

BETA SYSTEMS SOFTWARE AG REPORTS RESULTS FOR THE SECOND QUARTER 2000

- **After adjustment for divestitures, growth in new license revenue exceeds 40%**
 - **New board member and new senior executive focus on worldwide Sales and Marketing and Professional Services**
 - **New supervisory board elected at annual meeting of shareholders**
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Berlin, August 10, 2000: BETA Systems Software AG (Neuer Markt: BSS), a leading developer of innovative systems management software products, announced today results for the second quarter ended June 30, 2000. After elimination of the results of operations of the Company's US subsidiaries, the assets of which, including its workload product suite, were sold in January, revenues decreased slightly to DM 19.4 million in the second quarter of 2000 from DM 19.8 million in the second quarter of 1999. The Company generated net income of DM 0.2 million or DM 0.05 per share in the second quarter of 2000 as compared to net income for the record second quarter of 1999 of DM 0.8 million or DM 0.22 per share.

Revenues remained flat at DM 33.9 million for the six-month periods of 2000 and 1999. Net loss for the six months ended June 30, 2000 was DM (0.7) million or DM (0.17) per share just slightly higher than the net loss of DM (0.6) million or DM (0.16) per share for the six months ended June 30, 1999.

Including the results of the US operations, the Company's total net revenues declined 17.4% to DM 19.4 million in the second quarter of 2000 from DM 23.5 million in the second quarter of 1999. The Company recorded a pre-tax loss of DM (0.4) million in the second quarter of 2000 versus pre-tax income of DM 0.8 million in the second quarter of 1999. Net loss in the 2000 quarter was DM (0.2) million, or DM (0.05) per share, as compared to net income in the 1999 period of DM 0.4 million, or DM 0.11 per share.

For the first half of the current year, revenues were DM 33.9 million versus DM 39.9 million in 1999, a decrease of 15.0%. The pre-tax loss for the six months ended June 30, 2000 was DM (5.2) million, 20.9% higher than the pre-tax loss of DM (4.3) for the six months ended June 30, 1999. Net loss for the six months of the current year was DM (2.5) million or DM (0.63) per share, 8.7% greater than the net loss of DM (2.3) million or DM (0.63) per share in 1999. Largely as a result of the divestiture of the US operations, the Company reduced its work force by approximately 11% from 359 at June 30, 1999 to 321 at June 30, 2000.

Speaking about the Company's performance, Christiane Hotz-Firlus, member of the Management Board, said, "The second quarter reflected continued change and strategic repositioning of the Company. On the positive side, new license revenue was up more than 40% over last year's second quarter and was in line with our expectation particularly as a result of a large increase in Storage Management revenues. While CPU upgrade revenue declined significantly as compared to last year, it met our expectation as customers reduced spending in this area after heavy increases in computing capacity in 1999 related to Y2K preparation."

Ms. Hotz-Firlus added, "In contrast, the Company experienced revenues below expectation in its home market during the first half of the year though there has been improvement in the second quarter. This problem is being addressed actively by Ralf Männlein, our new management board member responsible for worldwide Sales and Marketing who joined the Company in June. Furthermore, in our Professional Services business, we recently hired Joachim Helmrich, an experienced Professional Services executive, to help us improve the unrealized revenue and profit potential of this area of the Company's business."

As noted in its last earnings announcement, the Company is undergoing a strategic repositioning of its business focusing significant resources on the dynamic growth areas of platform independent Enterprise Document Management solutions, including Windows NT based workflow solutions, and Storage Management solutions. During the quarter the Company made significant advancement in both of these core strategic product areas.

The Company launched BETA 97, Document Index and Retrieval Manager, and signed a DM 1.6 million contract with Informatik-Kooperation GmbH, for new license and related consulting revenue approximately half of which will be recognized in the second half of the year. Informatik-Kooperation GmbH is the second largest IT services company within the German savings bank network. BETA 97 is a high performance software solution which automatically indexes and archives large amounts of data.

In addition, in the area of Storage Management, represented by the Company's new subsidiary in the North America, Tantia Technologies, the Company announced the availability of the latest release of its Harbor File Transfer ("HFT") software which provides scalable, high speed (up to 17 MB per second) data transfer between OS/390 mainframes and open system servers.

Further, in its Data Center Management product area, the Company received interface certification from SAP R/3 for two important and well-positioned products and is now an official certified partner of mySAP.com™.

Also during the quarter, the Company acquired significant new customers including Donovan Data Systems (UK), REWE Group (Germany), and EMG Computer Leasing (Belgium).

The Company also elected new outside directors to its supervisory board at its annual general meeting of shareholders held on May 16, 2000 in Berlin. The new board members, all of whom have extensive experience in IT and management, are Harald J. Joos (Chairman), Chairman of the Management Board of Directors of Schindler Deutschland Holding GmbH, Alfred H. Tauchnitz (Vice Chairman), a founder and former management board member of the Company, Bernhard Auer, IT Consultant, and Dr. Karl Kauermann, CEO of Berliner Volksbank.

Looking beyond the quarter, in September the Company plans to launch its first wholly NT-based Document Management System, BETA 99, at the Document Management Systems (DMS) Expo 2000 in Essen, Germany. Also in the second half of the year in the area of Storage Management, the Company expects to close another major distributorship agreement covering one of its Storage Management products with one of the world's largest computer makers.

A comparison of actual results for the second quarters of 1999 and 2000 is not meaningful because the Company's 1999 financial statements contain the results of operations of businesses divested in January 2000. In order to facilitate a comparison between the periods in the following discussion, the Company has prepared pro forma financial information for 1999 and 2000 which eliminates the results of operations of the divested businesses.

Revenue Development

The Company receives revenues from three sources, the sale of software licenses and related maintenance and professional services. Revenues declined by 2.0% to DM 19.4 million in the second quarter of 2000 from DM 19.8 million in the second quarter of 1999. The anticipated decline in revenue from CPU upgrades and to a lesser extent a decrease in Professional Services revenues were to a large extent offset by a substantial increase in sales of new licenses as well as an increase in maintenance revenue. Declines in CPU upgrade revenues have been experienced by many large software companies, including the Company's competitors.

Total license revenues decreased by DM 1.0 million, or 9.3%, to DM 9.4 million primarily as a result of the decline in CPU upgrade revenues. New license revenue increased 42.0% to DM 6.7 million in the second quarter of 2000 from DM 4.7 million in the second quarter of 1999 primarily due to increased sales of the Company's Storage and Document Management products. CPU upgrade revenues declined by 52.2% to DM 2.7 million in the 2000 second quarter from DM 5.6 million in the 1999 second quarter.

Maintenance revenues rose to DM 8.7 million in the 2000 second quarter from DM 7.8 million in the 1999 second quarter, an increase of 10.8%. The decline in the Company's Professional Services revenues by 14.6% from DM 1.6 million in the second quarter of 1999 to DM 1.4 million in the second quarter of 2000 was related to the revenue shortfall in the Company's home market.

Growth By Region

Revenues from the sales regions Germany, Europe and North America represented 47%, 38% and 15%, respectively, of revenues in the second quarter of 2000, as compared to 54%, 38% and 8% in the comparable quarter of 1999. Compared to the 1999 period, revenue declined in the German market by 14%, rose in North America by 75% and remained relatively constant in the European market.

Gross Profit

Gross profit declined by 5.4% to DM 14.1 million in the second quarter of 2000 from DM 14.9 million in the second quarter of 1999. The Company's gross margin decreased to 72.6% from 75.4% due primarily to declining profit margins in the Professional Services area as well as to increased royalty payments resulting from products distributed by the Company.

Cost and Expense Development

Operating expenses increased to DM 14.6 million in the second quarter of 2000 from DM 13.9 million in the second quarter of 1999, or 5.0% primarily as a result of higher G&A and, to a lesser extent, R&D spending. General and administrative expense increased primarily due to the termination of a distributorship agreement (The Company will incur similar charges in the third and fourth quarters related to this termination.) and to increased professional consulting costs related to the Company's strategic repositioning. R&D spending increased principally due to spending related to Windows NT applications of Tantia's Storage Management products. As a percentage of total net revenues, operating expenses increased to 75.1% in the 2000 period from 70.2% in the 1999 period.

Net Income and Income per Share

The Company's net income in the second quarter of 2000 was DM 0.2 million, or DM 0.05 per share, as compared to net income of DM 0.8 million, or DM 0.22 per share, in the second quarter of 1999. The weighted average number of diluted shares outstanding was 3,950,950 in the second quarter of 2000 and 3,842,063 in the second quarter of 1999.

Financial Position

At June 30, 2000, the Company had cash and short-term investments of DM 44.7 million, virtually no debt, and stockholders' equity of DM 75.4 million.

Financial Outlook

In commenting on the outlook for the remainder of the year, Ms. Hotz-Firlus said, "As we anticipated in our last earnings announcement, our new US subsidiary, Tantia, is beginning to show an increasing contribution to revenue. We still have many challenges to improving our profitability, and we are addressing them. Problems in our sales organization and in our Professional Services business are being given intense focus by our new senior management, and we expect that focus will yield improvements in the coming quarters. We anticipate continued softness in CPU upgrade revenue for the remainder of the year and have factored that expectation into our outlook. After adjusting for the divestitures in the US, we expect a profitable second half of the year which will exceed the loss incurred in the first six months and lead us to an overall profitable result for the total year."

Berlin, August 10, 2000

Management Board

About BETA Systems

BETA Systems Software AG based in Berlin develops and distributes standard software for the automation and optimization of processes in the field of high volume data processing. The core business activities of the company are data center management, storage management and enterprise document management. Its customers include companies from various sectors of the economy, including the financial sector, the services industry, several energy suppliers and a number of telecommunication companies. Software products developed by BETA Systems are distributed internationally through subsidiaries and partner companies in the USA, Canada, the UK, France, Italy, Belgium, Switzerland, the Netherlands, Scandinavia, Austria, Spain, and Australia. The enterprise currently employs 321 staff worldwide (June 2000). Its turnover for 1999 was approximately DM 90 million. Since June 1997, BETA Systems shares are traded on the Neue Markt Exchange Frankfurt under the Symbol BSS. For more information please visit our website under www.betasystems.com.

Except for the historical information herein, the matters discussed in the news release include forward-looking statements within the meaning of the 'safe harbor' provisions of the US Private Securities Litigation Reform Act of 1995, that may involve a number of risks and uncertainties. Actual results may vary significantly based on a number of factors, including, but not limited to, risks in product and technology development, market acceptance of new products and continuing product demand, the impact of competitive products and pricing, changing economic conditions both here and abroad, timely development and release of new products by strategic suppliers and other risk factors detailed in the Company's most recent annual report and other filings with the Securities and Exchange Commission, as well as the effect of the Company's accounting policies.

All trademarks, trade names, service marks, and logos referenced herein belong to their respective companies.

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BETA Systems Software AG and Subsidiaries
Consolidated Statements of Income
(Financial data in US GAAP, DM in thousands, except per share amounts)
(unaudited)

	Three months ended June 30,		Three months ended June 30, (pro forma)*	
	1999	2000	1999	2000
Revenues:				
Product license	12,592	9,391	10,353	9,391
Maintenance	9,205	8,665	7,821	8,665
Service	1,720	1,374	1,609	1,374
Total revenues	<u>23,517</u>	<u>19,430</u>	<u>19,783</u>	<u>19,430</u>
Cost of revenues:				
Product license	1,471	1,729	1,348	1,728
Maintenance	3,045	2,698	2,524	2,586
Service	1,005	1,016	1,005	1,016
	<u>5,521</u>	<u>5,443</u>	<u>4,877</u>	<u>5,330</u>
Gross profit	17,996	13,987	14,906	14,100
Operating expenses:				
Selling	8,626	6,835	6,412	6,472
General and administrative	4,380	4,815	3,796	4,661
Research and development	3,572	3,050	2,654	3,057
Amortization of intangible assets	596	410	516	410
Severance Payment	790	-	512	0
	<u>17,964</u>	<u>15,110</u>	<u>13,890</u>	<u>14,600</u>
Operating income (loss)	<u>32</u>	<u>(1,123)</u>	<u>1,016</u>	<u>(499)</u>
Gain on divestiture, net	-	534	-	534
Other income, net	308	(187)	304	(1)
Interest income, net	416	401	432	398
Income (loss) before income taxes And minority interest	756	(375)	1,752	432
Provision (benefit) for income taxes	340	(196)	911	225
Net income (loss)	<u><u>416</u></u>	<u><u>(179)</u></u>	<u><u>841</u></u>	<u><u>207</u></u>
Weighted average number of shares outstanding during the period				
Basic	3,842,063	3,950,950	3,842,063	3,950,950
Diluted	3,842,063	3,950,950	3,842,063	3,950,950
Net income (loss) per ordinary share				
Basic	0.11	(0.05)	0.22	0.05
Diluted	0.11	(0.05)	0.22	0.05

*A comparison of actual results for the second quarters of 1999 and 2000 is not meaningful because the Company's 1999 financial statements contain the results of operations of businesses divested in January 2000. In order to facilitate a comparison between the periods, the Company has prepared pro forma financial information for 1999 and 2000 which eliminates the results of operations of the divested businesses.

BETA Systems Software AG and Subsidiaries
Consolidated Statements of Income
(Financial data in US GAAP, DM in thousands, except per share amounts)
(unaudited)

	Half-year ended June 30,		Half-year ended June 30, (pro forma)*	
	1999	2000	1999	2000
Revenues:				
Product license	19,385	14,246	16,161	14,246
Maintenance	17,585	17,184	14,953	17,184
Service	2,915	2,465	2,764	2,465
Total revenues	39,885	33,895	33,878	33,895
Cost of revenues:				
Product license	2,831	3,350	2,624	3,317
Maintenance	6,127	5,808	5,047	5,448
Service	1,741	1,889	1,742	1,888
	10,699	11,047	9,413	10,653
Gross profit	29,186	22,848	24,465	23,242
Operating expenses:				
Selling	18,742	13,975	14,077	12,696
General and administrative	7,677	8,659	6,457	8,038
Research and development	6,644	6,854	5,010	6,300
Amortization of intangible assets	1,157	785	1,001	785
Severance Payment	790	751	512	0
	35,010	31,024	27,057	27,819
Operating loss	(5,824)	(8,176)	(2,592)	(4,577)
Gain on divestiture, net	-	1,936	-	1,936
Other income, net	772	324	769	476
Interest income, net	784	756	713	752
	(4,268)	(5,160)	(1,110)	(1,413)
Loss before income taxes and minority interest				
Benefit for income taxes	(1,921)	(2,683)	(521)	(734)
Net loss	(2,347)	(2,477)	(589)	(679)
Weighted average number of shares outstanding during the period				
Basic	3,740,840	3,950,950	3,740,840	3,950,950
Diluted	3,740,840	3,950,950	3,740,840	3,950,950
Net loss per ordinary share				
Basic	(0.63)	(0.63)	(0.16)	(0.17)
Diluted	(0.63)	(0.63)	(0.16)	(0.17)

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BETA Systems Software AG and Subsidiaries
Condensed Consolidated Balance Sheet
(Financial data in US GAAP, DM in thousands)

	At December 31, <u>1999</u> (audited)	At June 30, <u>2000</u> (unaudited)
Current assets:		
Cash and cash equivalents	38,576	37,407
Marketable debt securities	-	7,331
Accounts receivable, net	32,206	23,799
Other current assets	4,283	8,811
Total current assets	75,065	77,348
Property and equipment, net	5,673	5,037
Capitalized software development costs, net	18,184	17,146
Other intangible assets, net	8,600	8,075
Other assets	9,060	9,384
Total assets	116,582	116,990
Current liabilities:		
Short-term debt incl. current portion of long-term debt	315	23
Accounts payable	2,782	2,200
Deferred revenue	9,332	19,999
Other current liabilities	16,674	8,998
Total current liabilities	29,103	31,220
Other liabilities	10,275	10,354
Total liabilities	39,378	41,574
Shareholders' equity	77,204	75,416
Total liabilities and shareholders' equity	116,582	116,990

BETA Systems Software AG and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Financial data in US GAAP, DM in thousands)
(unaudited)

	Six months ended	
	June 30, 1999	June 30, 2000
Operating activities		
Net loss	(2,347)	(2,476)
Adjustment to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,952	4,891
Change in working capital and other adjustments	6,088	8,201
Net cash provided by operating activities	8,693	10,616
Investing activities		
Change in short investments	(23,500)	(7,331)
Purchase of property and equipment, net of disposals	(1,056)	(667)
Capitalization of software development costs	(1,423)	(1,420)
Cash paid for acquisitions	(11,803)	(2,060)
Net cash provided by investing activities	(37,782)	(11,478)
Financing activities		
Net change in short-term borrowings and long term-debt	51	(69)
Repayment of long-term debt	(3,770)	(235)
Net cash provided by financing activities	(3,719)	(304)
Effect of exchange rate changes on cash	2,040	(3)
Increase in cash and cash equivalents	(30,768)	(1,169)
Cash and cash equivalents at beginning of period	54,597	38,576
Cash and cash equivalents at end of period	23,829	37,407