

COMPANY FLASHNOTE

DR. KALLIWODA EQUITY RESEARCH

Sept, 26, 2005



Event: Veigel no longer CEO

**Infrastructure Software / Security Management
Enterprise Content Management**

HOLD (Hold)
Coverage: Since Q1/2004
Last Price: € 11,25
Fair Value: € 13,30

- **CEO Veigel no longer on board**
- **Breyer provisional CEO: Responsibilities within board still unclearly**
- **Unchanged Restructuring „Growth & Profit 2005“**

COMPANY DESCRIPTION

Beta Systems Software AG is a leading provider of intelligent, high - performance solutions for the administration of bulk data. Beta Systems supplies software which enables companies to streamline and simplify their data center, backup and document management processes. Security-Management- and Enterprise Content Management-Solutions are the growth-drivers.



Beta Systems Software AG					
Figures in EUR	2003	2004	2005e	2006e	2007e
EPS Dr.Kalliwoda Research	0,89	0,00	0,54	0,61	1,04
EPS Consensus	0,69	-	-	-	-
Revenues (mln)	55,8	100,8	94,6	110,0	126,0
net Income (adj.)	3,6	0,0	2,2	2,5	4,3
net cash per share	2,1	2,7	3,4	3,3	3,8
net Cash	8,7	11,3	14,0	13,4	15,5
Free Cash Flow	2,2	-12,5	-14,3	-5,3	3,0
P/E	16,8	-	27,8	24,6	14,5
P/S	1,3	0,7	0,8	0,7	0,4
EV/EBITDA	10,2	18,5	-27,2	13,4	5,1

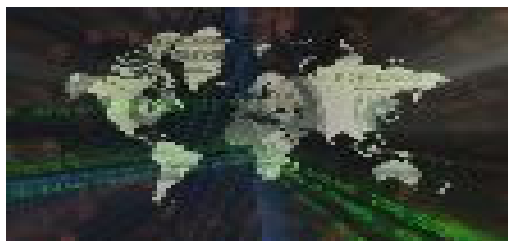
Source: DR.KALLIWODA RESEARCH			
Price (curr)	11,25	Shares out (mln)	4,11
52w high	17,9	9M avrg Vol (000s)	13,3
52w low	6,1	Free Float (in %)	56
Market Cap (mln)	46,2	Weight in TecDaxPrimeStandard	0,2%
ROE curr	8%	Reuters code	BSS
Sales CAGR 020-07	16,2%	Bloomberg	BSS
Web Page	betasystems.com	WKN	522440

Source: DR.KALLIWODA|RESEARCH



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1. CHANGES IN THE MANAGEMENT BOARD

1.1 Karl-Joachim Veigel no longer CEO

Since 21 September 2005 Mr. Karl-Joachim Veigel is no longer chairman of the board of Beta Systems Software AG (BSS, ISIN DE0005224406). Veigel and the company agreed on the separation. Obviously the supervisory board drew the consequences because of the enterprise results of the last quarters: The operational results in the last quarters, after the takeover of Kleindienst Datentechnik did not succeed as planned. It is to be considered that Veigel performed well since his office entrance in 2000 up to 2004 (takeover of Kleindienst was consolidated in Q2/2004). Mr. Dietmar Breyer (ex-CEO of Kleindienst) becomes Deputy chairman of the board. He will takeover the presidency in the board of directors for a transitional phase. Furthermore the supervisory board appointed Mr. Kilian Krieger with effect from 4th October 2005 for the divisions Finances, Controlling and Personnel Affairs (thereby taking over the responsibilities previously held by Mr. Veigel). The productivity program "Growth and Profit 2005" starting in 2005 with the measures of restructuring, reduction of costs and integration measures are not in danger in our opinion. We expect a regular implementation up to the year end.

1.2 Facit

Beta Systems Software AG is still busy at present with internal restructuring processes (takeover of Kleindienst Datentechnik as well as the responsibilities within executive board). Additionally there still is a weak demand within the IT sector and a weak macro economic situation. Regarding its strategic adjustment Beta Systems is well positioned. In the segment Enterprise Content Management, an important business field for the company, Beta Systems covers nearly all Western European countries together with distribution cooperations, while Kleindienst Datentechnik is strongly positioned in Germany and in growing Central- and Eastern Europe. Therefore we calculate sales- and earnings-growth in the medium term. In Q4/2005 we expect a recovery but a weak result for total 2005 (minus € 2.9 million from current business activity and altogether plus € 2.1 million due to the sale of the business segment Outsourcing Services. In the business segment ID/Security (administration of digital identities with SAM Jupiter) we expect sales of only € 14,3 million in 2005. Starting from 2006 we assume a significant recovery based on the newly developed open system version of the Security administration manager (SAM). Starting from 2006 we estimate sales growth and again pretax profits (see chapter 2; 2.1; 2.2 and 2.3). In 2 years we estimate an EBIT-margin of at least 7%, particularly supported by further cost savings (program "Growth and Profit 2005"). We expect strongest growth in the business segments ECM (Enterprise Content Management) and Security Management. The Research & Development section of these business segments amounts to approx. € 10 million and should be an EBIT-driver for the next financial years.

Our Recommendation: **HOLD (unchanged)**.



2. REPRESENTATION OF H1/2005 RESULTS

Beta Systems Software AG Q2/2005 Figures in Mio. €									
	Total 2004	Total 2003	Change to total2004	Q1 2005	Q1 2004	Change to Q1/2004	Q2 2005	Q2 2004	Change to Q4 2004
Revenues:									
Product licences	22,06	26,35		3,74	4,51		3,63	4,91	
Maintenance	24,38	24,27	0,5%	5,53	5,96		5,86	5,89	-0,6%
Service	6,11	5,18	18,0%	1,27	1,13		1,69	1,45	16,3%
Project Business ECM Input Management	37,45	0,00		9,27	0,00		12,24	12,66	
Outsourcing Service	10,83	0,00							
Total revenues	100,82	55,79	81%	19,80	11,60	71%	23,41	24,91	-6%
Cost of revenues									
Product licences	3,65	2,48	47,4%	0,67	0,60		0,27	0,79	-65,9%
Maintenance	7,72	7,07		2,05	1,87		1,98	1,89	4,8%
Service	6,46	5,68	13,8%	1,41	1,65		1,85	2,20	-15,9%
Project Business ECM Input Management	21,87	0,00		5,79	0,00		9,19	6,56	
Outsourcing Service	7,67	0,00							
Total cost of revenues	47,37	15,22	211%	9,91	4,11	141%	13,28	11,43	16%
Gross profit	53,45	40,58	32%	9,89	7,48	32%	10,13	13,47	-25%
Operating expenses									
Selling	23,77	18,35	29,6%	5,47	4,24	29,0%	5,35	6,43	-16,7%
General and administrative	13,67	9,22	48,2%	4,04	2,17	85,9%	3,36	3,74	-10,3%
Research and development	12,01	9,06	32,6%	4,25	2,72	56,4%	5,02	3,80	32,3%
Amortization of intangible assets	1,01	0,05	2055,3%	0,23	0,02	1433,3%	-0,11	0,13	-185,2%
	0,14	0,08	83,1%				0,00	0,00	
Total operating expenses	50,61	36,76	38%	14,00	9,15	53%	13,62	14,10	-3%
Other operating income, net							0,52	0,15	
Operating result	2,85	3,82	-25,4%	-4,11	-1,67		-2,97	-0,48	523%
Other operating results (*old system)	1,13	0,73	55,7%	1,69	0,44	287,6%	0,00		
Net financing costs				-0,09	0,09		-0,17	-0,003	5433,3%
Interest income (*old system)	-0,97	0,26	-481,2%				0,00	0,00	
Finanzergebnis, netto							-0,17	-0,003	
Profit/Loss from continuing operations, before income taxes and minority interests	3,01	4,80	-37%	-2,51	-1,14	120%	-3,14	-0,48	554%
Income tax benefit	2,33	1,29	80,2%	-0,90	-0,42		-1,64	-0,54	204,3%
(Gain) Loss from discontinued operations, less income tax				-0,82	0,00		-5,63	0,45	
Net income (loss) before Minority interests	0,68	3,51	-81%	-0,78	-0,72	9%	4,13	-0,39	-1171%
Minority interests	0,70	0,00		-0,36	0,00		0,56	-0,32	
Net income (loss)	-0,02	3,51		-1,15	-0,72		3,57	-0,07	
Net income (loss) per ordinary share Basic and diluted	0,00	0,89		-0,28	-0,18	54%	0,87	-0,02	
Weighted average number of shares used to compute net income (loss) per ordinary share									
Basic and diluted	4,05	3,92	3%	4,11	3,96	4%	4,11	4,01	2%

Source: Beta Systems Software AG ; DR.KALLIWODA RESEARCH



2.1 Our unchanged estimates for Q3 and Q4/2005

The following table clarifies the development of the individual business segments. Additionally please see our estimates for Q3 and Q4/2005.

In the lower part of the table please see the additional result from not continued business: The purchase price obligation of the sale of Outsourcing Service business amounted to € 10,35 million and was settled in full. The profit on disposal associated with this transaction was € 5.1 million and was recognized in the second quarter of 2005. This is the profit net of tax and operating loss up to effective date on April 30, 2005.

	Q1/2005 Revenues	Q2/2005 Revenues	Q3e/2005 Revenues	Q4e/2005 Revenues	2005e Total Revenues
Storage Management	0,747	0,603	0,57	0,74	2,66
ID/Security Management	2,895	3,603	3,42	4,40	14,32
Data Center Management	3,492	3,175	3,02	3,97	13,65
ECM/Output Management	3,399	3,787	3,60	4,73	15,52
ECM/Input Management	9,265	12,244	11,63	15,31	48,45
Revenues sum	19,798	23,412	22,24	29,14	94,59

	Q1/2005 Earnings	Q2/2005 Earnings	Q3e/2005 Earnings	Q4e/2005 Earnings	2005e Total earnings
Storage Management	-0,173	-0,146	0,30	0,50	0,48
ID/Security Management	-1,286	-1,206	-0,50	1,00	-1,99
Data Center Management	-0,22	-0,071	0,50	0,50	0,71
ECM/Output Management	-0,507	-0,449	-0,20	1,00	-0,16
ECM/Input Management	-1,909	-1,534	-0,50	2,00	-1,94
Earnings sum from contin. Operations	-4,095	-3,406	-0,40	5,00	-2,90
Ergebnis Summe Discontinued Operations					5,10
Earnings total sum (Pre tax)					2,20

Source: DR.KALLIWODA | RESEARCH

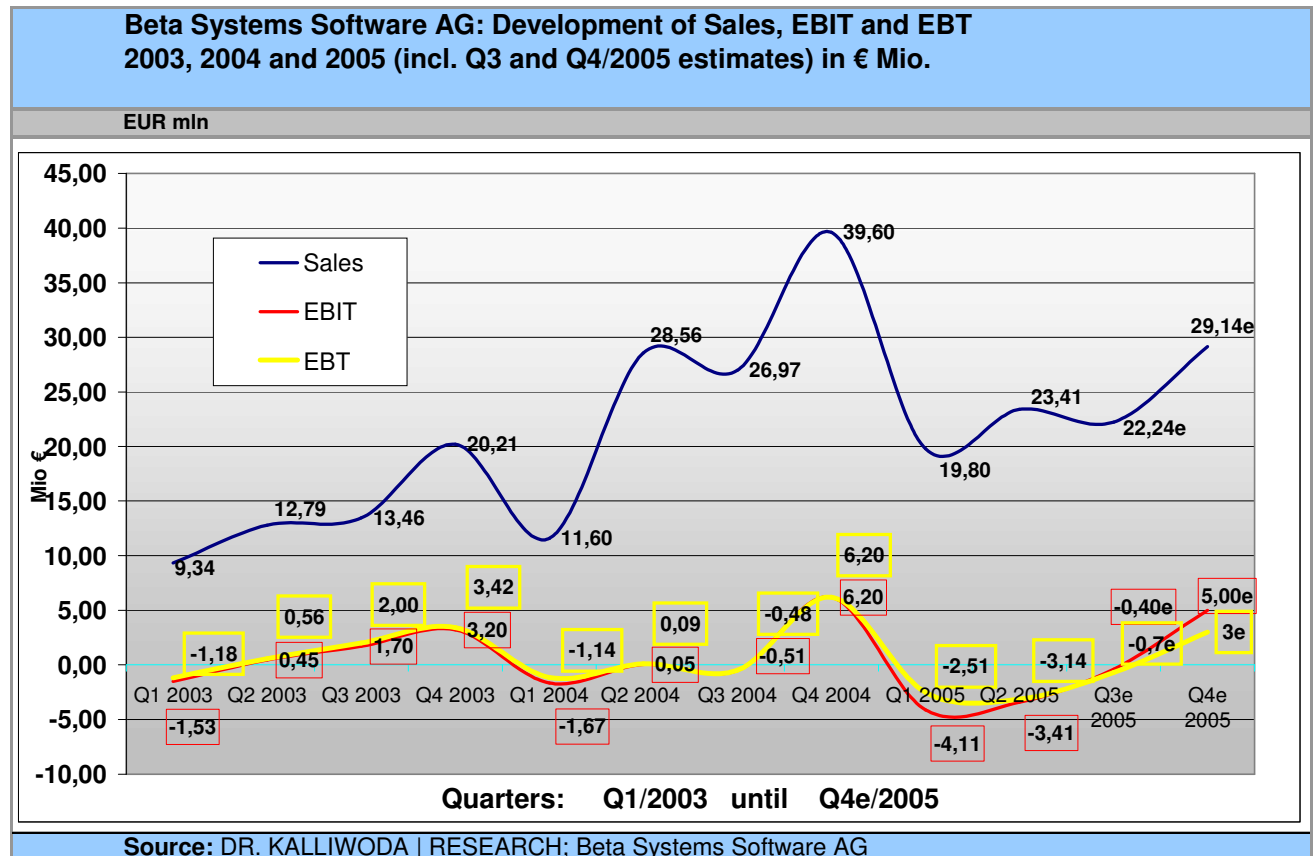


2.2. Unchanged estimates for 2005 until 2008

See our estimates for 2005 until 2008 in our last company update from August 15th. **On the basis of our three-stage discount cash flow model we calculate a fair value of € 13,30 and recommend the stock to hold (unchanged).**

2.3 Graphics on companies development from 2003 until 2005e

In following graphic you can see the development of Beta Systems sales-, EBIT- and EBT-figures in the last three years (inclusive Q3e and Q4e/2005). The operational cycles of Beta Systems become clearly visible, which are typical for software producers and IT consultants: Each Q4 of a year shows best results compared to the others quarters. The highest sales figure with € 39.6 millions was obtained in Q4/2004. EBIT amounted to € 6.2 millions (also EBT).

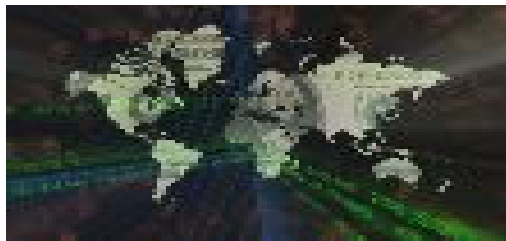




3. APPENDIX

3.1 Market impulses and trends for Beta Systems

- The market for Identity management is growing fast. Security solutions are being given top priority in IT budgets.
- In the market segment Enterprise Content Management (ECM) the subranges document management, input and output management as well as archiving grow together. Total conceptions are required by institutions/ customers.
- Regarding ECM research institutions expect an average growth rate of 8%
- Offerers are advantaged when they can offer solutions on all relevant platforms such as Windows, Unix, Mainframe and also in the open SOURCE (Linux) segment.
- IT systems become increasingly more integrated and more complex.
- Web-based company portals are being created with the express purpose of ensuring flexible processes and minimizing the level of complexity for users. Enterprises therefore need solutions for safe and fast software solutions, which are simply maintained and affordable.
- IT systems must master the integration of business processes. Information technology has to serve specific business objectives and generate benefits that are quantifiable.
- End-to-End Solutions: The advantages lies with software enterprises which can identify and examine detailed documents (e.g. health insurance customer documents as well as correspondence. A digitization along the entire value chain of an enterprise lowers costs and increases efficiency. The software concepts of Beta Systems reduce the expenditure for the manual input process for incoming mail by approx. 20%. The reduction of the expenditure for correct processing is approx. 80%.

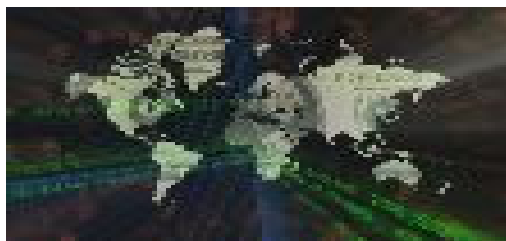


3.2 Profit- and loss account until 2008

The following graph shows the profit-and-loss-accounts with our estimates up to 2008.

Beta Systems Software AG: PROFIT & LOSS								
EUR mln								
	2002	2003	2004	2005e	2006e	2007e	2008e	CAGR 2002-2007
Revenues	45,1	55,8	100,8	94,6	110,0	126,0	142,0	16,2%
% change	-0,2%	23,7%	80,7%	-6,2%	16,3%	14,5%	12,7%	
COGS	-9,9	-15,2	-47,4	-58,0	-53,5	-59,3	-65,3	
% change	n.m.	65,1%	211,2%	22,5%	-7,8%	10,8%	10,2%	
% of revenues	22%	27%	47%	47%	61%	47%	46%	
Gross income	35,2	40,6	53,5	36,6	56,5	66,7	76,7	16,8%
% change	12,6%	15,3%	31,7%	-31,6%	54,6%	18,1%	14,9%	
Gross margin	78%	73%	53%	39%	53%	53%	54%	58,1%
S,G&A	-26,8	-27,6	-37,4	-36,1	-39,1	-44,8	-50,5	
% of revenues	59%	49%	-37%	-38%	-36%	-36%	-36%	
R & D	-7,7	-9,1	-12,0	-11,8	-11,7	-13,4	-15,1	
% change	n.m.	17,2%	32,6%	-2,0%	-0,7%	14,5%	12,7%	
% of revenues	17%	16%	-12%	-12%	-13%	15%	-11%	
Other op. Income	-0,5	-0,1	-0,1	-0,1	-0,1	0,0	-0,1	
EBITDA	-0,2	3,8	2,8	-2,5	5,5	8,4	11,0	
% change			-25,4%			50,9%	7,7%	
EBITDA margin	0%	7%	3%	-3%	5%	7%	10%	4%
Depr. & Amort.	0,3	0,0	1,0	1,0	-0,1	-0,1	0,0	
EBIT	0,1	3,9	2,8	-2,5	5,6	8,4	11,0	
% change			-26,3%			50,9%	7,7%	
EBIT margin	0%	7%	3%	-3%	5%	7%	8%	4%
Financial result	2,2	1,0	0,2	-0,4	-0,4	0,0	-0,3	
Pre tax income	2,3	4,8	3,0	2,2	5,2	8,0	10,6	39%
% change	129,3%	111,1%	-38,0%	-26,4%	133,1%	54,8%	32,3%	
Taxes	-2,0	-1,3	-2,3	0,8	-1,8	-2,8	54,8	
Tax rate	86,2%	26,6%	77,4%	-35,0%	35,0%	35,0%	-518,7%	
Minorities	0,0	0,0	-0,7	-0,8	-0,8	-0,9	-0,7	
Net income (Ex adj.)	0,3	3,6	0,0	3,0	3,4	5,2	6,9	
% change	-63,6%	1025,6%	n.m.	n.m.	12,2%	54,8%	32,3%	
Net margin	1%	6%	0%	3%	3%	4%	5%	3%
# shares out (mln)	3,95	3,95	4,02	4,02	4,02	4,02	4,02	4,02
EPS	0,08	0,89	0,00	0,54	0,61	1,04	1,42	
% change	-63,6%	1005,2%	n.m.	n.m.	13,0%	70,0%	37,2%	

Source: DR. KALLIWODA | RESEARCH; Beta Systems



3.3 Business segments 2005e (primary reporting format, with intersegment revenues)

The following table shows the active business segments of the company representing the primary reporting format. Additionally please see our estimates for Q3/2005 and Q4/2005 (revenues from customers and intersegment revenues).

2005 first 6 months	Revenues (a)	Revenues (b)	Total Reven.	Revenues (a)	Revenues (b)	Total Reven.
	Q1 from Customers	Q1 Intersegment	Q1 a+b	Q2 from Customers	Q2 Intersegment	Q2 a+b
Storage Management	0,747	0,106	0,853	0,603	0,077	0,68
ID/Security Management	2,895	0,411	3,306	3,603	0,469	4,072
Data Center Management	3,492	0,496	3,988	3,175	0,407	3,582
ECM/Output Management	3,399	0,482	3,881	3,787	0,491	4,278
ECM/Input Management	9,265	1,315	10,58	12,244	1,597	13,841
Sum	19,798	2,81	22,608	23,412	3,041	26,453

2005e Q3e and Q4e	Revenues (a)	Revenues (b)	Total Reven.	Revenues (a)	Revenues (b)	Total Reven.
	Q3e from Customers	Q3e zw. Intersegment	Q3e a+b	Q4e zw. Customers	Q4e zw. Intersegment	Q4e a+b
Storage Management	0,57	0,10	0,67	0,74	0,10	0,84
ID/Security Management	3,42	0,50	3,92	4,4	0,60	5,00
Data Center Management	3,02	0,40	3,42	3,97	0,50	4,47
ECM/Output Management	3,6	0,50	4,10	4,73	0,60	5,33
ECM/Input Management	11,63	1,65	13,28	15,31	2,00	17,31
Sum	22,24	3,15	25,39	29,15	3,80	32,95

Source: Beta Systems Software AG; DR.KALLIWODA | RESEARCH

- a) For total 2005 we calculate revenues of Beta Systems Software AG from customers of € 94,6 million.
 b) For total 2005 we calculate intersegment revenues of Beta Systems Software AG of €12,8 million.
 In total (a+b) € 107,4 million.



4. CONTACT



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