

## CORPORATE GOVERNANCE REPORT FOR THE FISCAL YEAR 2008

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, apart from a few exceptions, has espoused the suggestions and the recommendations of the Code in its current version dated June 6, 2008.

It is mandatory for German companies to apply the provisions prescribed by law. In respect of the recommendations, 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](http://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 and the Consolidated and Separate Financial Statements, were published on the web site at [www.betasystems.com](http://www.betasystems.com) under the Investor Relations/Annual General Meeting of Shareholders 2008 heading. Furthermore, the shareholders are regularly informed about important dates in the financial calendar which is in this Annual Report and on the web site under the Investor Relations/Financial Calendar heading.

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

#### Ansprechpartner

Arne Baßler

Compliance Officer

Tel.: (49) (30) 726 118 170

Fax: (49) (30) 726 118 881

E-Mail: [complianceoffice@betasystems.com](mailto:complianceoffice@betasystems.com)

### Cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board work closely together 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, and on 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 a 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 28 to 32.

The monitoring and observance of compliance guidelines was also an integral part of risk management in the fiscal year 2008. 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 inside 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) 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 any transaction(s) conducted by the respective member or parties related to him reaches or exceeds an amount of € 5,000 in a calendar year. In accordance with the Insider Trading Policy of Beta Systems Software AG, members of the 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 2008 (all Beta Systems shares; financial instrument: ISIN DE0005224406):

Date	Person with notifiable holding	Reason for notification obligation	Function	Type of transaction	Units	Price in €	Comment
10/03/2008	Kamyar Niroumand	Person with executive tasks	Executive body (Board member)	Purchase (off-the-exchange)	100,000	3.24	The purchase from the portfolio of an institutional investor is linked to an optional holding period of one year and serves the purpose of promoting long-term loyalty to the company.
24/11/2008	Kamyar Niroumand	Person with executive tasks	Executive body (Board member)	Purchase (Xetra)	5,000	2.60	
23/12/2008	Darius Niroumand	Closely related natural person	Person closely related to an incumbent with executive function, which entails notification obligation: Executive body (Board member)	Purchase (off-the-exchange)	100,000	1.50	-
23/12/2008	Ramin Niroumand	Closely related natural person	Person closely related to an incumbent with executive function, which entails notification obligation: Executive body (Board member)	Purchase (off-the-exchange)	100,000	1.50	-

All transactions are disclosed on the web site of the Company at [www.betasystems.com](http://www.betasystems.com) under the Investor Relations/Corporate Governance/Directors' Dealings section. Directors' shareholdings as per December 31, 2008, are as follows:

As per December 31, 2008	Number of shares
<b>The Management Board</b>	
Kamyar Niroumand	134,377
Niroumand family	200,000
Gernot Sagl	-
<b>Supervisory Board</b>	
Sebastian Leser	-
Dr. Arun Nagwaney	-
Jürgen Dickemann	-
Volker Wöhrle	-
Stefan Hillenbach	6,432
Wilhelm Terhaag	-
<b>Beta Systems Software AG</b>	
Treasury shares	120,610

### Remuneration Report

The total remuneration of the Board members is made up of a series of components. To be specific, remuneration comprises 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 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 the Group and on the Parent Company on pages 18 to 38. As per December 31, 2008, 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 2007 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.

From December 5, 2007, up until the meeting of the Supervisory Board on December 5, 2008, Beta Systems Software AG complied with the German Corporate Governance Code in the version dated June 14, 2007, with the exceptions listed below. On December 5, 2008, the Management Board and the Supervisory Board of Beta Systems Software AG resolved to diverge also in these instances from the German Corporate Governance Code in the version dated June 6, 2008.

**Code Item 2.3.2 - Relaying of the Convening of the Annual General Meeting and of Convention Documents by Electronic Channels**

The Company does not comply with this recommendation as it has bearer shares. Accordingly, not all domestic and financial service 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 future.

**Code Item 4.2.3 – Compensation of the Management Board:**

The Management Board members 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 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.

**Code Items 5.1.2 and 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 election.

**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.

In the fiscal year 2008, with the exception of the afore-mentioned deviations, Beta Systems Software AG has complied and complies in all instances with the recommendations of the German Corporate Governance Code in the version dated June 14, 2008. Moreover, the Company has complied and complies with the Code recommendations in the version dated June 6, 2008, with the exception of the afore-mentioned deviations.

Berlin, December 5, 2008



Sebastian Leser  
Chairman of the Supervisory Board



Kamyar Niroumand  
Chief Executive Officer