

CORPORATE GOVERNANCE REPORT FOR FISCAL YEAR 2006

Responsible and transparent corporate management has always been a paramount issue for Beta Systems. Since the introduction of the German Corporate Governance Code which sets standards for ethical and transparent corporate management and -monitoring, Beta Systems has adhered, with few exceptions, to the suggestions and recommendations in the Code, the current version of which was last amended on June 12, 2006.

The Code's statutory regulations are binding on German companies. As regards the Code's recommendations, Section 161 of the German Stock Corporation Act (Aktiengesetz - AktG) requires an annual declaration by exchange-listed companies in which each individual company states the extent to which it conforms to the German Corporate Governance Code and where it departs from it.

Companies may deviate from the Code's suggestions without disclosure.

Through the binding formulation of its own Corporate Governance Principles Beta Systems underscores its adherence to a corporate philosophy of promoting and extending cooperation and trust between the Company and its customers, employees, shareholders, partners and the public at large within the Company's national and international markets.

Information on Corporate Governance at Beta Systems

Documents pertaining to corporate governance – Articles of Association and Corporate Governance Principles of Beta Systems Software AG as well as the Declarations of Conformity issued in recent years – are published on the Company's website at www.betasystems.com. Furthermore, shareholders are kept informed of key dates by means of a Financial Calendar which is published in this Annual Report and on the website.

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

Arne Bassler
Compliance Officer
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Fax: +49 30 726 118 881
complianceoffice@betasystems.com

Cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board cooperate closely for the benefit of the Company. Their common aim is sustainable growth in the Company's value. The Management Board reports to the Supervisory Board regularly, thoroughly and in a timely manner on all relevant questions of corporate planning and strategic development, the course of business and the position of the Group, including the risk position and the risk management system.

Furthermore, it obtains authorization from the Supervisory Board as required for significant business transactions. For further information on cooperation between the Management Board and the Supervisory Board please refer to the Report by the Supervisory Board on pages 40 ff.

Responsible Risk Management

A further aspect of good corporate governance is a company's responsible management of risks. A systematic risk management system ensures that potential risks are identified and assessed at an early opportunity. With this in mind the Management Board and the Supervisory Board undertook an assessment of the present risk situation during the 2nd quarter 2006 and optimized potential risk items. The Beta Systems risk management system is continuously updated, developed and adapted to changing business conditions. More detailed information on risk management can be found in the Risk Management Report on pages 30 ff.



In fiscal year 2006 monitoring of conformity with compliance guidelines was once again an important element of risk management. This included keeping employees regularly informed on legal principles and the corresponding standards applying to internal and external communication. All relevant individuals who work for the Company and who have access to insider information within the scope of their employment are listed in a Register of Insiders and informed about their obligations under German insider-trading law.

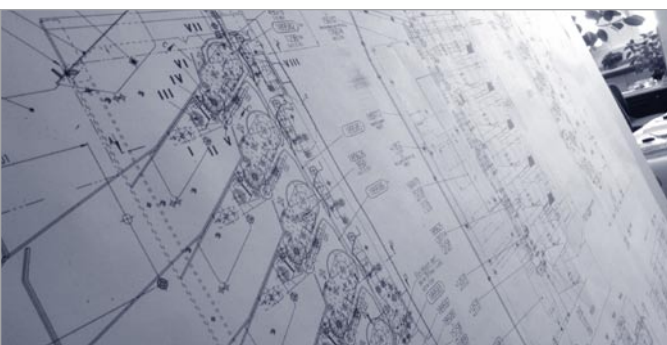
Share Transactions and Shareholdings of the Management Board and the Supervisory Board

Pursuant to Section 15a of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG) the members of the Management Board and the Supervisory Board are legally obliged to disclose the acquisition or disposal of shares in Beta Systems Software AG, insofar as the value of transactions executed by a Board member or a related party reaches or exceeds the amount of € 5,000 during a calendar year. In accordance with the Insider-Trading Policy of Beta Systems, Board members are obliged to notify Beta Systems of all transactions relating to shares in the Company. In fiscal year 2006 Beta Systems Software AG was notified of the following transactions:

Date	Name	Function	Type of Transaction	Number of Shares	Price in €
03.24.2006	Dr. Oskar von Dungern	Management Board	Sale	31,040	6.00
03.24.2006	William P. Schmidt	Supervisory Board	Acquisition	31,040	6.00
08.11.2006	Kamyar Niroumand	Management Board	Acquisition	9,000	4.33

Notification of all transactions is published on the Company's website at www.betasystems.com, in the Investor Relations/Directors' Dealings section. Directors' shareholdings as at December 31, 2006 are as follows:

As at December 31, 2006	Number of Shares
Management Board	
Kamyar Niroumand	19,000
Gernot Sagl	-
Dietmar Breyer (until September 15, 2006)	-
Dr. Oskar von Dungern (until June 30, 2006)	-
Supervisory Board	
Sebastian Leser	-
Dr. Arun Nagwaney	-
Jürgen Dickemann	-
Volker Wöhrle	-
Stefan Hillenbach	4,288
Wilhelm Terhaag	-
Harald J. Joos (until May 2, 2006)	4,000
William P. Schmidt (until May 22, 2006)	1,136,372
Thomas Engelhardt (until May 22, 2006)	66,960
Beta Systems Software AG	
Treasury Shares	120,610



Remuneration Report

The remuneration package for Management Board members includes a range of remuneration components. Specifically the package consists of fixed remuneration, a bonus, components with a long-term incentive effect, fringe benefits and pension entitlements. The remuneration of the Supervisory Board is set by the Annual General Meeting and is regulated in Article 12 of the Articles of Association. Remuneration of Supervisory Board members is based on their roles and responsibilities and the economic position and financial success of the Company. Further details, including an individualized statement of remuneration, are included in the Remuneration Report which can be found in the „Combined Group and Company Management Report“ on pages 18 ff.

Declaration of Conformity pursuant to Section 161 AktG

At their meeting convened on December 15, 2006 the Management Board and Supervisory Board issued the following joint declaration:

In the last Declaration of Conformity published on the Internet and in the Annual Report of Beta Systems Software AG for fiscal year 2005 the Management Board and the Supervisory Board of Beta Systems Software AG declared that, with the exception of minor departures, the Company conformed with the principles of conduct recommended in the Government Commission's German Corporate Governance Code and would continue to do so in future. In fiscal year 2006 Beta Systems Software AG departed from the Corporate Governance Code in the versions of June 12, 2006 and June 2, 2005 in the following areas:

Deductible specified for D&O-Insurances

Contrary to the recommendation that liability insurance be taken out by a company for its management board and supervisory board members (so-called Directors' and Officers' - D&O-insurances) should include a suitable deductible, Beta Systems is not of the opinion that this would provide any appreciably better incentive to the motivation or sense of responsibility of its directors and officers. The insurance policies currently taken out by Beta Systems do not include a deductible, and no change in this practice is planned in future.

Setting up an Audit Committee

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

Age Limits for Management Board and Supervisory Board Members

Beta Systems regards the stipulation of age limits for Supervisory Board members as restricting the shareholders' rights to elect the Supervisory Board members of their choice. Accordingly, the Company does not specify any age limit in this respect. A similar departure from the Code's recommendation is that no age limit has been set for Management Board members either, since

this would summarily restrict the Supervisory Board in its selection of suitable candidates.

Remuneration of the Supervisory Board

The members of the Supervisory Board of Beta Systems Software AG receive a fixed remuneration component only. Membership and chairmanship of the Personnel Committee is not subject to separate compensation. Proposals aimed at amending the Articles of Association in this regard failed to achieve the required majority at past Annual General Meetings.

Remuneration of the Management Board

The members of the Management Board of Beta Systems Software AG receive both a fixed and a variable remuneration component. At present no authorization by the General Meeting of Shareholders exists for a Management Board remuneration program that includes components with a long-term incentive effect and risk elements in the form of shares, stock options or comparable instruments. Such instruments were last issued in 2001 as part of programs previously implemented. Rights resulting from these programs were last exercised in 2004 or have expired. Proposals aimed at issuing stock options to the Management Board in the future, taking into account the recommendations of the German Corporate Governance Code, failed to achieve the required majority at past Annual General Meetings.

Information on the Remuneration System for the Management Board on the Internet and at the Annual General Meeting

The Management Board and the Supervisory Board of Beta Systems Software AG have not so far published information on the fundamental points of the remuneration system for the Management Board on the Internet, since all information relating to individual remuneration and other components of compensation is included and explained in the Annual Report. This can be accessed via the Company's website and is also furnished to the Annual General Meeting. Starting with the Annual Report 2006 a Remuneration Report will be included in the Annual Report as part of the Group Management Report; it will be made available separately on the Internet. The Supervisory Board will furnish this Remuneration Report to the Annual General Meeting.

With the exception of the above-mentioned deviations, Beta Systems Software AG conformed entirely with the recommendations of the German Corporate Governance Code in the version of June 12, 2006 and July 2, 2005 in the fiscal year 2006 .

Berlin, December 15, 2006



Sebastian Leser
Chairman of the Supervisory Board



Kamyar Niroumand
Chief Executive Officer