

CORPORATE GOVERNANCE REPORT FOR THE FISCAL YEAR 2007

Beta Systems has always placed great importance on responsible and transparent management. Since the introduction of the German Corporate Governance Code which has established standards for value-oriented and transparent management and monitoring of the company Beta Systems has, apart from a few exceptions, espoused the suggestions and recommendations of the Code in its current version dated June 14, 2007.

It is mandatory for German companies to apply the provisions prescribed by law. In respect of the recommendations, Section 161 of the German Stock Corporation Act (AktG) requires listed companies to make an annual declaration on the extent to which they comply with the German Corporate Governance Code and where they diverge from it. Companies may diverge from the suggestions of the Code without disclosure.

Information on Corporate Governance at Beta Systems

Documents pertaining to Corporate Governance, specifically the Articles of Association of Beta Systems Software AG and the declarations of conformity of previous years, are available on the web site of the Company at www.betasystems.com under the Investor Relations/Corporate Governance heading. The reports and documentation required by law for the Annual General Meeting of Shareholders, including the agenda, the Consolidated and Separate Financial Statements were published on the web site at www.betasystems.com under the Investor Relations/General Meeting of Shareholders 2007. Furthermore, the shareholders are regularly informed about important dates in a financial calendar which is in this Annual Report and published on the web site under the Investor Relations/Financial Calendar heading.

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

Contact

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Compliance Officer
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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 to raise the enterprise value on a sustainable basis. The Management Board reports regularly, in a timely manner and extensively to the Supervisory Board on all relevant issues relating to corporate planning and strategic development, on the course of business, the Group's situation, including the risk position, as well as risk management and compliance. Moreover, the Supervisory Board gives its approval to important transactions requiring approval. The Management Board is made up of two persons and has a Chairman. A set of bylaws regulates the work of the Management Board, in particular the allocation of tasks to the Board members, matters reserved for the whole Management Board as well as the majority required for Board resolutions. More information on the cooperation between the Management Board and the Supervisory Board can be found in the Report by the Supervisory Board on pages 40 to 41.

Responsible Risk Management

Good corporate governance also entails responsible management by the Company of risks. Systematic risk management ensures that any risks are recognized at an early stage and assessed. The risk management system of Beta Systems is developed on an ongoing basis and adjusted to changes in business conditions. Details on risk management can be found on pages 30 to 34.



The monitoring of the observance of compliance guidelines was also an integral part of risk management in the fiscal year 2007. Part of this was to keep employees informed of the legal basis and the relevant requirements placed on internal and external communication. All relevant individuals who work for the Company and have access to insider information within the scope of their employment are registered in an Insider List and informed of the obligations arising from such insider rights.

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

Pursuant to Section 15a of the German Securities Trading Act (WpHG) the members of the Management and Supervisory Boards are required by law to disclose the purchase or sale of the shares of Beta Systems Software AG if the value of a respective member and parties related to him reaches or exceeds the amount of € 5,000 in a calendar year. In accordance with the Insider Trading Policy of Beta Systems, members of executive bodies are obliged to report all transactions with shares of the Company. The following transactions were reported to Beta Systems Software AG in the fiscal year 2007:

	Kamyar Niroumand	Stefan Hillenbach
Date	November 2, 2007	November 2, 2007
Function	Management Board	Supervisory Board
Type of Transaction	Purchase	Purchase
Number of Shares	10,377	2,144
Price in €	2.05	2.05
Comment	The purchase of the shares was effected by exercising the subscription rights in the context of the capital increase against cash contribution entered into the Commercial Register on October 30, 2007.	The purchase of the shares was effected by exercising the subscription rights in the context of the capital increase against cash contribution entered into the Commercial Register on October 30, 2007.

All transactions have been disclosed on the web site of the Company at www.betasystems under the Investor Relations/Corporate Governance/Directors' Dealings section. Directors's shareholdings as at December 31, 2007, are as follows:

As at December 31, 2007	Shares
Management Board	
Kamyar Niroumand	29,377
Gernot Sagl	-
Supervisory Board	
Sebastian Leser	-
Dr. Arun Nagwaney	-
Jürgen Dickemann	-
Volker Wöhrle	-
Stefan Hillenbach	6,432
Wilhelm Terhaag	-
Beta Systems Software AG	
Treasury Shares	120,610

Remuneration Report

The total remuneration of the Board members is composed of a series of components. To be specific, remuneration is made up of a fixed and a performance-based component (bonus). The remuneration of the Supervisory Board is determined by the Annual General Meeting of Shareholders and is regulated in Section 10 of the Articles of Association.

It is based on the tasks and the responsibilities of the Supervisory Board members as well as on the financial position and the success of the Company. More information, including an itemization of remuneration, can be found in the Remuneration Report in the section under "Combined Management Report" on pages 35 to 37. As per December 31, 2007, there were no option rights and no valid option rights program.



Declaration of Conformity of Beta Systems Software AG with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG)

In the last Declaration of Conformity published on the Internet and in the 2006 Annual Report of Beta Systems Software AG, the Management Board and the Supervisory Board of Beta Systems Software AG declared that the Company had complied with the principles of conduct recommended by the German Commission of the German Corporate Governance Code with some minor departures from it and that it intends to do so in future. In the fiscal year 2007, Beta Systems Software AG complied with the German Corporate Governance Code in the version of June 14, 2007, with the following exceptions:

Code Item 2 3.2 – Relaying of the Convening of the Annual General Meeting and Convention of Documents by Electronic Channels:

The Company does not comply with this recommendation as it has bearer shares. Accordingly, not all domestic and foreign financial services providers, shareholders and associations of shareholders are known to the Company, which means that they cannot be reached via electronic channels.

Code Item 3.8 – Excess in D&O Insurance Policies:

Contrary to the recommendation that liability insurance taken out by the Company for its Management Board and Supervisory Board members (so-called Directors' and Officers' (D&O) insurance) should include a reasonable deductible, Beta Systems does not consider that this measure will lead to any significant improvement in the motivation or sense of responsibility of its directors and officers. The insurance policies currently taken out by Beta Systems do not include any deductible. There are no plans to change this policy in the future.

Code Item 4.2.3 – Compensation of the Management Board:

The Management Board of Beta Systems Software AG receive compensation in the form of a fixed and variable remuneration. At present, the Annual General Meeting of Shareholders has not authorized a Management Board remuneration program that includes components with 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 within this area. 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 in the last Annual General Meetings of Shareholders.

Code Items 5.1.2 viz. 5.4.1 – Age Limits for Management Board and Supervisory Board Members:

Beta Systems regards the stipulation of age limits for Supervisory Board members as imposing a limitation on shareholders' rights to elect the Supervisory Board members of their own choice. Accordingly, the Company has not set any age limit. A similar departure from the Code's recommendation is that there is no age limit for Management Board members either as this would restrict the Supervisory Board in its selection of suitable candidates.

Code Item 5.3.2 – Setting up of an Audit Committee:

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

Code Item 5.3.3 – Setting up of a Nomination Committee:

In view of the current size and composition of the Supervisory Board (6 persons) as well as the size of Beta Systems itself, the Supervisory Board does not currently intend to set up a separate nomination committee. Essentially the entire Supervisory Board deals with proposals for elections.

Code Item 5.4.7 – Compensation of the Supervisory Board:

The Supervisory Board members of Beta Systems Software AG receive compensation only in the form of fixed remuneration. Membership and chairmanship of the Personnel Committee is not subject to specific compensation. Proposals aimed at amending the bylaws within this area failed to achieve the required majority at the last General Meetings of Shareholders.

With the exception of the afore-mentioned deviations, Beta Systems Software AG has complied and complies in fiscal year 2007 in all instances with the recommendations of the German Corporate Governance Code in the version dated June 14, 2007. Moreover, the Company has complied with the Code in the version dated June 12, 2006, with the deviations from the recommendations set out under Items 3.8, 4.2.3, 5.1.2 and 5.4.1 as well as 5.3.2 and 5.4.7. Deviations from Code Item 4.2.5 in conjunction with Code Item 6.8 (Information on the compensation system of the Management Board on the Internet and during the Annual General Meeting of Shareholders) are no longer applicable since the publication of the 2006 Remuneration Report on the Company's homepage. The Company has complied with the recommendation since this time.

Berlin, December 5, 2007

Sebastian Leser
Chairman of the Supervisory Board

Kamyar Niroumand
Chief Executive Officer