17,276
Capital Reserve	10,709	10,709
Retained Losses	(4,950)	(5,530)
Other Comprehensive Income	1,097	1,061
Treasury Shares	(419)	(419)
<b>Total Liabilities and Shareholders' Equity</b>	<b>69,408</b>	<b>76,400</b>

See accompanying Notes to the Consolidated Financial Statements





## CONSOLIDATED STATEMENT OF CASH FLOWS

(Thousand €)	Q1/2007 (unaudited)	Q1/2008 (unaudited)
<b>Net Cash from Operating Activities</b>	<b>8,457</b>	<b>12,362</b>
Loss for the Fiscal Period	(907)	(580)
Reconciliation from Loss for the Fiscal Period to Cash used in Operating Activities:		
Depreciation and Amortization	905	1,039
(Gain) Loss on the Disposal of Property, Plant & Equipment, net	19	(9)
Finance (Income) Expenses, net	111	(183)
Current Tax (Benefit) Expenses	(169)	183
Deferred Tax (Benefit) Expenses	(208)	16
Income Taxes Paid	(308)	(294)
Foreign Currency Gains (Losses), net	(78)	189
Changes in Assets and Liabilities:		
- (Increase) Decrease in Trade Receivables	(1,555)	4,216
- Increase (Decrease) in Trade Payables	(605)	143
- Increase in Deferred Revenues	14,195	11,374
- Changes in other Assets and Liabilities	(2,944)	(3,732)
<b>Net Cash used in Investing Activities</b>	<b>(20)</b>	<b>(2,690)</b>
Acquisition of Property, Plant & Equipment	(36)	(103)
Interest Received	16	23
Cash Paid for Investments, net of Acquired Cash	-	(2,610)
<b>Net Cash used in Financing Activities</b>	<b>(7,637)</b>	<b>(7,188)</b>
Net Change in Short-Term Finance and Finance Leasing	(7,510)	(7,136)
Interest Paid	(127)	(52)
<b>Increase in Cash</b>	<b>799</b>	<b>2,484</b>
Effect of Exchange Rate Fluctuations on Cash	(54)	(36)
Cash at the Beginning of the Year	2,050	3,176
<b>Cash at the End of the Fiscal Period</b>	<b>2,794</b>	<b>5,624</b>

See accompanying Notes to the Consolidated Financial Statements



<b>CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>									
Q1/2008 (unaudited)	Ordinary Shares		Capital Reserve		Retained Earnings	Other Comprehensive	Net Income (Loss) including Other Comprehensive	Treasury Shares	Total Shareholders' Equity
(Thousand €, except share data in number of shares)	Number of Shares	Value				Comprehensive		Number of Ordinary	
<b>Balance at January 1, 2007</b>	<b>8,859,276</b>	<b>11,517</b>	<b>7,985</b>	<b>(7,260)</b>	<b>1,167</b>			<b>(120,610)</b>	<b>12,990</b>
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	-	-	-	-	(70)	(70)	(70)	-	-
Other Comprehensive Loss	-	-	-	-	-	-	(70)	-	(70)
Net Profit for the Year, including Other Comprehensive Loss	-	-	-	-	-	-	2,240	-	(70)
<b>Balance as at December 31, 2007</b>	<b>13,288,914</b>	<b>17,276</b>	<b>10,709</b>	<b>(4,950)</b>	<b>1,097</b>			<b>(120,610)</b>	<b>23,713</b>
Net Loss for the Fiscal Period	-	-	-	(580)	-	-	(580)	-	(580)
Other Comprehensive Loss, net of Tax Effects	-	-	-	-	(36)	(36)	(36)	-	-
Other Comprehensive Loss	-	-	-	-	-	-	(36)	-	(36)
Net Loss for the Fiscal Period, including Other Comprehensive Loss	-	-	-	-	-	-	(616)	-	(616)
<b>Balance as at March 31, 2008</b>	<b>13,288,914</b>	<b>17,276</b>	<b>10,709</b>	<b>(5,530)</b>	<b>1,061</b>			<b>(120,610)</b>	<b>23,097</b>

See accompanying Notes to the Consolidated Financial Statements

**BETA SYSTEMS SOFTWARE AG AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2008 (UNAUDITED)****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 Interim Financial Statements for the fiscal period to March 31, 2008 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"), Identity Management ("IdM") and Enterprise Content Management ("ECM") of Beta Systems support the Company's customers in the automation, safeguarding and transparency of their IT supported business processes.

**Statement of Compliance**

These Consolidated Interim Financial Statements for Beta Systems Software AG were prepared in compliance with the International Financial Reporting Standards (IFRS) for interim financial reports (IAS 34), as they are required to be applied within the European Union. Accordingly they do not include all of the information and notes required by the International Financial Reporting Standards (IFRS) for Consolidated Annual Financial Statements, and should be read in conjunction with the Annual Consolidated Financial Statements for the fiscal year 2007 and footnotes thereto.

In the opinion of the Management Board, all adjustments considered necessary for a fair presentation (normal recurring provisions) are included. The results for the period to March 31, 2008 are not necessarily indicative of the results which may be expected for the fiscal year 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.

**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.

**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 Interim 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 financial statements of the fully consolidated companies included in the Consolidated Interim Financial Statements are based on the same accounting policies and valuation methods. Inter-company revenues and expenses, accounts receivable, accounts payable, inter-company operating results and inter-company dividend payments were eliminated.



**Acquisition of SI Software Innovation GmbH, Neustadt an der Weinstraße**

Effective January 1, 2008, Beta Systems Software AG has acquired 100% of the shares in SI Software Innovation GmbH, Neustadt an der Weinstraße („SI GmbH“). With more than 20 years market expertise, SI GmbH calls on proven customer relationships with a number of large corporations. The financial services sector constitutes a focal point. Here the two central IT service providers of the Volksbanken- und Raiffeisen-association, the GAD eG and the FIDUCIA IT AG and their more than 900 affiliated institutes belong to the entity's customer base. SI GmbH's product, Large Documents Management System („LDMS“), is a central archiving system for document-based business processes as well as digital records, and is based on IBM's current zServer technology (mainframe). The business combination is allocated to the business segment Data Center Infrastructure (DCI), under the portfolio of which the LDMS-suite will be integrated as a separate product in future.

The purchase price amounts to T€3,000, plus transaction costs in the amount of T€19. A further valuable consideration exists in the form of a variable purchase price component. The SI GmbH is owner of an immovable property designated as held for sale. In this way the purchase price increases, depending on the selling price of the property, less the repayment of the mortgage over the property and the direct costs related to the sale. Beta Systems Software AG estimates the additional purchase price component to amount to T€1,000.

The acquisition date for purposes of initial consolidation was determined to be January 1, 2008. On the basis of a provisional estimate, goodwill in the amount of T€522 has been recognized. The allocation of the purchase price detailed in the following table is provisional, as current efforts to determine the market values of certain own-produced intangible assets had not been concluded at balance sheet date. Future adjustments to the purchase price allocation will be recognized retrospectively within 12 months of the purchase date in accordance with IFRS 3:

SI Software Innovation GmbH, Neustadt an der Weinstraße			
Purchase Price Allocation, in T€	Book Value SI GmbH	Revaluation	Market Value
Goodwill	-	522	522
Product Rights LDMS	-	1,475	1,475
Customer Base	-	2,589	2,589
Liabilities	-	(245)	(245)
Deferred Tax Liabilities	-	(1,145)	(1,145)
Cash	409	-	409
Property, Plant & Equipment	122	-	122
Current Liabilities	(852)	-	(852)
Assets Held for Sale	2,400	-	2,400
Liabilities Held for Sale	(1,255)	-	(1,255)
Net Assets, including Goodwill	824	3,195	4,019

The value of the goodwill is based on a number of factors, like the value of the staff complement and synergies in the area of procurement. The SI GmbH contributes revenues in the amount of T€1,301 in the reporting period, and a net profit in the amount of T€290 to the net result.





## 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.

**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-term 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.

Since the year 2008, the German corporate tax rate on undistributed earnings and on distributed earnings is 15.0%. Together with the solidarity surcharge and the trade tax rate a composite tax rate in the amount of 30.53% has since then been applied.

**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 period.

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 period, 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.

**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.



### 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“.

### 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.

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.

**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.

**SEGMENT REPORTING****SEGMENT REPORTING ACCORDING TO BUSINESS UNITS**

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

The delimitation of the LoBs is product-oriented in alignment with the business activities. 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. In contrast to the fiscal year 2007, and for the purpose of improving the disclosure of operative budget responsibilities, changes from fiscal year 2008 were implemented to the internal reporting, effectively resulting in only directly attributable costs being allocated to the LoBs. The comparative amounts were adjusted accordingly.

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.

Q1/2007	DCI	IdM	ECM	Cross-Section	Total Group
Revenues with Customers	7,171	3,079	10,739	(38)	20,951
...Inter-Segment Revenues	-	-	-	-	-
Total Revenues	7,171	3,079	10,739	(38)	20,951
Cost of Revenues and Operating Expenses of the Business Segments	(3,412)	(2,560)	(9,598)	-	(15,570)
Segment Income (Loss) for the Fiscal Period	3,759	519	1,141	(38)	5,381
Q1/2008	DCI	IdM	ECM	Cross-Section	Total Group
Revenues with Customers	8,047	1,977	9,984	(4)	20,004
...Inter-Segment Revenues	-	-	-	-	-
Total Revenues	8,047	1,977	9,984	(4)	20,004
Cost of Revenues and Operating Expenses of the Business Segments	(4,684)	(2,179)	(7,996)	-	(14,859)
Segment Income (Loss) for the Fiscal Period	3,363	(202)	1,988	(4)	5,145

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.

As for purposes of internal reporting and steering of the Company not all costs are allocated to the net results generated by the LoBs - i.e. general Cost of Revenues, the General Administrative Expenses, general Research and Development Expenses 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:

	Q1/2007	Q1/2008
Total Segment Results for the Fiscal Period	5,381	5,145
Unallocated Overhead Costs	(6,122)	(5,596)
Sundry Income	45	134
Other Expenses	(25)	(247)
Operating Result	(721)	(564)
Finance Result	(111)	183
Result before Income Taxes	(832)	(381)
Income Taxes	(75)	(199)
Income (Loss) for the Fiscal Period	(907)	(580)





## GUARANTEES AND CONTINGENT LIABILITIES

No changes have occurred since December 31, 2007. In particular, the following two positions exist:

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.

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.

## 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 interim reporting period. 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 business relationships existed with these entities during the interim reporting period.

No other related party business relationships existed.



**IV. DISCLOSURE OF DIRECTORS' HOLDINGS OF BETA SYSTEMS SOFTWARE AG**

<b>As per March 31, 2008</b>	<b>Shares</b>
<b>Management Board</b>	
Kamyar Niroumand	129,377
Gernot Sagl	-
<b>Supervisory Board</b>	
Sebastian Leser	-
Dr. Arun Nagwaney	-
Jürgen Dickemann	-
Volker Wöhrle	-
Stefan Hillenbach	6,432
Wilhelm Terhaag	-
<b>Beta Systems Software AG</b>	
Treasury shares	120,610

On March 10, 2008, Mr. Kamyar Niroumand bought 100,000 shares ex stock exchange as part of Directors' Dealings transaction. The purchase from the portfolio of an institutional investor is linked to a voluntary holding period of one year and is for the purpose of promoting long-term identification with the Company.

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



**V. CONTACT****Hotline for investors, analysts and journalists**

Our Investor Relations Team is at your disposal for any questions on the results as per March 31, 2008, under the telephone number +49 (0)30 726 118 -171 or via email at [ir@betasystems.com](mailto:ir@betasystems.com).

**Beta Systems Software AG, Berlin, Germany**

Beta Systems Software AG (Prime Standard: BSS, ISIN DE0005224406) develops high-profile software products and solutions for the secure and efficient processing of large data volumes. The core businesses of Beta Systems are document processing and IT user management data processing in data centers and compliance solutions. 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 security level 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 18 subsidiaries worldwide and cooperations and 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 and IT service providers and industry at large in Germany, Europe and the USA.

More information on the Company and its products can be found under [www.betasystems.com](http://www.betasystems.com).

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