



27th February 2006

COMPANY UPDATE

Coverage: Since Q1/2004



Sector: IT/Software

EVENT: Preliminary Figures FY 2005

Rating (old): **HOLD**

Rating: **HOLD**

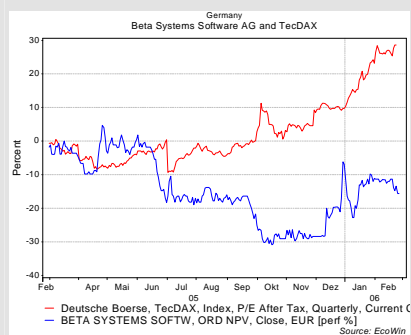
Fair Value (old) € 6,65

Fair Value (new) € 6,85

Last Price: € 5,80

Substance & Strategy leave Room for Hope!

- **Beta Systems closes FY 2005 with higher sales and earnings**
- **Similar exceptional expenses as in 2006 are to be expected**
- **Promising process optimizations**

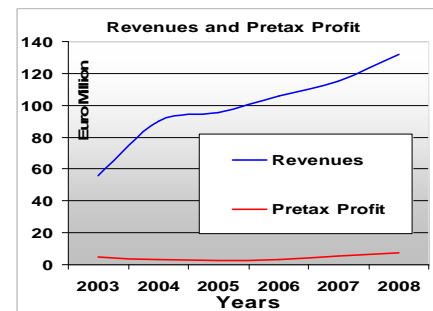


SWOT

- + Strong experienced Management
- + Competent Product solutions for Network Security and Identity/ Access Rights
- - Remaining Price Pressure?
- - For 2006 still low operative profits are to be expected.

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



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See also
Kalliwoda Recommendations
on Terminal: Bloomberg
Reuters
Thomson Financials
JCF Factset

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Beta Systems Software AG	2003	2004	2005e	2006e	2007e
Figures in EUR					
EPS Dr.Kalliwoda Research	0,89	0,00	0,12	0,13	0,31
EPS Consensus	0,69	0,15	0,30	0,40	0,6
Revenues (mln)	55,8	90,0	95,6	106,0	115,0
net Income (adj.)	3,6	0,0	1,0	1,0	2,5
P/E	16,8	-	60,5	57,8	23,7
P/S	1,3	0,7	0,8	0,7	0,4
EV/EBITDA	10,2	18,5	21,2	21,6	5,1

Price (curr)	5,8	Shares out (mln)	8,2
52w high	17,9	6M avrg Vol (000s)	22
52w low	6,1	Free Float (in %)	56
Market Cap (mln)	47,7	Weight in TecDaxPrimeStandard	0,2%
ROE curr	8%	Reuters code	BSS
Sales CAGR 020-07	26%	Bloomberg	BSS
Web Page	betasystems.com	WKN	522440

Source: DR.KALLIWODA | RESEARCH



1. PRELIMINARY RESULTS FOR FY 2005

Beta Systems Software AG announced preliminary figures for Fiscal Year 2005. The company achieved revenues from continuing operations under IFRS of approximately Euro 95,6 million (FY 2004 Euro 90,0 million) and a preliminary net profit of approx. Euro 1.0 million (FY 2004: Euro 0.1million) based on the examination by the Company's auditors. This figure includes

- an extraordinary gain of Euro 5.8 million due to the sale of one of the Company's business units (announced on 13th October) and
- exceptional charges of Euro 5.5 million due to integration, restructuring and cost-reduction measures.

Cost-reduction in 2006

The Management Board and the heads of the respective business lines have identified additional potential for cost reduction. The company expects higher increasing revenues for FY 2006. After the integration of Kleindienst Datentechnik AG the company is further improving business processes leading to accelerated workflow. But for realizing this potential, FY 2006 will be once more affected by exceptional expenses similar in scope to those recorded in the FY 2005.

Facit

In our view the company's corporate structure is improving steadily. Beta Systems consists of the business units

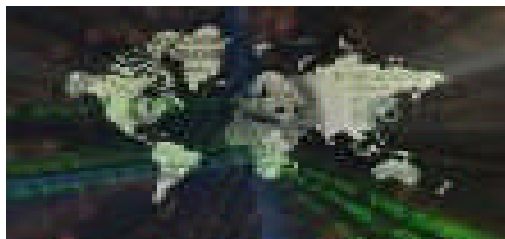
- ECM: Enterprise Content Management
- IdM: Identity Management
- DCI: Data Center Infrastructure.

Particularly with the business unit Enterprise Content Management Beta Systems is covering all Western European countries whereas the integrated Kleindienst Datentechnik AG is operating in Germany and strongly in the emerging markets of Mid and Eastern Europe.

In our opinion Beta Systems can become more profitable in the international Software-Market if the company adapts faster to changing market conditions as well as the increasing competition. With the products network security with sophisticated solutions for managing identity- and (temporary) access rights Beta Systems holds still a solid position. But even this business unit can be strengthened through an optimization of the product distribution.

We assume the stock price of Beta Systems seems to be secured on the current price level, because it represents the capital assets of the company. Additionally there exists a take over offer of Net IPO respective Delta Beteiligungen AG which is based on a mix of stock swap and cash offer. The offer corresponds with the current share price of Beta Systems.

We estimate sales in 2006 on Euro 100 million and the year's result on Euro 2,1 million. We reiterate our Rating "HOLD" with a fair value of **Euro 6,85 per share**.



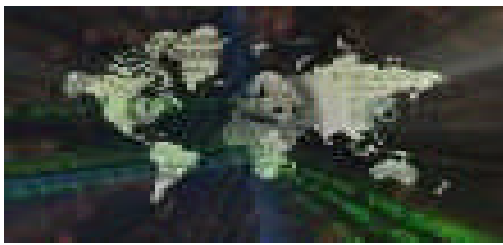
2. P&L Q1-Q3 2005 (FINALLY)

Beta Systems Software AG Q1/2005 until Q3/2005; 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	Q3 2005	Q3 2004	Change to Q3 2004
Revenues:												
Product licences	22,06	26,35		3,74	4,51		3,63	4,91	-26,1%	3,43	3,95	-13,0%
Maintenance	24,38	24,27	0,5%	5,53	5,96		5,86	5,89	-0,6%	5,82	6,13	-5,0%
Service	6,11	5,18	18,0%	1,27	1,13		1,69	1,45	16,3%	1,62	1,51	7,2%
Project Business ECM Input Management	37,45	0,00		9,27	0,00		12,24	12,66	-3,3%	10,81	11,97	-9,6%
Outsourcing Service *)	10,83	0,00										
Total revenues *)	100,82	55,79	81%	19,80	11,60	71%	23,41	24,91	-6%	21,68	23,54	-8%
Cost of revenues												
Product licences	3,65	2,48	47,4%	0,67	0,60		0,27	0,79	-65,9%	0,57	0,57	0,9%
Maintenance	7,72	7,07		2,05	1,87		1,98	1,89	4,8%	1,87	1,78	5,2%
Service	6,46	5,68	13,8%	1,41	1,65		1,85	2,20	-15,9%	2,05	1,76	16,9%
Project Business ECM Input Management	21,87	0,00		5,79	0,00		9,19	6,56	40,0%	8,39	7,51	11,7%
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%	12,88	11,61	11%
Gross profit	53,45	40,58	32%	9,89	7,48	32%	10,13	13,47	-25%	8,80	11,94	-26%
Operating expenses												
Selling	23,77	18,35	29,6%	5,47	4,24	29,0%	5,35	6,43	-16,7%	5,58	5,95	-6,1%
General and administrative	13,67	9,22	48,2%	4,04	2,17	85,9%	3,36	3,74	-10,3%	2,99	3,29	-9,0%
Research and development	12,01	9,06	32,6%	4,25	2,72	56,4%	5,02	3,80	32,3%	3,88	3,83	1,4%
Amortization of intangible assets	1,01	0,05	2055,3%	0,23	0,02	1433,3%	-0,11	0,13	-185,2%	0,06	0,14	-52,9%
	0,14	0,08	83,1%				0,00	0,00			0,12	
Total operating expenses	50,61	36,76	38%	14,00	9,15	53%	13,62	14,10	-3%	12,52	13,32	-6%
Other operating income, net							0,52	0,15	260,0%	-0,05	0,09	-155,1%
Operating result	2,85	3,82	-25,4%	-4,11	-1,67		-2,97	-0,48	523%	-3,77	-1,29	193%
Other operating results (*old system)	1,13	0,73	55,7%	1,69	0,44	287,6%	0,00			-0,08	-0,095	-12,6%
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%	-3,85	-1,38	179%
Income tax benefit	2,33	1,29	80,2%	-0,90	-0,42		-1,64	-0,54	204,3%	-2,15	-0,67	222,9%
(Gain) Loss from discontinued operations, less income tax				-0,82	0,00		-5,63	0,45			0,43	
Net income (loss) before Minority interests	0,68	3,51	-81%	-0,78	-0,72	9%	4,13	-0,39	-1171%	-1,70	-1,15	48%
Minority interests	0,70	0,00		-0,36	0,00		0,56	-0,32		0,33	-0,42	-177,9%
Net income (loss)	-0,02	3,51		-1,15	-0,72		3,57	-0,07		-2,02	-0,72	179%
Net income (loss) per ordinary share Basic and diluted	0,00	0,89		-0,28	-0,18	54%	0,87	-0,02		-0,47	-0,18	165%
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%	4,28	4,06	6%
Unter Berücks. d. Verwässerungseffektes (*alte Syst.)	4,05	3,99	1,55%									

Source: Beta Systems AG ; DR.KALLIWODA RESEARCH

*) Selling of the Business Unit Outsourcing Services on 13th. October 2005:

The sale to TAI AG (a DZ Bank AG subsidiary) of Beta Systems' Outsourcing Service unit, which no longer matches the company's overall strategy, was completed in the first half of the fiscal year. The operating results for fiscal 2004 and 2005 will be adjusted for the results attributable to this business unit. The sale, generating proceeds of Euro 10.4 million, will result in one-off earnings (after taxes) of Euro 5.1 million in 2005. A group-wide cash pool was established when the merger with Kleindienst Datentechnik AG officially came into force. In parallel, non-current financial liabilities were scaled back



significantly. As a result, the year-end equity ratio will improve considerably (Source: See Beta Systems Adhoc, 13th Oktober 2005)

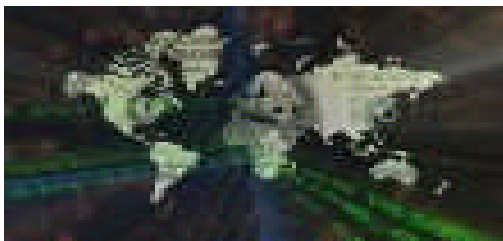
On the basis of the preliminary year's results for 2005 the revenues in Q4/2005 amount to Euro 30,7 millions and net profit of Euro 0,6 million in Q4/2005.

3. P& L 2002 to 2007e

The following graph shows the profit-and-loss-accounts with estimates up to 2007.

Beta Systems Software AG: PROFIT & LOSS							
EUR mln							
	2002	2003	2004	2005e	2006e	2007e	CAGR 2002-2007
Revenues	45,1	55,8	100,8	95,6	106,0	115,0	14,0%
% change	-0,2%	23,7%	80,7%	-5,2%	10,9%	8,5%	
COGS	-9,9	-15,2	-47,4	-54,6	-55,6	-58,3	
% change	n.m.	65,1%	211,2%	15,3%	1,7%	4,9%	
% of revenues	22%	27%	47%	47%	57%	51%	
Gross income	35,2	40,6	53,5	41,0	50,4	56,7	12,0%
% change	12,6%	15,3%	31,7%	-23,3%	23,1%	12,5%	
Gross margin	78%	73%	53%	43%	49%	49%	57,5%
S,G&A	-26,8	-27,6	-37,4	-35,2	-36,1	2,7	
% of revenues	59%	49%	-37%	-35%	-36%	3%	
R & D	-7,7	-9,1	-12,0	-11,4	-10,6	-11,5	
% change	n.m.	17,2%	32,6%	-5,2%	-6,7%	8,5%	
% of revenues	17%	16%	-12%	-11%	-12%	8%	
Other op. Income	-0,5	-0,1	-0,1	-0,1	-0,1	0,0	
EBITDA	-0,2	3,8	2,8	3,3	3,5	5,9	12%
% change			-25,4%	14,2%	7,1%	65,3%	
EBITDA margin	0%	7%	3%	3%	3%	5%	4%
Depr. & Amort.	0,3	0,0	1,0	1,0	-0,1	-94,0	
EBIT	0,1	3,9	2,8	3,3	3,5	5,9	10%
% change			-26,3%	14,2%	8,9%	65,3%	
EBIT margin	0%	7%	3%	3%	3%	6%	4%
Financial result	2,2	1,0	0,2	-0,4	-0,4	0,0	
Pre tax income	2,3	4,8	3,0	2,9	3,1	5,5	25%
% change	129,3%	111,1%	-38,0%	-5,1%	10,1%	73,6%	
Taxes	-2,0	-1,3	-2,3	-0,9	-1,1	-1,9	
Tax rate	86,2%	26,6%	77,4%	30,0%	35,0%	35,0%	
Minorities	0,0	0,0	-0,7	-1,0	-1,0	0,0	
Net income (Ex adj.)	0,3	3,6	0,0	2,0	2,0	2,3	
% change	-63,6%	1025,6%	n.m.	n.m.	2,3%	11,6%	
Net margin	1%	6%	0%	2%	2%	3%	3%
# shares out (mln)	3,95	3,95	4,02	8,22	8,22	8,22	
EPS	0,08	0,89	0,00	0,12	0,13	0,31	
% change	-63,6%	1005,2%	n.m.	n.m.	4,6%	144,1%	

Source: Dr. Kalliwoda Research



4. COMPANY VALUATION

4.1 Share price goal of € 6,85 and a market-capitalization of € 56,4 Mio Market-Capitalization

On the basis of our Three-Stage-Discounted Cash Flow Model with a weighted cost of capital (WACC) of 10% and a beta factor of 0,95 we calculate a fair value of € 6,85 and recommend the stock to HOLD.

4.2 DCF-Approach and Sensitivity analysis

DCF PARAMETER	
PARAMETERS	
Risk-free rate	3,40%
Risk premium	7,00%
Beta	0,95
Longterm growth rate	1,50%
Cost of equity	9,78%
Cost of debt (after Tax)	4,55%
WACC	9,98%

Source: DR.KALLIWODA | RESEARCH 2006

We did a sensitivity analysis in order to detect the variability of our deduced fair value under different economic scenarios. For this, see the following tables below

Sensitivity analysis per share Sensitivitätsanalyse je Aktie

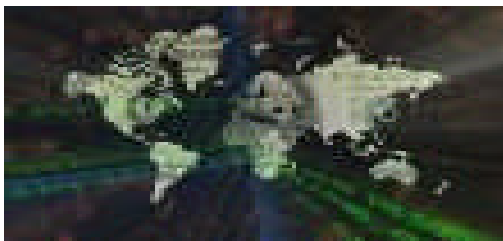
(EUR)	Diskontierungszinssatz					
$\beta = 0,94$	8,0%	9,0%	10,0%	11,0%	12,0%	
0,0%	10	7	5	4	3	
langf. Wachstum	0,5%	11	8	6	4	3
	1,0%	12	9	6	5	3
	1,5%	13	9	6,86	5	4
	2,0%	14	10	7	5	4
	2,5%	15	11	8	6	4

Source: Dr. Kalliwoda Research

Sensitivity analysis: Market Capitalization Sensitivitätsanalyse: Marktkapitalisierung

(Mio. EUR)	Diskontierungszinssatz					
$\beta = 0,94$	8,0%	9,0%	10,0%	11,0%	12,0%	
0,0%	81	61	45	33	23	
langf. Wachstum	0,5%	88	65	48	35	25
	1,0%	95	71	52	38	27
	1,5%	104	77	56,38	41	29
	2,0%	114	83	61	44	32
	2,5%	126	91	66	48	34

Source: Dr. Kalliwoda Research



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<p>Also view Sales and Earnings Estimates: DR.KALLIWODA RESEARCH on Terminals of Bloomberg, Thomson Financials , Reuters, JCF Factset and on Multex.net.</p>		



6. DISCLAIMER

Rating Key:

BUY	On a basis of our prognoses the stock should have a performance of at least 20% in the following 12 months.	
ACCUMULATE	On a basis of our prognoses the stock should have a performance of between 10% and 20% in the following 12 months.	
HOLD	On a basis of our prognoses the stock should have a performance of between minus 10% and plus 10% in the following 12 months.	
REDUCE	On a basis of our prognoses the stock should have an underperformance of between minus 10% and minus 20%.	
SELL	On a basis of our prognoses the stock should have an underperformance of at least minus 20%	

Additional Disclosure

DR. KALLIWODA | RESEARCH prepared this analysis on the basis of broadly accessible sources, which are regarded as reliable. We work as precisely as possible. We cannot however guarantee for the balance, precision, correctness and wholeness of the information and opinions.

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