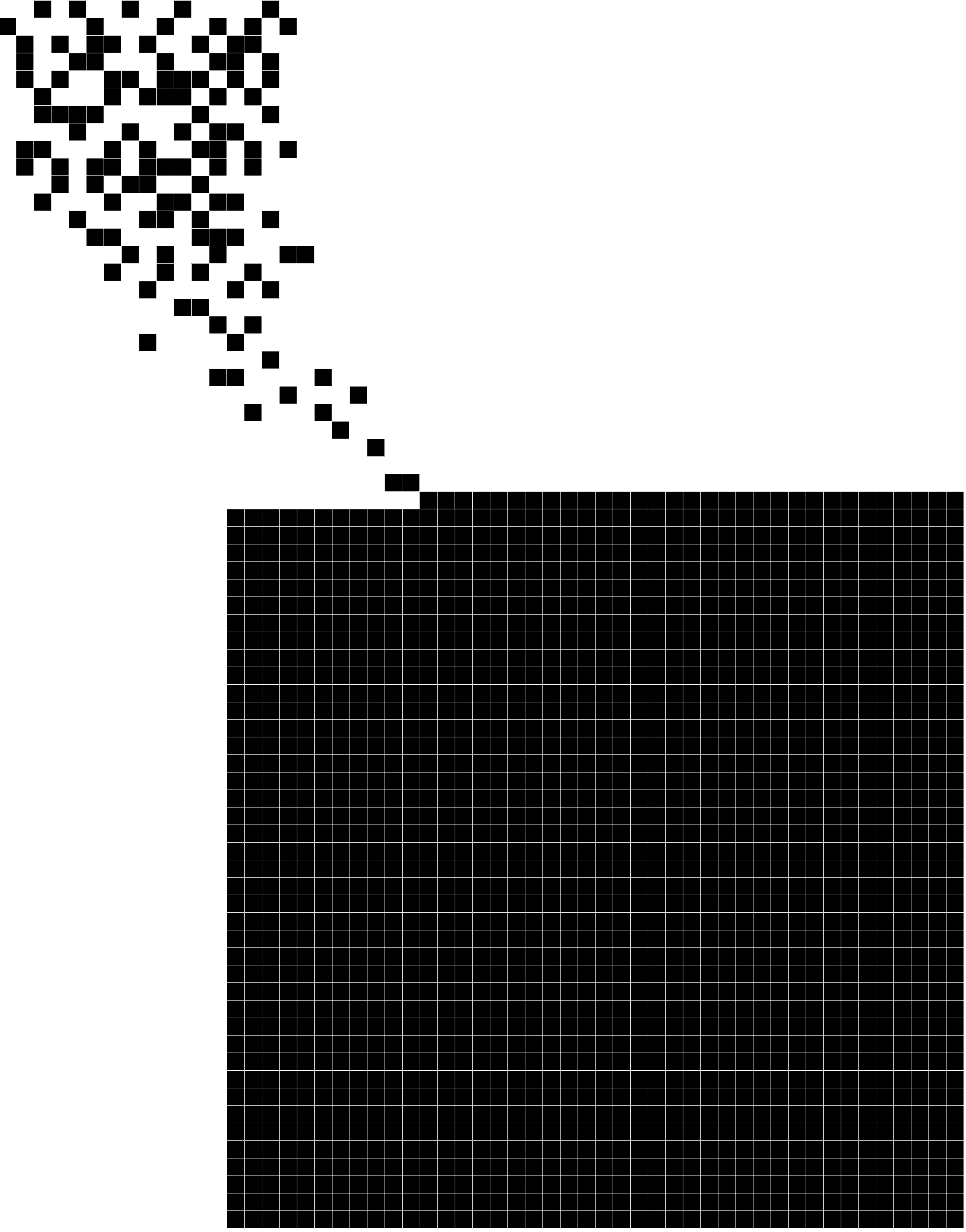
Annual Report 2010

COR&FJA AG



THE ART OF CONSOLIDATION

A company's robustness is much more than the sum of its parts: in order to ensure long-term success, it is essential to question and change established patterns, to restructure procedures and adapt mindsets on a continuous basis to meet the evolving needs of the market. This minimises risk, develops potential and makes use of opportunities – creating the optimum competitive advantage.

Consolidated key ratios pursuant to IFRS

	2010	2009	2008
in EUR million			
Turnover	116.2	68.4	63.6
EBIT	2.7	1.6	6.7
EBITDA	7.4	3.1	7.6
EBT	5.5	1.5	6.7
Net income for the year	6.3	0.9	4.5
Earnings per share in EUR	0.16	0.04	0.21
Balance sheet total	112.2	108.6	44.3
Equity	75.6	69.1	26.6
Liquid funds	15.3	22.3	18.2
Cash flow from operating activities	1.9	3.8	2.1
Investments	4.5	1.1	0.8

Three central messages

COR&FJA
The name COR&FJA stands for outstanding solutions, lasting business relationships and long-term success – and it generates real added value for customers, investors and staff alike.

STANDARDISATION
With the industry solutions COR.FJA Insurance Suite and COR.FJA Banking Suite, COR&FJA provides insurance companies and banks with a unique range of high-performance, modern and flexible standard software products.

INTERNATIONALISATION
COR&FJA's standard software supports multiple clients, currencies and languages and is thus flexible and adaptable, being well suited to deployment in an international context.

A leading provider of software for the European financial services sector

COR&FJA AG is one of Europe's leading providers of integrated standard software solutions for the entire financial services sector. COR&FJA has been helping insurance companies, banks and company pension schemes to design, implement and manage their products for more than three decades.

In addition to having a leading market position in the German-speaking countries, the software from COR&FJA is also deployed worldwide. Today, these solutions are already in use in more than 30 countries, including the US and Australia.

Together with a unique product portfolio, a staff of just under 1,000 employees in 16 offices in Germany, the Netherlands, Switzerland, Austria, Slovenia, Slovakia, Portugal and the US ensure that virtually all of our customers' requirements for state-of-the-art and flexible standard software solutions can be met.

Table of Contents

OVERVIEW OF THE FINANCIAL YEAR
Highlights 2010 2

THE BOARD
Members of the Management Board 4
Letter from the Management Board 6
Management Board Interview 12

COR&FJA GROUP
Overview & solutions offered 18
Employees 24
Branches 26

THE SUPERVISORY BOARD
Report by the Supervisory Board 30

CORPORATE GOVERNANCE
Corporate Governance Report 36

THE SHARE
Share price development, key ratios
and shareholder structure 42

MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT
Management Report and Group Management Report 46
Market and competition environment 46
The Group's organisational structure 49
Management control, goals and strategy 49
Important products and services 50
Research and development 51
Employees 54
Takeover-related disclosures pursuant
to Section 289 Para. 4 and Section 315 Para. 4
of the German Commercial Code (HGB) 54
Other legal and economic factors 58
Basic features of the remuneration system 59
Information on the German Disclosure
of Board Compensation Act (VorstOG) 61
Earnings, financial and assets position 62
Events after the reporting period 68
Opportunity and risk report 68
Declaration on corporate governance pursuant
to Section 289a, German Commercial Code (HGB) 72
Internal control and risk management
systems in respect of the accounting process and
Group accounting process 72
Outlook 73
Closing declaration on the dependency report in accordance
with Section 312, German Stock Companies Act (AktG) 76

CONSOLIDATED FINANCIAL STATEMENT
Consolidated profit and loss account 78
Consolidated Group earnings statement 79
Assets 80
Equity and liabilities 81
Consolidated cash flow statement 82
Development of Group equity 84
Notes to the consolidated financial statements 88
Audit certificate 155
Declaration by the statutory representatives 156

FURTHER INFORMATION
Financial Calendar 157
Imprint 159

Highlights 2010

JULY

Large-scale order from two supplementary pension funds

The Zusatzversorgungskasse der Rheinischen Versorgungskassen (RVK) and the Kirchliche Zusatzversorgungskasse (KZVK) of the German Diocesan Association commission us to install the COR.FJA Insurance Suite as a contract management and benefit payout system within the framework of a collaboration.

JUNE

The shareholding in B+S Banksysteme Aktiengesellschaft/ MÜNCHENER VEREIN opts for the non-life solution COR.FJA P&C

COR&FJA acquires 24.13 per cent of the shares in B+S Banksysteme Aktiengesellschaft. This shareholding enables the COR.FJA Banking Suite (CORBAS) to be enhanced through the addition of significant components that have been lacking up to now. COR&FJA also receives an order from the MÜNCHENER VEREIN Insurance Group to modernise the IT platform for policy and claims management in the composite insurance area (non-life, liability, accident and motor) for private client and commercial business.

AUGUST

Satisfactory first six months/ AGM

With turnover amounting to EUR 57.8 million, and earnings before tax before merger-related amortisation of EUR 1.4 million, COR&FJA reports a satisfactory first half-year in 2010. At the Filderhalle in Leinfelden-Echterdingen, the Annual General Meeting approves the management's decision proposals by a large majority.

SEPTEMBER

The move to Humboldt-Carré

During August and September, just under 450 employees – including the staff from the former Stuttgart FJA branch office – move into the COR&FJA Group's new head office in the Humboldt-Carré building in Echterdingen.

JANUARY

New policy management system for Vienna-Life Liechtenstein

At Vienna-Life Liechtenstein, COR&FJA implements the COR.FJA Life policy management system from the COR.FJA Insurance Suite, thereby replacing the existing policy management system.

FEBRUARY

MCE Bank opts for COR&FJA's core banking system

COR&FJA acquires a new client from the automotive finance companies segment when MCE Bank GmbH (Mitsubishi Corporation Europe Bank) opts for the CORBAS MBS core banking system.

APRIL

Annual financial statements 2009

COR&FJA publishes its 2009 Annual Report; in the 2009 financial year the company has achieved aggregate turnover of EUR 68.4 million and earnings before tax (EBT) of EUR 1.5 million.

MAY

COR&FJA posts a good first quarter in 2010

COR&FJA has started the financial year well. According to the financial report for the first quarter of 2010, turnover amounted to EUR 28.4 million and earnings before tax were EUR 0.5 million before merger-related amortisation

OCTOBER

DekaBank agrees on collaboration with COR&FJA

DekaBank, as the central asset manager in the German savings banks' organisation Sparkassen-Finanzgruppe, decides to collaborate directly with COR&FJA in the field of state-subsidised financial investments ('Riester subsidisation', named after its originator).

NOVEMBER

Q3 report/ German Equity Forum

According to the Q3 report for 2010, COR&FJA has achieved aggregate turnover of EUR 84.3 million and earnings before tax (before merger-related amortisation) of EUR 2.5 million in the first nine months of the financial year. COR&FJA gives the investors and analysts attending the German Equity Forum in Frankfurt detailed information about the COR&FJA 'equity story'.

Members of the Management Board

ULRICH WÖRNER
Chairman of the Management Board

Since October 2009, Ulrich Wörner has been Chairman of the Management Board at COR&FJA AG with direct responsibility for the Sales and Finance divisions and the national subsidiaries in Austria and Switzerland.

KLAUS HACKBARTH
Deputy Chairman of the Management Board

Since October 2009, Klaus Hackbarth has been Deputy Chairman of the Management Board at COR&FJA AG with direct responsibility for the Human Resources, International (excluding DACH), Legal, P&C Projects & Customers and Financial Integration International departments.

MILENKO RADIC

Member of the Management Board

Milenko Radic has headed the Products Insurance and Shared Services department at COR&FJA AG since October 2009.

VOLKER WEIMER

Member of the Management Board

Volker Weimer has directed the Banking and IT Services departments at COR&FJA AG since October 2009.

ROLF ZIELKE

Member of the Management Board

Since October 2009, Rolf Zielke has been responsible for COR&FJA AG's Life Projects & Customers division.

Letter from the Management Board

Dear shareholders, customers, business associates and colleagues,

2010 was a year of transition for COR&FJA AG. Last financial year, following the successful merger in autumn 2009, we were able to successfully complete numerous important consolidation tasks, including in administration, the amalgamation of subsidiaries and offices, and the relocation to our new corporate head office. Other undertakings such as the consolidation and further development of our software environment are still in full swing and we are continuing to press ahead energetically with these.

Thanks to these successes, the company is in an excellent position today. With nearly 1,000 employees at 16 locations in Germany, the Netherlands, Austria, Switzerland, Slovakia, Slovenia, Portugal and the US, COR&FJA is now one of Europe's top full-service providers for the entire financial services sector, with a product and service portfolio that enables us to meet virtually all of our customers' IT requirements for modern, flexible standard software solutions.

In contrast to these extremely positive developments within the company, we cannot be fully satisfied with our economic performance in 2010. Our turnover of EUR 116.2 million falls slightly short of our turnover target, and is below the pro forma turnover of the two merged companies in 2009 (pro forma turnover for 2009: EUR 117.8 million). Earnings before tax (EBT) amounted to EUR 7.9 million, slightly above the figure previously targeted. Of this, a total of EUR 3.2 million was accounted for by the revaluation of the shares in B+S Banksysteme Aktiengesellschaft acquired in mid-2010. In 2009, COR&FJA AG posted earnings before tax (EBT) of EUR 1.5 million.

2010 as a year of consolidation

Following on from the successful merger of COR&FJA, 2010 financial year involved a great deal of internal consolidation activity which may not have looked very spectacular from the outside, but which was nevertheless of crucial importance to the company.

This included, for example, the move to the new building in the Humboldt-Carré in Echterdingen: nearly 450 employees, including those from the former FJA office in Stuttgart, arrived safely at their new workplaces in the new corporate head office of the COR&FJA Group in August and September 2010. The Humboldt-Carré offers enough space for our company to grow as planned. What is more, all our employees are now working together under one roof close to Stuttgart, which is another positive aspect.

In July 2010, six employees from the former Cologne office in Venloer Straße moved to join their colleagues in Cologne's Domstraße. The office in Venloer Straße was then closed. The key reason for this was that, as part of the new strategic orientation of our IT Services division, COR&FJA application service providing GmbH was amalgamated with COR&FJA Systems GmbH with retrospective effect from 1 January 2010. In addition, in mid-2010, as part of the restructuring of our Swiss companies, the former COR infexpert AG was absorbed by COR&FJA Schweiz AG. In October 2010, several Swiss employees from the former Frenkendorf site moved to new, more modern premises in Rheinfelden.

In the company's administration departments too, consolidation work is forging ahead in numerous areas. In the Finance division, financial bookkeeping and controlling were moved to a single technical platform. We also introduced a new planning, reporting and forecasting application for profit centres and the Group as a whole, and began setting up a central information system for the Human Resources division. In the Facility Management division last year, procurement operations were centralised and further optimised to exploit synergies here as well, and further enhance efficiency.

Upgrading of both our product platforms

We made good progress in 2010 in the ongoing technical and functional development of our company's two main product platforms, the COR.FJA Insurance Suite in the Insurance division, and the COR.FJA Banking Suite in the Banking division.

Last financial year, in the Insurance division, we invested nearly 8,000 person days in upgrading the individual product components and packaging them in the COR.FJA Insurance Suite. As a result, we are now able to provide the international insurance market with the multi-segment integrated solution it was calling for. The further development of the policy management system, COR.FJA Life Factory, using modern Java JEE architecture, is also part of this. As well as creating a modern architecture, we are especially keen to optimise the customising functionalities of the product. The development of our new non-life insurance solution COR.FJA P&C, which has now been delivered to five customers, also continues to run to plan. In addition to the functional enhancements and the creation of additional parameterisable reference products, the system's customisation capabilities are also being extended.

In 2010, our Banking division continued with its efforts to systematically optimise and complete the COR.FJA Banking Suite. With nearly 1,500 additional person days invested in the project, technological improvements were made to the platform with the aim of being able to offer the leading standard full banking system in Germany in the near future. The investment in B+S Banksysteme Aktiengesellschaft, which we announced in the middle of last year, was a milestone in this project.

We also want to carry on investing on an ongoing basis in the development of our two main platforms to enable us always to offer our customers the most state-of-the-art products on the market. Despite this, this year and next we will be able to scale down our exceptionally large internal investment in our two product platforms – which in 2010 ran to more than 9,000 person days – and if possible translate the capacity freed up by this into extra turnover.

Sales successes in 2010

In 2010, we scored some remarkable sales successes, considering that the business climate was still very subdued: new orders came from Vienna-Life Liechtenstein for the COR.FJA Life policy management system, from MCE Bank GmbH (Mitsubishi Corporation Europe Bank), Flörsheim, for the CORBAS MBS core banking system, and from Münchener Verein for the deployment of COR.FJA P&C. ERGO Versicherungsgruppe AG engaged COR&FJA to advise it on issues surrounding the development of ERGO's future strategic life assurance platform.

In July 2010, a large order was placed by the providers of supplementary pension funds, Rheinische Versorgungskassen (RVK) and Kirchliche Zusatzversorgungskasse (KZVK) of the German Diocesan Association, which commissioned us, as part of a collaboration, to introduce the COR.FJA Insurance Suite as their policy management and benefit system. Having secured this order, we focused on extending our product and service spectrum to encompass the needs and functionalities of supplementary pension funds, while at the same time further expanding our market share as a supplier of standard software for company pension scheme providers.

Also in the insurance segment, DekaBank, the central asset manager in Sparkassen-Finanzgruppe (the German savings banks organisation) decided to enter into a direct collaboration with COR&FJA in the field of state-subsidised financial investments, known as 'Riester subsidisation'. This means that almost 50 per cent of the approximately 13 million Riester-subsidised contracts in place in Germany are now managed using our product, COR.FJA Zulagenverwaltung.

On the banking side, COR&FJA took care of the functional and technical aspects involved in the spin-off of a bad bank. The migration of the data and the corresponding enhancements to the CORBAS HYP system that was used were all important prerequisites for the successful establishment of the bad bank. In addition, we embarked on our first joint sales activities as part of our cooperation with B+S Banksysteme Aktiengesellschaft.

Share price trend

COR&FJA shares had a rather turbulent year overall. The share started the year fundamentally positively, recording an encouraging interim high of EUR 2.09 on 7 April 2010. However, as the year went on, the share price steadily declined, in line with the benchmark index, the Technology All Share, dipping to a low of EUR 1.64 on 31 August 2010. The share price then rallied significantly and rose, amid very high volumes of trading, to its annual high of EUR 2.35 on 8 November 2010. The share failed to maintain this level, though, and at the end of the year it stood at EUR 1.80, in other words 4.26 per cent below where it was at the start of the year. The benchmark index, the Technology All Share, registered a slight increase of 7.68 per cent for the same period.

We are not happy with the share price performance. We do participate regularly in roadshows and capital market conferences, hold one-to-one meetings and teleconferences with analysts and institutional investors, and publish press releases and ad-hoc announcements. Nevertheless we obviously have not yet managed to convey clearly enough on the capital market the positive outlook for the company, as we see it, for the coming years. We need to work on this and will do so in the course of this year – not only so as to make it easier for any potential investors to take the decision to invest in the COR&FJA share, but also in order to ensure our existing investors remain loyal to our company.

Outlook for the 2011 financial year

In view of the current market and sales situation, we are confident that we will be able to achieve the target figures for 2011 that we published in mid-February of this year, with turnover of EUR 124.5 million, and pre-tax earnings of EUR 9.2 million before merger-related amortisation.

Last financial year, we saw a lot of prospective customers delaying investment decisions and placing their orders late, but now the market is really picking up again and we are witnessing growing interest in our portfolio of solutions. The planned new risk management requirements for financial service providers under Solvency II and MaRisk are significant contributing factors, as is the reduction in the guaranteed interest rate among life assurance companies, as these increase the pressure on banks and insurance companies to innovate and develop new financial products, and, on the IT side, to introduce the software solutions required for this.

We are responding to this with the ongoing development of our COR.FJA Life Factory, with its modern, service-oriented architecture based on Java JEE, which makes it attractive particularly to large customers among the top ten life assurance companies. In future, our non-life insurance solution, COR.FJA P&C, which has gone down exceptionally well on the market since its launch just over a year ago, will operate in the same technological development environment. Because of the current situation in asset liability management, there are even greater incentives to invest in the non-life insurance environment than in the life assurance market. What is more, there are also a large number of legacy systems which no longer give non-life insurers the product flexibility and rapid time-to-market they need. For this reason we are also expecting to win new orders for the P&C division during the current year.

Encouragingly, we are seeing increased demand for our products and services from abroad. We have therefore engaged experienced sales managers for our key markets, Spain and Austria, and we are maintaining a high level of sales activities in the Benelux countries. The recently announced sales to Cooperatie DELA in the Netherlands and various foreign subsidiaries of Merkur in Eastern Europe are resounding proof that we are on the right path with this. Today our solutions are already used by users in more than 16 European countries as well as in the US and Australia, and we are planning to expand our foreign customer base still further in the medium term.

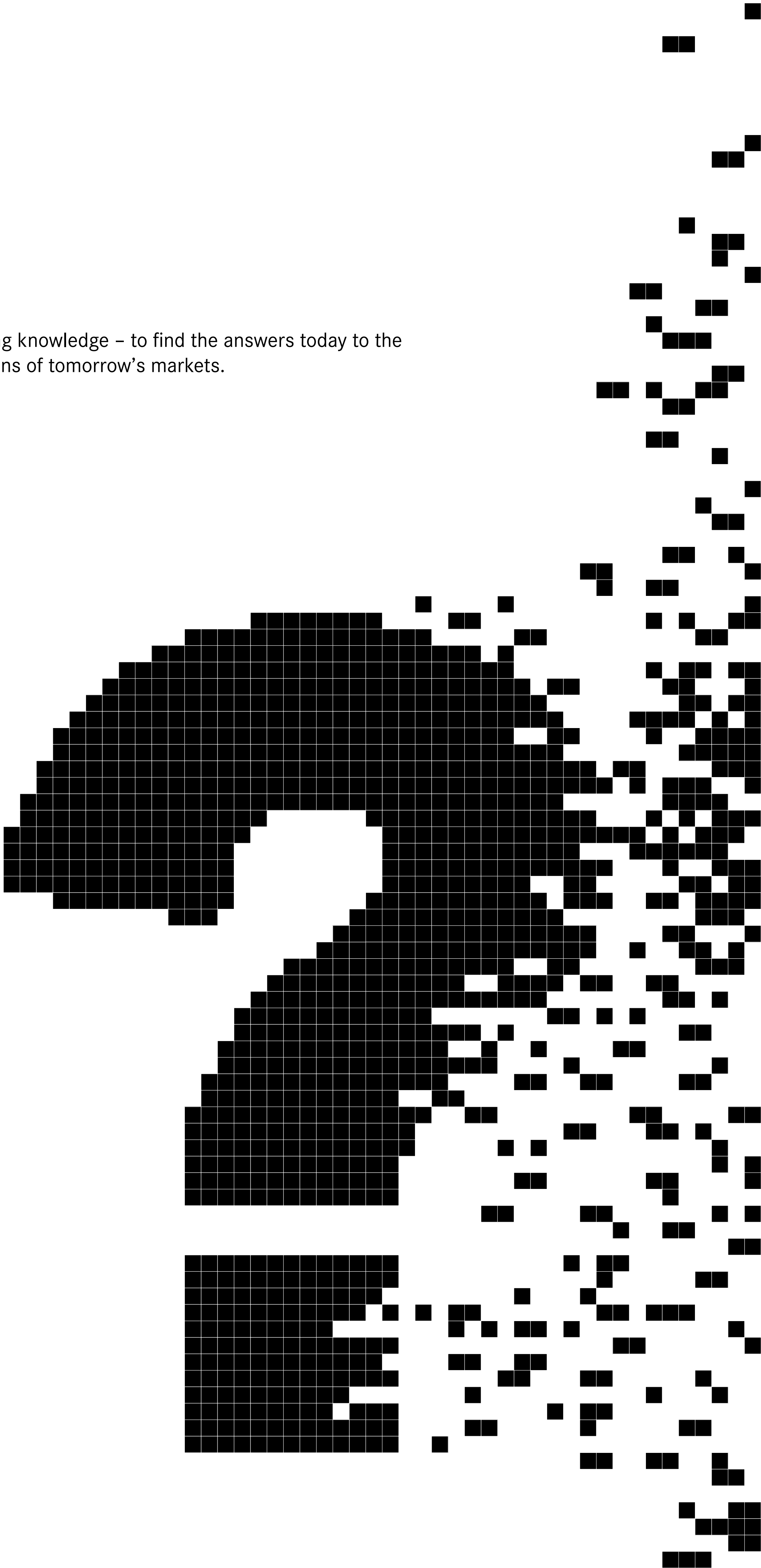
A few weeks ago we acquired a stake in plenum AG of Wiesbaden. plenum is an established management consultancy in the field of integrated business system development, focusing on customers in the banking and insurance industries. This investment enables us to enlarge our own product portfolio by drawing on the longstanding, proven process expertise of plenum AG, which in the future will become increasingly important to us as a software firm in the implementation of modern products with service-oriented architectures. In this regard, this strategic partnership provides an excellent basis for improving our competitive position in today's markets.

We are therefore optimistic with regard to the current financial year, 2011, during which we, together with you, our shareholders, customers, business partners and colleagues, plan to take the company a good step further along the path to becoming a top international supplier to the entire financial services sector.

Yours faithfully,

Ulrich Wörner
Chairman of the Management Board

Bundling knowledge – to find the answers today to the questions of tomorrow's markets.



Management Board Interview

In the following interview, the Chairman of the Management Board of COR&FJA, Ulrich Wörner, and the Deputy Chairman, Klaus Hackbarth, talk about major events and trends at the company.

Mr Wörner, how would you sum up the 2010 financial year?

ULRICH WÖRNER:
Coming in the wake of the successful merger in 2009, the last financial year was a transition period for us during which we completed a lot of consolidation work, for example in administration, the amalgamation of subsidiaries and the relocation to our new corporate head office. All in all, we are not that happy with our performance over the past financial year as we did not quite achieve our turnover target and our share price did not progress as well as we had anticipated. However, we notched up some successful sales in the banking and life assurance sectors, and in the non-life insurance sector in particular, as well as for many smaller components. Unfortunately, these successes came slightly too late in the year to affect the 2010 turnover figures, but will be included in 2011 instead.

Can you elaborate on the share price performance?

ULRICH WÖRNER:
Obviously we have not yet set out clearly enough how the company will evolve over the coming years once the current investments in our products are completed. However, we think that our target figures for 2011, which show a distinctly positive trend, take us a big step forward in this respect. We, along with all the analysts in our specific field, see a fair share price of well over 2 euros in the near future.

What strategy, essentially, are you pursuing with regard to the expansion of the two product platforms for insurance and banking?

ULRICH WÖRNER:
In our Insurance segment, we are equipping COR.FJA Life Factory with a modern, service-oriented architecture based on Java JEE so that it appeals particularly to large customers among the top ten life assurance companies. The successful installation of COR.FJA Life Factory at ERGO-Versicherung, one of Germany's largest life assurance companies, shows that we are on the right track with this. We are also upgrading our new non-life insurance solution COR.FJA P&C. We see enormous untapped potential in the non-life insurance market and have already sold this solution to five new customers in a very short space of time. And in the Banking segment we are bundling our two solutions in the COR.FJA Banking Suite. Last year, we were able to fill in the gaps, in terms of the modules we were still lacking, through our strategic participation in B+S Banksysteme. In this segment, too, the future looks fundamentally bright for us.

The new non-life insurance solution COR.FJA P&C is a key element in the expansion of the product portfolio. What stage of development are you currently at?

KLAUS HACKBARTH:
We created Version 1.0 of our non-life insurance solution COR.FJA P&C in the summer of last year and incorporated it in various projects. The product is currently being developed further based on this Version 1.0, however we are now planning to have a shared development platform for it and our life assurance solution, COR.FJA Life Factory, so as to create a common, modern development environment for the core systems. The ongoing development is currently focused mainly on two issues: Firstly, the need to extend the system's specialist functions to enable it to manage additional products effectively and to set up reference products that are very easy to parameterise. And secondly, making the system easier to customise.

How large, do you think, is the non-life insurance market to which COR&FJA has access, and what opportunities are available to your company in this segment?

KLAUS HACKBARTH:
The non-life insurance market is nearly as large as the life assurance market. In fact, because of the current capital market situation, there are even bigger incentives to invest in non-life insurance than in the life assurance market. At the moment, there are numerous legacy systems on the market which no longer provide non-life insurance companies with the product flexibility, industrialisation capacity or automatic processing facilities they need, or only at great expense. What is more, there is a much greater need for flexibility and a short time-to-market for innovative products, compared with life assurance products – this is apparent from the enquiries we are currently getting regarding our P&C solution. This is because insurance contracts in this segment tend to be of much shorter duration, and subject to more changes, for example in vehicle insurance. Hence many of the insurance companies are finding themselves facing increasing cost pressure and have to make their processes more efficient and flexible across all their various channels.

ULRICH WÖRNER:
Of course, all this gives us an opportunity to make a further mark in this market with our modern, versatile COR.FJA P&C solution and gain market share. After all, our COR.FJA Insurance Suite, of which P&C is an important component, is a complete offering. It enables us to provide all our insurance customers with the right modules and components for policy management and claims processing, including the essential area of claims management.

We have been through the largest global financial crisis in post-war history. How has this affected COR&FJA's customers, and what do you expect will be the effects on your business as a result?

ULRICH WÖRNER:
In the wake of the crisis, new regulatory requirements have been introduced, such as Solvency II, which will affect customers' capital requirements from 2013 onwards. As the countdown to its introduction advances, Solvency II is becoming more of an issue because many companies, particularly small and medium-sized ones, face the problem that they do not have enough qualified IT staff to deal with this. We are also expecting consolidation pressure to continue to mount in the sector. And when two companies merge, they usually look for a new, state-of-the-art system. Another factor is that the international financial markets are currently in a prolonged phase of low interest rates, which will mean that new capital market-related products will have to be launched on the market. However, the existing systems are unable to replicate these new products at short notice. That is why there is considerable motivation in the market for introducing new systems.

Last year, you markedly stepped up your sales activities in Austria and on the Iberian Peninsula. How do you expect this to affect your business?

ULRICH WÖRNER:
The Iberian Peninsula is one of the largest markets in Europe with nearly 60 million inhabitants. We realised that until now there has not been a standard software supplier there for insurance companies. We want to deploy our products in this market, where there is considerable pressure on costs. We also plan to use the Spanish market as a springboard to Latin America, and especially the Portuguese market as a springboard to Brazil, in the future.

Another important focus of our international activities is the Austrian market, where we have strengthened our presence considerably in terms of staff numbers, and from where we would like to take our first steps into the markets of Eastern Europe. We already have offices in Slovakia and Slovenia, and we want to expand our local presence significantly.

Employees of both the former companies, COR and FJA, are now working successfully together, not least in Sales & Admin. Looking back, how would you describe the process of integrating the two sets of staff?

KLAUS HACKBARTH:
As you might expect, we very quickly established that there were many similarities between the two companies. After all, both companies were working in the same sector and were of a similar size. Today, it is true to say that it is hard to spot any differences in our day-to-day dealings with each other, and it is hard to tell which employees came from which company originally. However, issues like communications and corporate and management culture can never be definitively defined and have to be worked on continuously. Both are subject to constant change, and cannot be taken for granted. The process of integration is therefore still ongoing: we have accomplished much, but there is still more to do. At present, the main focus is on the integration of our system environments in the administrative departments: for example, we are currently working on an HR information system and are in the process of aligning and harmonising all processes and the general set-up.

And what are the current challenges on the personnel front – particularly given the positive economic trend?

KLAUS HACKBARTH:
COR&FJA wants and indeed needs to grow in order to satisfy mounting demand for our products and services. In this respect we are under great pressure to hire more staff. We currently have nearly 50 unfilled vacancies, and no doubt that number will increase in the course of the year. As the labour market is noticeably gathering pace again, a lot of attractive companies are actively advertising positions on the market and we are not always able to find enough promising candidates. We therefore need to position ourselves more clearly and effectively as an employer, and enhance our employer profile. We have to work to ensure that our positive market image helps people, more than before, to perceive us as an innovative employer offering good, long-lasting jobs.

When we are looking for new staff, we always have the market in mind and set out clearly what distinguishes us positively from other, maybe larger and better-known companies on the job market, namely a high degree of flexibility in the way staff are deployed, and the opportunities we offer to assume positions of responsibility early on.

Despite the short supply of applicants over the last few months, we have had some encouraging successes in recruitment, taking on over 20 new employees, particularly in the banking division. We are also working to raise our profile among graduates and are drawing up an innovative recruitment concept for this area of the labour market. In an environment in which graduate numbers are tending to decline, we see this investment as a vital move.

In the middle of last year you acquired a stake in B+S Banksysteme Aktiengesellschaft. What were the precise reasons for this investment?

ULRICH WÖRNER:
In the banking market, small and medium-sized banks are interested in ASP solutions, for example comprehensive banking solutions including computer centre operations. Until now, we have lacked a few modules in this segment. Our stake in B+S Banksysteme Aktiengesellschaft enables us to complete our COR.FJA Banking Suite with B+S modules such as Online Banking, Treasury and Risk Management. The investment also makes it easier for us to maximise potential synergies arising from having the same development technology and the same market orientation. Not only that, we also see opportunities to boost our product and service turnover through cross-selling, where each of the two companies can offer the products of the other one to their existing customers.

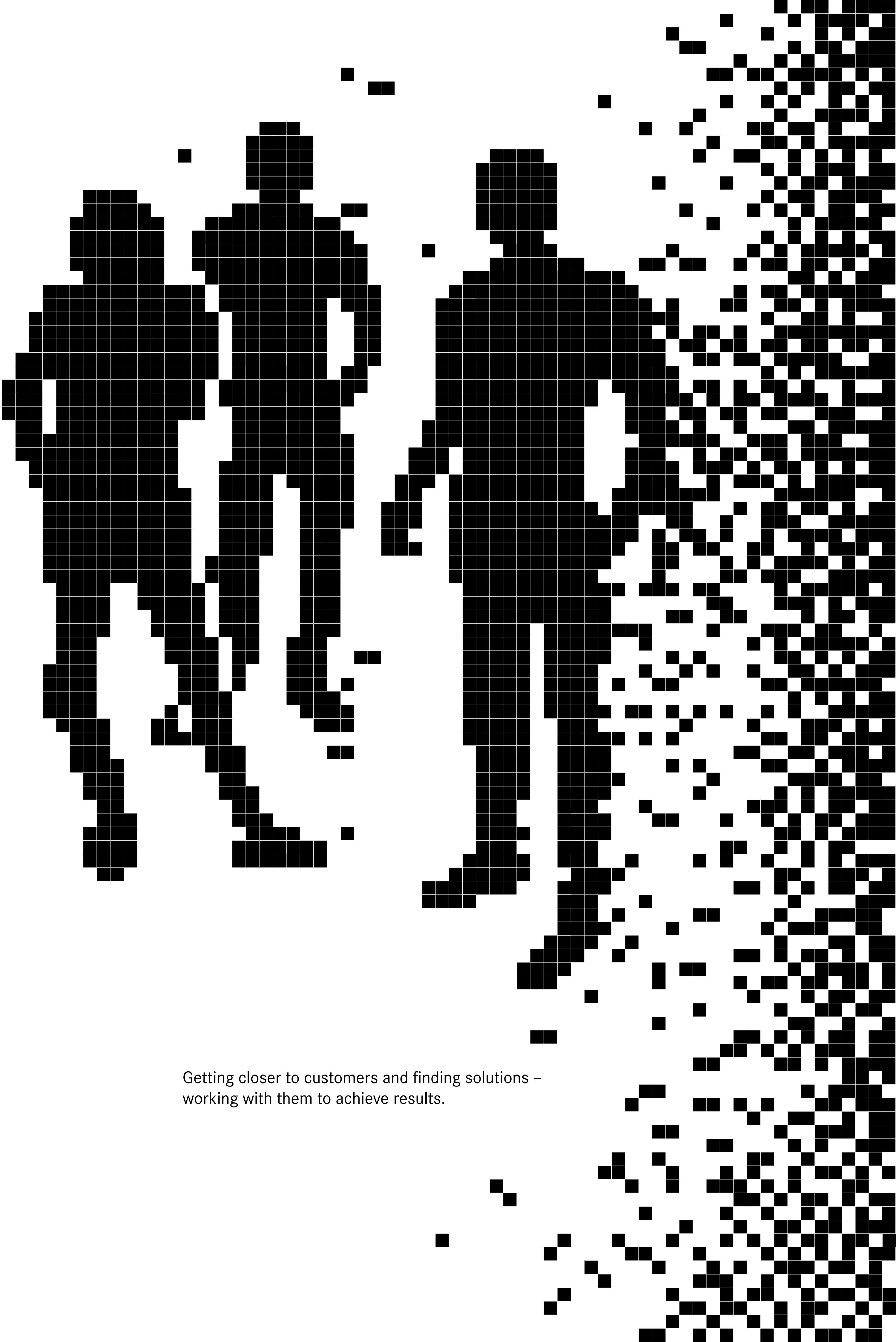
Where do you see the company and its products on the market today and compared to the competition? And where will it be in five years' time?

KLAUS HACKBARTH:
Today we are undoubtedly the leading supplier of life assurance systems in Germany, Austria and Switzerland. And we are building up our P&C business as well as our banking business in a targeted way – within the next five years, we want to have a similar standing throughout Europe in these business areas as in the life assurance segment. Our non-life insurance solution, COR.FJA P&C, now has its first European customer, Merkur Versicherung of Graz and its subsidiaries in Eastern Europe, and other customers are on the point of signing up. In the US, Australia and New Zealand as well, we are currently stepping up our activities and cultivating our first customer relationships. In the banking segment, we are working in a focused way on further developing and standardising our core banking applications to enable us to offer both a highly customisable licence model and the Software as a Service (SaaS) lease model as standard over the coming years.

What are your goals for 2011 and for the years to come?

ULRICH WÖRNER:
There are two main strands to our strategy: Firstly we want to achieve profitable organic growth by reaping the highest possible target return on our existing product portfolio. And of course we will steadily expand this product range with new offerings with the aim of achieving the same level of profitability with these as with our existing product lines.

Secondly, we want to grow through acquisitions, provided they are a good match and the timing is opportune. We recently strengthened our business with the acquisition of plenum AG, a management consultancy for banks and insurance companies. We are interested above all in plenum's process knowledge and process models, because in our architectural environment, processes are increasingly important for the optimum deployment of our standard software. This move has enabled us to fill in a missing link in our value chain for insurance companies and banks.



Getting closer to customers and finding solutions – working with them to achieve results.

Overview & solutions offered

Intelligent solutions for insurance companies, banks and company pension schemes

The COR&FJA Group is a leading software and consulting firm for the European financial services industry, focusing on banks and insurance companies as well as company pension scheme providers. It offers an extensive range of solutions for life assurance companies (life), health and property insurers (non-life) and for universal, private and mortgage lending banks.

The service spectrum ranges from the development and implementation of standard software and provision of consultancy services to the taking over of IT operations (Application Service Providing).

Drawing on 30 years of experience in the market, our dedicated team of high-calibre specialists develops state-of-the-art solutions which provide all-round support for our customers using modern technologies and proven methods. Our software architecture is component-based and service-oriented. The unique combination of specialist knowledge, process skills and IT expertise enables us to offer solutions for complex issues under one roof. The COR&FJA name stands for first-class solutions, lasting business relationships and long-term success.

COR&FJA is the market leader for the life assurance segment (life) in German-speaking countries, and has a strong market position in Europe. In the non-life segment too, a growing number of well-known health and property insurance companies in Germany and abroad have opted for software solutions from COR&FJA.

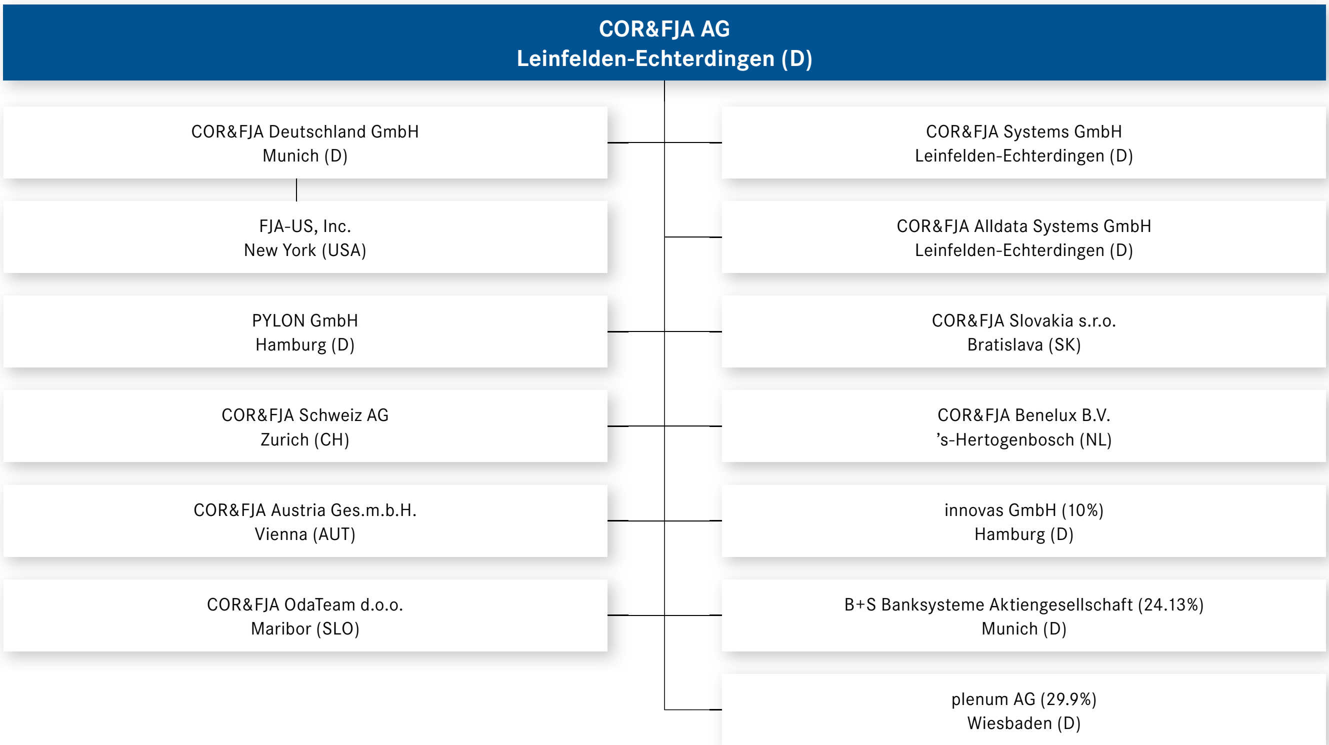
Our modern, flexible and reliable IT solutions deliver considerable time savings and cost benefits for our customers, enabling them to strengthen their competitive position. Because the solutions are systematically tailored to the requirements of a service-oriented architecture, our software can be rapidly integrated or upgraded.

Our standard software supports multiple clients, currencies and languages and as a result can also be rapidly and flexibly deployed, including in an international context. Our solutions are already in use in more than 30 countries, including the US and Australia.

COR&FJA sees itself as a partner to insurance companies and banks. Ongoing product development is focused strictly on the needs of our customers and the requirements of the market, in order to guarantee the value of our solutions well into the future. Our work has resulted in numerous successfully concluded projects and satisfied customers.

Structure/ Locations

The COR&FJA Group, which has its head office in Leinfelden-Echterdingen and offices in Düsseldorf, Hamburg, Kiel, Cologne and Munich, as well as subsidiaries in Austria, Switzerland, Slovakia, Slovenia, Portugal, the Netherlands and the US, currently employs around 1,000 staff.



Software, consultancy and Application Service Providing (ASP) solutions for the European insurance and banking market

The COR.FJA Insurance Suite and COR.FJA Banking Suite (CORBAS) solutions for the industry represent a unique package of powerful, state-of-the-art, flexible standard software for European insurance companies and banks.

We also offer Application Service Providing (ASP) for our high-performance standard software solutions and services, depending on our customers’ requirements. In this case COR&FJA takes care of the installation, configuration, maintenance, updating, ongoing development and support, and is responsible for security, back-up and recovery. This enables our customers to benefit from the specialisation and technical quality of the IT solutions on offer and to gain financial flexibility by avoiding large investments in IT infrastructure and software licences.

Our solutions portfolio – standard software offering flexibility and cost benefits for a competitive edge

INSURANCE (LIFE AND NON-LIFE)

Insurance companies are exposed to ever-increasing costs and competitive pressure. Demand for a high level of customer service and attractive prices, the necessity of launching new products on the market quickly and cost-effectively and statutory requirements constantly confront insurance companies with new challenges. Efficient stock management is thus a particular factor in strategic success, requiring cost-effective, yet flexible solutions applicable across different fields.

The COR.FJA Insurance Suite is a complete solution for insurance companies (life and non-life), which consists of upgradeable and highly configurable standard software components. The high configurability, the use of a product server and the modern, service-oriented technology mean changes can be made rapidly to products and processes, enabling us to react promptly to customer requirements and market developments.

The components of the COR.FJA Insurance Suite represent all relevant insurance company business processes and can be combined to meet customer-specific needs, or used as stand-alone services. The spectrum ranges from front-end functions such as handling enquiries and risk assessment to contract management, commission management and collection. Individual add-ons, additional COR&FJA modules or software components from third parties can be flexibly incorporated via existing standardised interfaces. This enables each customer to set up its IT environment specifically to meet its own needs without having to dispense with the advantages of standard software.

COR&FJA's principal products

COR.FJA Life Factory

POLICY MANAGEMENT FOR LIFE ASSURANCE COMPANIES

As a universal standard system, COR.FJA Life Factory and its supplementary systems cover the key business processes conducted by life assurance companies and pension fund institutions over the lifecycle of an insurance contract – both for business with private customers and for company pension schemes. As the system is based on an SOA approach, it can be readily integrated into the IT environment of an insurance company. COR.FJA Life Factory offers outstanding potential for customisation and is particularly suitable for the requirements of large insurance companies.

COR.FJA Life

POLICY MANAGEMENT FOR LIFE ASSURANCE COMPANIES

COR.FJA Life supports contract management for all common life assurance and pension products. Individual add-ons, additional COR&FJA modules or software components from third parties can be flexibly incorporated via standardised interfaces. The solution has fully integrated standardised processes, supports multiple languages and currencies, and can be quickly and economically installed. COR.FJA Life is primarily aimed at smaller and medium-sized insurance companies in Germany and elsewhere.

COR.FJA Symass

ALL-SECTOR SYSTEM FOR INSURANCE COMPANIES
IN EASTERN EUROPE

COR.FJA Symass in particular meets the needs of insurance companies looking for a streamlined, cost-effective management system which covers the core functions of insurance companies and can be implemented very flexibly. The system enables new products to be rapidly developed and launched, and supports multiple clients, languages and currencies.

innovas HI

POLICY MANAGEMENT FOR
HEALTH INSURANCE COMPANIES

The portfolio, product, benefit and statistics components of innovas HI (Health Insurance) cover the entire operational core business of a health insurance company. innovas HI is based on modern, service-oriented architecture and Java technology. The software can be readily integrated into existing IT environments and adapts to the company's specific requirements.

COR.FJA P&C

STOCK MANAGEMENT FOR
COMPOSITE INSURANCE COMPANIES

COR.FJA P&C, a cross-sector solution for all composite insurance companies, includes contract management along with all the main business transactions from new business to contract amendments to contract termination. The system is based on a fully service-oriented architecture and supports multiple clients, languages and currencies.

FJA Product Machine
SOFTWARE FOR PRODUCT DEVELOPMENT, INTRODUCTION AND MAINTENANCE
FJA Product Machine, which is suitable for all branches of insurance, enables products, business rules and calculations along with the related documentation to be developed and managed in a single tool.

COR.FJA Merica
RISK EVALUATION MODULE FOR PERSONAL INSURANCE COMPANIES
COR.FJA Merica is a component-based standard solution for the complete proposal examination and risk evaluation process (Straight-Through Processing) in the life, health and accident insurance segments. The system offers dynamic question generation, making it suitable for use in tele-underwriting as well.

COR.FJA Alamos
SOFTWARE FOR RISK MANAGEMENT AND PRODUCT DEVELOPMENT
The standard software package COR.FJA Alamos (Asset Liability and Model Office System) allows insurance companies to conduct a qualitative and quantitative analysis of the effects of planned management decisions, possible market developments or other factors in advance.

COR.FJA RAN
PENSION SETTLEMENT AND DOCUMENTATION SYSTEM
COR.FJA RAN controls, monitors and keeps records of all planned and unplanned business transactions that occur in relation to the disbursement of ongoing benefits in individual and collective business. The system supports all the business processes involved in ongoing pension payments arising from annuity, occupational disablement, accident and pension contracts.

COR.FJA TaxConnect
STANDARD SOFTWARE FOR THE TRANSMISSION OF PREMIUM DATA TO THE GERMAN CENTRAL ALLOWANCE AUTHORITY FOR PENSION ASSETS [ZENTRALE ZULAGENSTELLE FÜR ALTERSVERMÖGEN, ZFA]
COR.FJA TaxConnect supports the legally required processes and premium data messages to the ZfA. The system brings the relevant data from the participant systems together in a database of their own, thereby making cross-component data viewing and management possible.

COR.FJA Zulagenverwaltung
SOLUTIONS FOR MANAGING ALLOWANCES PROCESSES
The standard software for managing Riester products is an automated solution with full traceability that handles the processes involving the provider, the German Central Allowance Authority for Pension Assets (Zentrale Zulagenstelle für Altersvermögen, ZfA) and the people entitled to such allowances. It supports statutory activities and reporting requirements relating to pension allowances through various business processes.

COR.FJA Commission
ADMINISTRATIVE SOLUTIONS FOR COMMISSION ACCOUNTING
COR.FJA Commission covers the main structures required by an insurance company for complete commission processing. The company's individual agreements and systems of rules are replicated as are its various calculation parameters and payment methods.

COR.FJA Office
BUSINESS TRANSACTION MANAGEMENT AND PROCESSING OF DOCUMENTATION
COR.FJA Office provides functions (capture, distribution, processing and archiving of data) that are required for convenient,

paper-saving processing. COR.FJA Office can be used as an intelligent front office for processing, in conjunction both with the leading archive and document management systems, and with corresponding Enterprise Content Management solutions.

Insurance Consulting

Drawing on our extensive technical and sector know-how, we support insurance companies in the conceptual planning and successful implementation of their projects, even independently of our product range. Our consultancy service covers product strategy, development and implementation, risk management, portfolio migration, management consultancy relating to (cross-sector) insurance processes and detailed specialist advice on actuarial and business-case related matters.

BANKS

Reduced time-to-market, non-stop efficiency gains and new statutory requirements are the major challenges facing banks nowadays. Information technology is becoming critical to success in this situation. Many banks are engaged in comprehensive reorganisation or replacement of their existing core banking systems, increasingly by the use of standard software, in order to reduce complexity and risks, and to cut costs.

The COR.FJA Banking Suite (CORBAS) was developed as an optimum response to current customer and market demands, thereby improving banks' competitive position. It is the most comprehensive functional product for banks currently available on the German market, consisting of efficient individual modules which can be flexibly combined. The modularity of its applications, fundamental platform independence, multiple languages and new, customisable processes within CORBAS ensure effective, efficient operation. CORBAS modules are also available for lease, whereby the price includes all statutory updates. COR&FJA also offers not only all the functions but also software as a service. Over thirty German customers currently rely on products from the COR.FJA Banking Suite (CORBAS).

COR&FJA's principal products

CORBAS MBS

CORE BANKING SYSTEM FOR RETAIL BANKING,
PRIVATE BANKING AND SALES FINANCE

CORBAS MBS is a tried-and-tested standard software package which optimally replicates and supports the business of private and universal banks, direct and automotive banks and specialist institutions. The standard software covers the entire value chain, from client management to contract management, and from payments and reporting to accounting. Its main focus is the replication of business processes, which can be flexibly adapted within CORBAS MBS to meet company-specific requirements.

CORBAS HYP

CORE BANKING SYSTEM FOR MORTGAGE BOND BANKS

CORBAS HYP supports all the operational functions of mortgage lending institutions in Germany and abroad, including the administration and monitoring of the cover values pursuant to the German Mortgage Bond Act (PfandBG) and the stipulations of the German Federal Financial Supervisory Authority (BaFin). With its efficient business process optimisation and ability to integrate fully into all parts of the company, the system supports streamlined company structures. The standard software covers the entire value chain from client management to contract management, payments and reporting to accounting.

CORBAS Credit

SOLUTION SUPPORTING ALL PROCESSES RELATING TO CREDIT

CORBAS Credit is a platform-independent IT solution for the management of a bank's entire credit business and which is characterised by its flexibility, diverse actuarial calculation possibilities, customisability, extreme user-friendliness and the possibility of preserving equity by optimising the underlying securities.

CORBAS International Business

SOLUTION FOR HANDLING COMMERCIAL BANKING

CORBAS International Business is the platform-independent, multilingual solution for clients for efficient handling of international and documentary payments and trading in foreign currencies and metals.

CORBAS Payments

CENTRAL PAYMENT SETTLEMENT

The payments system offers comprehensive, automated processing of national and EURO payments, and is capable of handling all current formats and clearing mechanisms.

CORBAS ReCon

RISK-APPROPRIATE GENERAL BANK MANAGEMENT SOFTWARE

The CORBAS ReCon standard solution offers banks optimum support for implementation of overall risk management, accounting procedures and compliance with statutory disclosure regulations and internal reporting requirements. The integrated dispositive data management system for all bank management functions guarantees consistent, uniform application of planning, management and control processes across all business sectors. The system covers all the requirements of Basel II and the Minimum Requirements for Risk Management (MaRisk).

CORBAS Tax

SOFTWARE SOLUTIONS FOR CALCULATING CAPITAL GAINS TAX

The standard software package CORBAS Tax is a central tax calculation module which calculates the withholding tax due and issues the certificates and notifications that are required. The system thereby implements the statutory requirements arising from the introduction of the German flat-rate withholding tax on 1 January 2009. An add-on feature can determine the taxable amount for all types of revenue, thus guaranteeing correct tax assessment and payment under German law, irrespective of the banking system in use.

Bank Consulting

As well as providing advice on the integration of our standard software products, we support banks in the area of bank consulting with product-independent, customised consulting services. The offer includes process and business consulting, integration management for standard software systems and IT management consulting. Credit, capital gains tax, bank management and reporting are our specialist focal points. Within the scope of Professional Services, COR&FJA also assumes full application management and individual enhancement of specialist products for all aspects of core banking.

Employees

On 31 December 2010, a total of 970 people were permanent employees of the COR&FJA group of companies (31 December 2009: 956 permanent employees).

In the past financial year, the company has grown organically by recruiting new employees. COR&FJA has increased its staff numbers selectively, enabling it to maintain its own quality standards and secure the satisfaction of its long-standing customers with an eye to the future.

At the present time, the company is seeking both graduates and experienced professionals to fill its vacancies, of which there are around 50 (as of March 2011). To this end, amongst other initiatives, the company is taking advantage of the networks of employees that exist within the sector. In addition to the many other effective recruiting channels it uses, personal recommendation by its own staff has consistently produced strong candidates in the past. This is because it is COR&FJA's staff who have the best knowledge of the working environment, the type of work involved and the requirements of the sector. They are thus well able to judge who would fit in at COR&FJA.

COR&FJA has continued with activities aimed at identifying young talents during the past year and focused on universities and colleges, taking part in recruitment events at selected universities. COR&FJA's timely approaches to and connections with talented young people who are still studying means it can quickly transfer modern know-how from further education institutes to the company, and, at the same time, can position itself in this job market amongst students in a timely fashion, while demonstrating that it is an attractive employer. It is clear that, in future, our activities will have to be more intense and reach ever younger target groups, against the backcloth of anticipated demographic trends in general. Visits for schoolchildren to the company's offices and a greater commitment to the MINT ('mathematics, IT, natural sciences and technology') Initiative would therefore provide a welcome addition to such campaigns.

The Stuttgart office of COR&FJA continues to be active in the field of dual vocational training. The successful cooperation with the Stuttgart vocational training institution Duale Hochschule Baden-Württemberg (DHBW, Baden-Württemberg Cooperative State University) in the subject area of business information technology was also continued during 2010. In the years ahead, COR&FJA will also be investing in the training of students who are studying at DHBW at the same time. This will involve an emphasis on a number of bespoke banking and insurance career profiles for students, translated into two industry-orientated specialisation pathways.

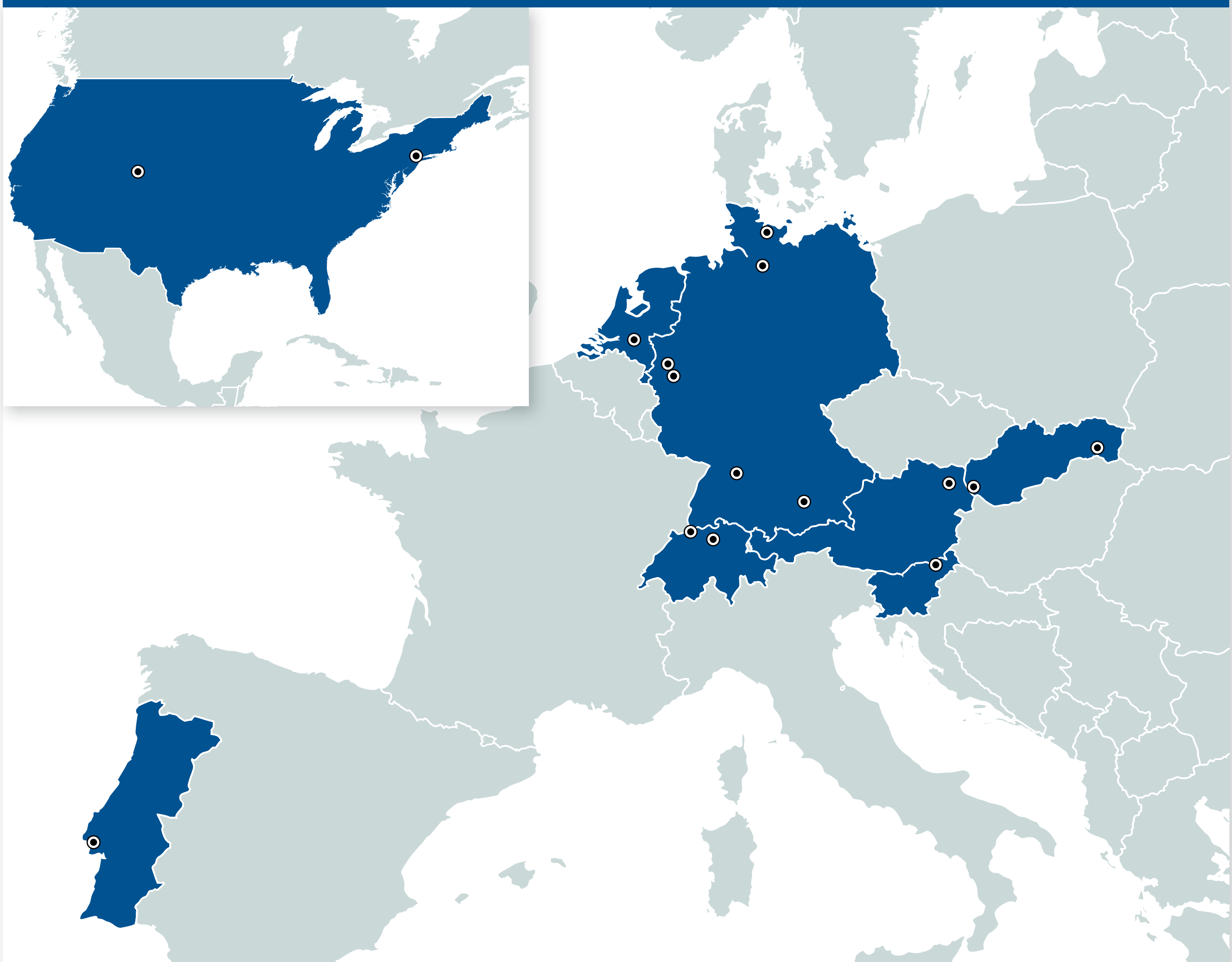
Moreover, COR&FJA is supporting the staff who, whilst working, are training to be DAV actuaries at the Deutsche Aktuarakademie (DAV – the German actuarial academy). We are backing them in their commitment by paying their course fees and, naturally, releasing them to participate in the relevant activities.

In the last financial year, the contribution made by all our employees was once again outstanding. The Management Board would like to express its profound thanks and appreciation to each and every staff member for this support.

COR&FJA Group	Number of employees	in %
COR&FJA Alldata Systems GmbH	84	9
COR&FJA AG	39	4
COR&FJA Austria Ges.m.b.H.	19	2
COR&FJA Deutschland GmbH	298	31
COR&FJA OdaTeam d.o.o.	25	2
COR&FJA Slovakia s.r.o.	90	9
COR&FJA Systems GmbH	287	29
COR&FJA Benelux B.V.	7	1
COR&FJA Schweiz AG	34	4
FJA-US, Inc.	61	6
Pylon GmbH	26	3
Total	**970**	**100**

Branches

Locations worldwide



Germany

STUTTGART

COR&FJA AG (Head Office)
Humboldtstraße 35
D-70771 Leinfelden-Echterdingen
Tel.: +49 711 94958-0

COR&FJA Systems GmbH
Humboldtstraße 35
D-70771 Leinfelden-Echterdingen
Tel.: +49 711 94958-0

COR&FJA Alldata Systems GmbH
Humboldtstraße 35
D-70771 Leinfelden-Echterdingen
Tel.: +49 711 94958-0

COR&FJA Deutschland GmbH
Humboldtstraße 35
D-70771 Leinfelden-Echterdingen
Tel.: +49 711 94958-0

MUNICH

COR&FJA AG
Elsenheimerstraße 65
D-80687 München
Tel.: +49 89 76901-0

COR&FJA Systems GmbH
Elsenheimerstraße 65
D-80687 München
Tel.: +49 89 76901-0

COR&FJA Alldata Systems GmbH
Elsenheimerstraße 65
D-80687 München
Tel.: +49 89 76901-0

COR&FJA Deutschland GmbH
Elsenheimerstraße 65
D-80687 München
Tel.: +49 89 76901-0

FJA bAV Service GmbH
Elsenheimerstraße 65
D-80687 München
Tel.: +49 89 76901-0

COLOGNE

COR&FJA Systems GmbH
Domstraße 55-73
D-50668 Köln
Tel.: +49 221 3380-0

COR&FJA Deutschland GmbH
Domstraße 55-73
D-50668 Köln
Tel.: +49 221 3380-0

KIEL

COR&FJA Systems GmbH
SIRIUS Business Park
Wittland 2-4
D-24109 Kiel
Tel.: +49 431 5808-615

HAMBURG

COR&FJA Systems GmbH
Süderstraße 77
D-20097 Hamburg
Tel.: +49 40 99996-600

COR&FJA Deutschland GmbH
Süderstraße 77
D-20097 Hamburg
Tel.: +49 40 99996-600

PYLON GmbH
Süderstraße 77
D-20097 Hamburg
Tel.: +49 40 99996-600

DUSSELDORF

COR&FJA Alldata Systems GmbH
Prinzenallee 11
D-40549 Düsseldorf
Tel.: +49 211 520659-00

International

Switzerland

BASLE

COR&FJA Schweiz AG
Kaiserstrasse 8
CH-4310 Rheinfelden
Tel. +41 61 90691-20

ZURICH

COR&FJA Schweiz AG
Schaffhauserstrasse 550
CH-8052 Zürich
Tel.: +41 44 3891-800

Slovakia

BRATISLAVA

COR&FJA Slovakia s.r.o.
Hranicná 18
SK-82105 Bratislava
Tel.: +421 2 32221-270

KOŠICE

COR&FJA Slovakia s.r.o.
Werferova 1
SK-04011 Košice
Tel.: +421 2 32221-270

USA

NEW YORK

FJA-US, Inc.
512 Seventh Avenue 15th Flr.
New York NY 10018
Tel.: +1 212 840 2618

DENVER

FJA-US, Inc.
700 Seventeenth Street / Suite 1900
Denver, CO 80202
Tel.: +1 303 534 2700

Netherlands

DEN BOSCH

COR&FJA Benelux B.V.
Zuiderparkweg 284
NL-5216 HE 's-Hertogenbosch
Tel.: +31 73 6895587

Austria

VIENNA

COR&FJA Austria Ges.m.b.H.
Wiedner Hauptstraße 76/1/4
A-1040 Wien
Tel.: +43 1 58070-0

Portugal

ESTORIL

COR&FJA AG
Avenida da Holanda, nº 386
P-2765-228 Estoril
Tel.: + 351 21 192 7658

Slovenia

MARIBOR

COR&FJA OdaTeam d.o.o.
Titova cesta 8
SLO-2000 Maribor
Tel.: +386 22356200

Thinking ahead – to make the right decisions that work for everyone.

Report by the Supervisory Board

Dear Shareholders,

The Supervisory Board scrutinised the operational and strategic performance of COR&FJA AG in detail in the 2010 financial year. At each meeting, it compared and discussed the company's actual business performance against its business targets, looked at the reasons behind any divergences and their knock-on effects on the company's short, medium and long-term plans.

The individual meetings dealt primarily with any decisions requiring a vote, as well as the key economic figures representing the latest earnings, financial and asset position of the COR&FJA Group. The Management Board also kept the Supervisory Board permanently informed about other topics such as risk management, including the risk provisioning it had put in place, short and longer-term corporate policy and strategy, the general trend in the market climate, and the latest developments in the individual divisions. The Supervisory Board paid particular attention to the different situations in the foreign markets in which COR&FJA operates.

Cooperation between the Supervisory Board and Management Board

In 2010, the Supervisory Board again diligently performed the duties incumbent on it under the law and the company statutes, and continued to advise and monitor the Management Board in its running of the company. For this purpose, the Management Board notified the Supervisory Board regularly, promptly and comprehensively regarding all company-related issues. The meetings of the Supervisory Board involved very frank exchanges of opinions and in-depth discussions. The Supervisory Board was also informed between meetings of any events of particular note.

To enable the members of the Supervisory Board to prepare for their decisions, the Management Board provided them with detailed documents in advance of the meetings. They were also supported in this by the relevant committees, and discussed all plans requiring a decision in depth with the Management Board. All the members of the Management Board were always present at the meetings of the Supervisory Board. In addition, the Management Board provided the Supervisory Board with details of the main financial figures. It submitted the quarterly reports, semi-annual report and draft annual report to it in good time. The Supervisory Board members regularly met on the eve of the Supervisory Board meetings for preliminary discussions without the Management Board present.

Areas covered by the Supervisory Board's monitoring and advisory activities

During the period under review, the Supervisory Board convened for a total of six ordinary Supervisory Board meetings. To enable the board members to prepare for the meetings, the Management Board provided them with written reports and decision proposals in time for the meeting.

In performing its tasks, the Supervisory Board drew on the information provided in writing and verbally by the members of the Management Board and the findings of the committees. It also called in external experts to help with specific issues, where it considered this necessary. For example, it obtained specialist legal advice from an external service provider in relation to the systematic organisation and standardisation and sector-wide comparison of Management Board members' contracts and remuneration.

At the first meeting of the financial year on 20 January 2010, the Management Board and Supervisory Board discussed the preliminary figures for the 2009 financial year and the budget plans for 2010 and subsequent years. The main issue discussed in relation to the 2009 financial statements was the so-called purchase price allocation (PPA) process, relating to the accounting treatment of the merger as a takeover of the former COR AG by the former FJA AG, which was drawn up by an external consultancy and discussed in detail at the Supervisory Board meeting. The company's internal risk management and the planned standardisation of Management Board members' contracts were also discussed. The Management Board also updated the Supervisory Board on the status of prospective M&A projects.

On 27 April 2010 the accounts meeting took place. The Supervisory Board and the auditor discussed in detail the company and consolidated financial statements, the condensed management report and the Group management report for the 2009 financial year. In addition, the initial findings of an expert report on Management Board remuneration commissioned from an external consulting firm were presented. The Supervisory Board and Management Board also discussed the current business situation.

At the meeting on 1 July 2010, the business situation in the individual divisions was presented and discussed. Preparations for the ordinary annual general meeting for 2010 were also discussed and the agenda approved. Also at this meeting, the Supervisory Board decided, based on the recommendations contained in the expert report, to introduce a new standard system for the remuneration of Management Board members.

On 17 August 2010 a Supervisory Board meeting was held immediately after the ordinary Annual General Meeting. Topics discussed included the Group's current business and financial situation, the performance of the individual divisions, and the further expansion of the company's international business. As well as that, the Management Board presented the M&A projects in progress and the activities undertaken in the field of staff recruitment.

The effects of the company's shareholdings on its overall earnings situation were discussed at the meeting on 27 October 2010. In addition, the Management Board provided detailed answers to the Supervisory Board's questions about individual business areas, the international companies and the Group's international strategy. The Management Board then presented the current sales position and talked about the principal individual sales projects.

The last meeting of the 2010 financial year took place on 13 December 2010. On that occasion, the Supervisory Board and Management Board dealt with the draft Declaration of Compliance with the German Corporate Governance Code (DCGK). They also discussed jointly the plans for the financial statements, the situation in the individual divisions and all the M&A plans.

The work of the committees

To enable it to perform its functions efficiently, the Supervisory Board set up two committees. Their role is to take care of the preparations for the Supervisory Board's meetings and decisions. They are the Audit Committee and the Personnel Committee. The Audit Committee is chaired by Dr Klaus J. Weschenfelder, and the Personnel Committee by Prof. Dr Elmar Helten. The Supervisory Board is always notified of the committees' activities and findings at the next Supervisory Board meeting.

The Audit Committee met on a total of five occasions during the period under review.

On 20 January 2010 discussions centred on the plans for the 2010 financial year and internal risk management.

At the meeting on 23 March 2010, at which the auditor was also present, the forthcoming financial statements for 2009 and the detailed results of the Purchase Price Allocation (PPA) were discussed in depth.

At the meeting on 26 April 2010, the Audit Committee and the auditor mainly discussed the company and consolidated financial statements for 2009 and the condensed management report and Group management report.

On 1 July 2010, the COR&FJA AG Risk Management Manual, which had been revised in the context of the merger, and its objectives were presented in detail to the Audit Committee. Also discussed were the Group's current financial and business situation, particularly in view of the semi-annual report, and the latest status of the ongoing shareholder action regarding the amalgamation of COR AG into FJA AG.

At the meeting on 27 October 2010, the modified risk management system was demonstrated and discussed in detail. In addition, the committee discussed in advance the financial report for the third quarter, and embarked on preparations for the revision of the Declaration of Compliance with the German Corporate Governance Code.

The Personnel Committee also convened five times during the reporting period. At the meeting on 20 January 2010, the committee discussed the subject of achieving targets, and the linking of Management Board members' pay to the level of target achievement.

On 26 April 2010, discussions focused on the initial findings of an expert report on Management Board remuneration drawn up in collaboration with an external consultancy.

At the meeting on 1 July 2010, the reorganisation of Management Board contracts in line with the new Management Board Remuneration Act was addressed in detail, and a proposal was prepared for the next meeting of the Supervisory Board.

At the meeting on 27 October 2010, the Management Board member for HR reported to the committee on key HR issues such as staff development through internal and external training courses.

The meeting on 13 December 2010 focused on the arrangements for recruiting staff, the new Competence and Development Model (KEM) on which talent management is based, and the salary structure linked to it.

Corporate Governance and Declaration of Compliance

In its management, supervision and steering of the company, the management of COR&FJA AG follows the rules of the German Corporate Governance Code (DCGK). The Management Board and Supervisory Board report jointly on corporate governance at COR&FJA in the Corporate Governance Report on pages 36 to 39. The updated Declaration of Compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) was passed in December 2010 and made permanently accessible on the company's website.

There were no fundamental conflicts of objective or differences of opinion between Management Board or Supervisory Board members in the last financial year. No member of the Supervisory Board was absent from more than half of the Supervisory Board meetings that took place in 2010. The efficiency of the Supervisory Board's work was the subject of a separate discussion at a meeting at which the Management Board was not present. No significant action was deemed necessary in relation to the activities of the Supervisory Board or the content or conduct of the meetings. It was decided that the Supervisory Board should continue to meet on a bi-monthly basis.

Audit of the 2010 financial statements and consolidated financial statements

On 17 August 2010 the Annual General Meeting appointed kleeberg audit GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditor. The Audit Committee discussed the 2010 financial statements and consolidated financial statements in detail with the auditor. The Audit Committee members then reported to the Supervisory Board on the financial statements and consolidated financial statements. Further questions from the Supervisory Board were answered by the auditor.

The 2010 financial statements and consolidated financial statements and the summary management report and Group management report have been audited by the auditor, kleeberg audit GmbH Wirtschaftsprüfungsgesellschaft, Munich, and granted an unqualified audit certificate. These financial statements and reports and the auditor's audit reports were forwarded to every member of the Supervisory Board. The Supervisory Board went over them in detail with the auditor and the Management Board at the Audit Committee meeting and the Supervisory Board meeting on 27 April 2011 at which the financial statements were finalised.

The Supervisory Board, too, conducted its own detailed audit of the annual financial statements, the consolidated financial statements, the summary management report and Group management report and raised no objections to them. The Supervisory Board approved the company and consolidated financial statements prepared by the Management Board, and consequently the annual financial statements were adopted in accordance with Section 172 AktG.

With regard to the stake held by msg systems AG, Ismaning, in COR&FJA AG, the Management Board submitted to the Supervisory Board the Report on Relationships with Affiliated Companies for the 2010 financial year in accordance with Section 312 AktG and the audit report on this subject prepared by kleeberg audit GmbH Wirtschaftsprüfungsgesellschaft, Munich, as the auditor, in accordance with Section 313 AktG. As no queries arose in the course of the audit, the auditor issued this audit opinion:

'Following our statutory audit and assessment we confirm that
1. the actual information in the report is correct,
2. the company's payment in connection with the legal transactions mentioned in the report was not unreasonably high,
3. with regard to the measures mentioned in the report, there are no factors suggesting a substantially different assessment than that of the Management Board.'

The Supervisory Board checked and approved the Report on Relationships with Affiliated Companies and the accompanying audit report. The Supervisory Board raises no objections to the Management Board's closing declaration in the report.

Changes to the Supervisory Board and Management Board

There were no changes to the composition of the Supervisory Board or Management Board of COR&FJA AG during the period under review.

Significant events after the balance sheet date

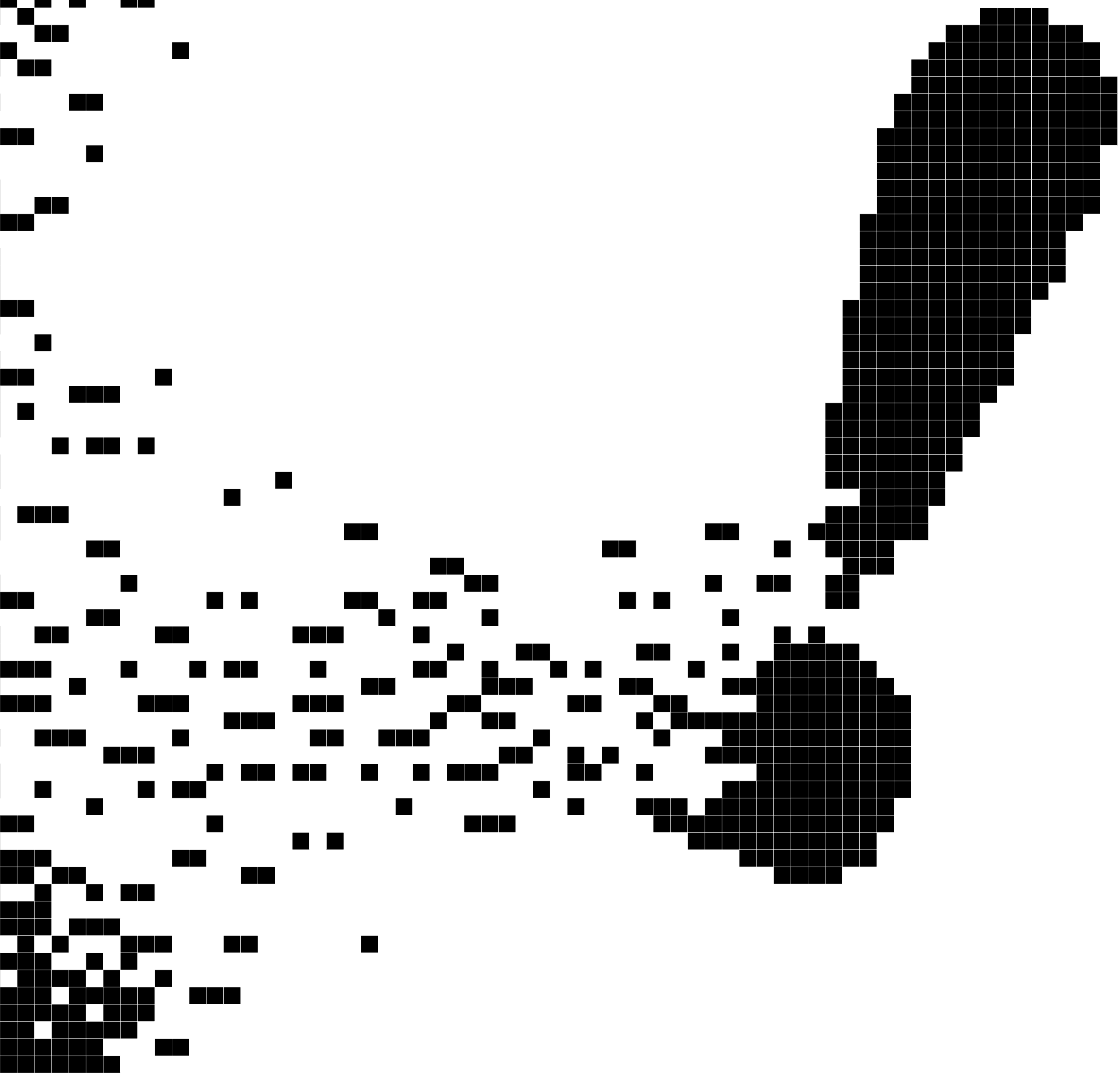
At the Supervisory Board meeting on 17 August 2010, the Management Board informed the Supervisory Board of a possible investment in a German consulting firm. After intensive deliberations, the Supervisory Board agreed to the strategy proposed by the Management Board. COR&FJA subsequently announced on 28 February 2011 that it was to take a 29.9 per cent stake in the Wiesbaden-based company plenum AG.

The Supervisory Board would like to express its thanks to the Management Board and all the staff in recognition of their dedication, outstanding achievements and great loyalty in the past financial year. We are confident that COR&FJA is heading in the right direction and will be successful in tackling the challenges facing it in the national and especially the international markets.

Leinfelden-Echterdingen, 27 April 2011
For the Supervisory Board

Prof. Dr Elmar Helten
Chairman of the Supervisory Board

Taking on responsibility – to meet statutory requirements and
to ensure excellent corporate leadership.



Corporate Governance Report

The Management Board, also in the name of the Supervisory Board, is filing the following report according to Clause 3.10 of the German Corporate Governance Code (DCGK).

Corporate Governance at COR&FJA AG fulfils all statutory requirements of the German Stock Corporation Law and to a great extent meets the recommendations of the German Corporate Governance Code. In December 2010, the Management Board and the Supervisory Board issued an updated Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG). The official Declaration of Compliance of the Management Board and the Supervisory Board is published on the COR&FJA AG website at www.cor.fja.com in the division of Investor Relations in the section Corporate Governance and is updated when changes are made. The company does not meet all the recommendations of the German Corporate Governance Code in the version of 26 May 2010. The following text details which aspects are different and why there are deviations.

Deductible for D&O Insurance

Clause 3.8 (5) recommends that a reasonable deductible is agreed when the company concludes so-called Directors and Officers Liability Insurance (D&O) for the Supervisory Board. The COR&FJA AG is not of the opinion that the high motivation and responsibility with which the members of the Supervisory Board carry out their tasks can be improved by such a deductible. The COR&FJA AG is therefore not planning to change the current D&O insurance contract, which does not provide for a deductible for the Supervisory Board members.

Selecting persons for Management Positions

In Clause 4.1.5, the Code recommends that when selecting persons for management positions, attention should be paid to diversity, particularly with regard to the selection of female candidates. COR&FJA AG has focused in the past, and will continue to do so in the future, on the highest level of competence both in the interests of the company and of the shareholders and will only thereafter take further criteria into consideration.

Compensation of the members of the Management Board

Clause 4.2.3 Para. 3 (2) recommends that variable compensation elements for which, for example, compensation elements based on shares or performance should be taken into account, should reflect sophisticated, relevant comparison parameters. COR&FJA AG is not of the opinion that share options and similar arrangements must relate to sophisticated, relevant comparison parameters and does not plan to adjust such variable compensation elements to this effect.

In Clause 4.2.3 in Para. 3 (3), the Code recommends carrying out a retrospective change to the performance targets of the comparison parameters as the basis of assessment of variable compensation of the Management Board. COR&FJA AG believes that a retrospective change of the performance targets or of the comparison parameters is, however, permissible and necessary if clear external influences make this obligatory. These are, for example, tax changes or statutory changes that were not previously apparent with regard to the amount or the effective date.

In accordance with Clause 4.2.5 Para. 1 and 5.4.6 Para. 3 (1), the disclosure of the compensation of the members of the Management Board as well as the disclosure of the compensation of the Supervisory Board members should be carried out as part of the Corporate Governance Report. COR&FJA AG reports the compensation of the Management Board in components in the management report, and the compensation of the Supervisory Board members in the notes. This form of reporting follows the statutory regulations and, at the same time, avoids unnecessary redundancy caused by repeated reporting.

Appointment of members of the Management and the Supervisory Board

In Clause 5.1.2 Para. 1 (2), the Code recommends that when selecting the Management Board, the Supervisory Board should pay attention to diversity particularly with regard to the selection of female candidates. COR&FJA AG has focused in the past, and will continue to do so in the future, on the highest level of competence both in the interests of the company and of the shareholders and will only thereafter take further criteria into consideration.

Clause 5.4.1 Para. 2 of the Code contains the recommendation that when selecting the Supervisory Board, concrete objectives be named, which, with due regard to the company-specific situation, take the international activities of the company, potential conflicts of interest, an age limit for members of the Supervisory Board that is to be determined and diversity into consideration. In particular, these concrete goals should also include the appropriate participation of women. COR&FJA AG has focused in the past, and will continue to do so in the future, on the highest level of competence both in the interests of the company and of the shareholders and will only thereafter take further criteria into consideration. Therefore, COR&FJA AG is not following the recommendations given in Clause 5.4.1 Para. 3.

Formation of a nomination committee

In accordance with Clause 5.3.3 of the Code, the Supervisory Board must form a nomination committee that is exclusively made up of shareholder representatives and proposes suitable candidates for the Supervisory Board's nominations for the Annual General Meeting. Given the size of the company, COR&FJA AG does not foresee the formation of a nomination committee. Furthermore, COR&FJA AG is of the opinion that the efficiency of a Supervisory Board consisting of six members would not be increased through the formation of a nomination committee.

Compensation of the members of the Supervisory Board

In Clause 5.4.6 Para. 1 (3) (2), the Code recommends that in the case of compensation of the members of the Supervisory Board, the Chairperson and the members should be taken into consideration in the committees. In compliance with its statutes, COR&FJA AG, with regard to the compensation of the members of the Supervisory Board, does not foresee the consideration of the Chairperson and of the members in a committee. Irrespective of this, members of the Supervisory Board will receive compensation for their participation in the committee meetings of the Supervisory Board in accordance with the statutes.

Publication of financial reports

The Code recommends in Clause 7.1.2 (4) that consolidated financial statements are made public at the latest 90 days after the end of the financial year and that interim reports are made public at the latest 45 days after the end of the reporting period. Publication within these time limits is not possible due to required internal processes. Therefore, in future, in compliance with the regulations of the Prime Standard stock market segment, COR&FJA AG will publish consolidated financial statements within four months of the end of the financial year and interim reports within two months of the end of the reporting period.

Compensation report

Further information on this subject can be found in the section 'Basic Features of the Compensation System' in the Management Report and Group Management Report and in Note XII Item 1 ('Total Compensation of the Management Board and the Supervisory Board') in the notes.

Share ownership of the Management Board and the Supervisory Board

As of 31 December 2010, the members of the Management Board and the Supervisory Board received 683,564 shares. The total shares make up one per cent of the shares issued by COR&FJA AG and are subdivided as follows:

	Number of shares	Number of options
Management Board		
Ulrich Wörner	440,571	39,134
Klaus Hackbarth	0	0
Milenko Radic	142,841	32,366
Volker Weimer	0	24,916
Rolf Zielke	0	0
Supervisory Board		
Prof. Dr Elmar Helten	100,000	0
Klaus Kuhnle	0	0
Prof. Dr Christian Hipp	0	0
Thomas Nievergelt	152	0
Dr Jens Seehusen	0	0
Dr Klaus J. Weschenfelder	0	0

Stock option programme

COR&FJA AG has introduced a stock option programme for the members of the Management Board, members of the management of companies associated with COR&FJA AG and other management staff. The particulars of this programme can be found in Note VIII Item 21 of the Notes.

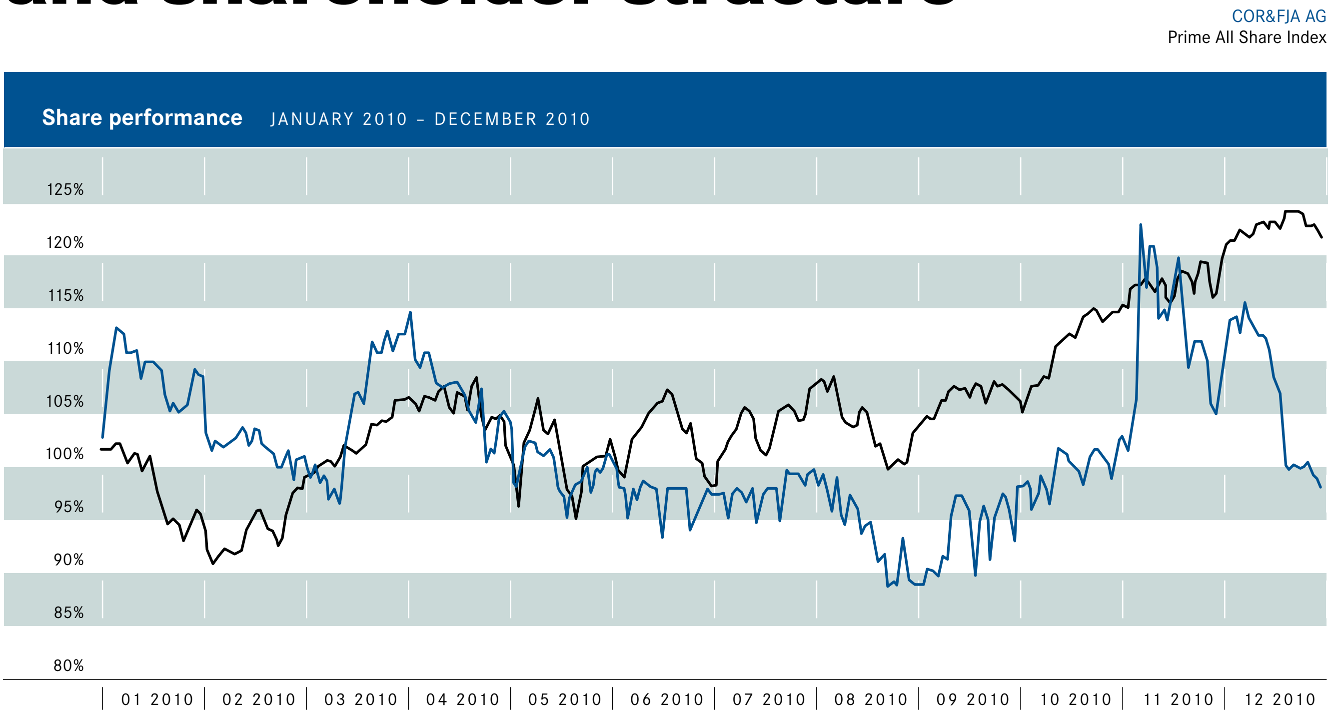
Information on purchase or sale of shares by the members of the Management Board and the Supervisory Board

In accordance with Section 15a of the German Securities Trading Act (WpHG), the following table contains information reported to the company on the purchase and sale of shares of the company or financial instruments associated with these shares by members of the Management Board and the Supervisory Board during the reporting period:

Trading date	Name	Position	Securities description	ISIN	Type of business	Quantity	Currency/ price (EUR)
05.02.2010	Prof. Dr Elmar Helten	Supervisory Board	No par-value bearer shares	DE0005130108	Purchase	5,000	1.85
15.03.2010	Prof. Dr Elmar Helten	Supervisory Board	No par-value bearer shares	DE0005130108	Purchase	5,000	1.80

Maintaining our values – to reward loyalty and achieve long-term value-added.

Share price development, key ratios and shareholder structure



The stock markets continued along the road to recovery in 2010, with growth coming primarily from China and the emerging markets. The DAX performed better than, for example, the Dow Jones Index and the other leading barometers of the European stock markets. The DAX closed the year on 6,914.19 points, representing a gain of 16.06 per cent, with trading driven in particular by car manufacturers and their suppliers. The Prime All Share sector index relevant for COR&FJA closed 2010 on 2,582.04 points, marking an 18.39 per cent gain on the year.

COR&FJA shares had a turbulent year. The share price started the year on an overall positive note, recording an encouraging interim high of 2.09 euros on 7 April 2010. However, as the year went on, the share price steadily declined, roughly in line with the benchmark index, the Technology All Share, dipping to a low of 1.64 euros on 31 August 2010. The share price then rallied significantly and rose, amid very high volumes of trading, to its annual high of 2.35 euros on 8 November 2010. The share subsequently failed to maintain this level, though, and at the end of the year the share price stood at 1.80 euros, in other words 4.26 per cent below where it was at the start of the year. The benchmark index, the Technology All Share, registered a slight increase of 7.68 per cent for the same period.

Key figures		2010	2009	+/-%
Earnings per share	EUR	**0.16**	0.04	+300.00
Highest annual price	EUR	**2.35**	2.98	-21.14
Year-end closing price	EUR	**1.80**	1.90	-5.26
Market capitalisation	EUR m	**77.04**	81.32	-5.26
Total number of shares	millions (shares)	**42.80**	42.80	0

Investor Relations activities

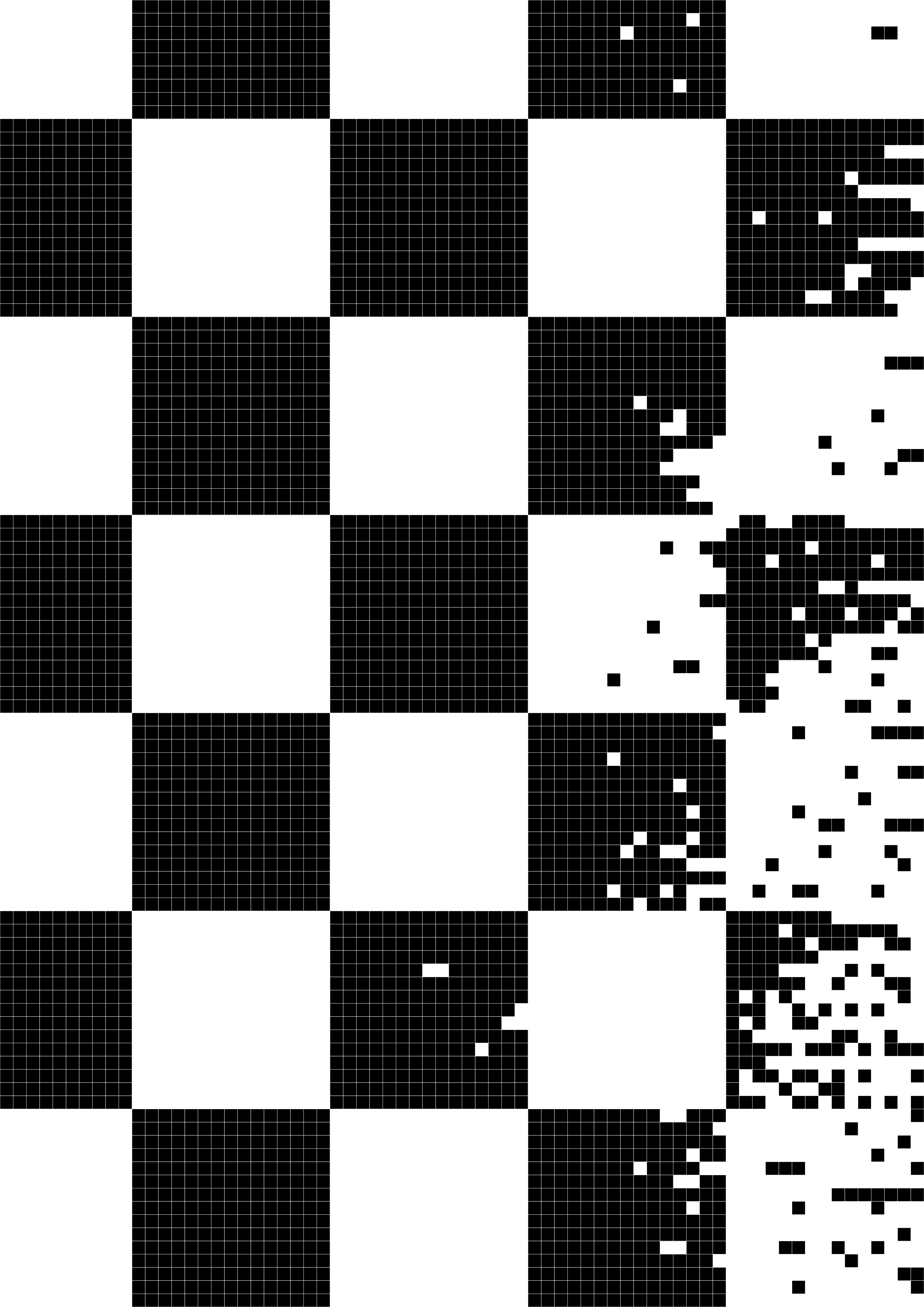
Last year, COR&FJA again made sure all institutional investors, analysts, representatives of the financial press and private shareholders were always kept fully and promptly apprised of the company's economic situation by issuing numerous press releases and ad-hoc reports, not to mention our annual and quarterly reports.

During 2010, the Management Board of COR&FJA AG presented the company to financial analysts and fund managers at various events including the German Equity Forum (Deutsches Eigenkapitalforum) in November and several roadshows in Frankfurt am Main and London. The Management Board also explained the group's fundamental strategic orientation and operational development to interested investors by means of one-to-one meetings and teleconferences. The latest research reports on COR&FJA published regularly by DZ Bank, Warburg Research, UniCredit and WestLB serve as a further source of information.

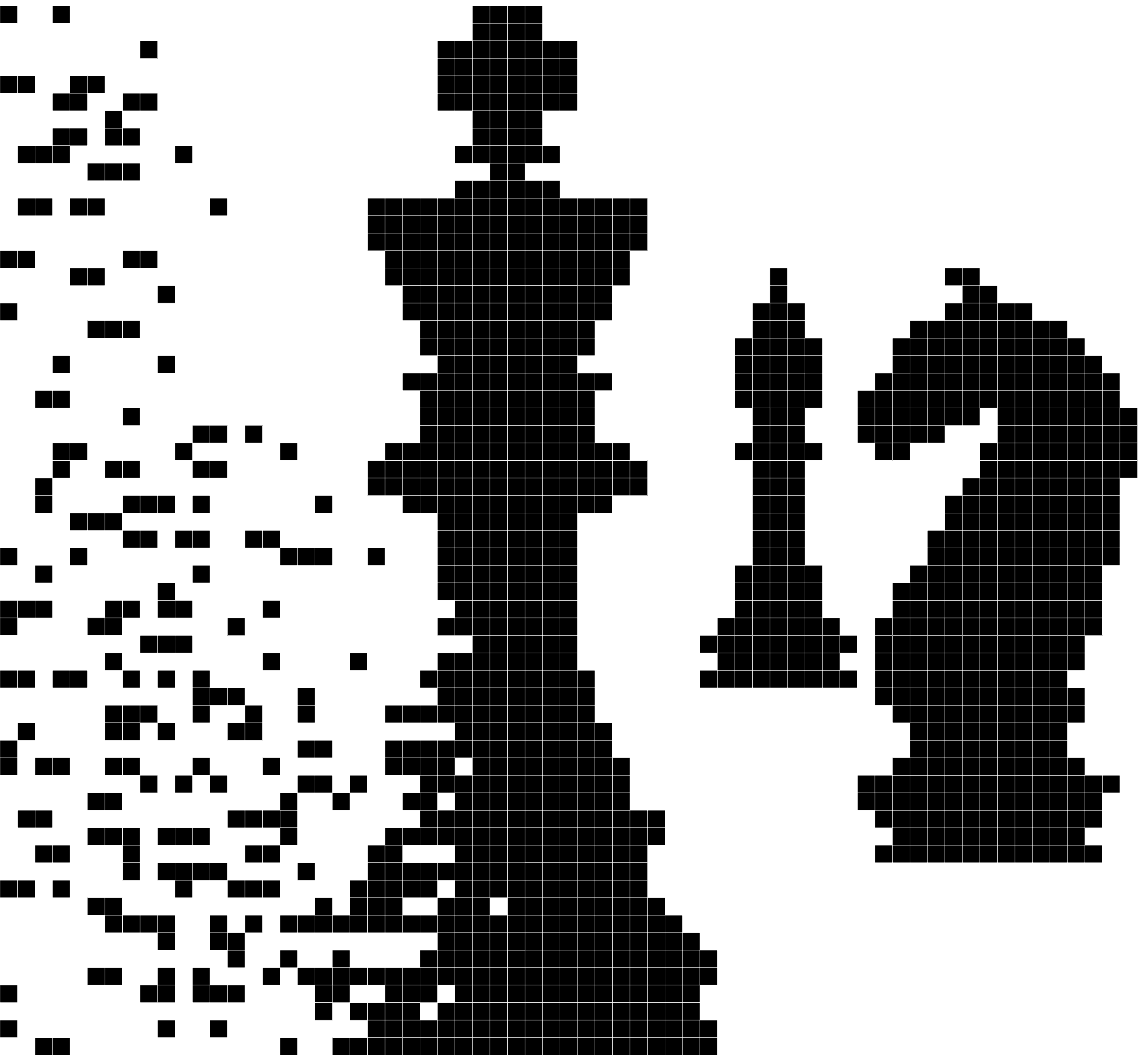
Despite these varied activities, the share price performance for 2010 was not satisfactory. Obviously we have not yet managed to convey clearly enough on the capital market the opportunities now available to COR&FJA as a new company as a result of the successful merger. Consequently, COR&FJA will step up its IR and PR activities in the current financial year, 2011, to make it easier for any potential investors to take the decision to invest in COR&FJA shares.

Shareholder structure	
msg systems AG	**46.12%**
Management organs	**1.59%**
Treasury shares (COR&FJA AG)	**4.45%**
Other free float	**47.84%**

Basic data	
Stock exchange centres:	
Regulated market	Frankfurt (Prime Standard)
Open market	Berlin Dusseldorf Hamburg Munich Stuttgart
Securities identification number WKN	513010
ISIN	DE0005130108
Reuters	FJHG.DE
Bloomberg	FJH.GR



Taking advantage of opportunity and minimising risk –
the ideal route towards a promising future.



Condensed Management Report and Group Management Report

The following management report is the condensed management report and Group management report of COR&FJA AG, Leinfelden-Echterdingen. It tracks the Group's business and that of COR&FJA AG, including the operating results for the 2010 financial year from 1 January to 31 December, as well as the situation of the Group and the plc as of the balance sheet date, 31 December 2010.

COR&FJA has been developing IT systems solutions and advising customers successfully on the implementation of their IT strategies since as early as 1980. Thanks to its continuous growth, the expansion of its product range and, in 2009, the successful merger of the former FJA AG and COR AG Financial Technologies, COR&FJA has developed into a leading software supplier and consulting company for the European financial services sector and beyond. COR&FJA as a company has been listed on the German Stock Exchange since 2000 and is now in the Prime Standard index.

COR&FJA's customers include life, health and composite insurers, universal, private and mortgage banks, and company pension schemes. The service spectrum ranges from the development and implementation of standard software and provision of consultancy services to the provision of full IT operations. On the basis of their extensive market experience, highly qualified COR&FJA staff develop state-of-the-art solutions to provide customers with comprehensive support. The company invests in modern technology and proven methods, and the software architecture used is component-based and service-oriented. The combination of specialist knowledge, process skills and IT expertise available at COR&FJA makes it possible to deliver solutions to complicated problems from a one-stop shop.

The headquarters of COR&FJA AG are located in Leinfelden-Echterdingen near Stuttgart, Germany. Other German branches are located in Munich, Düsseldorf, Frankfurt, Hamburg, Kiel and Cologne. COR&FJA is also represented in Vienna (Austria), Rheinfelden and Zurich (Switzerland), 's-Hertogenbosch (Netherlands), Bratislava and Košice (Slovakia), Maribor (Slovenia), Estoril (Portugal), and New York and Denver (USA). This distribution of branches keeps COR&FJA close to its customers and ensures that it can give them optimum support.

MARKET AND COMPETITION ENVIRONMENT

After the global economy endured its most severe downturn in the entire post-war period in 2009, shrinking by 0.6 per cent, strong growth of about 4.5 per cent was recorded in 2010. Economic recovery was considerably stronger in the first six months, weakening somewhat from the middle of the year. Development in individual countries was very uneven. The emerging economies were unaffected, or only indirectly affected, by the financial crisis and recovered very quickly. The Chinese economy thus grew by about 10.5 per cent in 2010, and India and Brazil also recorded high growth rates of 9.5 per cent and 7.0 per cent respectively. In contrast, recovery in most industrial nations, with the exception of Germany, tended to be sluggish, with overall growth of 2.1 per cent.

The German economy recovered considerably faster than did those of the other industrialised nations, because, as an established exporter, Germany was able to benefit from the strong increase in world trade and grow by about 3.8 per cent. The positive development gained important support from the robust labour market, which produced stable private consumption, particularly due to the intensive use of short-time working and the reduction of the balance of working time accounts. Towards the end of the year, the slackening speed of world recovery then made itself felt slightly more strongly in Germany too.

For German insurance companies, 2010 was characterised by strategic decisions for the future, following the financial and economic crisis. Whilst further optimisation of cost structures was the prime concern in non-life business, the sustained low-interest phase on the international financial markets confronted life assurers with fundamental questions, which extended to discussion of the long-term sustainability of their current business model. The imminent reduction in the actuarial interest rate and the approaching implementation of Solvency II will intensify this discussion.

Another factor will continue to be the legislative consequences of the crisis on the financial markets and the relevant requirements of Minimum Requirements for Risk Management (MaRisk) and Solvency II. Last but not least, mergers, consolidation and business process optimisation will continue on the insurance market, because of these developments.

Against this background, corporate IT is confronted by special challenges. The establishment of service-oriented architectures (SOA) for prompt support of modified business models and high system versatility for the rapid introduction of innovative products are factors crucial to the success of the companies in question. They entail an increased need for external consulting and IT support and thus also for continuous customisation of COR&FJA's standard software.

The banking landscape in Germany is continuing to experience a period of structural upheaval. Sustained competitive pressure exerted by direct banks and foreign financial institutions, and stricter regulation – also resulting from the recent financial and economic crisis – is presenting the banks with increasingly daunting challenges, with the implementation of Basel III and the IFRS accounting guidelines dominating the discussion. For the financial institutions, this means increasing pressure to consolidate and the necessity to optimise costs. Consequently, many banks are occupied with the introduction of innovative process-support workstation systems, sustained efficiency and cost-cutting, and particularly with comprehensive reorganisation or replacement of their existing core banking systems.

For COR&FJA too, the consequences of the crisis on the financial markets left their mark in the 2010 financial year. Many customers postponed decisions until late in the year or even cancelled budgets which had already been adopted for the development of new software solutions, with the consequence that projects previously thought to be safe were not implemented in the financial year ended.

In Germany, the COR&FJA Group is the market leader with the services and products it offers on the market for life assurance and company pension schemes. More than half of all German life assurers are customers of the COR&FJA Group. The Group's research and development activities are aimed at continuously reinforcing its leading position. With the regulatory requirements changing permanently and the variety of products offered developing dynamically, insurance companies are increasingly pursuing a strategy of replacing their previous in-house software solutions with standard software.

In the Banking segment, more than 30 German customers are currently putting their faith in products from the COR.FJA Banking Suite (CORBAS), making COR&FJA the market leader in the mortgage lending and automotive finance segments. In the segment of full banking systems for private banks, COR&FJA is in second place on the German market.

In 2010, 85.8 per cent of the Group's sales were generated in Germany and 14.2 per cent on foreign markets. The COR&FJA Group's declared objective is to further increase the proportion of sales generated on its foreign markets in the medium term by opening up new markets via strategic partnerships, thereby reducing its dependency on fluctuations in the economic situation on the German market. The Austrian and Swiss markets have requirements that are very similar to those of the German market and are being cultivated with a local presence. Moreover, experienced sales managers were recently employed in both countries.

Particularly from its Austrian location, COR&FJA is cultivating the East European markets, which are continuing to develop dynamically. Many life assurance companies have thus established themselves in Central Eastern Europe. They are facing pressure to automate caused by the constantly growing number of contract portfolios on the one hand, and the increasing regulatory pressure caused by ever-greater convergence with Western Europe on the other. As German insurers in particular are expanding on these increasingly attractive markets, there are many and varied commercial opportunities for COR&FJA. One current example is the order from the Austrian insurance company Merkur Versicherung, which will use the COR.FJA Insurance Suite for handling the life and composite business of all its South-East European subsidiaries in future.

Benelux is also an attractive market in Europe, on which COR&FJA's standard software solutions deliver important added value. This is why the COR&FJA product portfolio is attracting great interest on this market and why it was able to announce a major new customer in the form of the Dutch company Cooperatie DELA in March 2011. Within the scope of cooperation, Cooperatie DELA will include a new life assurance product in its portfolio, based on several components from the COR.FJA Insurance Suite.

In the CIS countries, the development of the insurance market is still difficult to predict. The COR&FJA Group is represented on the market in many Eastern European countries with its products COR.FJA Life and COR.FJA Symass. The current development of the software range in the direction of the international cross-sector solution COR.FJA Insurance Suite should further improve the Group's position on these markets.

The Iberian Peninsula represents a new market for COR&FJA. With nearly 60 million inhabitants, it is also one of the largest markets in Europe. Despite the increasingly high pressure of competition and costs on local insurance companies, there is currently no supplier of standard software on the Spanish market. In future, the Spanish market could also be attractive to the COR&FJA Group as a springboard to Latin America, and especially the Portuguese market as a springboard to Brazil.

On the US market, COR&FJA is still represented highly successfully by its subsidiary FJA-US Inc. with the FJA Product Machine. Thanks to COR&FJA's extensive product portfolio in the health insurance segment, the company sees further potential for development, especially in the healthcare reform passed by the US administration in spring 2010.

In the 2010 financial year, COR&FJA scored a number of sales successes: new orders came from Vienna-Life Liechtenstein for the COR.FJA Life policy management system, from MCE Bank GmbH (Mitsubishi Corporation Europe Bank), Flörsheim, for the MBS Open core banking system, and from Münchener Verein for the deployment of COR.FJA P&C. ERGO Versicherungsgruppe AG engaged COR&FJA to advise it on issues surrounding the development of ERGO's future strategic life assurance platform.

In July 2010, COR&FJA received a major order from the supplementary pension fund providers Rheinische Versorgungskasse (RVK) and Kirchliche Zusatzversorgungskasse (KZVK) of the German Diocesan Association, who, within the scope of cooperation, decided to commission COR&FJA AG with the implementation of a new management and payment system based on COR.FJA Insurance Suite technology.

In the Insurance division, DekaBank, as the central asset manager in the German savings banks' organisation Sparkassen-Finanzgruppe, has decided to collaborate directly with COR&FJA in the field of state-subsidised financial investments ('Riester subsidisation', named after its originator). This means that from now on, nearly half of the approximately 13 million plans signed in Germany which are subsidised through the Riester system will be managed using the allowance management software COR.FJA Zulagenverwaltung.

In the Banking division, COR&FJA provided functional and technical advice and assistance with the spin-off of a 'bad bank'. This included data migration and the corresponding system enhancements in CORBAS HYP, the system deployed – all important prerequisites for successfully establishing the bad bank.

THE GROUP'S ORGANISATIONAL STRUCTURE

As a leading sector-based service provider for insurance companies, banks and company pension scheme providers, the COR&FJA Group offers a full range of state-of-the-art solutions in the form of consultancy, services, software solutions and application service providing. The service spectrum in the insurance segment addresses the field of policy management in particular, including actuarial mathematics, migration and across-the-board processes. In the Banking segment, core banking systems which include numerous peripheral systems for bank-specific processes such as cover, lending, foreign transactions, risk control, payment transactions, reporting, online banking and treasury operations are offered. Consulting and services on the one hand and the product spectrum on the other complement each other to make up the sector-based service provider's integrated range of solutions. The products are standard software products which are fit for release and have been launched widely on the market.

Independently of its corporate structure, COR&FJA AG is divided up into business units, each of which is responsible for one market segment or regional market. This responsibility encompasses both the further development of the respective solution portfolio and the handling of customer projects, and is assumed at divisional level. The heads of these divisions comprise the next senior management level below the COR&FJA AG Management Board. The sales function operates in the form of autonomous regional units which are controlled by a central sales management division.

Management and monitoring

As of 31 December 2010, the Management Board of COR&FJA AG consisted of Ulrich Wörner (Chairman of the Management Board), Klaus Hackbarth (Deputy Chairman of the Management Board), Milenko Radic, Volker Weimer and Rolf Zielke.

As of 31 December 2010, the Supervisory Board consisted of six members elected by the shareholders: Prof. Dr Elmar Helten (Chairman), Klaus Kuhnle (Deputy Chairman), Prof. Dr Christian Hipp, Thomas Nievergelt, Dr Jens Seehusen and Dr Klaus J. Weschenfelder.

MANAGEMENT CONTROL, GOALS AND STRATEGY

Internal control system

CONTROL RATIOS APPLIED

The COR&FJA Group's strategic goals are to ensure sustainable profitable growth and expand its position not only in the German-speaking countries, but also on those foreign markets which are already being served or strategically addressed. To safeguard this strategy against business risks, fundamental ratios regarding the orders, earnings and liquidity position are applied.

To measure and analyse the general economic trend, the COR&FJA Group uses a uniform Group-wide control system based on a number of fundamental ratios. Prominent among these are the trends in the sales pipeline, turnover and the EBIT yield as a percentage of overall performance. Cash and cash equivalents, the level of indebtedness and cash flow are taken into consideration as indicators of the company's financial stability. The ratios of turnover per employee and employee capacity utilisation are tracked as specific indicators of productivity.

BUDGETED AND/ OR TARGET VALUES OF THE CONTROL RATIOS

Subsequent to the annual budget approved by the Supervisory Board, divisional monthly rolling forecasts for all types of income and cost are prepared which, taking account of current developments, provide early indications of deviations from the budget even in the future.

IMPORTANT PRODUCTS AND SERVICES

The most important core products in the Insurance business segment are the two policy management systems COR.FJA Life Factory and COR.FJA Life, with which life assurance and pension products can be developed and administered. Both products were recently included in a market survey of European life assurance policy management systems by a leading research company in September 2010. They achieved impressive results.

A further core product on the market is COR.FJA P&C as a policy management system for non-life insurers. Within the framework of the strategic investment in innovas GmbH, moreover, innovas HI is being offered as a policy management system for health insurers. COR.FJA Symass, the across-the-board system for smaller insurance companies, completes the spectrum of policy management systems.

The products COR.FJA Zulagenverwaltung (allowance administration), COR.FJA RAN (pension settlement and documentation system), FJA Product Machine, COR.FJA Alamos (risk management and product development), COR.FJA Merica (risk examination module), COR.FJA Commission (solution for the settlement of commissions), COR.FJA Office (transaction control and document processing) and COR.FJA TaxConnect (standard software for the highly automated, electronic transmission of premium data to the German Central Allowance Authority for Pension Assets [Zentrale Zulagenstelle für Altersvermögen, ZfA]) cover the essential specific and across-the-board tasks in the core business spectrum. They are supplemented by a broad range of consultancy and service provision from software implementation to portfolio migration (in the migration segment) and ultimately actuarial advice.

Most of the individual components are currently being bundled in the COR.FJA Insurance Suite so that the international insurance market can be offered the cross-sector integrated solution, also as a rental model, if required. The great flexibility of the COR.FJA Insurance Suite is advantageous for insurance companies because its scope can be adapted precisely to requirements, encompassing the use of individual services, the individual components and ultimately comprehensive solutions for all segments and divisions. If the portfolios grow, the COR.FJA Insurance Suite grows along with them. It can already be applied cost-effectively to small portfolios, as well as being a highly efficient performer for large volumes. This means that the COR.FJA Insurance Suite is ideally suited to newly established firms, small and medium-sized enterprises and large internationally active groups. The fact that the individual solutions already have a large number of users ensures that customers, also in the long term, will have a commercially attractive and secured expansion of the systems, including with regard to intended legal amendments and supplements.

In the Banking segment, the products are brought together on the central platform COR.FJA Banking Suite (CORBAS). With this platform, COR&FJA is offering customers, regardless of their size, an extensive, efficient range of instruments for optimising their business processes and thereby improving their position on the German market. As well as the ongoing adaptations to regulatory requirements and market conditions, significant application components are being implemented in the areas of bank management (registration pre-processing), taxes (reporting), credit (property and collateral) and payment transactions (SEPA). In this way, the increasing demands of customers in respect of functionality and process automation are being taken into account. In addition, the platform-independent COR.FJA Banking Suite (CORBAS) was technologically enhanced with the objective of minimising the respective implementation and operational expenses by means of improved capacity for integration into customers' IT environments.

In CORBAS MBS (for retail banks, private banks and sales financiers) and the mortgage lending institution system CORBAS Pfandbrief, two core banking systems are available in the Banking segment. They are used to depict and handle the typical core processes of a bank and are supplemented by individual consulting services, particularly on issues from the fields of core banking and overall bank management.

Suitable software components are available for all major core bank processes, e.g. CORBAS Credit (solution supporting all credit-related processes), CORBAS International Business (solution for handling commercial banking), CORBAS Payments (central payment settlement), CORBAS ReCon (risk-adjusted general bank management software) and CORBAS Tax (software solution for calculating capital gains tax).

The range of services is supplemented by comprehensive consultancy and ASP services. In the field of bank consulting, COR&FJA provides support in the form of product-independent, individual consultancy services such as process and business consulting, as well as the integration management of standard software systems and IT management consulting.

RESEARCH AND DEVELOPMENT

Orientation of R&D activities

For the COR&FJA Group as a sector-specific service provider, research and development are essential activities for asserting its forerunner role in the market-driven analysis of trends and future requirements. On the one hand, its R&D activities are carried out with the objective of developing and expanding standard software solutions and on the other hand to consolidate its consultancy expertise. Such consultancy expertise manifests itself not only in targeted employee and concept know-how, but also in the further development of software tools that give efficient support to the consulting activities. Significant business segments with an advisory focus include, for example, migration and risk management. Needless to say, all R&D activities are subject to the imperative of sustainable efficiency.

The COR&FJA Group does not conduct open-ended research, but rather purely targeted research in the interests of its strategic corporate goals. In the planning of the implementation of research findings into development results, particular significance is accorded to close communication with the market, or, more specifically, the customers, as their assessment of the products' relevance to business success is crucial. That is why, in recent years, the COR&FJA Group has continuously and actively promoted the significance of its user groups and specialist working parties. The trial solutions elaborated within the framework of research are presented, discussed and evaluated at an early stage in the user groups and specialist working parties. The evaluation is conducted with particular regard to users' interest in acquiring the product enhancements which are going to be implemented. In this way, new releases of standard software products are now generally part-financed by advance orders from a section of the customers. The COR&FJA Group regards this customer willingness as a high commercial countervalue for the expenses it incurs for the prior research and the support it gives to the user groups and specialist working parties.

As there is no user group that can be accessed for the placement of new products or the opening up of new markets, early customer models, which reward early decisions by customers to opt for a new product with commercial benefits, are applied. By ensuring the early and commercially binding inclusion of customers into the enhancement or initial development of products, the COR&FJA Group makes sure that development investment is not made without market orientation.

In addition to the traditionally very high level of acceptance for the quality of the COR&FJA Group's specialist product range for its target sector, the new release generations have succeeded in winning recognition for their high technological quality. The direct benefit from the sector's point of view lies in the option to use COR&FJA's standard software products for a broad spectrum of proven and innovative target technologies. The strategic benefit for the COR&FJA Group, moreover, lies in the possibility of flexible integration for the individual products that were previously strictly separated.

Purchasing R&D know-how

As the market leader in its core business, the COR&FJA Group is usually unable to have recourse to ready-made external research findings. This applies in particular to specialist thematic areas in the customers' sectors. As a sector-specific service provider it prefers to rely on its own research, which builds upon its attendance at industry conferences, federation activities and joint projects with partner companies. Future trends, too, can usually be identified more reliably from the systematic reviewing of customer requirements from projects and canvassing situations than from external surveys. It goes without saying that the high qualification level of the Group's employees is updated continuously by means of selective, also external, ongoing training activities. In the 2010 financial year, in accordance with this strategy, no practical R&D expertise – narrowly defined – was purchased. In the field of technology, however, the COR&FJA Group uses the rapidly developing standards and free technologies up to freely available open source products. The company also safeguards the quality of its own technological orientation by close cooperation with IBM.

R&D expenses, R&D investment and key R&D figures

The company continued to press ahead with the harmonisation of the product landscape and the establishment of a systematic product management in the Insurance segment during the financial year ended.

The COR&FJA Insurance Suite – representing unique end-to-end integration of top-of-the-range individual components for insurance companies in a comprehensive suite – was consolidated, as planned. The current version, 1.0, consisting of the software modules COR.FJA Life, COR.FJA P&C, COR.FJA Commission, COR.FJA CD and COR.FJA Partner, and most of the individual components have been integrated into the cross-sectoral COR.FJA CID workstation. COR&FJA is currently developing version 1.1, which will be available in May 2011. It will also include the COR.FJA Office components, an authorisation system (User-Admin) and the core of the output management system (OMS).

With the current release 4.8 of the policy management system COR.FJA Life Factory having been made available to customers on schedule as of 30 June 2010, the thematic composition of the upcoming release 4.9 was harmonised and its conceptual planning was launched at the autumn user group in Hamburg. As the scope of the new features for which release 4.9 makes provision is above average, COR&FJA will probably provide its existing customers with an interim release, before version 4.9 is delivered in autumn 2011, in order to comply with short-notice changes in legislation. The release 4.9 will then cover, among other things, functionalities relating to the transparency offensive of the German Insurance Association (Gesamtverband der Deutschen Versicherungswirtschaft e.V. – GDV) and the subject of additional interest reserves to increase resilience to risk. The content is also increasingly intended for a considerably expanded, actuarially practical flexibilisation of the pension drawing phase.

The autumn user group was characterised by an extremely high participation rate and gave a positive reception to the ongoing COR.FJA Life Factory product strategy. It became clear that customers are expecting the software's next generation to provide even greater optimisation of the customising and release change functionalities and therefore, compared to the competition, advantages in respect of time-to-market. In the meantime, representatives of the user group have formed further working parties to draft joint practical product solution strategies as a reaction to the reduction in the actuarial interest rate. The planned customising mechanisms, which facilitate highly flexible country and customer-specific adaptation, and the trend-setting JEE technology, which is distinguished by a high level of investment security and maximum platform and integration compatibility, had a particular appeal for the participants. This new technical platform will also form the COR&FJA group's future strategic development platform for further components of the COR.FJA Insurance Suite.

Version 3.12 of the COR.FJA Life policy management system has been launched successfully with existing customers. Version 3.13 is currently in preparation. With the prime objective being to optimise the software's flexibility of customisation and its time to market in respect of deliverability, COR&FJA is planning to launch a revised delivery model. The new, optimised business model (oGM), which offers customers considerably greater versatility and improved quality, was introduced at the COR.FJA Life user group in November 2010 and received a very positive reception.

Version 1.0 of the COR.FJA P&C non-life insurance solution was produced in summer 2010 and used in various projects. In the meantime, further project development is proceeding for five customers on the basis of version 1.0, on a technical platform shared with the COR.FJA Life Factory life assurance solution. The joint, state-of-the-art development environment for core systems is producing considerable synergies and greater productivity. As well as functional expansion and the creation of more configurable reference products, the focus of COR.FJA P&C is mainly on the creation of a highly efficient customising facility for the system.

COR.FJA Zulagenverwaltung release 3.4 was delivered to almost 60 insurers in late June 2010. The current version, 3.5, has been made available to customers, with the new functionalities required for handling year-end regulatory authority processes. The follow-up plans for the releases 3.6 and 3.7, which are envisaged for 2012, were harmonised with the customers within the framework of the respective user group in September 2011.

Version 3.3 of the COR.FJA RAN pension settlement and documentation system was delivered to customers in November 2010. The plans for follow-up release 3.4, which is envisaged for 2012, were harmonised jointly with the existing customers within the framework of the user group in September 2010.

Version 1.0 of the new product COR.FJA TaxConnect has been delivered to numerous (including health insurers) since August last year. Initial customer feedback indicates that even version 1.0 of this new COR&FJA standard software component is high-quality, despite the pressure of time under which it had to be produced, due to the tight framework imposed by the government. COR.FJA TaxConnect is a standard software product for the highly automated electronic transmission of premium data to the German Central Allowance Authority for Pension Assets (ZfA) in accordance with Sections 10 and 10a of the German Income Tax Act (EStG). The system brings the relevant data from the participant systems together into a database of their own, making cross-component data viewing and management possible.

Services and components which are suitable for multiple use within the company are being combined in the Shared Services Division, to increase synergies, cut costs and enhance the level of service for customers. Services are already being bundled administratively in this context, with the main emphasis on the Insurance Division. The activities which this involves are to be expanded during the course of the coming year with the aim of establishing company-wide architecture guidelines in the medium term.

In the 2010 financial year, the Banking Division pressed on purposefully with integration of the two product lines for private banks and mortgage lenders into the COR.FJA Banking Suite (CORBAS) and with its optimisation and completion. This includes, among other things, its technological revision with the objective of minimising the time, effort and expense faced by customers in implementation and operation by optimising the software's capacity for integration into those customers' IT environments, so that customers can quickly be provided with the leading comprehensive core banking system on the German-language market.

Customers' increasing requirements for functionality and process automation are being fulfilled, alongside continuing adjustments to regulatory requirements and market conditions. In TopDesk, COR&FJA has created an integration framework in which all core banking processes for asset and liability-side transactions are controlled from a single ‘cockpit’. The principal core elements of new communications processes can also be implemented with TopDesk, and third-party applications integrated into overall processes with little outlay. A high-performance tool is thus available to financial institutions, combining all kinds of applications with efficient process management in a simple way.

Measures to optimise components for every aspect of banking management are being implemented within the scope of policy management. The objective is to support internal reporting and the production of the balance sheet from a single data inventory, and to fulfil the requirements of the external reporting system, which is already being done. In reorganising its customer and committee structures in the Banking Division, COR&FJA has made a start on further standardisation of the various customer groups and models of cooperation. In this connection, the company has also conducted intensive talks with existing customers with the aim of closer coordination of future product strategy.

Intensive work also took place on improving uniformity, particularly of sales and requirements management, in the Banking Division in 2010. At the same time, quality management was established as an independent organisational unit at divisional management level, to ensure further optimisation of processes and delivery results. In this context, a test factory was established at COR&FJA’s premises in Bratislava, which should contribute to a sustained improvement in shipping quality of the software.

The COR&FJA Group’s R&D expenditure totalled EUR 15,983,000 in 2010 (previous year: EUR 10,787,000). EUR 0 of development expenditure were capitalised as part of the redevelopment of the COR.FJA Insurance Suite and of the COR.FJA Banking Suite (CORBAS).

EMPLOYEES

As of 31 December 2010, 970 permanent members of staff were employed by COR&FJA (31 December 2009: 956 permanent staff).

The company grew organically in the financial year ended, by recruiting new employees. By increasing its staff numbers selectively, COR&FJA has succeeded in maintaining its own quality standards and securing the satisfaction of its long-standing customers with an eye to the future.

In the 2010 financial year, the employees’ performance potential was again promoted with an extensive catalogue of measures to prepare them for the tasks ahead. Made-to-measure CPD programmes and internal job rotation both helped to expand and strengthen their qualifications and sense of responsibility.

As in the previous financial years, our employees were able to share in the company’s success by benefiting from variable pay components in the 2010 financial year.

TAKEOVER-RELATED DISCLOSURES PURSUANT TO SECTION 289 PARA. 4 AND SECTION 315 PARA. 4 OF THE GERMAN COMMERCIAL CODE (HGB)

COMPOSITION OF THE SUBSCRIBED CAPITAL

On 31 December 2010, COR&FJA AG’s subscribed capital amounted to EUR 42,802,453, consisting of 42,802,453 no-par-value bearer shares with full and equal voting rights. One share grants the holder a notional stake of EUR 1.00 in the company’s capital. As of 31 December 2010, the company’s portfolio of treasury shares amounted to 1,906,592 individual shares.

RESTRICTIONS AFFECTING VOTING RIGHTS OR THE TRANSFER OF SHARES

The shares have full voting and dividend rights, unless otherwise specified by the German Stock Corporation Act (AktG).

DIRECT OR INDIRECT INTERESTS IN THE CAPITAL

According to the published announcements and the information available to COR&FJA AG, direct or indirect interests exceeding 10 per cent of the voting rights as of 31 December 2010 were as follows:

Entity with reporting obligation	Type of participating interest	Proportion of the subscribed capital's disclosed voting rights
msg systems AG, Ismaning	Direct	46.1%

HOLDERS OF SHARES WITH SPECIAL RIGHTS

No shares with special rights which bestow authority to control were issued.

TYPE OF VOTING RIGHTS CONTROL
IN THE CASE OF EMPLOYEE SHAREHOLDINGS

Those employees who hold shares in COR&FJA AG exercise their control rights, like other shareholders, in direct compliance with the statutory provisions and the statutes.

STATUTORY PROVISIONS AND STIPULATIONS
OF THE STATUTES CONCERNING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND CONCERNING ALTERATIONS TO THE STATUTES

The appointment and dismissal of members of the Management Board are regulated in Sections 84 and 85 of the German Stock Corporation Act (AktG). The Management Board consists of one or more persons. The Supervisory Board determines the number of the Management Board's members. The members of the Management Board are appointed by the Supervisory Board for a maximum of five years. A repeat appointment or a prolongation of the term, each for a maximum of five years, is permissible.

Amendments to the statutes require a resolution of the Annual General Meeting. Resolutions of the General Meeting require a simple majority of votes cast and a simple majority of the nominal capital represented, unless a greater majority is required by law. The statutes contain no divergent provisions which require a larger majority.

THE MANAGEMENT BOARD'S AUTHORITY TO ISSUE
OR REPURCHASE SHARES

The Management Board is authorised – with the approval of the Supervisory Board – to issue new shares provided that the appropriate authorised capital (for the issuance of new shares) or contingent capital (for the issuance of convertible and warrant bonds) has been adopted by the Annual General Meeting and has not yet been utilised in full.

The company has the following authorised capital:
Authorised capital

By resolution of the Annual General Meeting on 17 August 2010, the Management Board is entitled, with the agreement of the Supervisory Board, to increase the nominal capital of the company up to 16 August 2015 by issuing new no-par-value bearer shares against contributions in cash or kind on one or more occasions, but altogether by no more than EUR 21,401,226 (in words: twenty-one million, four hundred and one thousand, two hundred and twenty-six euros) (authorised capital). With the consent of the Supervisory Board, the Management Board is also authorised:

aa) To preclude the subscription right of the shareholders in the case of capital increases against cash contributions which do not exceed a proportion of the nominal capital totalling 10 per cent either at the time of coming into effect or at the time of exercise of this right (the 10 per cent limit), in order to issue the new shares at an issue price which is not significantly lower than the stock market price of COR&FJA shares of the same class and structure already quoted at the time of final establishment of the issue price by the Management Board (Section 203 Paras 1 and 2 and Section 186 Para. 3 [4] AktG). In respect of utilisation of the 10 per cent limit, preclusion of the subscription right in direct or indirect application of Section 186 Para. 3 (4) AktG on the grounds of other authorisations must also be taken into account. The relevant quoted price is deemed to be the average closing price of shares in the company on the XETRA trading platform of the Frankfurt Stock Exchange (or a comparable successor system) during the last five trading days prior to final fixing of the issue price by the Management Board;

bb) To preclude the subscription right of the shareholders up to a further proportion of the nominal capital totalling EUR 10,700,613 (in words: ten million, seven hundred thousand, six hundred and thirteen euros) for the purpose of acquiring companies, or equity or participating interests in companies, and

cc) To preclude the subscription right of shareholders for fractional amounts.

Finally, the Management Board is authorised to specify further details for increases in capital from the authorised capital, with the consent of the Supervisory Board. The Supervisory Board is authorised to amend the statutes following complete or partial implementation of an increase in nominal capital in accordance with the amount of the capital increase from the authorised capital.

The company has the following contingent capital:

Contingent Capital 2006/I

The nominal capital was increased conditionally by resolution of the Annual General Meeting of 23 June 2006 by up to EUR 10,119,061 (contingent capital 2006/I). The contingent capital increase will only be implemented insofar as the holders or creditors of convertible and/or option bonds, the issue of which by the Management Board was authorised by resolution of the Annual General Meeting of 23 June 2006, exercise their conversion rights and options, or fulfil their conversion obligations arising from such convertible and/or option bonds, by 22 June 2011.

Repurchase of treasury shares

The authorisation granted to the company by resolution of the Annual General Meeting of 28 July 2009 in accordance with Section 71 Para. 1 No. 8 AktG to acquire treasury shares up to 27 January 2011 was replaced by the following authorisation resolution adopted by the General Meeting on 17 August 2010.

a) The company is authorised to buy treasury shares (‘COR&FJA shares’) up to a value of 10 per cent of the nominal capital at the time at which the resolution was adopted. At no time may the shares purchased on the basis of this authorisation and other shares in the company already acquired by the latter and still in its possession, or which are attributable to it under Section 71 et seq. AktG, represent more than 10 per cent of the respective nominal capital of the company. The company may not use this authorisation for the purpose of trading in its own shares.

The authorisation may be used in whole or in partial amounts to pursue one or more purposes, on one or more than one occasion, by the company, but also by its affiliated companies, or through third parties for its or their account, within the limits of the above restrictions. The authorisation to purchase treasury shares applies until the end of 16 August 2015. The limit applies to the time of purchase, but not to holding these shares beyond this time.

b) The shares must be acquired on the stock exchange or by means of a public purchase offer addressed to all the company's shareholders, at the discretion of the Management Board, subject to the following:

(1) If shares are acquired by purchase on the stock exchange, the price per share paid by the company (excluding ancillary purchasing costs) may not exceed or fall below the price of a COR&FJA share on the XETRA trading platform (or a comparable successor system) determined by the opening auction on the Frankfurt Stock Exchange on the trading day by more than 10 per cent.

(2) If shares are acquired by means of a public purchase offer addressed to all the shareholders, the company will specify a purchase price or purchase price range per COR&FJA share. Should a purchase price range be specified, the final price will be determined from the declarations of acceptance available. The offer may specify an acceptance period, conditions and the possibility of adjusting the purchase price range during the acceptance period, if significant price movements occur during the acceptance period, after publication of the offer. The volume of the offer may be restricted. Should the number of COR&FJA shares tendered exceed the number of shares which the company intends to purchase, the shareholders' right to tender may be precluded insofar as the purchase is taking place in proportion to the number of COR&FJA shares tendered. Provision may be made for preferential acceptance of low numbers of up to 100 COR&FJA shares per shareholder tendered for purchase. The purchase price or limits of the purchase price range offered for each COR&FJA share (excluding ancillary purchasing costs) may not exceed or fall below the average closing price of a COR&FJA share on the XETRA trading platform (or a comparable successor system) on the Frankfurt Stock Exchange on the last five trading days prior to the effective date by more than 20 per cent. The effective date is the date of the final decision by the Management Board to publish a purchase offer. Should the offer be adjusted, it will be replaced by the date of the final decision by the Management Board on adjustment.

The provisions of German legislation on the purchase of securities and acquisitions must be observed, should their application be mandatory.

c) The Management Board is authorised

(1) To offer shares in the company which were acquired on the basis of the above authorisation or one granted earlier to third parties and to assign them to the latter in return for contributions in kind, with the consent of the Supervisory Board, particularly within the scope of mergers, the acquisition of companies or holdings therein;

(2) To issue them, offer them for purchase and assign them to employees of the company or of companies affiliated to it within the meaning of Section 15 et seq. AktG;

(3) To use them to fulfil obligations arising from convertible bonds or warrant issues, or from employee share ownership schemes;

(4) To offer them for purchase in an offer directed at all shareholders, in compliance with the subscription right and the principle of equal treatment (Section 53a AktG), whereby a sale on the stock exchange satisfies these requirements;

(5) To sell them, with the consent of the Supervisory Board, other than on the stock exchange or by an offer to all shareholders, if the shares purchased for cash are sold at a price which is not significantly lower than the quoted price of a COR&FJA share (net of the ancillary purchasing costs); or

(6) To withdraw them from circulation without their withdrawal or its implementation requiring a further resolution of the Annual General Meeting. Withdrawal must take place in accordance with Section 237 Para. 3 No. 3 AktG without entailing a reduction in capital, so that the proportion of nominal capital represented by the remaining shares increases, in accordance with Section 8 Para. 3 AktG. Under

Section 237 Para. 3 No. 3 Clause 2 AktG, the Management Board is authorised to amend the number of shares stated in the statutes.

No more than 10 per cent of the nominal capital of the company on the date of today's Annual General Meeting, i.e. 17 August 2010, or 10 per cent of the nominal capital of the company at the time of the sale of the shares, whichever is lower, may be sold on the basis of the authorisation in accordance with c) (5). When determining the volume of the authorisation, shares must be counted which were issued in direct or indirect application of Section 186 Para. 3 (4) AktG (particularly on the basis of other existing authorisations) during the term of the authorisation in accordance with c) (5).

d) Authorisations in accordance with c) may be used in whole or in partial amounts to pursue one or more purposes, individually or jointly.

e) The shareholders' right of subscription to treasury shares is precluded insofar as such shares are used in accordance with the above authorisations in accordance with c) (1), (2), (3) or (5). Moreover, the Management Board may, with the approval of the Supervisory Board, preclude the shareholders' subscription rights for fractional amounts within the scope of a sale offer in accordance with c) (4).

f) The authorisation to purchase treasury shares adopted by the Annual General Meeting on 28 July 2009 will expire when this new authorisation under a) to e) above becomes effective

SIGNIFICANT AGREEMENTS CONCLUDED BY THE PARENT COMPANY WHICH ARE SUBJECT TO THE CONDITION OF A CHANGE OF CONTROL RESULTING FROM A TAKEOVER BID

The company's statutes do not contain any provisions which might cause a delay or a postponement in, or even the prevention of a change in the control of the company. There are no agreements between COR&FJA AG and third parties which are subject to the condition of a change of control resulting from a takeover bid, and which have the following effects either individually or in their entirety.

COMPENSATION AGREEMENTS CONCLUDED WITH THE MEMBERS OF THE MANAGEMENT BOARD OR WITH EMPLOYEES IN THE EVENT OF A TAKEOVER BID

As of 31 December 2010, there were no agreements with the serving members of the Management Board or with employees on the subject of compensation or other payments by the company in the event of a takeover bid.

OTHER LEGAL AND ECONOMIC FACTORS

SHAREHOLDERS' RIGHTS AND DUTIES

Shareholders have property and administrative rights. The property rights include, in particular, the right to participate in profits (Section 58 Para. 4 of the German Stock Corporation Act [AktG]) and liquidation proceeds (Section 271 AktG), as well as the right to subscribe for shares in the event of capital increases (Section 186 AktG).

The administrative rights include the right to attend the Annual General Meeting and speak, ask questions, put forward motions and exercise voting rights. Shareholders can assert these rights by initiating, in particular, actions for information and rescission.

Each share guarantees one vote at the Annual General Meeting. The Annual General Meeting elects the members of the Supervisory Board and the auditor of the financial statements; it decides in particular on the discharge of the members of the Management Board and the Supervisory Board, alterations to the articles of incorporation, capital-raising measures, empowerment to acquire treasury shares and, if required, the conducting of a special audit, the premature dismissal of members of the Supervisory Board and a dissolution of the company.

The Annual General Meeting generally passes its resolutions by simple majority of the votes cast, provided that there is no statutory requirement for a greater majority or the fulfilment of other conditions.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board consists of six members who are elected by the shareholders in accordance with the German Stock Corporation Act (AktG). The members of the Supervisory Board also have the right to request that expert third parties or respondents attend the Supervisory Board's meetings. The members of the Supervisory Board are elected for the period which ends upon conclusion of the Annual General Meeting which decides on their discharge for the third financial year since their service on the Board began. The financial year in which the term of office began is not included in the calculation. Resolutions of the Supervisory Board require a majority of the votes cast. If the vote is tied – also in elections – the Chairman, or in his absence the Deputy Chairman, shall have the casting vote.

BASIC FEATURES OF THE REMUNERATION SYSTEM

MANAGEMENT BOARD'S REMUNERATION

Within the context of the German Disclosure of Management Board Members' Remuneration Act (VorstAG), which came into force in 2009, and the German Corporate Governance Code, the Supervisory Board resolved a new system of remuneration for members of the Management Board on 1 July 2010. The Annual General Meeting of 17 August 2010 adopted the new system. Management Board members Klaus Hackbarth, Milenko Radic, Volker Weimer and Rolf Zielke had been successively transferred to the new system by 31 December 2010. The contract of the Chairman, Ulrich Wörner, was transferred to the new system in respect of variable remuneration with effect from 1 January 2011 and will be transferred in respect of his fixed salary with effect from 5 May 2011.

In revising the system of remuneration, the Supervisory Board has observed the stipulations of the VorstAG and the German Corporate Governance Code, and taken the total remuneration of the members of the Management Board into account so that it is reasonably proportionate to their responsibilities and performance, and to the Company's situation. The structure of remuneration is aligned with the sustained development of the Company, so a basis of assessment extending for several years has been applied to the long-term variable portion of remuneration. All variable portions of remuneration are subject to a cap, or the possibility of a cap, in the case of extraordinary developments.

The new remuneration system for the Management Board includes a fixed salary and variable components. Members of the Management Board receive additional benefits in the form of a company car, telecommunications services and the refund of reasonable expenses. They are also covered by accident insurance. The remuneration system does not include any other components, e.g. a company pension or benefits on termination of membership of the Management Board or a change in control of the company. The fixed salary is intended to account for about 70 per cent of total remuneration. The variable portion of remuneration consists of two components: an annual bonus (about 45 per cent of the variable portion of remuneration) and a so-called long-term incentive (LTI) (about 55 per cent of the variable portion of remuneration).

SHORT-TERM VARIABLE REMUNERATION COMPONENTS

In the new remuneration system, the annual bonus is linked to group sales (sales) and to the consolidated EBTA control ratio. EBTA means earnings before tax and amortisation of the off-balance sheet intangible assets (software, order book and goodwill) identified during the merger with COR AG Financial Technologies. The annual variable components of remuneration of the members of the Management Board are determined by the extent of fulfilment of the objective set by the Supervisory Board in conjunction with each individual member at the beginning of each financial year. Variable remuneration represents between 0 per cent and 200 per cent of the agreed variable proportion of remuneration for 100 per cent fulfilment of the objective in relation firstly to sales and secondly to EBTA. The short-term variable bonus is payable immediately after adoption of the annual financial statement and is granted in proportion to the term of office, if the appointment is terminated during the year.

LTI AS LONG-TERM VARIABLE REMUNERATION COMPONENT

In the new remuneration model, the LTI is a long-term, performance-based plan. Its basis of assessment consists of group sales and the three-year average consolidated EBTA. The LTI is granted in tranches which revolve annually, each tranche having a term of three years. Long-term variable remuneration represents between 0 per cent and 200 per cent of the agreed variable proportion of remuneration for 100 per cent fulfilment of the objective in relation firstly to sales and secondly to EBTA. The long-term variable bonus for a performance period is payable at the end of the month in which the consolidated financial statement for the third financial year of the performance period is adopted. A pre-payment in the amount of 50 per cent of the respective basic amounts is made for the first two years of the performance period, at the end of the month in which the consolidated financial statement for the first or second financial year of the performance period is adopted. Should the pre-payments exceed the amount payable for the performance period, the difference must be refunded immediately. If the appointment is terminated during one or more performance periods, the LTI will be granted pro rata.

Unlike this new remuneration system, the former system for members of the Management Board consisted of a fixed component and a variable profit-related component. The amount of fixed remuneration depended upon the tasks and responsibilities assigned. Additional benefits in kind or fringe benefits granted essentially comprised insurance and pension benefits customary on the market, and the provision of a company car. In accordance with the goal of sustainable added value for the company, the former remuneration model for the Management Board was characterised by a strong performance orientation. The variable bonus was between 0 per cent and 106 per cent of the fixed basic salary.

SUPERVISORY BOARD REMUNERATION

The currently valid remuneration rules for the Supervisory Board were adopted by both Annual General Meetings on 28 July 2009 and on 17 August 2010.

Each member of the Supervisory Board receives fixed remuneration of EUR 16,000 per financial year.

As well as their fixed remuneration, each member of the Supervisory Board receives annual variable remuneration amounting to 0.25 per cent of the earnings before income taxes reported in the consolidated financial statements approved by the Supervisory Board and prepared in accordance with international accounting standards (IFRS) plus the amount pertaining to amortisation of the intangible assets identified in the course of the COR AG Financial Technologies merger with the company, but which are not recognised in the balance sheet (software, contract portfolio, customer relationships) (‘EBTA’). Variable remuneration lapses when the consolidated financial statements record no positive EBTA.

The Chairman receives double, and the Deputy Chairman one and a half times, the agreed fixed and variable remuneration described above.

The total of the agreed fixed and variable remuneration components for each member of the Supervisory Board is limited to EUR 32,000 per financial year. For the Chairman of the Supervisory Board this sum amounts to EUR 64,000, and for the Deputy Chairman to EUR 48,000 per financial year.

In addition to the agreed fixed and variable remuneration, which is limited by statute, each member of the Supervisory Board is given EUR 1,000 for every committee meeting of the Supervisory Board the member participates in; however, this is limited to a maximum of EUR 5,000 per financial year. Compensation for expenses incurred in holding a Supervisory Board position are also reimbursed. Members of the Supervisory Board are reimbursed with turnover tax paid on remuneration.

INFORMATION ON THE GERMAN DISCLOSURE OF BOARD COMPENSATION ACT (VORSTOG)

The remuneration of the Management Board, active in the 2010 financial year was EUR 1,897,000 (2009: EUR 4,572,000). The remuneration was allocated as follows:

	2010	2009
	000 EUR	000 EUR
Short-term remuneration payable to employees	1,897	2,550
Remuneration arising from the termination of employment relationship	0	2,022
Total	**1,897**	**4,572**

Remuneration for former members of the Management Board in 2010 amounted to EUR 64,000 (previous year: EUR 55,000).

As of 31 December 2010, pension provisions for former members of the Management Board amounted to EUR 544,000 (previous year: EUR 959,000). The value as of 31 December 2010 made allowance for the netting out of the plan assets.

According to Section 314 Para. 1 No. 6a (5) of the German Commercial Code (HGB), Section 314 Para. 2 (2) HGB in connection with Section 286 Para. 5 HGB and Section 314 Para. 2 No. 4 (2) HGB, separate information about remuneration of every individual member of the Management Board is necessary:

	Fixed yearly remuneration	Other remuneration	Short-term variable remuneration	Total
	000 EUR	000 EUR	000 EUR	000 EUR
Management Board				
Ulrich Wörner	340	13	150	503
Klaus Hackbarth	301	25	52	378
Milenko Radic	280	13	45	338
Volker Weimer	245	35	45	325
Rolf Zielke	265	43	45	353
Total	**1,431**	**129**	**337**	**1,897**

A total of EUR 75,000 was entered against costs for long-term variable remuneration of the Management Board. As the work has not been deemed completed, no allowance was made in the remuneration granted for 2010.

The main content of the benefit arrangements for pension schemes, incapacity provision and provision for dependants, which were approved for the former members of the Management Board, Michael Junker and Prof. Dr Manfred Feilmeier, in the event of the termination of their activity, are as follows:

- Both men will receive a pension for life when they reach the age of 65 or in the case of occupational disability within the meaning of Section 23 German Employee Insurance Law (AnVG), or if they leave the company before the age of 65, in the case of termination of the contract or non-renewal thereof by the company.
- The monthly pension amounts to EUR 2,556.46 after the fulfilment of four years of employment. This is adjusted – also in the case of payment beginning before retirement – proportionally in line with the basic salary of a civil servant in Bavaria in the A 13 pension benefits group at the highest seniority level.
- Their lawful wedded spouse at the time of their demise will receive a widow's pension for life, amounting to 25 per cent of the pension. The widow's pension will be terminated in the event of remarriage.
- Both men are entitled, in the case of payment due to attainment of pension age, to request a single capital payment of the sum of the converted present value of the pension commitment instead of a pension, as long as this request is communicated at least three years in advance. In this case, all claims under this direct commitment will lapse.
- If they leave the company before payment begins, the pension entitlement earned will be maintained. It will be calculated according to the share of the pension compensation that corresponds to the length of employment with the company from the time of taking up employment with the company to reaching the prescribed pension age, i.e. the age of 65.

EARNINGS, FINANCIAL AND ASSETS POSITION

The Group's earnings position

With effect from 19 October 2009, the former COR AG Financial Technologies was merged into COR&FJA AG (formerly: FJA AG). Only the results from the months of November and December 2009 at the acquired company were included in the 2009 consolidated financial statement of COR&FJA AG, within the scope of the acquisition to be entered in the account. For this reason, the earnings position of the 2010 financial year cannot be compared with that of the 2009 financial year.

DEVELOPMENT OF SALES

The COR&FJA Group's turnover was EUR 116.2 million in the financial year ended and thus EUR 1.6 million less than the pro-forma turnover for the 2009 financial year. A relative fall was evident, predominantly in product-based sales, due to delays in placing orders. EUR 8.9 million accrued from licence sales in the financial year ended, corresponding to 7.6 per cent of total turnover. In the previous year, revenue from licence sales amounted to 13.1 per cent of total turnover. At EUR 12.9 million, turnover from maintenance reached 11.1 per cent of total turnover, compared to 13.0 per cent in the previous year. In contrast, service turnover, at EUR 93.7 million, increased its share of total turnover from 73.1 per cent in 2009 to 80.6 per cent in 2010. Other revenue accounted for EUR 0.7 million, maintaining an unchanged contribution of 0.7 per cent to total turnover.

The regional breakdown of turnover revealed that a considerably higher proportion of the turnover was generated in Germany. At EUR 99.8 million, the proportion of turnover in Germany rose from 74.8 per cent in 2009 to 85.8 per cent in 2010. This is primarily attributable to a drastic fall of EUR 1.0 million to EUR 8.8 million in the USA, representing a drop of 14.4 per cent to 7.6 per cent of total turnover. The second-largest foreign market for COR&FJA, Switzerland, remained almost constant, with turnover of EUR 5.7 million (EUR -0.1 million), corresponding to a relative fall from 8.5 per cent to 4.9 per cent. Slovenia has also displayed a slight fall in turnover of EUR -0.1 million to EUR 1.3 million, almost halving the corresponding proportion of total turnover from 2.0 per cent to 1.1 per cent. Benelux increased its absolute year-on-year turnover by EUR 0.2 million to EUR 0.3 million. The branch in Slovakia, which is relatively highly staffed with almost 90 employees, does not serve a market of its own; instead, it functions solely as an extended workbench primarily for Germany and reports no external Group turnover – despite providing extensive supporting services in customer projects. The Slovenian company, too, with about 25 staff, renders intercompany supporting services in product development as well as customer projects – a model which is scheduled for expansion in the years to come.

DEVELOPMENT OF EARNINGS

The result before tax and amortisation from the first-time consolidation of the former COR AG Financial Technologies was EUR 7.9 million in the financial year ended, corresponding to an operating margin of 6.8 per cent. This includes a profit contribution of EUR 3.2 million from the purchase of 24.8 per cent of the equity in B+S Banksysteme Aktiengesellschaft.

No additional development services were capitalised in the financial year ended (previous year: EUR 0.4 million). The item 'Other operating income' (EUR 3.1 million) principally comprises revenue from the write-back and use-driven write-back of provisions and other liabilities amounting to EUR 1.1 million, rental income of EUR 0.6 million and the realisation of two compensation claims of EUR 0.4 million.

At 13.0 per cent, services and goods procured externally accounted for a large proportion of total costs. EUR 12.4 million of the EUR 15.1 million are attributable to services by external personnel, covering special requirements and capacity bottlenecks and which are only required temporarily, thus entailing the variabilisation of total costs. In addition, EUR 2.3 million were spent on external computing centre services, particularly in the banking segment. In this case, COR&FJA is avoiding the innovation risk associated with investment in its own computing centres, mainly using such services externally. Personnel costs represent the greatest proportion of total costs, at 66.5 per cent. There was a year-on-year fall of 2.5 per cent in average personnel costs in terms of the average number of 982 staff (previous year: 627). The reasons are the redundancy payments of EUR 2.0 million to former members of the Management Board as a consequence of the merger and lower variable constituents of remuneration, which had to be reduced on the basis of the 2010 commercial results. Overall, the capacity-driven proportion of total costs rose from 76.8 per cent to 80.7 per cent.

The proportion of total costs represented by other operating expenses fell to 16.5 per cent in the 2010 financial year (previous year: 21.2 per cent). It was possible to reduce the proportion of total costs represented by the cost of business premises from 7.7 per cent to 6.4 per cent. The costs of consultancy, bookkeeping and the Supervisory Board fell from 2.5 per cent to 1.5 per cent. Losses on bad debt amounted to only EUR 20,000 in 2010. The losses of EUR 1.0 million on bad debt incurred in 2009 were mainly in the context of the claim for compensation of EUR 2.5 million, entered under other operating income in 2009.

The proportion of total costs represented by amortisation and depreciation rose from 2.0 per cent to 4.0 per cent, which was mainly attributable to the rise in amortisation of assets identified in the course of the merger with the former COR AG Financial Technologies, amounting to EUR 2.0 million more than in 2009. In addition, the move to the new corporate headquarters in Leinfelden-Echterdingen necessitated investment in IT infrastructure, which also entailed an increase in amortisation.

It was only possible to generate income from interest of EUR 0.2 million (previous year: EUR 0.2 million), due to the fall in the rate of interest payable on credit balances, despite high liquidity. The interest expenses of EUR 0.8 million are EUR 0.3 million above the figure for the previous year. As well as a dividend of EUR 0.2 million from innovas GmbH, income from participating interests includes a profit contribution of EUR 3.2 million from the acquisition of 24.8 per cent of B+S Banksysteme Aktiengesellschaft as the difference between the fair value on the balance sheet reference date and the book value of EUR 3.6 million, less a financial guarantee, for which allowance was made with an effect on profit by the expected amount of its claim in the amount of EUR 0.4 million.

The improvement of EUR 1.4 million in the tax result to a tax income of EUR 0.8 million predominantly results from a profit contribution of EUR 1.2 million from deferred taxes on income (previous year: EUR 0.3 million). The capitalisation of tax losses carried forward produced a profit contribution of EUR 3.3 million (previous year: EUR 43,000). Conversely, the application of deferred taxes to differences in valuation between the tax balance sheet and the IFRS balance sheet produced deferred tax expenses amounting to EUR 2.0 million (previous year: EUR 0.3 million deferred tax income). Effective tax expenses fell by EUR 0.4 million year-on-year to EUR 0.4 million. Earnings per share were EUR 0.16 (diluted and undiluted), up from EUR 0.04 in 2009.

The segment results reflect overall performance and success in the segments in which the company operates. They are based on the internal corporate national and pan-company profit centre statement of profit and loss, by which the Group is managed. Services exchanged between the segments are taken into account as internal sales within overall performance or as intracompany expenses in the segment result.

The Life segment accounted for 59.3 per cent of overall performance, at EUR 72.1 million, producing an EBT of EUR 6.6 million. The segment made a profit of EUR 18.1 million, corresponding to an operating return of 25.1 per cent, prior to the allocation of 16.5 per cent sales and administrative overheads and the charge of EUR 0.8 million for amortisation costs arising from the merger with the former COR AG Financial Technologies.

The Non-Life segment accounted for 18.5 per cent of overall performance, at EUR 22.5 million, producing an EBT of EUR -2.9 million. The segment made a profit of EUR 1.0 million, corresponding to an operating return of 4.1 per cent, prior to the allocation of 12.2 per cent sales and administrative overheads and the charge of EUR 0.7 million for amortisation costs arising from the merger with the former COR AG Financial Technologies.

The Banking segment accounted for 22.2 per cent of overall performance, at EUR 27.0 million, producing an EBT of EUR 1.8 million. The segment made a profit of EUR 5.5 million, corresponding to an operating return of 20.3 per cent, prior to the allocation of 8.9 per cent sales and administrative overheads and the charge of EUR 1.1 million for amortisation costs arising from the merger with the former COR AG Financial Technologies. Disregarding earnings of EUR 3.2 million from the acquisition of equity in B+S Banksysteme Aktiengesellschaft, this produces segment profit of EUR 2.3 million, which corresponds to an operating return of 8.6 per cent.

The Group's financial position

PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT

The COR&FJA Group's financial management is designed to enable the Group to have the necessary funds at its disposal at all times so that it is capable of taking action in its operating activities to deal with volatility of incoming orders, fluctuations in customers' payment behaviour, and investment needs. In the process, all the significant risks to which the COR&FJA Group is potentially exposed must be recognised at an early stage and the necessary scope for suitable protective measures provided for. Within the framework of liquidity management, care is taken that sufficient liquid funds and appropriate liquidity reserves are freely available at all times.

FINANCING ANALYSIS

In its operating activities, the Group has a manageable exposure to foreign currency risks. These result mainly from its operations in the USA (2010: 7.6 per cent of aggregate turnover), although in this area a small volume of services, mainly from the German Group companies, for order fulfilment is also included. However, the services, mainly in the USD region, are rendered primarily by local employees. Over and above that, some 4.9 per cent of turnover was generated in Switzerland and settled in Swiss francs, although staff from Germany were also employed in the rendering of services there.

Aside from that, some 87.5 per cent of turnover is generated in the euro zone, primarily in Germany, and settled in euros. For that reason, the overall foreign currency risk in the Group must be classified as manageable. In order to hedge these exchange rate risks as well, forward sales are carried out in the foreign currencies during the course of the year when exchange rates are favourable.

The Group's earnings and/or operational cash flows are largely not exposed to any interest rate risk. Cash and cash equivalents are generally invested for short periods. The financial liabilities are short to medium term in nature.

With regard to the credit risk (default risk), there are no significant concentrations on individual customers in the Group. Receivables are not insured, primarily due to the high credit standing of the customers in the insurance and banking sector.

Liquid funds decreased by EUR 7.0 million in the financial year ended, totalling EUR 15.3 million as of 31 December 2010. Profit before tax, amortisation, the change in provisions, changes in rates of exchange with no impact on earnings and the valuation effect of the acquisition of equity in B+S Banksysteme Aktiengesellschaft with no effect on liquidity was EUR 6.3 million. Investments amounted to EUR 4.5 million, of which EUR 2.5 million were for investment in property, plant and equipment and EUR 1.3 million for the acquisition of the remaining equity in COR&FJA Alldata Systems GmbH. A bank loan of EUR 3.0 million and a liability from a sale and lease-back transaction of EUR 1.4 million constituted financial liabilities discharged. Effective tax payments amounted to EUR 1.5 million. The change in receivables, liabilities and other assets has produced a change in liquidity of EUR -2.8 million.

INVESTMENT ANALYSIS

In the 2010 financial year, the COR&FJA Group's investments amounted to some EUR 4.5 million (previous year: EUR 1.1 million), of which approximately EUR 2.5 million were attributable to property, plant and equipment, predominantly for infrastructure within the scope of the move into the new Group headquarters in Leinfelden-Echterdingen. Another EUR 1.3 million were invested in the acquisition of the remaining 25.1 per cent of the shares in COR&FJA Alldata Systems GmbH. A further EUR 0.5 million were invested in the acquisition of the equity in B+S Banksysteme Aktiengesellschaft.

The Group's assets position

ASSET STRUCTURE ANALYSIS

Current assets decreased by EUR 2.2 million in the financial year ended. This was primarily attributable to the reduction in liquidity by EUR 7.0 million and a fall in other financial receivables by EUR 3.3 million to EUR 1.7 million. In the previous year, this item still included the claims for compensation from the cancellation of a long-term customer contract for EUR 2.5 million and the selling price of 51 per cent in Uniserv Outsourcing B.V., Lelystad, which were settled in 2010. In contrast, PoC receivables underwent a sharp rise of EUR 7.2 million to EUR 15.0 million. This reflects the considerable rise in the average volume of product-related orders. In terms of turnover, the average period for which receivables remained unpaid (DSO) was 53 days (compared to 73 days as of 31 December 2009 in terms of pro-forma turnover of EUR 117.8 million in 2009). In terms of turnover, the average period for which PoC receivables remained unpaid was 47 days (compared to 24 days as of 31 December 2009 in terms of pro-forma turnover of EUR 117.8 million in 2009).

Non-current assets increased by EUR 5.8 million to EUR 61.6 million. This predominantly results from the EUR 3,3 million rise in capitalised tax losses carried forward to EUR 7,7 million. Moreover, financial assets have risen by EUR 3.9 million to

EUR 6.8 million, due to the acquisition of the equity in B+S Banksysteme Aktiengesellschaft. Due to the amortisation of intangible assets (software solutions, contract portfolio and goodwill) identified in the course of acquisition of the former COR AG Financial Technologies, the sum for this item fell by EUR 2.4 million to EUR 14.8 million.

Additional disclosures about the parent company COR&FJA AG

As well as the financing task for the Group companies, the holding company performs mainly strategic, but also to a limited extent operational, management tasks for the Group. The tasks incumbent on the holding company are, first and foremost, determining the markets to be addressed, defining the product range and making decisions in the field of mergers and acquisitions. In addition, staff functions such as sales, marketing, human resources, finance and legal have been partly the responsibility of the holding company COR&FJA AG generally functions as the sole or majority owner of the operating companies.

COR&FJA AG's commercial activities are restricted mainly to the settlement of services within the Group and to financing, and it operates only rarely as a contracting partner in customer projects. Within the scope of services, it is mainly the staff functions incumbent on COR&FJA AG, such as sales, marketing, human resources, finance and legal, which are settled. The purpose of the financing activity consists primarily of making interest-bearing loans to Group companies, making cash investments and distributing earnings from participating interests.

The primary income potential for COR&FJA AG lies in earnings from participating interests. For this reason, the disclosures for the Group concerning the development of markets, the general economic environment and opportunities and risks also apply to the holding company COR&FJA AG.

Significant events influencing the assets, financial and earnings position of COR&FJA AG in the annual financial statements pursuant to the German Commercial Code (HGB)

INCOME POSITION

Year-on-year net sales fell from EUR 12.9 million to EUR 11.4 million, because of a fall in the services charged to subsidiaries in the cost allocation process. This again is attributable to the sharp year-on-year fall in costs, which will be discussed in more detail below.

Other operating income was merely EUR 0.7 million in 2010, down from EUR 2.9 million in the previous year. This fall of EUR 2.2 million is attributable to two events in the 2009 financial year.

Firstly, the investment valuation of EUR 5.6 million for PYLON GmbH, which was acquired in 2006, was written up in full at EUR 6.9 million at the end of 2009.

The second transaction concerns a reimbursement by COR&FJA Deutschland GmbH to COR&FJA AG. In the 2006 financial year, COR&FJA AG purchased liabilities owed by COR&FJA Deutschland GmbH to the Austrian subsidiary with a nominal value of EUR 2.5 million at their prevailing fair value of EUR 0.6 million. Accordingly, COR&FJA Deutschland GmbH had liabilities of EUR 2.5 million vis-à-vis COR&FJA AG. Half of this liability was redeemed in December 2008, which resulted in earnings of EUR 1.0 million for COR&FJA AG, as this receivable was recorded in the COR&FJA AG accounts at its acquisition cost of EUR 0.6 million. The rest of the liability was redeemed in the 2009 financial year, again resulting in earnings of EUR 1.0 million.

The cost of services and goods procured fell by EUR 2.7 million to only EUR 0.2 million. This is attributable to the fall in internal group services from EUR 2.3 million in 2009 to EUR 1.3 million in 2010, of which EUR 1.1 million was reclassified as other operating expenses. Externally procured services fell by EUR 0.6 million in 2009 to EUR 54,000.

The sharpest fall was evident in personnel expenses, which were EUR 4.9 million at the end of the year. EUR 2.0 million of the EUR 3.7 million fall in costs are attributable to a redundancy payment to the former Management Board members Michael Junker and Thomas Junold in the 2009 financial year.

Depreciation and amortisation rose by EUR 0.2 million to EUR 0.6 million compared to the 2009 financial year as a result of investment in IT infrastructure as part of the relocation to the new building in Leinfelden-Echterdingen.

Despite the reclassification of EUR 1.1 million for administrative services used by subsidiaries from services procured as other operating expenses, it was possible to reduce this item by EUR 0.4 million year-on-year to EUR 6.1 million. Legal and consultancy services accounted for the greatest proportion of the saving. They were particularly high in 2009 due to the merger of the former COR AG Financial Technologies with the former FJA AG, and fell by EUR 1.2 million to EUR 0.5 million in 2010. Due to a provision of EUR 0.5 million for renovation formed in 2009 which was used or written back in 2010, costs of buildings displayed a fall of EUR 0.5 million to EUR 1.7 million in 2010.

Investment income of EUR 2.1 million achieved in 2009 fell by EUR 1.9 million in 2010. Only innovas GmbH paid dividends totalling EUR 0.2 million. Interest income fell by EUR 0.2 million to EUR 0.2 million, due to lower loans to subsidiaries. External interest and similar income fell by EUR 145,000 EUR to EUR 9,000. Interest expenses fell by EUR 0.1 million to EUR 0.6 million. Conclusion of the profit and loss transfer agreement with the subsidiary COR&FJA Systems GmbH resulted in the assumption of a loss of EUR 6.7 million (previous year: EUR 1.9 million). Conclusion of the profit and loss transfer agreement with the subsidiary COR Insurance and Risk Management GmbH resulted in the transfer of profit of EUR 10,000 (previous year: assumption of a loss of EUR 8,000).

Only the effects of the changeover under the German Accounting Law Modernisation Act are declared as an extraordinary result.

The deferred taxes on tax losses carried forward to be capitalised under the Accounting Law Modernisation Act entail declared deferred tax income of EUR 1.9 million.

For 2010 as a whole, COR&FJA AG generated a net loss for the year under the German Commercial Code (HGB) amounting to EUR 4.9 million, following a net loss of EUR 3.2 million in the previous year.

FINANCIAL AND ASSETS POSITION

At the end of 2010, COR&FJA AG had liquid funds of EUR 2.7 million (previous year: EUR 3.4 million). Relocation to the new corporate headquarters in Leinfelden-Echterdingen entailed investment in the IT infrastructure. This produced an increase of EUR 1.5 million to EUR 2.3 million in property, plant and equipment. Acquisition of the remaining 25.1 per cent of the shares in COR&FJA Alldata Systems GmbH produced an increase of EUR 1.7 million in shares in affiliated companies.

The loan to COR&FJA Deutschland GmbH was reduced by EUR 1.0 million to EUR 8.0 million in 2010, as scheduled. Securities held as long-term investments include shares in B+S Banksysteme Aktiengesellschaft, acquired for EUR 0.3 million.

Receivables and other assets fell by EUR 2.5 million to EUR 3.2 million. Receivables from affiliated companies displayed the greatest fall, dropping by EUR 1.2 million to EUR 1.4 million. The EUR 1.2 million reduction in other assets to EUR 1.8 million is largely the result of the reclassification of plan assets in the amount of EUR 0.7 million as pension provisions under the Accounting Law Modernisation Act and of the repayment of loans extended.

The treasury shares shown in 2009 under securities in the amount of EUR 3.5 million were removed from the equity capital as of 31 January 2010, due to the regulatory changes under the Accounting Law Modernisation Act (BilMoG). The declared subscribed capital was thus reduced by the treasury shares in the amount of EUR 1.9 million to EUR 40.9 million and the capital reserve by the premium on the treasury shares in the amount of EUR 1.5 million to EUR 28.7 million.

The reserves display a fall of EUR 1.3 million to EUR 2.3 million, which primarily results from the use or write-back of the provision of EUR 0.5 million for removal obligations formed in the previous year and the reclassification of plan assets of EUR 0.7 million from other assets to the pension reserves.

There was a year-on-year increase in liabilities of EUR 7.5 million to EUR 15.0 million. Amounts owed to affiliated companies displayed the strongest increase, rising by EUR 8.9 million to EUR 10.9 million, predominantly attributable to the increase of EUR 4.8 million in the loss assumed from COR&FJA Systems GmbH under the profit and loss transfer agreement. In addition, a requirement for finance arose from various investments made by COR&FJA AG and was covered from within the Group by the holding company. The increase of EUR 1.1 million in other liabilities resulted from the increase of the same amount in the VAT payable as of 31 December 2010. Trade accounts payable displayed an increase of EUR 0.4 million to EUR 1.5 million. In contrast, liabilities to banks fell by EUR 2.8 million to EUR 0.2 million.

The balance sheet total as of 31 December 2010 amounted to EUR 83.7 million (previous year: EUR 84.4 million).

Despite the assumption of a high loss as part of the profit transfer agreement with COR&FJA Systems GmbH in 2010, the overall earnings, financial and assets position of the parent company COR&FJA AG can be described as solid. The staff functions that have been incorporated into the holding company since the merger with COR AG are still being charged on in full to the subsidiaries, with the exception of capital market-oriented costs and the costs of the Supervisory Board. Future earning power thus depends primarily on the subsidiaries' dividend distributions and the results of the profit and loss transfer agreements. All the subsidiaries are expected to make a positive contribution to earnings in 2011.

EVENTS AFTER THE REPORTING PERIOD

Disclosure of particularly significant transactions

COR&FJA HOLDS 29.9 PER CENT OF THE SHARES IN THE CONSULTING COMPANY PLENUM AG

On 28 February 2011, COR&FJA announced that it was acquiring 29.9 per cent of plenum AG, Wiesbaden (quoted on the Munich stock exchange, M:access, ISIN DE000A0Z23Y9). Of the 2,898,869 no-par-value shares, 881,779 are from a cash capital increase of plenum AG, which were also fully subscribed by COR&FJA AG on 28 February 2011 at a price of EUR 1.04 per share. The purchase price of the stock is at the lower end of the seven-figure range. It is intended that the Chairman of the Management Board of COR&FJA AG, Ulrich Wörner, will be proposed for election to the Supervisory Board at the forthcoming Annual General Meeting of plenum AG.

OPPORTUNITY AND RISK REPORT

General remarks

In the type of business it conducts, the COR&FJA Group is exposed to a large number of uncertainties which, if realised, could affect the Group's assets, financial and earnings position, and that of COR&FJA AG, either positively or negatively, or result in COR&FJA falling short of or exceeding the targets it has set itself for the future development of its business.

Engagement in commercial activities geared towards making profits necessitates the taking of risks. If these risks are to bring sustained commercial success, it is important to manage them. This means firstly assessing and continually monitoring the risks with regard to their probability of occurrence and their possible impact on the company's assets, financial and earnings position. Secondly, it means identifying measures that can be used to limit or avert risks and, with regard to the company's core skills, determining the financial strength and the costs of the respective measures based on the question of what limiting or preventive measures are taken for what risks and to what extent.

Among the Management Board's most important tasks in the overall management of the Group are to lay down general conditions and processes of risk management for the COR&FJA Group, to monitor the degree of compliance with them and, in collaboration with the heads of the operating units and the administrative departments, to analyse regularly the development of risks in the respective segments. The Supervisory Board is closely integrated into this process by the Management Board's regular reports.

The risk management system at the COR&FJA Group and the risk profiles of the individual divisions are documented in a risk manual. One employee in the holding company's financial division has been appointed risk officer of the Group and thereby entrusted with submitting the prevailing risk management system to regular internal evaluation and documenting this process. The risk officer also has the task, under instructions from the Management Board, of analysing each division by random sampling to determine the extent to which the measures adopted are being implemented for the limitation or prevention of risks.

It is the responsibility of the managers of the individual divisions to continuously observe and manage the risks to which their own divisions are exposed. If the probability of individual risks occurring and/or their potential scale increases significantly beyond a set threshold, the managers are obliged to inform the Management Board immediately. The foundation of good risk management is the reliable and prompt provision of the management with relevant information about the course of business. For this purpose, COR&FJA has set up a controlling and reporting system with which reports are compiled at monthly intervals about the development of significant ratios relating to the business operations in the individual divisions and the financial results, as well as the likely commercial and financial development in each of the next twelve months.

In 2010, the risk profile of the COR&FJA Group did not alter a great deal in terms of the main types of risk to which it is exposed. Below, individual types of risk that are identified as being important are explained in greater detail. Selecting these risks does not imply that, for COR&FJA, other risks which have not been mentioned will not have a significant impact on its assets, financial and earnings position.

Economic risks

The general economic trend affects the behaviour of potential customers as far as their investment in IT infrastructure and their expenditure on ongoing management consulting are concerned. An economic downturn could reduce the volume of the market on which COR&FJA has trained its sights. Any capacity adjustment measures which are regarded as necessary to counter such developments might take effect only after a time lag and would lead to restructuring costs. With the volume-related remuneration models, a delay in portfolio growth caused by the general economic situation could result in a postponement of the planned diminution in fixed costs.

With regard to the recent crisis on the financial markets, it is important to observe the possible effects on COR&FJA's business closely so that any necessary reaction to new developments will be speedy.

In the event of demand falling as a consequence of economic crises, COR&FJA would assume that this would take effect rather more slowly among existing product customers because, in that segment, loyalty to the solution deployed ensures that any requisite adjustments will also be ordered. With regard to new customers, postponements of planned investments can lead to reductions in turnover, especially in product business.

The fundamental risk that, following economic crises, parts of COR&FJA's potential customers' budgets might be put on hold is offset by the new potential opened up for a standard software supplier such as COR&FJA by stricter regulatory demands and increasing cost pressure. Pressure on costs in the selling market caused by the general economic situation encourages consolidation and automation trends, which can lead to increasing demand for external system suppliers.

Competition

COR&FJA broadened its own service spectrum substantially in the financial year ended and expanded its selling market even more to other European countries. This is leading, on the one hand, to diversification and therefore a reduction in market development risks. On the other hand, the Group's competitors are becoming considerably more numerous. For this reason, COR&FJA will attempt to continue its previous strategy in newly acquired product segments and regional markets as well, and to implement full value chains and full product spectrums with its solutions. In this way, it hopes to achieve a decisive competitive advantage on the market, particularly vis-à-vis new competitors with aggressive pricing policies.

Statutory regulation of the market

Population trends and retirement pensions are among the most important problems facing society at the present time, and as a result they are among the most important spheres of activity for financial policy. To these can be added the implications of the recent financial crisis. COR&FJA's main area of commercial activity is therefore subject to permanent statutory regulation. This means that a constant stream of new financial products must be implemented using software, but there are no guarantees whatsoever of their medium-term survival in terms of prevailing tax policy. For this reason, COR&FJA is repeatedly having to carry out adaptation and enhancement work on its software products.

However, legal adjustments generate demand for consulting services and new or modified products among existing customers, and, if integrated quickly into the products on offer, can constitute a crucial competitive advantage.

Projects and products

The main potential source of risk in the course of operating activity lies in the calculation of the complex projects and in their organisational, functional, technical and commercial handling. These risks are controlled and monitored by means of the valid Group-wide standards for project and project risk management. The risk nevertheless remains that projects cannot be realised profitably for the COR&FJA Group because costs exceed the agreed budget, deadlines cannot be met or the services rendered fail to comply with the agreed functional specifications or the required quality, and the COR&FJA Group will therefore have to grant a discount or pay compensation.

The proportion of fixed-price projects increased by 5.2 percentage points to 12.4 per cent in the 2010 financial year. However, no significant provisions for critical projects are necessary on the reference date.

Like all software products, the COR&FJA Group's products can have defects whose elimination under guarantee increases costs and thereby influences the profit margin or even leads to compensation claims against the COR&FJA Group. The COR&FJA companies generally assume the warranty which is customary in the industry. The liability obligations are, as far as possible, limited contractually to the legal minimum and secured with appropriate third-party liability insurance policies. It can nevertheless not be ruled out that contractually agreed limitations on liability will be regarded as invalid and the available insurance cover will be available to an insufficient extent or not at all – even if this is improbable. This applies in particular to the US market.

The COR&FJA Group also uses software from external suppliers in its own software products. This third-party software can contain defects that might have an adverse effect on the functional capability of the COR&FJA Group's own products. Problems in the execution of projects and software defects that can occur in the operation of software produced by COR&FJA can do lasting damage to the reputation of the COR&FJA Group and thereby have a substantial impact on the future course of business.

Personnel risks

COR&FJA's success depends crucially on the skills, qualifications and motivation of its employees. Some of these employees in key positions play a particularly significant role. If COR&FJA is unable to get these employees to commit themselves to the company or to recruit qualified and skilled staff and develop them further on a continuous basis, COR&FJA's success can suffer significant adverse effects due to the resultant loss of know-how and expertise. An excessive burden on the company's own staff, moreover, can necessitate the deployment of expensive external capacities if the risk of quality losses in project development is to be averted. This applies particularly when the likely demographic trends are taken into consideration. In connection with this, COR&FJA will be affected particularly by the probable decline in graduate numbers, the resultant competition to recruit them and the increasing costs to which this will lead.

COR&FJA is countering this risk with an extensive set of measures. A continuous exchange of views with the employees on all factors affecting their work environment at standardised employee interviews with a facility for qualified feedback, internal training to prevent monopolies of knowledge and skills, on-the-job graduate training and the recruitment of suitable people through all of the usual market channels are just a few examples of these. The development of a new corporate philosophy and management guidelines will boost employees' identification with the company.

Technological risks

As with all comparable companies, the functional capacity of the business processes is also dependent on the availability and secure operational capacity of the IT infrastructure. External events, for example fire, lengthy power or network failures, operational errors or acts of sabotage, among other things, can also render the IT infrastructure inoperable. Our systems, and also those of our customers, can succumb to viruses which damage and incapacitate the systems or the network. Internal or external attacks can damage, distort or delete information and eavesdrop on confidential data and information. The probability and the extent of damage caused by viruses and hackers, by unauthorised persons accessing the IT system and by eavesdropping on confidential information cannot be reliably estimated.

Recovery expenses, loss of production and recourse claims from customers and third parties as a result of system breakdowns or attacks could cause significant damage which, in turn, could influence earnings and endanger the continued existence of the company.

Since IT security is strategically significant, extensive technical and organisational steps are, as far as possible, taken within the framework of the IT security concept. These steps include restrictive authorisation and access controls, regular backups and adequate contractual arrangements with service providers for outsourced systems and telephone and other communication links. In order to provide protection against penetration by viruses, the latest software available on the market is deployed as a matter of principle. Access restrictions prevent possibly infected software from being installed inadmissibly on the COR&FJA computer network. Defined security requirements limit access by unauthorised persons and ensure that data are protected. Financial loss is limited by appropriate insurance policies.

Risks from takeovers

COR&FJA is also interested in expanding its market position in Germany and internationally by making selective acquisitions. The success of these acquisitions will depend on the extent to which the Group can integrate the acquired company into its overall structure and achieve the synergies it desires. In the field of professional services, acquisitions bring with them the particular risk that, in the main, the expertise, market knowledge and customer contacts acquired are only loosely tied to the acquired company.

COR&FJA AG is the defendant in a shareholder action brought before Stuttgart Regional Court (LG) pursuant to Section 15 Para. 1, German Transformation Act (UmwG) in conjunction with Section 1 (4), German Award Proceedings Act (SpruchG). In the aftermath of the merger of COR AG Financial Technologies with FJA AG, several former COR AG Financial Technologies shareholders have initiated a legal challenge to examine the appropriateness of the share exchange ratio established in the merger agreement. If at least one of the motions for the examination and redetermination of the exchange ratio were to be successful and the court stipulated a settlement by means of additional cash payment, not only the claimants who mounted the legal challenge, but also every other former shareholder in COR AG Financial Technologies, could legitimately assert this claim. The outcome of this examination of the extremely complex corporate valuations to be conducted before the court cannot be foreseen. For that reason, no forecast can presently be made as to whether, and if so in what amount, COR&FJA AG might be facing a liability as a result of the court proceedings.

Risk reporting in respect of the use of financial instruments

Details of risk reporting in respect of the use of financial instruments can be found in paragraph VIII ('Further information on financial instruments') in the Notes to the Consolidated Financial Statements and Notes to the Individual Financial Statement of COR&FJA AG ('Financial Instruments').

To summarise on the basis of the information that is available at present, no risks can be discerned that might jeopardise the continued existence of the COR&FJA Group – despite the relevance of the risks specified above. Against the backdrop of the development of its business in the 2010 financial year, the Group's assets and financial position can be regarded as stable.

DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO SECTION 289A, GERMAN COMMERCIAL CODE (HGB)

The declaration on corporate governance pursuant to Section 289a HGB contains the statement of compliance, disclosures on corporate management practices and the description of the working methods of the Management Board and the Supervisory Board. In making this declaration, COR&FJA is pursuing the goal of presenting its corporate governance clearly and concisely. The declaration can be seen on our website at http://cor.fja.com/en/investor-relations/corporate-governance.html.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RESPECT OF THE ACCOUNTING PROCESS AND GROUP ACCOUNTING PROCESS

COR&FJA AG has an internal control system and a risk management system – also in respect of the accounting-related processes and all the risks and controls related to accounting.

Basically, the internal control system and the risk management system at COR&FJA AG also encompass the accounting-related processes and all the risks and controls related to accounting. This refers to all parts of the internal control and risk management systems which can materially influence the annual financial statements and the consolidated financial statements.

With regard to the accounting process, the objective of the risk management system is to identify and assess risks which can impede the intended compliance of the annual financial statement and consolidated financial statements with the relevant regulations. Any risks which have been identified must be assessed for their influence on the annual financial statement and the consolidated financial statement, with external specialists being consulted. In this context, the objective of the internal control system is to guarantee securely by setting up appropriate controls that an annual financial statement and a consolidated financial statement are being prepared in compliance with the regulations despite the risks identified.

The internal control system and the risk management system encompass all the subsidiaries which are of material significance to the annual financial statements and consolidated financial statements, and all of the processes which are relevant to the preparation of those statements. The controls which are relevant to the preparation of the accounts are geared particularly towards risks arising from significant misstatements in the financial reporting. The assessment of the significance of misstatements is based on the likelihood of their occurrence and their possible financial impact on sales, EBIT or the balance sheet total.

The COR&FJA Group has a clear management and corporate structure in which key cross-departmental functions are controlled in centralised fashion via the company. The most important elements in risk management and control in financial accounting are the clear allocation of responsibilities and controls when preparing the financial statements, transparent specifications by way of guidelines for balance sheet accounting and the preparation of financial statements, appropriate access regulations for all electronic data processing systems relevant to the financial statements, and the clear regulation of areas of responsibility when external specialists are brought in. Peer review and the separation of functions, too, are important control principles in the accounting process. An adequate guideline system (e.g. Group manual, payment guidelines, travel expenses guidelines, etc.) has been set up and is updated continuously. The departments and divisions involved in the accounting process (accounting, finance and controlling) are adequately equipped, both qualitatively and quantitatively.

The identified risks and appropriate measures taken are updated as part of the monthly report to the risk officer and reported to the COR&FJA Group's management. The effectiveness of internal controls with regard to accounting is assessed at least once a year – predominantly as part of the financial statement preparation process. In relation to the processes with relevance for accounting, the auditor, too, carries out an assessment as part of his auditing activities.

The auditor is also obliged, as part of the financial statements auditing process, to inform the Supervisory Board's audit committee about risks or monitoring weaknesses relevant to accounting and about other significant weaknesses in the internal control system and the risk management system in respect of the accounting process which were identified within the framework of the auditing activities.

OUTLOOK

Market and competition

The financial year ended at COR&FJA AG was a transitional year, during which the company achieved sales successes in the banking, life assurance and particularly non-life insurance segments, and for numerous smaller components, in the face of a still very restrained market environment. However, most of these successes occurred later in the year, so that they will affect turnover in 2011, rather than in 2010. In parallel to these sales successes, COR&FJA successfully concluded extensive internal consolidation work in 2010.

With nearly 1,000 employees at 16 locations in Germany, the Netherlands, Austria, Switzerland, Slovakia, Slovenia, Portugal and the US, COR&FJA is now one of Europe's top full-service providers for the entire financial services sector, with a product and service portfolio which enables it to meet virtually all of its customers' IT requirements for modern, versatile standard software solutions. With its extensive product portfolio for life assurance, health and non-life insurance, and for private and regional banks, automotive finance companies, mortgage lending institutions and finance groups, COR&FJA has very good market opportunities and a very strong market position.

This is particularly applicable to planned further internationalisation, as, in addition to having a leading market position in German-speaking countries, COR&FJA software is also deployed worldwide. Today, these solutions are already in use in more than 30 countries, including the US and Australia. In this strategic project, COR&FJA is putting its faith in cooperation, partnerships, selective participating interests in companies and a specific local presence. In addition, COR&FJA has taken note of the trend whereby group companies want to supply other group companies in other countries with the solutions that they have implemented for their own region. This, too, reinforces the trend towards the internationalisation of COR&FJA as a service provider for customers.

One interesting and promising market from the internationalisation point of view is the Benelux countries, where COR&FJA AG was able to gain an important new customer in the form of the Dutch company Cooperatie DELA in March 2011. In the banking segment, the local mortgage market is particularly promising because there is little competition and the solution offered by COR&FJA with its high level of automation offers significant added value.

Another important building block within the scope of international activities is the Austrian market, on which COR&FJA has significantly increased its workforce in recent months and where it has been able to gain two well-known new customers, the Wiener Städtische and Bank Austria insurance companies, in a short time. COR&FJA has now been present for almost ten years on the growth markets of Central and Eastern Europe with its two subsidiaries, one in Slovakia and one in Slovenia.

COR&FJA has also identified good potential on the Swiss market, where its staff was also increased at the beginning of the current financial year. On the US market, which offers great potential, COR&FJA is also assessing the extent to which its own product portfolio can be used even more effectively.

In the current (2011) financial year, COR&FJA is identifying increasing interest in its solution portfolio from prospective new customers in the insurance and banking segments. This is because the planned new demands on financial services providers' risk management imposed by Solvency II and MaRisk are obliging financial institutions to come up with new solutions in their IT environments. In this context, COR&FJA is also expecting a further increase in regulation throughout the financial services sector as a direct consequence of the recent financial crisis. The solutions currently in use mean that such regulation will entail an extensive requirement for adaptation, intensifying the trend towards the use of standard software. This makes it evident that the use of versatile, cost-effective standard software throughout the financial services sector will be even more attractive in future.

The German market will remain lively this year and in the foreseeable future, because of changes in legislation and their associated implementation by insurance companies. The trend towards internationalisation and consolidation, and towards international IT harmonisation, remains intact. In parallel, the market is moving away from conventional endowment policies towards dynamic hybrid products (DHP), variable annuities and iCPPI (Individual Constant Proportion Portfolio Insurance). Private pension insurance is also continuing to gain in importance. Particularly the reduction in the bonus rate on the guarantee amount offered in life assurance, which considerably weakens the attractiveness of traditional life assurance, will increase the pressure to develop innovative new financial products considerably, placing new demands on software solutions and confronting corporate IT systems with particular challenges. The establishment of service-oriented architectures (SOA) for prompt support of modified business models and high system versatility for the rapid introduction of innovative products are factors crucial to the success of the companies in question. Based on this assumption, COR&FJA is expecting last year's restrained demand to be succeeded during the course of this year by a revival of interest in the software solutions being offered for insurance companies.

This is particularly applicable to the COR.FJA P&C non-life insurance solution, which is to be expanded into the leading non-life insurance system in Germany, Austria and Switzerland. The non-life, third-party liability, accident and motor insurance market, which is almost as large as the life assurance market, is still dominated by legacy systems which scarcely provide non-life insurance companies with the industrialisation capacity or automatic processing facilities required. In addition, the need for product versatility and rapid market access for innovative products is greater, due to the considerably shorter terms of insurance contracts with high amendment effort required, compared to life assurance. Consequently, many insurers must make their processes more efficient and versatile, in the face of increasing cost pressure. The sales successes of the financial year ended show that COR&FJA can provide the market with the right product, in the form of the COR.FJA P&C non-life insurance solution.

In the coming months, the banking market will be dominated by the implementation of Basel III and the IFRS accounting guidelines. Many banks are also occupied with the introduction of innovative process-support workstation systems, sustained efficiency and cost-cutting. In this connection, many institutions are considering comprehensive reorganisation and replacement of their existing core banking systems. Banks will therefore be very interested in the strategic intention of COR&FJA to provide the market with the COR.FJA Banking Suite (CORBAS), a functionally complete, modular range of services.

Product enhancement

As well as cultivating our existing customers and winning new ones, our activities are focused specifically on the further optimisation and completion of both central COR&FJA's product platforms, the COR.FJA Insurance Suite and the COR.FJA Banking Suite (CORBAS). We shall be able to scale down our exceptionally large internal investment in our two product platforms – which ran to more than 9,000 person days in 2010 – and convert the resultant spare capacity into potential extra turnover.

In the insurance segment, an important further project is the expansion of the COR.FJA Life Factory policy management system, based on modern Java JEE architecture, to which a total of 4,000 person days of development capacity will be dedicated this year and next. This is COR&FJA's direct reaction to the demanding requirements of the major life assurance companies with regard to customising and process and product flexibility. In the medium term, the company is also planning to penetrate the top-ten segment of life assurers in Germany.

The new COR.FJA P&C non-life insurance solution, which also forms part of the COR.FJA Insurance Suite, will be enhanced and expanded into the leading non-life insurance system in Germany, Austria and Switzerland by an investment of 1,000 person days this year. In addition to the functional enhancements and the creation of additional parameterisable reference products, the system's customisation capabilities are also being optimised.

COR&FJA is bundling and integrating these and all other individual components within the COR.FJA Insurance Suite to make the requisite across-the-board integral solution available to the international insurance market – also as an attractive, cost-effective ASP solution, when required, at any time. 1,250 person days are to be dedicated to such integration in the current year.

The primary objective in the banking product segment is to develop the COR.FJA Banking Suite (CORBAS) further and make it the leading standard full banking system in Germany and Europe. In particular, completion of the products in the COR.FJA Banking Suite (CORBAS) will take place in parallel to continuous adjustments to meet regulatory requirements and market conditions. Investment of a total of 2,500 person days is intended in 2011 and 2012 for this stage.

In view of the current market and sales situation in the current (2011) financial year, COR&FJA is confident that the targets for the current financial year, published in February 2011, can be achieved. Accordingly, COR&FJA is anticipating turnover of EUR 124,500,000 and an operating profit (EBT) of EUR 9,200,000 before merger-related amortisation. In the medium term, COR&FJA does not believe that there will be any significant change on its target markets and is therefore assuming that turnover and earnings will continue to develop positively over the next few years. For the 2012 financial year, the company is expecting an increase of around three to five per cent in turnover and an increase in its operating return (EBT%).

CLOSING DECLARATION ON THE DEPENDENCY REPORT IN ACCORDANCE WITH SECTION 312, GERMAN STOCK COMPANIES ACT (AKTG)

In the legal transactions with affiliated companies specified in the report, our company received a consideration for each of these legal transactions that was reasonable under the circumstances that were known to us at the time when the legal transactions were carried out. Discriminatory measures at the instigation or in the interests of the dominant party or a company affiliated to that party were effected neither by actions nor by failing to act. This assessment is based on the circumstances that were known to us at the time when the reportable transactions were carried out.

Leinfelden-Echterdingen, 11 April 2011

Ulrich Wörner
Chairman of the Management Board

Klaus Hackbarth
Deputy Chairman of the Management Board

Milenko Radic
Member of the Management Board

Volker Weimer
Member of the Management Board

Rolf Zielke
Member of the Management Board

Consolidated Financial Statement

Consolidated profit and loss account

Consolidated profit and loss account	Marginal number	2010	2009
		EUR	EUR
Turnover	VII.1	116,235,860	68,401,801
Change in inventory of finished and unfinished services		-159,268	137,617
Capitalised own services for development	VII.2	0	422,405
Other operating income	VII.5	3,111,317	4,088,154
Cost of purchased services	VII.3	-15,095,078	-4,137,604
Personnel expenses	VII.4	-77,480,854	-50,729,374
Other operating expenses	VII.6	-19,224,544	-15,120,264
Depreciation of property, plant and equipment and amortisation of intangible assets	VII.7	-4,668,006	-1,454,107
Operating result		**2,719,427**	**1,608,628**
Interest income	VII.8	247,595	240,414
Interest expenses	VII.8	-794,786	-513,741
Income from participating interests	VII.9	3,337,656	163,085
Earnings before income taxes		**5,509,892**	**1,498,386**
Taxes on income and revenues	VII.10	836,007	-556,304
Consolidated earnings		**6,345,899**	**942,082**
Profit allocation statement:			
Profits/losses that are to be assigned to the shareholders of the parent company		6,344,867	962,448
Profits that are to be assigned to the minority shareholdings		1,032	-20,367
Consolidated earnings		**6,345,899**	**942,082**
Earnings per share (undiluted)	X.	0.16	0.04
Earnings per share (diluted)	X.	0.16	0.04
Shares in circulation on average (undiluted/diluted)		40,895,861	25,760,602

Consolidated Group earnings statement

Consolidated Group earnings statement	2010	2009
	EUR	EUR
Consolidated earnings	**6,345,899**	**942,082**
Unrealised profits and losses from currency differences	542,360	-100,075
Costs incurred in the capital increase	0	-53,335
Actuarial profits and losses from performance-oriented plans	-597,074	-146,145
Deferred taxes on actuarial profits and losses from performance-oriented plans	182,231	64,831
Available-for-sale financial instruments	-59,939	0
Deferred taxes on available-for-sale financial instruments	12,665	0
Revenues and expenses directly included in equity	**80,243**	**-234,724**
Total earnings	**6,426,143**	**707,358**
of which profits/losses that are to be assigned to the shareholders of the parent company	6,425,151	727,684
of which profits/losses that are to be assigned to the minority shareholdings	992	-20,326

Assets

Consolidated balance sheet | Assets	Marginal number	31.12.2010	31.12.2009
		EUR	EUR
Current assets			
Cash and cash equivalents	VIII.1	15,348,737	22,281,929
Securities	VIII.2	143,458	254,525
Trade receivables	VIII.3	32,194,768	23,793,261
Invoiced receivables		17,156,627	15,923,410
PoC receivables		15,038,141	7,869,851
Receivables from affiliated companies	VIII.4	153,578	48,790
Inventories	VIII.5	575,721	541,955
Ongoing income tax claims	VIII.6	636,164	821,692
Other financial receivables	VIII.7	695,448	3,980,827
Other short-term assets	VIII.8	835,335	1,071,852
Short-term assets, total		**50,583,209**	**52,794,831**
Non-current assets			
Goodwill	VIII.9	24,608,721	24,608,721
Other intangible assets	VIII.9	14,842,136	17,728,318
Property, plant and equipment	VIII.10	4,272,723	3,154,464
Financial investments	VIII.11	6,781,713	2,900,697
Deferred tax claims	VIII.12	10,514,825	6,617,029
Ongoing income tax claims	VIII.6	577,148	753,045
Other financial receivables	VIII.13	0	22,769
Long-term assets, total		**61,597,266**	**55,785,044**
Assets, total		**112,180,475**	**108,579,875**

Equity and liabilities

Consolidated balance sheet | Equity and liabilities	Marginal number	31.12.2010	31.12.2009
		EUR	EUR
Current liabilities			
Financial liabilities	VIII.14	0	3,000,000
Trade payables	VIII.15	4,094,290	3,416,195
Amounts owed to affiliated companies	VIII.4	171,382	135,123
Current income tax liabilities	VIII.16	622,977	1,667,360
Other provisions	VIII.17	2,119,442	3,418,288
Other current liabilities	VIII.18	3,567,546	2,690,174
Other financial liabilities	VIII.19	10,751,576	11,955,806
Short-term liabilities, total		**21,327,213**	**26,282,946**
Non-current liabilities			
Other provisions	VIII.17	561,471	490,765
Other financial liabilities	VIII.19	0	836,790
Deferred tax liabilities	VIII.12	8,713,910	6,727,192
Pension provisions	VIII.20	5,996,368	5,190,806
Long-term liabilities, total		**15,271,749**	**13,245,553**
Liabilities, total		**36,598,962**	**39,528,499**
Equity			
Subscribed capital of COR&FJA AG	VIII.21	40,895,861	40,895,861
Capital reserve of COR&FJA AG	VIII.22	33,581,934	33,478,525
Group retained income	VIII.23	1,100,664	-5,333,528
Shareholdings shareholders parent company		**75,578,459**	**69,040,858**
Minority interests	VIII.24	3,054	10,518
Equity total		**75,581,513**	**69,051,377**
Equity and liabilities, total		**112,180,475**	**108,579,875**

Consolidated cash flow statement

Consolidated cash flow statement	2010	2009
	EUR	EUR
Consolidated earnings	6,345,899	942,082
Income taxes	-836,007	556,304
Earnings before income taxes	**5,509,892**	**1,498,386**
Adjustments for the transfer of earnings to the cash flow from operational activities		
Depreciation of property, plant and equipment and amortisation of intangible assets	4,668,006	1,454,107
Earnings from disposal of tangible assets	17,238	-55,892
Earnings from disposal of financial investments	-28,312	0
Other expenses/income with no impact on earnings	-3,460,395	0
Change in provisions for pensions recognised in profit or loss	208,486	-27,474
Interest income	-247,595	-240,414
Interest expenses	794,786	513,741
Income taxes paid less reimbursed payments	-1,518,965	-1,301,355
Change in:		
Trade receivables	-8,474,455	4,455,084
Inventories	-33,765	-537,605
Other assets/other financial receivables/ ongoing income tax claims	3,503,594	-2,416,096
Other reserves	-1,235,472	1,333,794
Trade payables	719,641	1,765,866
Other debts/financial liabilities	1,452,560	-2,649,682
Cash flow from operating activity*	**1,875,244**	**3,792,460**

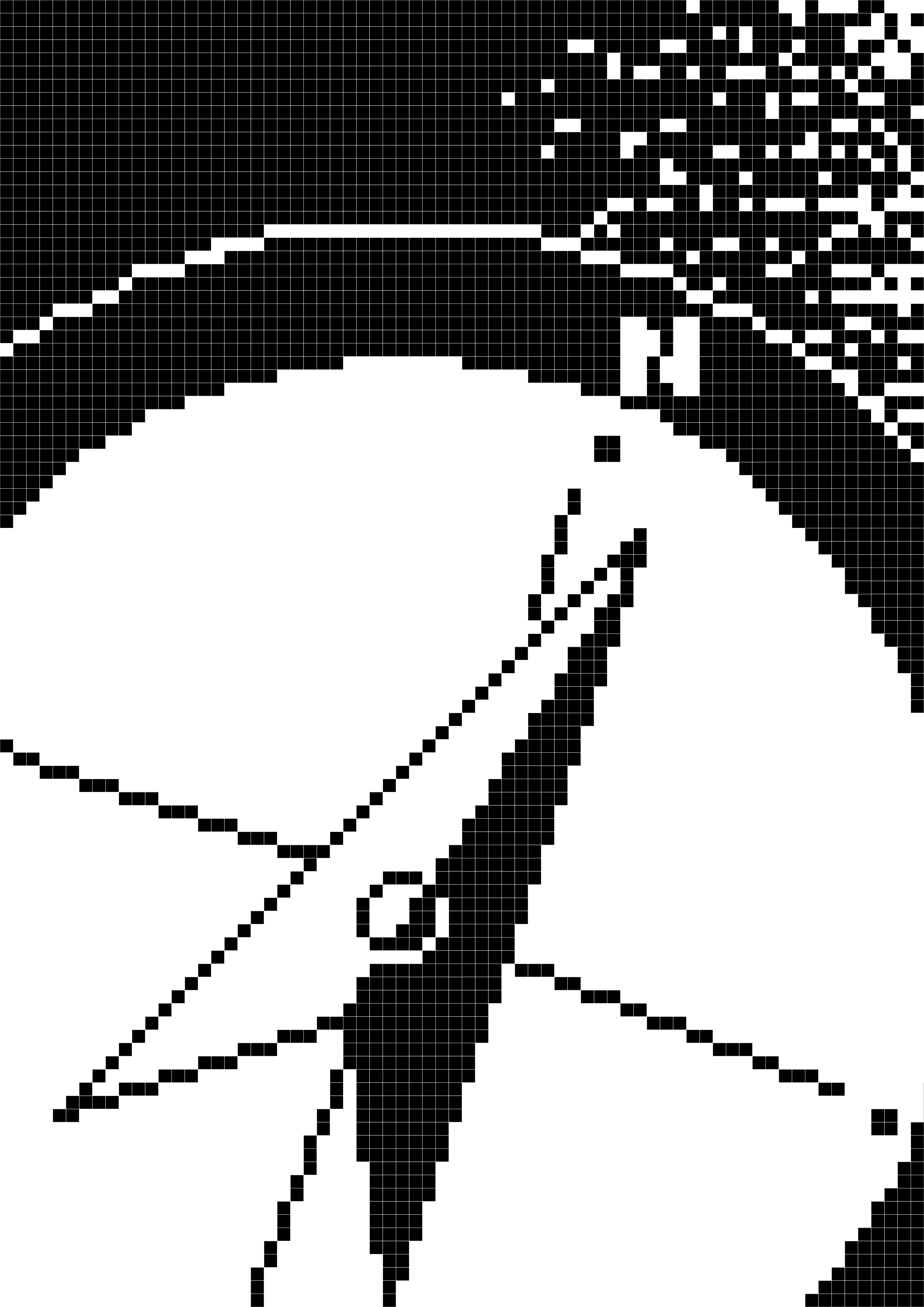
*see Notes IX.

Consolidated cash flow statement (Amount carried forward)	2010	2009
	EUR	EUR
Cash flow from investment activity		
Investments in tangible assets	-2,520,799	-1,008,920
Investments in intangible assets	-323,032	-386,992
Incoming payments from disposal of tangible assets	-52,528	427,834
Investments in financial assets	-483,666	-40,023
Cash inflows from the disposal of financial investments	134,827	0
Purchase of securities	0	28,221
Sale of securities	4,067	0
Cash outflows from the purchase of minority shareholdings in consolidated companies	-1,255,000	-170,000
Cash flow from investment activity	**-4,496,131**	**-1,149,880**
Cash flow from financing activity		
Cash outflows acquisition of treasury shares	0	-257,818
Outgoing payment ancillary acquisition costs COR Group	0	-572,000
Outgoing payments from hedging transactions	0	0
Repayment of short-term financial liabilities	-4,430,848	-1,313,614
Profit distributions	0	-2,065,067
Cash outflows for transaction costs within the framework of a capital increase	0	-53,334
Interest received	247,595	240,414
Interest paid	-794,786	-513,741
Cash flow from financing activity	**-4,978,038**	**-4,535,160**
Changes due to the exchange rate with no impact on earnings	**558,734**	**-40,621**
Change in cash funds	**-7,040,192**	**-1,933,201**
Cash funds at the start of the reporting period	**22,388,929**	**18,253,536**
Addition of cash and cash equivalents due to change in consolidation group		**6,068,594**
Cash funds at the end of the reporting period*	**15,348,737**	**22,388,929**
* of which freely available	14,285,520	19,715,672

Development of Group equity

	Subscribed capital	Capital reserve	Currency compensation item
Marginal number	21	22	23
	EUR	EUR	EUR
As of 01.01.2009	**20,771,074**	**9,876,062**	**1,966,248**
Adjustment carryforward due to conversion to SORIE	0	0	0
Total earnings	**0**	**-35,745**	**-100,115**
Capital increase acquisition COR AG	21,513,100	25,170,327	0
Difference arising from change in consolidation group	0	0	0
Agreed payment of balance from acquisition of shares prior years	0	0	0
Profit distributions	0	0	0
Acquisition treasury shares	-1,388,313	-1,532,120	0
Other changes	0	0	587,252
As of 31.12.2009	**40,895,861**	**33,478,525**	**2,453,385**
Total earnings	**0**	**0**	**542,401**
Expenses for issuance of stock options	0	103,409	0
Disposal of minority interests at Sigma Sourcing	0	0	0
As of 31.12.2010	**40,895,861**	**33,581,934**	**2,995,786**

Group retained income		Interim total		Equity
Net Investment	Other	Shareholdings shareholders parent company	Minority interests	
23	23		24	
EUR	EUR	EUR	EUR	EUR
-1,745,770	**-4,236,510**	**26,631,104**	**0**	**26,631,104**
0	134,175	134,175	0	134,175
0	**863,544**	**727,684**	**-20,326**	**707,358**
0	19,969	46,703,396	0	46,703,396
0	0	0	30,845	30,845
0	-170,000	-170,000	0	-170,000
0	-2,065,067	-2,065,067	0	-2,065,067
0	0	-2,920,433	0	-2,920,433
-590,807	3,555	0	0	0
-2,336,578	**-5,450,335**	**69,040,858**	**10,518**	**69,051,377**
0	**5,882,750**	**6,425,151**	**992**	**6,426,143**
0	0	103,409	0	103,409
0	9,040	9,040	-8,456	584
-2,336,578	**441,456**	**75,578,459**	**3,054**	**75,581,513**



Pointing the way – to present a clear and consistent picture of COR&FJA for everyone involved.

Notes to the Consolidated Financial Statements

I. GENERAL EXPLANATIONS

1. Basic information

The consolidated financial statements of COR&FJA AG, Leinfelden-Echterdingen, Germany, as of 31 December 2010, encompass the parent company, all of the subsidiaries (hereinafter referred to as the 'COR&FJA Group') and all of the associated companies. The reporting year comprises the calendar year.

The consolidated financial statements of COR&FJA AG, Leinfelden-Echterdingen, Germany, as of 31 December 2010 were prepared taking account of all the International Financial Reporting Standards (IFRS) stipulated by the International Accounting Standards Board (IASB) which were valid as of the reporting date, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) which were binding for the financial year ended and whose application is mandatory in the European Union.

The COR&FJA Group is a leading consulting and software company for the insurance, banks and retirement pensions market in Europe. Its software solutions give support to insurance companies, banks and company pension funds in the conceptual planning, realisation and administration of their products.

The COR&FJA Group's head office is located at Humboldtstraße 35, 70771 Leinfelden-Echterdingen. COR&FJA AG is a public limited company under German law.

The Management Board of COR&FJA AG approved the consolidated financial statements for submission to the Supervisory Board on 11 April 2011. The Supervisory Board has the task of examining the consolidated financial statements and declaring whether it approves the consolidated financial statements.

The profit and loss account was prepared in accordance with the total expenditure format. In order to improve its clarity of presentation, various items in the statement of financial position and the statement of income were consolidated. These items are reported and explained separately in the notes. The statement of financial position is classified on the basis of maturities.

The reporting currency is the euro, and the rounding is done to thousands or millions of euros. This can give rise to rounding differences of up to one arithmetical unit.

The company is obliged under Section 290 in conjunction with Section 291, Subsection 3, of the German Commercial Code (HGB), to prepare consolidated financial statements. The company prepared discharging consolidated financial statements and a discharging Group management report in accordance with Section 315a HGB as of 31 December 2010. The consolidated financial statements are published in the electronic German Federal Gazette and deposited with the electronic register of companies under HRB 731 887 at Stuttgart Local Court (Amtsgericht). As of the reporting date, COR&FJA AG is a subsidiary of msg group GmbH, which prepares the consolidated financial statements for the largest number of Group companies.

Events after the reporting date are included up until 11 April 2011.

2. New and amended standards New and amended standards applied for the first time in the financial year

In the 2010 financial year, the financial statements were based on the IFRS which are mandatory for financial years which begin on or after 1 January 2010. New standards, amendments to standards, and interpretations that must be applied for the first time for financial years that end as of 31 December 2010 are as follows:

- IFRS 1 ('First-time Adoption of International Financial Reporting Standards'),
- Amendments to IFRS 1 ('Additional assumptions for first-time adopters'),
- Amendments to IFRS 2 ('Share-based payment/ Share-based payments with cash settlements'),
- IFRS 3 ('Business Combinations'),
- Amendments to IAS 27 ('Consolidated and Separate Financial Statements in Accordance with IFRS'),
- Amendments to IAS 39 in connection with IFRS 7 ('Financial Instruments: Re-classification of Financial Assets: Effective Date and Transition'),
- Amendments to IAS 39 ('Financial Instruments: Recognition and Measurement: Eligible Hedged Items'),
- IFRIC 12 ('Service Concession Arrangements'),
- IFRIC 15 ('Agreements for the Construction of Real Estate'),
- IFRIC 16 ('Hedges of a Net Investment in a Foreign Operation'),
- IFRIC 17 ('Distributions of Non-cash Assets to Owners'),
- IFRIC 18 ('Transfers of Assets from Customers'),
- Improvements to IFRS 2009 (obligatory adoption with respect to financial years as of 1 January 2010 with the exception of amendments related to the revision of IFRS 3, which are to be adopted with respect to financial years as of 1 July 2009).

IFRS 3 and the amendments to IAS 27 are the result of the second phase of the project undertaken jointly with the Financial Accounting Standards Board (FASB) to reform accounting for business combinations. The amendments have different effects on the balance sheet accounting of business combinations: In future, a non-controlling interest may be measured either at fair value or at the proportionate share of the identifiable net assets of the entity in which the non-controlling interest is held. In the case of a step acquisition, the acquirer must remeasure its previously held interest at fair value on the date on which it gains control of the acquiree and recognise the resulting gain or loss in income. Contingent purchase price payments or other contingent considerations are measured and recognised at fair value at the acquisition date, and classified either as equity or as a financial asset or liability. Transaction costs in connection with the business combination are recognised as expenses. For changes in acquisition costs related to future events recorded at the acquisition date, goodwill can no longer be adjusted in the revaluation. Effects from the settlement of relationships existing prior to the business combination shall not be part of the exchange for the acquiree. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for exclusively within equity. In the event of the loss of control of a subsidiary, the consolidated assets and liabilities are derecognised. The new requirement is that any investment retained in the former subsidiary shall be valued at fair value at the date when recognised for the first time; any differences resulting from this shall be recognised in profit or loss. When losses attributed to the non-controlling interests exceed the non-controlling interests in the subsidiary's equity, these losses shall be allocated in full to the non-controlling interests. Adoption of these requirements has not had a material impact on the assets, financial and earnings position or the cash flow of the COR&FJA Group.

The amendments to IFRS 2 affect the accounting of group-settled share-based payment – transactions in which a subsidiary receives goods or services from employees or suppliers, which are paid for by the parent company or another entity in the Group. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction and no matter whether the transaction is settled in shares or cash. The amendments have not had a material impact on the assets, financial or earnings position or cash flow of the COR&FJA Group.

The amendment to IAS 39 (Eligible Hedged Items) specifies that an entity may only designate an option as a hedge of changes in the cash flows or fair value of a hedged item above or below a specified price or other variable. The amendment has not had a material impact on the presentation of the assets, financial or earnings position or cash flow of the COR&FJA Group.

IFRIC 17 concerns the recognition and measurement of liabilities arising from dividends paid in the form of assets other than cash (e.g. a property, plant and equipment) and clarifies how any difference between the carrying amount of the assets distributed and the fair value of the dividend paid should be accounted for. The adoption of IFRIC 17 has not had a material impact on the presentation of the assets, financial and earnings position or cash flow of the COR&FJA Group.

The improvements to IFRS 2009 are aimed at the collective standard, which concerns amendments in different standards and interpretations. In accordance with IFRS 8, which has been amended in the context of improvements to IFRS 2009, notes on assets by segment are no longer required. This key capital ratio is not part of in-house reporting in the COR&FJA Group. The other amendments have not had a material impact on the presentation of the assets, financial and earnings position or cash flow of the COR&FJA Group.

The other new standards and interpretations have no impact on the financial statements of the COR&FJA Group.

Standards/Interpretations which are not being applied prematurely

The following standards, amendments and interpretations which were published and must be applied on or after 1 January 2011 were not applied before they became mandatory:

- Amendments to IFRS 1 (‘Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters’), mandatory application for financial years starting on or after 1 July 2010,
- Amendments to IRS 1 (‘Severe Hyperinflation and Removal of Fixed Dates’), mandatory application for financial years starting on or after 1 January 2012,
- Amendments to IFRS 7 (‘Financial Instruments: Disclosures – Transfer of Financial Assets’), mandatory application for financial years starting on or after 1 July 2011,
- IFRS 9 (‘Financial Instruments: Recognition and Measurement’), mandatory application for financial years starting on or after 1 January 2013,
- Amendments to IAS 12 (‘Income Taxes – Deferred Taxes: Realisation of Underlying Assets’), mandatory application for financial years starting on or after 1 January 2012,
- IAS 24 (‘Related-party Disclosures’), mandatory application for financial years starting on or after 1 January 2011,
- Amendments to IAS 32 (‘Financial Instruments: Presentation – Classification of Rights Issues’), mandatory application for financial years starting on or after 1 February 2010,
- Amendments to IFRIC 14 (‘Prepayments of a Minimum Funding Requirement’), which, for their part, represent the interpretation of IAS 19 (‘The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction’), mandatory application for financial years starting on or after 1 January 2011,
- IFRIC 19 (‘Extinguishing Financial Liabilities with Equity Instruments’), mandatory application for financial years starting on or after 1 July 2010,
- Improvements to IFRS 2010, mandatory application for financial years starting on or after 1 January 2011.

3. Merger of COR AG Financial Technologies and FJA AG to become COR&FJA AG

On 11 March 2009, the Supervisory Board and Management Board of FJA AG had announced that on this date, the Management Boards of COR AG and FJA AG, with the approval of their respective Supervisory Boards, had signed a letter of intent regarding an amalgamation of the two companies. In it, COR AG and FJA AG agreed to strive for a merger of equals between the two companies.

On 8 June 2009, COR AG and FJA AG came to an understanding on the merger agreement and the share exchange ratio. With regard to the latter, the shareholders of COR AG Financial Technologies will receive 25 FJA shares in exchange for 14 COR shares. The 'merger report' was also signed on this day.

The resolutions that were required for the merger were then submitted for approval and adopted with comfortable majorities at the annual general meetings of COR AG and FJA AG on 27 and 28 July 2009 respectively.

After an action for the annulment of the merger resolution arising from FJA AG's Annual General Meeting had been brought to an end by means of a settlement in court in September 2009, the merger of the two companies was completed successfully with the merger of COR AG into FJA AG in FJA AG's commercial register entry on 19 October 2009. This entry meant that COR AG was deleted and devolved upon FJA AG with all its rights and duties. At the same time, FJA AG's renaming as COR&FJA AG came into effect. On 26 November 2009, the relocation of the COR&FJA AG company headquarters from Munich to Leinfelden-Echterdingen was entered in the commercial register and thereby became effective.

This merger into COR&FJA AG represents an amalgamation of two leading systems suppliers in the field of software and consulting solutions for insurance companies and providers of company pension schemes. In addition, the former COR AG Financial Technologies had an extensive spectrum of software and consulting services for banks which had been built up strategically over the preceding years. Depending on customer requirements, the standard software solutions and services can also be made available in ASP (application service providing) operations.

The merger's objective is sustainable value-added for the new company and its shareholders, customers and employees alike. The merger will result in even better exploitation of market opportunities which are arising in the financial services sector as a result of increasing pressure to reduce prices and standardise and of ever-increasing demands on IT. The new company wants to use the size and market position it has now attained to win increasing numbers of large-scale customers.

The merger will also have cost-reducing effects, for example as a result of joint product development and improved terms for the purchasing of services and for certain essential operational expenses (e.g. insurance charges, purchasing of property, plant and equipment). The consolidation of the central functions (human resources, finance, IT, marketing, sales) is making it possible to realise further cost synergies. Its merger into a listed company, moreover, has rendered the costs of stock market listing for COR AG redundant: the two companies' complementary location structures (COR Group: Germany, Switzerland, Slovakia, the Netherlands; FJA Group: Germany, Austria, Switzerland, USA, Slovenia) provide an outstanding basis for the internationalisation process they are striving for.

The merger of COR AG and FJA AG does not constitute a company acquisition under joint control according to IFRS 3.2c. In this case, the rules applied for the balance sheet accounting of mergers are those stipulated in IFRS 3.

The merger means that the Group's figures from the previous year are not compatible with those of the reporting year.

II. ACCOUNTING AND VALUATION METHODS

All of the companies in the consolidation group use uniform accounting and valuation methods. The consolidation methods and the accounting and valuation principles reported in the previous year were used continuously.

Change in the accounting and valuation methods

The COR&FJA Group did not apply any amendments to the accounting and valuation methods in the 2010 financial year.

Income from the sale of goods, the rendering of services and the utilisation of services belonging to the company by third parties in return for **interest, licence charges** and **dividends** are generally recorded only if the inflow of funds is sufficiently probable and its amount can be determined reliably. They are measured at the fair value of the counterperformance received or to be claimed. Specifically, the following shall apply to the recording of turnover and income:

With some of the customer projects (especially fixed-price projects), turnover is recognised in accordance with the progress of the project (percentage-of-completion method) insofar as the degree of completion, the costs incurred in the project and the costs that can be expected up until its final completion can be determined reliably. The basis for calculating the progress of a project is the ratio of costs already incurred to the estimated total cost volume of the contract, which is determined on the basis of project valuations. The services rendered within the framework of this method are shown as **PoC receivables or advance payments received**. If required, the lower attainable value as of the reporting date is shown.

Service contracts which are settled on the basis of the disbursements which are made and eligible for reimbursement (management projects) are realised subject to the services rendered by the COR&FJA companies.

Turnover from **maintenance services** is recognised pro-rata using the straight-line method over the contractually agreed service period. For licence revenues (including reference systems and the specialist concept) to be recognised, the following conditions must generally be fulfilled cumulatively:

1. A contract has come into being with legal effect,
2. the software / reference system / specialist concept has been delivered,
3. the licensing charge has been fixed and
4. the receipt of payment is probable.

If the sale of the licence is unconnected with other services from a commercial point of view, the turnover is recognised in relation to the customer in the month in which the software (or reference system or specialist concept) is delivered and/or accepted.

If the sale of the licence is connected with other services rendered by COR&FJA, distinctions are basically made between the following cases:

If the service comprises customised standard software which is adapted (max. around three months) at COR&FJA and then delivered to the customer, the turnover is generally recognised in the month of delivery to and/or receipt by the customer if such a service is agreed in the contract.

For longer-term projects in which the process of adapting the standard software takes more than three months before its first-time implementation on the customer's premises, turnover is recognised using the percentage-of-completion method. If the degree of completion, in relation to the licence, is difficult or impossible to ascertain – in particular when the project work can be influenced by the customer – turnover is treated as an accrued item using the straight-line method until the customised software solution is used productively for the first time.

When a time-limited licence for a COR&FJA standard software product is issued, the revenues are treated as an accrued item using the straight-line method over the agreed period.

Interest earnings are recorded using the effective interest method. **Interest expenses** are posted through profit and loss on an accrual basis.

Financial assets encompass cash and cash equivalents, securities, trade receivables, other financial receivables, and financial investments. A financial asset is shown in the statement of financial position only if the COR&FJA Group is a contracting party in the regulations for the financial asset in question. Financial assets are not removed from the accounts until either the right to cash flows from a financial asset expires or such rights are transferred to a third party. In the event of a transfer, the criteria of IAS 39 regarding the transfer of risks and potential rewards associated with the ownership of the financial asset, in particular, must be fulfilled.

When first recorded, financial assets are measured at fair value. The fair values shown in the statement of financial position generally correspond to the market prices of the financial assets. If these prices cannot be ascertained directly, they are calculated using acknowledged valuation methods and with recourse to current market parameters. For their subsequent valuations, the financial assets are classified in the following categories: 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale financial assets' and 'loans and receivables'. All of the financial assets for which there have been purchases and sales customary on the market are accounted for as of their settlement date.

Cash and cash equivalents encompass cash on hand and bank balances which have a residual term of three or fewer months at the time of their acquisition or investment. The liquid funds are measured at fair value. Credit balances in foreign currencies are measured at the exchange rate prevailing on the reporting date.

Securities are, in accordance with IAS 39, categorised as either 'available for sale', 'held to maturity' or 'held for trading'. The securities categorised as 'available for sale' are measured at fair value when being valued for the first time and subsequently as of the reporting date. Any change in the fair value taking account of deferred taxes is shown under equity in revenue reserves with no effect on income until its realisation at the time of sale. If there are any objective, substantial indications that a permanent impairment has taken place, the impairment costs are recorded in profit and loss. Amounts already recorded under equity are removed from equity with effect on income. Securities categorised as 'held to maturity' are measured at fair value upon acquisition and at amortised cost in subsequent valuations. The 'financial assets held for trading' are measured at fair value. Any gain or loss resulting from the subsequent valuation is posted through profit or loss in the statement of income.

The **trade receivables** and **other financial receivables**, apart from derivative financial instruments, shown primarily comprise receivables and loans originated by the company. They are categorised accordingly as 'loans and receivables' and are measured at fair value upon acquisition and at amortised cost in subsequent valuations. If the net present value of the expected future cash flows from the receivables or the other assets is lower than the amortised cost as of the reporting date, a valuation allowance is carried out with effect on income. Receivables bearing low or zero interest with terms of more than one year are discounted.

When they are first recorded, **financial investments** are accounted for at fair value and categorised as 'available for sale'. In their subsequent valuation, these must therefore be shown at face value, with unrealised gains and losses being recorded separately under equity, taking account of deferred taxes, with no effect on income until their realisation. If the financial investments are in equity instruments for which no prices are listed on an active market and no fair value can be determined reliably, they are measured at acquisition cost. If there are any objective indications that the net present value of the estimated cash flows is lower than the carrying amount, valuation allowances are carried out with effect on income.

The COR&FJA Group has utilised the possibility of **designating financial assets as measured at fair value through profit or loss when they are shown for the first time** in the 2010 financial year for the first time. Please see the notes on 'IV. Business Combinations' for more information.

As of every reporting date, the carrying amounts of those financial assets which are not to be measured at fair value through profit or loss are examined for the existence of any objective, substantial indications (such as substantial financial difficulties faced by the debtor, high probability of insolvency proceedings being instituted against the debtor, the lapsing of an active market for the financial asset, a lasting decrease in the financial asset's fair value on the basis of amortised cost) of **impairment**. Any impairment costs comprising a fair value which is lower than the carrying amount is recorded through profit and loss. If it emerges as of subsequent valuation dates that the fair value has objectively increased as a consequence of events which took place after the impairment was recorded, the impairments are reversed through profit and loss in the appropriate amounts. Impairments in the fair values of available-for-sale financial assets are recorded under equity with no effect on income until their realisation. Impairments which affect non-listed equity instruments which are available for sale and are accounted for at acquisition cost may not be reversed. The fair values of held-to-maturity securities which must be tested for impairment during the audit, as well as the fair values of the loans and receivables measured at amortised cost, correspond to the net present value of the estimated future cash flows discounted at the original effective interest rate. The fair value of non-listed equity instruments measured at cost is calculated as the net present value of the expected future cash flow, discounted at the current interest rate which corresponds to the specific risk position of the investment.

The **inventories (work in progress)** recorded comprise the performances rendered for customers for which there are still no contractual foundations, but at least a letter of intent with the customer. The inventories are shown at the lower of production costs or the net realisable value both when recorded for the first time and for subsequent valuation.

If **goodwill** is capitalised, it was amortised using the straight-line method over its likely useful life up to 31 December 2004. Scheduled amortisation of goodwill has not been carried out since the 2005 financial year. Instead, it is subjected to an annual impairment test in accordance with IAS 36 and, if necessary, amortised at the lower realisable amount.

Intangible assets acquired in return for payment are shown at acquisition cost upon their acquisition if it is probable that a future economic benefit will accrue to the COR&FJA Group from the intangible assets and the acquisition costs can be determined reliably. In the subsequent periods, the assets are measured at amortised cost, with scheduled amortisation being carried out using the straight-line method over the assets' estimated useful lives. The Group has no intangible assets acquired in return for payment with indefinite useful lives.

Development costs for new products are capitalised at production cost if a clear expense allocation is possible and both the technical feasibility and the ability and intention to market such products are ensured. It must be sufficiently probable that the development activity will bring the company a future economic benefit. The capitalised production costs encompass those costs which are directly attributable to the development process. Capitalised development expenses are amortised regularly using the straight-line method as from the time the software becomes usable over a useful life which corresponds to the planned product life cycle. Development projects which are not yet completed and activated are subjected to an annual impairment test. Research costs, and development costs not eligible for capitalisation, are posted to expenses within personnel and other operational expenses when they arise.

Property, plant and equipment are capitalised at acquisition or production cost, plus the ancillary costs which are necessary to make the asset ready for operation. The scheduled depreciation is carried out using the straight-line method in accordance with the probable useful life. No use is made of the option to apply the revaluation method. Costs of ongoing maintenance and repairs are posted to expenses. Expenses which fulfil the conditions of IAS 16.13 and the reporting criteria of IAS 16.7 are capitalised at the carrying amount of the property, plant and equipment in question and depreciated over the assets' probable useful lives. The replaced items are removed from the accounts. Borrowing costs are not included in the acquisition or production costs.

The Group has no **investment property** as defined by IAS 40.

Lease agreements are classified as **finance leases** if all the risks and potential rewards associated with ownership are basically transferred to the lessee as a result of the lease terms. All other leases are classified as **operating leases**. With finance leases, the ongoing lease instalments are divided up into an interest component and a redemption component. The redemption component reduces the lease amount owed. With operating leases, the payable lease instalments are recorded as expenses at the time when they come into being. Instalments of unequal amounts are carried as deferred items using the straight-line method.

The scheduled **amortisation and depreciation** of intangible assets and property, plant and equipment respectively are based on the following uniform useful lives in the Group:

	Useful life in years
Other intangible assets:	
Development costs	3
Trademark rights	10
Other	2 to 5
Property, plant and equipment:	
Buildings on third-party land	10
Hardware and software	3 to 4
Factory and office equipment	4 to 15

Impairment of non-current assets

Intangible assets and goodwill which have indeterminate useful lives are not amortised regularly; instead, they are tested annually to establish whether impairment is required.

Assets which are subjected to scheduled depreciation or amortisation are tested for impairment if relevant events or changes in circumstances indicate that the carrying amount might not be realisable any longer. An impairment loss is recorded in the amount by which the carrying amount exceeds the realisable amount. The realisable amount is the higher of the asset's fair value less selling costs and the value in use. For the impairment test, assets are combined at the lowest level for which the cash flows can be identified separately (cash generating units).

The depreciation, amortisation and impairment of property, plant and equipment and intangible assets are recorded in the profit and loss account under 'depreciation of property, plant and equipment and amortisation of intangible assets'.

The **deferred tax assets** and **deferred tax liabilities** are determined in accordance with the balance sheet liability method. Deferred tax assets and deferred tax liabilities are generally recorded in the financial statements for all temporary value differences between the carrying amount of an asset or a debt, and the fair value for tax purposes.

Deferred tax assets on loss carryforwards must be set up to the extent that the tax loss carryforwards are likely to be utilisable in the future. Accordingly, deferred tax assets were stated for tax losses, taking their realisability into account. The deferred taxes are determined on the basis of the tax rates which apply or are expected as per the current legal position in the individual countries at the time of realisation. The impact of changes in tax rates on deferred taxes will be posted through profit and loss when the change in the law comes into force.

Non-current assets available for sale and so-called disposal groups are measured at the lower of carrying amount and fair value less selling costs.

Financial liabilities encompass the financial debts, trade payables and other financial liabilities. A financial liability is stated in the statement of financial position only if the COR&FJA Group is a contracting party in the rules for the financial liability. A financial liability is removed from the accounts if it has been redeemed, in other words when the obligations specified in the contract have been settled or cancelled or have expired.

The methods and material assumptions for determining the fair value of financial liabilities are as follows: the financial liabilities are accounted for at the fair value on the acquisition date, which corresponds to the sum of money received.

Financial debts are recorded for the first time at their fair value. In subsequent years, they are measured at amortised cost using the effective interest method.

Trade payables and **other financial liabilities** are accounted for at their fair value when recorded for the first time. In subsequent years, all liabilities, with the exception of derivative financial instruments, are measured at amortised cost.

In respect of financial liabilities, the Group has not yet made use of the option to designate them as **financial liabilities at fair value through profit or loss** when they are recorded in the statement of financial position for the first time.

COR&FJA AG uses **derivative financial instruments** for hedging the interest and exchange rate fluctuations that result from financial transactions. Derivative financial instruments are neither held nor issued for speculative purposes. The derivative financial instruments are shown at fair value when recorded for the first time. The current market values are also relevant for the subsequent valuation. The fair value of traded derivative financial instruments corresponds to their market value. This value can be positive or negative. For the recording of changes in fair values – with effect on income in the statement of income or with no effect on income under equity – the crucial factor is whether or not the derivative financial instrument is integrated into an effective hedging relationship in accordance with IAS 39. If there is no hedge accounting, the changes in the fair values of the derivative financial instruments must be recorded through profit and loss immediately. If, however, there is a hedging relationship in accordance with IAS 39, the collateralisation relationship is accounted for as such.

The **other provisions** take account of all discernible risks and uncertain obligations in the extent to which they are likely to occur. The amounts stated constitute the best possible estimations of expenses which are necessary to fulfil the current obligation as of the reporting date. Non-current provisions are discounted if the interest rate effect is significant.

Pension provisions are calculated using the projected unit credit method in accordance with IAS 19. In this procedure, not only the pensions and accrued entitlements which are known on the reporting date, but also the expected future increases in pensions, wages and salaries are taken into account with prudent estimates of the relevant influencing factors. The calculation is carried out on the basis of actuarial reports taking biometric assumptions into account. Actuarial gains and losses arising from experience-based adjustments and alterations of actuarial assumptions are recorded immediately under equity with no effect on income in the period when they arise. According to IAS 12, deferred tax assets from the increase in the pension provision must be taken into account and recorded under equity with no effect on income in accordance with the underlying transaction.

The preparation of the consolidated financial statements in compliance with the IASB regulations necessitates the application of **estimates** and forward-looking **assumptions** which influence the amounts and the reporting of the assets and liabilities recorded in the statement of financial position, the contingent liabilities disclosed as of the reporting date, and the income and expenses accounted for during the reporting period. The forward-looking assumptions and estimates relate primarily to the recognition of turnover on the basis of performance progress (percentage-of-completion method), the uniform setting of useful economic lives throughout the Group, the accounting and valuation of provisions and the planning and valuation premises that form the basis of the impairment tests. Although these estimates are founded on the ongoing transactions to the best of the company's knowledge, the actual values can ultimately diverge from these assumptions made and estimates. Changes are made with effect on income as of the time when knowledge improves, or in the period when knowledge improves, and in the future periods, if the changes cover several periods.

The most important forward-looking assumptions, as well as the other significant sources of estimation uncertainty as of the reporting date, as a result of which an appreciable risk can come into being, thereby necessitating a major adjustment of the recorded assets and liabilities during the next financial year, are presented in Section XI. 'Assumptions and estimates'.

III. CONSOLIDATION GROUP

1. Subsidiaries

Subsidiaries for which COR&FJA AG is directly or indirectly entitled to a majority of the voting rights are included in the consolidated financial statements. Inclusion in the consolidated financial statements commences when the possibility of control is acquired and comes to an end when this possibility no longer exists.

As of 31 December 2010, the following companies were fully consolidated in the Group headed by COR&FJA AG as the parent company:

Company	Shareholding %	Abbreviations
COR&FJA Deutschland GmbH, Munich (Germany) [1]	100	(COR&FJA Deutschland)
with the subsidiary FJA-US, Inc., New York (USA) [5]	100	(FJA-US)
COR&FJA Schweiz AG, Zurich (Switzerland)	100	(COR&FJA Schweiz)
COR&FJA Austria Ges.m.b.H., Vienna (Austria)	100	(COR&FJA Austria)
COR&FJA OdaTeam d.o.o., Maribor (Slovenia)	100	(COR&FJA OdaTeam)
FJA bAV Service GmbH, Munich (Germany) [1]	100	(FJA bAV Service)
PYLON GmbH, Hamburg (Germany) [1]	100	(PYLON)
Sigma Sourcing AG, Zurich (Switzerland)	100	(Sigma)
COR&FJA Systems GmbH, Leinfelden-Echterdingen (Germany) [2]	100	(COR&FJA Systems)
with the subsidiary COR Pension Management GmbH, Leinfelden-Echterdingen (Germany) [1 4]	100	(COR Pension)
with the subsidiary COR&FJA Slovakia s.r.o., Bratislava (Slovakia) [3]	100	(COR&FJA Slovakia)
COR Insurance and Risk Management GmbH, Leinfelden-Echterdingen (Germany) [2]	100	(COR Insurance)
COR bAV Services GmbH, Leinfelden-Echterdingen (Germany)	66.8	(COR bAV)
COR&FJA Alldata Systems GmbH, Leinfelden-Echterdingen (Germany) [1]	100	(COR&FJA Alldata)
COR&FJA Benelux B.V., ’s-Hertogenbosch (Netherlands)	100	(COR&FJA Niederlande)

1 The parent company made a loss assumption declaration vis-à-vis COR&FJA Deutschland GmbH, FJA bAV Service GmbH, PYLON GmbH, COR Pension Management GmbH and COR&FJA Alldata Systems GmbH and disclosed it.

2 There is a profit and loss transfer agreement with COR Insurance and Risk Management GmbH, Leinfelden-Echterdingen, and COR&FJA Systems GmbH, Leinfelden-Echterdingen, according to which the company must also assume losses.

3 The participating interests in question are indirect. The shares are held by COR&FJA Systems GmbH, Leinfelden-Echterdingen.

4 40 per cent of the shares are held indirectly via COR&FJA Systems GmbH, Leinfelden-Echterdingen.

5 The participating interests in question are indirect. The shares are held by COR&FJA Deutschland GmbH, Munich.

The subsidiaries COR&FJA Deutschland GmbH, Munich, FJA bAV Service GmbH, Munich, PYLON GmbH, Hamburg, COR Insurance and Risk Management GmbH, Leinfelden-Echterdingen, COR&FJA Alldata Systems GmbH, Leinfelden-Echterdingen and COR&FJA Systems GmbH, Leinfelden-Echterdingen, have made use of the possibility of exemption from the duty to prepare annual financial statements in accordance with the regulations valid for limited liability companies as per Section 264, Para. 3, of the German Commercial Code (HGB) for the 2010 financial year.

As at the previous year's reporting date, the following companies were fully consolidated in the Group headed by COR&FJA AG as the parent company:

Company	Shareholding (%)	Abbreviations
COR&FJA Deutschland GmbH (previously: FJA Feilmeier & Junker GmbH), Munich (Germany) [1]	100	(COR&FJA Deutschland)
with the subsidiary FJA-US, Inc., New York (USA) [6]	100	(FJA-US)
COR&FJA Schweiz AG (previously: FJA Feilmeier & Junker AG), Zurich (Switzerland)	100	(COR&FJA Schweiz)
COR&FJA Austria Ges.m.b.H. (previously: FJA Feilmeier & Junker Ges.m.b.H.), Vienna (Austria)	100	(COR&FJA Austria)
COR&FJA OdaTeam d.o.o. (previously: FJA OdaTeam d.o.o.), Maribor (Slovenia)	100	(COR&FJA OdaTeam)
FJA bAV Service GmbH, Munich (Germany)	100	(FJA bAV Service)
PYLON GmbH, Hamburg (Germany)	100	(PYLON)
Sigma Sourcing AG, Baar (Switzerland)	60	(Sigma)
COR&FJA Systems GmbH (previously: COR Deutschland GmbH), Leinfelden-Echterdingen (Germany) [2,5]	100	(COR&FJA Systems)
with the subsidiary COR Pension Management GmbH, Leinfelden-Echterdingen (Germany) [4,5]	100	(COR Pension)
with the subsidiary COR&FJA Slovakia s.r.o. (previously: COR Slovakia s.r.o.), Bratislava (Slovakia) [3,5]	100	(COR&FJA Slovakia)
COR Insurance and Risk Management GmbH, Leinfelden-Echterdingen (Germany) [2,5]	100	(COR Insurance)
COR Infexpert AG, Frenkendorf (Switzerland) [5]	100	(COR Infexpert)
COR bAV Services GmbH, Leinfelden-Echterdingen (Germany) [5]	66.8	(COR bAV)
COR&FJA application service providing GmbH (previously: COR application service providing GmbH), Cologne (Germany) [5]	100	(COR&FJA application)
COR&FJA Alldata Systems GmbH (previously: COR Alldata Systems GmbH), Leinfelden-Echterdingen (Germany) [5]	74.9	(COR&FJA Alldata)
COR&FJA Benelux B.V. (previously: COR International Insurance Technologies B.V.), 's-Hertogenbosch (Netherlands) [5]	100	(COR&FJA Niederlande)

1 The parent company made a loss assumption declaration vis-à-vis COR&FJA Deutschland GmbH and disclosed it.

2 There is a profit and loss transfer agreement with COR Insurance and Risk Management GmbH, Leinfelden-Echterdingen, and COR&FJA Systems GmbH, Leinfelden-Echterdingen, according to which the company must also assume losses.

3 The participating interests in question are indirect. The shares are held by COR&FJA Systems GmbH, Leinfelden-Echterdingen.

4 40 per cent of the shares are held indirectly via COR&FJA Systems GmbH, Leinfelden-Echterdingen.

5 Companies that became part of the consolidation group as a result of the acquisition of COR AG

6 The participating interests in question are indirect. The shares are held by COR&FJA Deutschland GmbH, Munich.

At all of the subsidiaries, the reporting date corresponds to the Group's reporting date.

The following changes in the consolidation group occurred after the reporting date:
With effect from 28 February 2011, COR&FJA holds 29.9 per cent (2,898,869 no-par value shares) of plenum AG, Wiesbaden. COR&FJA AG already held 1.9 per cent (166,020 no-par value shares) in plenum AG as of 31 December 2010. Of these additional 2,732,849 shares, 881,779 shares come from a cash capital increase of plenum AG, which was fully subscribed by COR&FJA AG at a price of EUR 1.04 per share. The purchase price for the shares is EUR 2,967,000.

2. Associated companies

Associated companies in which COR&FJA AG is directly or indirectly entitled to between 20 per cent and 50 per cent of the voting rights are recorded in the consolidated financial statements using the equity method.

As of 31 December 2010 and as per the fixed date of the previous year, COR&FJA AG holds 25 per cent plus one share in H.C.M. Capital Management AG, Munich. This participating interest was included as an associated company in the consolidated financial statements in accordance with the equity method. Cf. the explanations under 'VII. Notes to the Balance Sheet, 11. Financial investments'.

IV. BUSINESS COMBINATIONS

Purchase of a further 40 per cent of the shares in the Sigma Sourcing AG

With effect from 28 January 2010 another 40 per cent of shares in Sigma Sourcing AG, Zurich (Switzerland) was purchased from PRS Prime Re Solutions AG, Zug (Switzerland) with the result that COR&FJA AG holds 100 per cent of shares. The purchase price of CHF 1.00 (roughly EUR 0.68) was paid in cash. Sigma Sourcing AG generated a turnover of EUR 46,000 in the 2010 financial year and a profit of EUR 4,000.

As Sigma Sourcing has already been fully consolidated, the amounts of the assets and debts classified according to main groups assets and liabilities do not have to be disclosed separately. The impact on the assets, financial and earnings position is as follows: the acquisition of shares is presented as a transaction with the non-controlling interests, in other words as a shift within equity between the various shareholder groups.

Purchase of a further 25.1 per cent of the shares in COR&FJA Alldata Systems GmbH

With effect from 15 March 2010, COR&FJA AG bought back 25.1 per cent of the shares in COR&FJA Alldata Systems GmbH, Leinfelden-Echterdingen, from the bank Sal. Oppenheim jr. & Cie. S.C.A., Luxembourg, for a purchase price of EUR 1,255,000. A call/put agreement had been concluded with msg systems AG for this acquisition. COR&FJA Alldata Systems GmbH was therefore already a fully consolidated company in 2009. The purchase price obligation ('puttable liability') was liquidated by the payment of the purchase price.

Acquisition of 24.8 per cent of the shares in B+S Banksysteme Aktiengesellschaft

COR&FJA AG gradually acquired 24.8 per cent of shares, or rather 1,538,962 shares in B+S Banksysteme Aktiengesellschaft, Munich over several tranches in the 2010 financial year. In the course of its acquisition of these shares, COR&FJA AG concluded a recollateralisation for the benefit of the former owner of the shares in B+S Banksysteme Aktiengesellschaft in order to relieve it of its obligations towards the creditor banks of B+S Banksysteme Aktiengesellschaft.

COR&FJA AG accounted for the acquisition of the shares for the first time in the interim financial statements as of 30 June 2010 in accordance with IAS 28 (associated companies), after it had purchased a total of 1,352,665 shares (21.8 per cent of shares) in B+S Banksysteme Aktiengesellschaft in the second quarter of 2010. They were first valued at acquisition cost, although the disclosure of hidden reserves and charges, which must be made during a first-time acquisition, as well as the reporting of goodwill with analogous application of the regulations in IFRS 3, were not yet carried out in the semi-annual report.

In the course of preparing the interim financial statements for the third quarter of 2010, the company was in the possession of new information indicating, in contradiction to previous assumptions, that COR&FJA AG does not have a decisive influence on B+S Banksysteme Aktiengesellschaft. Therefore the shares could no longer be accounted for in accordance with IAS 28, but as financial instruments in line with IAS 39. A transitional consolidation affecting income was therefore effected as of 16 September 2010 in compliance with IAS 39. In order to derive the fair value, the stock market price of B+S Banksysteme Aktiengesellschaft was taken, which was measured at EUR 2.63 per share on 16 September 2010, the point in time at which the company no longer had a decisive influence. The fair value as of 16 September 2010 therefore amounted to EUR 4,047,000. The difference between the fair value and the book value of EUR 3,164,000 was accounted for with effect on income from participating interests. The sale of 40,500 shares at a price of EUR 3.33 per share took place with effect on 20 October 2010 and resulted in income of EUR 135,000. Profit from the disposal of EUR 28,000 was booked to other operating income. On the balance sheet date, 31 December 2010, in the subsequent evaluation of the acquisition of shares, separate reporting of the acquired assets and debts was undertaken. The fair value of the assets on the balance sheet date (24.13 per cent of shares) amounted to EUR 3,881,000. The loss of EUR 60,000 was accounted for in equity with no impact on earnings.

Recollateralisation of guarantees by COR&FJA AG shall be accounted for in the balance sheet as a financial guarantee in accordance with the principles of IAS 39 and reported at fair value. Fair value was estimated taking the recollateralisation sum and the likelihood of requiring this recollateralisation into account. As at the balance sheet date, this sum amounts to EUR 400,000 and is reported under other financial liabilities.

V. CURRENCY CONVERSION

The foreign currency translation is carried out in accordance with IAS 21. The functional currency is the currency of a business enterprise’s primary commercial environment. It is always that currency which influences performance and costs most strongly. The functional currency is determined for each business enterprise within the Group. As the Group companies run their business operations autonomously, the functional currency is generally identical to that of the respective company’s national currency.

Currency translation is basically carried out in two stages. Transactions in foreign currencies, or assets and liabilities in foreign currencies which result from those, are translated into the functional currency of the business operations in question. The exchange rates at the time of the transaction or valuation are authoritative; they are therefore translated at historical exchange rates (temporal method). If the functional currency of the business operations diverges from the reporting currency (EUR), all of the assets (including goodwill resulting from consolidation) and debts are translated at the average rates on the reporting date and the items in the statement of income are translated at the average rates for the year (modified current rate method). Currency differences arising from the translation of the net assets at rates different from the previous year are not posted to profit or loss.

The exchange rates on which the currency translation is based have changed as follows in relation to one euro:

	Average rate on balance sheet date		Average rate for the year	
	31.12.2010	31.12.2009	2010	2009
	EUR	EUR	EUR	EUR
1 USD	0.7484	0.6977	0.7564	0.6846
1 CHF	0.7997	0.6723	0.7806	0.6655

The COR&FJA Group has no business operations in a hyperinflationary country. IAS 29 is therefore not applicable.

In connection with the goodwill that resulted from those subsidiaries acquired before 1 January 2005 and adjustments of the carrying amounts of the assets and debts to their fair value, translation is carried out at the exchange rate prevailing as of the date of acquisition. In the case of subsidiaries acquired after 1 January 2005, the resultant goodwill and adjustments of the carrying amounts of the assets and debts to their fair value are translated at the exchange rate prevailing as of the balance sheet date.

VI. SEGMENTAL REPORTING

The COR&FJA AG is a leading consulting and software company for the insurance, banks and retirement pensions market in Europe. Its software solutions give support to insurance companies, banks and company pension funds in the conceptual planning, realisation and administration of their products.

Today, around half of all German life assurance companies, as well as renowned health and non-life insurers, put their faith in solutions from COR&FJA. The software is now used in more than 30 countries on five continents around the world, including the US, Australia and numerous Eastern European countries.

As the leading provider for insurance companies, banks and operators of company pension schemes, the COR&FJA Group offers a full range of state-of-the-art prospective solutions in the form of consulting, services, software solutions and application service providing. The service spectrum in the insurance segment addresses the field of policy management in particular, including actuarial mathematics, migration and across-the-board processes. In the Banking segment, core banking systems which include numerous peripheral systems for bank-specific processes such as cover, lending, foreign transactions, risk control, payment transactions, reporting, online banking and treasury are offered. Consulting and services on the one hand and the product spectrum on the other complement each other to make up the range of solutions that mutually benefits the business model. The products are standard software products, which are fit for release and have been launched on the market under the COR&FJA brand name.

As well as its headquarters in Leinfelden-Echterdingen, the company is represented in Germany by its sites in Munich, Hamburg, Cologne, Frankfurt, Düsseldorf and Kiel. It also has subsidiaries in Germany (Leinfelden-Echterdingen, Munich, Hamburg and Cologne), Switzerland (Zurich and Rheinfelden), Austria (Vienna), the Netherlands (Amsterdam until 1 April 2010 and 's-Hertogenbosch), the US (New York and Denver), Slovakia (Bratislava and Kosice), Slovenia (Maribor) and Portugal (Estoril).

In November 2006, the IASB adopted IFRS 8 ('Operating Segments'). IFRS 8 replaces IAS 14 ('Segment Reporting') and must be applied for reporting periods which begin on or after 1 January 2009. COR&FJA decided to apply IFRS 8 prematurely for the financial year which ended as of 31 December 2008. According to IFRS 8, the identification of operating segments subject to reporting requirements is based on the 'management approach'. When this approach is applied, external segment reporting is carried out on the basis of a group's internal organisational and management structure and its internal financial reporting to the most senior management body. In the Group headed by COR&FJA AG, the COR&FJA AG Management Board is responsible for measuring and controlling the business results of the segments and is held to be the most senior management body as defined by IFRS 8.

As, in the 2009 financial year, the segments in the COR&FJA Group had comparable commercial characteristics until the merger of COR Financial Technologies AG with FJA AG and are also comparable in the following respects:

- the nature of the products and services,
- the type of production process,
- types or categories of customers,
- distribution channels and
- the nature of the regulatory environment

and in view of the fact that COR AG Financial Technologies was consolidated for only two months in the reporting year, the COR&FJA Group had only one segment subject to reporting requirements Based on the criteria according to the 10 per cent test (i.e. a segment must be presented in its own right if at least one of the three criteria – revenues, segment earnings or segment assets amount to at least 10 per cent of the aggregate assets of all the segments – is fulfilled), there is only one segment that needs to be reported.

As of the 2010 financial year, the Life Assurance, Non-Life Insurance and Banking segments are presented.

For that reason, disclosures about the segments, products and services, geographical areas and important customers have to be made below in the reporting year.

1. Disclosures about segments

Upon commencement of the 2010 financial year, the COR&FJA Group geared its segments subject to mandatory reporting requirements to the targeted selling markets of Life Assurance (encompassing the areas of life assurance and company pensions in particular), Non-Life Insurance (encompassing non-life insurance and health insurance in particular) and Banking. This reflects both the Group's internal reporting system and its internal decision-making processes.

Despite a high level of specialisation, the segments support each other in development and customer projects, a fact which is beneficial for punctuality of delivery, quality and capacity utilisation. This internal exchange of services is shown under intersegment revenue.

Expenses incurred for central functions (management, selling, central services) are charged to the operating segments under costs allocated according to actual origin and reason. The segment result constitutes the earnings before income taxes, as the income taxes are not subject to segment allocation due to their being centrally controlled. The valuation methods for segment reporting correspond to those used for the consolidated financial statements as of 31 December 2010.

2010

	External turnover	Intersegment-turnover	Aggregate turnover	Earnings before taxes (EBT)	Number of employees
	000 EUR	000 EUR	000 EUR	000 EUR	
Life Assurance	68,755	3,389	72,144	6,553	668
Non-Life Insurance	21,225	1,236	22,461	-2,882	186
Banking	26,256	770	27,026	1,839	142
Total	**116,236**	**5,395**	**121,631**	**5,510**	**996**
Transfer	0	-5,395	-5,395	0	0
Overall Group	**116,236**	**0**	**116,236**	**5,510**	**996**

In accordance with IFRS 8, which has been amended in the context of improvements to IFRS 2009, notes on assets by segment are no longer required. This key capital ratio is not part of in-house reporting in the COR&FJA Group. In addition, interest income and interest expenses, regular amortisation, main earnings and expense items and main non-cash items are not part of the Group's in-house reporting and are therefore not separately listed in segmental reporting.

Prior-year figures do not have to be reported as the Life Assurance, Non-Life Insurance and Banking segments were not presented until the 2010 financial year.

2. Disclosures about products and services

Turnover from external customers is classified according to products and services as follows:

	2010	2009
	000 EUR	000 EUR
Services	93,725	50,036
Licences	8,872	8,979
Maintenance	12,867	8,914
Other income	772	473
Group turnover	**116,236**	**68,402**

3. Disclosures about geographical areas

Turnover from external customers by country is recorded on the basis of the respective COR&FJA Group company that managed the transaction and is classified as follows:

	2010	2009
	000 EUR	000 EUR
Germany	99,779	51,197
USA	8,835	9,882
Switzerland	5,738	5,802
Slovenia	1,299	1,355
Benelux	316	100
Austria	269	66
Total	**116,236**	**68,402**

Non-current assets, consisting of goodwill, other intangible assets, property, plant and equipment and other claims, are comprised as follows:

	2010	2009
	000 EUR	000 EUR
Germany	43,724	45,781
Slovakia	245	221
USA	197	65
Switzerland	70	86
Slovenia	38	34
Austria	26	43
Benelux	16	15
Total	**44,314**	**46,245**

4. Disclosures about important customers

In the financial year ended, the COR&FJA Group did not have any customers (previous year: one customer) whose turnover was at least 10 per cent of aggregate turnover. The total income provided by this customer for 2009 amounted to EUR 6,200,000.

VII. NOTES ON THE PROFIT AND LOSS ACCOUNT

1. Turnover

The turnover includes invoiced revenues for licences, services, maintenance services, cost reimbursements and reductions in earnings. It also includes turnover from chargeable services which are shown as receivables not yet invoiced or advance payments received using the percentage-of-completion method (PoC). All in all, EUR 25,461,000 (previous year: EUR 8,854,000) was realised using the PoC method in 2010.

Projects measured using the PoC method had the following income and expenses components as of the reporting date:

	2010	2009
	000 EUR	000 EUR
Turnover recognition (PoC) in the financial year	14,418	4,912
Recorded expenses in the financial year	11,013	3,273
Reported profit in the financial year	3,405	1,639

2. Capitalised own services for development

The Group's business activity encompasses the development of software products. The expenses incurred in connection with this are set off as expenses pursuant to IAS 38 up to the time when the technological feasibility has been established with certainty; costs incurred thereafter are capitalised as development costs until the products have been completed and receive general approval. In consideration of this period from the time of software products' technological availability to the time of their readiness for marketing, no capitalisable expenses were incurred in the development of software products in the reporting period. In the financial year under review, development work for new functionalities was performed only within the scope of customer orders with the objective of maintaining the software's marketability. In the previous year, own work for developments was capitalised through profit and loss in the amount of EUR 422,000. This included development work within the framework of product development for the COR.FJA Insurance Suite.

3. Cost of purchased services

	2010	2009
	000 EUR	000 EUR
Freelance employees	12,377	3,428
Computing centre services	2,318	0
Purchased goods for resale and similar services	400	710
Total	**15,095**	**4,138**

The cost of purchased services primarily encompasses the cost of freelance employees.

4. Personnel expenses

	2010	2009
	000 EUR	000 EUR
Wages and salaries	66,474	43,846
Social security contributions	10,293	6,251
Personnel expenses excluding pensions	76,767	50,097
Pension expenses	714	632
Total	**77,481**	**50,729**

Social security contributions comprise, in particular, the employers' contribution to social insurance and contributions to the employers' liability insurance association.

The employers' contribution to the statutory pension scheme amounted to EUR 4,325,000 (previous year: EUR 2,560,000) in the reporting period.

Pension expenses primarily comprise the allocations to pension provisions and other old-age benefit systems.

5. Other operating income

	2010	2009
	000 EUR	000 EUR
Income from the reversal of other provisions and other liabilities	720	498
Use-related reversal of provisions	479	0
Use of company cars	143	130
Rental income	611	644
Income from compensation	360	2,450
Other	798	366
Total	**3,111**	**4,088**

The use-related reversals of provisions in question concern the use of provisions that cannot be clearly allocated to individual expense items.

The item 'Other' consists primarily of income relating to other periods, the settlement of payments in kind and insurance compensation.

In the previous year, The income from compensation amounting to EUR 2,450,000 relates to the cancellation of a long-term service contract that had been concluded with a Dutch customer. On this subject, cf. the explanations under 'VIII. Notes to the Balance Sheet, 7. Other Financial Receivables'.

6. Other operating expenses

	2010	2009
	000 EUR	000 EUR
Consulting, accounting, Supervisory Board	1,789	1,767
Ongoing training	445	400
Staff recruitment	211	47
Costs of business premises	7,395	5,522
Advertising expenses	744	807
Travel expenses	3,464	2,382
Motor vehicle costs	701	260
Communication expenses	799	565
IT expenses	1,232	638
Project costs	56	236
Valuation allowances for accounts receivable	0	5
Exchange losses	20	17
Lease costs	712	650
Bad debt losses	20	1,016
Insurance companies	455	355
Other	1,182	453
Total	**19,225**	**15,120**

The item 'Other' consists mainly of expenditure on fees, premiums, magazines, donations and office supplies.

The fees incurred for auditing services in the 2010 financial year and the previous year amounted to:

	2010	2009
	000 EUR	000 EUR
Audits of financial statements (including outlays)	204	235
Other certification and valuation services	40	81
Tax consulting services	0	6
Other services	0	127
Total	**244**	**449**

7. Depreciation of property, plant and equipment and amortisation of intangible assets

	2010	2009
	000 EUR	000 EUR
Depreciation of property, plant and equipment and amortisation of intangible assets	4,668	1,454
Impairment costs of intangible assets	0	0
Total	**4,668**	**1,454**

Depreciation of property, plant and equipment and amortisation of intangible assets includes the depreciation of the unrecognised, intangible assets identified in the course of the merger with COR AG and amounting to the sum of EUR 2,400,000.

8. Net interest result

	2010	2009
	000 EUR	000 EUR
Interest income	248	240
Interest expenses	-795	-514
Net interest result	**-547**	**-274**
Of which from financial instruments in the valuation categories:		
Loans and receivables	-77	-34
Financial assets held for sale	0	0
Financial liabilities measured at amortised cost	0	0
Hire-purchase liabilities	-135	-264

The net interest income relates to the interest on cash and cash equivalents, income from the discounting of non-current trade receivables, income from the accrual of additional interest on current income tax claims and refund interest vis-à-vis the tax authorities.

There are no net interest income and expenses in the valuation categories ‘Held-to-maturity investments’, ‘Assets measured at fair value through profit and loss’ and ‘Liabilities measured at fair value directly through profit and loss’.

9. Income from participating interests

	2010	2009
	000 EUR	000 EUR
Valuation of B+S Banksysteme Aktiengesellschaft	3,164	0
Profit distributions from innovas GmbH	174	163
Total	**3,338**	**163**

Income from participating interests includes the difference between the fair value and the book value to the tune of EUR 3,164,000 from the valuation of shares in B+S Banksysteme Aktiengesellschaft (see IV. Business Combinations) and profit distributions from innovas GmbH amounting to EUR 174,000 (previous year: EUR 163,000).

10. Taxes on income and revenues

The tax expenses arise from the components listed below:

	2010	2009
	000 EUR	000 EUR
Current income tax expenses		
Germany	220	-146
Other countries	-620	-661
Total current income taxes	**-400**	**-807**
Deferred taxes from temporary differences	-2,037	294
Deferred taxes on tax loss carryforwards	3,273	-43
Total deferred income taxes	**1,236**	**251**
Total	**836**	**-556**

The actual tax expenses included income amounting to EUR 318,000 (previous year: EUR 28,000) which relates to the previous periods.

As a result of the restructuring measures carried out in 2008 and 2009, there was a partial change of shareholders at COR&FJA AG. This led to the partial elimination of the domestic loss carryforwards that had existed within the Group. The loss carryforwards of the former FJA AG have been eliminated completely. On the basis of an expert opinion, the company is assuming that the other loss carryforwards that existed as of 31 December 2008 were reduced by 31.41 per cent pursuant to Section 8c, German Corporate Tax Act (KStG). The current domestic losses from 2009, however, can be carried forward without restrictions from a current point of view. There is a certain risk, however, that the domestic loss carryforwards will be eliminated completely in the future as the result of a further-reaching change of shareholders.

As of 31 December 2010, the COR&FJA Group had unutilised corporate tax loss carryforwards amounting to EUR 82,400,000 (previous year: EUR 71,226,000) and trade tax loss carryforwards amounting to EUR 63,126,000 (previous year: EUR 60,225,000) for which deferred tax assets were formed to the extent that their realisability was guaranteed with a sufficient degree of certainty. All in all, deferred tax assets were formed for corporate tax loss carryforwards amounting to EUR 27,150,000 (previous year: EUR 13,669,000) and trade tax loss carryforwards amounting to EUR 22,884,000 (previous year: EUR 13,178,000).

The loss carryforwards with no time limit on their utilisation amount to EUR 71,103,000 (previous year: EUR 61,562,000) for corporate income tax and to EUR 63,126,000 (previous year: EUR 60,225,000) for trade tax.

The loss carryforwards with limits on their utilisation can, from a time perspective, be utilised for the last time in the subsequent years.

	2011	2012	2013	2016 and later
	000 EUR	000 EUR	000 EUR	000 EUR
Loss carryforwards	7,031	1,253	1,486	1,502

The non-reporting of the deferred tax assets on current losses in the financial year had the effect of reducing earnings by EUR 59,000 (previous year: EUR 1,490,000).

The actual tax expenses were reduced by EUR 951,000 (previous year: EUR 581,000) thanks to the utilisation of tax loss carryforwards that were not yet activated and resulted from previous years.

Deferred tax income amounting to EUR 2,233,000 (previous year: EUR 880,000) results from the reporting of deferred tax claims on loss carryforwards from previous periods that were previously not covered by deferred tax.

The aforementioned effects are contained in the following reconciliation statement under ‘Effects of tax losses’.

In the following reconciliation statement for the Group, the individual company-specific reconciliation statements are condensed taking account of consolidation measures. In the process, the expected tax expenses are reconciled with the effectively reported tax expenses.

The tax rate of 30 per cent applied in the reconciliation statement reflects the domestic tax rate of 15.83 per cent for corporate income tax and solidarity surcharge and of 14.17 per cent for trade tax that have applied since 2008.

	2010	2009
	000 EUR	000 EUR
Earnings before income taxes	5,510	1,498
Tax rate	30%	30%
Expected income taxes	**-1,653**	**-450**
Tax effects with regard to:		
Difference in tax rates	16	-185
Changes in tax rates	0	-38
Tax-free income and tax additions and deductions	-158	105
Effect of tax losses	2,708	-22
Taxes for previous years	-70	42
Consolidation effects	0	0
Other	-7	-8
Effective income taxes	**836**	**-556**

On this subject, cf. the explanations under ‘VIII.12. Deferred tax claims’.

VIII. NOTES TO THE BALANCE SHEET

1. Cash and cash equivalents

	2010	2009
	000 EUR	000 EUR
Other collateralised fixed-term deposit accounts	1,063	2,567
Uncollateralised current accounts	14,286	19,715
Total	**15,349**	**22,282**

The cash and cash equivalents comprise collateralised and uncollateralised cash in hand and bank balances. The cash and cash equivalents correspond to the total funds shown in the Cash Flow Statement.

Fixed-term deposits amounting to EUR 1,063,000 (previous year: EUR 2,567,000) are used as collateral for various sureties. As of 31 December 2010, the uncollateralised cash and cash equivalents amount to EUR 14,286,000 (previous year: EUR 19,715,000).

2. Securities

	2010	2009
	000 EUR	000 EUR
Mittelschule und Tourismusfachschule Samedan AG (Samedan High School and College of Tourism), Samedan (Switzerland)	3	3
plenum AG, Wiesbaden (Germany)	140	145
Units	0	107
Total	**143**	**255**

The shares held in Mittelschule und Tourismusfachschule Samedan AG, Samedan (Switzerland), amounting to EUR 3,000, have been posted under securities. The company is not listed. They are valued at acquisition costs.

Furthermore, as of 31 December 2010, COR&FJA AG held freely marketable shares in plenum AG, Wiesbaden, amounting to EUR 140,000 (previous year: EUR 145,000). As a result of the disposal of 43,980 shares at a price of EUR 22,000, a loss of EUR 14,000 was incurred, which is reported under other operating expenses. In the course of adjustments made to the stock market price during the year under review, a valuation allowance came about amounting to EUR 31,000 (previous year: value adjustment of EUR 23,000). The change in the market value of the financial instrument classified as held for trading was recognised under other operating income (previous year: other operating expenses). For the purchase of further shares in plenum AG, see 'III. Consolidation Group, 1. Subsidiaries' and 'XV. Events after the Balance Sheet Date'.

The fund units recognised under securities with a value of EUR 107,000 as per the balance-sheet date of the previous year were sold in the reporting period. The sales revenue amounted to EUR 107,000.

3. Trade receivables

	2010	2009
	000 EUR	000 EUR
Invoiced receivables	17,157	15,923
PoC receivables	15,038	7,870
Total	**32,195**	**23,793**

The trade receivables fall due within one year.

000 EUR		Of which: impaired		Of which: neither impaired nor over-due the balance sheet date	Of which: not impaired and overdue in the following time bands as at the balance sheet date				
Invoiced receivables	Gross value		Book value		< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 360 days
As of 31.12.2010	17,208	51	17,157	11,425	3,093	1,196	350	38	1,055
As of 31.12.2009	16,078	155	15,923	12,350	2,525	128	48	100	772

Concerning the portfolio of trade receivables that have been invoiced for, which was neither impaired nor in default, as at the balance sheet date, there were no indications that the debtors would not meet their payment obligations.

The valuation allowances on receivables that have been invoiced for developed as follows:

	2010	2009
	000 EUR	000 EUR
Valuation allowances as of 01.01.	**155**	**136**
Changes, consolidation group	0	152
Transfers	0	5
Consumption	0	-27
Reversals	-104	-111
Valuation allowances as of 31.12.	**51**	**155**

The full amount of the transfers, i.e. EUR 0 (previous year: EUR 5,000), consumption, i.e. EUR 0 (previous year: EUR 27,000), and reversals, i.e. EUR 104,000 (previous year: EUR 111,000), relates to itemised valuation allowances.

The table below shows the cost of cancelling receivables that have been invoiced for entirely, as well as the income from the receipt of cancelled receivables:

	2010	2009
	000 EUR	000 EUR
Cost of cancelling receivables entirely	20	1,016
Income from the receipt of cancelled receivables	0	0

The cost of cancelling receivables has been posted under other operating expenses, and income from the receipt of cancelled receivables under other operating income.

In connection with the projects valued according to the percentage-of-completion method (PoC), the COR&FJA Group sets off the total amount of the costs incurred and the profits posted against the amount of the advance payments that have been offset. If this results in a positive balance, the latter will be reported under the item trade receivables, and, if it results in a negative balance, under other current liabilities.

Overall, for all orders, the following balances result under assets and liabilities respectively:

2010

	Orders under asset	Orders under liabilities	Total
	000 EUR	000 EUR	000 EUR
Total amount of costs incurred and profits posted	25,844	3,083	28,927
Offset advance payments	-10,806	-3,455	-14,261
Total	**15,038**	**-372**	**14,666**

2009

	Orders under asset	Orders under liabilities	Total
	000 EUR	000 EUR	000 EUR
Total amount of costs incurred and profits posted	27,125	925	28,050
Offset advance payments	-19,255	-1,639	-20,894
Total	**7,870**	**- 714**	**7,156**

In order to provide security for credit lines, receivables amounting to EUR 7,162,000 were assigned to financial institutions in the reporting year (previous year: EUR 6,000,000).

4. Receivables and liabilities vis-à-vis affiliated companies

	2010	2009
	000 EUR	000 EUR
Receivables from affiliated companies	154	49
Amounts owed to affiliated companies	-171	-135

Receivables from affiliated companies in the reporting year to the tune of EUR 154,000 exist largely with respect to msg systems AG, Ismaning at EUR 75,000 (previous year: EUR 0) and msg services AG, Ismaning, at EUR 64,000 (previous year EUR 0). In the prior-year period, receivables from affiliated companies with respect to innovas GmbH, Hamburg were reported (EUR 49,000). These receivables are due within one year.

Liabilities owed to affiliated companies are valued at EUR 171,000 and exist with respect to msg systems AG, Ismaning at EUR 22,000 (previous year: EUR 81,000), msgGillardon AG, Bretten at EUR 56,000 (previous year: EUR 54,000), innovas GmbH, Hamburg at EUR 31,000 (previous year: EUR 0) and msg services AG, Ismaning at EUR 62,000 (previous year: EUR 0). These liabilities have a residual term of up to one year.

5. Inventories

The inventories (work in progress that cannot yet be charged for), amounting to EUR 15,000, relate to the region of Germany only (previous year: EUR 145,000). In the reporting period and in the same period the previous year, no impairments were reported as expenses.

In the reporting year and in the previous year, no inventories were reported at fair current value minus selling expenses.

No inventories providing security for liabilities were pledged.

6. Ongoing income tax claims

	2010	2009
	000 EUR	000 EUR
Short-term	636	822
Long-term	577	753
Total	**1,213**	**1,575**

The current income tax claims consisted of advance payments and refund claims for corporation and trade tax amounting to EUR 1,213,000 (previous year: EUR 1,575,000). The short-term portion of this was EUR 636,000 (previous year: EUR 822,000), and the long-term portion, EUR 577,000 (previous year: EUR 753,000). The long-term portion related to the long-term component of the capitalised corporation tax credit balance.

7. Other financial receivables (short-term)

	2010	2009
	000 EUR	000 EUR
Loan, loans, mortgages	650	250
Security deposits	44	40
Claims for indemnity	0	2,450
Purchase price receivable	0	1,200
Other	1	41
Total	**695**	**3,981**

In the previous year, what was at the time COR AG Financial Technologies announced on 30 March 2009 that, as of 1 April 2009, it would own a 51 per cent majority stake in Uniserv Outsourcing B.V., Lelystad (the Netherlands). A further 25 per cent of the shares in Uniserv were held by DBV Holding N.V., Zeist (the Netherlands). Since that time, SNS Reaal N.V., Utrecht (the Netherlands), has decided to integrate its subsidiary, DBV, fully into the SNS Group. In doing so, it was changing the plan it had had hitherto of outsourcing the DBV IT department to Uniserv. Thus, COR&FJA's 51 per cent stake in Uniserv was sold to DBV with effect as of 31 December 2009. The sale price of the shares corresponds to the purchase price of the time, being EUR 1,200,000.

With regard to the previous year's claim for indemnity, see the statements made in 'VII. Notes to the Profit and Loss Account, 5. Other Operating Income'.

The other financial receivables (short-term) fall due within one year.

8. Other short-term assets

	2010	2009
	000 EUR	000 EUR
Value-added tax	91	63
Deferred items	309	358
Other	435	651
Total	**835**	**1,072**

In particular, the part-payments of the insurance and rent paid in the reporting year that do not give rise to expenditure until the following year are reported under prepaid expenses.

9. Goodwill and other intangible assets

2010	Other intangible assets			
	Goodwill	Development costs	Other	Total
	000 EUR	000 EUR	000 EUR	000 EUR
Acquisition costs as of 01.01.2010	31,191	1,691	18,955	51,837
Additions	0	0	323	323
Disposals	0	0	-405	-405
Foreign currency differences	0	0	28	28
As of 31.12.2010	**31,191**	**1,691**	**18,901**	**51,783**
Depreciation and amortisation as of 01.01.2010	6,582	463	2,455	9,500
Additions	0	331	2,861	3,192
Disposals	0	0	-385	-385
Foreign currency differences	0	0	25	25
As of 31.12.2010	**6,582**	**794**	**4,956**	**12,332**
Book value as of 31.12.2010	**24,609**	**897**	**13,945**	**39,451**

2009	Other intangible assets			
	Goodwill	Development costs	Other	Total
	000 EUR	000 EUR	000 EUR	000 EUR
Acquisition costs as of 01.01.2009	10,165	1,714	1,905	13,784
Additions	0	423	387	810
Accruals to the consolidation group	21,026	0	17,360	38,386
Disposals	0	-446	-697	-1,143
Foreign currency differences	0	0	0	0
As of 31.12.2009	**31,191**	**1,691**	**18,955**	**51,837**
Depreciation and amortisation as of 01.01.2009	6,582	849	721	8,151
Additions	0	60	613	673
Accruals to the consolidation group	0	0	1,525	1,525
Disposals	0	-446	-403	-849
Foreign currency differences	0	0	0	0
As of 31.12.2009	**6,582**	**463**	**2,455**	**9,500**
Book value as of 31.12.2009	**24,609**	**1,228**	**16,500**	**42,337**

The research and development costs (personnel expenses and other operating expenses) that were recognised under expenses in 2010 amounted to EUR 15,983,000 (previous year: EUR 10,787,000).

The additions that were capitalised in the 2009 financial year consist of capitalisations for own work, and capitalisations of work connected with the implementation of the cost accounting in SAP.

In addition, we refer to the notes included in 'VII.2. Capitalised Own Work for Development'.

As security for the fulfilment of its liabilities under two leases that it has concluded with a licensee (see under 'VIII. Notes to the Balance Sheet, 19. Other Financial Liabilities'), through its subsidiary, COR&FJA Deutschland GmbH, COR&FJA AG has deposited the source programs and the development documentation relating to the COR.FJA Life Factory standard software in a neutral place.

The valuation tests for goodwill and individual intangible assets that must be conducted every year were carried out in the reporting year, so that any indications that an impairment existed could be established.

Information on the other intangible assets in the reporting year

There are no events or changes of circumstance on account of which the individual book values can no longer be achieved. Therefore, no extraordinary impairments on the other intangible assets were reported in the financial year.

Information on the other intangible assets in the previous year

Nor were there any events or changes of circumstance in 2009 on account of which the individual book values could no longer be achieved. Therefore, no extraordinary impairments on the other intangible assets had been reported in the previous year.

The valuation of the goodwill was assessed in accordance with IAS 36 and on the basis of cash generating units. The goodwill is made up of the following:

	31.12.2010	31.12.2009
	000 EUR	000 EUR
COR&FJA OdaTeam	952	952
COR&FJA Systems	18,191	18,191
COR&FJA Alldata Systems	2,835	2,835
COR&FJA Deutschland	1,345	1,345
FJA-US	81	81
PYLON	1,205	1,205
Total	24,609	24,609

For the verification of the valuation of the goodwills, the book values of the goodwill were allocated to individual cash generating units. The book values (net assets) of the individual cash generating units were then checked so that any requirement that existed for impairment could be established. The achievable amount corresponding to the value in use that had been ascertained according to the 'discounted cash flow' method was thus compared with the book values. In accordance with the definition of the cash generating unit, the COR&FJA OdaTeam, COR&FJA Systems, COR&FJA Alldata Systems, COR&FJA Deutschland, FJA-US and PYLON business units within the COR&FJA Group were used as cash generating units.

Information on the goodwill in the reporting year

No impairments on goodwill were carried out in the reporting year as a result of the valuation tests.

Information on the goodwill in the previous year

In the previous year, no impairments were carried out on goodwill.

The valuation of the other goodwill was verified on the basis of cash flows that were estimated for the future and which were derived from the plans. The basis used to establish future cash flows was the data emanating from the corporate plans for the financial years to 2013, with subsequent transition to perpetuity. These plans use a planning horizon of three years. For the period of time thereafter ('perpetuity'), a growth rate of 0.5 per cent on average was applied to the cash flows in the valuation tests.

The free cash flows were discounted with a capital cost rate (WACC) of 5.27 per cent p.a. (previous year: 7.3 per cent p.a.) before tax. Sensitivity analyses revealed that significant deviations from the plan assumptions did not lead to a valuation allowance requirement with respect to goodwill.

10. Property, plant and equipment

2010

	Buildings on third-party land	Hardware and software	Factory and office equipment	Total
	000 EUR	000 EUR	000 EUR	000 EUR
Acquisition costs as of 01.01.2010	3,580	5,450	5,285	14,315
Additions	1,218	948	355	2,521
Disposals	-307	-795	-171	-1,273
Foreign currency differences	33	-64	29	-2
As of 31.12.2010	**4,524**	**5,539**	**5,498**	**15,561**
Depreciation and amortisation as of 01.01.2010	2,860	4,405	3,896	11,161
Additions	334	688	453	1,475
Disposals	-281	-885	-163	-1,329
Foreign currency differences	27	-69	23	-19
As of 31.12.2010	**2,940**	**4,139**	**4,209**	**11,288**
Book value as of 31.12.2010	**1,584**	**1,400**	**1,289**	**4,273**

2009

	Buildings on third-party land	Hardware and software	Factory and office equipment	Total
	000 EUR	000 EUR	000 EUR	000 EUR
Acquisition costs a s of 01.01.2009	3,315	4,559	2,968	10,842
Additions	5	573	431	1,009
Accruals to the consolidation group	407	3,461	2,318	6,186
Disposals	-136	-3,136	-426	-3,698
Foreign currency differences	-11	-7	-6	-24
As of 31.12.2009	**3,580**	**5,450**	**5,285**	**14,315**
Depreciation and amortisation				
As of 01.01.2009	2,383	4,477	2,401	9,261
Additions	340	192	250	782
Accruals to the consolidation group	280	2,855	1,628	4,763
Disposals	-132	-3,113	-378	-3,623
Foreign currency differences	-11	-6	-5	-22
As of 31.12.2009	**2,860**	**4,405**	**3,896**	**11,161**
Book value as of 31.12.2009	**720**	**1,045**	**1,389**	**3,154**

No extraordinary impairments or write-ups on assets within property, plant and equipment were carried out in the reporting year or in the previous year, since there were no relevant events relating to changes in the circumstances.

11. Financial investments

	31.12.2010	31.12.2009
	000 EUR	000 EUR
Shareholding, B+S Banksysteme Aktiengesellschaft	3,881	0
Shareholding, innovas GmbH	2,898	2,895
Shareholding, ARGE FJA KR BU-System	3	3
Shareholding, Life Insurance Inc.	0	0
Shareholding, H.C.M. Capital Management AG	0	0
Other	0	3
Total	**6,782**	**2,901**

Regarding the participating interest in B+S Banksysteme Aktiengesellschaft, please see the information provided in 'IV. Business Combinations'. The shares are classified in the category, 'Available-for-sale investments'.

COR&FJA AG owns 10 per cent of innovas GmbH, Hamburg. The shareholding in innovas GmbH, amounting to EUR 2,898,000, is classified as an available-for-sale financial instrument. Since there are no active markets for shareholdings in small, non-listed companies and the fair value cannot be established reliably, the shareholding is reported in the subsequent periods at net book value. The soundness of the financial investment at the time of acquisition was calculated on the basis of the capitalised earnings value by means of an expert opinion taking account of the principles of corporate valuation as defined by the new version of the IDW S 1 standard established by the Institute of Public Auditors in Germany (IDW). There are no indications of impairment. In the 2010 financial year, COR&FJA AG collected dividend payouts from innovas GmbH amounting to EUR 174,000 (previous year: EUR 163,000) as income from affiliated companies (cf., in this regard, 'VII.9. Income from Participating Interests'). Since msg systems AG, Ismaning, a subsidiary of msg group GmbH, Ismaning, owns 90 per cent of the shares in innovas GmbH and – because of the merger that took place on 19 October 2009 of the former COR AG with the former FJA AG – is considered the most senior parent company of COR&FJA AG, the shares are not posted as a consolidated shareholding in an affiliated company.

The shareholding in ARGE FJA KR BU-System, Munich, has not been consolidated. The COR&FJA Group does not have a decisive influence over ARGE FJA KR BU-System, as it does not have many opportunities to collaborate in the financial and business decision-making processes of the partly owned subsidiary. The COR&FJA Group owns 50 per cent of the shares. ARGE's shareholders' equity amounts to EUR 88,000 as of 31 December 2010 (previous year EUR 81,000). The total assets are EUR 132,000 (previous year EUR 86,000), and the total liabilities are EUR 44,000 (previous year EUR 5,000). In the 2010 financial year, ARGE generated turnover of EUR 108,000 (previous year EUR 122,000) and a result of EUR 7,000 (previous year EUR 36,000).

FJA-US owns 2.5 per cent of the nominal capital of Life Insurance Inc., New York (USA). Because of the company's financial situation, a full valuation allowance was effected for the shareholding in 2002.

COR&FJA AG owns 25 per cent of the shares plus one share in H.C.M. Capital Management AG, Munich. H.C.M. Capital Management AG is not a listed company. Since COR&FJA AG has a decisive influence over the company, the shares are accounted for at equity as a shareholding in a group undertaking. Because of the economic situation of H.C.M. Capital Management GmbH, a full valuation allowance had already been effected for the shareholding before 31 October 2009. As no other, more current information is known about the economic situation of H.C.M. Capital Management AG, the present evaluation shall continue to apply.

The valuation allowances on the financial investments developed as follows:

	2010	2009
	000 EUR	000 EUR
Valuation allowances as of 01.01.	**478**	**53**
Price differences	0	0
Transfers to the consolidation group	0	425
Transfers	60	0
Consumption	0	0
Reversals	0	0
Valuation allowances as of 31.12.	**538**	**478**

12. Deferred tax claims and deferred tax liabilities

The deferred taxes were determined using the relevant country-specific tax rates that were between 22 per cent and 41.1 per cent (previous year: between 20 per cent and 45.6 per cent). Changes in tax rate that had already been decided upon as of the balance sheet date were taken into account when the deferred taxes were determined.

As was the case last year, the deferred taxes of the domestic companies have been evaluated according to the applicable trade tax collection rate using an aggregate tax rate, including the solidarity surcharge, of between 30 per cent and 32.98 per cent.

The deferred taxation is allocated to the following balance sheet items:

	31.12.2010		31.12.2009	
	Assets	Liabilities	Assets	Liabilities
	000 EUR	000 EUR	000 EUR	000 EUR
Receivables not yet invoiced	1,173	2,497	265	949
Receivables and other current assets	119	176	10	515
Intangible assets	426	4,225	550	4,700
Financial assets	0	790	0	0
Property, plant and equipment	112	24	162	436
Deferred charge	0	0	30	0
Other provisions	139	2	326	2
Pension provisions	642	0	443	0
Other financial liabilities	180	1,000	405	125
Deferred revenue	0	0	0	0
Tax losses carried forward	7,724	0	4,426	0
Total	**10,515**	**8,714**	**6,617**	**6,727**

The deferred taxes that were recognised in shareholders' equity amount to EUR 195,000 (previous year: EUR 295,000).

13. Other financial receivables (long-term)

	31.12.2010	31.12.2009
	000 EUR	000 EUR
Total	**0**	**23**

14. Financial liabilities

	31.12.2010	31.12.2009
	000 EUR	000 EUR
Short-term	0	3,000
Long-term	0	0
Total	**0**	**3,000**

Interest-bearing credit liabilities based on a contractual obligation to a third party are posted under financial liabilities.

Specifically, the financial liabilities were as follows:

Type	Credit currency	000 EUR		Interest rate p.a.	
		31.12.2010	31.12.2009	2010	2009
Bank credit	EUR	0	3,000	-	5.5%

15. Trade payables

Trade payables have as in the previous year a residual term of up to one year.

16. Current income tax liabilities

	31.12.2010	31.12.2009
	000 EUR	000 EUR
Short-term	623	1,667
Long-term	0	0
Total	**623**	**1,667**

The current income tax liabilities are due in the short term.

17. Other provisions

	31.12.2009	Foreign currency differences	Consumption	Reversal	Transfer	31.12.2010
	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR
Guarantee payments	1,042	11	-218	-499	13	349
Provision for project costs	19	4	0	0	0	23
Contingent losses	525	13	-160	-38	37	377
Expected incoming invoices	1,203	12	-776	-305	939	1,073
Other	1,120	5	-623	-147	504	859
Other provisions	**3,909**	**45**	**-1,777**	**-989**	**1,493**	**2,681**

The above-mentioned reversals amounting EUR 989,000 include use-related reversals to the tune of EUR 479,000.

The reversals of provisions are reported in the profit and loss account under other operating income (VII.5.).

During the reporting period, no increases took place in the discounted amounts because of the passage of time.

The valuation as of the balance sheet date takes into account the financial charges the company is expected to have to bear.

Provisions for guarantee payments were formed on the basis of the existing or estimated future claims experience.

The provision for project costs includes the cost of services not yet rendered.
The provisions for contingent losses include the cost of rental agreements and the negative market value of an interest swap.

Provisions for expected incoming invoices affect other operating expenses and costs of purchased services.

The other provisions essentially included the provisions formed for the financial statements, Annual Report, etc.

As of the balance sheet date, the other provisions had the following maturity pattern:

	Long-term 2010	Long-term 2009	Short-term 2010	Short-term 2009	Total 2010	Total 2009
	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR
Guarantee payments	0	0	349	1,042	349	1,042
Provision for project costs	0	0	23	19	23	19
Contingent losses	128	151	249	374	377	525
Expected incoming invoices	0	0	1,073	1,203	1,073	1,203
Other	434	340	425	780	859	1,120
Other provisions	**562**	**491**	**2,119**	**3,418**	**2,681**	**3,909**

Payments under the provision for guarantee payments are not made directly, but are essentially effected in the context of personnel and other operating expenses.

The sums accounted for under the provisions for project costs, contingent losses, expected incoming invoices and other provisions (totalling EUR 2,332,000; previous year: EUR 2,867,000) must be paid out in the short term within the scope of operating activity, with the exception of a sum amounting to EUR 562,000 (previous year: EUR 491,000).

COR&FJA Group has sufficient liquid funds to make the payments concerned using the provisions.

18. Other current liabilities

	31.12.2010	31.12.2009
	000 EUR	000 EUR
Tax liabilities	2,208	1,314
Payments received on account for customer orders	372	714
Deferred items	988	662
Total	**3,568**	**2,690**

Concerning the payments received on account for customer orders, see the statements made in ‘VIII. Notes to the Balance Sheet, 3. Trade Receivables’.

19. Other financial liabilities

	31.12.2010	31.12.2009
	000 EUR	000 EUR
Liabilities from the personnel and welfare area	9,169	8,331
Hire purchase liability	837	2,277
Purchase price liability	0	1,173
Recollaterisation of guarantee, B+S Banksysteme Aktiengesellschaft	400	0
Other	346	1,012
Total	**10,752**	**12,793**

The liabilities from the personnel and welfare area relate principally to liabilities from holiday, overtime and bonus entitlements.

Via contracts dated 15 December 2006 and 22 January 2007, COR&FJA Deutschland GmbH concluded two sale and finance leaseback transactions with a licensee relating to the COR.FJA Life Factory standard software (COR&FJA license no. A.1.000-2006 and COR&FJA license no. B 1.000-2007). In each instance, under a software licensing agreement, COR&FJA Deutschland GmbH initially sold the licensee an unrestricted right to use this standard software in perpetuity for a single fee (EUR 3,000,000 in each case). In a second phase, by means of hire purchase, the parties agreed the temporary handing over of the right to use this license by the licensee, as the lessor, to COR&FJA Deutschland GmbH, as the hire purchaser, through the granting of a sublicense in consideration of regular, recurring rental payments (each amounting to EUR 65,738.44), for a period of 54 months. Since the main opportunities and risks that relate to the asset are associated with its ownership remain with the COR&FJA Group, what has been created is a finance leasing and/or hire purchase liability scenario. The hire purchase liability is commensurate with the cash value of the minimum leasing payments. The lessee's initial direct costs have been included in the valuation. As of 31 December 2010, the hire purchase liability amounted to EUR 837,000 (previous year: EUR 2,277,000).

As security for the fulfilment of its liabilities under the two leases, through its subsidiary, COR&FJA Deutschland GmbH, COR&FJA AG has deposited each source code and the related development documentation in a neutral place. In addition, in each case, COR&FJA AG has assumed a directly enforceable maximum guarantee for the fulfilment of all the liabilities of the hire purchaser, COR&FJA Deutschland GmbH, amounting to EUR 132,000.

For the conditions of recollaterisation of the guarantee, B+S Banksysteme Aktiengesellschaft, see 'IV. Business Combinations'.

The 'Other' item essentially included the wage and church tax liabilities.

Furthermore, in the previous year, the liability ('puttable liability') arising from the anticipated exercising of the call/put agreement that was concluded with msg systems AG in connection with the acquisition of COR&FJA Alldata Systems GmbH was also entered under other financial liabilities. The purchase price liability, amounting to EUR 1,255,000 (nominally), was recognised at its cash value as part of the first-time consolidation procedure. The net book value totalled EUR 1,173,000 as of 31 December 2009 and was settled in the 2010 financial year.

As of the balance sheet date, the other financial liabilities had the following maturity pattern:

31.12.2010

	Total	Residual term of up to 1 year	Residual term of between 1 year and 5 years	Residual term of more than 5 years
	000 EUR	000 EUR	000 EUR	000 EUR
Liabilities from the personnel and welfare area	9,169	9,169	0	0
Hire purchase liability	837	837	0	0
Recollaterisation of guarantee, B+S Banksysteme Aktiengesellschaft	400	400	0	0
Other	346	346	0	0
Other financial liabilities	**10,752**	**10,752**	**0**	**0**

31.12.2009

	Total	Residual term of up to 1 year	Residual term of between 1 year and 5 years	Residual term of more than 5 years
	000 EUR	000 EUR	000 EUR	000 EUR
Liabilities from the personnel and welfare area	8,331	8,331	0	0
Hire purchase liability	2,277	1,440	837	0
Purchase price liability	1,173	1,173	0	0
Other	1,012	1,012	0	0
Other financial liabilities	**12,793**	**11,956**	**837**	**0**

The tables below show the contractually agreed (non-discounted) interest and redemption payments relating to the other financial liabilities:

000 EUR As of 31.12.2010	Total	Cash flows 2011		Cash flows 2012		Cash flows 2013 – 2015	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
Liabilities from the personnel and welfare area	9,169	0	9,169	0	0	0	0
Hire purchase liability	837	18	837	0	0	0	0
Recollaterisation of guarantee, B+S Banksysteme Aktiengesellschaft	400	0	400	0	0	0	0
Other	346	0	346	0	0	0	0
Other financial liabilities	**10,752**	**18**	**10,752**	**0**	**0**	**0**	**0**

000 EUR As of 31.12.2009	Total	Cash flows 2010		Cash flows 2011		Cash flows 2012 – 2014	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
Liabilities from the personnel and welfare area	8,331	0	8,331	0	0	0	0
Hire purchase liability	2,277	138	1,440	18	837	0	0
Purchase price liability	1,173	0	1,173	0	0	0	0
Other	1,012	0	1,012	0	0	0	0
Other financial liabilities	**12,793**	**138**	**11,956**	**18**	**837**	**0**	**0**

All the financial instruments that were in the portfolio as of the balance sheet date in question, and for which payments have already been contractually agreed, have been included. No budgeted figures have been considered for liabilities that might come about in the future. Financial liabilities that can be met at any time are always allocated to the earliest possible time period.

In the past financial year, 2010, and in the previous year, no bad debt losses or breaches of contract were sustained by the company.

20. Pension provisions

Pension agreements exist for some of the subsidiary companies within the COR&FJA Group in the form of direct defined-benefit obligations. In defined-benefit plans, the employer undertakes to make the promised pension payments and to finance them by forming pension provisions or separate plan assets for pension purposes.

Provisions for pension obligations are formed on the basis of plans for retirement, incapacity and survivors' benefit. Group pension obligations to employees are based on direct and indirect pension commitments. Benefits from direct pension obligations are fundamentally determined as a function of monthly salary and length of service with the company.

The amount of the pension obligation is calculated by actuarial methods using the internationally accepted projected unit credit method, in accordance with IAS 19 ('Employee benefits'), with future obligations being calculated on the basis of the proportional entitlements acquired on the balance sheet date. Evaluation takes account of assumed trends for the relevant variables which affect the amount of benefit. Actuarial calculations are required for all benefit systems.

Not only assumptions about life expectancy and incapacity, but also premises using the biometric principles of the Heubeck mortality table 2005G play a role.

The calculations are based on the following actuarial assumptions for the respective reference dates:

2010

	COR&FJA AG	COR&FJA Deutschland	COR&FJA Alldata	COR&FJA Systems
	% per year	% per year	% per year	% per year
Actuarial interest rates	5.00	5.00	5.00	5.00
Projected increase in salaries	n/a	n/a	2.25	2.25
Rate of pension progression (civil service adjustment)	1.90	1.90	1.90	1.90

2009

	COR&FJA AG	COR&FJA Deutschland	COR&FJA Alldata	COR&FJA Systems
	% per year	% per year	% per year	% per year
Actuarial interest rates	5.75	5.75	5.75	5.75
Projected increase in salaries	n/a	n/a	2.25	2.25
Rate of pension progression (civil service adjustment)	2.25	2.25	1.90	1.90

No allowance was made for the probability of fluctuation.

The outlay for defined-benefit pension plans consists of the following:

	2010	2009
	000 EUR	000 EUR
Continuous service cost	80	31
Interest charges on the project unit credit	370	133
Counter guarantee insurance premiums	70	17
Anticipated returns on plan assets	-36	-21
Total expenses	**484**	**160**

The continuous service cost and counter guarantee insurance premiums are posted as part of HR costs. The interest charges on the projected unit credit and the anticipated returns on the plan assets are shown in the financial result.

The balances of the actuarial gains and losses entered with no impact on earnings are as follows:

	31.12.2010	31.12.2009
	000 EUR	000 EUR
Actuarial gains (+), losses (–)	-543	54

The asset is invested using counter guarantee insurance. 100 per cent of the assets are direct claims from the insurance company. The anticipated long-term returns are based upon past experience of insurance contracts and on anticipated future returns.

No change in the composition of the plan assets is intended in the 2011 financial year.

The actual returns on the plan assets are as follows:

	31.12.2010	31.12.2009
	000 EUR	000 EUR
Actual returns on plan assets	-1	10

Reconciliation calculations of the cash values of defined-benefit obligations, the plan asset values to be reconciled and the figures derived from them for pension provisions are shown below:

	31.12.2010	31.12.2009
	000 EUR	000 EUR
Cash value of the benefit obligation as of 01.01.	6,517	1,432
Continuous service cost	80	31
Interest charges on the project unit credit	370	133
Pension payments	-164	-64
Actuarial gains/losses	580	111
Changes in the consolidation group	0	4,874
Cash value of the benefit obligation as of 31.12.	**7,383**	**6,517**
Plan assets as of 01.01.	1,326	518
Counter guarantee insurance premiums	82	16
Anticipated returns on plan assets	37	22
Benefits paid	-41	0
Partial full funding	0	230
Actuarial gains/losses	-17	-31
Change in the consolidation group	0	571
Plan assets as of 31.12.	**1,387**	**1,326**
Net obligation	**5,996**	**5,191**

The reconciliation calculation of the cash value of the defined-benefit obligation and the fair value of the plan assets with the assets and liabilities posted on the balance sheet is shown below:

	31.12.2010	31.12.2009
	000 EUR	000 EUR
Net obligation at the beginning of the year	**5,191**	**1,631**
Plan assets as of 01.01	n.a.	-517
Actuarial losses as of 01.01.	n.a.	-200
Net cost entered	484	160
Pension costs entered in the schedule of earnings and costs	597	142
Employer's contributions	-153	-33
Benefits paid directly	-123	-64
Partial full funding	0	-230
Change in the consolidation group	0	4,302
Provisions as of 31.12.	**5,996**	**5,191**

Payments amounting to EUR 200,000 are planned for the subsequent year (2011).

21. Subscribed capital

The subscribed capital as of 31 December 2010, after treasury shares had been taken into account, was EUR 40,895,861.00 (31 December 2009: EUR 40,895,861.00). Overall, the subscribed capital is divided into 42,802,453 individual bearer shares (31 December 2009: 42,802,453) each representing an arithmetical proportion of nominal capital of EUR 1.00. Each share represents one vote. No preference shares were issued.

In 2009, the nominal capital of the company was increased by EUR 21,513,100.00 to EUR 42,802,453.00 for the purpose of the merger of COR AG Financial Technologies with FJA AG, in return for contributions in kind of EUR 21,289,353.00, by the issue of new individual bearer shares (ordinary shares) in the arithmetical nominal amount of EUR 1.00 each, at an issue price of EUR 1.00. The new shares were issued to the shareholders of COR AG Financial Technologies during the merger in return for the transfer of the assets of COR AG Financial Technologies, registered in Leinfelden-Echterdingen, in the ratio of fourteen shares in COR AG Financial Technologies to twenty-five shares in FJA AG. The new shares to be issued in return are entitled to a dividend from 1 January 2009.

The Management Board was authorised by the resolution of the ordinary Annual General Meeting of 20 June 2008 to acquire own shares until 20 December 2009 for purposes other than trading. The countervalue for the acquisition of such shares may not exceed or undercut the mean value of the quoted price of the shares on the five stock market trading days preceding the acquisition in the final auction in the XETRA trading system by more than 5%. This resolution was revoked and replaced by the resolution of the ordinary Annual General Meeting of 28 July 2009, authorising the Management Board to acquire own shares until 27 January 2011, with the proviso that at no time will more than 10% of the nominal capital be attributable to own shares owned by or attributable to the company in accordance with Sections 71d and 71e of the German Stock Corporation Act (AktG).

On 21 August 2008, the Management Board of COR&FJA AG resolved, on the basis of the authorisation of the Annual General Meeting of 20 June 2008, to acquire up to 638,680 of its own shares, i.e. around 1.5 per cent of the nominal capital, on the stock exchange from 25 August 2008. In the previous year, COR&FJA AG repurchased a further 120,401 in addition to the 518,279 shares from 2008, so that 638,680 shares had been acquired at a price of EUR 1,193,549.57 as of 31 December 2009. This corresponds to an average acquisition price of EUR 1.87 per share. The purchase price of EUR 1,193,549.57 has been entered directly as nominal capital under subscribed capital (EUR 638,680.00) and capital reserve (EUR 554,869.57). Furthermore, 1,267,912 own shares from the holding of the former COR AG accrued as a result of the merger with COR AG. The accrual of EUR 2,662,615.00 has been entered directly as nominal under subscribed capital (EUR 1,267,912.00) and capital reserve (EUR 1,394,703.00). No treasury shares were bought back in the year under review.

The following resolutions were adopted during the reporting year:

At the Annual General Meeting held on 17 August 2010 it was decided to empower the company to acquire and use treasury shares in the company by 16 August 2015, under partial exclusion of the shareholders' subscription rights, for a proportional amount of up to 10 per cent of nominal capital. The shares can be purchased on the stock exchange or by means of a public purchase offer addressed to all the company's shareholders. As well as by purchase on the stock exchange, the company can also purchase treasury shares by means of a public purchase offer. The company can use the treasury shares as follows: with the approval of the Supervisory Board as a consideration in a business combination or as a consideration in the purchase of companies or interests, furthermore to dispense to employees of the company or companies affiliated to the Group, to service convertible bonds or warrants issued by the company, or to fulfil obligations from employee profit-sharing programmes, disposal of a different type other than on the stock exchange or by means of an offer to all shareholders, for example to an institutional investor or to develop new circles of investors.

The following new capital was approved in the financial year:

At the Annual General Meeting held on 17 August 2010, it was decided that by lifting the empowerment of the Management Board regulated in Section 5 Para. 4 of the company's statutes to increase the nominal capital of the company, with approval of the Supervisory Board, until 22 June 2011 by up to a total of EUR 10,398,708, the Management Board was to be empowered to increase the company's nominal capital by the 16 August 2015 by issuing new individual bearer shares in return for contributions in cash and kind on one or more occasions, to a limit of a maximum sum of EUR 21,401,226.00 The Management Board is authorised to exclude the right of shareholders to subscribe, with approval of the Supervisory Board, in compliance with the precise regulations and to determine the further details with respect to capital increases from authorised capital.
No new capital was approved in the previous year (2009).

The following contingent capital exists from the previous years:

CONTINGENT CAPITAL 2006/I

The nominal capital was increased conditionally by resolution of the Annual General Meeting of 23 June 2006 by up to EUR 10,119,061 (contingent capital 2006/I). The contingent capital increase will only be implemented insofar as the holders or creditors of convertible and/or option bonds, the issue of which by the Management Board was authorised by resolution of the Annual General Meeting of 23 June 2006, exercise their conversion rights and options, or fulfil their conversion obligations arising from such convertible and/or option bonds, by 22 June 2011.

SHARE OPTION SCHEME

On 17 August 2007, the Management Board and the Supervisory Board of COR AG were authorised by the Annual General Meeting to increase the nominal capital of the company by issuing up to 715,000 ordinary bearer shares. The purpose of this contingent capital increase is to grant rights to purchase company shares to the members of the Management Board and employees. In a first tranche, 142,992 options were issued to employees and 35,750 to members of the Management Board of the company until 13 September 2007. 35,748 options in this first tranche lapsed by 31 December 2009 due to employees leaving the company. 107,244 options for employees and 35,750 for members of the Management Board are therefore still outstanding from this first tranche. The options in the first tranche confer the right to acquire shares in COR&FJA AG from 13 September 2010 for up to six years from issue of the options, in specific windows for exercise of the right, at a strike price of EUR 3.78 once the strike price of EUR 4.91 is reached. By 18 April 2008, 142,992 options had been issued to employees in a second tranche, and 35,750 to members of the Management Board. 12,999 options in the second tranche lapsed by 31 December 2009 as a result of employees leaving the company. 129,993 employee options and 35,750 options of members of the Management Board in this second tranche are therefore still outstanding. The options from the second tranche confer the right to purchase shares in COR&FJA AG at a strike price of EUR 4.17 when a strike price of EUR 5.42 is reached, from 18 April 2011 for up to six years after issue of the options, in specific windows for the exercise of the right. A total of 308,737 options from this share option scheme are thus still available for exercise, provided that the conditions of exercise are met.

COR&FJA AG grants all option holders equal rights, in accordance with Section 23 of the German Reorganisation of Companies Act (UmwG). Each option confers a right corresponding to the exchange ratio stipulated in the merger agreement between COR AG and FJA AG to purchase 1.7857 individual bearer shares in COR&FJA AG, representing a proportional amount of the nominal capital of former FJA AG of EUR 1.00 each, instead of a individual registered share in former COR AG representing a proportional amount of the nominal capital of EUR 1.00. In other respects, the existing conditions remain unchanged, with the proviso that COR&FJA AG replaces former COR AG and 1.786 individual shares in COR&FJA AG replace one individual share in former COR AG, and that the holders of the options granted up to 13 September 2007 can now acquire, on the basis of their subscription right, for one share in former COR AG, 1.7857 shares in COR&FJA AG at a strike price of EUR 3.78 when a strike price of EUR 4.91 is reached for 1.7857 shares in COR&FJA, corresponding to a strike price of EUR 2.75 for one share in COR&FJA; and the holders of options granted up to 18 April 2008 can now acquire 1.7857 shares in COR&FJA, on the basis of their subscription right, for one share in former COR AG, at a strike price of EUR 4.17 once the strike price of EUR 5.42 is reached, for 1.7857 shares in COR&FJA, which corresponds to a strike price of EUR 3.04 for one COR&FJA share.

The options can be serviced with own shares of COR&FJA AG. Insofar as no subscription rights emerge for whole COR&FJA shares due to the exchange ratio, COR&FJA undertakes, in accordance with the stipulations of the respective option agreements, to put holders of options on fractions of COR&FJA shares in a position in which they are not financially disadvantaged in respect of such fractions.

The fair value of the options in the first tranche, determined in accordance with the Black-Scholes option price evaluation model at the time of issue, amounted to EUR 1.15 per option. EUR 38,000 (previous year: EUR 9,000) were entered as staff costs for 2010.

The fair value of options in the second tranche determined in accordance with the Black-Scholes option price evaluation model at the time of issue amounted to EUR 1.18 per option. A stock market price of EUR 4.35 on the date of issue, a volatility of 33.9 per cent, determined over a period of six months prior to issue of the option, and a risk-free interest rate of 4.75 per cent, which roughly corresponds to the average yield of risk-free federal loans with a corresponding term, were used as a calculation basis. The evaluation was undertaken on the premise that none of the shares issued would lapse. Under IFRS 2, share option schemes with the fair value at the time of issue, distributed over the payment period, must be entered with an effect on expenditure with a counter-entry in nominal capital. The end of the payment period is determined in accordance with IFRS 2.15 by the time at which the nominal capital instruments are freely available or may be exercised. Staff costs of EUR 65,000 (previous year: EUR 11,000) were entered for the 2010 financial year on the basis of the parameters listed.

22. Capital reserve

The capital reserve includes the amount accruing in excess of the nominal price when shares are issued. As of 31 December 2010, the capital reserve amounted to EUR 33,581,933.76 (31 December 2009: EUR 33,478,524.76).

Only the restrictions of Section 150 of the German Stock Corporation Act (AktG) on the payment of dividends or repayment of capital apply to the capital reserve.

23. Group retained income

Retained income includes the profits of the companies within the scope of the consolidated financial statement, unless they have been paid out as dividends. Differences arising from currency conversion, with no impact on earnings, from the financial statements of foreign subsidiaries, actuarial gains and losses from pension provisions and other transactions posted as nominal capital continue to be included.

A detailed schedule of changes in group retained income emerges from the development of equity.

Under the German Stock Corporation Act, dividends available for distribution depend on the net profit which COR&FJA AG declares in its financial statement, drawn up in accordance with the provisions of the German Commercial Code.

No dividend is anticipated for the 2010 financial year.

24. Minority interests

	2010	2009
	000 EUR	000 EUR
As of 01.01.	11	0
Accrual to the consolidation group	0	31
Disposal	-8	0
Proportion of result for the year	0	-20
As of 31.12.	**3**	**11**

25. Other financial obligations

The following liabilities arise from long-term leases, tenancy agreements and service contracts (**operating leasing**):

	31.12.2010	of which with a residual term			31.12.2009	of which with a residual term		
		up to 1 year	1 to 5 years	over 5 years		up to 1 year	1 to 5 years	over 5 years
	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR
Total	**41,075**	**7,200**	**17,735**	**16,140**	**56,984**	**6,858**	**19,780**	**30,346**

Liabilities from operating leasing are shown as the cash value of the minimum leasing payments.

The continuous cost of leases, tenancy agreements and service contracts in the financial year entered with an impact on results was EUR 7,929,000 (previous year: EUR 7,408,000).

The item 'Operating Lease' includes leased fixtures and fittings and liabilities arising from office tenancy agreements. The service contracts involve liabilities arising from the maintenance of the hardware and software used in the company.

The sum of future minimum payments, receipt of which was anticipated by 31 December 2010 under non-cancellable subtenancy agreements, is EUR 3,123,000 (previous year: EUR 3,610,000).

There are no further financial liabilities, apart from Finance leasing (lease purchase liability) shown under 'VIII. Notes to the Balance Sheet, 19. Other Financial Liabilities'.

No leased item has been capitalised.

The minimum leasing payments and their cash value on the balance sheet reference date are as follows, broken down by due date:

	31.12.2010	of which with a residual term			31.12.2009	of which with a residual term		
		up to 1 year	1 to 5 years	over 5 years		up to 1 year	1 to 5 years	over 5 years
	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR
Minimum leasing payments	854	854	0	0	2,432	1,578	854	0
Cash value of minimum leasing payments	837	837	0	0	2,277	1,440	837	0

Reconciliation of the sum of minimum leasing payments in the amount of EUR 854,000 (previous year: EUR 2,432,000) with the cash value of EUR 837,000 (previous year: EUR 2,277,000) took place by deducting the costs of finance or the interest element of EUR 17,000 (previous year: EUR 155,000).

The principal leases are the following:
Certain extension options exist. The lessee may, by agreement with the lessor, exchange the contractual software during the term of the lease by cancelling the lease and concluding a new one. After the contractually agreed term has expired, the lessee is entitled to acquire the licence to the contractual software and the associated rights of use to the licensed products obtained by the lessor as licensee. No price adjustment clauses are included. If the lease is terminated prematurely by extraordinary cancellation by the lessor, the latter is entitled to exploit the licence to the best effect, primarily by sale to a third party. The lessee has the right to nominate a third party to conclude a licence purchase agreement or to acquire the licence itself. The lessor is entitled to demand additional security in the case of major changes in the lessee's shareholding structure or a change in the objects of the company. Otherwise the lease does not impose any restrictions which affect dividends, additional debt and other leases.

The cost of finance leasing entered for the reporting year was EUR 135,000 (previous year: EUR 264,000).

26. Contingencies and contingent liabilities

As part of a fairly long-term project, several licences and associated services have been and are being sold to a service company. The project ends on 31 December 2011. At the end of this period, the contracting party has a pre-emptive tender right (contingent liability pursuant to IAS 37) in relation to COR&FJA Deutschland GmbH worth EUR 24,632,000. Similarly, COR&FJA Deutschland GmbH has a simultaneous pre-emptive tender right in relation to a third party.

In the context of the lease purchase agreements of 15 December 2006 and 22 January 2007 between COR&FJA Deutschland GmbH and the licensee, COR&FJA AG, in addition to the transfer of the source code along with the development documentation for the COR.FJA Life Factory software, accepted a directly enforceable fixed liability guarantee to cover the discharge of all the liabilities of the lease purchaser, COR&FJA Deutschland GmbH, for the amount of EUR 132,000.

27. Further information on financial instruments

Objective and methods of financial risk management

Financial risk management is designed to put the COR&FJA Group in a position to recognise at an early stage all the significant risks to which it is potentially exposed, and to take appropriate counter-measures.

The potential risks to the COR&FJA Group associated with financial instruments consist notably of liquidity risks which can result in a company being unable to raise the funds needed to settle its financial liabilities; foreign exchange risks resulting from its activities in different currency areas; default risks arising from the non-fulfilment of contractual obligations by contracting parties; interest rate risks whereby movements in the market interest rate lead to a change in the fair value of a financial instrument; and interest-related cash flow risks, which lead to a change in the future cash flows of a financial instrument due to changes in market interest rates.

Organisation

The company has organised its risk management process along clear, functional lines. Specific tasks have been assigned to the individual organisational units involved in the risk management process:

Management Board:
The risk management process begins with the Management Board: as part of its overall control function, it sets out a clear definition of strategy, the types of business, and what are acceptable and unacceptable risks, based on the company's risk-carrying capacity, and defines the reasonable level of overall risk.

Risk Management:
Risk Management is responsible for actively managing and monitoring risk. Risk is reduced by active diversification and monitored to ensure it stays within set limits.

Risk Controlling:
Risk Controlling handles the Group-wide standard identification, measurement and assessment of all risks. Risk Controlling checks that internal limits are complied with by measuring the risks and level of exposure.

Supervisory Board:
The Audit Committee of the Supervisory Board performs a supervisory function in relation to the company's risk limitation and risk management measures.

Credit risks (default risks)

Credit risk arises from a deterioration in the economic circumstances of the company's debtors or counterparties. This results firstly in a risk of partial or complete default on contractually agreed payments, and secondly a reduction in the value of financial instruments due to a poorer credit record.

Credit Risk Management is responsible for the operational measurement and management of credit risks. Its functions include, in particular, monitoring credit risk positions and exposure, and credit-standing analysis.

In terms of credit risk, the Group is only exposed to risk in relation to trade receivables. Adequate value adjustments have been made to cover the estimated default risk. As the credit standing of clients in the insurance and banking industry is generally good, the receivables are not insured. The maximum default risk is in principle equivalent to the nominal values minus value adjustments. There is no other loan collateral and there are no other risk-mitigating agreements (such as guarantees, land charges or pledges) in place. Usage reservations exist until payment is complete. For invoiced receivables, the net balance of additions to and writebacks of provisions was EUR 104,000 (previous year: EUR 106,000). The costs for the full write-off of receivables amount to EUR 20,000 (previous year: EUR 1,016,000). On the respective cut-off dates, trade receivables do not include any book values for which terms have been renegotiated, and which would otherwise be overdue.

There are no default risks in relation to cash and cash equivalents. These are invested with banks with a good rating.

There are no significant default risks in relation to the other financial assets.

Liquidity risks

Managing the liquidity risk includes ensuring that the company always has sufficient liquid funds or credit lines available to enable it to meet its payment obligations. The payment obligations consist of interest and redemption payments, among other things. The liquidity risk also includes the risk of not being able to obtain sufficient liquidity at the expected terms when required (refinancing risk).

Under the management mechanisms now in place, the daily holdings of cash and cash equivalents and the monthly rolling financial plans are monitored by the company's management. The purpose of liquidity management is to finance predictable deficits at standard market terms under normal market conditions. This means that both losses from borrowing capital at excessive interest rates and the investment of surplus funds at interest rates below the market level should be avoided.

Because of the company's large holdings of cash and cash equivalents, COR&FJA AG considers the liquidity risk to be low at present. The COR&FJA Group has sufficient liquid funds to enable it to service its financial liabilities on which interest is payable. In addition, the company holds financial assets (trade receivables) for which there is a liquid market. These could be sold at short notice (factoring) to cover any liquidity requirement. The company has credit lines with banks that have so far not been drawn on.
In the past financial year and the previous year, there were no loan defaults or breaches of contract in relation to the company's own liabilities (such as the suspension of redemption or interest payments).

The company did not realise any income from writing off financial liabilities during the year under review or the previous year.

Market risks

Market risks result from changes in market prices. These cause the value attached to financial instruments or future payment flows from them to fluctuate. Market risks encompass interest rate, exchange rate and other price risks (such as commodity prices and equity prices).

On the balance sheet date, the company had a held-for-trading holding of 166,020 shares in plenum AG (previous year: 210,000 shares), which is listed in the M:access segment of the Munich Stock Exchange. The share price closed at EUR 0.84 (previous year: EUR 0.69) a share on 30 December 2010. The resulting price gain of EUR 31,000 (previous year: price loss of EUR 23,000) was recognised under other operating income (previous year: other operating expenses).

As of the balance-sheet date, the company holds 24.13 per cent of B+S Banksysteme Aktiengesellschaft. This shareholding is subject to the general market risk of listed shares. Price gains and short-term price declines are accounted for in equity with no impact on earnings. Medium and long-term price declines are reported in the financial result with effect on earnings.

The COR&FJA Group is not exposed to other price risks (such as commodity prices or equity prices).

Interest rate risks

The income and operating cash flows of the Group are not, on the whole, exposed to any interest rate risk. There are no significant interest rate risks in relation to its financial assets. The investment of cash and cash equivalents is done on a short-term basis and follows the normal market fluctuations. If all other parameters had remained unchanged, the company assumes that, in the year under review, interest rates would have been 10 basis points lower (higher). In this case, the net profit for 2010 would have been EUR 19,000 lower (higher) (in the previous year, EUR 17,000 lower (higher)) and the equity components would have been EUR 19,000 lower (higher) (in the previous year, EUR 17,000 lower (higher)).

The financial liabilities (on which interest is payable) have fixed interest rates. The company is not exposed to any interest rate risk for any category of financial liabilities.

Foreign exchange risks

The Group is not exposed to any significant foreign exchange risks in its operating business. 87.5 per cent (previous year: 77 per cent) of its revenues are generated in euro-zone countries, and the remainder in Switzerland, the US and Australia. The foreign exchange risk on the asset side in relation to trade receivables comes from receivables not denominated in euros, accounting for 8 per cent (previous year: 10 per cent). In the case of trade accounts payable, foreign exchange risks occur in relation to the 1 per cent (previous year: 1 per cent) of accounts payable not denominated in euros. No other balance sheet items are affected by foreign exchange risks.

Information on risk concentration ('cluster risks')

The company does not have any dependencies on the procurement side. On the sales side, there tend to be concentrations of risk due to the geographic distribution of sales revenues: Germany accounts for an 86 per cent (previous year: 75 per cent) share of sales revenues.

Within trade receivables, there is no significant concentration on individual customers. In the year under review, the ten largest customers account for a 59 per cent share of sales revenues (previous year: 56 per cent) and a 51 per cent share of trade receivables (previous year: 19 per cent).

With regard to cash and cash equivalents, there is no concentration on individual institutions.

Book values, valuations and fair values

The fair values of the financial assets and liabilities as compared with the book values are as follows:

000 EUR	Valuation category	Book value 31.12.2010	Valuation in balance sheet under IAS 39			Valuation in balance sheet under IAS 17	Fair Value
			Net book value	Fair Value with no impact on earnings	Fair Value affecting		
Cash and cash equivalents	LaR	15,349	15,349	0	0	0	15,349
Securities	FAhft	143	3	0	140	0	143
Trade receivables	LaR	32,195	32,195	0	0	0	32,195
Receivables from affiliated companies	LaR	154	154	0	0	0	154
Financial investments	AfS	6,782	2,901	0	3,881	0	n/a
Other financial receivables	LaR	695	695	0	0	0	695
Amounts owed to affiliated companies	FLAC	171	171	0	0	0	171
Trade payables	FLAC	4,094	4,094	0	0	0	4,094
Other financial liabilities							
Liabilities on which no interest is payable	FLAC	9,915	9,915	0	0	0	9,915
Hire purchase liability	n/a	837	837	0	0	0	837
Including, on an aggregate basis, by valuation category							
Loans and receivables	LaR	48,393	48,393	0	0	0	48,393
Financial Assets held for trading	FAhft	143	3	0	140	0	143
Available-for-Sale Investments	AfS	6,782	2,901	0	3,881	0	n/a
Liabilities Measured at Amortised Cost	FLAC	14,180	14,180	0	0	0	14,180

LaR: Loans and Receivables
AfS: Available-for-Sale Investments
FAhft: Financial Assets held for trading
FLAC: Financial Liabilities Measured at Amortised Cost

000 EUR	Valuation category	Book value 31.12.2009	Valuation in balance sheet under IAS 39			Valuation in balance sheet under IAS 17	Fair Value
			Net book value	Fair Value with no impact on earnings	Fair Value affecting		
Cash and cash equivalents	LaR	22,282	22,282	0	0	0	22,282
Securities	AfS	255	3	0	252	0	255
Trade receivables	LaR	23,793	23,793	0	0	0	23,793
Receivables from affiliated companies	LaR	49	49	0	0	0	49
Financial investments	AfS	2,901	2,901	0	0	0	n/a
Other financial receivables							
Primary financial assets	LaR	3,973	3,973	0	0	0	3,973
Derivative financial assets held for hedging purposes	n/a	31	31	0	0	0	31
Financial liabilities	FLAC	3,000	3,000	0	0	0	3,000
Amounts owed to affiliated companies	FLAC	135	135	0	0	0	135
Trade payables	FLAC	3,416	3,416	0	0	0	3,416
Other financial liabilities							
Liabilities on which no interest is payable	FLAC	10,516	10,516	0	0	0	10,516
Hire purchase liability	n/a	2,277		0	0	2,277	2,277
Including, on an aggregate basis, by valuation category							
Loans and receivables	LaR	50,097	50,097	0	0	0	50,097
Available-for-Sale Investments	AfS	3,156	2,904	0	252	0	n/a
Liabilities Measured at Amortised Cost	FLAC	17,067	17,067	0	0	0	17,067

LaR: Loans and Receivables
AfS: Available-for-Sale Investments
FAhft: Financial Assets held for trading
FLAC: Financial Liabilities Measured at Amortised Cost

Valuation categories under IFRS 7.27

The information on the methods used to calculate fair values is presented in tabular form for each category of financial instruments using a three-level fair value hierarchy. There are three different valuation categories:

- **Level 1**: On the first level, fair values are determined on the basis of publicly quoted market prices, as the best possible objective indication of the fair value of a financial asset or financial liability is observable in an active market.

- **Level 2**: If there is not an active market in a financial instrument, companies use valuation models to determine the fair value. Valuation models include the use of the most recent business transactions between expert, contract-seeking, independent business partners, comparison with the current fair value of another virtually identical financial instrument, the use of the Discounted Cash Flow method, or of option pricing models. The fair value is estimated based on the results of a valuation method which uses as much market data as possible and hence is based as little as possible on company-specific data.

- **Level 3**: The valuation methods used at this level are also based on parameters that cannot be observed on the market.

000 EUR	31.12.2010				31.12.2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial Assets held for trading	140	0	0	**140**	0	0	0	**0**
Available-for-Sale Investments	3,881	0	0	**3,881**	252	0	0	**252**
Derivative financial assets held for hedging purposes	0	0	0	**0**	31	0	0	**31**

There are no assets in the valuation category ‘Assets held until maturity’.

There are no liabilities in the valuation category ‘Liabilities at fair value with direct effect on income’.

Cash and cash equivalents, trade receivables and other short-term financial accounts receivable on the whole have short remaining terms. Therefore their book values on the balance sheet date are approximately equivalent to the fair value.

The reported values for some securities are the acquisition costs, as no market prices are available.

The values accounted for in financial investments correspond partially to the acquisition costs. In the event that the price is not quoted on an active market and their fair value cannot be reliably determined, they are valued at their acquisition cost when recognised for the first time.

In the year under review the company used a derivative financial asset accounted for as a hedging instrument (fair value hedge) to hedge a foreign currency account receivable. The loss arising from the change in the fair value of the hedging instrument is EUR 31,000 (previous year: profit of EUR 29,000) and is reported under other operating expenses. As at the balance sheet date, 31 December 2010, there are no underlying transactions, in contrast to the prior-year balance sheet date. In 2009, the profit from the change in the fair value of the underlying transaction amounted to EUR 72,000 and was reported under other operating income.

An interest rate swap expiring in November 2012 is being used to hedge against anticipated interest rate increases (cash flow hedge). The loss from the change in the fair value of the hedging instrument, which stands at EUR 47,000 (previous year: EUR 28,000), is reported under interest paid.

The fair values of the financial liabilities are determined on the basis of the expected payment flows, discounted at an appropriate market interest rate. As these are short-term financial liabilities, their book values can be used as an approximate fair value.

Trade accounts payable and other financial liabilities on which interest is not payable routinely have short life spans; the values reported in the balance sheet are an approximate representation of their fair values.

The fair values of lease purchase liabilities are calculated as the present values of the payments relating to the liabilities, based on the internal rate of return.

Net income by valuation category

2010 000 EUR	Valuation category	From interest/ investment income	From revaluation			From disposals	Net result
			At fair value	Currency conversion	Value adjustment		
Loans and receivables	LaR	-77	0	0	84	0	7
Financial Assets held for trading	FAhft	0	31	0	0	-14	17
Available-for-Sale Investments	AfS	3,338	0	0	0	28	3,366
Financial Liabilities Measured at Amortised Cost	FLAC	0	0	0	0	0	0
Hire-purchase liabilities	n.a.	-135	0	0	0	0	-135
Total		**3,126**	**31**	**0**	**84**	**14**	**3,255**

2009 000 EUR	Valuation category	From interest/ investment income	From revaluation			From disposals	Net result
			At fair value	Currency conversion	Value adjustment		
Loans and receivables	LaR	-34	0	0	-910	0	-944
Available-for-Sale Investments	AfS	163	0	0	-28	0	135
Financial Liabilities Measured at Amortised Cost	FLAC	0	0	0	0	0	0
Hire-purchase liabilities	n.a.	-264	0	0	0	0	-264
Total		**-135**	**0**	**0**	**-938**	**0**	**-1,073**

Interest earned on financial instruments is reported in interest income. See note 8 under 'VII. Notes on the Profit and Loss Account'. Investment income is dealt with under 'VII.9. Income from Participating Interests'.

The COR&FJA Group includes the remaining components of the net income under other operating expenses and other operating income.

Information on furnished and received collateral:

Financial assets which were put up as collateral – including collateral that can be sold or pledged by the recipient – cover the following items and book value entries. See also the information in the notes on the individual balance sheet items:

	31.12.2010	31.12.2009
	000 EUR	000 EUR
Cash and cash equivalents	1,063	2,567
Trade receivables	7,162	6,000
Intangible assets	0	0
Total	**8,225**	**8,567**

Overall, as of 31 December 2010, financial assets worth EUR 8,225,000 (previous year: EUR 8,567,000) were furnished as collateral.

As security for the fulfilment of its obligations under the two lease purchase agreements, COR&FJA AG in each case deposited the source code and development documentation at a neutral location, through its subsidiary COR&FJA Deutschland GmbH. In addition, COR&FJA AG in each case accepted a directly enforceable fixed liability guarantee to cover the discharge of all the liabilities of the lease purchaser, COR&FJA Deutschland GmbH, to the value of EUR 132,000. The standard software COR.FJA Life Factory, which the source code and development documentation are for, has a book value of EUR 0.

The book value of the financial assets pledged as collateral where the collateralised party is entitled to sell or repledge the assets is EUR 7,162,000 (previous year: EUR 6,000,000).

Collateral is furnished to cover the following liabilities and contingent liabilities:

	31.12.2010	31.12.2009
	000 EUR	000 EUR
Financial liabilities	0	3,000
Other financial liabilities	837	2,277
Total	**837**	**5,277**

In 2009, the COR&FJA Group received a bank guarantee to the value of EUR 370,000 in connection with a guarantee arrangement for a lease. This remains valid as of 31 December 2010.

28. Information on capital

IAS 1 provides information on equity and the management there of, in order to facilitate the assessment of the risk profile and potential reactions to unexpected negative developments.

The objective of the company with regard to capital management is:

- To guarantee the company as a going concern, so that the company can continue in future to generate dividends for shareholders and benefits for other interest groups.
- The generation of reasonable yields for shareholders via a risk-commensurate pricing policy for products and services.

The COR&FJA Group defines the scope of capital in relationship to risk. The management and, if necessary, the adjustment of the capital structure are carried out on the basis of changes in the economic environment and changes to the risk characteristics of the underlying assets. In order to maintain and/or adjust the capital structure, dividend payments, capital repayments to shareholders, the issuing of new shares, the assumption or redemption of financial liabilities and the sale of assets for debt reduction are taken into consideration.

As in other companies, capital management in the COR&FJA Group, takes place on the basis of equity ratio. This quotient is calculated as equity to balance sheet total.

The strategy of the COR&FJA Group in 2010 (unchanged from 2009) consisted of maintaining the equity ratio above 50 per cent in order maintain financial resources at appropriate conditions. The equity ratios on 31 December 2010 and 31 December 2009 amounted to:

	31.12.2010	31.12.2009
	000 EUR	000 EUR
Equity	75,581,513	69,051,377
Balance sheet total	112,180,475	108,579,875
Equity ratio	**67%**	**64%**

The COR&FJA Group is not subject to any external capital requirements and/or consequences from non-performance.

IX. NOTES ON THE CASH FLOW STATEMENT

The capital flow statement displays the origin and use of payment flows in the 2010 and 2009 financial years. Here payment flows from operating activities and from investment and financial activities are differentiated. The cash and cash equivalents cover all cash in hand, and bank balances available within three months and other liquid investments that can be exchanged for known sums of money at any time and are not subject to any significant risks to changes in value. The cash and cash equivalents correspond to cash and cash equivalents reported in the balance sheet as well as the units reported in 'VIII.2. Securities' to the value of EUR 107,000 in the previous year.

Changes in cash and cash equivalents from operating activities are adjusted for effects from currency translation.

Changes in cash and cash equivalents from investment and financial activities are calculated in terms of sums paid.

Changes in cash and cash equivalents from continuing activities are, in contrast, indirectly derived from earnings before interest and taxes.

The main non-cash effects in the cash flow from operating activities were: depreciation of property, plant and equipment and intangible assets amounting to EUR 4,668,000 (previous year: EUR 1,454,000) as well as income from the valuation of the shares held in B+S Banksysteme Aktiengesellschaft at the fair value of EUR 3,164,000.

From the changes to consolidation group in the prior-year period due to increases amounting to EUR 6,069,000, EUR 5,962,000 was granted to cash and cash equivalents and EUR 107,000 to funds shares.

X. EARNINGS PER SHARE

The **undiluted earnings per share** for the 2010 financial year amount to EUR 0.16 (previous year: EUR 0.04).

The undiluted earnings per share are calculated by dividing the consolidated profit after minority interests by the weighted number of shares issued. The weighted number of shares issued for the 2010 financial year amounted to 40,895,861 (previous year: 25,760,602).

	2010	2009
	EUR	EUR
Consolidated earnings that are attributed to the parent company	6,344,867	962,448
Weighted number of shares issued	40,895,861	25,760,602
Total	**0.16**	**0.04**

The change in the number of shares issued in comparison to the previous year is based on the entire-year effects of the capital increase in 2009.

The **diluted earnings per share** for the 2010 financial year amount to EUR 0.16 (previous year: EUR 0.04).

The diluted earnings per share are calculated assuming that all option rights in circulation are exercisable so that there is maximum potential for dilution. Since the stock market price of the COR&FJA AG share as of 31 December 2010 and as per the fixed date of the previous year was significantly lower than the exercise prices determined in the stock option programme and therefore the exercise thereof was unlikely, no fair-value measurement was undertaken.

XI. ASSUMPTIONS AND ESTIMATES

In the sections 'III. Consolidation Group, 1. Subsidiaries and 'VIII. Notes to the Balance Sheet, 9. Goodwill and other Intangible Assets' of the Notes, the main assumptions are presented that were taken as the basis for the impairment test for goodwill carried out on the fixed date.

Other important assumptions relevant for the future and major sources of estimation uncertainties available on the fixed date, which could constitute a considerable risk, with the result that within the next financial year a major adjustment of the recorded assets and debts could be necessary, do not exist. Further estimates and assumptions relevant for the future are explained in the individual items of the balance sheet and in the profit-and-loss account.

XII. RELATIONSHIPS TO ASSOCIATED PARTIES

Associated parties are the Management Board and the Supervisory Board of COR&FJA AG and msg group GmbH, Ismaning, which has been the highest-level parent company of COR&FJA AG since 16 March 2009, including its subsidiaries and associated companies.

1. Total remuneration of the Management Board and the Supervisory Board

Changes in Management Board remuneration

On 1 July 2010, the Supervisory Board agreed on a new system for the remuneration of members of the Management Board. In the course of this decision, the rules, which have been in place since 5 August 2009, stipulated in the Act on the Appropriateness of Management Board Remuneration (VorstAG) and of the German Corporate Governance Codex were implemented. The Annual General Meeting on 17 August 2010 approved this new system. The Management Board contracts with the following Management Board members, Klaus Hackbarth, Milenko Radic, Volker Weimer and Rolf Zielke, have been adapted to the new system step by step. The Management Board contract with the Chairman of the Management Board, Ulrich Wörner, was adapted to the new system in terms of variable remuneration by 1 January 2011 and his fixed salary will be adjusted to the new system by 5 May 2011.

The principles of Management Board remuneration

Assessment of the Management Board's salaries should be in proportion to their tasks and performance and also in relation to the situation of the company. The remuneration structure is oriented towards sustained development of the company. For this reason, a period of several years shall form the basis of assessing the long-term variable element of remuneration. All variable elements of remuneration include a cap or limitation option for extraordinary developments.

New Management Board remuneration

The new form of Management Board remuneration encompasses fixed salary and variable remuneration components. In the form of additional benefits, Management Board members are given a company car, telecommunication services and are reimbursed with reasonable expenses. In addition, accident insurance coverage is taken out for members of the Management Board. Further elements of remuneration, such as a company pension scheme or benefits in the event of a termination of a person's position as a Management Board member or in the event of a change of control are not included in the remuneration system. The fixed salary constitutes approx. 70 per cent of overall remuneration on a regular basis. Variable remuneration comprises two components: an annual management bonus (approx. 45 per cent of variable remuneration) and a socalled long-term incentive (LTI), which makes up about 55 per cent of variable remuneration.

Short-term variable remuneration components

The annual bonus in the new remuneration system is linked to Group turnover ('turnover') and to the control ratio of Group EBTA ('EBTA'). EBTA refers to earnings before income taxes plus amortisation of the intangible assets identified in the course of the COR AG merger, not recognised in the balance sheet (software, contract portfolio, customer relationships).

The annual variable remuneration component for members of the Management Board is determined by the targets agreed on by the Supervisory Board together with the respective Management Board member at the beginning of each financial year. Variable remuneration amounts to between 0 and 200 per cent of the target from 100 per cent of the agreed variable component of the salary, related to turnover on the one hand and to EBTA on the other. The short-term variable bonus is due for payment immediately upon adoption of the annual financial statements. In the event of a termination of the position during the year, it shall be granted proportionally.

LTI as long-term variable remuneration component

In the new remuneration model, the LTI is a long-term, performance-based plan. Its basis of assessment consists of Group sales and the three-year average consolidated EBTA. The LTI is granted in tranches which revolve annually, each tranche having a term of three years. Long-term variable remuneration represents between 0 per cent and 200 per cent of the agreed variable proportion of remuneration for 100 per cent fulfilment of the objective in relation firstly to sales and secondly to EBTA. The long-term variable bonus for a performance period is payable at the end of the month in which the consolidated financial statement for the third financial year of the performance period is adopted. A prepayment in the amount of 50 per cent of the respective basic amounts is made for the first two years of the performance period, at the end of the month in which the consolidated financial statement for the first or second financial year of the performance period is adopted. Should the prepayments exceed the amount payable for the performance period, the difference must be refunded immediately. If the appointment is terminated during one or more performance periods, the LTI will be granted pro rata.

Old Management Board remuneration

Remuneration for the members of the Management Board consisted of a fixed component and a variable, performance-related component. The amount of the fixed remuneration depended on, firstly, the function and responsibility assigned to the member in question. Any non-cash or fringe benefits which were additionally granted essentially comprised insurance and pension benefits customary on the market and the provision of a company car. In accordance with the goal of lasting value appreciation for the company, the remuneration model for the Management Board was characterised by a strong performance orientation. The variable bonus was between 0 and 106 per cent of the fixed basic salary.

Management Board remuneration

The remuneration of the Management Board, active in the financial year is EUR 1,897,000 (previous year: EUR 4,572,000). The remuneration is allocated as follows:

	2010	2009
	000 EUR	000 EUR
Short-term remuneration payable to employees	1,897	2,550
Remuneration arising from the termination of employment relationship	0	2,022
Total	**1,897**	**4,572**

Remuneration for former members of the Management Board in 2010 amounted to EUR 64,000 (previous year: EUR 55,000).

Pension provisions for former members of the Management Board offset against plan assets amounted to EUR 565,000 on 31 December 2010 (previous year: EUR 570,000).

According to Section 314 Para. 1 No. 6a (5) of the German Commercial Code (HGB), Section 314 Para. 2 (2) HGB in connection with Section 286 Para. 5 HGB and Section 314 Para. 2 No. 4 (2) HGB, separate information about remuneration of every individual member of the Management Board is necessary:

	Fixed yearly remuneration	Other remuneration	Short-term variable remuneration	Total
	000 EUR	000 EUR	000 EUR	000 EUR
Management Board				
Ulrich Wörner	340	13	150	503
Klaus Hackbarth	301	25	52	378
Milenko Radic	280	13	45	338
Volker Weimer	245	35	45	325
Rolf Zielke	265	43	45	353
Total	**1,431**	**129**	**337**	**1,897**

In the 2010 financial year, a total of EUR 75,000 was accounted for with an effect on expenditure for long-term variable remuneration (LTI) of the Management Board. As the activities have not been completely fulfilled, no consideration shall be taken in the remuneration granted for the 2010 financial year.

The main content of the benefit arrangements for pension schemes, incapacity provision and provision for dependants, which were approved for the former members of the Management Board, Michael Junker and Prof. Dr Manfred Feilmeier, in the event of the termination of their activity, are as follows:

- Both men will receive a pension for life when they reach the age of 65 or in the case of occupational disability in line with Section 23 of the Employee Insurance Law (AnVG) or if they leave the company before the age of 65 in the case of termination of the contract or non-renewal thereof by the company.
- The monthly pension amounts to EUR 2,556.46 after the fulfilment of four years of employment. This is adjusted – also in the case of payment beginning before retirement – proportionally in line with the basic salary of a civil servant in Bavaria in the A 13 pension benefits group at the highest seniority level.
- At the time of their passing, their legal spouse will receive a widow's pension amounting to 25 per cent of the pension. The widow's pension is terminated in the case of remarriage.
- Both men are entitled, in the case of payment due to attainment of pension age, to request a one-time capital payment of the sum of the converted present value of the pension commitment instead of a pension, as long as this request is communicated at least three years in advance. In this case, all claims lapse with this direct compensation.
- If they leave the company before payment begins, the pension entitlement earned is maintained. This will be calculated according to the share of the pension compensation that corresponds to the length of employment with the company from the time of taking up employment with the company to reaching the prescribed pension age, i.e. the age of 65.

Basic features of Supervisory Board remuneration

The currently valid remuneration rules for the Supervisory Board were adopted by both Annual General Meetings on 28 July 2009 and on 17 August 2010.

Each member of the Supervisory Board receives fixed remuneration of EUR 16,000 per financial year.

As well as their fixed remuneration, each member of the Supervisory Board receives annual variable remuneration amounting to 0.25 per cent of the earnings before income taxes reported in the consolidated financial statements approved by the Supervisory Board and prepared in accordance with international accounting standards (IFRS) plus the amount pertaining to amortisation of the intangible assets identified in the course of the COR AG Financial Technologies merger with the company, but which are not recognised in the balance sheet (software, contract portfolio, customer relationships) ('EBTA'). Variable remuneration lapses when the consolidated financial statements record no positive EBTA.

The Chairman receives double, and the Deputy Chairman one and a half times, the agreed fixed and variable remuneration described above.

The total of the agreed fixed and variable remuneration components for each member of the Supervisory Board is limited to EUR 32,000 per financial year. For the Chairman of the Supervisory Board this sum amounts to EUR 64,000, and for the Deputy Chairman to EUR 48,000 per financial year.

In addition to the agreed fixed and variable remuneration, which is limited by statute, each member of the Supervisory Board is given EUR 1,000 for every committee meeting of the Supervisory Board the member participates in; however, this is limited to a maximum of EUR 5,000 per financial year. Compensation for expenses incurred in holding a Supervisory Board position are also reimbursed. Members of the Supervisory Board are reimbursed with turnover tax paid on remuneration.

Supervisory Board remuneration

Remuneration of the Supervisory Board amounts to EUR 270,000 (previous year: EUR 184,000), with EUR 0 of this for former members of the Supervisory Board (previous year: EUR 0). The remuneration paid to the Supervisory Board consisted of the following:

	Fixed Components	Performancerelated Components	Total
	000 EUR	000 EUR	000 EUR
Supervisory Board			
Prof. Dr Elmar Helten	37	32	69
Klaus Kuhnle	29	24	53
Prof. Dr Christian Hipp	21	16	37
Thomas Nievergelt	21	16	37
Dr Jens Seehusen	21	16	37
Dr Klaus J. Weschenfelder	21	16	37
Total	**150**	**120**	**270**

2. Share ownership of the Management Board and the Supervisory Board

The number of shares and options of the Management Board and the Supervisory Board on 31 December 2010:

	Number of shares	Number of options
Management Board		
Ulrich Wörner	440,571	39,134
Klaus Hackbarth	0	0
Milenko Radic	142,841	32,366
Volker Weimer	0	24,916
Rolf Zielke	0	0
Supervisory Board		
Prof. Dr Elmar Helten	100,000	0
Klaus Kuhnle	0	0
Prof. Dr Christian Hipp	0	0
Thomas Nievergelt	152	0
Dr Jens Seehusen	0	0
Dr Klaus J. Weschenfelder	0	0

3. Other transactions with associated parties

Other associated companies and parties

The number of shares and options of the Management Board and the Supervisory Board on 31 December 2010:

	Income from transactions with associated parties and companies		Expenses from transactions with associated parties and companies		Amounts due from associated parties and companies		Amounts payable to associated parties and companies	
	2010	2009	2010	2009	2010	2009	2010	2009
	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR
Associated companies								
a) msg systems AG, Ismaning	1,468	618	436	529	75	102	22	189
b) innovas GmbH, Hamburg	99	41	256	82	0	49	31	0
c) msg systems ag, Regensdorf, Switzerland	0	26	0	0	0	0	0	0
d) msg systems GmbH, Brunn am Gebirge, Austria	18	0	0	0	10	0	0	0
e) msg global solutions Asia Ltd., Singapur	0	6	0	0	0	6	0	0
f) msg global solutions Iberia S.L.U., Madrid, Spain	0	12	0	0	0	0	0	0
g) CONOLAN GmbH, Ismaning	0	0	0	0	0	0	0	0
h) msgGillardon AG, Bretten	50	6	155	135	5	2	56	56
i) msg services AG, Ismaning	56	0	133	0	64	0	62	0

4. Notifications in line with Section 21 Para. 1 and/ or Section 26 Para. 1 of the German Securities Trading Act (WpHG)

6 April 2010

LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany, notified us in accordance with Section 21 Para. 1 of the German Securities Trading Act (WpHG) on 31 March 2010 that their voting rights in COR&FJA AG, Leinfelden-Echterdingen, Germany, ISIN DE0005130108, security number 513010 exceeded the threshold of 3 per cent of the voting rights on 30 March 2010 and on this day amounted to 3.108 per cent (corresponding to 1,330,385 voting rights).

3.108 per cent of the voting rights (corresponding to 1,330,385 voting rights) are to be assigned to the company pursuant to Section 22 Para. 1 (1) No. 6 of the WpHG by the Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Tübingen, Germany.

9 April 2010
Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Tübingen, Germany, notified us in accordance with Section 21 Para. 1 of the German Securities Trading Act (WpHG) on 1 April 2010 that their voting rights in COR&FJA AG, Leinfelden-Echterdingen, Germany, ISIN DE0005130108, security number 513010 exceeded the threshold of 3 per cent of the voting rights on 30 March 2010 and on this day amounted to 3.11 per cent (corresponding to 1,330,385 voting rights).

XIII. INFORMATION ON THE MANAGEMENT BODIES

The members of the Supervisory Board are:
Prof. Dr Elmar Helten, Chairman, President of Bayerisches Finanz Zentrum, Munich
Deputy Chairman of the Supervisory Board at FidesSecur Versicherungsmakler GmbH in Munich, Member of the Supervisory Board at Delta Lloyd Lebensversicherungs AG, Wiesbaden, Member of the Supervisory Board at Delta Lloyd Deutschland AG, Wiesbaden, Member of the Supervisory Board of Delta Lloyd Pensionskasse AG, Wiesbaden, Member of the Supervisory Board of Hamburger Lebensversicherung AG, Wiesbaden, Member of the Advisory Council for Solutio AG, Munich

Klaus Kuhnle, Deputy Chairman, management consultant, Grünwald
Member of the Advisory Council of the Deutsche Gesellschaft für Personalführung e.V. (DGfP) and Chairman of the Advisory Council at dmc digital media center GmbH, Stuttgart

Prof. Dr Christian Hipp, professor (em.), University of Karlsruhe, Karlsruhe
Member of the Supervisory Board of the Kölner Pensionskasse, Cologne

Thomas Nievergelt, lic. iur., solicitor and notary, Samedan/Switzerland
Head of the municipal authority (executive president) of Samedan, President of the Board of Directors of Academia Engiadina AG, Samedan, Member of the Board of Directors of Roland Berger AG, Zurich, Board of Directors COR&FJA Schweiz AG, Zurich, Vice President of the Board of Trustees at the Planta Foundation, Samedan, President of the Engadiner Lehrwerkstatt für Schreiner Foundation ('Training Workshop for Carpenters') in Samedan

Dr Jens Seehusen, graduate physicist, actuary, Hamburg

Dr Klaus J. Weschenfelder, graduate mathematician, actuary, Cologne

The members of the Management Board are:
Ulrich Wörner, (with direct responsibility for the Sales and Finance divisions and the national subsidiaries in Austria and Switzerland, Chairman of the Management Board), graduate mathematician, Leinfelden-Echterdingen
Managing Director of COR&FJA Systems GmbH, Leinfelden-Echterdingen, Board of Directors of COR&FJA Schweiz AG, Zurich (since 26.02.2010), Member of the Board of Directors at FJA-US, Inc., New York (since 13.04.2010)

Klaus Hackbarth, (with direct responsibility for Human Resources, International (apart from DACH), Legal, P&C Projects & Customers and Financial Integration International divisions, Deputy Chairman), graduate in financial management (FH [University of Applied Science]), Munich
Managing Director of COR&FJA Systems GmbH, Leinfelden-Echterdingen, Managing Director of COR&FJA Deutschland GmbH, Munich, Managing Director of FJA bAV Service GmbH, Munich, Managing Director of PYLON GmbH, Hamburg, Member of Management Board of FJA-US, Inc., New York

Milenko Radic, (with direct responsibility for Products Insurance and Shared Services), graduate information systems specialist, Leinfelden-Echterdingen
Managing Director of COR&FJA Systems GmbH, Leinfelden-Echterdingen, Managing Director of COR&FJA Deutschland GmbH, Munich

Volker Weimer, (with direct responsibility for Banking and IT Services) graduate in business management/IT (ADP), Leinfelden-Echterdingen
Managing Director of COR&FJA Systems GmbH, Leinfelden-Echterdingen, Managing Director of COR&FJA Deutschland GmbH, Munich, Managing Director of COR&FJA Alldata Systems GmbH, Leinfelden-Echterdingen

Rolf Zielke, (with direct responsibility for the Life Projects & Customers division), Munich
Managing Director of COR&FJA Systems GmbH, Leinfelden-Echterdingen, Managing Director of COR&FJA Deutschland GmbH, Munich, Managing Director of FJA bAV Service GmbH, Munich, Managing Director of PYLON GmbH, Hamburg, Managing Director of COR&FJA Austria Ges.m.b.H., Vienna (since 07.01.2010), Member of the Management Board of FJA-US, Inc., New York (until 13.04.2010)

XIV. DECLARATION OF COMPLIANCE WITH THE GERMAN CODE OF CORPORATE GOVERNANCE

In December 2010, the Management and Supervisory Boards of COR&FJA AG submitted their updated declaration of compliance by COR&FJA AG with the German Code of Corporate Governance under Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders on the company's website:
www.cor.fja.com/en/investor-relations/corporate-governance/declarations-of-compliance.html.

XV. EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date and the date of release of the consolidated financial statement to the Supervisory Board by the Management Board, 11 April 2011, have been taken into account.

COR&FJA holds 29.9 per cent of the shares in the consulting company plenum AG

On 28 February 2011 COR&FJA announced that the company holds 29.9 per cent of the shares in plenum AG, Wiesbaden (Munich stock exchange M:access, ISIN DE000A0Z23Y9). Of these 2,898,869 no-par-value shares, 881,779 no-par-value shares are from a cash capital increase of plenum AG, which were also fully subscribed on 28 February 2011 by COR&FJA AG at a price of EUR 1.04 per share. The purchase price for all shares amounts to EUR 2,967,000. It is intended that the Chairman of the Board of COR&FJA AG, Ulrich Wörner, will be proposed for election to the Supervisory Board at the forthcoming General Meeting of plenum AG.

The acquisition of shares provides both companies with strategic advantages. COR&FJA increases its own portfolio through the extensive process and IT management expertise of plenum AG, which will be indispensable when implementing products with service-oriented architectures (SOA). For plenum, the international alignment of COR&FJA AG in the financial services industry will provide additional market access for potential consulting projects in other regions and new customers in the financial services industry. This strategic partnership creates an excellent basis for both companies to improve their competitive position in today's markets. plenum AG was founded in 1986 and reported a turnover of EUR 14,700,000 in 2009. With its almost 100 employees, it belongs to the established management consultancy companies and operates in the area of integrated business systems development with a particular focus on the credit and insurance industries and IT systems suppliers.

Audit Certificate

We have carried out an audit of the consolidated financial statement – consisting of the balance sheet, profit and loss statement, consolidated statement of comprehensive income, statement of changes in equity, cash flow statement and notes – as well as the condensed management report and the Group management report for the financial year from 1 January to 31 December 2010 drawn up by COR&FJA AG, Leinfelden-Echterdingen. The drawing up of the consolidated financial statement, the condensed management report and the Group management report pursuant to the IFRS, as applicable in the EU, and the regulations under German commercial law as per Section 315a, Para. 1 German Commercial Code (HGB) that apply supplementary to these, is the responsibility of the company's legal representatives. Our task is to submit an assessment of the consolidated financial statement as well as the condensed report and the Group management report based on the audit conducted by us.

We carried out our Group audit in accordance with Section 317, HGB in consideration of the auditing standards generally accepted in Germany that were established by the German Institute of Auditors (IDW). These stipulate that the audit must be planned and conducted in such a way that irregularities and infringements that could materially affect the picture of the assets, financial and earnings position of the Group communicated by the consolidated financial statement in compliance with the applicable accounting rules and by the condensed management report and the Group management report can be established with a sufficient degree of certainty. When the audit activities were determined, account was taken of existing knowledge about the business operations of the Group and the commercial and legal environment in which it operates, as well as expectations of possible errors. The effectiveness of the internal accounting control system and evidence of the amounts and disclosures in the consolidated financial statements and the condensed management report and Group management report are examined primarily on a sample basis within the framework of the audit. The audit includes an assessment of the financial statements of the companies included in the consolidated financial statements, the delimitation of the consolidated entity, the accounting and consolidation principles applied and the significant estimates made by the legal representatives, as well as an evaluation of the overall presentation of the consolidated financial statements and the condensed management report and Group management report. We believe that our audit provides a sufficiently sound basis for our assessment.

Our audit did not give rise to any objections.

In our estimation, based on the information gathered during the course of the audit, the consolidated financial statements comply with the IFRS, as applicable in the EU, and the regulations under German commercial law as per Section 315a, Para. 1 HGB that apply supplementary to these, and, in compliance with these regulations, communicate a true and accurate picture of the assets, financial and earnings position of the Group. The condensed management report and Group management report are consistent with the consolidated financial statements, communicate an accurate overall picture of the Group's situation and accurately describe the opportunities and risks of future development.

Munich, 13 April 2011

kleeberg audit GmbH
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Petersen	Schmidt
Auditor	Auditor

Declaration by the statutory representatives

Declaration by the statutory representatives under Section 297 Para. 2 Sentence 4 and Section 315 Para. 1 Sentence 6 of the German Commercial Code (HGB)

We affirm to the best of our knowledge that, in accordance with the applicable accounting principles, the consolidated financial statements convey a true and fair picture of the assets, financial and earnings position of the Group, and that the course of business, including the business results, and the position of the Group are presented in such a way in the management report and the Group management report that a true and accurate picture is communicated and the opportunities and risks of the Group's likely future development are described.

Leinfelden-Echterdingen, 11 April 2011

Ulrich Wörner
Chairman of the Management Board

Klaus Hackbarth
Deputy Chairman of the Management Board

Milenko Radic
Member of the Management Board

Volker Weimer
Member of the Management Board

Rolf Zielke
Member of the Management Board

Financial calendar	
29 April 2011	Publication of company and consolidated financial statements for 2010
24 May 2011	Publication of report for 1st quarter of 2011
16 August 2011	Publication of report for 1st half-year 2011
17 August 2011	General Meeting of Shareholders 2011 in the Filderhalle, Leinfelden-Echterdingen
18 November 2011	Publication of report for 1st – 3rd quarters 2011
November 2011	Analysts' conference

Please note
We have dispensed with printing the individual financial statement of COR&FJA AG, which you can download from our website or order by telephone.

Imprint

PUBLISHED BY
COR&FJA AG

EDITED BY
COR&FJA AG
Frank Fahrner
Dorothea Kurtz
Anton Schweizer

CONCEPT, LAYOUT, TYPESETTING
medienformer GmbH
www.medienformer.de

PHOTOS
Maks Richter
www.maks-richter.de

CONTACT
COR&FJA AG
Humboldtstraße 35
70771 Leinfelden-Echterdingen
Deutschland

Tel.: +49 711 94958-0
Fax: +49 711 94958-49
info@cor.fja.com

Further up-to-date information about COR&FJA can also be found on the Internet at www.cor.fja.com.

COR&FJA AG
Humboldtstraße 35
70771 Leinfelden-Echterdingen

Tel.: +49 711 94958-0
Fax: +49 711 94958-49
www.cor.fja.com