Further developments

ANNUAL REPORT

2011

COR&FJA AG

COR & FJA

OUR ORIGINS AND OUR FUTURE

Following the successful consolidation in 2010, the 2011 financial year was marked by both ups and downs for the COR&FJA Group: despite an unsatisfactory economic result, numerous sales successes have been recorded at both national and international level, and the company's further development has been very promising thanks to the strategic expansion of its own range of services and the acquisition of important strategic shareholdings. COR&FJA can therefore be optimistic about the current year, 2012, with further upgrading of its position in the market and a clear improvement in profitability as the company's major objectives.

2010

CONSOLIDATION

A year of transition following the successful merger.

2011

FURTHER DEVELOPMENT

A financial year marked by ups and downs.

2012

EXPANSION

Strengthening of market position and profitability.

CONTENTS

CONSOLIDATED KEY RATIOS PURSUANT TO IFRS

	2011	2010	2009
in million euros			
Turnover	135,2	116,2	68,4
EBIT	1,9	2,7	1,6
EBITDA	6,7	7,4	3,1
EBT	-0,4	5,5	1,5
Annual net profit/ loss	-1,3	6,3	0,9
Earnings per share in EUR	-0,05	0,16	0,04
Balance sheet total	130,0	112,2	108,6
Equity	76,3	75,6	69,1
Liquid funds	15,4	15,3	22,3
Cash flow from operating activities	-7,3	1,9	3,8
Investments	8,2	4,5	1,1

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
In all areas of the two product platforms COR.FJA Insurance Suite and COR.FJA Banking Suite (CORBAS), COR&FJA provides the financial services industry with a unique range of high-performance, modern and flexible standard software products as well as comprehensive consulting services.

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.

COR&FJA AT A GLANCE

A leading provider of software and consulting services for the European financial services sector

COR&FJA AG is one of Europe's leading providers of integrated standard software solutions and consulting services 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 holding a leading market position in German-speaking countries, software from COR&FJA is also deployed worldwide. Today, these solutions and the company's broad spectrum of consulting services are already in use in more than 30 countries, including the US and Australia.

The combination of a unique product portfolio and a staff of more than 1,150 employees in 22 offices in Germany, the Netherlands, Denmark, Austria, Switzerland, Slovakia, Slovenia, Poland, the Czech Republic, Portugal, Spain and the US ensures that virtually all of our customers' requirements for state-of-the-art and flexible standard software solutions can be met.

2011

JANUARY

JULY

JUNE

12.07.2011

NEW CUSTOMER IN NORWAY

The Norwegian life and pension insurance company Frende Livsforsikring places an order with COR&FJA to implement and manage several components of the COR.FJA Insurance Suite.

21.06.2011

COR&FJA ACQUIRES MAJORITY STAKE IN METRIS GMBH

COR&FJA AG acquires 74.3 per cent of the shares in Metris GmbH, a leading provider of standard software solutions for claims management at composite insurers. The company is then successfully integrated into the COR&FJA Group under the new company name COR&FJA Metris GmbH.

26.05.2011

FINANCIAL REPORT FOR THE FIRST QUARTER OF 2011 PUBLISHED

COR&FJA has started the financial year in a satisfactory fashion. According to the financial report for the first quarter of 2011, turnover amounted to 27.3 million euros and EBITDA (earnings before interest, taxes, amortisation and depreciation) was -0.2 million euros.

AUGUST

05.08.2011

ERGO OPTS FOR COR.FJA LIFE FACTORY

The ERGO Insurance Group opts for the COR.FJA Life Factory as its future central platform for the installation of innovative, capital-market-oriented life insurance products. This means that for the first time, one of the top three life insurers on the German market is relying on a comprehensive standard software solution.

16.08.2011

6-MONTH REPORT 2011

In the first half of 2011, COR&FJA generates aggregate turnover of 59.8 million euros and EBITDA (earnings before interest, taxes, amortisation and depreciation) of -1.0 million euros.

17.08.2011

ANNUAL GENERAL MEETING 2011

At the Filderhalle in Leinfelden-Echterdingen, the COR&FJA Annual General Meeting approves the management's proposed resolutions by a large majority.

FEBRUARY

28.02.2011

SHAREHOLDING IN PLENUM AG

COR&FJA acquires a stake in the renowned consulting firm plenum AG, thereby broadening its own portfolio with the addition of plenum's extensive process and IT management know-how.

MARCH

02.03.2011

COR&FJA ACQUIRES A NEW CUSTOMER IN THE NETHERLANDS

The Dutch company Cooperatie DELA places a new order with COR&FJA for the installation of several components from the COR.FJA Insurance Suite.

APRIL

05.04.2011

WEB-BASED BROKER PORTAL MARKETED SUCCESSFULLY

In the form of the new COR.FJA Sales & Service System, COR&FJA offers a web-based broker portal for the first time on the European market and wins its first customer on the German market for the new solution.

11.04.2011

MERKUR VERSICHERUNG RELIES ON COR&FJA

COR&FJA and the Austrian company Merkur Versicherung sign a contract under which Merkur will use almost the entire COR.FJA Insurance Suite to handle all of its south-eastern European subsidiaries' life and composite insurance business.

29.04.2011

ANNUAL FINANCIAL STATEMENTS 2010

COR&FJA publishes its Annual Report; in the 2010 financial year the company generated aggregate turnover of 116.2 million euros and earnings before tax and merger-related depreciation and amortisation (EBT) of 7.9 million euros.

MAY

17.05.2011

COR&FJA ACQUIRES CONSULTING FIRM WKA

By acquiring the Swiss consulting firm Wagner & Kunz Aktuare AG (WKA), COR&FJA expands its product-independent consulting spectrum for its customers in German-speaking countries.

SEPTEMBER

OCTOBER

18.08.2011

COR&FJA WINS GENERALI DEUTSCHLAND

Generali Deutschland Schadenmanagement puts its trust in the web-based standard software solution openClaims-Agency (oCA) from the COR&FJA subsidiary COR&FJA Metris for the claims settlement activities of its field representatives.

NOVEMBER

18.11.2011

9-MONTH REPORT 2011

According to the 9-month report for 2011, COR&FJA has generated aggregate turnover of 95.8 million euros and EBITDA (earnings before interest, taxes, amortisation and depreciation) of 2.8 million euros in the first nine months of the financial year.

DECEMBER

21.11.2011

GERMAN EQUITY FORUM

At the German Equity Forum in Frankfurt, COR&FJA informs the investors and analysts present about the COR&FJA equity story.

MEMBERS OF THE MANAGEMENT BOARD

from left to right

ULRICH WÖRNER

Chairman of the Management Board
Sales, Consulting and International

KLAUS HACKBARTH

Deputy Chairman of the Management Board
P&C, Legal, Cross Components and USA

ROLF ZIELKE

Member of the Management Board
Life Factory

MILENKO RADIC

Member of the Management Board
Life & Insurance Suite, Nearshore, subsidiary in Slovenia and Human Resources

VOLKER WEIMER

Member of the Management Board
Banking, Finance and IT-Services

LETTER FROM THE MANAGEMENT BOARD

Dear shareholders, customers, business associates and colleagues,

The 2011 financial year was marked by both ups and downs for COR&FJA AG. We are far from satisfied with the economic trend as, with sales totalling 135.2 million euros, an EBITDA of 6.7 million euros and pre-tax earnings of 1.9 million euros before merger-related amortisation (EBTA), we have failed to meet our financial targets. The reasons for this were complex: on the one hand we had to adjust the balance sheet in terms of our holding in B+S Banksysteme Aktiengesellschaft, with the resulting unplanned depreciation amounting to 1.7 million euros and other balance-sheet effects had a direct impact on results. On the other, continued high investments in our new portfolio of products for non-life insurance operations and an unusually low intake of new business in COR&FJA's Banking segment in 2011 had a negative effect on our financial figures in terms of sales and earnings. As a result, we had to adjust our target figures downwards in November 2011, and just a few days ago, we were required to announce that EBTA has again fallen short of expectations.

Further development of the product platforms

In contrast, we can be very happy with the way in which the product segment has developed. Excellent progress was made in 2011 in the technical and functional further development of both our central product platforms – the COR.FJA Insurance Suite in the insurance sector and the COR.FJA Banking Suite in the banking sector.

In the insurance sector, we invested some 4,500 person days in expanding the product components concerned and bundling them in the COR.FJA Insurance Suite. This enables us to provide the market with the increasingly urgent requests for cross-sector, integrated solutions. Also in this connection, another 1,500 person days were utilised for the technical advancement of COR.FJA Life Factory, which involved a gradual conversion to modern JEE technology.

Investment costs, higher than planned, were incurred during the previous year for the further development of our new policy management system for non-life insurance, COR.FJA P&C. With almost 7,000 person days, as we have already mentioned, the adverse effect on results was greater than we had originally planned. However, we must not lose sight of the fact that the high investments in both previous years have produced a fully marketable standard software product from our non-life insurance solution, which is now capable of mapping all of the important business processes in the complete life cycle of composite insurance. Last but not least, we are convinced that we can provide the market, which is still plagued by its legacy systems, with the right product at the right time.

In the banking sector, a total of 3,400 person days was invested in 2011 to further improve and complete the COR.FJA Banking Suite. The purpose of this further development is to bundle all of the important products on a central platform. With the COR.FJA Banking Suite, we offer our customers a comprehensive, powerful tool that they can use to optimise their business processes and thus improve their position in the German market, irrespective of the size of their companies.

Although we shall continue to make needs-oriented investments in the technical and functional expansion of both of our central product platforms, our plans for this and the coming year are to considerably scale down investments and convert the resultant spare capacity into potential extra turnover.

Expansion of the business model

In the last financial year, 2011, we implemented targeted measures to expand our range of services in the areas of consulting and standard software for claims management in the form of three strategic shareholdings.

We acquired a major holding in the plenum AG consultancy in Wiesbaden. plenum AG is one of the established management consultancies in the integrated business system development segment and focuses primarily on the credit/insurance and IT system house sectors. By acquiring these shares, we are enhancing our portfolio with the extensive process and IT management know-how of plenum, which will be indispensable when implementing products with service-oriented architectures in the future. From that point of view, this strategic partnership is creating an excellent basis for both companies to improve their competitive positions in today's markets.

In addition to this, we purchased all of the shares in the Swiss company, Wagner & Kunz Aktuare AG, or WKA for short, which also operates in the field of consulting. WKA has its headquarters in Basel. For over a decade, it has been considered one of the most reputable providers on the market when it comes to product development and process consulting for life, health, accident and non-life insurances, and setting up company pension schemes. By purchasing WKA, we have taken another step towards selectively expanding our services in terms of product-independent consulting at management level in German-speaking countries, an aspect that is becoming increasingly important to us.

This is why we not only invested in the two aforementioned consultancy firms in 2011, but also in our own consulting activities by setting up COR&FJA Consulting GmbH as a separate entity in its own right, making our position clearly evident to the market as well. We are basically planning to generate a revenue contribution from consulting business to the tune of ten per cent of our aggregate turnover and we are confident that we will be able to achieve this goal in 2012.

The third shareholding in the previous financial year was acquired in the area of standard software for claims management, when we acquired a total of 74.3 per cent of the shares in COR&FJA Metris GmbH in St. Georgen. For quite some time now, COR&FJA Metris has been considered one of the leading providers of standard software solutions in the fields of claims management and corporate planning in German-speaking countries. The offered products are used by numerous well-known insurance companies and will enhance our COR.FJA Insurance Suite to a certain extent as well.

Another important milestone in the company's further development can be seen in the new international sites, which commenced operations in Copenhagen, Porto, Warsaw and Prague in 2011. At the same time, the new sites and our existing locations are not ends in themselves, but rather an expression of what we have learned up to now – that the targeted positioning of our company in the appropriate foreign markets is a major factor of success.

Last but not least, it is thanks to these new locations that our company has established an excellent position for itself at both national and international level. With more than 1,150 employees in Germany, the Netherlands, Denmark, Austria, Switzerland, Slovakia, Slovenia, Poland, the Czech Republic, Portugal, Spain and the US, we have now become one of the top full-service providers for the entire financial services sector in the world, with a product and service portfolio that enables us to meet virtually all of our customers' IT requirements for modern, versatile standard software solutions and management and process consulting.

Sales successes in 2011

Despite weak new business in the banking sector, the previous financial year proved to be successful for COR&FJA on the whole. This chiefly relates to our insurance sector, which can look back on its most successful year in terms of sales in the company's history. It has given a clear signal to both national and international markets.

We received an order from Dutch Cooperatie DELA to introduce several modules of the COR.FJA Suite, for example. The collaboration with DELA will set out to feature a new life-insurance product based on COR&FJA solutions in its portfolio.

Another major international success was winning over the Austrian company Merkur Versicherung AG. Two aspects of this project are particularly interesting: on the one hand, Merkur will be the first insurance company to use the COR.FJA Insurance Suite in its entirety and across its divisions, and will therefore be deploying COR.FJA Life as well as COR.FJA P&C in the field of non-life insurance. The other important aspect of this agreement is the underlying international orientation of the collaboration. Thanks to the multi-language and multi-currency capacity of the solution, the system will be deployed at every one of Merkur's five south-eastern European subsidiaries, in Slovenia, Croatia, Bosnia and Herzegovina, Serbia and Montenegro.

On the promising Scandinavian market, we received an order from the Norwegian life and pension scheme company, Frende Livsforsikring, to implement and administer several modules from the COR.FJA Insurance Suite. All of these international successes in sales show that our business model and our products are no longer limited by national borders and that we are can compete as a provider on all European markets. This is why it has been important in previous years – more than any other activity in our segment – to invest in the internationalisation of our product range and to invest in our foreign sales activities in a targeted manner.

We were able to report outstanding success in sales on the German market in August last year, when the ERGO insurance group decided to work with COR.FJA Life Factory. Strategically speaking, this order has been one of the most important orders in the history of our company; it means that with ERGO, one of the top life insurance companies on the German market will be using a standard software solution for the first time to handle its high-volume business processes and place its future-oriented insurance products. The fact that this solution is a COR&FJA solution is sending the market a clear signal. Furthermore, this has always been one of our principal messages in connection with the merger: as a combined entity, COR and FJA will also be attractive for the really big companies in the insurance business.

More sales success was noted in domestic activities with Generali Deutschland's decision to implement a COR&FJA web-based claim settlement system and the first customer in the German market deciding in favour of our new web-based broker portal, COR.FJA Sales & Service System. And last but not least, in the autumn of 2011, the necessary conditions were established to enable DEVK Versicherungen to finally decide to use COR.FJA Life Factory in future as their central platform for the introduction of modern life insurance products and to consolidate their present IT platforms in the life insurance field.

Share price trend

COR&FJA shares had a turbulent year in 2011. The share price started the year on an overall positive note, recording an interim annual high of 2.10 euros before dropping to just below the two euro mark and remaining there until May. As the year went on, the share price dipped only slightly and remained around the 1.70 euros mark until July. However, when the global financial markets started getting nervous as the European and US American debt crisis heightened, the share price dropped in line with the DAX and our benchmark index, the Technology All Share, right down to 1.40 euros at the beginning of August. It did not rally until September and October, when it rose, following a stable lateral trend, by 1.60 euros. Under pressure again, the share price reached an all-time low on 23 December of 1.14 euros, after the adjustment to our target figures on 18 November. At the end of the year, the share price stood at 1.28 euros, in other words 28.9 per cent below the respective prior-year figure. The benchmark index, the Technology All Share, registered a clear minus of 16.2 per cent for the same period.

This share price performance, which was not even particularly influenced by the wide range of investor relations activities, caused considerable reticence among investors. The high expectations of investors that tangible operating success would follow the quick and successful merger of the two companies definitely contributed to this reticence. While the figures were basically positive, considering the difficult economic environment and the large internal investments in both of our product platforms, they did not reach the level we had hoped for and this resulted in a latent feeling of dissatisfaction. It is now up to us to actively counter this dissatisfaction in the ongoing year with successful economic development and the associated capital market-related communication.

Outlook for the 2012 financial year

We are optimistic that we will achieve the target figures for 2012, published at the end of January this year, with turnover of 145.0 million euros and an operating result before amortisation and depreciation (EBITDA) of 9.0 million euros.

In the current financial year, we are noting a high demand among insurers and banks for our solutions in almost all sales sectors, at both national and international level. The main reason for this is the planned new requirements for risk management related to Solvency II and MaRisk, as well as realisation of the new capital and liquidity requirements in compliance with Basel II and the IFRS accounting guidelines.

They are making new IT solutions necessary for financial services. As a result of the current financial crisis, we are expecting a further increase in regulations in this regard for the whole financial services sector.

These developments are giving rise to a considerable need for adjustment in the solutions currently used and will further intensify the trend towards implementing flexible and economical standard software products. In this respect, we will be able to provide the life insurance market with a holistic state-of-the-art offer in the form of our industry platform, COR.FJA Insurance Suite and our highly modern policy management system, COR.FJA Life Factory. Accordingly, we are expecting life insurers to show more and more interest in our software solutions.

The same applies to the new non-life insurance solution, COR. FJA P&C, which we want to expand to become the leading system in Germany, Austria and Switzerland. The market in this segment is almost as big as the life insurance market and is still dominated by legacy systems that no longer accommodate the requirements insurance companies have of modern software solutions. For this reason, a lot of insurance companies are having to organise their processes more efficiently and flexibly, despite rising cost pressure. In this respect we are registering a continued level of high interest in COR.FJA P&C and we are convinced that our solution is the right product for the market.

In the banking sector, many institutes are putting thought into sustained efficiency and cost-cutting, and are considering comprehensive reorganisation and replacement of their existing core banking systems. Therefore our strategic alignment, to provide the market with the COR.FJA Banking Suite, a functionally complete, modular range of services, is something banks will find very interesting and we will feel the effect of a pick-up in demand for our solutions in this business segment.

We are therefore taking an optimistic view of the further developments in the current financial year and in the years to come, during which we plan to advance our position in the areas of P&C and Banking to become the key player in Europe – similar to the leading role we already play in Europe in the area of life insurance systems. At the same time, we want to get the company operationally back on its road to success, our aim being to achieve growth rates of more than five per cent and yields of more than ten per cent – as they were before the financial and economic crisis. In all these projects, we are, of course, especially dependent on our employees and I would like to take this opportunity on behalf of the entire Management Board to express our thanks to them for their efforts in 2011.

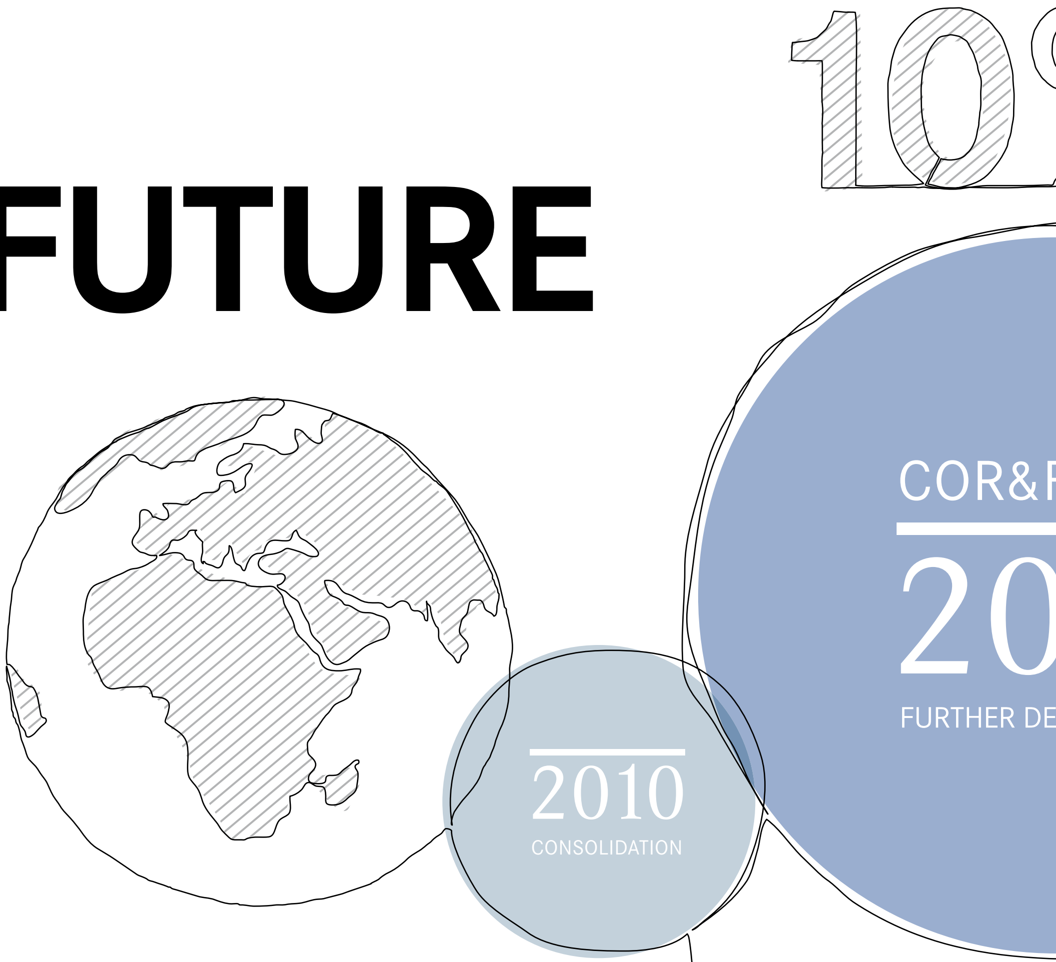
We would be delighted if you, our shareholders, customers, business partners and colleagues, would continue to accompany us along our chosen path, and we thank you for the trust you have placed in us.

Yours faithfully,

Ulrich Wörner, Chairman of the Management Board

OUR ORIGINS AND OUR FUTURE

Milestones along COR&FJA’s strategic roadmap



CONSULTING

- Experienced sales manager appointed in Austria to expand consulting business in Austria/CEE

PRODUCT

- Start to enhancement of COR.FJA Life Factory based on a modern SOA architecture
- Development and successful selling of the new non-life insurance system COR.FJA P&C

INTERNATIONALISATION

- Selective localisation and establishment of new sites in Spain and Portugal
- Consistent development of the solutions’ multi-language and multi-currency capacity
- Vienna-Life won as client

%

CONSULTING

- Target: 10 per cent of aggregate turnover to come from consulting activities
- Further expansion of the consulting brand COR&FJA as well

PRODUCT

- New products and themes (CORBAS ReCon and FATCA, COR.FJA Sales & Service System, SEPA etc.) increase sales opportunities
- Market leadership in the German core market (banks, insurance companies)

INTERNATIONALISATION

- Consistent further internationalisation of the two product platforms and COR.FJA Life Factory
- Expansion of business on the target markets (Nordics, Benelux, Austria/CEE, Switzerland, Portugal, Spain, USA)
- International share of turnover to be 35 per cent as of 2014

FJA AG

11

VELOPMENT

2012

MARKET POSITIONING & PROFITABILITY

NEW CLIENTS

CONSULTING

- Shareholding in plenum; acquisition of Swiss WKA
- Foundation of own consulting firm in Germany

PRODUCT

- Ergo won as first top-3 insurer
- Shareholding in COR&FJA Metris to expand product spectrum in P&C field

INTERNATIONALISATION

- Three significant orders placed from abroad (Merkur, Dela, Frende)
- Establishment of new sites in Denmark, Poland and the Czech Republic

OVERVIEW AND RANGE OF SERVICES

Intelligent solutions and consulting services for insurance companies, banks and company pension schemes

The COR&FJA Group is a leading software and consulting firm for the entire international financial services industry, focusing on banks and insurance companies, as well as company pension scheme providers. It offers a holistic range of solutions for life insurance companies (Life), health and property insurers (Non-Life) and for universal, private, automotive-financing and mortgage lending banks, as well as specialised institutes, with services ranging from the development and implementation of standard software applications and provision of consulting services, right through to the taking over of IT operations (Application Service Providing).

Drawing on 30 years of experience in the market and with a dedicated team of high-calibre specialists, COR&FJA develops state-of-the-art solutions which provide all-round support for its customers. The company focuses on using modern technologies and proven methods. The software architecture is component-based and service-oriented. A unique combination of specialist knowledge, process skills and IT expertise enables solutions for complex issues to be offered from a single source. 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 insurance segment (Life) in German-speaking countries, and holds 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. In the Banking segment, COR&FJA is considered one of the leading providers on the German market for mortgage lending institutions, automotive financing companies and private banks.

COR&FJA's modern, flexible and reliable IT solutions generate considerable time savings and cost benefits for its customers, enabling them to strengthen their competitive positions. The implemented software can be rapidly integrated or upgraded because the solutions are systematically tailored to the requirements of a service-oriented architecture.

The standard software generally supports multiple clients, currencies and languages and can therefore be deployed quickly and flexibly, even in an international environment. COR&FJA solutions are already in use in more than 30 countries, including the US and Australia.

The product portfolio is enhanced by a broad range of consulting services covering the areas of process structuring and management and also professional management consultancy.

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

Locations & Structure

The COR&FJA Group, which has its head office in Leinfelden-Echterdingen near Stuttgart and offices in Munich, Aachen, Düsseldorf, Frankfurt, Hamburg, Kiel, Cologne and St. Georgen, as well as subsidiaries in Austria, Switzerland, Slovakia, Slovenia, Portugal, the Netherlands and the US, currently employs more than 1,150 people.

COR&FJA AG – Leinfelden-Echterdingen (D)

GERMANY	INTERNATIONAL
COR&FJA Deutschland GmbH – Munich (D)	COR&FJA Austria Ges.m.b.H. – Vienna (AUT)
COR&FJA Systems GmbH – Leinfelden-Echterdingen (D)	COR&FJA Schweiz AG – Zurich (CH)
COR&FJA Alldata Systems GmbH – Leinfelden-Echterdingen (D)	Wagner & Kunz Aktuare AG – Basle (CH)
PYLON GmbH – Hamburg (D)	COR&FJA Slovakia s.r.o. – Bratislava (SK)
COR&FJA Consulting GmbH – Aachen (D)	COR&FJA Benelux B.V. – Utrecht (NL)
COR&FJA Metris GmbH (74.3 per cent) – St. Georgen (D)	COR&FJA OdaTeam d.o.o. – Maribor (SLO)
plenum AG (41.33 per cent) – Wiesbaden (D)	COR&FJA Czech, spol. sr.o. – Prague (CZ)
B+S Banksysteme AG (24.13 per cent) – Munich (D)	COR SISTEMAS ESPAÑA, S.L. – Madrid (ES)
innovas GmbH (10 per cent) – Hamburg (D)	COR&FJA Polska Sp. zo.o. – Warsaw (PL)
	COR&FJA Systems Portugal, Unipessoal Lda - Porto (PT)
	FJA-US, Inc. – New York (USA)

Software, consulting and Application Service Provider (ASP) solutions for the international insurance and banking markets

With the two industry solutions, COR.FJA Insurance Suite and COR.FJA Banking Suite (CORBAS), COR&FJA is not only providing insurance companies and banks with a unique range of high-performance, modern and flexible standard software products but also comprehensive consulting services.

When required, COR&FJA can also provide the high-performance standard software products and services in the form of Application Service Providing (ASP) solutions. 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 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 and consulting services providing flexibility and cost benefits for a competitive edge

INSURANCE (LIFE AND NON-LIFE)
Insurance companies are under increasing pressure due to cost and competition. Demands for a high level of customer service and attractive prices, the need to cope with new regulatory requirements and launch new products on the market quickly and cost-effectively all confront insurance companies with new challenges. This means that efficient policy management is becoming a particular factor in strategic success, requiring cost-effective, yet flexible solutions that can be applied across several sectors.

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 that adjustments can be made rapidly to products and processes, enabling us to react promptly to customer requirements and changes in the market.

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, right through 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 and services

COR.FJA Life Factory
Policy management for life insurance companies
As a universal standard system, COR.FJA Life Factory and its supplementary systems cover the key business processes conducted by life insurance companies and pension fund institutions over the lifecycle of an insurance contract – both

for business with private customers and for company pension schemes. Thanks to the underlying modern and service-oriented architecture (SOA), which is based on Java JEE, 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 insurance companies
COR.FJA Life supports contract management for all common life insurance 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 is especially oriented to 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 its own, thereby enabling cross-component data viewing and management.

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 Sales & Service System

Cross-sector broker portal to map all sales channels and back-office processes

COR.FJA Sales & Service System offers a web-based service platform that caters to all of an insurance company's sales channels, providing support and transaction-clinching processing of all sales and business processes. On the basis of a quick and comfortable search function, the solution makes all customer-related information, transactions and canvassing data available at a glance. The system can be installed quickly and economically on the basis of a standardised customising process.

COR.FJA Office

Business transaction management and documentation processing

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.

openClaims

Web-based standard software for product-driven settlement

With openClaims, insurance companies have a powerful platform at their disposal for claims management, supporting all of their internal processes and external claim settlement. The individual modules of the openClaims platform can be implemented on their own or fit together seamlessly, enabling insurers to achieve considerable savings potential throughout the entire claims management process. When required, this range of products can be enhanced by additional services (assignment and disposition, service provider management, workflow) as well as professional counselling and analysis.

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 cover product strategy, development and implementation, risk management and portfolio migration, as well as holistic management counselling with respect to (cross-sector) insurance processes and detailed specialist advice and conceptual consulting for 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 the comprehensive reorganisation or replacement of their existing core banking systems, with increasing numbers using standard software in order to reduce complexity and risks and 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 language capability and new, customisable processes within CORBAS ensure effective, efficient operation. CORBAS modules are also available for leasing, whereby the fee 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 (Pfandbriefgesetz; 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 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 documentary business

CORBAS International Business is the platform-independent, multilingual client solution for the 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 FATCA

Solution that supports US tax reporting

COR&FJA has responded to the plans to introduce FATCA (Foreign Account Tax Compliance Act) with the development of its standard CORBAS FATCA software, a range of products and services for customers in the banking and insurance segments. The solution can be used for all FATCA regulatory requirements (classification, handling and reporting) without the need for any radical modifications to the existing master data management system. It can also be easily extended to accommodate future regulatory requirements and has a high level of automation.

CORBAS Tax

Software solutions for calculating capital gains tax

The standard software package CORBAS Tax is a central tax calculation module which calculates the amount of 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 range of services includes process and business 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

As of 31 December 2011 the COR&FJA Group employed 1,174 permanent members of staff (compared with 970 as of 31 December 2010), whereby a total of 159 employees of the two COR&FJA holdings plenum AG and COR&FJA Metris GmbH were also included on the balance-sheet date. COR&FJA has also grown organically during the past financial year, with new employees joining the company. By increasing its staff numbers selectively, COR&FJA is successfully maintaining its own quality standards and securing the satisfaction of its long-standing customers with an eye to the future.

The company will be looking for graduates and experienced professionals in the coming financial year to fill 50 vacancies that are currently open (status March 2012). In order to promote our position in the stiff competition for qualified employees, the company is taking advantage of the networks and know-how of employees within the sector. This is because it is COR&FJA's staff that has the best knowledge of the working environment, the type of work involved and the requirements of the sector. Personal recommendations by the company's own employees therefore prove successful time and time again, along with numerous other recruitment channels.

The company was very busy with regards to activities in universities and colleges in 2011 in an effort to increase awareness in universities of interest to COR&FJA and to raise the appeal of the company to promising graduates. In this context, the company attended recruitment events at a wide range of selected universities. A new offering by COR&FJA is its interactive webinars, which can be accessed at any time and offer a promising alternative when it comes to positioning the company in the university and college segment. The related contact and integration of young talents while they are still at university enables COR&FJA to bring modern know-how into the company in a timely fashion. At the same time, COR&FJA can also position itself at an early stage amongst students as an attractive employer. In view of the general demographic trend, COR&FJA will be intensifying its activities in future in order to reach ever younger target groups. The company already offers visits to its premises for schoolchildren and is involved in the MINT (mathematics, IT, natural sciences and technology) Initiative.

At the company headquarters in Stuttgart, COR&FJA is 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 in 2011. COR&FJA will continue to invest in the training of students who are studying at DHBW at the same time. This will involve an emphasis on a number of 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). The company is backing them in their commitment by paying their course fees and releasing them to participate in the necessary activities.

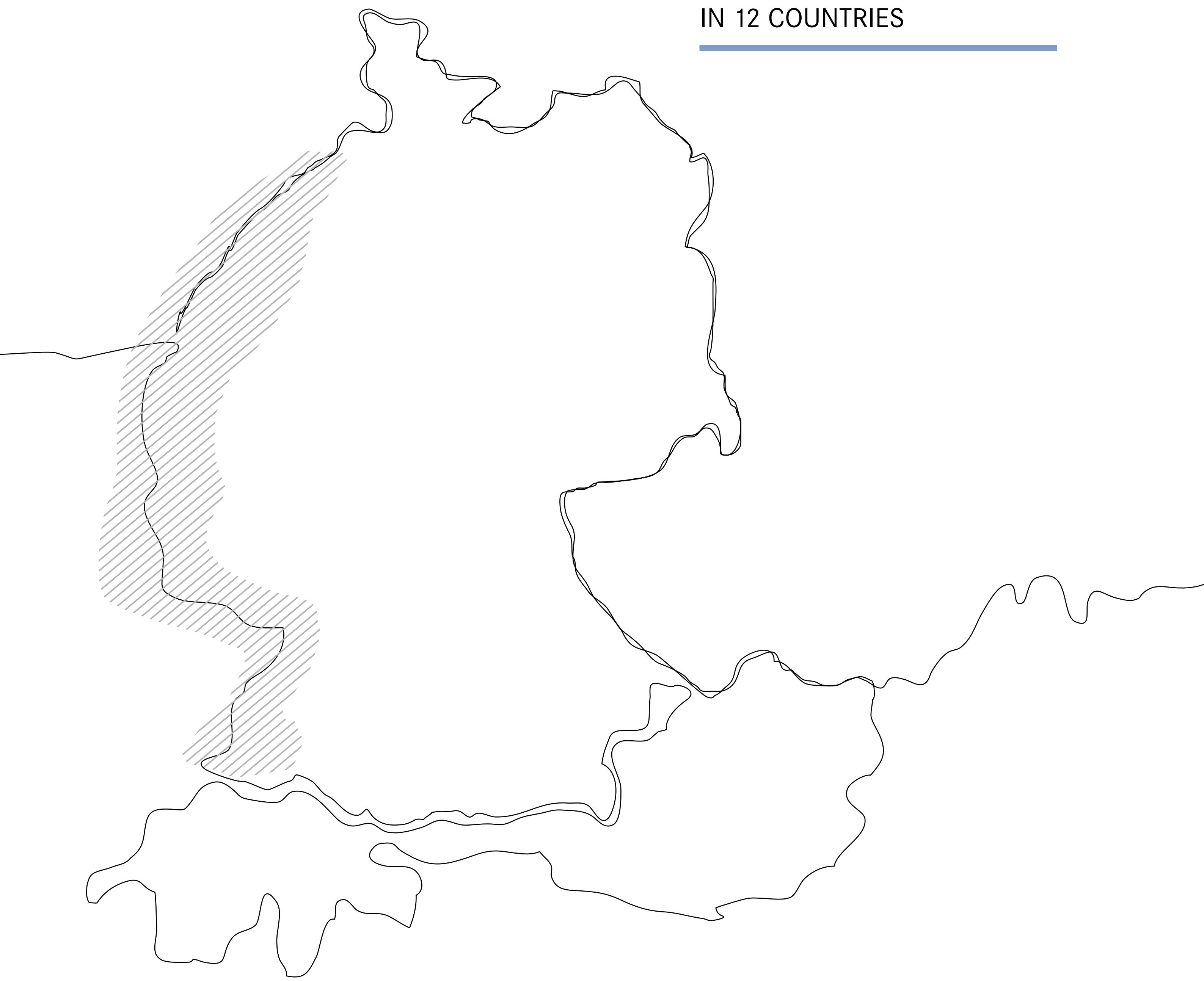
COR&FJA introduced a new familiarisation program (onboarding) for young employees in the course of the past year. The program was developed in house and is actively presented at universities, career fairs and in interviews with young candidates. It supports new colleagues in their everyday activities when they commence work at COR&FJA. The focus of the modules, which are scheduled over several days, is on early networking, improving the quality of the knowledge transfer from existing staff to the new employees, the consistency and comparability of the communicated knowledge base across all sectors and last, but not least, prompt integration of new employees to establish a positive sense of belonging.

In 2011, the contribution made by all of our employees was once again outstanding and instrumental to the successful further development of the company. 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 %
Germany	898	76.5
Austria	28	2.4
Switzerland	30	2.5
Benelux	8	0.7
Slovakia	113	9.6
Slovenia	29	2.5
USA	66	5.6
Portugal	2	0.2
Total	**1,174**	**100.0**

BRANCHES

MORE THAN 1,150 EMPLOYEES
IN 12 COUNTRIES



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REPORT BY THE SUPERVISORY BOARD

Dear Shareholders,

The Supervisory Board scrutinised the operational and strategic performance of COR&FJA AG in detail in the 2011 financial year. At each meeting, it compared the company's actual business performance against its business targets, and discussed the reasons behind any divergences and their possible 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 figures representing the latest earnings, financial and asset position of the COR&FJA Group. The Management Board also kept the Supervisory Board informed about other central issues, such as the general trend in the market climate, latest developments in the sales and project situations in the various divisions, short and longer-term corporate policy and strategy, as well as cooperative ventures and possible investments in strategically important IT and consultancy companies. Another point of focus was the situation in new and existing foreign markets in which COR&FJA operates.

Cooperation between the Supervisory Board and Management Board

During the 2011 financial year, 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. To this purpose, the Management Board notified the Supervisory Board regularly regarding all company-related issues. The meetings of the Supervisory Board involved very frank exchanges of opinions and in-depth discussions. The Management Board also informed the Supervisory Board of any events of particular note during the interim periods between meetings.

To prepare for their decisions, members of the Supervisory Board were given detailed documents by the Management Board. In these documents, the Management Board provided the Supervisory Board with details of the main financial figures. It submitted the 3-month reports, 6-month report and draft annual report in good time. The members of the Supervisory Board were also supported in their work by the results of discussions held by the relevant committees. Information was also regularly exchanged during the periods between the individual meetings. The Supervisory Board members regularly met on the eve of the Supervisory Board meetings for preliminary discussions without the Management Board present. The members of the Management Board were always present at every Supervisory Board meeting.

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 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 functions and duties, the Supervisory Board drew on the written and verbal information provided by the members of the Management Board and the findings of the committees.

At the first Supervisory Board meeting of the financial year held on 11 February 2011, the Management and Supervisory Boards discussed the budget plans for 2011 and subsequent years in detail. Another central topic at the meeting was the Management Board's short and longer-term objectives. The Management Board also informed the Supervisory Board about potential M&A projects and explained the company's current strategic competitive position.

In the accounts meeting held on 27 April 2011, the Supervisory Board and the auditor conducted lengthy discussions on the company's financial statement and the consolidated financial statements, the condensed management report and the Group management report for the 2010 financial year. The Management Board also presented the current business situation in the individual divisions, the current status with regard to M&A, as well as the plan to reallocate duties within the corporate divisions.

Business performance in each division was discussed on 27 June 2011. Other subjects under discussion were the company's latest key financial figures, preparations for the Annual General Meeting 2011 and approval of the respective agenda. Furthermore, the Management Board reported on the measures scheduled to progress with the implementation of the corporate strategy and plans regarding potential corporate transactions.

A Supervisory Board meeting was held immediately after the Annual General Meeting on 17 August 2011. Alongside the Group's present business and financial situation, topics discussed included the status of current M&A projects and the planned changes to the areas of responsibility within the individual divisions.

The balance-sheet effects of the company's past shareholdings on its overall earnings situation were discussed in detail at the meeting of the Supervisory Board held on 11 October 2011. Moreover, the Management Board provided detailed answers to the Supervisory Board's questions about individual business areas and the further development of the company's two central product platforms. The Management Board subsequently presented the new distribution-of-business plan for the corporate divisions and discussed its major M&A projects. The resolutions to re-appoint Klaus Hackbarth, Volker Weimer and Rolf Zielke as members of the Management Board of COR&FJA AG were also approved during this meeting.

The last meeting of the 2011 financial year was held on 6 December 2011. The issues discussed by the Supervisory Board and Management Board on that occasion included the current business situation and the draft of the Declaration of Compliance with the German Corporate Governance Code (DCGK). They also discussed the annual planning for the 2012 financial year.

The work of the committees

To enable it to perform its functions efficiently, the Supervisory Board set up two committees. Their role is to prepare for the topics that are discussed and decided on at the Supervisory Board's meetings. These committees 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 topics and results of the committees' discussions at the subsequent Supervisory Board meeting.

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

Discussions at the first meeting on 11 February 2011 centred on plans for the 2011 financial year and how work on the 2010 annual financial statements was progressing.

At the meeting held on 18 April 2011, the Audit Committee and the auditor discussed the forthcoming 2010 financial statements and consolidated financial statements, as well as future practice regarding the inclusion of the relevant subsidiaries in the consolidated financial statements of COR&FJA AG.

During the meeting held on 27 April 2011, the Audit Committee's central theme was the status of the company's modified risk management system.

On 11 October 2011, the Audit Committee discussed the Group's current financial and business situation, paying particular attention to the company's shareholdings of previous years. The committee also discussed the scope of year-end audits for the 2011 financial year, the cash-flow situation and planning thereof, as well as the COR&FJA risk management system.

During the last meeting held on 6 December 2011, the Audit Committee focused on corporate planning for the forthcoming 2012 financial year.

The Personnel Committee met on a total of four occasions during the period under review.

At the Personnel Committee meeting held on 27 April 2011, the main issue under discussion regarded extending the Management Board contracts of Klaus Hackbarth and Rolf Zielke and their salary and target agreements. On the previous evening, the Personnel Committee spoke with one of the managing directors of the US COR&FJA Group company about the situation in US, Australian and New Zealand markets.

During the meeting held on 27 June 2011, the committee discussed extending Volker Weimer's Management Board contract. In addition to this, a division manager presented the current development of one of COR&FJA's central product segments.

On the occasion of the meeting held on 10 October 2011, the scheduled change in the allocation of duties within the Management Board was discussed and a detailed report was submitted by a division manager from the administrative side of the company.

On 6 December 2011, a division manager presented another important product segment of COR&FJA and discussed the segment's current situation and its future potential for development together with the Personnel Committee.

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 26 to 28. 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 2011 and made permanently accessible on the company's website.

There were no cases during the 2011 financial year in which conflicts of interest among members of the Management and Supervisory Boards could arise that would otherwise need to be reported immediately to the Supervisory Board and mentioned during the Annual General Meeting. No member of the Supervisory Board was absent from more than half of the Supervisory Board meetings that took place in 2012.

The efficiency of the Supervisory Board's work was regularly the subject of separate discussions when 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. Five Supervisory Board meetings are planned for the current 2012 financial year and the period for holding the forthcoming Annual General Meeting was scheduled for the end of the first six months of 2012.

Audit of the 2011 financial statements and consolidated financial statements

The ordinary Annual General Meeting held on 17 August 2011 appointed kleeberg audit GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditor. The Audit Committee discussed the 2011 financial statements and consolidated financial statements in depth 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, particularly regarding evaluations of individual items on the balance sheet, were discussed at length with the auditor.

The 2011 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 2012 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 2011 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 payments in connection with the legal transactions mentioned in the report were 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.

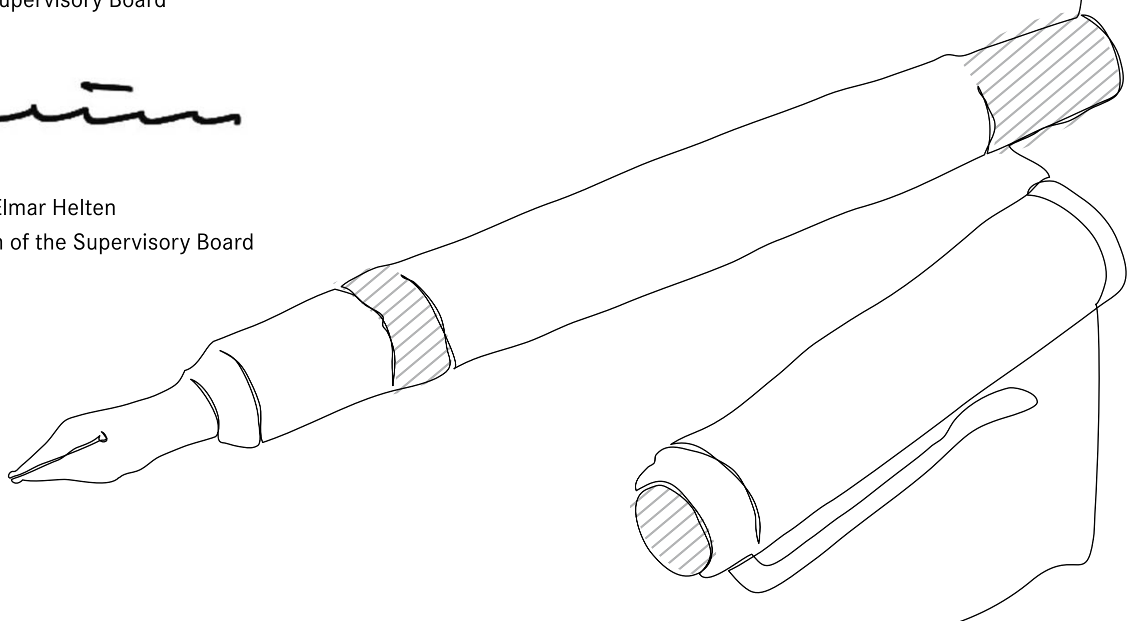
Significant events after the balance sheet date

In his letter dated 13 April 2012, Dr Klaus J. Weschenfelder informed the company that he would be resigning from his position as member of the Supervisory Board of COR&FJA AG with effect from the closure of the 2012 Annual General Meeting. Furthermore, Prof. Dr Christian Hipp informed the company in a letter dated 19 April 2012, that he would also be re-signing from his position as member of the Supervisory Board of COR&FJA AG with effect from the closure of the 2012 Annual General Meeting. The Supervisory Board regrets the fact that these decisions have been taken, particularly as their insurance business expertise and international actuarial knowledge will be lost.

The Supervisory Board would like to extend its express gratitude to all employees and the management of the COR&FJA Group for their personal commitment and excellent performance during the 2011 financial year, which has enabled the company to successfully reach a new level in its ongoing further development.

Leinfelden-Echterdingen, 27 April 2012
For the Supervisory Board

Prof. Dr Elmar Helten
Chairman of the Supervisory Board



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 2011, 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.

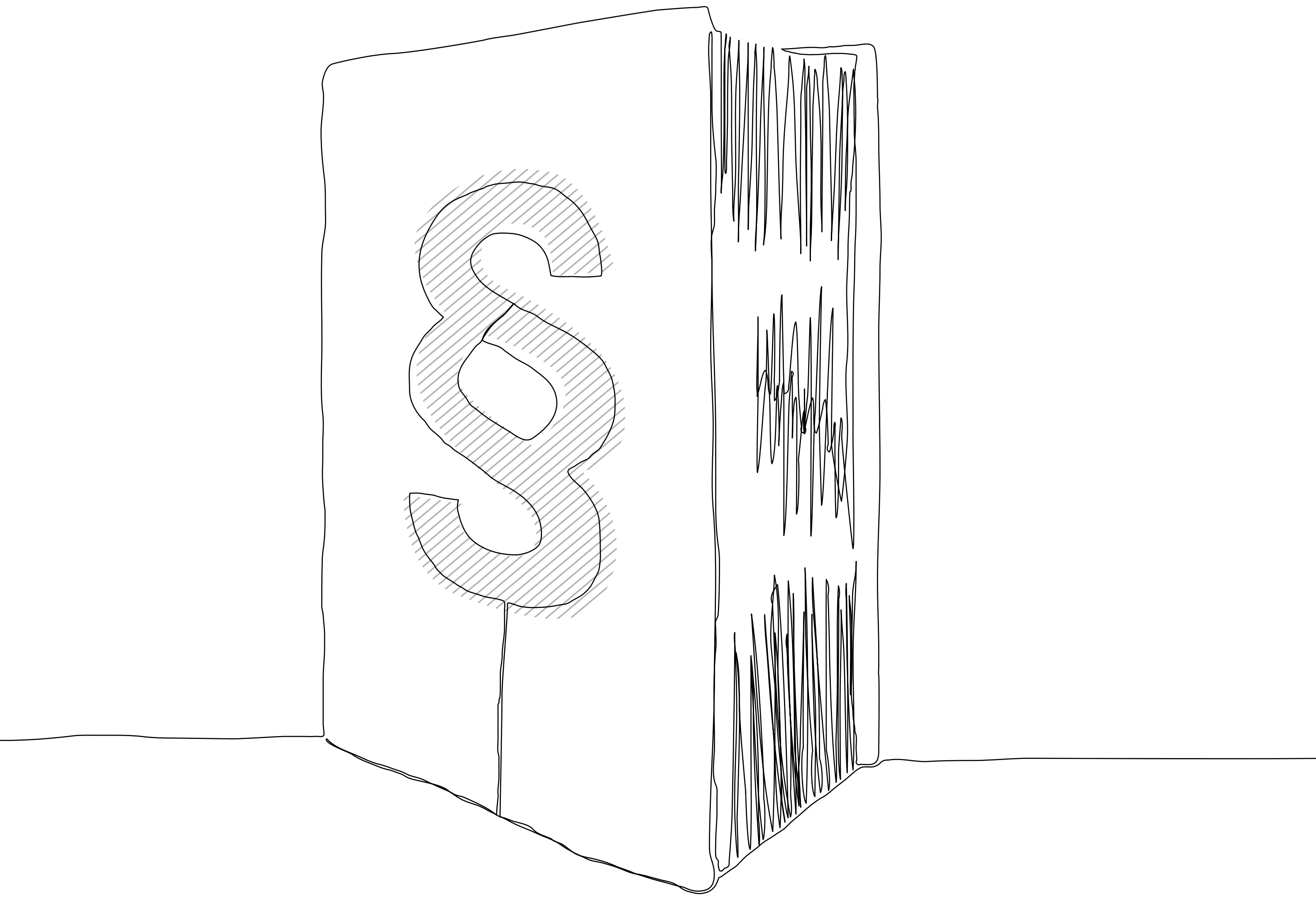
Selecting persons for management positions

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 and of the Supervisory 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.

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.

Appointment of Management Board and Supervisory Board members

In the Code, Clause 5.1.2 Para. 1 (2) contains the recommendation that when selecting the Management Board, the Supervisory Board should pay attention to diversity particularly with regard to the selection of female candidates. In the interests of both the company and its shareholders, COR&FJA AG is intent first and foremost on guaranteeing the highest possible level of competence with its Management Board appointees; only then does it 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 is intent first and foremost on guaranteeing the highest possible level of competence with its Management Board appointees; only then does it 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.

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 condensed 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 to the consolidated financial statements.

Share ownership of the Management Board and the Supervisory Board

As of 31 December 2011, 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
Aufsichtsrat		
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

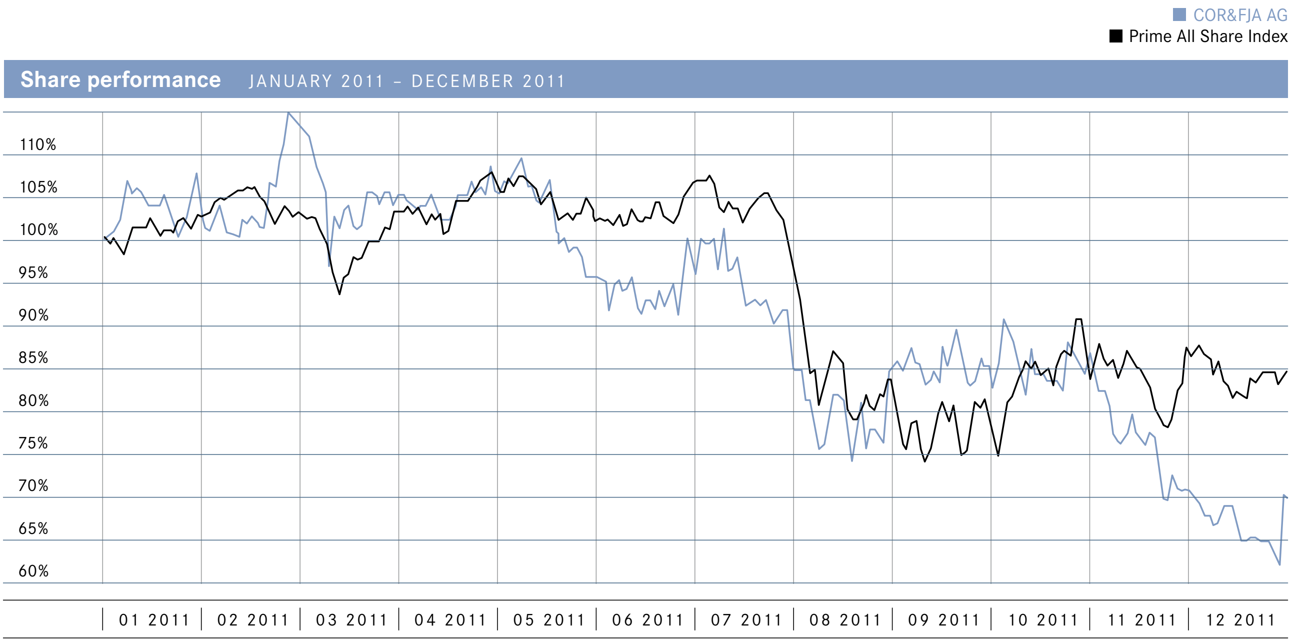
Stock option programme

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

No securities transactions in accordance with Section 15a of the German Securities Trading Act (WpHG) were reported in the 2011 financial year.

SHARE PRICE DEVELOPMENT, KEY RATIOS AND SHAREHOLDER STRUCTURE



2011 was a difficult stock market year, with markets showing an almost unprecedented susceptibility to fluctuations. In the first half of the year, the Fukushima nuclear catastrophe and the political upheavals of the Arab Spring generated uncertainty; this was followed in the middle of the year by fears of a recession in the USA. In late autumn, the universally dominant European sovereign debt crisis led to many unforeseeable changes of direction on the financial markets. Even the main German share index DAX was unable to shield itself from these volatile developments and fluctuated between 7,600 (2 May 2011) and 4,966 (12 September 2011) points. All in all, the DAX closed the stock market year 2011 with 5,898 points, down 14.7 per cent on the previous year, with the banking shares suffering in particular amidst worries about the stability of the currency union and the finances of countries such as Greece, Portugal and Italy. The Prime All Share, the sector index with relevance for COR&FJA, finished the year at 2,212 points, an overall year-on-year fall of 14.3 per cent.

2011 was an unsatisfactory year for the COR&FJA share as well. Following a positive start which saw its price reach a peak of 2.10 euros on 28 February, the share remained slightly below the 2-euro mark until well into May. In the further course of the year, too, the share fell only slightly, staying in the vicinity of 1.70 euros. As a consequence of the increasing nervousness on the global financial markets caused by the European and US sovereign debt crisis, the price – parallel to the main German index DAX and the benchmark index Technology All Share – fell steeply to below 1.40 euros from the beginning of August onwards. Not until September and October did it recover with a stable sideways trend around 1.60 euros. The share then came under heavy pressure for a second time in the weeks after the budgeted figures for 2011 were adjusted on 18 November, reaching its low point of 1.14 euros on 23 December. At the end of the year the share price was 1.28 euros, 28.9 per cent below its previous year's level. The benchmark Technology All Share fell by 16.2 per cent in the same period.

Investor relations activities

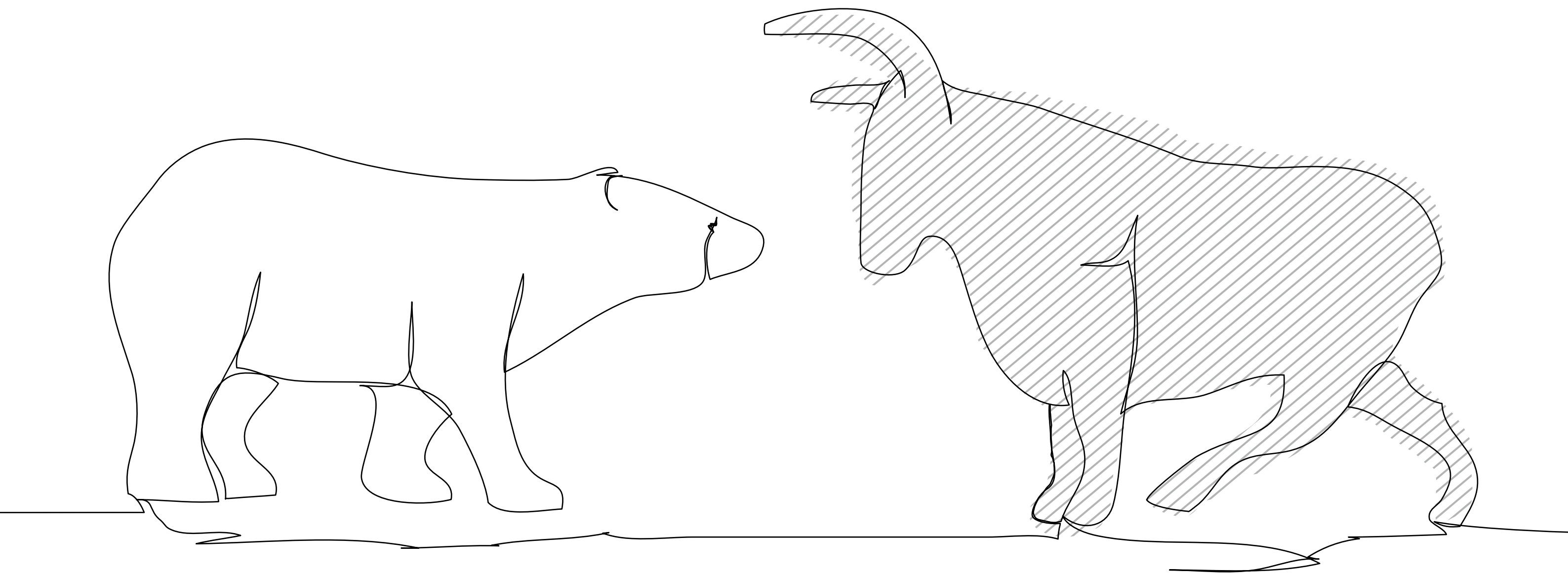
In 2011, COR&FJA again informed the institutional investors, analysts, and representatives of business publications and private shareholders promptly and in detail about the company's commercial position. This process was assisted by, among other things, the numerous press and ad-hoc publications as well as the published annual and quarterly reports.

Shareholder structure

msg systems AG	46.12%
Management bodies	1.59%
Treasury shares (COR&FJA AG)	4.45%
Other free float	47.84%

Master data

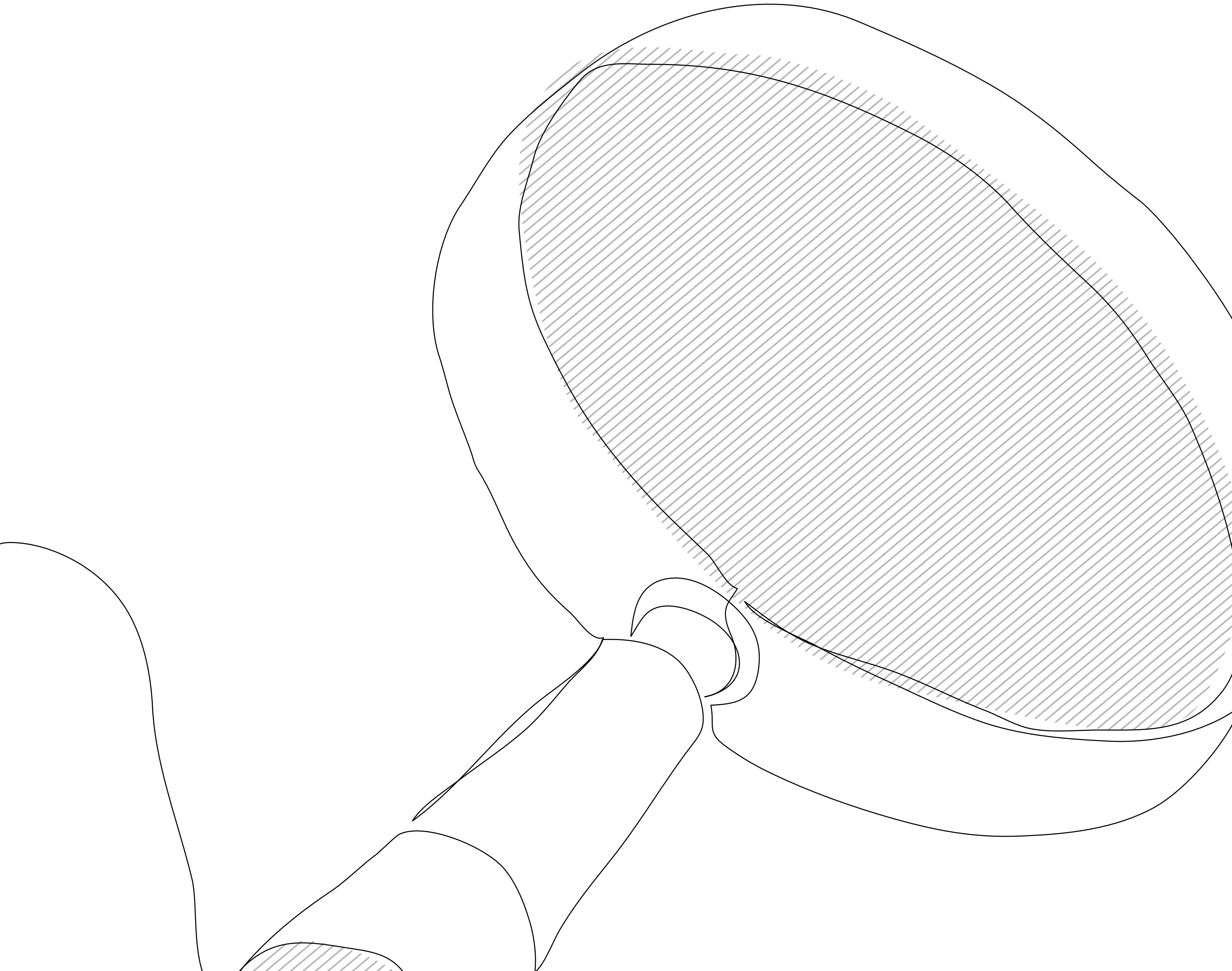
Stock exchange centres:	
Regulated market	Frankfurt (Prime Standard)
Open market	Berlin Düsseldorf Hamburg Munich Stuttgart
Securities identification number WKN	513010
ISIN	DE0005130108
Reuters	FJHG.DE
Bloomberg	FJH.GR



Key figures	2011	2010
Earnings per share	-0.05 euros	0.16 euros
Highest annual price	2.10 euros	2.35 euros
Year-end closing price	1.28 euros	1.80 euros
Market capitalisation	54.79 million euros	77.04 million euros
Total number of shares	42.80 millions (shares)	42.80 millions (shares)

The targeted provision of information to financial analysts and fund managers was the main focal point at the roadshows in Frankfurt am Main and Munich, which COR&FJA again staged regularly in 2011. In addition, the company presented itself once again at the German Equity Forum, the country's most important investors' conference. The Management Board also explained the company's fundamental strategic orientation and commercial development to all interested investors in one-on-one meetings and teleconferences. The latest research reports on COR&FJA published regularly by DZ Bank, Warburg Research and UniCredit remained an important source of information for anyone interested in the COR&FJA share.

Despite this diversity of investor relations activities, the development of the COR&FJA share price in the financial year 2011 was unsatisfactory. The reasons for this were, firstly, the negative trend on the global financial markets from which COR&FJA was naturally unable to detach itself. Secondly, COR&FJA's investors are sure to have high expectations of the extremely swift and successful merger – expectations with which the economic trend over the past year was unable to keep pace. This makes it all the more important for COR&FJA to continue strengthening trust in the share on the capital market and to replace the current hesitancy on the part of investors with successful commercial development and an accompanying schedule of communication with the capital market.



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 2011 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 2011.

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 not only expanded its own consulting service spectrum during the year ending 31 December 2011, but also extended its range of standard claims management software products by means of three strategic holdings.

These included the acquisition of a 40.37 per cent holding in the Wiesbaden-based consultancy firm plenum AG (quoted on the Munich stock exchange M:access, ISIN DE000A0Z23Y9) by 31 December 2011. COR&FJA acquired a further 0.96 per cent holding in plenum AG after the balance sheet date, increasing the total shareholding to 41.33 per cent. plenum AG is one of the established management consultancy firms in the integrated business system development segment and focuses primarily on the credit/insurance and IT system house sectors. This acquisition offers strategic advantages to both companies. COR&FJA is expanding its own portfolio to include plenum AG's comprehensive process and IT management know-how, which will be indispensable for the implementation of products with service-oriented architectures (SOAs) in the future. COR&FJA AG's international orientation in the financial services industry will enable plenum to access other markets 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 positions in today's markets.

COR&FJA acquired another holding in the consulting sector by purchasing all of the shares in Wagner & Kunz Aktuare AG (WKA) of Basel in Switzerland with effect from 1 May 2011. WKA is one of the most well-known providers of consulting services relating to product development and processes for life insurance, health insurance, accident insurance and non-life insurance, as well as employee pension schemes. This strategic purchase has enabled COR&FJA to expand its range of product-independent consulting services for customers in German-speaking countries (DACH) and position itself as an excellent alternative to the Anglo-Saxon competition. COR&FJA will be offering Swiss customers a state-of-the-art spectrum of standard software products and consulting solutions in the future thanks to the consulting competencies of WKA and its own know-how.

COR&FJA AG acquired a total of 74.3 per cent of the shares in COR&FJA Metris GmbH (formerly Metris GmbH), St. Georgen with effect from 1 June 2011. COR&FJA Metris GmbH is one of the leading suppliers of standard software solutions relating to claims management and corporate planning for insurance companies in German-speaking countries. The company not only supplies a back-office solution for the management and settlement of claims, but also a software product for start-to-finish external claim settlement by the field service team, ensuring that the entire claim processing procedure is supported throughout, from lodging the claim via active claim management, right through to case closure. COR&FJA Metris also has a business intelligence (BI) solution at its disposal, which offers a means of planning and reporting an insurance company's complete balance sheet, including simulations, within a very short period of time. The offered products are being used by reputable insurance companies and provide an ideal supplement to COR&FJA's COR.FJA Insurance Suite, particular with respect to property, life and health insurance solutions.

New international offices were also opened in 2011 in Copenhagen (Denmark), Porto (Portugal), Warsaw (Poland) and Prague (Czech Republic) as part of the company's scheduled further development. Experience has shown that the targeted presence of COR&FJA in the respective foreign markets is an important success factor when it comes to attracting new customers.

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, Aachen, Düsseldorf, Frankfurt, Hamburg, Hilden, Kiel, Cologne, St. Georgen and Wiesbaden. COR&FJA is also represented in Vienna (Austria), Basel, Rheinfelden and Zurich (Switzerland), Utrecht (Netherlands), Copenhagen (Denmark), Warsaw (Poland), Prague (Czech Republic), Bratislava and Košice (Slovakia), Maribor (Slovenia), Porto (Portugal), Madrid (Spain), 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

The global economy only grew by around 4.0 per cent last year compared with a 5.1 per cent growth rate in 2010. As in the years before, the developing and emerging nations made the largest contribution towards global economic dynamics in 2011 with a growth rate amounting to 6.2 per cent. Of the emerging economies, the so-called BRIC states (Brazil, Russia, India and China) are playing a particularly important role: exceedingly strong growth is evident in these countries – especially the Chinese economy with 9.0 per cent and India with 8.5 per cent – even if it does not quite come up to the standard of the previous year. By contrast, most of the industrial nations apart from Germany recorded a noticeable decline in their economic development and the growth rate dropped by half to 1.4 per cent compared with 2010 (2.8 per cent).

All in all, economic expansion remained cautious throughout the European Union (EU) during 2011, managing to increase by just under 1.5 per cent in comparison with 2010 (2.0 per cent). Major divergences are also evident among the economies within the EU, however, with Greece and Portugal, in particular, mired in severe recessions. The economic situation in Germany and in a few other smaller countries remains relatively stable by comparison. 2011 saw 3.0 per cent growth in the German economy, just slightly less than in 2010 (3.6 per cent). The waning economic momentum evident all over the world also made itself felt in the highly export-oriented German economy during the second half of the year, however, undermining the mood among companies and the general public alike. Nevertheless, the labour market continued to maintain its very stable condition in 2011 and the lowest level of unemployment since 1992 provided an important support for consumer demand.

The general macroeconomic framework did not improve a great deal for the European insurance companies in 2011. In the meantime, the financial crisis has developed into a fully fledged debt crisis This has given rise to new risks in investment classes hardly anyone would have thought possible just a short while ago. Further stabilisation of the low interest level and the implementation of the Solvency II Directive looming on the horizon are other essential challenges confronting the German insurance industry, which continues to be marked by mergers, consolidations and business process optimisations, not least because of these developments.

The coherence between IT and business success is becoming increasingly obvious considering the numerous endeavours being undertaken to reduce costs and improve efficiency within the insurance companies. As a rule, the achievement capability of the organisation is optimised systematically and proactively while investments are simultaneously made in fundamentally renovating the system infrastructures and processes. At the same time, a number of insurance companies are making every effort to continue offering their customers attractive solutions in the form of innovative products with guarantees, such as dynamic hybrids, variable annuities or iCPPIs. Both of these approaches give rise to a growing need for external advice and IT support, as well as a continuous adaptation of the standard COR&FJA software.

The business environment in the banking market deteriorated significantly during 2011 in the context of the increasingly intensified sovereign debt crisis and the slowdown in global economic growth, leading to a continued high level of competitive pressure. The situation is being further exacerbated by growing government pressure to impose regulatory standards, whereby discussions are primarily focusing on the implementation of Basel III with new regulatory requirements on bank liquidity and bank leverage and the IFRS guidelines on balance sheet preparation. As far as the financial institutions are concerned, this puts them under growing pressure to consolidate and optimise their costs. As a consequence, many banks are investigating the possibility of introducing innovative, process-supported workplace systems, sustainably optimising efficiency and costs and, in particular, completely reorganising or replacing their current core banking systems.

The consequences of the crisis in the financial markets left their mark in the 2011 financial year for COR&FJA as well. Some customers postponed decisions until late in the year or even cancelled budgets that had already been approved for the development of new software solutions, with the result that a few projects, which had been taken for granted, did not come into fruition during the financial year ended 31 December 2011. This applies to the Banking segment of COR&FJA in particular, which suffered from a weak intake of new business during 2011.

In Germany, the COR&FJA Group is the market leader with the services and products it offers on the market for life insurance and company pension schemes. More than half of all German life insurers 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 one of the market leaders in both the mortgage lending and automotive finance sectors. COR&FJA also sees itself in a leading position in the German market for full banking systems for private banks.

The management consultancy sector is currently developing interesting business potential as a result of the change processes mentioned above, which are already in place and are likely to increase for insurance companies and banks alike. Neither is this being affected by what is actually a contrary trend in the direction of lowering external consulting capacity in order to reduce costs, because this trend will be primarily restricted to just a few specialised, easily integrated advisory services, whereas qualified providers of themed and project services, such as COR&FJA's partner plenum AG will continue to be indispensible in the years to come.

The main focal points in consulting services, particularly in the insurance sector, include the sales excellence improvement potential of insurance companies in all size classes. This offers a means of directly optimising the more (cost-)effective control of the companies and enabling the most sustainable successes to be achieved – sustainable because they affect the companies' economic performance. Advice relating to the professional structuring of value-added chains is also becoming increasingly important, whereby process design, process management and experience in the field of IT management are significant fields of activity.

In 2011, 87.7 per cent of the Group's turnover were generated in Germany and 12.3 per cent in foreign markets. The COR&FJA Group's declared objective is to further increase the proportion of turnover generated in its foreign markets in the medium term to around 35 per cent by means of targeted local presence and strategic partnerships, thereby reducing its dependence 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, additional experienced sales managers were recruited in both countries at the beginning of 2011 and the product-independent range of consultancy services offered to customers in German-speaking countries was selectively expanded in May 2011 with the acquisition of Wagner & Kunz Aktuare AG (WKA), the high-profile Swiss consultancy firm.

COR&FJA is cultivating the East European markets, which are continuing to develop dynamically, from certain locations including the one in Austria. Many life insurance companies have established themselves in Central Eastern Europe. They are not only facing pressure to automate as a result of the continuously growing number of contract portfolios, but also increasing regulatory pressure caused by the convergence with Western Europe. German insurers, in particular, are expanding in these increasingly attractive markets, which means that many diversified commercial opportunities are opening up for COR&FJA. One current example is the order from the Austrian insurance company Merkur Versicherung, which was announced in April 2011. The company is going to use the COR.FJA Insurance Suite to handle the life and composite business of all of its South-East European subsidiaries in future.

Benelux is another attractive market in Europe, in which COR&FJA's standard software solutions deliver important added value. This is why the COR&FJA product portfolio is attracting such great interest in this market and was able to announce a major new customer in the form of the Dutch company Cooperatie DELA in March 2011. Within the scope of the cooperative venture, Cooperatie DELA has added a new life insurance product to its portfolio on the basis of several components from the COR.FJA Insurance Suite.

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

The Iberian Peninsula represents a new market with interesting perspectives for COR&FJA. With nearly 60 million inhabitants, it is also one of the largest markets in Europe. In spite of increasingly high competitive pressure and cost pressure on local insurance companies and the need to impose regulatory standards that prevails there, no standard software supplier has established itself in the Spanish market so far. The Spanish market could also become attractive to the COR&FJA Group as a stepping stone to Latin America in the future, as well as Portugal, in particular, as a stepping stone to Brazil. COR&FJA is already cultivating both the Spanish and the Portuguese markets on site, with its own offices in both countries.

On the US market, COR&FJA is still being very successfully represented 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 significant potential for development, especially within the framework of the healthcare reform passed by the US government in spring 2010.

COR&FJA was able to chalk up numerous international marketing successes during the 2011 financial year. New orders were placed by the Austrian Merkur Versicherung AG for cross-sector application of the COR.FJA Life policy management system and the COR.FJA P&C non-life insurance solution, by the Dutch Cooperatie DELA, which will be offering a new life insurance product based on several components from the COR.FJA Insurance Suite within the framework of the cooperative venture, and by the Norwegian Frende Livsforsikring AS for implementation and administration of several COR.FJA Insurance Suite components.

Another order was placed by Generali Deutschland Schadenmanagement GmbH, which is going to rely on openClaimsAgency (oCA), the web-based standard software solution supplied by COR&FJA subsidiary COR&FJA Metris GmbH to assist its representatives in regulating the settlement of claims in the future.

In August 2011, COR&FJA received a major order from the ERGO Insurance Group, which has decided in favour of using COR.FJA Life Factory as a central platform for the launching of innovative, capital-market-oriented life insurance products in the future.

COR&FJA was also able to win its first customer in the German market for the COR.FJA Sales & Service System as a further achievement in the insurance sector. This new solution was developed by COR&FJA's US subsidiary and is already being successfully used by insurance companies in a number of English-speaking countries.

Incoming orders picked up significantly in the Banking segment during the second half of 2011, particularly among existing customers, and COR&FJA recorded a growing demand for core banking systems, as well as the CORBAS ReCon, CORBAS Tax and CORBAS FATCA modules. As far as the comprehensive CORBAS core banking system is concerned, COR&FJA is conducting intensive discussions with a private bank about the possibility of using this system and the company is also taking part in other highly promising, international tender procedures. Furthermore, the wheels were also set in motion for the partnership with the Frankfurt-based dwpbank for services relating to the US Foreign Account Tax Compliance Act (FATCA) in the autumn of 2011 and the pertinent co-operation agreement was announced by both companies in February 2012.

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, on-line 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.

Irrespective of its corporate structure, the COR&FJA Group 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. Sales are organised in the form of autonomous market units, which are controlled by a central sales management division.

Management and monitoring

As of 31 December 2011, 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 2011, 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 insurance and pension products can be developed and administered. Both products were again included in a market survey of European life insurance policy management systems by a leading research company in September 2011, where they again achieved impressive results.

Another core product on the market is the newly developed COR.FJA P&C, a policy management system for non-life insurers. Furthermore, innovas HI is being offered as a policy management system for health insurance companies within the framework of the strategic investment in innovas GmbH. COR.FJA Symass, the across-the-board system for smaller insurance companies, completes the range of policy management systems.

The essential specific and across-the-board functions in the core business spectrum are covered by 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 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]) and COR.FJA Sales & Service System (a web-based broker portal). Having acquired the majority holding in COR&FJA Metris GmbH, the various modules of the openClaims platform were added to the claims processing system; COR&FJA supports the entire claims handling process with these solutions, from registering the claim via active claims management, right through to closure of the claim. COR&FJA also offers a wide range of consulting and other services, from software implementation and portfolio migration (in the migration segment), right through to actuarial advice.

Most of the individual components are brought together in the COR.FJA Insurance Suite in order to be able to offer the all-encompassing cross-sector solution demanded by the international insurance market, which is also available as a rental model, if required. The great flexibility of the COR.FJA Insurance Suite offers advantages to 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, but can also be expanded for higher 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 alike. The fact that the individual solutions already have large numbers of users ensures that customers will experience a commercially attractive, secure expansion of the systems in the long term, also with respect to the amendments to statutory requirements planned by the legislative body.

The products in the Banking segment are bundled on the central COR.FJA Banking Suite (CORBAS) platform. COR&FJA is offering customers a comprehensive, efficient set of instruments with this platform which, regardless of their size, enables the customers to optimise their business processes and thereby improve their positions in the German market. Apart from ongoing adaptations to meet regulatory requirements and market conditions, significant application components are being implemented in the areas of bank management, taxes, credit and payment transactions (SEPA). This takes customers' growing demands for functionality and process automation into account. Furthermore, the platform-independent COR.FJA Banking Suite (CORBAS) was technologically enhanced in an effort to minimise the respective implementation and operational outlay by improving its ability to integrate into customers' IT environments.

In CORBAS MBS (for retail banks, private banks and sales finance) and the mortgage lending institution system CORBAS Hyp, 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 (documentation business), CORBAS Payments (central payment settlement), CORBAS ReCon (software for risk-adjusted general bank management and controlling) and CORBAS Tax (software solution for the calculation of capital gains tax). COR&FJA responded to the US government's plans to introduce the FATCA tax reporting system during the last financial year by developing the COR.FJA FATCA standard software product and is now offering customers its own range of products and services relating this subject within both the Banking and Insurance segments.

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.

COR&FJA's strategic investment in the established high-profile consultancy firm plenum AG has also enabled the company to supplement its own portfolio – in both insurance and banking environments – with plenum's extensive knowledge of process and IT management, which will be indispensible for the future implementation of products with service-oriented architectures (SOAs).

RESEARCH AND DEVELOPMENT

Orientation of R&D activities

Research and development are essential activities for COR&FJA in its capacity as a sector-specific service provider, ensuring that the company can assert its pioneering role in the market-driven analysis of trends and future requirements. Appropriate R&D work is not only performed for the purpose of developing and upgrading standard software solutions, but also to extend the company's consulting expertise. Such expertise manifests itself in targeted employee knowledge and concepts, as well as in the further development of software tools that give efficient support to the consulting activities. Examples of important areas of business that focus on consulting services include migration and risk management and advising customers on the professional structuring of value-added chains. Needless to say, all R&D activities are subject to the imperative of sustainable cost efficiency.

The COR&FJA Group does not conduct open-ended research, but focuses on purely target-oriented research in the interests of its strategic corporate goals. Special importance is attached to close communication with the market or, more specifically, with the customers, when planning the implementation of research findings into development output, 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 panels of experts in the context of its principal products. The approaches devised within the framework of research are presented, discussed and evaluated within the user groups and expert panels at an early stage and, if required, on a cross-product basis. 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 partially financed by advance orders from some of the customers. The COR&FJA Group regards this willingness on the part of its customers as a high entrepreneurial countervalue for the expenses incurred by the preceding research work and the support given to the user groups and specialist working parties.

As there are no user groups that can be accessed for the placement of new products or the opening up of new markets, early customer models are used, which reward a customer's early decision in favour of a new product with commercial benefits. By ensuring the early and economically binding involvement of customers in the enhancement or initial development of products, the COR&FJA Group makes sure that development investments are 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

In its capacity as market leader in its core business, the COR&FJA Group is usually unable to have recourse to ready-made external research findings. This particularly applies to specialist thematic areas in the customers' sectors. As a sector-specific service provider, the company prefers to rely on its own research, which builds upon its participation in trade conferences, association 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. No purchasing of practical R&D expertise in the narrow sense of the term took place during the 2011 financial year in accordance with this strategy. In the technology sector, however, it goes without saying that COR&FJA makes use of rapidly developing standards and non-proprietary technologies right through to freely available open source products. The company also safeguards the quality of its own technological orientation by maintaining a close co-operation with IBM and with selected colleges and universities.

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

The company continued to press ahead with the harmonisation of its product landscape and the establishment of a systematic product management in the Insurance segment during the 2011 financial year.

With version 1.1 of the COR.FJA Insurance Suite successfully completed and delivered to those customers who build upon the COR.FJA Insurance Suite as their target platform during the first six months of 2011, the subsequent release 1.2 was also completed on schedule at the end of 2011. This version features a new cross-sector commission system and a central printing and output management function. Apart from this, essential components of the COR.FJA Insurance Suite are now making their data available within the framework of a data inventory for data warehouse applications. Version 1.3 was successfully completed during the first quarter of the current year.

COR&FJA is certainly finding that the advantages of standard software over customised developments are becoming increasingly evident in the course of further developing this central cross-sector platform. This means that the close co-operation with the customers in the pertinent user groups and specialist working parties is giving rise to fast, high-quality responses to new market requirements. Furthermore, the enquiries received from life and non-life insurers are becoming more oriented to the kind of software component structure now ideal-typically offered by the COR.FJA Insurance Suite.

The current 4.9 release of the COR.FJA Life Factory policy management system was made available to customers on schedule in December 2011. Functional development of the pending release 4.10 was applied for within the framework of the user group in October 2011 and is progressing according to plan. With the various functional concepts already available to customers at the end of 2011, actual delivery of the new version will take place in May 2012. The release centres around the implementation of such currently relevant topics as Solvency II, IFRS, transparency requirements, refinancing additional interest provision, the new German Commercial Code and unisex premiums.

The technical enhancement of COR.FJA Life Factory, with the gradual changeover to modern JEE technology, is progressing according to plan and the first stage of the project for the new business functionality was successfully completed in 2011. COR&FJA is currently working on a pilot project involving the changeover of a single customer system to the new technical standard offered by COR.FJA Life Factory in an effort to verify the advanced customising and release change functionalities and test a standardised procedure for each changeover. The marketing success achieved with the ERGO Insurance Group during the last financial year shows that COR.FJA Life Factory, with its modern technical architecture, the extensive scope of its standard features and the flexible facilities for adaptation and integration according to the requirement levels of each individual customer, is becoming increasingly attractive to large insurance companies.

Release 3.13 of the COR.FJA Life policy management system was completed during the first quarter of 2011 and the new delivery model was successfully implemented for all customers during the second quarter of 2011. As a result, customers are enjoying the benefits of greater flexibility and considerably improved time to market. The current COR.FJA Life release 3.14 was completed in December 2011 and delivery commenced at the beginning of the current year.

Not least because of the inter-product collaboration at user group level, COR.FJA Life is also capable of generating synergetic effects in connection with COR.FJA Life Factory within the framework of functional enhancements. These have now been achieved in many respects (such as unisex premiums or transparency requirements) and can be passed on to the customers. Development work has already started on the next release COR.FJA Life 3.14.1 and delivery is scheduled to take place in the second quarter of 2012. The main focal point here is mapping new service, group and order management components. The new COR.FJA Life 4 product line with road map and time schedule was presented within the framework of the COR.FJA Life user group meeting held in November 2011 and the most important points were resolved.

Following the integration of release 1.1 of the newly developed COR.FJA P&C non-life insurance solution into the COR.FJA Insurance Suite and delivery to our customers during the first 6 months of 2011, we were able to complete release 1.2 on schedule by the end of 2011. Certain functions have been extended in this new version: these include practice-oriented business transactions (such as the simplified cancellation of executed transactions or support for the four-eyes principle), a user-friendly tracking facility for archived data (using a 'history book') and additional business transactions, which can be applied to the entire contract portfolio. Furthermore, we were able to interface other individual components to COR.FJA P&C – by integrating into the COR.FJA Insurance Suite even more deeply.

The follow-up release 1.3 is on the brink of successful completion and is due to go into production at a customer's premises during the second half of 2012. The business processes that are essential for the mapping of a complete life cycle of an insurance policy management system are represented in this version. These business processes can be used for new products and sectors without the need for any adaptation because of the cross-sector approach.

Capitalised services amounting to 0.87 million euros, valued as manufacturing costs, were provided within the framework of developing the new COR&FJA Product Manager software, a solution for the structuring of insurance products within the non-life insurance environment.

COR&FJA reported that the web-based COR.FJA Sales & Service System broker portal was used in a customer project for the first time during the first three months of 2011. The insurance products in this portal are mapped using the COR.FJA P&C product management system.

Capitalised services amounting to 0.6 million euros, valued as manufacturing costs, were provided for the development of various claims processing components for the openClaims platform. COR&FJA uses these components to provide support for the entire claims handling process, from registering the claim to active claims management and right through to closure of the claim.

Release 3.6 of COR.FJA Zulagenverwaltung for administration of contracts subsidised through the Riester system was delivered on schedule in September 2011. We were able to complete the current release 3.7 and deliver it to our customers as planned during the last quarter of 2011 – in time for adjustment of the government interfaces by the German Central Allowance Authority for Pension Assets [Zentrale Zulagenstelle für Altersvermögen, ZfA]. Requirements ensuing from release 18c of the ZfA's Zusy software have a determining influence on the pertinent functionalities. The content of the releases for versions 3.8 and 3.9, which are scheduled for this year, were agreed with the customers within the framework of the last user group meeting. Development work for release 3.8 has already begun and completion is expected in May 2012. Preliminary work has also commenced for release 3.9. COR&FJA has now taken the lead in the market for administration of contracts subsidised by the Riester system with COR.FJA Zulagenverwaltung. More than 30 companies are now using the standard software, with over 60 clients managing a good seven million Riester-subsidised contracts (and accounting for around 45 per cent of the total number of such products in Germany). This number is continuing to grow as a result of mergers and takeovers on the part of the customers. Apart from sales canvassing processes among insurance companies, COR&FJA is also receiving a growing number of enquiries from banks and building and loan societies. The company is therefore confident that it will be possible to manage more than 50 per cent of all Riester-subsidised contractual relationships in Germany with the COR&FJA solution by 2013.

Release 3.5 of the COR.FJA RAN pension settlement and documentation system was completed on schedule in October 2011 and was subsequently delivered to customers. Its content particularly included the ZfA requirements for generation of pension payment notifications for the year ended 31 December 2011. Content for the follow-up version 3.6 of COR.FJA RAN planned for 2012 was also agreed during the last user group meeting. Delivery is scheduled for the last quarter of 2012 and the relevant release encompasses new ZfA requirements, functional upgrades agreed with the customers and a multitude of optimisation measures, such as the breakdown into subsidised and unsubsidised earnings, as well as improved auditing security resulting from the introduction of processing records. Another corresponding function provides invaluable assistance to the customer when it comes to government vendor assessments.

We were able to conclude development work on the new version 1.2 of the COR.FJA TaxConnect standard software successfully during the last financial year and the release was passed on to the customers in November 2011. In the meantime, more than 30 clients (including health insurers) rely on this standard software for highly automated electronic contribution data transfer to the ZfA. The software brings the relevant data from the various systems together in a separate database, offering a means of viewing and administering data from all components. COR&FJA

is currently in the middle of canvassing phases with both COR.FJA RAN and COR.FJA TaxConnect in an effort to further expand the circle of users.

The Banking segment also continued to press forward with the consistent optimisation and completion of the COR.FJA Banking Suite (CORBAS) during the 2011 financial year. Apart from adapting it to new regulatory requirements and market conditions at regular intervals, the Banking Suite also underwent a technological revision process in an effort to make it the leading standard full banking system in Germany. In the course of this process, another standard interface (ABACUS/DaVinci) was added to the platform-independent COR.FJA Banking Suite (CORBAS). Apart from this, we were able to define pending implementation issues for 2012 and 2013 in close consultation with our customers in terms of the medium and long-term further development of this platform.

Equipped with a new user interface, the integration framework TopDesk was also rolled out at the premises of the first customer from our customer base. The pilot phase began during the third quarter of 2011. With TopDesk as the communication platform, all core banking processes for asset and liability-side transactions can be controlled centrally from a single ‘cockpit’ and the data from all processes can be edited and managed with the new front end. The result is a highly efficient tool, which is available to all financial institutions and is capable of linking the most diverse application worlds with a high-performance process control system.

COR&FJA had already streamlined the product portfolio in the Banking segment considerably and changed certain product names during the first three months of 2011. The most important innovation was CORBAS ReCon (reporting & controlling) – a comprehensive product for the bank management sector with much higher capacity: CORBAS ReCon combines the functions of several formerly individual products and offers banks a means of generating financial calculations and risk controlling, as well as external and internal reporting with balance sheet preparation with a uniform set of data.

In the context of the introduction of FATCA (Foreign Account Tax Compliance Act) for European financial service providers planned by the US government, COR&FJA completed a standard software prototype during the second half of 2011 and presented it to existing customers and potential customers alike within the framework of a road show. Apart from this, a requirements specification for actual implementation of the individual requirements was drawn up in consultation with customers. The range of products and services relating to the FATCA will be available to customers in both Banking and Insurance segments.

Furthermore, numerous preliminary projects were launched during the third quarter of this year in preparation for anticipated larger-scale integration projects. These also include the successful establishment of a model bank with appropriate preliminary parameterisation and corresponding customising of the designated software, offering a means of achieving noticeable improvements in efficiency within the framework of the pertinent launch projects.

Regular expert panel meetings were also held with COR&FJA’s existing customers in 2011. These gave rise to numerous orders for the current year 2012, particularly with respect to the modules for payment transactions (CORBAS Payments) and regulatory reporting (CORBAS ReCon).

The COR&FJA Group’s R&D expenditure totalled 19.270 million euros in 2011 (previous year: 15.983 million euros). 1.470 million euros of development expenditure were capitalised as part of the redevelopment of the COR.FJA Insurance Suite.

EMPLOYEES

On 31 December 2011, 1,174 permanently employed salaried personnel were employed within the COR&FJA Group (compared with 970 on 31 December 2010).

One of the factors contributing to this increase is the company’s organic growth over the last financial year as a result of attracting new personnel. By selectively recruiting human resources, COR&FJA has been able to maintain its high quality standards and secure the satisfaction of long-standing customers with an eye on the future. These figures also include a total of 159 permanently employed salaried personnel from the two COR&FJA holdings plenum AG and COR&FJA Metris GmbH as at 31 December 2011.

The employees’ achievement potential was further promoted during the 2011 financial year, with an extensive catalogue of measures to prepare them for the tasks ahead. Made-to-measure CPD programmes and internal job rotation helped to expand and strengthen their qualifications and sense of responsibility alike.

As in the previous financial years, many of the employees were able to share in the company’s success by benefiting from variable remuneration components during the 2011 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 2011, COR&FJA AG's subscribed capital amounted to 42,802,453 euros, 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 1.00 euro in the company's capital. As at 31 December 2011, 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 at 31 December 2011 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 Annual 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 21,401,226 euros (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 10,700,613 euros (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;

cc) And 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 10,119,061 euros (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 Annual 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.

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

In 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 passed a resolution to adopt a new system of remuneration for members of the Management Board on 1 July 2010. The new system was approved during the Annual General Meeting held on 17 August 2010. 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 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 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 turnover (turnover) 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 turnover 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 turnover 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 turnover 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.

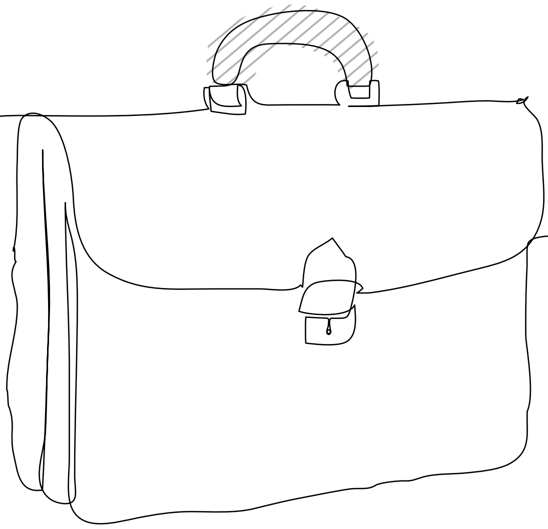
Each member of the Supervisory Board receives fixed remuneration of 16,000 euros per financial year.

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 32,000 euros per financial year. For the Chairman of the Supervisory Board this sum amounts to 64,000 euros, and for the Deputy Chairman to 48,000 euros 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 1,000 euros for every committee meeting of the Supervisory Board the member participates in; however, this is limited to a maximum of 5,000 euros 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 2011 financial year was 1.790 million euros (2010: 1.897 million euros). The remuneration was allocated as follows:

	2011	2010
	000 euros	000 euros
Short-term remuneration	1,790	1,897
Remuneration arising from the termination of employment relationship	0	0
Total	**1,790**	**1,897**

Remuneration for former members of the Management Board in 2011 amounted to 68,000 euros (previous year: 64,000 euros).

Pension provisions for former members of the Management Board offset against plan assets amounted to 455,000 euros on 31 December 2011 (previous year: 565,000 euros).

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 euros	000 euros	000 euros	000 euros
Management Board				
Ulrich Wörner	411	18	22	452
Klaus Hackbarth	322	36	16	374
Milenko Radic	280	24	14	318
Volker Weimer	280	29	14	323
Rolf Zielke	280	29	14	323
Total	**1,573**	**137**	**80**	**1,790**

In the 2011 financial year, a total of 49,000 euros 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 2011.

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 2,556.46 euros 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

Development of turnover

The COR&FJA Group's turnover for the year ended 31 December 2011 amounted to 135.2 million euros, which is 19.0 million euros higher than the figure for the 2010 financial year and corresponds to 16.3 per cent growth in turnover. The acquisition of companies contributed 16.0 million euros to this increase in turnover. This means that the organic growth in turnover amounted to 2.5 per cent. Product-based turnover, in particular, took a steep upward turn during the year ended 31 December 2011, with licence revenue increasing by 12.5 million euros to 21.3 million euros, corresponding to a 15.8 per cent share in the total turnover. During the previous year, licence revenue accounted for 7.6 per cent of the total turnover. A substantial increase was also evident in maintenance turnover, which rose by 13.4 million euros to 26.3 million euros, thereby accounting for a 19.4 per cent share in the total turnover. 4.5 million euros from this growth were attributable to the reclassification of revenue for the software and system support given to the mortgage banks, which changed from service revenue to maintenance revenue. The dramatic increase in other revenue was due to the reclassification of services, which were predominantly declared as computer centre services and hardware deliveries. They rose by 3.4 million euros to 4.1 million euros, accounting for 3.0 per cent of the total turnover. The implemented reclassification measures brought about an 80.6 per cent reduction in the proportion of service revenue for the previous year to 61.8 per cent in 2011, which corresponds to a reduction of 10.2 million euros to 83.5 million euros.

The regional breakdown of turnover revealed a particularly sharp rise in the turnover generated in Germany, but this can primarily be attributed to the activities of the acquired companies, COR&FJA Metris GmbH and plenum AG, which essentially focus on the German market. Turnover in Germany rose by 18.9 per cent to 118.6 million euros. The greatest relative increase in turnover was recorded for the proportion of turnover generated in Austria, from where consulting services are offered to other countries in Eastern Europe. The turnover in Austria rose by 1.7 million euros to 1.9 million euros during 2011, whereas the turnover in Switzerland decreased by 0.9 million euros to 4.8 million euros, corresponding to a decline of 16.4 per cent. Slovenia recorded an even sharper drop in relative terms, where the turnover dropped by 34.2 per cent to 0.9 million euros. This corresponds to a reduction of 0.4 million euros compared with the previous year's turnover. With internal turnover amounting to 0.6 million euros, the Slovenian company provides a considerable proportion of its services to other companies within the Group.

At 8.7 million euros (2010: 8.8 million euros), turnover in the US has remained at almost the same level as the previous year while the turnover in the Benelux countries remains constant at 0.3 million euros.

Development of earnings

Earnings before taxes and amortisation effects on intangible assets identified in the course of company acquisitions (EBTA) amounted to 1.9 million euros. This includes a negative contribution to earnings amounting to 1.8 million euros, which results from the downward trend in the share price of B+S Banksysteme Aktiengesellschaft, in which the COR&FJA Group owns a 24.13 per cent shareholding.

Development costs were capitalised for two new software solutions within the P&C segment during the year ended 31 December 2011. The volume of development costs capitalised during 2011 amounted to 1.5 million euros (compared with 0.0 million euros the year before). The position of other operational revenue (3.4 million euros) essentially includes earnings from the use-driven write-back of provisions and income from sub-letting office space.

At 13.9 per cent (compared with 13.0 per cent in 2010), outsourced products and services accounted for a large proportion of total costs. 14.9 million euros of the 19.2 million euros can be attributed to services provided by external personnel, covering special requirements and capacity bottlenecks, which are only needed temporarily and, therefore, contribute towards the variability of the total costs. Another 3.8 million euros were spent on external computer centre services and hardware acquired for resale, which were primarily used in the banking segment. By adopting this course of action, COR&FJA avoids the investment risk that would be associated with investing in computer centres of its own and outsources most of these services. Another 0.5 million euros were invested in third party licences and the associated maintenance services. Personnel costs account for the largest proportion of total costs, at 65.2 per cent. Based on the average number of employees (1,136 compared with 982 the year before) average personnel costs rose by 0.7 per cent (compared with a 2.5 per cent decline in 2010). All in all, there was a decrease in the capacity-driven costs (personnel expenditure and outsourced services) as a proportion of the total costs from 80.7 per cent to 79.1 per cent.

The proportion of total costs represented by other operating expenses rose to 17.4 per cent during the 2011 financial year (2010: 16.5 per cent) and amounted to 24.1 million euros. Although the expenses for office space increased by 1.1 million euros, the proportion of total costs represented by these expenses declined from 6.4 per cent to 6.1 per cent. Consulting, accounting and Supervisory Board expenses rose by 0.5 million euros compared with the 2010 financial year, but the proportion of total costs represented by these expenses remained relatively constant at 1.6 per cent (compared with 1.5 per cent the year before). Due to the high volume of travel associated with consulting services, travelling expenses of 4.7 million euros made up one of the major pools of costs. The proportion of total turnover attributable to these expenses increased from 3.0 per cent in 2010 to 3.4 per cent in 2011. Although losses on receivables recorded a sharp increase in 2011 with 106,000 euros (compared with 20,000 euros in 2010), when put in relation to turnover (0.1 per cent) the effect on economic performance is negligible. Both of the business transactions that led to write-offs concerned companies from the consulting industry and did not affect any insurance company or bank. A pleasing trend was recorded in the expenses incurred for insurance services, which declined from 0.5 million euros to 0.3 million euros.
Although total depreciation and amortisation increased by 0.1 million euros to 4.8 million euros, whereby the amortisation of intangible assets identified while allocating purchase prices to acquired companies declined by 0.2 million euros to 2.3 million euros, other depreciation of property, plant and equipment and amortisation of intangible assets increased by 0.4 million euros to 2.5 million euros.
Interest earnings remained on a level with the year before at 0.3 million euros (2010: 0.2 million euros). At 1.0 million euros, interest expenses were 0.2 million euros higher than the year before, whereby interest on current liabilities accounted for 0.6 million euros and interest expense for pension commitments accounted for 0.4 million euros. Apart from a dividend of 0.2 million euros from innovas GmbH, income from participating interests includes a negative contribution to earnings amounting to 1.8 million euros, which results from the downward trend in the share price of B+S Banksysteme Aktiengesellschaft, in which the COR&FJA Group owns a 24.13 per cent shareholding.

The tax result for the 2011 financial year shows expenses amounting to 0.9 million euros compared with tax earnings amounting to 0.8 million euros the year before. This is due to a reduction in the active deferred income taxes on accumulated losses brought forward amounting to 0.5 million euros (2010: 3.3 million euros in tax earnings). Conversely, the application of deferred taxes to differences in valuation between the tax balance sheet and the IFRS balance sheet produced deferred tax earnings amounting to 0.6 million euros (2010: 2.0 million euros in deferred tax expenses). Compared with the year before, effective tax expenses rose by 0.5 million euros to 0.9 million euros. Earnings per share amounted to -0.05 euros (diluted and undiluted) after 0.16 in 2010.

The segment results reflect overall performance and success in the fields of business in which the company operates They are based on the internal national and inter-company statement of profit centre operating results, by which the COR&FJA Group is managed. Services exchanged between the segments are taken into account in the segment result as internal turnover in the total operating performance or as internal expenditure.

Generating 87.1 million euros, the Life segment accounted for 64.5 per cent of the total turnover and achieved an EBITDA of 21.0 million euros before the allocation of 11.3 million euros in sales and administrative overheads, 2.2 million euros for depreciation and amortisation costs and 0.4 million euros in interest expenses. The operational EBITDA amounts to 24.1 per cent. After allocations and financial results, the EBT amounted to 8.2 per cent.

The Non-Life segment generated 25.7 million euros, constituting 19.0 per cent of the total turnover, and achieved an EBITDA of 3.3 million euros after capitalising software development expenses amounting to 1.5 million euros. Before the allocation of 3.5 million euros in sales and administrative overheads and amortisation and depreciation costs amounting to 1.3 million euros, the operating EBITDA adds up to 3.3 million euros, which corresponds to a yield of 12.7 per cent of the segment turnover. After allocations, the EBT for the Non-Life segment amounted to -1.6 million euros.

Generating 22.3 million euros, the Banking segment accounted for 16.5 per cent of the total turnover and achieved an EBITDA of -0.1 million euros before the allocation of 2.7 million euros in sales and administrative overheads, 1.2 million euros for depreciation and amortisation costs and a financial result of -1.9 million euros, whereby the financial result is primarily attributable to the acquisition of new shares in B+S Banksysteme Aktiengesellschaft. After allocations, depreciation, amortisation and financial result, the EBT for the Banking segment amounted to -5.9 million euros.
The allocated sales and administrative overheads account for 13.6 per cent of the total costs.

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
The Group's exposure to foreign currency risks within the framework of its operating activities remains within manageable limits. These relate primarily to operations in the US (2011: 6.4 per cent of external Group turnover), although a limited scope of services predominantly provided by German companies within the Group are also called on for order fulfilment. However, most of these services are provided by local personnel in the USD region as well. Furthermore, around 3.5 per cent of external Group turnover are generated in Switzerland and charged in Swiss francs, whereby personnel from Germany is also employed in providing the services.

Aside from that, some 90.1 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 increased by 0.1 million euros during the last financial year and amounted to 15.4 million euros on 31 December 2011.

Earnings before tax, depreciation and amortisation, the change in provisions, changes in rates of exchange with no impact on earnings and the valuation effect arising from the share market devaluation of equity in B+S Banksysteme Aktiengesellschaft with no effect on liquidity amounted to 5.8 million euros. 3.2 million euros were spent on investments, with 1.5 million euros invested in software produced in house and 1.8 million euros for the acquisition of intangible assets and property, plant and equipment. Effective tax payments amounted to 1.0 million euros. The change in receivables and liabilities led to an outflow of funds amounting to 13.0 million euros, which were refinanced by taking on financial debts amounting to 12.8 million euros. The

repayment of a sale and finance leaseback transaction amounting to 0.8 million euros reduced the financial debts accordingly.
During the last financial year, 4.9 million euros were spent on the acquisition of shares in plenum AG, COR&FJA Metris GmbH and WKA AG. 3.9 million euros in liquid funds were acquired in the course of the consolidation.

Investment analysis
The COR&FJA Group's investments during the 2011 financial year amounted to around 8.1 million euros (2010: 4.5 million euros). Some 1.8 million euros were invested in property, plant and equipment and most of this went into infrastructure in the IT hardware sector. Another 1.5 million euros were invested in the development of the company's own software solutions and 4.9 million euros went into the acquisition of shares in plenum AG, COR&FJA Metris GmbH and WKA AG.

The Group's assets position

Asset structure analysis
Current assets increased by 12.9 million euros during the last financial year. 6.6 million euros result from the expansion of the consolidation group by the acquired companies plenum AG, COR&FJA Metris GmbH and WKA AG. 11.2 million euros in growth were the result of a rise in accounts receivable from trading amounting to 11.7 million euros less a 0.5 million euros decline in inventories. PoC receivables increased sharply at 9.7 million euros, reflecting the considerable rise in the average volume of product-related orders and is also a consequence of the larger proportion of licence revenue in the total turnover. In terms of turnover, the average period for which receivables remained unpaid (DSO) was 54 days (compared with 53 days as of 31 December 2010) and the average period for which PoC receivables remained unpaid was 66 days (compared with 47 days as of 31 December 2010).

Cash and securities have now dropped by 4.0 million euros. Other financial receivables recorded a decline of 0.9 million euros.

Non-current assets rose by 4.9 million euros to 66.5 million euros. Expansion to the consolidation group to include the acquired companies plenum AG, COR&FJA Metris GmbH and WKA AG generated an increase of 8.6 million euros, whereby 6.2 million euros represents the growth in goodwill. Financial investments recorded a decline of 2.1 million euros, on the other hand, which essentially results from the share market devaluation of equity in B+S Banksysteme Aktiengesellschaft. The deferred and current tax assets have gone down by 1.2 million euros, whereas other financial receivables recorded an increase of 0.3 million euros.

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
Turnover increased from 11.4 million euros in 2010 to 16.0 million euros in 2011. This was primarily due to a significant increase in the turnover generated by external customers outside the COR&FJA Group by 6.3 million euros. An increase amounting to 1.4 million euros was recorded for licence turnover and an increase of 4.9 million euros was recorded for service turnover, whereby this was primarily attributable to the customer agreement with the ERGO Insurance Group. Conversely, turnover generated by Group companies decreased by 1.6 million euros. A further decline was also recorded for other operating income, which dropped by 48 per cent to 0.4 million euros.
In the context of the sharp rise in turnover generated with external customers, expenditure for the purchasing of services outside the Group has also increased significantly as COR&FJA AG does not have sufficient capacity to provide the ordered services on its own. This means, for example, that the costs of licences and capacity purchased outside the Group rose by 4.9 million euros

to 5.1 million euros during the year ended 31 December 2011. In addition to this, 0.5 million euros were spent on outsourced services during 2011. These were services provided by external personnel, who were also involved in fulfilling customer orders.

Personnel expenses remained at exactly the same level as the year before at 4.9 million euros.

Depreciation and amortisation rose by 0.1 million euros to 0.7 million years during the last financial year as a result of investments in the IT infrastructure during 2009 and 2010.

Other operating expenses increased by 0.7 million euros to 6.8 million euros during the financial year ended 31 December 2011, corresponding to an increase by 11.8 per cent. This is primarily due to the 0.8 million euros increase in rental costs, bringing them up to 2.5 million euros, whereby the relatively low costs incurred the year before were essentially due to a provision-related rental credit entry amounting to 0.5 million euros. COR&FJA AG is the principle lessee for many of the buildings used within the Group, which means that the costs are passed on to the subsidiaries within the framework of head office charges.

Income from investments rose sharply by 1.7 million euros to 1.9 million euros during the 2011 financial year. This was made up of a 1.7 million euro dividend paid out by subsidiary COR&FJA Oda Team d.o.o. of Maridor in Slovenia and a 0.2 million euro dividend paid out by innovas GmbH in Hamburg, in which COR&FJA AG owns a 10 per cent shareholding. Concluded profit and loss transfer agreements generated a negative contribution to earnings amounting to 5.8 million euros, which constitutes an improvement over 2010 by 0.8 million euros and can be almost exclusively attributed to the transfer of profit and loss from COR&FJA Systems GmbH.
Interest income from receivables and liabilities with subsidiaries and affiliated companies rose by 0.2 million euros to 0.1 million euros in interest earnings.
External interest income deteriorated by 0.1 million euros to 0.2 million euros as a result of taking on bank loans and overdrafts.

The effects of the changeover under the German Accounting Law Modernisation Act were declared as an extraordinary operating result amounting to -0.2 million euros during 2010. No extraordinary operating result was recorded during the 2011 financial year.
Changes to the economic forecasts for associated companies for the pertinent forecast period gave rise to a reduction in deferred tax assets on tax losses brought forward by 2.4 million euros after 1.9 million euros had been recorded from the initial statement the year before. The tax result for the 2011 financial year amounts to a total of -2.5 million euros compared with a tax result of 1.9 million euros the year before.

COR&FJA AG generated a net loss under the German Commercial Code (HGB) amounting to 8.2 million euros overall for the 2011 financial year, following a net loss of 4.9 million euros in 2010.

Financial and assets position

COR&FJA AG's current assets for the year ended 31 December 2011 increased considerably by 4.2 million euros to 10.6 million euros. A reserve of 0.4 million euros that was generated within the framework of a customer project in 2010 has now been realised and included in the turnover figures. Other assets recorded a slight decline by 0.5 million euros to 1.3 million euros. The increase in external turnover gave rise to a sharp rise in trade receivables, which increased by 2.5 million euros to 2.6 million euros. In return, the trade accounts payable recorded a drop of 1.2 million euros to close the year at 0.4 million euros.
Accounts due from affiliated companies also rose sharply and, with an increase of 1.8 million euros, more than doubled to 3.3 million euros at the end of the year. In return, amounts owed to affiliated companies increased by 2.7 million euros to 13.6 million euros.
Liquid funds rose by 0.9 million euros to close the year with a balance of 3.5 million euros. Conversely, bank loans and overdrafts amounting to 13.1 million euros were taken on to finance the acquisition of companies and invest in the subsidiaries' development projects.
Other liabilities declined by 0.5 million euros to 1.8 million euros, which is almost exclusively attributable to the reduction in the regular tax burden arising from turnover tax. The provisions also recorded a decline of 0.6 million euros, which is primarily due to the reduction in provisions for the variable remuneration paid to personnel and members of the Management Board which, as far as the COR&FJA Group is concerned, is predominantly linked to key economic figures.
The sharp increase by 3.4 million euros to 77.1 million euros in fixed assets is primarily attributable to the 4.8 million euro rise in the investment book value to 67.7 million euros resulting from the acquisition of the companies COR&FJA Metris GmbH, plenum AG and WKA AG. In return, property, plant and equipment recorded a slight decline of 0.4 million euros to 1.8 million euros. The loans to affiliated companies decreased as well, amounting to 7.0 million euros as of 31 December 2011 (compared with 8.0 million euros in 2010).

The balance sheet total as of 31 December 2011 amounted to 88.7 million euros (previous year: 83.7 million euros).

With earnings before interest, taxes, depreciation and amortisation (EBITDA) amounting to -0.8 million euros, COR&FJA AG recorded an EBITDA that was 1.7 million euros lower than in 2010. However, these high losses sustained by the Holding are essentially due to the transfer of high losses from COR&FJA Systems GmbH. The COR&FJA Group regards the high investments in the development of new innovative software solutions and the further development of existing products as well as the temporary weakness in the company's sales market as being responsible for these losses. COR&FJA AG anticipates an increase in positive contributions to earnings from this company and other subsidiaries during the coming year as a result of the intake of orders during the year ended 31 December 2011, which have not yet generated contributions to earnings, and advances in software development. In this respect, the overall earnings, financial and assets situation of the parent company COR&FJA AG can be described as sound. The costs of staff functions that have been incorporated into the holding company are still being passed on to the subsidiaries in full, with the exception of the costs of the IPO and the Supervisory Board, by absorbing dividends and transferring the subsidiaries' profits and losses. A positive contribution to earnings is anticipated for virtually all subsidiaries during 2012.

EVENTS AFTER THE REPORTING PERIOD

Disclosure of particularly significant transactions

After the end of the reporting period (31 December 2011), there were no transactions of particular significance which would have to be reported separately here.

OPPORTUNITY AND RISK REPORT

General

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 2011, 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.

As far as the recent crisis in the financial markets is concerned, it is important to monitor the possible effects on COR&FJA's business closely to ensure that we can respond to new developments quickly if the need arises.

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.

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. This legal dispute is still awaiting a first instance decision before Stuttgart Regional Court (LG). 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 2011 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 turnover, 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

Today, based on the targeted further development that took place during the last financial year, COR&FJA AG has established itself in an excellent position in the field of software and consulting services for insurance companies and banks. The strategic holdings acquired in the Basel-based Swiss consultancy firm of Wagner & Kunz Aktuare AG (WKA), the software company COR&FJA Metris GmbH with headquarters in St. Georgen, and plenum AG, the consultancy firm in Wiesbaden, constitute an important element that will determine the company's further development.

The ERGO Insurance Group is one of COR&FJA's new customers in the German market. ERGO is the first of the top three life insurance companies in the German market to use a standard software solution to handle its high-volume business processes and place its future-oriented insurance products. This success impressively substantiates one of the core statements arising from the successful merger of COR and FJA, according to which the two companies would have to join forces in order to attract large-scale companies within the insurance sector in the future. In this respect, the company is anticipating a growing interest in the solutions offered, particularly on the part of large-scale insurance companies.

The new international offices in Copenhagen (Denmark), Porto (Portugal), Warsaw (Poland) and Prague (Czech Republic) are also part of the company's scheduled further development. Experience has shown that the targeted presence of COR&FJA in the respective foreign markets is an important success factor when it comes to attracting new customers. Most of the work arising from the order placed by Cooperatie DELA in the Netherlands is being performed by the local COR&FJA office, for example, and the COR&FJA office in Copenhagen is providing ideal support for the project at the premises of the Norwegian Frende Livsforsikring.

With more than 1,150 employees in offices throughout Germany, the Netherlands, Denmark, Austria, Switzerland, Slovakia, Slovenia, Poland, the Czech Republic, Portugal, Spain and the USA, COR&FJA has now become one of Europe's top full-service providers for the entire financial services sector. The company's product and service portfolio enables virtually all customers' IT requirements for modern, flexible standard software solutions to be met, along with management and process consulting services. With its extensive product portfolio for life, health and non-life insurers, as well as private and regional banks, automotive finance companies, mortgage lending institutions and financial groups, COR&FJA has very good market opportunities and a very strong competitive position.

This same particularly applies to the planned continued internationalisation process, because, apart from enjoying a leading position in the German-speaking markets, COR&FJA software is also being used all over the world. The Group's solutions are already being used by companies in more than 30 countries, including the USA and Australia. COR&FJA is relying on co-operative ventures, partnerships, selective participating interests in companies and the local presence mentioned above in this strategic project. Furthermore, COR&FJA has taken note of the trend whereby Group companies want to make the solution implemented for one region available to other Group companies in other countries. This underlines the move towards the internationalisation of COR&FJA as a service provider for customers as well.

One interesting and promising market in view of internationalisation 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. The local mortgage market is particularly promising in the Banking segment, because there is little competition and the solution offered by COR&FJA offers significant added value with its high level of automation. Scandinavia is another market with promising perspectives and COR&FJA was able to attract the Norwegian life and pension insurance company Frende Livsforsikring AS in Bergen, which placed an order for the implementation and administration of several components from the COR.FJA Insurance Suite during the last financial year.

Another important building block within the scope of international activities is the Austrian market, in which COR&FJA has significantly increased its workforce. Thanks to essential contributory work on the part of the Austrian COR&FJA subsidiary, the Austrian company, Merkur Versicherung, has placed orders to support its subsidiaries in south-eastern European countries, which shows that COR&FJA can also count on additional business potential in this market. Furthermore, COR&FJA is present in the growth markets of Central and Eastern Europe with its two subsidiaries in Slovakia and Slovenia as well as the offices in Poland and the Czech Republic.

COR&FJA also sees excellent perspectives in the Swiss market, where the Swiss management consulting firm, Wagner & Kunz Aktuare AG (WKA) provides an expedient supplement to existing capacity as the new COR&FJA subsidiary. On the US market, which offers great potential, COR&FJA is also investigating the extent to which its own product portfolio can be used even more effectively.

COR&FJA is again recording a high demand for the offered solutions in nearly all marketing territories in the current year 2012, i.e. from insurance companies and banks in Germany and other countries alike. This is primarily due to the planned introduction of new requirements to be imposed with respect to risk management – under the headings Solvency II and MaRisk – as well as the implementation of Basel III with new regulatory requirements on bank liquidity and bank leverage and the IFRS guidelines on balance sheet preparation. These are giving rise to the need for new solutions in the financial service providers' IT landscapes. In this context, COR&FJA is also expecting a further increase in regulatory standards imposed throughout the financial services sector as a direct consequence of the recent financial crisis. The solutions currently in use mean that the imposition of such regulatory standards will generate the need for extensive adaptation and intensify the trend towards the use of standard software. This makes it evident that the use of versatile, cost-effective standard software will be even more attractive in future throughout the entire financial services sector.

The German market will remain lively this year, and in the foreseeable future, because of changes in legislation and the associated implementation of these changes by insurance companies. The trend towards internationalisation, consolidation and international IT harmonisation is still continuing. Considering the many offensives launched in an effort to cut costs and improve efficiency within the insurance companies, the coherence between modern, flexible IT and the success of a company is becoming increasingly obvious. At the same time, the market is moving away from conventional endowment policies towards dynamic hybrid products (DHP), variable annuities and iCPPI (Individual Constant Proportion Portfolio Insurance) products. Private pension insurance is also continuing to gain in importance. Weakening the attractiveness of traditional life insurance products considerably, the continuing very low level of guaranteed interest rates offered by life insurance companies will increase the pressure to develop innovative new financial products substantially, imposing new demands on software solutions and confronting corporate IT systems with special challenges. In this respect, the establishment of service-oriented architectures (SOAs) for prompt support of modified business models and a high level of system flexibility to respond to the rapid introduction of innovative products are crucial success factors. Based on this assumption, COR&FJA is expecting a noticeable revival of interest in the software solutions being offered for insurance companies during the current year.

This also applies to the COR.FJA P&C non-life insurance solution, which is to be upgraded to become 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 insurance market, is currently predominated by legacy systems, which are scarcely able to provide non-life insurance companies with the necessary industrialisation capacity or automatic processing facilities. What is more, there is a much greater need for product flexibility and short time to market for innovative products – due to the considerably shorter terms of insurance contracts that are subject to greater changes – compared with products in the life insurance sector. Many insurance companies are therefore having to make their processes more efficient and versatile while facing increasing cost pressure. Consequently, COR&FJA is still recording a high level of interest in the COR.FJA P&C non-life insurance solution on the part of insurance companies and is convinced that an appropriate product can be made available to the market.

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.

Further development of products and services

As well as cultivating existing customers and winning new ones, our activities are particularly focused on the further technical and functional optimisation and completion of COR&FJA's two central product platforms: the COR.FJA Insurance Suite and the COR.FJA Banking Suite (CORBAS). At the same time, COR&FJA will be able to scale down the large internal investments made in the past and convert the resulting spare capacity into potential extra turnover.

An important project in the Insurance segment involves upgrading the COR.FJA Life Factory policy management system on the basis of a modern Java JEE architecture, to which just under 4,000 person days of development capacity will be made available again this year. This is COR&FJA's direct reaction to the demanding requirements of the major life insurance companies with respect to customising, process and product flexibility. After winning over the ERGO insurance group last year, COR&FJA would also like to gain further access to the top-ten segment of life insurers in Germany in the medium term.

The new COR.FJA P&C non-life insurance solution, which is being upgraded to become the leading non-life insurance system in Germany, Austria and Switzerland with an investment of 2,900 person days this year, is also part of the COR.FJA Insurance Suite.

COR&FJA is gradually bundling and integrating these and all of the other individual components into the COR.FJA Insurance Suite in order to make the required across-the-board integral solution available to the international insurance market; whenever required, it is also available as an attractive, cost-effective ASP solution. 2,800 person days are to be dedicated to the integration work during the current year.

The primary objective in the banking product segment is to enhance the COR.FJA Banking Suite and make it the leading standard full-banking system in Germany and Europe. Apart from continuous adjustments to comply with regulatory requirements and conditions in the markets, this specifically includes finalisation of the product range in the COR.FJA Banking Suite (CORBAS). This work will also require a further investment amounting to 1,300 person days during 2012.

COR&FJA's strategic investment in the consultancy firm plenum AG in 2011 has also enabled the company to supplement its own portfolio – in both insurance and banking environments – with plenum's extensive knowledge of process and IT management. This will be indispensible for the future implementation of products with service-oriented architectures (SOAs). COR&FJA sees tremendous business potential in this new business segment as a result of the substantial change processes taking place in insurance companies and banks alike.

In view of the current market and sales situation, COR&FJA is confident that it will be able to achieve the targets for the current financial year that were published in January 2012. This means that COR&FJA is anticipating turnover amounting to 145.0 million euros and an operating result before depreciation (earnings before interest, taxes, depreciation and amortisation [EBITDA]) amounting to 9.0 million euros. COR&FJA does not believe that there will be any significant change in its target markets in the medium term and is therefore assuming that turnover and earnings will continue to develop positively over the next few years. The company is expecting turnover to increase by around three to five per cent during the 2013 financial year and is also anticipating an increase in its operating return (earnings before taxes [EBT]).

CLOSING DECLARATION ON THE DEPENDENCY REPORT IN ACCORDANCE WITH SECTION 312, GERMAN 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 2012

COR&FJA AG

Ulrich Wörner
Chairman of the Management Board

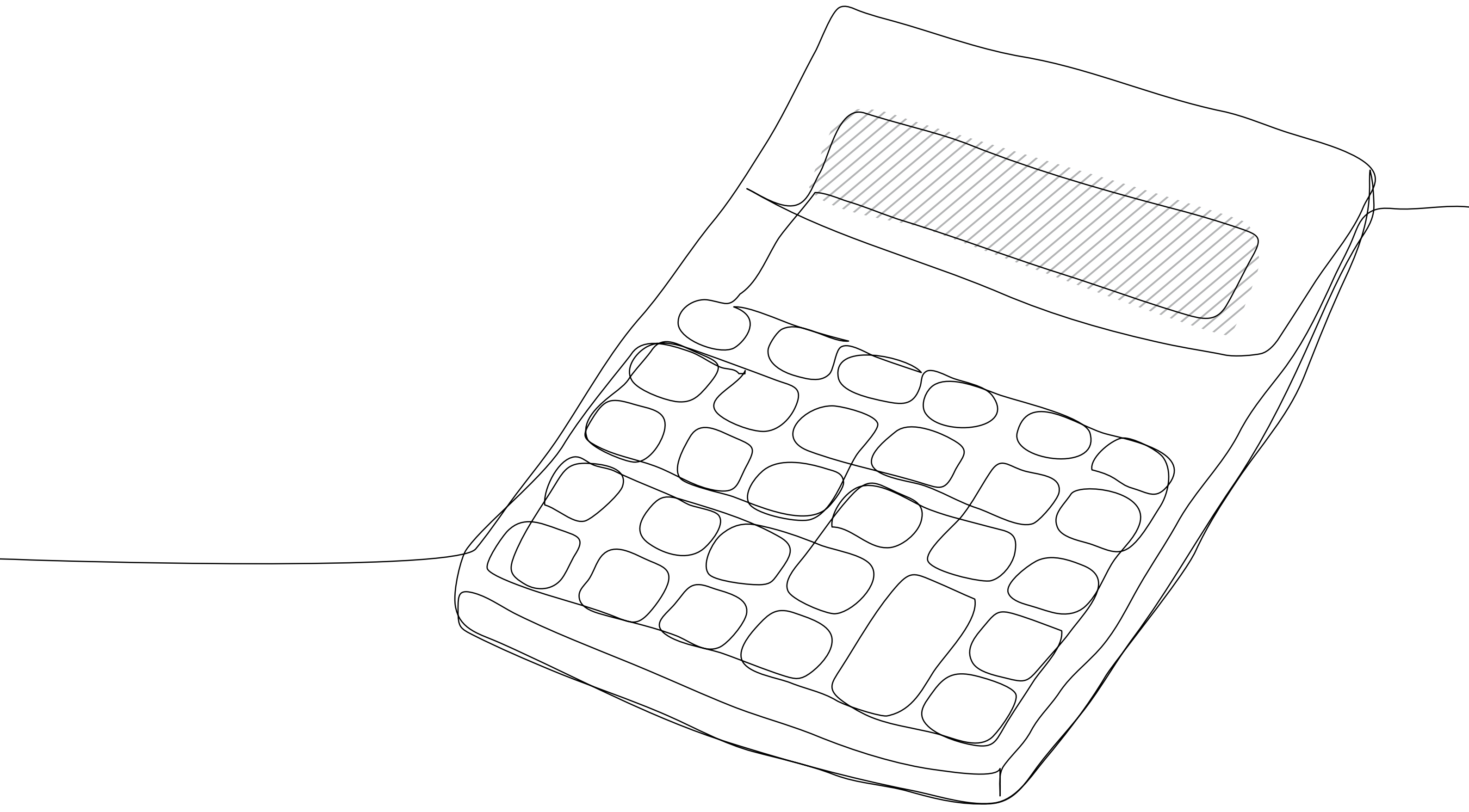
Klaus Hackbarth
Deputy Chairman of the Management Board

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 INCOME STATEMENT

Consolidated income statement	Marginal number	2011	2010
		euros	euros
Turnover	VII.1	135,191,887	116,235,860
Changes in inventory of finished and unfinished services		108,933	-159,268
Capitalised own services for developments	VII.2	1,470,320	0
Other operating income	VII.5	3,410,253	3,111,317
Cost of purchased services	VII.3	-19,162,657	-15,095,078
Personnel expenses	VII.4	-90,215,177	-77,480,854
Other operating expenses	VII.6	-24,131,078	-19,224,544
Depreciation of property, plant and equipment and amortisation of intangible assets	VII.7	-4,815,043	-4,668,006
Operating result		**1,857,438**	**2,719,427**
Interest income	VII.8	257,850	247,595
Interest expenses	VII.8	-952,209	-794,786
Income from participating interests	VII.9	-1,581,418	3,337,656
Earnings before income taxes		**-418,339**	**5,509,892**
Taxes on income and revenues	VII.10	-891,888	836,007
Net income for the period		**-1,310,227**	**6,345,899**
Of which:			
Shareholders of the parent company		-2,186,796	6,344,867
Non-controlling shares		876,569	1,032
Consolidated earnings		**-1,310,227**	**6,345,899**
Earnings per share (undiluted)	X.	-0.05	0.16
Earnings per share (diluted)	X.	-0.05	0.16
Shares in circulation on average (undiluted/diluted)		40,895,861	40,895,861

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income	2011	2010
	euros	euros
Net income for the period	-1,310,227	**6,345,899**
Profits and losses from currency conversions of foreign subsidiaries	324,683	542,360
Actuarial profits and losses from performance-oriented plans, before taxes	679,408	-597,074
Deferred taxes related to actuarial profits and losses from performance-oriented plans	-204,211	182,231
Profits/ losses from the revaluation of available-for-sale financial assets, before taxes	0	-59,939
Deferred taxes related to profits/ losses from the revaluation of available-for-sale financial assets	0	12,665
Amounts recognised in the income statement for available-for-sale financial assets, before taxes	59,939	0
Deferred taxes on amounts recognised in the income statement for available-for-sale financial assets	-12,665	0
Revenues and expenses directly included in equity	847,154	**80,243**
Total earnings	-463,073	**6,426,143**
Of which profits/ losses that are attributable to shareholders of the parent company	-1,339,642	6,425,151
Of which profits/ losses that are attributable to non-controlling shares	876,569	992

ASSETS

Consolidated statement of financial position | Current assets	Marginal number	31.12.2011	31.12.2010
		euros	euros
Current assets			
Cash and cash equivalents	VIII.1	15,435,014	15,348,737
Securities	VIII.2	4,097	143,458
Trade receivables	VIII.3	45,078,465	32,194,768
Invoiced receivables		20,158,015	17,156,627
PoC receivables		24,920,450	15,038,141
Receivables from affiliated companies	VIII.4	195,732	153,578
Inventories	VIII.5	346,030	575,721
Ongoing income tax claims	VIII.6	843,101	636,164
Other financial receivables	VIII.7	683,262	695,448
Other short-term assets	VIII.8	936,607	835,335
Short-term assets, total		**63,522,308**	**50,583,209**
Non-current assets			
Goodwill	VIII.9	30,779,276	24,608,721
Other intangible assets	VIII.9	13,882,973	14,842,136
Property, plant and equipment	VIII.10	4,930,708	4,272,723
Financial investments	VIII.11	4,686,366	6,781,713
Deferred tax claims	VIII.12	10,768,666	10,514,825
Ongoing income tax claims	VIII.6	1,070,534	577,148
Other financial receivables	VIII.13	347,509	0
Long-term assets, total		**66,466,032**	**61,597,266**
Assets, total		**129,988,340**	**112,180,475**

EQUITY AND LIABILITIES

Consolidated statement of financial position | Equity and liabilities	Marginal number	31.12.2011	31.12.2010
		euros	euros
Current liabilities			
Financial liabilities	VIII.14	15,730,365	0
Trade payables	VIII.15	4,312,235	4,094,290
Amounts owed to affiliated companies	VIII.4	571,539	171,382
Current income tax liabilities	VIII.16	575,430	622,977
Other provisions	VIII.17	2,055,633	2,119,442
Other current liabilities	VIII.18	2,856,889	3,567,546
Other financial liabilities	VIII.19	12,102,355	10,751,576
Short-term liabilities, total		**38,204,446**	**21,327,213**
Non-current liabilities			
Other provisions	VIII.17	451,950	561,471
Other financial liabilities	VIII.19	498,640	0
Deferred tax liabilities	VIII.12	8,084,067	8,713,910
Pension provisions	VIII.20	6,436,360	5,996,368
Other long-term liabilities	VIII.18	5,441	0
Long-term liabilities, total		**15,476,458**	**15,271,749**
Liabilities, total		**53,680,904**	**36,598,962**
Equity			
Subscribed capital of COR&FJA AG	VIII.21	40,895,861	40,895,861
Capital reserve of COR&FJA AG	VIII.22	33,601,050	33,581,934
Group retained income	VIII.23	-257,714	1,100,664
Shareholdings shareholders parent company		**74,239,197**	**75,578,459**
Minority interests	VIII.24	2,068,239	3,054
Equity total		**76,307,436**	**75,581,513**
Equity and liabilities, total		**129,988,340**	**112,180,475**

CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement	2011	2010
	euros	euros
Net income for the period	-1,310,227	6,345,899
Income taxes	891,889	-836,007
Earnings before income taxes	**-418,339**	**5,509,892**
Adjustments for the transfer of earnings to the cash flow from operational activities		
Depreciation of property, plant and equipment and amortisation of intangible assets	4,815,043	4,668,006
Earnings from disposal of tangible assets	12,614	17,238
Depreciation of financial assets	2,157,786	0
Earnings from disposal of financial investments	0	-28,312
Other expenses/ income with no impact on earnings	19,116	-3,460,395
Change in provisions for pensions recognised in profit or loss	172,129	208,486
Interest income	-257,850	-247,595
Interest expenses	952,209	794,786
Income taxes paid less reimbursed payments	-1,032,514	-1,518,965
Change in:		
Trade receivables	-11,702,308	-8,474,455
Inventories	455,157	-33,765
Other assets/ other financial receivables/ ongoing income tax claims	739,869	3,503,594
Other provisions	-1,221,387	-1,235,472
Trade payables	-642,385	719,641
Other debts/ financial liabilities	-1,364,570	1,452,560
Cash flow from operating activity*	**-7,315,430**	**1,875,244**

*see Notes IX.

Consolidated cash flow statement (continued)	2011	2010
	euros	euros
Cash flow from investment activity		
Investments in tangible assets	-1,759,134	-2,520,799
Investments in intangible assets	-1,547,313	-323,032
Incoming payments from disposal of tangible assets	60,671	-52,528
Investments in financial assets	0	-483,666
Cash inflows from the disposal of financial investments	0	134,827
Purchase of securities	-2,098	0
Sale of securities	0	4,067
Cash outflows from the acquisition of subsidiaries	-4,797,342	0
Cash outflows from the acquisition of non-controlling shares in consolidated companies	-70,000	-1,255,000
Cash flow from investment activity	**-8,115,216**	**-4,496,131**
Cash flow from financing activity		
Repayment of short-term financial liabilities	-836,790	-4,430,848
Assumption of short-term financial liabilities	12,820,276	0
Interest received	257,850	247,595
Interest paid	-952,209	-794,786
Cash flow from financing activity	**11,289,127**	**-4,978,038**
Changes due to the exchange rate with no impact on earnings	**286,772**	**558,734**
Change in cash funds	**-3,854,747**	**-7,040,192**
Cash funds at the start of the reporting period	**15,348,737**	**22,388,929**
Addition of cash and cash equivalents due to change in consolidation group	**3,941,024**	**0**
Cash funds at the end of the reporting period*	**15,435,014**	**15,348,737**
* of which freely available	11,410,356	14,285,520

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital	Capital reserve	Currency compensation item
Marginal number VIII	21	22	23
	euros	euros	euros
As at 01.01.2010	**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
Additions in non-controlling shares	0	0	0
As at 31.12.2010	**40,895,861**	**33,581,934**	**2,995,786**
Total earnings	**0**	**0**	**324,682**
Expenses for issuance of stock options	0	19,116	0
Acquisition of subsidiaries	0	0	0
Additions in non-controlling shares	0	0	0
Other changes	0	0	-32,030
As at 31.12.2011	**40,895,861**	**33,601,050**	**3,288,438**

Group retained income		Equity accounted for by the owners of the parent company	Non-controlling shares	Total equity
Net investment	**Other**			
23	23		24	
euros	euros	euros	euros	euros
-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**
0	**-1,664,325**	**-1,339,642**	**876,569**	**-463,073**
0	0	19,116	0	19,116
0	0	0	1,239,881	1,239,881
0	-18,735	-18,735	-51,265	-70,000
0	32,030	0	0	0
-2,336,578	**-1,209,573**	**74,239,197**	**2,068,239**	**76,307,436**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

I. GENERAL EXPLANATIONS

1. Basic information

The COR&FJA Group is a leading consulting and software company for the insurance, banks and retirement pensions markets 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. Reporting is carried out for the Life insurance, Non-Life Insurance and Banking segments.

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

The consolidated financial statement of COR&FJA AG, Leinfelden-Echterdingen, Germany, as at 31 December 2011, 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 statement of COR&FJA AG, Leinfelden-Echterdingen, Germany, as at 31 December 2011 were prepared taking account of all the International Financial Reporting Standards (IFRS) stipulated by the International Accounting Standards Board (IASB) which were valid as at 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 Management Board of COR&FJA AG approved the consolidated financial statement for submission to the Supervisory Board on 11 April 2012. The Supervisory Board has the task of examining the consolidated financial statement and declaring whether it approves the consolidated financial statement.

The income statement was prepared in accordance with 'total costs' type of short-term results accounting. 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. In the balance-sheet disclosures, a difference is made between long and short-term assets and liabilities. These items are explained in detail in the notes to the consolidated financial statement and 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 Para. 3, of the German Commercial Code (HGB), to prepare consolidated financial statements. The company prepared a discharging consolidated financial statement and a discharging Group management report in accordance with Section 315a HGB as of 31 December 2011. The consolidated financial statement is 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 at the reporting date, COR&FJA AG is a subsidiary of msg group GmbH, which prepares the consolidated financial statement for the largest number of Group companies.

Events after the reporting date are included up until 11 April 2012.

2. New and amended standards and interpretations

New and amended standards and interpretations applied for this first time in this financial year

In the 2011 financial year, the financial statements were based on the IFRS which are mandatory for financial years which begin on or after 1 January 2011. New standards, amendments to standards, and interpretations that must be applied for the first time for financial years ending 31 December 2011 are as follows: In the 2011 financial year the following amended standards and interpretations were applied for the first time:

- Amendments to IFRS 1 ('First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters'), mandatory application for financial years starting on or after 1 January 2011,
- Amendments to IAS 32 ('Financial Instruments: Presentation'), mandatory application for financial years starting on or after 1 February 2010,
- IAS 24 ('Related-party disclosures'), mandatory application for financial years starting on or after 1 January 2011,
- Amendments to IFRIC 14 ('IAS 19 – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement'), 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 with the exception of amendments that affect IFRS 3 and IAS 27, whose application is mandatory for financial years starting on or after 1 July 2010.

The supplement to IAS 32 ('Financial instruments: disclosures') clarifies the classification of subscription rights as either equity or borrowed capital where the subscription rights are in a currency other than functional currency of the issuer. Prior to this, such rights were reported as derivative liabilities in the statement of financial position. The supplement requires that these rights, which are issued at a fixed currency amount pro rata to the shareholders of the company, are classified as equity. The currency of the exercise price is irrelevant in this respect. The supplement has not had any material effects on the presentation of the assets, earnings and financial situation or cash flow of the COR&FJA Group.

The amendments to IAS 24 simplify disclosure requirements for companies that are state controlled, jointly controlled or significantly influenced. This amendment has not had any effect on the presentation of the assets, earnings and financial situation or cash flow of the COR&FJA Group.

The amendments to IFRIC 14, which for their part represent an interpretation of IAS 19, apply under limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover these requirements. The change allows companies to treat the benefit of such an early payment as an asset. Application of this interpretation has not had any material effects on the presentation of the assets, earnings and financial situation or cash flow of the COR&FJA Group.

IFRIC 19 provides guidance on the interpretation of IFRS for borrowers when they renegotiate the terms of a financial liability with a creditor and the creditor agrees to accept equity instruments to settle the financial liability either fully or partially. IFRIC 19 states that the equity capital instruments issued to the creditor are to be regarded as part of the consideration paid to extinguish the financial liability either fully or partially. Furthermore, equity instruments are to be measured at fair value. If this cannot be reliably determined, the equity instruments are measured at the fair value of the extinguished liability. Any difference between the book value of the financial liability and the initial consideration paid is recognised in the income statement. Application of IFRIC 19 has not had any material effects on the presentation of the assets, earnings and financial situation or cash flow of the COR&FJA Group.

The improvements to IFRS 2010 describe a collective standard, which deals with amendments to the different standards and interpretations. The other amendments have not had any material effects on the presentation of the assets, earnings and financial situation or cash flow of the COR&FJA Group.

The first-time application of the other new standards and interpretations has not had any effect on the financial statements of the company.

The following standards, amendments and interpretations, which have been published and the application of which is mandatory on or after 1 January 2012, were not applied in advance:

- Amendment to IAS 1 ('Presentation of Financial Statements'), mandatory application for the financial years starting on or after 1 July 2012,
- Amendment to IFRS 7 ('Financial Instruments: Disclosures – Transfer of Financial Assets'), mandatory application for financial years starting on or after 1 July 2011,
- Amendments to IAS 12 ('Income taxes – Deferred Taxes: Realisation of Underlying Assets'), mandatory application for financial years starting on or after 1 January 2012,
- IFRS 9 ('Financial Instruments'), mandatory application for financial years starting on or after 1 January 2015,
- IFRS 10 ('Consolidated Financial Statements'), mandatory application for financial years starting on or after 1 January 2013,
- IFRS 11 ('Joint Arrangements'), mandatory application for financial years starting on or after 1 January 2013,
- IFRS 12 ('Disclosures about commitments to other companies'), mandatory application for financial years starting on or after 1 January 2013,

- IFRS 13 ('Measuring the fair value'), mandatory application for financially years starting on or after 1 January 2013,
- IAS 27 ('Separate Financial Statements'), mandatory application for financial years starting or after 1 January 2013,
- IAS 28 ('Shares in associated companies and joint ventures'), mandatory application for financial years starting on or after 1 January 2013,
- Amendment to IAS 19 ('Employee Benefits'), mandatory application for financial years starting on or after 1 January 2013,
- Amendment to IAS 32 ('Financial Instruments'), mandatory application for financial years starting on or after 1 January 2014,
- Amendment to IFRS 7 ('Financial Instruments'), mandatory application for financial years starting on or after 1 January 2013.

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 2011 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 at the reporting date is shown.

Service contracts which are settled on the basis of the disbursements, which have been made and are 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 the reference system 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 – there is a sufficient degree of probability that the company will benefit economically from the transaction,
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 income and **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 only shown in the statement of financial position 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 at 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 categorised as either ‘available for sale’, ‘held to maturity’ or ‘held for trading’ in accordance with IAS 39. The securities categorised as ‘available for sale’ are measured at fair value when being valued for the first time and subsequently as at 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 income statement.

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 at 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 reported at fair value and categorised as ‘available for sale’ in the statement of financial position. 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 or the first time** in the 2010 financial year for the first time. Please see the notes on ‘IV. Business combinations’ for more information.

As at 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 at 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 recorded **inventories (work in progress)** 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.

Goodwill 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 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 according to 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 value 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.

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 income statement 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 only stated in the statement of financial position 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 may be positive or negative. For the recording of changes in fair values – with effect on income in the income statement 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 stated amounts constitute the best possible estimations of expenses which are necessary to fulfil the current obligation as at 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.

Consolidation principles

IFRS prescribes that the purchase method be applied for all business combinations. The purchase price of an acquired subsidiary is distributed across the acquired assets, liabilities and contingent liabilities. Measurement is based on the values applicable at the date on which the Group gained control over the subsidiary concerned. The recognised assets, and the acquired liabilities and contingent liabilities are measured in full at their fair value, in proportion to the amount of the investment. Any remaining capitalised difference is recognised as goodwill. Any remaining negative difference is recognised in profit or loss.

Income and expenses of a subsidiary are included in the consolidated financial statement from the date of acquisition. Income and expenses of a subsidiary remain in the consolidated financial statement until the parent company ceases to control the subsidiary. Expenses and income, receivables and liabilities and earnings between companies included in the consolidated financial statement are eliminated.

Investments in joint ventures and associated companies accounted for using the equity method are recognised at the time of acquisition with the proportional newly valued assets (plus any goodwill), liabilities and contingent liabilities. Goodwill from applying the equity method is subject to non-regular depreciation. Unrealised profits and losses from business transactions with these companies are eliminated on a pro rata basis. The carrying value of the investment resulting from applying the equity method is examined to see if there are any indications for a loss of value. If the carrying amount of the investment exceeds the recoverable amount, an impairment cost equivalent to the difference shall be charged. The recoverable amount is determined by the fair value less cost of sales or the useful value of the investment, whichever is the higher.

Preparation of the consolidated financial statement 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 at 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 and other significant sources of estimation uncertainty as at the reporting date, which could give rise to an appreciable risk, 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 are companies that are directly or indirectly controlled by COR&FJA AG and therefore fully consolidated. The existence and implication of potential voting rights, which can currently be exercised or converted, including potential voting rights held by other companies, are considered in the assessment of whether a company is controlled. Inclusion in the consolidated financial statement begins at the point in time from which the possibility of control exists and ends when the possibility of control ceases to exist.

As at 31 December 2011, the following companies were fully consolidated in the Group headed by COR&FJA AG as the parent company:

Company	Shareholding in %	Abbreviations
COR&FJA Deutschland GmbH, Munich (Germany) [1]	100	(COR&FJA Germany)
with the subsidiary FJA-US, Inc., New York (USA) [5]	100	(FJA-US)
COR&FJA Schweiz AG, Zurich (Switzerland)	100	(COR&FJA Switzerland)
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&FJA Consulting GmbH (previously: COR Insurance and Risk Management GmbH), Aachen (previously: 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., Utrecht (Netherlands)	100	(COR&FJA Netherlands)
COR&FJA Metris GmbH (previously: Metris GmbH), St. Georgen im Schwarzwald (Germany)	74.29	(COR&FJA Metris)
Wagner & Kunz Aktuare AG, Basel (Switzerland)	100	(WKA)
COR SISTEMAS ESPAÑA S.L., Madrid (Spain)	100	(COR Spain)
COR&FJA Czech, spol. s r.o., Prague (Czech Republic)	100	(COR&FJA Czech Republic)
COR&FJA Polska Sp. z o.o., Warsaw (Poland)	100	(COR&FJA Poland)
plenum AG, Wiesbaden (Germany)	40.37	(plenum)
with the subsidiary plenum Customer Intelligence GmbH, Wiesbaden (Germany) [6]	80	(pCI)
with the subsidiary MANIC GmbH, Mainz (Germany) [6]	100	(Manic)
with the subsidiary plenum Management Consulting GmbH, Wiesbaden (Germany) [6]	100	(pMC)
with the subsidiary plenum International Management Consulting GmbH, Wiesbaden (Germany) [6]	100	(pIMC)
with the subsidiary plenum USA Inc., Naples (USA) [6]	51	(pUSA)
with the subsidiary plenum FZ LLC, Dubai (VAE) [6]	100	(pFZ)

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&FJA GmbH (previously COR Insurance and Risk Management GmbH), Aachen, 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% 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.

6 The participating interests in question are indirect. The shares are held by plenum AG, Wiesbaden.

The subsidiaries COR&FJA Deutschland GmbH, Munich, FJA bAV Service GmbH, Munich, PYLON GmbH, Hamburg, COR&FJA Consulting GmbH, Aachen, 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 2011 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 in %	Abbreviations
COR&FJA Deutschland GmbH, Munich (Germany) [1]	100	(COR&FJA Germany)
with the subsidiary FJA-US, Inc., New York (USA) [5]	100	(FJA-US)
COR&FJA Schweiz AG, Zurich (Switzerland)	100	(COR&FJA Switzerland)
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 Netherlands)

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% 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.

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:
Effective from 6 February 2012, COR&FJA AG acquired a further 92,965 shares or 0.96 per cent of plenum AG, increasing its shareholding to 41.33 per cent. Please see the notes on 'IV. Business combinations, 2. Acquisition of plenum AG' for more information.

2. Associated companies

Associated companies are companies upon which COR&FJA AG exerts significant influence, but are not subsidiaries or joint ventures. Associated companies are included in the consolidated financial statement according to the equity method.

As at the reporting date of the previous year, COR&FJA AG owned 25 per cent of the shares plus one share in H.C.M. Capital Management AG, Munich. The shareholding was included in the consolidated financial statement as an associated company according to the equity method. Please see the notes on 'VIII. Notes to the statement of financial position, 11. Financial investments' for more information.

3. Joint ventures

A joint venture is an entity in which control is held jointly with another company. Joint ventures are included in the consolidated financial statement according to the equity method.

IV. BUSINESS COMBINATIONS

1. Acquisition of COR&FJA Metris GmbH

Effective from 1 June 2011, COR&FJA AG acquired 74.3 per cent of the shares in COR&FJA Metris GmbH (previously Metris GmbH), St. Georgen. The purchase price was 0.370 million euros.

COR&FJA Metris GmbH is one of the leading suppliers of standard software solutions in the areas of claims management and corporate planning for insurance companies in the German-speaking countries.
The company not only supplies a back-office solution for the management and regulation of claims for damages but also software for the straight-through-processing of damages by sales representatives, thus supporting the complete claims processing procedure, from defining the damage through to active claims management and closure of the case. COR&FJA Metris also offers a business intelligence (BI) solution for insurance companies that enables them to plan and report their entire balance sheet and also map simulations within very short time frames. With the integrated functions to represent balance-score-card and risk-management applications, all insurance company requirements in the field of BI are easily accommodated in a single tool. The products offered are used by well-known insurance companies and enhance the COR.FJA Insurance Suite optimally, particularly in the field of solutions for non-life insurance, life insurance and health insurance.

The purchase price as at the acquisition date is shown in the following table:

	Shares in %	thousand euros
Acquisition costs paid in case	**74.29**	**370**
Cash acquired along with the subsidiary		551
Actual cash inflow		**181**

The estimated fair values of the identified assets and liabilities of COR&FJA Metris GmbH that were acquired at the time of acquisition were as follows:

	thousand euros estimated fair values upon acquisition
Cash and cash equivalents	551
Trade receivables	410
Inventories	225
Ongoing income tax claims	4
Other financial receivables	28
Other short-term assets	48
Property, plant and equipment	310
Other intangible assets	724
of which contract portfolio	14
of which software	622
of which customer relationships	87
Deferred tax claims	160
Total assets	**2,460**
Financial liabilities	2,910
Trade payables	2,041
Provisions	403
Other financial liabilities	532
Other debts	263
Deferred tax liabilities	224
Pension provisions	172
Total liabilities	**6,545**
Fair value of net assets	**-4,085**
Less the non-controlling shares in the net assets	-1,050
Net assets that are attributed to the shareholders of the parent company	-3,035
Goodwill from the acquisition	3,405
Acquisition costs	370

The fair value of acquired trade receivables amounts to 0.410 million euros and corresponds to the gross contract value. The total amount from trade receivables is considered recoverable.

Goodwill shown comprises the value of expected synergies arising from company acquisition, company growth and the existing employees. As these advantages do not fulfill the recognition criteria for intangible assets set out in IAS 38, they are not recognised separately from goodwill.
The goodwill resulting from this acquisition is not tax deductible.

Since the time of acquisition, COR&FJA Metris GmbH has generated 4.844 million euros in turnover of and 1.667 million euros in earnings. If the acquisition had been made at the beginning of the 2011 financial year, the pro-forma turnover contribution would have been 5.695 million euros and the pro-forma earnings contribution -0.46 million euros.

The adjustment to the purchase price allocation in comparison to the provisional purchase price allocation when the merger was reported for the first time in the half-yearly report, 2011, led to a rise in earnings of 438,000 euros during the reporting period.

2. Acquisition of plenum AG

Effective from 28 February 2011, COR&FJA AG acquired 29.9 per cent (2,898,869 no-par-value shares) in plenum AG, Wiesbaden (quoted on the Munich stock exchange M:access, ISIN DE000A0Z23Y9). plenum AG, founded in 1986, is one of the established management consultancies in the integrated business system development segment and focuses primarily on the credit/insurance and IT systems house sectors.
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 indispensible 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.

As at the first-time consolidation date there is, over and above the shares acquired, a voting agreement for the benefit of COR&FJA AG which covers a further 10.47 per cent of the shares, which were acquired by COR&FJA AG up to 30 June 2011. There were already purchase options for these shares at the time of first-time consolidation. Since the exercise of these purchase options was regarded as highly probable, the shares were taken into account in the calculation of acquisition costs as of the date of first-time consolidation. As at that date there is also a cooperation agreement between COR&FJA AG and plenum AG which regulates the two companies' joint strategic orientation. Against this backdrop, COR&FJA AG will include plenum AG in its consolidated financial statement in accordance with IFRS 3 as from 1 March 2011.

The purchase price as at the acquisition date is shown in the following table:

	Shares in %	thousand euros
Acquisition in previous years	1.88	173
Acquisition in 2011 paid in cash	29.40	2,928
Cash capital increase	9.09	917
Acquisition costs	**40.37**	**4,018**
Cash acquired along with the subsidiary		3,350
Actual cash outflow		**668**

The estimated fair values of the identified assets and liabilities of plenum AG acquired at the time of acquisition were as follows:

	thousand euros estimated fair values upon acquisition
Cash and cash equivalents	3,350
Trade receivables	1,895
Ongoing income tax claims	615
Other financial receivables	815
Other short-term assets	294
Property, plant and equipment	114
Intangible assets	122
of which contract portfolio	113
Deferred tax claims	1,215
Total assets	**8,420**
Trade payables	361
Current income tax liabilities	3
Provisions	646
Other current liabilities	90
Other financial liabilities	2,464
Deferred tax liabilities	92
Pension provisions	775
Total liabilities	**4,431**
Fair value of net assets	**3,989**
Less the non-controlling shares in the net assets	2,383
Net assets that are attributed to the shareholders of the parent company	1,606
Goodwill from the acquisition	2,412
Acquisition costs	4,018

The fair value of acquired trade receivables amounts to 1.895 million euros. The gross contract value of trade receivables amounts to 2.293 million euros.

Goodwill shown comprises the value of expected sales synergies, particularly arising from the early integration of plenum AG into purchasing decision processes of banks and insurances to buy software solutions. As these advantages do not fulfill the recognition criteria for intangible assets set out in IAS 38, they are not recognised separately from goodwill.
The goodwill resulting from this acquisition is not tax deductible.

Since the time of acquisition, plenum AG has generated 11.515 million euros in turnover and 725,000 euros in earnings. If the acquisition had been made at the beginning of the 2011 financial year, the pro-forma turnover contribution would have been 13.951 million euros and the pro-forma earnings contribution -18,000 euros.

The adjustment to the purchase price allocation in comparison to the provisional purchase price allocation when the merger was reported for the first time in the half-yearly report, 2011, led to a decrease in earnings of 192,000 euros during the reporting period.

On 20 May 2011, plenum AG acquired a total of 51.0 per cent of plenum USA, Inc. The purchase price amounted to 159,000 euros. The fair value of net assets was 2,000 euros. Goodwill arising from the first-time consolidation is at 157,000 euros.

Acquisition of further shares in Manic GmbH:
In September 2011, plenum AG acquired a further 6.0 per cent of the shares in Manic GmbH. The purchase price was 70,000 euros and was paid in cash. The book value in equity capital attributable to the additionally purchased shares amounted to 51,000 euros. The difference between the book value and the acquisition costs of 19,000 euros was entered as revenue reserves.

On 6 February 2012, COR&FJA acquired another 92,965 shares, equivalent to 0.96 per cent of plenum AG, thereby increasing its shareholding in the company to 41.33 per cent. The purchase price was 81,000 euros and was paid in cash.

3. Acquisition of Wagner & Kunz Aktuare AG

With effect from 1 May 2011, COR&FJA AG took over 100.0 per cent of the Swiss company, Wagner & Kunz Aktuare AG (WKA), Basel. The purchase price amounted to 0.39 million euros and was paid in cash.

For over a decade, WKA has been considered one of the most reputable providers on the Swiss market in the area of product development and process consulting for life, health, accident and non-life insurances as well as setting up company pension schemes. Consulting on all areas of product development as well as strategic management consultancy services and auditing are also part of WKA's product portfolio. The company's consultancy services primarily focus on the subject of pension plans within Switzerland's so-called three-pillar system for social insurance.
This strategic purchase enables COR&FJA to expand its services in terms of product-independent consulting for customers in German-speaking countries (DACH) and position itself as an excellent alternative to Anglo-Saxon competition. COR&FJA will be offering Swiss customers a state-of-the-art spectrum of standard software products and consulting solutions in the future thanks to the consulting competencies of WKA and its own know-how.

The purchase price as at the acquisition date is shown in the following table:

	Shares in %	thousand euros
Acquisition costs	**100**	**390**
Cash acquired along with the subsidiary		38
Actual cash outflow		**352**

The estimated fair values of the identified assets and liabilities of Wagner & Kunz Aktuare AG that were acquired at the time of acquisition were as follows:

	thousand euros estimated fair values upon acquisition
Cash and cash equivalents	38
Trade receivables	65
Other financial receivables	6
Property, plant and equipment	7
Total assets	**116**
Trade payables	8
Current income tax liabilities	1
Other financial liabilities	8
Total liabilities	**17**
Fair value of net assets	**99**
Goodwill from the acquisition	291
Acquisition costs	390

The fair value of acquired trade receivables amounts to 65,000 euros and corresponds to the gross contract value. The total amount from trade receivables is considered recoverable.

Goodwill shown comprises the value of expected sales synergies thanks to increased transparency of the strategic development of the Swiss insurance market. As these advantages do not fulfill the recognition criteria for intangible assets set out in IAS 38, they are not recognised separately from goodwill.
The goodwill resulting from this acquisition is not tax deductible.

Since the time of acquisition, Wagner & Kunz Aktuare AG has generated 405,000 euros in turnover of and -6,000 euros in earnings. If the acquisition had been made at the beginning of the 2011 financial year, the pro-forma turnover contribution would have been 614,000 euros and the pro-forma earnings contribution 21,000 euros.

4. Foundation of COR SISTEMAS ESPAÑA S.L.

Pursuant to the memorandum of association dated 2 September 2011, COR&FJA AG established COR SISTEMAS ESPAÑA S.L., Madrid (Spain). Initial capital amounts to 4,000 euros. COR&FJA AG owns 100.0 per cent of the shares and COR SISTEMAS ESPAÑA S.L. will therefore be fully consolidated as a subsidiary as at the date of incorporation.

5. Foundation of COR&FJA Czech, spol. s r.o.

Pursuant to the memorandum of association dated 8 December 2011, COR&FJA AG established COR&FJA Czech, spol s r.o., Prague (Czech Republic). Initial capital stock amounts to 200,000 CZK (equivalent to about 8,000 euros). COR&FJA AG owns 100.0 per cent of the shares and COR&FJA Czech, spol. s r.o. will therefore be fully consolidated as a subsidiary as at the date of incorporation.

6. Foundation of Polska Sp. z o.o.

Pursuant to the memorandum of association dated 25 November 2011, COR&FJA AG established COR&FJA Polska Sp. z o.o., Warsaw (Poland). Initial capital stock amounts to 50,000 PLN (equivalent to about 12,000 euros). COR&FJA owns 100.0 per cent of the shares and COR&FJA Polska Sp. z o.o. will therefore be fully consolidated as a subsidiary as at the date of incorporation.

V. FOREIGN CURRENCY TRANSLATION

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 the 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.

Foreign currency translation is basically carried out in two stages. Transactions in foreign currencies, or assets and liabilities in foreign currencies resulting 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). Currency differences are recognised in profit or loss. 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 income statement 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 the date of the statement of financial position		Average rate for the year	
	31.12.2011	31.12.2010	2011	2010
	euros	euros	euros	euros
1 USD	0.7729	0.7484	0.7185	0.7564
1 CHF	0.8226	0.7997	0.8104	0.7806

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

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 and consulting services 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 insurance 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 are offered, which include numerous peripheral systems for bank-specific processes such as cover, lending, foreign transactions, risk control, payment transactions, reporting, online banking and treasury. 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 Group's 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.

IFRS 8 ('Business Segments'), specifies that the identification of reportable operative segments is based on the management approach. According to this approach, segment reporting should reflect the in-house company organisational and management structures and the company's 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 of the 2010 financial year, the Life Insurance, 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 Insurance (encompassing the areas of life insurance 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 statement as at 31 December 2011.

2011	External turnover	Intersegment turnover	Aggregate turnover	Earnings before taxes (EBT)	Number of employees
	thousand euros	thousand euros	thousand euros	thousand euros	
Life Insurance	87,146	12,374	99,520	7,120	736
Non-Life Insurance	25,708	4,649	30,357	-1,620	275
Banking	22,338	314	22,652	-5,919	139
Total	**135,192**	**17,337**	**152,529**	**-419**	**1,150**
Transfer	0	-17,337	-17,337	0	0
Overall Group	**135,192**	**0**	**135,192**	**-419**	**1,150**

2010	External turnover	Intersegment turnover	Aggregate turnover	Earnings before taxes (EBT)	Number of employees
	thousand euros	thousand euros	thousand euros	thousand euros	
Life Insurance	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.

2. Disclosures about products and services

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

	2011	2010
	thousand euros	thousand euros
Services	83,487	93,725
Licences	21,327	8,872
Maintenance	26,255	12,867
Other income	4,122	772
Group turnover	**135,192**	**116,236**

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:

	2011	2010
	thousand euros	thousand euros
Germany	118,594	99,779
USA	8,665	8,835
Switzerland	4,796	5,738
Austria	1,943	269
Slovenia	854	1,299
Benelux	340	316
Total	**135,192**	**116,236**

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

	2011	2010
	thousand euros	thousand euros
Germany	47,975	43,710
Slovakia	242	245
USA	371	197
Austria	89	26
Switzerland	340	70
Slovenia	994	38
Benelux	11	15
other	989	0
Total	**51,011**	**44,301**

4. Disclosures about important customers

In the year under review and in the previous year, the COR&FJA Group did not have any customers whose turnover accounted for at least 10 per cent of aggregate turnover.

VII. NOTES ON THE INCOME STATEMENT

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, 20.949 million euros (previous year: 25.461 million euros) were realised using the PoC method in 2011.

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

	2011	2010
	thousand euros	thousand euros
Turnover recognition (PoC) in the financial year	16,582	14,418
Recorded expenses in the financial year	13,783	11,013
Reported profit in the financial year	2,799	3,405

2. Capitalised own services for developments

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 until 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, own development work for software products amounting to 1.470 million euros were capitalised through profit and loss in the 2011 financial year.

The development of the following software solutions had to be capitalised:
COR&FJA Product Manager – a solution for structuring insurance products in the non-life insurance environment. Performances subject to capitalisation were rendered for this solution in the amount of 0.87 million euros, measured by production costs.
Various components of the claims management system oCX (openClaims) – a solution that covers the entire process chain in claims processing, from damage assessment to claims management and finally bringing the claims to their conclusion. Performances subject to capitalisation were rendered for this solution in the amount of 0.6 million euros, measured by production costs.

3. Cost of purchased services

	2011	2010
	thousand euros	thousand euros
Freelance employees	15,363	12,377
Computing centre services	2,800	2,318
Purchased goods for resale and similar services	1,000	400
Total	**19,163**	**15,095**

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

4. Personnel expenses

	2011	2010
	thousand euros	thousand euros
Wages and salaries	78,062	66,474
Social security contributions	11,321	10,293
Personnel expenses excluding pensions	**89,383**	**76,767**
Pension expenses	832	714
Total	**90,215**	**77,481**

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 4.720 million euros (previous year: 4.325 million euros) in the reporting period.

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

5. Other operating income

	2011	2010
	thousand euros	thousand euros
Income from the reversal of other provisions and other liabilities	793	720
Use-related reversal of provisions	307	479
Use of company cars	480	143
Rental income	772	611
Income from compensation	8	360
Income from the reversal of valuation allowances for trade receivables	462	104
Income from write-ups on impaired other financial claims	96	0
Income from the disposal of impaired other financial claims	126	0
Other	366	694
Total	**3,410**	**3,111**

The use-driven reversal of provisions comprised the use of provisions which 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.

6. Other operating expenses

	2011 thousand euros	2010 thousand euros
Costs of business premises	8,490	7,395
Travel expenses	4,687	3,464
Consulting, accounting, Supervisory Board	2,254	1,789
Motor vehicle costs	1,253	701
IT expenses	1,206	1,232
Advertising expenses	1,061	744
Communication expenses	880	799
Lease costs	777	712
Staff recruitment	570	211
Ongoing training	460	445
Insurance companies	348	455
Voluntary social welfare expenses	318	304
Exchange losses	212	20
Project costs	181	56
Equalisation fee for the severely disabled	126	26
Fees, premiums	118	80
Bad debt losses	106	20
Valuation allowances for accounts receivable	0	0
Other	1,084	772
Total	**24,131**	**19,225**

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:

	2011 thousand euros	2010 thousand euros
Audits of financial statements (including outlays)	243	204
Other certification and valuation services	0	40
Tax consulting services	0	0
Other services	0	0
Total	**243**	**244**

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

	2011 thousand euros	2010 thousand euros
Depreciation of property, plant and equipment and amortisation of intangible assets	4,815	4,668
Impairment costs of intangible assets	0	0
Total	**4,815**	**4,668**

Depreciation of property, plant and equipment and amortisation of intangible assets includes the depreciation of intangible assets identified in the course of the merger with COR AG and amounting to the sum of 2.1 million euros (previous year: 2.4 million euros).

8. Net interest result

	2011	2010
	thousand euros	thousand euros
Interest income	258	248
Interest expenses	-952	-795
Net interest result	**-694**	**-547**
Of which from financial instruments in the valuation categories:		
Loans and receivables	122	-77
Financial assets held for sale	0	0
Financial liabilities measured at amortised cost	-478	0
Hire-purchase liabilities	-17	-135

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

	2011	2010
	thousand euros	thousand euros
Valuation of B+S Banksysteme Aktiengesellschaft	-1,757	3,164
Profit distributions from innovas GmbH	176	174
Total	**-1,581**	**3,338**

Income from participating interests includes the difference between the fair value and the book value, which amounts to -2.157 million euros (previous year: 3.164 million euros), from the valuation of the shares in B+S Banksysteme Aktiengesellschaft and the write-off of the recollateralisation set up in the previous year amounting to 0.4 million euros. In connection with this, see the remarks under 'VIII. 11. Financial investments'. In addition, profit distributions from innovas GmbH amounting to 176,000 euros (previous year: 174,000 euros) are taken into account.

10. Taxes on income and revenues

The tax expenses arise from the components listed below:

	2011	2010
	thousand euros	thousand euros
Current income tax expenses		
Germany	-242	220
Other countries	-665	-620
Total current income taxes	**-907**	**-400**
Deferred taxes from temporary differences	553	-2.037
Deferred taxes on tax loss carryforwards	-538	3.273
Total deferred income taxes	**15**	**1,236**
Total	**-892**	**836**

The actual tax expenses included expenses amounting to 147,000 euros (previous year: income of 318,000 euros) 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 a 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. A tax assessment issued as a result of an external tax audit on 27 February 2012 confirmed the company's assumption, made on the basis of an expert opinion, that the other loss carryforwards which existed on 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.
As at 31 December 2011, the COR&FJA Group had unutilised corporate tax loss carryforwards amounting to 98.124 million euros (previous year: 82.400 million euros) and trade tax loss carryforwards amounting to 90.786 million euros (previous year: 63.126 million euros) 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 26.815 million euros (previous year: 27.150 million euros) and trade tax loss carryforwards amounting to 23.711 million euros (previous year: 22.884 million euros).
The loss carryforwards with no time limit on their utilisation amount to 79.042 million euros (previous year: 71.103 million euros) for corporate income tax and to 76.315 million euros (previous year: 63.126 million euros) 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.

	2012	2013	2014	2015 and later
	thousand euros	thousand euros	thousand euros	thousand euros
Loss carryforwards	1,289	1,529	0	1,912

The non-reporting of the deferred tax assets on current losses in the financial year had the effect of reducing earnings by 2.210 million euros (previous year: 59,000 euros).
The actual tax expenses were reduced by 422,000 euros (previous year: 951,000 euros) thanks to the utilisation of tax loss carryforwards that were not yet capitalised and resulted from previous years.
Deferred tax income amounting to 2.724 million euros (previous year: 2.233 million euros) results from the reporting of deferred tax claims on loss carryforwards from previous periods that were previously not covered by deferred tax. The write-down of deferred tax claims on loss carryforwards reported in previous years led to deferred tax expenses of 2.387 million euros (previous year: 0 euros).
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.

	2011	2010
	thousand euros	thousand euros
Earnings before income taxes	-418	5,510
Tax rate	30%	30%
Expected income taxes	**126**	**-1,653**
Tax effects with regard to:		
Difference in tax rates	407	16
Changes in tax rates	0	0
Tax-free income and tax additions and deductions	-160	-158
Effect of tax losses	-1,102	2,708
Taxes for previous years	-147	-70
Consolidation effects	0	0
Other	-16	-7
Effective income taxes	**-892**	**836**

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

VIII. NOTES TO THE STATEMENT OF FINANCIAL POSITION

1. Cash and cash equivalents

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Other collateralised fixed-term deposit accounts	4,025	1,063
Uncollateralised current accounts	11,410	14,286
Total	**15,435**	**15,349**

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 4.025 million euros (previous year: 1.063 million euros) are used as collateral for various sureties and financial liabilities. As at 31 December 2011, the uncollateralised cash and cash equivalents amount to 11.410 million euros (previous year: 14.286 million euros).

2. Securities

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Mittelschule und Tourismusfachschule Samedan AG (Samedan High School and College of Tourism), Samedan (Switzerland)	4	3
plenum AG, Wiesbaden (Germany)	0	140
Total	**4**	**143**

The shares held in Mittelschule und Tourismusfachschule Samedan AG, Samedan (Switzerland), amounting to 4,000 euros, have been posted under securities. The company is not listed. They are valued at acquisition costs.

As at the previous year's reporting date, COR&FJA AG held freely marketable shares in plenum AG, Wiesbaden, amounting to 140,000 euros. The change in the market value of the financial instrument, which is classified as held for trading, was recorded under other operating income. Further shares in plenum AG were acquired in the reporting year, and in addition there was a voting and cooperation agreement which resulted in the inclusion of plenum AG in the consolidated financial statement in accordance with IFRS 3 as from 1 March 2011. In connection with this, see 'IV. Business combinations, 2. Acquisition of plenum AG'.

3. Trade receivables

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Invoiced receivables	20,158	17,157
PoC receivables	24,920	15,038
Total	**45,078**	**32,195**

The trade receivables fall due within one year.

thousand euros		Of which: impaired		Of which: neither impaired nor overdue as at the reporting date	Of which: Not impaired and overdue in the following time bands as on the reporting 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 at 31.12.2011	20,292	134	20,158	14,950	2,943	614	374	89	1,188
As at 31.12.2010	17,208	51	17,157	11,425	3,093	1,196	350	38	1,055

Concerning the portfolio of trade receivables that have been invoiced for, which was neither impaired nor in default, as on the reporting 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:

	2011	2010
	thousand euros	thousand euros
Valuation allowances as at 01.01.	**51**	**155**
Changes, consolidation group	571	0
Transfers	25	0
Consumption	-51	0
Reversals	-462	-104
Valuation allowances as at 31.12.	**134**	**51**

The full amount of the transfers, i.e. 25,000 euros (previous year: 0 euros), consumption, i.e. 51,000 euros (previous year: 0 euros), and reversals, i.e. 462,000 euros (previous year: 104,000 euros), 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:

	2011	2010
	thousand euros	thousand euros
Cost of cancelling receivables entirely	0	20
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:

2011	Orders under assets	Orders under liabilities	Total
	thousand euros	thousand euros	thousand euros
Total amount of costs incurred and profits posted	33,811	1,371	35,182
Offset advance payments	-8,891	-1,787	-10,678
Total	**24,920**	**-416**	**24,504**

2010	Orders under assets	Orders under liabilities	Total
	thousand euros	thousand euros	thousand euros
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**

In order to provide security for credit lines, receivables amounting to 14.096 million euros were assigned to financial institutions in the reporting year (previous year: 7.162 million euros).

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

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Receivables from affiliated companies	196	154
Amounts owed to affiliated companies	-572	-171

The receivables from affiliated companies in the reporting year, which totalled 196,000 euros, concern msg systems AG, Ismaning, in the amount of 194,000 euros (previous year: 75,000 euros) and innovas GmbH, Hamburg, in the amount of 2,000 euros (previous year: 0 euros). In the previous year the balance also included receivables from msg services AG, Ismaning (64,000 euros), msg systems GmbH, Brunn am Gebirge , Austria (10,000 euros) and msg Gillardon AG, Bretten (5,000 euros). The receivables are due within one year.

Liabilities to affiliated companies amount to 572,000 euros and are owed to msg systems AG, Ismaning in the amount of 197,000 euros (previous year: 22,000 euros), msgGillardon AG, Bretten in the amount of 34,000 euros (previous year: 56,000 euros), innovas GmbH, Hamburg in the amount of 136,000 euros (previous year: 31,000 euros), consulo GmbH, Hamburg, in the amount of 178,000 euros (previous year: 0 euros), msg systems GmbH, Brunn am Gebirge in the amount of 2,000 euros (previous year: 0 euros) and msg services AG, Ismaning, in the amount of 25,000 euros (previous year: 62,000 euros). 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 346,000 euros, relate to the region of Germany only (previous year: 15,000 euros). In the reporting period and in the same period of 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

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Short-term	843	636
Long-term	1,071	577
Total	**1,914**	**1,213**

The current income tax claims consisted of advance payments and refund claims for corporation and trade tax amounting to 1.914 million euros (previous year: 1.213 million euros). The short-term portion of this was 843,000 euros (previous year: 636,000 euros) and the long-term portion 1.071 million euros (previous year: 577,000 euros). The long-term portion relates to the long-term component of the capitalised corporation tax credit balance.

7. Other financial receivables (short-term)

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Loan, loans, mortgages	499	650
Security deposits	90	44
Other	94	1
Total	**683**	**695**

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

8. Other short-term assets

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Value-added tax	111	91
Deferred items	431	309
Other	395	435
Total	**937**	**835**

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

2011		Other intangible assets		
	Goodwill	**Development costs**	**Other**	**Total**
	thousand euros	thousand euros	thousand euros	thousand euros
Acquisition costs				
As at 01.01.2011	31,191	1,691	18,901	51,783
Additions	6,170	1,470	84	7,724
Accruals to the consolidation group	0	0	5,042	5,042
Disposals	0	0	-7	-7
Repostings	0	0	-1,865	-1,865
Foreign currency differences	0	0	1	1
As at 31.12.2011	**37,361**	**3,161**	**22,156**	**62,678**
Depreciation and amortisation				
As at 01.01.2011	6,582	794	4,956	12,332
Additions	0	331	2,429	2,760
Accruals to the consolidation group	0	0	4,197	4,197
Disposals	0	0	-7	-7
Repostings	0	0	-1,266	-1,266
Foreign currency differences	0	0	0	0
As at 31.12.2011	**6,582**	**1,125**	**10,309**	**18,016**
Book value as at 31.12.2011	**30,779**	**2,036**	**11,847**	**44,662**

2010		Other intangible assets		
	Goodwill	**Development costs**	**Other**	**Total**
	thousand euros	thousand euros	thousand euros	thousand euros
Acquisition costs				
As at 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 at 31.12.2010	**31,191**	**1,691**	**18,901**	**51,783**
Depreciation and amortisation				
As at 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 at 31.12.2010	**6,582**	**794**	**4,956**	**12,332**
Book value as at 31.12.2010	**24,609**	**897**	**13,945**	**39,451**

The research and development costs (personnel expenses and other operating expenses) that were recognised under expenses in 2011 amounted to 17.800 million euros (previous year: 15.983 million euros).

In addition, we refer to the notes included in ‘VII.2 Capitalised own services for developments’.

As security for the fulfilment of its liabilities under two leases that it has concluded with a licensee (see under ‘VIII. Notes to the statement of financial position, 19. Other financial liabilities’), through its subsidiary, COR&FJA Deutschland GmbH, COR&FJA AG had deposited the source programs and the development documentation relating to the COR.FJA Life Factory standard software in a neutral place as at the reporting date last year.

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

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 2010 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:

	31.12.2011	31.12.2010
	thousand euros	thousand euros
COR&FJA OdaTeam	952	952
COR&FJA Systems	18,191	18,191
COR&FJA Alldata Systems	2,835	2,835
COR&FJA Germany	1,345	1,345
FJA-US	81	81
PYLON	1,205	1,205
COR&FJA Metris	3,404	0
Wagner & Kunz Aktuare	291	0
plenum	2,475	0
Total	**30,779**	**24,609**

For the verification of the valuation of the goodwill, 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 at least once a year. 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, PYLON, COR&FJA Metris, Wagner & Kunz Aktuare and plenum 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 other goodwill was verified on the basis of cash flows estimated for the future, which were derived from the current plans prepared by the management. The basis used to establish future cash flows was the data emanating from the corporate plans for the financial years to 2014, 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. These assumptions are based on past experience, the current operating results and the best possible estimates of future developments made by the management as at the reporting date.

The free cash flows were discounted with a capital cost rate (WACC) of 4.89 per cent p.a. (previous year: 5.27 per cent p.a.) before tax. Sensitivity analyses revealed that an increase of more than 1.8 percentage points in the capital cost rate leads to a valuation allowance requirement for goodwill.

10. Property, plant and equipment

2011	Buildings on third-party land	Hardware and software	Factory and office equipment	Total
	thousand euros	thousand euros	thousand euros	thousand euros
Acquisition costs				
As at 01.01.2011	4,524	5,539	5,498	15,561
Additions	216	1,175	368	1,759
Accruals to the consolidation group	416	4,681	1,290	6,387
Disposals	-87	-3,319	-1,104	-4,510
Repostings	24	2,207	-365	1,866
Foreign currency differences	15	-8	12	19
As at 31.12.2011	**5,108**	**10,275**	**5,699**	**21,082**
Depreciation and amortisation				
As at 01.01.2011	2,940	4,139	4,209	11,288
Additions	425	1,140	490	2,055
Accruals to the consolidation group	391	4,393	1,177	5,961
Disposals	-85	-3,314	-1,037	-4,436
Repostings	24	1,595	-351	1,268
Foreign currency differences	14	-8	9	15
As at 31.12.2011	**3,709**	**7,945**	**4,497**	**16,151**
Book value as at 31.12.2011	**1,399**	**2,330**	**1,202**	**4,931**

2010	Buildings on third-party land	Hardware and software	Factory and office equipment	Total
	thousand euros	thousand euros	thousand euros	thousand euros
Acquisition costs				
As at 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 at 31.12.2010	**4,524**	**5,539**	**5,498**	**15,561**
Depreciation and amortisation				
As at 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 at 31.12.2010	**2,940**	**4,139**	**4,209**	**11,288**
Book value as at 31.12.2010	**1,584**	**1,400**	**1,289**	**4,273**

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

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Shareholding, B+S Banksysteme Aktiengesellschaft	1,783	3,881
Shareholding, innovas GmbH	2,898	2,898
Shareholding, ARGE FJA KR BU-System	3	3
Shareholding, Life Insurance Inc.	0	0
Cooperative shares, Volksbank Donau Neckar eG	3	0
Shareholding, H.C.M. Capital Management AG	0	0
Total	**4,686**	**6,782**

Since the 2010 financial year, COR&FJA AG has held 24.13 per cent, or 1,498,462 of the shares in B+S Banksysteme Aktiengesellschaft, Munich. In the reporting year these shares were impaired in the amount of 2.098 million euros due to a substantial reduction in their price. The fair value as at the reporting date 31 December 2011 was 1.783 million euros (previous year: 3.881 million euros).
In the course of the acquisition of 24.13 per cent of the shares in B+S Banksysteme Aktiengesellschaft during the 2010 financial year, COR&FJA AG concluded a recollateralisation for the benefit of the previous owner of the shares in B+S Banksysteme Aktiengesellschaft in order to relieve the latter of his obligations vis-à-vis B+S Banksysteme Aktiengesellschaft's creditor banks. The fair value of this guarantee, taking account of the recollateralisation amount and the probability of COR&FJA AG being required to fulfil this obligation, must be shown in the statement of financial position. In view of the positive economic outlook in the market environment occupied by B+S Banksysteme Aktiengesellschaft, in which COR&FJA AG also operates with its Banking segment, utilisation of this guarantee is regarded as unlikely and the fair value of the financial liability to be shown is estimated at 0 euros (previous year: 400,000 euros) as at the reporting date.

COR&FJA AG owns 10 per cent of innovas GmbH, Hamburg. The shareholding in innovas GmbH, amounting to 2.898 million euros, 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 2011 financial year, COR&FJA AG collected dividend payouts from innovas GmbH amounting to 176,000 euros (previous year: 174,000 euros) 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 of the former COR AG with the former FJA AG that took place on 19 October 2009 – 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 this partly-owned subsidiary. The COR&FJA Group owns 50 per cent of the shares. ARGE's equity amounts to 116,000 euros as at 31 December 2011 (previous year: 88,000 euros). Its total assets amount to 139,000 euros (previous year 132,000 euros), while its total liabilities come to 23,000 euros (previous year: 44,000 euros). In the 2011 financial year, ARGE generated turnover of 91,000 euros (previous year: 108,000 euros) and earnings of 27,000 euros (previous year: 7,000 euros).

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 owned 25 per cent of the shares plus one share in H.C.M. Capital Management AG, Munich, as at the reporting date last year. 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 using the equity method as a shareholding in a group undertaking. Because of the commercial situation at H.C.M. Capital Management GmbH, a full valuation allowance had already been effected for the shareholding before 31 October 2009. As insolvency proceedings were instituted against the assets of the company in May 2011, the book value of the shareholding totalling 425,000 euros was removed from the accounts in the reporting year.

The valuation allowances on the financial investments developed as follows:

	2011	2010
	thousand euros	thousand euros
Valuation allowances as at 01.01.	538	**478**
Price differences	0	0
Transfers to the consolidation group	0	0
Transfers	2,098	60
Consumption	-425	0
Reversals	0	0
Valuation allowances as at 31.12.	2,211	**538**

12. Deferred tax claims and deferred tax liabilities

The deferred taxes are determined using the relevant country-specific tax rates that were between 19 per cent and 41.1 per cent (previous year: between 22 per cent and 41.1 per cent). Changes in tax rates that had already been decided upon as at the reporting date were taken into account when the deferred taxes were determined.

The deferred taxes of the domestic companies are evaluated, depending on the trade tax collection rate being applied, using an aggregate tax rate, including solidarity surcharge, of between 27.8 per cent and 32.98 per cent (previous year: between 30 per cent and 32.98 per cent).

The deferred taxation is allocated to the following items of the statement of financial position:

	31.12.2011		31.12.2010	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	thousand euros	thousand euros	thousand euros	thousand euros
PoC receivables	5	3,478	1,173	2,497
Receivables and other current assets	45	48	119	176
Intangible assets	1,518	4,071	426	4,225
Financial assets	0	347	0	790
Property, plant and equipment	37	25	112	24
Other provisions	165	17	139	2
Pension provisions	503	8	642	0
Other financial liabilities	30	90	180	1,000
Deferred revenue	139	0	0	0
Tax losses carried forward	8,327	0	7,724	0
Total	10,769	8,084	**10,515**	**8,714**

The deferred taxes that were recognised in shareholders' equity amount to -217,000 euros (previous year: 195,000 euros).

13. Other financial receivables (long-term)

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Total	**348**	**0**

The other financial receivables largely comprise a loan to a former Management Board member. The loan is collateralised and its term runs to 30 April 2015.

14. Financial liabilities

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Short-term	15,730	0
Long-term	0	0
Total	**15,730**	**0**

Interest-bearing credit liabilities based on a contractual obligation to a third party are posted under financial liabilities. As at 31 December 2011, the COR&FJA Group had credit lines with three banks totalling 15.500 million euros at its disposal. As at 31 December 2011, 13.372 million euros were utilised. The credit lines have the following terms: 500,000 euros (until 5 April 2012), 5 million euros (until 6 April 2013) and 10 million euros (until 31 March 2014). Some of the credit agreements include financial covenant rules.

Specifically, the financial liabilities were as follows:

Type	Credit currency	thousand euros		Interest rate p.a. in %	
		31.12.2011	**31.12.2010**	**2011**	**2010**
Bank credit 1	euros	1,149	0	7.50	-
Bank credit 2	euros	4,923	0	4.25	-
Bank credit 3	euros	7,000	0	3.86	-
Bank credit 4	euros	300	0	5.80	-
Bank credit 5	euros	261	0	5.37	-
Loan employee 1	euros	101	0	6.00	-
Loan employee 2	euros	111	0	8.00 / 6.00	-
Loan employee 3	CHF	394	0	10.00	-
Loans dormant equity holdings	euros	991	0	8.00 / 6.00	-
Loans associated company	euros	500	0	11.00	-
Total	**euros**	**15,730**	**0**	**-**	**-**

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

Thousand euros As at 31.12.2011	Total	Cash flows 2012		Cash flows 2013		Cash flows 2014-2016	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
Short-term	15,730	511	15,730	0	0	0	0
Long-term	0	0	0	0	0	0	0
Financial liabilities	**15,730**	**511**	**15,730**	**0**	**0**	**0**	**0**

Within the scope of the financial liabilities to banks, bank deposits of 2.5 million euros and trade receivables totalling 14.096 million euros have been assigned. In addition, COR&FJA AG has assumed an absolute fixed liability guaranty in the amount of 1.0 million euros for financial liabilities to banks and to the associated company with the aim of satisfying all these liabilities.

15. Trade payables

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

16. Current income tax liabilities

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Short-term	575	623
Long-term	0	0
Total	**575**	**623**

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

17. Other provisions

	31.12.10	Foreign currency differences	Repostings	Accrual to the consolidation group	Consumption	Reversal	Transfer	31.12.11
	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros
Guarantee payments	349	2	0	0	-74	-70	0	207
Provision for project costs	23	0	0	0	-23	0	0	0
Contingent losses	377	0	0	0	-66	0	188	499
Expected incoming invoices	1,073	2	-15	308	-715	-408	702	947
Other	859	5	15	66	-392	-315	616	854
Other provisions	**2,681**	**9**	**0**	**374**	**-1,270**	**-793**	**1,506**	**2,507**

The above-mentioned reversals amounting to 793,000 euros include use-related reversals to the tune of 307,000 euros.

The reversals of provisions are reported in the income statement 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 at the reporting 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.

The provision for anticipated incoming invoices relates to other operating expenses and the cost of purchased services.

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

As at the reporting date, the other provisions had the following maturity pattern:

	Long-term 2011	Long-term 2010	Short-term 2011	Short-term 2010	Total for 2011	Total for 2010
	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros
Guarantee payments	0	0	207	349	207	349
Provision for project costs	0	0	0	23	0	23
Contingent losses	317	128	182	249	499	377
Expected incoming invoices	0	0	947	1,073	947	1,073
Other	135	434	719	425	854	859
Other provisions	**452**	**562**	**2,055**	**2,119**	**2,507**	**2,681**

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 2.300 million euros (previous year: 2.332 million euros) must be paid out in the short term within the scope of operating activity, with the exception of a sum amounting to 452,000 euros (previous year: 562,000 euros).

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

18. Other debts

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Tax liabilities	1,736	2,208
Payments received on account for customer orders	416	372
Deferred items	705	988
Other	5	0
Total	**2,862**	**3,568**

Concerning the payments received on account for customer orders, see the statements made in 'VIII. Notes to the statement of financial position, 3. Trade receivables'.

As at the reporting date, the other liabilities had the following maturity pattern:

31.12.2011	Total	Residual term of up to 1 year	Residual term of between 1 year and 5 years	Residual term of more than 5 years
	thousand euros	thousand euros	thousand euros	thousand euros
Tax liabilities	1,736	1,736	0	0
Payments received on account for customer orders	416	416	0	0
Deferred items	705	705	0	0
Other	5	0	5	0
Other debts	**2,862**	**2,857**	**5**	**0**

31.12.2011	Total	Residual term of up to 1 year	Residual term of between 1 year and 5 years	Residual term of more than 5 years
	thousand euros	thousand euros	thousand euros	thousand euros
Tax liabilities	2,208	2,208	0	0
Payments received on account for customer orders	372	372	0	0
Deferred items	988	988	0	0
Other debts	**3,568**	**3,568**	**0**	**0**

19. Other financial liabilities

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Liabilities from the personnel and welfare area	11,770	9,169
Hire purchase liability	0	837
Recollateralisation of guarantee, B+S Banksysteme Aktiengesellschaft	0	400
Other	831	346
Total	**12,601**	**10,752**

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 (3.0 million euros in each case). In a second phase, by means of hire purchase, the parties agreed on the temporary assignment of the lessor's right to use this license 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 65,738.44 euros), 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. The contracts expired as of June and July respectively this year. As at the previous year's reporting date, the hire purchase liability totalled 837,000 euros.

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. The fulfilment of the contract has led to an application for the return of the source codes. 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 132,000 euros. They were returned.

For the conditions of recollateralisation of the guarantee, B+S Banksysteme Aktiengesellschaft, see 'VIII.11. Financial investments'.

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

As at the reporting date, the other financial liabilities had the following maturity pattern:

31.12.2011	Total	Residual term of up to 1 year	Residual term of between 1 year and 5 years	Residual term of more than 5 years
	thousand euros	thousand euros	thousand euros	thousand euros
Liabilities from the personnel and welfare area	11,770	11,271	499	0
Other	831	831	0	0
Other financial liabilities	**12,601**	**12,102**	**499**	**0**

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
	thousand euros	thousand euros	thousand euros	thousand euros
Liabilities from the personnel and welfare area	9,169	9,169	0	0
Hire purchase liability	837	837	0	0
Recollateralisation of guarantee, B+S Banksysteme Aktiengesellschaft	400	400	0	0
Other	346	346	0	0
Other financial liabilities	**10,752**	**10,752**	**0**	**0**

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

Thousand euros As at 31.12.2011	Total	Cash flows 2012		Cash flows 2013		Cash flows 2014-2016	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
Liabilities from the personnel and welfare area	11,770	0	11,271	0	0	0	499
Other	831	0	831	0	0	0	0
Other financial liabilities	**12,601**	**0**	**12,102**	**0**	**0**	**0**	**499**

Thousand euros As at 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
Recollateralisation 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**

All the financial instruments that were in the portfolio as at the reporting 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, 2011, 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 reporting 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:

2011	COR&FJA AG	COR&FJA Deutschland	COR&FJA Alldata	COR&FJA Systems	COR&FJA Metris	plenum
	% per year	% per year	% per year	% per year	% per year	% per year
Actuarial interest rates	5.50	5.50	5.50	5.50	5.50	5.50
Projected increase in salaries	2.25	2.25	2.25	2.25	0.00	0.00
Rate of pension progression (civil service adjustment)	1.90	1.90	1.90	1.90	0.00	1.90

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

No allowance was made for the probability of fluctuation.

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

	2011	2010
	thousand euros	thousand euros
Continuous service cost	111	80
Interest charges on the project unit credit	414	370
Anticipated returns on plan assets	-44	-36
Total expenses	**481**	**414**

The continuous service cost is posted as part of personnel expenses. The interest expenses on the projected unit credit and the anticipated returns on the plan assets are shown in the financial result.

The portfolio of actuarial gains and losses posted in equity with no impact on profit and loss are as follows:

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Actuarial gains (+), losses (–)	**136**	**-543**

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 2012 financial year.

The actual returns on the plan assets are as follows:

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Actual returns on plan assets	34	-1

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:

	2011	2010
	thousand euros	thousand euros
Cash value of the benefit obligation as at 01.01.	7,383	6,517
Continuous service cost	111	80
Interest charges on the project unit credit	414	370
Pension payments	-233	-164
Actuarial gains/ losses	-690	580
Changes in the consolidation group	1,382	0
Cash value of the benefit obligation as at 31.12.	8,367	7,383
Plan assets as at 01.01.	1,387	1,326
Counter guarantee insurance premiums	88	82
Anticipated returns on plan assets	44	37
Benefits paid	-12	-41
Partial full funding	0	0
Actuarial gains/ losses	-11	-17
Change in the consolidation group	435	0
Plan assets as at 31.12.	1,931	1,387
Net obligation	6,436	5,996

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 statement of financial position is shown below:

	2011	2010
	thousand euros	thousand euros
Net obligation at the beginning of the year	5,996	5,191
Net cost entered	481	414
Actuarial profits/ losses shown directly under equity	-679	597
Employer's contributions	-88	-83
Benefits paid directly	-221	-123
Change in the consolidation group	947	0
Provisions as at 31.12.	6,436	5,996

Payments amounting to 282,000 euros are planned for the current year (2012).

21. Subscribed capital

The subscribed capital as at 31 December 2011 after treasury shares had been taken into account totalled 40,895,861.00 euros (31 December 2010: 40,895,861.00 euros). Overall, the subscribed capital is divided into 42,802,453 no par value bearer shares, each representing a computational equity stake of 1 euro. Each share entitles its holder to one vote. No preference shares are issued.

Repurchase of treasury shares

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 treasury shares, i.e. around 1.5 per cent of the nominal capital, on the stock exchange from 25 August 2008 onwards. By 31 December 2009, COR&FJA AG had acquired 638,680 shares for a purchase price of 1,193,549.57 euros. This corresponds to an average acquisition price of 1.87 euros per share. The purchase price of 1,193,549.57 euros is shown directly as nominal capital under subscribed capital (638,680.00 euros) and the capital reserve (554,869.57 euros). Furthermore, 1,267,912 treasury shares from the portfolio of the former COR AG accrued as a result of the merger with COR AG. The addition totalling 2,662,615.00 euros is entered directly in equity under subscribed capital (1,267,912.00 euros) and the capital reserve (1,394,703.00 euros). All in all, treasury shares amounting to 1,906,592 euros were openly removed from the subscribed capital and the capital reserve was reduced by 1,949,572.57 euros.

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 Management Board has not yet made use of this empowerment. No new capital was approved in the reporting year.

The following authorised and contingent capital exists from the previous years:

Authorised Capital 2010

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 10,398,708 euros, the Management Board was to be empowered to increase the company's nominal capital by 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 21,401,226 euros. 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.

Contingent Capital 2006/I

The nominal capital was increased conditionally by resolution of the Annual General Meeting of 23 June 2006 by up to 10,119,061 euros (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 3.78 euros once the strike price of 4.91 euros 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 4.17 euros when a strike price of 5.42 euros 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 1.00 euro each, instead of a individual registered share in former COR AG representing a proportional amount of the nominal capital of 1.00 euro. 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 3.78 euros when a strike price of 4.91 euros is reached for 1.7857 shares in COR&FJA, corresponding to a strike price of 2.75 euros 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 4.17 euros once the strike price of 5.42 euros is reached, for 1.7857 shares in COR&FJA, which corresponds to a strike price of 3.04 euros 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 1.15 euros per option. 0 euros (previous year: 38,000 euros) were entered as staff costs for 2011. 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 1.18 euros per option. A stock market price of 4.35 euros 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 German government bonds with a corresponding term, were used as the calculation basis. The valuation was made on the premise that none of the options issued would expire. According to IFRS 2, share option schemes must be posted to expenses over the performance period at their fair value as of the time of issue, together with a counter-entry under equity. The end of the performance period is determined in accordance with IFRS 2.15 as the time when the equity instruments are freely available or may be exercised. Personnel expenses of 19,000 euros (previous year: 65,000 euros) were posted for the 2011 financial year on the basis of the specified parameters.

22. Capital reserve

The capital reserve includes the amount accruing in excess of the nominal price when shares are issued. As at 31 December 2011, the capital reserve amounted to 33,601,049.76 euros (31 December 2010: 33,581,933.76 Euro).

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 2011 financial year.

24. Minority interests

	2011	2010
	thousand euros	thousand euros
As at 01.01.	3	11
Accrual to the consolidation group	1,240	0
Disposal	-51	-8
Proportion of result for the year	876	0
As at 31.12.	**2,068**	**3**

25. Other financial obligations
The following liabilities arise from long-term leases, tenancy agreements and service contracts (operating leasing):

	31.12.2011 of which with a residual term				31.12.2010 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
	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros
Total	37,683	7,236	17,225	13,222	**41,075**	**7,200**	**17,735**	**16,140**

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 10.520 million euros (previous year: 7.929 million euros).

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 2011 under non-cancellable sub-tenancy agreements, is 3.053 million euros (previous year: 3.123 million euros).

There are no further financial liabilities, apart from finance leasing (lease purchase liability) shown under 'VIII. Notes to the statement of financial position, 19. Other financial liabilities'.

No leased item has been capitalised.

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

	31.12.2011 of which with a residual term				31.12.2010 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
	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros
Minimum leasing payments	0	0	0	0	854	854	0	0
Cash value of minimum leasing payments	0	0	0	0	837	837	0	0

Reconciliation of the sum of minimum leasing payments in the amount of 0 euros (previous year: 854,000 euros) with the cash value of 0 euros (previous year: 837,000 euros) took place by deducting the costs of finance or the interest element of 0 euros (previous year: 17,000 euros).

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 17,000 euros (previous year: 135,000 euros).

26. Contingencies and contingent liabilities

As part of a long-term project, several licences and associated services were sold to a service company. The project ended on 31 December 2011. At the end of this period, the contracting party had a pre-emptive tender right (contingent liability pursuant to IAS 37) vis-à-vis COR&FJA Deutschland GmbH worth 24.632 million euros. Similarly, COR&FJA Deutschland GmbH had a simultaneous pre-emptive tender right vis-à-vis a third party, which was also not exercised. As from 31 December 2011, there are therefore no guarantees and other commitments or contingent liabilities arising from this business transaction.

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, had 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 132,000 euros. The fulfilment of the contract has led to an application for the return of the source codes, and the absolute guaranty has lapsed.

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 reversals of value adjustments was 437,000 euros (previous year: 104,000 euros). The costs for the full write-off of receivables amount to 0 euros (previous year: 20,000 euros). 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 good ratings.

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. There are currently credit lines with banks amounting to 15.500 million euros. Of this sum, 13.372 million euros were being utilised as at the reporting date.

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).

As at the reporting 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 2011 would have been 15,000 euros lower (higher) (in the previous year, 19,000 euros lower (higher)) and the equity components would have been 15,000 euros lower (higher) (in the previous year, 19,000 euros lower (higher)).

Some of the (interest-bearing) financial liabilities have variable interest rates. The company is exposed to interest rate risks for these financial liabilities. On condition that all other parameters remained unchanged, the company assumes that interest rates were 10 base points higher (lower) in the reporting period. In this case, the net result for the year in 2011 would have been 133,000 euros lower (higher) (in the previous year 0 euros lower (higher)) and the equity components would have been 133,000 euros lower (higher) (in the previous year 0 euros lower (higher)).

Foreign exchange risks

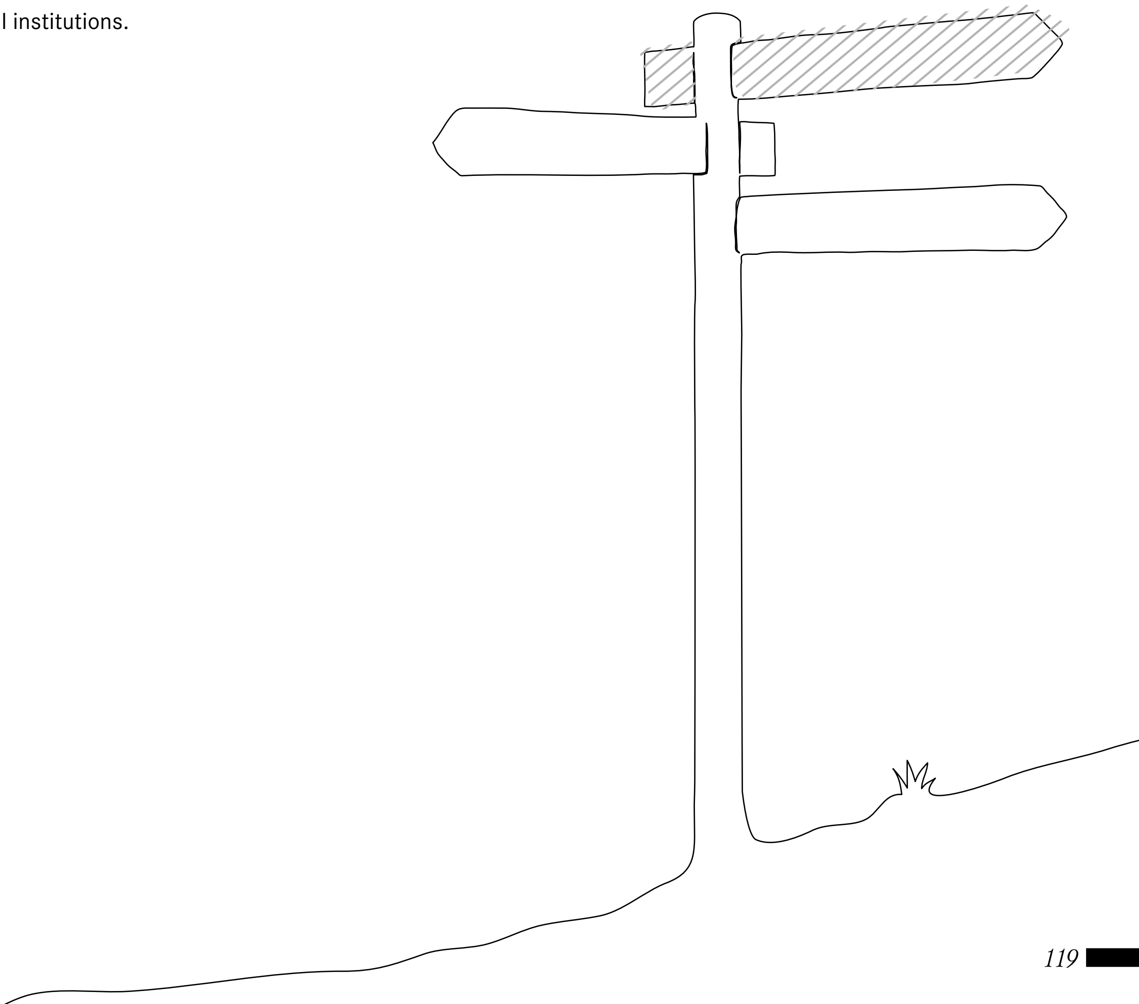
The Group is not exposed to any significant foreign exchange risks in its operating business. 90 per cent (previous year: 87.5 per cent) of its revenues are generated in eurozone countries, and the remainder in Switzerland, the US, South Africa, England, Dubai and Australia. The foreign exchange risk on the asset side in relation to trade receivables comes from receivables not denominated in euros, accounting for 14 per cent (previous year: 8 per cent). In the case of trade accounts payable, foreign exchange risks occur in relation to the 4 per cent (previous year: 1 per cent) of accounts payable not denominated in euros. No other items of the statement of financial position 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 turnover: Germany accounts for an 88 per cent (previous year: 86 per cent) share of turnover.

Within trade receivables, there is no significant concentration on individual customers. In the year under review, the ten largest customers account for a 36 per cent share of turnover (previous year: 59 per cent) and a 37 per cent share of trade receivables (previous year: 51 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:

Thousand euros	Valuation category	Book value 31.12.2011	Valuation in the statement of financial position under IAS 39			Valuation in the statement of financial position under IAS 17	Fair value
			Net book value	Fair value with no impact on earnings	Fair value affecting earnings		
Cash and cash equivalents	LaR	15,435	15,435	0	0	0	15,435
Securities	FAhft	4	4	0	0	0	4
Trade receivables	LaR	45,078	45,078	0	0	0	45,078
Receivables from affiliated companies	LaR	196	196	0	0	0	196
Financial investments	AfS	4,686	2,901	0	1,783	0	n.a.
Other financial receivables	LaR	1,031	1,031	0	0	0	1,031
Amounts owed to affiliated companies	FLAC	572	572	0	0	0	572
Trade payables	FLAC	4,312	4,312	0	0	0	4,312
Financial liabilities	FLAC	15,730	15,730	0	0	0	15,730
Other financial liabilities	FLAC	12,601	12,601	0	0	0	12,601
Including, on an aggregate basis, by valuation category							
Loans and receivables	LaR	61,740	61,740	0	0	0	61,740
Financial assets held for trading	FAhft	4	4	0	0	0	4
Available-for-Sale Investments	AfS	4,686	2,901	0	1,783	0	n.a.
Liabilities Measured at Amortised Cost	FLAC	33,215	33,215	0	0	0	33,215

LaR: Loans and Receivables

AfS: Available-for-Sale Investments

FAhft: Financial Assets held for trading

FLAC: Financial Liabilities Measured at Amortised Cost

Thousand euros	Valuation category	Book value 31.12.2010	Valuation in the statement of financial position under IAS 39			Valuation in the statement of financial position under IAS 17	Fair value
			Net book value	Fair value with no impact on earnings	Fair value affecting earnings		
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

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.

Thousand euros	31.12.2011				31.12.2010			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets held for trading	0	0	0	0	140	0	0	140
Available-for-sale investments	1,783	0	0	1,783	3,881	0	0	3,881
Derivative financial assets held for hedging purposes	0	0	0	0	0	0	0	0

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 reporting date are approximately equivalent to the fair value.

The reported values for the 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 previous year, the company used a derivative financial asset with a hedging relationship (fair value hedge) to hedge a foreign currency receivable. The loss arising from the change in the fair value of the hedging instrument amounted to 31,000 euros in the previous year and is shown under other operating expenses. As at the reporting date there is no underlying transaction.

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 10,000 euros (previous year: 47,000 euros), 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 statement of financial position 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

2011 Thousand euros	Valuation category	From interest/ investment income	From revaluation			From disposals	Net result
			At fair value	Currency conversion	Value adjustment		
Loans and receivables	LaR	122	0	0	533	126	781
Available-for-sale investments	AfS	-1,581	0	0	0	0	-1,581
Financial liabilities measured at amortised cost	FLAC	-478	0	0	0	0	-478
Hire-purchase liabilities	n.a.	-17	0	0	0	0	-17
Total		**-1,954**	**0**	**0**	**533**	**126**	**-1,295**

2010 Thousand euros	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**

Interest earned on financial instruments is reported in interest income. See note 8 under 'VII. Notes to the income statement'. 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 items of the statement of financial position:

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Cash and cash equivalents	4,025	1,063
Trade receivables	14,096	7,162
Intangible assets	0	0
Total	**18,121**	**8,225**

Overall, as at 31 December 2011, financial assets worth 18.121 million euros (previous year: 8.225 million euros) were furnished as collateral.

As security for the fulfilment of its obligations under the two lease purchase agreements, COR&FJA AG in each case had 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 had 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 132,000 euros. The standard software COR.FJA Life Factory, which the source code and development documentation are for, has a book value of 0 euros. The fulfilment of the contract has led to an application for the return of the source codes, and the absolute guaranty has lapsed.

The book value of the financial assets pledged as collateral where the collateralised party is entitled to sell or repledge the assets is 14.096 million euros (previous year: 7.162 million euros).

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Financial liabilities	14,072	0
Other financial liabilities	0	837
Total	**14,072**	**837**

In 2009, the COR&FJA Group received a bank guarantee to the value of 370,000 euros in connection with a guarantee arrangement for a lease. This remains valid as at 31 December 2011.

28. Information on capital

IAS 1 provides information on equity and the management thereof, 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 the total of the statement of financial position.

The strategy of the COR&FJA Group in 2011 consisted of maintaining the equity ratio above 50 per cent in order maintain financial resources at appropriate conditions. The equity ratios on 31 December 2011 and 31 December 2010 amounted to:

	31.12.2011	31.12.2010
	euros	euros
Equity	76,307,436	75,581,513
Statement of financial position, total	129,988,340	112,180,475
Equity ratio	**59%**	**67%**

Within the financial liabilities, some of the credit agreements include financial covenants rules.

IX. NOTES ON THE CASH FLOW STATEMENT

The capital flow statement displays the origin and use of payment flows in the 2011 and 2010 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 statement of financial position.

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 4.815 million euros (previous year: 4.668 million euros) as well as income from the valuation of the shares held in B+S Banksysteme Aktiengesellschaft at the fair value of 1.757 million euros (previous year: 3.164 million euros).

The additions resulting from changes in the consolidated group amount to 3.941 million euros.

X. EARNINGS PER SHARE

The undiluted earnings per share for the 2011 financial year amount to -0.05 euros (previous year: 0.16 euros).

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 2011 financial year amounted to 40,895,861 (2010: 40,895,861).

	31.12.2011	31.12.2010
	euros	euros
Consolidated earnings that are attributed to the parent company	-2,186,796	6,344,867
Weighted number of shares issued	40,895,861	40,895,861
Total	**-0.05**	**0.16**

The **diluted earnings** per share for the 2011 financial year amounts to -0.05 euros (previous year: 0.16 euros).

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 at 31 December 2011 and as at 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 Subsidiary' and 'VIII Note on the statement of financial position, 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 statement of financial position and in the income statement.

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 was 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 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 long-term incentive (LTI) (about 55 per cent of the variable portion of 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 statement of financial position (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 turnover 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 turnover 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.

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 1.790 million euros (previous year: 1.897 million euros). The remuneration is allocated as follows:

	31.12.2011	31.12.2010
	thousand euros	thousand euros
Short-term remuneration payable to employees	1,790	1,897
Remuneration arising from the termination of employment relationship	0	0
Total	**1,790**	**1,897**

Remuneration for former members of the Management Board in 2011 amounted to 68,000 euros (previous year: 64,000 euros).

Pension provisions for former members of the Management Board offset against plan assets amounted to 455,000 euros on 31 December 2011 (previous year: 565,000 euros).

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
	thousand euros	thousand euros	thousand euros	thousand euros
Management Board				
Ulrich Wörner	411	18	22	452
Klaus Hackbarth	322	36	16	374
Milenko Radic	280	24	14	318
Volker Weimer	280	29	14	323
Rolf Zielke	280	29	14	323
Total	**1,573**	**137**	**80**	**1,790**

In the 2011 financial year, a total of 49,000 euros 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 2011 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 2,556.46 euros 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 16,000 euros 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 statement 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 statement of financial position (software, contract portfolio, customer relationships) ('EBTA'). Variable remuneration lapses when the consolidated financial statement 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 32,000 euros per financial year. For the Chairman of the Supervisory Board this sum amounts to 64,000 euros, and for the Deputy Chairman to 48,000 euros 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 1,000 euros for every committee meeting of the Supervisory Board the member participates in; however, this is limited to a maximum of 5,000 euros 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 184,000 euros (previous year: 270,000 euros), with 0 euros of this for former members of the Supervisory Board (previous year: 0 euros). The remuneration paid to the Supervisory Board consisted of the following:

	Fixed Components	Performance-related Components	Total
	thousand euros	thousand euros	thousand euros
Supervisory Board			
Prof. Dr Elmar Helten	37	9	46
Klaus Kuhnle	29	6	35
Prof. Dr Christian Hipp	21	5	26
Thomas Nievergelt	21	5	26
Dr Jens Seehusen	21	5	26
Dr Klaus J. Weschenfelder	21	5	26
Total	**150**	**34**	**184**

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 2011:

	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
There are no transactions with the members of the Management Board and the Supervisory Board in the financial year.

The following table contains the total amounts from transactions between related companies for the reporting year:

	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	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros	thousand euros
Associated companies								
a) msg systems AG, Ismaning	1,009	1,468	234	436	194	75	197	22
b) innovas GmbH, Hamburg	241	99	498	256	2	0	136	31
c) consulo GmbH, Hamburg	0	0	462	0	0	0	178	0
d) msg systems GmbH, Brunn am Gebirge, Austria	56	18	0	0	0	10	2	0
e) msgGillardon AG, Bretten	43	50	80	155	0	5	34	56
f) msg services AG, Ismaning	10	56	283	133	0	64	25	62

4. Notifications in line with Section 21 Para. 1 and/or Section 26 Para. 1 of the German Securities Trading Act (WpHG)

In the 2011 financial year there were no notifications in accordance with Section 21 Para. 1 or Section 26 Para. 1 of the German Securities Trading Act (WpHG).

XIII. INFORMATION ON THE MANAGEMENT BODIES

The members of the Supervisory Board are:
Prof. Dr Elmar Helten, Chairman, President of Bayerisches Finanz Zentrum e.V., 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 Pensionskasse AG, Wiesbaden; Member of the Supervisory Board at Hamburger Lebensversicherung AG, Wiesbaden; Member of the Supervisory Board at 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 VVaG, Cologne

Thomas Nievergelt, lic. iur., solicitor and notary, Samedan in 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; President of the 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; President of the Board of Directors of Wagner & Kunz Aktuare AG, Basel; member of the Board of Directors of Hotel Fex AG, Sils

Dr Jens Seehusen, graduate physicist, actuary, Hamburg

Dr Klaus J. Weschenfelder, graduate mathematician, actuary, Cologne

The members of the Management Board are:
Ulrich Wörner (direct overall responsibility for Sales, Finance [until 1 January 2012], Consulting and International – Chairman), graduate mathematician, Leinfelden-Echterdingen
Managing Director of COR&FJA Systems GmbH, Leinfelden-Echterdingen, member of the Supervisory Board at COR&FJA Schweiz AG, Zürich, member of the Board of Directors at FJA-US, Inc., New York, member of the Supervisory Board at plenum AG, Wiesbaden, member of the Supervisory Board at Wagner & Kunz Aktuare AG, Basel

Klaus Hackbarth (direct overall responsibility for Human Resources [until 1 April 2012], P&C, Legal, Cross Components and USA – Deputy Chairman), graduate in fiscal affairs (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 (direct overall responsibility for Life & Insurance Suite, Nearshore, the Slovenian national subsidiary and Human Resources [since 1 April 2012]), 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 (direct overall responsibility for Banking, Finance [since 1 January 2012] 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 (direct overall responsibility for Life Factory), 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

XIV. DECLARATION OF COMPLIANCE WITH THE GERMAN CODE OF CORPORATE GOVERNANCE

In December 2011, 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/declaration-of-compliance.html).

XV. EVENTS AFTER THE REPORTING DATE

Events that occurred between the reporting date and the date when the consolidated financial statement was submitted to the Supervisory Board by the Management Board, 11 April 2012, have been taken into account. During this period there were no transactions of special significance which would have to be specified here.

AUDIT CERTIFICATE

We have carried out an audit of the consolidated financial statement consisting of the balance sheet, profit and loss account, consolidated statement of earnings, 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 2011 drawn up by COR&FJA AG (formerly FJA), 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 HGB (German Commercial Code) 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 statement 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 statement, 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 statement 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 statement 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 statement, communicate an accurate overall picture of the Group's situation and accurately describe the opportunities and risks of future development.

Munich, 12 April 2012

kleeberg audit GmbH
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Prechtl	Schmidt
Auditor	Auditor

BALANCE SHEET OATH

Declaration by the statutory representatives under Section 297 Para. 2 (4) and Section 315 Para. 1 (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 statement 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 condensed 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 2012

Ulrich Wörner
Chairman of the Management Board

Klaus Hackbarth
Deputy Chairman of the Management Board

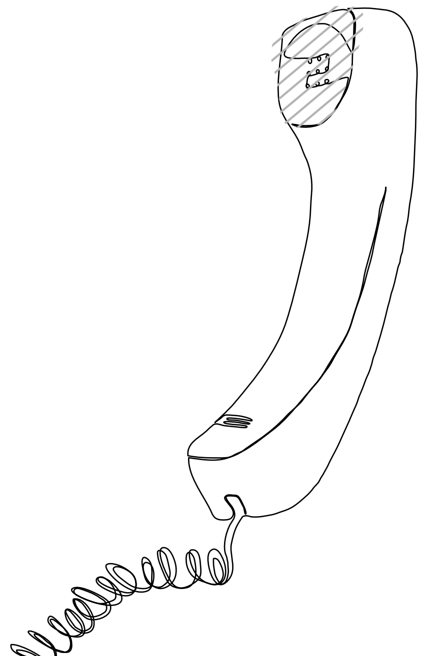
Milenko Radic
Member of the Management Board

Volker Weimer
Member of the Management Board

Rolf Zielke
Member of the Management Board

FINANCIAL CALENDAR

2012	
30 April 2012	Publication of company and consolidated financial statements for 2011
24 Mai 2012	Publication of report for 1st quarter of 2012
26 Juni 2012	Annual General Meeting 2012 in the Filderhalle, Leinfelden-Echterdingen
16 August 2012	Publication of report for 1st half-year 2012
15 November 2012	Publication of report for 1st–3rd quarters 2012
November 2012	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.

Impressum

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COR&FJA AG

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Dorothea Kurtz
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